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Principal Residential Investment Mortgages 1 S.A.

(incorporated as a public limited liability company ("*société anonyme*"), existing and organised under the laws of the Grand Duchy of Luxembourg ("**Luxembourg**"), with registered office at 13-15 Avenue de la Liberté, L-1931 Luxembourg, being registered with the Luxembourg Register of Commerce and Companies under number B 158681, being subject, as an unregulated securitisation undertaking, to the Luxembourg Act dated 22 March 2004 on securitisation, as amended (the "**Securitisation Act**")

EUR 89,250,000 Class A Mortgage-Backed Notes 2012 due 2040, issue price 100 per cent.
EUR 22,250,000 Class B Mortgage-Backed Notes 2012 due 2040, issue price 100 per cent.
EUR 22,250,000 Class C Mortgage-Backed Notes 2012 due 2040, issue price 100 per cent.

This document constitutes a prospectus (the "**Prospectus**") within the meaning of Article 5.3 of the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading, as amended by the Directive 2010/73/EC of the European Parliament and of the Council of 24 November 2010 (the "**Prospectus Directive**").

Application has been made to list the EUR 89,250,000 floating rate Class A Mortgage-Backed Notes 2012 due 2040 (the "**Class A Notes**"), the EUR 22,250,000 floating rate Class B Mortgage-Backed Notes 2012 due 2040 (the "**Class B Notes**") and the EUR 22,250,000 floating rate Class C Mortgage-Backed Notes 2012 due 2040 (the "**Class C Notes**", together with the Class B Notes, the "**Subordinated Notes**" and the Subordinated Notes together with the Class A Notes, the "**Notes**"), to be issued by Principal Residential Investment Mortgages 1 S.A. (the "**Issuer**"), on NYSE Euronext in Amsterdam ("**Euronext Amsterdam**"). This Prospectus has been approved by the Netherlands Authority for the Financial Markets ("*Stichting Autoriteit Financiële Markten*").

This document is issued in compliance with the Prospectus Directive for the purpose of giving information with regard to the issue of Notes. The Notes are expected to be issued and admitted to trading on 7 March 2012.

The Notes will carry a floating rate of interest, payable monthly in arrear on the Monthly Payment Date falling in March 2012 and on each Monthly Payment Date thereafter. The rate of interest for the Notes will be one month Euribor plus a margin per annum which will be, up to and including the Final Maturity Date, 3.00 per cent. for the Class A Notes and which will be, up to (but excluding) the first Optional Redemption Date, 4.50 per cent. for the Class B Notes and 6.00 per cent. for the Class C Notes. On the first Optional Redemption Date, the margin of the Class B Notes and the Class C Notes will be reset subject to and in accordance with the Terms and Conditions of the Notes (the "**Conditions**"). The margin on the Class A Notes will not be reset.

The Notes are scheduled to mature on the Monthly Payment Date falling in November 2040 (the "**Final Maturity Date**"). On the Monthly Payment Date falling in March 2012 and on each Monthly Payment Date thereafter, the Notes will be subject to mandatory redemption in the circumstances set out in, and subject to, and in accordance with the Conditions through the application of the Principal Redemption Amount, to the extent available. On the Monthly Payment Date falling in February 2019 and on each Monthly Payment Date thereafter (each an "**Optional Redemption Date**") the Issuer will have the option to redeem all (but not some only) of the Notes then outstanding at their Principal Amount Outstanding, subject to and in accordance with the Conditions. If the Notes are not redeemed in full on any Optional Redemption Date, the Notes will remain subject to mandatory redemption in accordance with Condition 6(b). Also, the Issuer will have the option to redeem the Notes upon the occurrence of a Tax Change in accordance with Condition 6(f), or upon the occurrence of a Regulatory Change in accordance with Condition 6(g), or upon the exercise of the Clean-Up Call Option in accordance with Condition 6(h) and in each case subject to, in case of the Subordinated Notes, Condition 9(b). Finally, the Issuer will redeem the Notes in accordance with Condition 6(b), if the Sellers exercise their option to repurchase the Mortgage Receivables on any Optional Redemption Date (the "**Sellers Call Option**"), subject to, in the case of the Subordinated Notes, Condition 9(b).

It is a condition precedent to issuance that the Class A Notes, on issue, be assigned a 'AAAsf' rating by Fitch Ratings Ltd ("**Fitch**") and a 'AAA (sf)' rating by Standard & Poor's Ratings Group, a division of The McGraw Hill Group of Companies, Inc. ("**S&P**") and, together with Fitch, the "**Rating Agencies**", the Class B Notes, on issue, be assigned at least a 'AAAsf' rating by Fitch and a 'AA (sf)' rating by S&P and the Class C Notes, on issue, be assigned at least a 'A-sf' rating by Fitch. Credit ratings included or referred to in this Prospectus have been issued by S&P and Fitch, each of which is established in the European Union and is registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the Regulation (EC) No 1060/2009 of 16 September 2009 on credit rating agencies as amended by Regulation (EU) No 513/2011 (the "**CRA Regulation**").

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

The Notes will be (indirectly) secured by a right of pledge over the Mortgage Receivables and the Beneficiary Rights relating thereto vested by the Issuer in favour of Stichting Security Trustee Principal Residential Investment Mortgages 1 (the "**Security Trustee**") and a right of pledge vested by the Issuer in favour of the Security Trustee over all rights of the Issuer under or in connection with most of the Relevant Documents. The right to payment of interest and principal on the Class B Notes and the Class C Notes will be subordinated and may be limited as more fully described in the Conditions.

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

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

The Notes will be solely the obligations of the Issuer. The Notes will not be the obligations or responsibilities of, or guaranteed by, any other entity or person, in whatever capacity acting, including, without limitation, each Seller, the Directors, the MPT Provider, the Issuer Administrator, the Paying Agent, the Reference Agent, the Liquidity Facility Provider, the GIC Provider, the Hedging Counterparty, the Arranger, the Class A Lead Manager, the Insurance Companies, the Security Trustee, the X Loan Providers, the Reserve Fund Loan Providers, the Issuer Adviser and the Back-up MPT Provider, in whatever capacity acting. Furthermore, none of the Sellers, the Directors, the MPT Provider, the Issuer Administrator, the Paying Agent, the Reference Agent, the Liquidity Facility Provider, the GIC Provider, the Hedging Counterparty, the Arranger, the Class A Lead Manager, the Insurance Companies, the Security Trustee, the X Loan Providers, the Reserve Fund Loan Providers, the Issuer Adviser and the Back-up MPT Provider, nor any other person in whatever capacity acting, will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amounts due under the Notes. None of the Sellers, the Directors, the MPT Provider, the Issuer Administrator, the Paying Agent, the Reference Agent, the Liquidity Facility Provider, the GIC Provider, the Hedging Counterparty, the Arranger, the Class A Lead Manager, the Insurance Companies, the Security Trustee, the X Loan Providers, the Reserve Fund Loan Providers, the Issuer Adviser and the Back-up MPT Provider, will be under any obligation whatsoever to provide additional funds to the Issuer (save in the limited circumstances pursuant to the Relevant Documents).

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

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

The date of this Prospectus is 6 March 2012.

Arranger and Class A Lead Manager

Natixis

TABLE OF CONTENTS

1.	OVERVIEW.....	5
2.	RISK FACTORS.....	9
3.	STRUCTURE DIAGRAM.....	28
4.	OVERVIEW OF THE PARTIES AND PRINCIPAL FEATURES OF THE TRANSACTION.....	29
5.	CREDIT STRUCTURE	43
6.	THE DUTCH RESIDENTIAL MORTGAGE MARKET	54
7.	THE SELLERS	58
8.	DESCRIPTION OF THE MORTGAGE LOANS	60
9.	MORTGAGE LOAN UNDERWRITING AND SERVICING ACTIVITIES.....	66
10.	MORTGAGE RECEIVABLES PURCHASE AGREEMENT	70
11.	SERVICES AGREEMENT, ISSUER ADMINISTRATION AGREEMENTS AND ISSUER ADVISORY AGREEMENT.....	77
12.	THE ISSUER	79
13.	USE OF PROCEEDS.....	82
14.	DESCRIPTION OF SECURITY	83
15.	THE SECURITY TRUSTEE	85
16.	TERMS AND CONDITIONS OF THE NOTES	86
17.	THE GLOBAL NOTES	102
18.	LUXEMBOURG TAXATION	104
19.	TAXATION IN THE NETHERLANDS	110
20.	PURCHASE AND SALE	113
21.	IMPORTANT INFORMATION AND RESPONSIBILITY STATEMENTS.....	117
22.	GENERAL INFORMATION	119
23.	ANNEX.....	121
24.	INDEX OF DEFINED TERMS	122

1. OVERVIEW

This overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole, including any amendment and supplement. Civil liability attaches to the Issuer, being the entity which has tabled the overview, and applied for its notification, but only if the overview is misleading, inaccurate or inconsistent when read together with other parts of the Prospectus.

Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EU member state, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.

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

The transaction

On 25 February 2011 (the "**Transfer Date**"), the Issuer has purchased from the relevant Sellers the Relevant Mortgage Receivables (i.e. the rights under or in connection with the Mortgage Loans held by the relevant Sellers) and has accepted the assignment of the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto by means of entering into the Mortgage Receivables Purchase Agreement and the execution of a deed of assignment in front of a civil law notary as a result of which legal title to the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto has been transferred to the Issuer. Furthermore, on the Transfer Date, the Issuer has, *inter alia*, issued notes (the "**Initial Notes**") and entered into a junior loan agreement (the "**Junior Loan Agreement**") with each of the Sellers pursuant to which the Issuer has drawn a loan for an amount equal to EUR 4,800,000 (the "**Junior Loan**"), a expenses funding loan agreement (the "**Expenses Funding Loan Agreement**") with each of the Sellers pursuant to which the Issuer has drawn a loan for an amount equal to EUR 5,930,900 (the "**Junior Expenses Loan**"), the Reserve Fund Loan Agreement and the X Loan Agreement and has used the net proceeds thereof, other than the Reserve Fund Loan, to pay to the relevant Sellers the Purchase Price for the Relevant Mortgage Receivables, pursuant to the Mortgage Receivables Purchase Agreement. On 7 March 2012 (the "**Issue Date**"), the Issuer will issue the Notes and use the net proceeds thereof to redeem all of the Initial Notes, the Junior Loan and the Junior Expenses Loan and part of the X Loan and to reserve the Pre-Issue Principal Proceeds (equal to EUR 3,622,425 to be used for redemption of the Notes on the Monthly Payment Date falling in March 2012).

On any Monthly Payment Date up to and including the Monthly Payment Date immediately preceding the Final Maturity Date, the Issuer will apply, to the extent offered by the relevant Seller, the Further Advance Available Amount towards the purchase from any Seller of Relevant Further Advance Receivables and the Beneficiary Rights relating thereto, subject to the fulfilment of certain conditions.

The Issuer will use receipts of principal and interest in respect of the Mortgage Receivables together with, in respect of the Notes only, amounts it receives under the Liquidity Facility Agreement, the Swap Agreement, drawings from the Reserve Account and the Issuer Collection Account, to make payments of, *inter alia*, principal and interest due in respect of the Notes and the Subordinated Loans. The obligations of the Issuer in respect of the Notes, will rank below the obligations of the Issuer in respect of certain items set forth in the applicable priority of payments (see *Credit Structure* below) and the right to payment of interest and principal on the Class B Notes, the Class C Notes and the Subordinated Loans will be subordinated to the Class A Notes and limited as more fully described herein under *Credit Structure* and *Terms and Conditions of the Notes*.

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

Pursuant to the GIC, the GIC Provider has agreed to pay a guaranteed rate of interest determined by reference to Euribor on the balance standing from time to time to the credit of the Transaction Accounts. In addition, ABN AMRO Bank N.V. in its capacity as the GIC Provider has agreed to pay a guaranteed rate of

interest determined by reference to Euro OverNight Index Average ("**EONIA**") on the balance standing from time to time to the credit of the Swap Cash Collateral Account (see *Credit Structure* below).

The Issuer has entered into a Services Agreement with Vesting Finance Servicing B.V. (as the MPT Provider) on the Transfer Date, which will be amended and restated on 7 March 2012, pursuant to which the MPT Provider has agreed to (i) provide administration and management services to the Issuer on a day-to-day basis in relation to the Mortgage Loans and the Mortgage Receivables, including, without limitation, the collection and recording of payments of principal, interest and other amounts in respect of the Mortgage Receivables and the implementation of arrears procedures including the enforcement of mortgage rights and any other collateral; (ii) communicate with the relevant Borrowers and (iii) investigate payment delinquencies. The MPT Provider had initially appointed Quion Hypotheekbemiddeling B.V. and Quion Hypotheekbegeleiding B.V. as its sub-agents in respect of the Relevant Mortgage Receivables, which appointment has been terminated prior to the Issue Date. In addition, the Issuer has appointed CMIS Nederland B.V. (formerly named GMAC RFC Nederland B.V.) to act as Back-up MPT Provider. Furthermore, the Issuer has entered into an Administration Agreement and a Domiciliation and Administration Agreement with ATC Corporate Services (Luxembourg) S.A. (as the Issuer Administrator) each on the Transfer Date, which will be amended and restated on 7 March 2012, pursuant to which the Issuer Administrator has agreed (a) to provide certain administration, calculation and cash management services on behalf of the Issuer on the basis of a bank account mandate to the Issuer and (b) to submit certain statistical information regarding the Issuer to certain governmental authorities if and when requested. Furthermore, the Issuer has appointed Principal Asset Management Company B.V. to act as Issuer Adviser (see *Services Agreement, Administration Agreement and Issuer Advisory Agreement* below).

The Mortgage Loan Criteria require that all Mortgage Receivables sold and assigned to the Issuer either bear (i) a fixed rate of interest or (ii) a floating rate of interest (as further described in *Description of the Mortgage Loans* below). The Mortgage Loan Criteria permit Borrowers to switch between fixed and floating interest rate products (see *Interest Rate Policy*). The interest rate payable by the Issuer with respect to the Notes is calculated as a margin over Euribor. The Issuer will hedge this potential interest rate exposure to a certain extent by entering into the Swap Agreement with the Hedging Counterparty (see *Credit Structure* below).

The Issuer

Principal Residential Investment Mortgages 1 S.A. has been incorporated on 3 February 2011 as a public limited liability company (*société anonyme*), is existing and organised under the laws of Luxembourg, with registered office at 13-15 Avenue de la Liberté, L-1931 Luxembourg, and is registered with the Luxembourg Register of Commerce and Companies under number B 158. 681. The Issuer is an unregulated securitisation undertaking in the meaning of and subject to the Securitisation Act. The entire issued share capital of the Issuer is owned by Stichting Holding Principal Residential Investment Mortgages 1. The Issuer is established to purchase the Mortgage Receivables and to issue notes.

Security

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

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

Furthermore, the Sellers shall grant on the balances standing to the credit of the Seller Collection Accounts a first ranking right of pledge in favour of the Issuer to secure certain of the Sellers' obligations under the Mortgage Receivables Purchase Agreement. Such right of pledge will be notified to the Seller Collection Accounts Provider and will therefore be a disclosed right of pledge. The Issuer will grant a power to collect to the Sellers, which will be withdrawn upon the occurrence of certain events.

For a more detailed description see *Credit Structure* and *Description of Security* below.

Limited Recourse

Each of the Noteholders shall only have recourse in respect of any claim against the Issuer in accordance with the relevant priority of payments as set forth in the Trust Deed, as reflected in *Credit Structure*. The Noteholders and the other Security Beneficiaries shall not have recourse on any assets of the Issuer other than (i) the Mortgage Receivables and the Beneficiary Rights, (ii) the balance standing to the credit of the Transaction Accounts and (iii) the amounts received by the Issuer under the Relevant Documents. In the event that the Security in respect of the Notes has been fully enforced and the proceeds of such enforcement, after payment of all other claims ranking under the Trust Deed in priority to a Class of Notes are insufficient to pay in full all principal and interest and other amounts whatsoever due in respect of such Class of Notes, the Noteholders of the relevant Class of Notes shall have no further claim against the Issuer or the Security Trustee in respect of any such unpaid amounts and any remaining claims shall be considered extinguished.

Non-Petition

Neither the Security Trustee, the Security Beneficiaries, the Noteholders, nor any other party entitled to any claims against the Issuer in connection with the Notes (or any person acting on behalf of any of them) shall (a) institute or join with any other person in bringing, instituting or joining insolvency proceedings (whether court based or otherwise) in relation to the Issuer; or (b) to take any steps for the purpose to recover such shortfall or to recover any debts whatsoever from the Issuer.

Interest on the Notes

The Notes will carry a floating rate of interest, payable monthly in arrear on the Monthly Payment Date falling in March 2012 and on each Monthly Payment Date thereafter. The rate of interest for the Notes will be one month Euribor plus a margin. On the first Optional Redemption Date, the margin of the Class B Notes and the Class C Notes will be reset subject to and in accordance with the Conditions. The margin of the Class A Notes will not be reset.

Redemption of the Notes

Unless previously redeemed, the Issuer will in accordance with Condition 6(b), subject to Condition 9(b), redeem all of the Notes at their respective Principal Amount Outstanding on the Monthly Payment Date falling in November 2040.

On the Monthly Payment Date falling in March 2012 and on each Monthly Payment Date thereafter until the delivery of an Enforcement Notice, the Issuer will be obliged to apply the Redemption Available Amount, which broadly consists of all amounts of principal received (i) as repayment or pre-payment on the Mortgage Receivables or (ii) in connection with a repurchase (unless applied towards the purchase of Further Advance Mortgage Receivables as set out above) or sale of the Mortgage Receivables, to (partially) redeem the Notes in the following order: (i) *first*, the Class A Notes, until fully redeemed, (ii) *second*, the Class B Notes, until fully redeemed and (iii) *finally*, the Class C Notes.

The Issuer will have the option to redeem all of the Notes, but not some only, on each Optional Redemption Date at their Principal Amount Outstanding in accordance with Condition 6(e) subject, in the case of the Subordinated Notes, to Condition 9(b). If the Notes are not redeemed in full on any Optional Redemption Date, the Notes will remain subject to mandatory redemption in accordance with Condition 6(b). Also, the Issuer will have the option to redeem the Notes upon the occurrence of a Tax Change in accordance with Condition 6(f), or upon the occurrence of a Regulatory Change in accordance with Condition 6(g), or upon the exercise of the Clean-Up Call Option in accordance with Condition 6(h) and in each case subject to, in case of the Subordinated Notes, Condition 9(b). Finally, the Issuer will redeem the Notes in accordance with Condition 6(b), if the Sellers exercise their option to repurchase the Mortgage Receivables on any Optional Redemption Date ("**Sellers Call Option**"), subject to, in the case of the Subordinated Notes, Condition 9(b).

Subordinated Loans

On the Transfer Date the Issuer has entered into the Reserve Fund Loan Agreement and the X Loan Agreement (jointly the "**Subordinated Loans**"). The obligations of the Issuer in respect of the Subordinated Loans will rank below the obligations of the Issuer in respect of the right to payment of interest and, in respect of the X Loan, principal on Notes (see further *Overview of the Parties and Principal Features of the Transaction* and *Credit Structure*).

Listing

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

Rating

It is a condition precedent to issuance that the Class A Notes, on issue, be assigned a 'AAAsf' rating by Fitch and a 'AAA (sf)' rating by S&P, the Class B Notes, on issue, be assigned at least a 'AAAsf' rating by Fitch and a 'AA (sf)' rating by S&P and the Class C Notes, on issue, be assigned at least a 'A-sf' rating by Fitch. Credit ratings included or referred to in this Prospectus have been issued by S&P and Fitch, each of which is established in the European Union and is registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the Regulation (EC) No 1060/2009 of 16 September 2009 on credit rating agencies as amended by Regulation (EU) No 513/2011 (the "**CRA Regulation**").

Risk factors

There are certain factors which prospective Noteholders should take into account. These risk factors relate to, *inter alia*, the Notes. Prospective Noteholders should take into account 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. Also, the Issuer has a risk that its counterparties will not perform their obligations, which may result in the Issuer not being able to meet its obligations. In addition, there are risks in connection with investing in the Notes. 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 *Risk Factors* below).

2. RISK FACTORS

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

RISK FACTORS REGARDING THE ISSUER

The Notes will be solely the obligations of the Issuer

The Notes will be solely the obligations of the Issuer. The Notes will not be obligations or responsibilities of, or guaranteed by, any other entity or person, in whatever capacity acting, including, without limitation, any Seller, the Directors, the MPT Provider, the Issuer Administrator, the Paying Agent, the Reference Agent, the Liquidity Facility Provider, the GIC Provider, the Hedging Counterparty, the Arranger, the Class A Lead Manager, the Insurance Companies, the Security Trustee, the X Loan Providers, the Reserve Fund Loan Providers, the Issuer Adviser and the Back-up MPT Provider, in whatever capacity acting. Furthermore, none of the Sellers, the Directors, the MPT Provider, the Issuer Administrator, the Paying Agent, the Reference Agent, the Liquidity Facility Provider, the GIC Provider, the Hedging Counterparty, the Arranger, the Class A Lead Manager, the Insurance Companies, the Security Trustee, the X Loan Providers, the Reserve Fund Loan Providers, the Issuer Adviser and the Back-up MPT Provider, nor any other person in whatever capacity acting, will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amounts due under the Notes.

None of the Sellers, the Directors, the MPT Provider, the Issuer Administrator, the Paying Agent, the Reference Agent, the Liquidity Facility Provider, the GIC Provider, the Hedging Counterparty, the Arranger, the Class A Lead Manager, the Insurance Companies, the Security Trustee, the X Loan Providers, the Reserve Fund Loan Providers, the Issuer Adviser and the Back-up MPT Provider will be under any obligation whatsoever to provide additional funds to the Issuer (save in the limited circumstances pursuant to the Relevant Documents, such as the payments due under the Swap Agreement by the Hedging Counterparty and the payments due under the Liquidity Facility Agreement by the Liquidity Facility Provider).

The Issuer has limited resources available to meet its obligations

The ability of the Issuer to meet its obligations in full to pay principal of and interest 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, the receipt by it of payments under the Swap Agreement, drawings under the Liquidity Facility and the receipt by it of interest in respect of the balance standing to the credit of the Issuer Collection Account. See *Credit Structure* below. The Issuer does not have any other resources available to it to meet its obligations under the Notes.

The Issuer has counterparty risk exposure

The Issuer is fully dependent on its counterparties for the performance of its obligations. Counterparties to the Issuer may not perform their obligations under the Relevant Documents. If any of the counterparties to the Issuer does not perform its obligations under the Relevant Documents, this may result in the Issuer not performing its obligations under the Relevant Documents and/or not receiving sufficient funds and as a consequence thereof not being able to meet its obligations under the Notes, including any payments on the Notes. It should be noted that there is a risk that (a) Vesting Finance Servicing B.V. in its capacity as MPT Provider will not meet its obligations vis-à-vis the Issuer, (b) ATC Corporate Services (Luxembourg) S.A. in its capacity as Issuer Administrator will not meet its obligations vis-à-vis the Issuer, (c) Principal Asset Management Company in its capacity as Issuer Adviser will not meet its obligations vis-à-vis the Issuer, (d) ABN AMRO Bank N.V. in its capacity as GIC Provider, Paying Agent and Reference Agent will not meet its obligations vis-à-vis the Issuer, (e) Natixis, London Branch in its capacity as Liquidity Facility Provider and Hedging Counterparty will not meet its obligations vis-à-vis the Issuer, (f) CMIS Nederland B.V. in its

capacity as Back-up MPT Provider will not meet its obligations vis-à-vis the Issuer (g) Sparck Hypotheken and KU88 in their capacities as Sellers will not meet their respective obligations vis-à-vis the Issuer and (h) Mr. Hille-Paul Schut, Mr. Joost Tulkens and Mrs. Neela Gungapersad, ATC Management B.V. and ANT Securitisation Services B.V. will not perform their respective obligations under the relevant Management Agreements.

The Sellers have limited resources available to meet their respective obligations / limited value of representations and warranties given by the Sellers

Part of the Risk Factors described herein refer to or are based on representations and warranties or covenants that have been given by the Sellers to the Issuer in the Mortgage Receivables Purchase Agreement. If any of such representations or warranties proves to have been materially untrue or incorrect or any of the Sellers materially defaults in the performance of any of its covenants or obligations contained herein, each of the Sellers has undertaken with the Issuer in the Mortgage Receivables Purchase Agreement to indemnify the Issuer for any damages sustained by the Issuer as a consequence thereof, provided that the Issuer (or the Security Trustee, as the case may be) shall not be entitled to claim any damages in respect such indemnification at any time unless the aggregate amount of all damages in respect of any or all of the events leading to such damages taken together exceeds an amount equal to 0.25 per cent. of the aggregate Outstanding Principal Amount of all Mortgage Receivables at such time, in which case the full amount may be claimed by the Issuer or the Security Trustee, as the case may be. The Sellers have only limited assets available and there can be no assurance that each Seller will honour or have the financial resources to indemnify the Issuer of claims of any substantive nature.

In addition to applying the proceeds of the Initial Notes towards the purchase of the Mortgage Receivables, the Mortgage Receivables have been purchased by applying the proceeds of the X Loan and the Junior Loan. The Junior Loan will be redeemed in full on the Issue Date. The Issuer's obligations in respect of the X Loan will rank below the obligations of the Issuer in respect of the right to payment of interest and principal on Notes and, as such, the X Loan provides a certain level of credit enhancement to the Notes. However, to the extent that any breach of representations and warranties or covenants of any of the Sellers leads to damages for the Issuer that cannot be recovered and exceed such level of credit enhancement, this may lead to losses under the Notes (see also *Set-off by Borrowers may affect the proceeds under the Mortgage Receivables*).

The aggregate Outstanding Principal Amount may not reflect the current market value of the Mortgage Receivables

The Mortgage Receivables have been purchased by applying the proceeds of the Initial Notes, the Junior Loan and the X Loan. On the Transfer Date the Junior Loan and the X Loan, being equal to an amount of EUR 59,918,990.83, have been made available by the Sellers to the Issuer by means of set-off against the obligation of the Issuer to pay part of the Purchase Price for the Mortgage Receivables to the Sellers. The aggregate Purchase Price of the Mortgage Receivables paid by the Issuer was, as a result of the advance of the Junior Loan and the X Loan by the Sellers by means of set-off, equal to the Outstanding Principal Amount (minus the amount of the Junior Expenses Loan). However, the market value of the Mortgage Receivables may be lower than the Purchase Price. If the Mortgage Receivables are not paid in full, this could lead to losses under the Notes.

Consequences of Winding-up Proceedings

The Issuer is structured to be an insolvency-remote vehicle. In the Trust Deed it is agreed that the Issuer may only enter into agreements with the consent of the Security Trustee. In all Relevant Documents, parties agree not to make any application for the commencement of winding-up, liquidation or bankruptcy or similar proceedings against the Issuer. Legal proceedings initiated against the Issuer in breach of these provisions shall, in principle, be declared inadmissible by a Luxembourg court. Notwithstanding the foregoing, if the Issuer fails for any reason to meet its obligations or liabilities (that is, if the Issuer is in a state of cessation of payments ("*cessation de paiements*") and has lost its commercial creditworthiness ("*ébranlement de crédit*"), a creditor who has not (and cannot be deemed to have) accepted non-petition and limited recourse provisions in respect of the Issuer may be entitled to make an application for the commencement of insolvency proceedings against the Issuer. The commencement of such proceedings may in certain conditions, entitle creditors (including hedge counterparties) to terminate contracts with the Issuer and claim damages for any loss suffered as a result of such early termination. The Issuer is insolvency-remote, not insolvency-proof.

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

Under or pursuant to the Pledge Agreements, various rights of pledge will be granted by the Issuer to the Security Trustee. On the basis of these pledges the Security Trustee can exercise the rights afforded by Netherlands law to pledgees notwithstanding the winding-up, liquidation or bankruptcy or similar proceedings involving the Issuer subject to the limitations of Luxembourg law. The Issuer is a special purpose vehicle and is therefore unlikely to become insolvent. However, any winding-up, liquidation or bankruptcy or similar proceedings involving the Issuer would affect the position of the Security Trustee as pledgee in some respects as described below.

As a matter of Netherlands law, to the extent 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 and the pledge may not be validly vested before the receivable comes into existence, if such future receivable comes into existence after the Issuer has been wound-up, liquidated, declared bankrupt or has been subjected to similar proceedings. The Issuer has been advised that the assets pledged to the Security Trustee under the Assets Pledge Agreement should probably be regarded as future receivables. This would for example apply to amounts paid to the Issuer Collection Account following the Issuer's winding-up, liquidation or bankruptcy. With respect to Beneficiary Rights, reference is made to *Risks relating to Beneficiary Rights under the Life Insurance Policies* below.

Assets over which a valid security interest has been granted will in principle not be available for distribution to unsecured creditors (except after enforcement and to the extent a surplus is realized). Pursuant to article 20 of the Luxembourg Act dated August 5, 2005 concerning financial collateral arrangements, as amended (the "**Luxembourg 2005 Financial Collateral Act**"), all collateral arrangements in respect of assets over which Luxembourg security interests have been granted, as well as all enforcement measures and valuation and enforcement measures agreed upon by the parties in accordance with this law, are valid and enforceable even if entered into during the pre-bankruptcy period against third parties, commissioners, receivers, liquidators and other similar persons notwithstanding the insolvency proceedings (save in the case of fraud).

The Issuer will however not vest Luxembourg security interests but pledges governed by Netherlands law.

The Issuer has been advised that the security interests granted by the Issuer under the pledges governed by Netherlands law will not necessarily have the priority and ranking provided in such documents. Luxembourg law grants certain preferential liens on movable assets of debtors in favour of, *inter alios*, Luxembourg tax authorities and social security institutions, as well as employees in respect of their claims (if any); they may take precedence over the rights of other secured or unsecured creditors.

The Issuer has been advised that a competent Luxembourg court will give effect to foreign security rights covering assets located outside a Member State of the European Union party to the Council Regulation (EC) No. 1346/2000 of 29 May 2000 on insolvency proceedings (the "**Insolvency Regulation**") or to foreign security interest not covered by the Insolvency Regulation if these security rights fit in the closed system of Luxembourg security rights (*sûretés*) and preferential liens (*privilèges*) and do not constitute a security or security concept unknown under Luxembourg law. A secured creditor will not be entitled to assert more rights or remedies in Luxembourg than are available (i) to it under the foreign security right and (ii) to a holder of a Luxembourg security right that, by its legal nature, is similar to the foreign security right. The Issuer has been advised that there is no Luxembourg court precedent in this context and it may be uncertain how a Luxembourg court would treat a foreign security interest or right *in rem* in each particular case if it materially differs from any security right available under Luxembourg law. A court of competent jurisdiction in Luxembourg will characterise the pledges governed by Netherlands law, to the extent only Luxembourg assets are covered, according to the Luxembourg legal system (*qualification lege fori*) before deciding whether or not it can be assimilated to a security right known in Luxembourg law. In particular, a right to segregated enforcement in insolvency (*droit de revendication contre la masse*) requires that the foreign security right constitutes either a title security (*propriété*) or a retention right (*droit de rétention*) under its applicable law and attaches monetary claims and/or financial instruments within the meaning of the Collateral Act, as applicable.

Notwithstanding the above, a competent Luxembourg court will give effect to the pledges governed by

Netherlands law where such pledges cover assets located in a Member State (other than Luxembourg) of the European Union party to the Insolvency Regulation even if the foreign rights *in rem* (for purposes of the Insolvency Regulation) over these assets grant more extensive rights to a secured creditor than internal Luxembourg law, unless these assets have been moved to Luxembourg prior to the opening of Luxembourg insolvency proceedings.

Licence requirement under the Wft

Under the Netherlands Act on Financial Supervision as amended from time to time ("*Wet op het financieel toezicht*" or "**Wft**"), which entered into force on 1 January 2007, a special purpose vehicle which services ("*beheert*") and administers ("*uitvoert*") loans granted to consumers, such as the Issuer, must have a licence under the Wft. An exemption from the licence requirement is available, if the special purpose vehicle outsources the servicing of the loans and the administration thereof to an entity holding a licence under the Wft. The Issuer has outsourced the servicing and administration of the Mortgage Loans to the MPT Provider. The MPT Provider holds a licence as intermediary ("*bemiddelaar*") and offeror of credit ("*aanbieder van krediet*") under the Wft and the Issuer thus benefits from the exemption. However, if the Services Agreement is terminated, the Issuer will need to outsource the servicing and administration of the Mortgage Loans to another licensed entity or it needs to apply for and hold a licence itself. In the latter case, the Issuer will have to comply with the applicable requirements under the Wft. If the Services Agreement is terminated and the Issuer has not outsourced the servicing and administration of the Mortgage Loans to a licensed entity and, in such case, it will not hold a licence itself, the Issuer will have to terminate its activities and settle ("*afwikkelen*") its existing agreements, which may ultimately result in, among others, an early redemption of the Notes.

Risk that the interest received on the Mortgage Receivables is less than the interest payable on the Notes

The interest rate payable by Borrowers on their Mortgage Loans is either a floating interest rate or a fixed interest rate which is subject to a reset after a certain period of time. The Mortgage Loan Criteria also permit the Borrowers to switch between fixed and floating interest rate. The interest payable on the Notes is based on a floating interest rate linked to Euribor (plus a margin). As a result it is likely that the interest payable on the Notes is more volatile than the interest payable on the Mortgage Receivables. The interest payable by Borrowers on the Mortgage Receivables may potentially be lower than the interest payable by the Issuer on the Notes and its other liabilities. The Issuer has entered into two interest rate cap transactions to mitigate this risk to a certain extent. Pursuant to these transactions the Hedging Counterparty will pay to the Issuer an amount equal to the positive difference between Euribor and 4 per cent. over the cap notional of the first transaction and 5 per cent. over the cap notional of the second transaction, respectively (as set out in more detail in *Credit Structure* below). Therefore if Euribor would be higher than 4 per cent. and 5 per cent., respectively, the Issuer will receive the difference multiplied by the relevant notional amounts of the cap transactions from the Hedging Counterparty. However, apart from the risk that the Swap Agreement could be terminated in certain circumstances (see below under *Risk related to the termination of the Swap Agreement*), these transactions do not mitigate the following risks. The cap notional amounts reduce over time on a linear basis (on the basis of an assumed constant prepayment rate of 5 and 8 per cent., respectively), whilst the reduction of the Principal Amount Outstanding of the Notes depends on the actual repayments received from Borrowers. In addition, the cap transactions do not provide any comfort that the rates of interest on the Mortgage Receivables will not be lower than the interest payable by the Issuer on the Notes and its other liabilities (also in cases where Euribor is below 4 or 5 per cent.). As a result the Issuer may have insufficient funds to make payments under the Notes.

Risk related to the termination of the Swap Agreement

The Hedging 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 Hedging 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 Hedging 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 Hedging Counterparty may transfer its rights and obligations to another of its offices, branches or affiliates to avoid the relevant Tax Event. If the Hedging Counterparty is unable to transfer its rights and obligations under the Swap Agreement to another office, branch or affiliate, it will have the right

to terminate the Swap Agreement. Upon such termination, the Hedging Counterparty may be liable to make a termination payment to the Issuer.

The Swap Agreement will also be terminable by one party if - *inter alia* - (i) an Event of Default (as defined therein) occurs in relation to the other party, (ii) it becomes unlawful for either party to perform its obligations under the Swap Agreement or (iii) an Enforcement Notice is served. Events of Default under the Swap Agreement in relation to the Issuer will be limited to (i) non-payment under the Swap Agreement and (ii) insolvency events in respect of the Issuer. If the Swap Agreement terminates the Issuer will be fully exposed to changes in the relevant rates of interest. As a result the Issuer may have insufficient funds to make payments under the Notes.

Risks related to the Luxembourg taxation regime of the Issuer

In 2006 the EU Commission requested information from Luxembourg in respect of the Luxembourg Securitisation Act and the Luxembourg law on investment companies in risk capital (SICAR), as regards the compatibility of these laws with European provisions on State Aid. The Luxembourg Government replied to the questions raised in the summer of 2006. Following the reply by Luxembourg, the EU Commission has so far never taken any formal position on the question. As the discussion dates back over 5 years, it is generally expected that the Securitisation Act should not constitute prohibited State Aid, *inter alia*, as securitisation should not be viewed as a business enterprise. However, by lack of formal conclusion by the EU Commission it cannot be entirely excluded that the EU Commission would come back on the issue. In the event that the Luxembourg Securitisation Act would be considered to constitute prohibited State Aid, Luxembourg tax leakage at the level of the Issuer may increase both for the past as for the future.

Risks related to the Issuer's Dutch tax position

The Issuer is effectively managed and controlled in Luxembourg. The Issuer has been advised that on this basis the Issuer will not be treated as an entity that is a resident taxpayer in the Netherlands for Dutch corporate income tax purposes. The Issuer has also been advised that the criteria of a permanent establishment located in the Netherlands are not fulfilled and that on this basis its income will not be taxable in the Netherlands. However, investors should note that there is no certainty that the Dutch tax authorities will agree with this assessment. It cannot be entirely ruled out that the Dutch tax authorities may qualify the MPT Provider, being the servicer of the Mortgage Receivables, as a permanent representative of the Issuer in the Netherlands or even assume that the Issuer has its place of effective management and control in the Netherlands.

If, in the unlikely event and contrary to the expectations of the Issuer, the Dutch tax authorities take the position that the Issuer is effectively managed and controlled in the Netherlands, Dutch corporate income tax will, in principle, arise with respect to taxable income of the Issuer. However, in case the Issuer is subject to Dutch corporate income tax on the basis of being a resident taxpayer, its taxable income would be expected to be low, since the Issuer would be entitled to a full tax deduction for interest due on the Notes. If Vesting would be treated as a permanent representative of the Issuer in the Netherlands, then the risk of this resulting in the recognition of taxable income of the Issuer in the Netherlands is remote.

RISK FACTORS REGARDING THE MORTGAGE RECEIVABLES

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

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

Until notification of the assignment has been made to the Borrowers, the Borrowers under the Relevant Mortgage Receivables can only validly pay to the relevant Seller in order to fully discharge their payment obligations ("*bevrijdend betalen*") in respect thereof. Each Seller has undertaken in the Mortgage Receivables Purchase Agreement to pay on each Mortgage Payment Date to the Issuer any amounts received in respect of the Relevant Mortgage Receivables during the immediately preceding Mortgage Calculation Period. However, receipt of such amounts by the Issuer is subject to the relevant Seller actually making such payments. If the relevant Seller is declared bankrupt or subject to suspension of payments prior to making such payments, the Issuer has no right of any preference in respect of such amounts (for mitigation of this risk see below).

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

Borrowers

The Sellers have represented and warranted in the Mortgage Receivables Purchase Agreement that all Mortgage Loans have been granted in accordance with all applicable legal requirements prevailing at the time of origination in all material respects, and the Code of Conduct on Mortgage Loans ("*Gedragscode Hypothecaire Financieringen*") and the relevant Sellers' standard underwriting criteria and procedures, including borrower income requirements, prevailing at that time and these underwriting criteria and procedures are in a form as may reasonably be expected from a lender of Dutch residential mortgages (see *Mortgage Receivables Purchase Agreement* below). The Sellers' standard underwriting criteria contain terms generally consistent with those used by residential mortgage lenders lending to borrowers who do not satisfy the requirements of the mainstream banks, such as ABN AMRO Bank, Rabobank, ING Bank or SNS Bank.

It is noted that losses under the Mortgage Loans may be higher than average compared to mortgage loans originated by other Dutch mortgage lenders and may continue to be higher. It is also noted that a large portion of the Borrowers has a negative registration at the National Credit Registration ("*Bureau Krediet Registratie*" or "*BKR*"), which negative registration indicates that the relevant Borrower has defaulted in respect of repayment of one or more of its financial commitments entered into with financial institutions over a past period of time (see table 16 in *Description of the Mortgage Loans* below). In this respect it is noted that the Sellers' standard underwriting criteria take into account, inter alia, a potential borrower's credit history, employment history and status, repayment ability and are utilised with a view, in part, to mitigating the risks in lending to Borrowers in the foregoing categories. Such risks are also taken into account in the interest rates that are applicable to the Mortgage Loans, which are on average higher than the interest rates applied by residential mortgage lenders lending to borrowers who satisfy the requirements of the mainstream banks (see table 11 in *Description of the Mortgage Loans* below).

In general, the percentage of the Borrowers in arrears is relatively high compared to borrowers of prime mortgage loans (see table 19 in *Description of the Mortgage Loans* below). In addition, all Mortgage Loans have been originated in the period between 2006 and 2008. Taking into account the recent decline in average house prices (see *The Dutch Residential Mortgage Market* below), on enforcement, recoveries of the Mortgage Loans may therefore may be lower than a portfolio of mortgage loans originated prior to this period, *ceteris paribus* (see *Risks of Losses Associated with Declining Values of Mortgaged Assets* and table 8 in *Description of the Mortgage Loans* below). In this respect it is noted that the tables set forth in *Description of the Mortgage Loans* below do not take into account any declining value of the Mortgaged Assets, but reflect, *inter alia*, the original loan-to-foreclosure value or current loan-to-foreclosure value of the Mortgaged Assets as valued at the origination of the relevant Mortgage Loans (see tables 5 and 6 in *Description of the Mortgage Loans* below).

The pool of Mortgage Loans include Mortgage Loans made to Borrowers who are self-employed and/or who certified their own income (see table 17 in *Description of the Mortgage Loans* below). It is noted that currently self-certification is not allowed as a basis for underwriting of mortgage loans such as the Mortgage Loans. It may be argued that at the time of origination of the Mortgage Loans, self-certification was not in

accordance with applicable rules and regulations and/or prudent underwriting procedures of Dutch mortgage lenders and might give rise to claims by Borrowers, which could lead to losses under the Notes.

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

Under Netherlands law a debtor has a right of set-off if it has a claim that corresponds to its debt 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 be entitled to set off amounts due by the relevant Seller to it (if any) with amounts it owes in respect of the Relevant Mortgage Receivable prior to notification of the assignment of the Relevant Mortgage Receivable to the Issuer having been made. Such amounts due and payable by a Seller to a Borrower could, *inter alia*, result from deposits made with such Seller. Also, such claims of a Borrower could, *inter alia*, result from (x) services rendered by a Seller to the Borrower prior to, on and after origination, if rendered at all or (y) services for which the relevant Seller is liable. As a result of the set-off of amounts due and payable by a Seller to the Borrower with amounts the Borrower owes in respect of the Relevant Mortgage Receivable, the Relevant Mortgage Receivable will, partially or fully, be extinguished ("*gaat teniet*"). Set-off by Borrowers could thus lead to losses under the Notes.

In respect of the Relevant Mortgage Receivables sold by each Seller, reference is made to the representation made by it that (i) it owes no amounts to a Borrower under an account relationship and (ii) no deposits have been accepted by it from any Borrower.

In the Mortgage Receivables Purchase Agreement, each of the Sellers have represented that the mortgage conditions applicable to the Relevant Mortgage Loans provide that all payments by the Borrowers should be made without any deduction (in the mortgage conditions used by KU88) or set-off (in the mortgage conditions used by Sparck Hypotheken). Considering the wording of this provisions, it is uncertain whether it is intended as a waiver by the relevant Borrowers of their set-off rights vis-à-vis the relevant Seller, but if this clause can be regarded as such, under Netherlands law it is uncertain whether such waiver will be valid. Should such waiver be invalid, the Borrowers will have the set-off rights described in this paragraph.

After assignment of the Mortgage Receivables to the Issuer and notification thereof to a Borrower, such Borrower will also have set-off rights vis-à-vis the Issuer, provided that the legal requirements for set-off are met (see above) and further provided that (i) the counterclaim of the Borrower results from the same legal relationship as the relevant Mortgage Receivable or (ii) the counterclaim of the Borrower has originated ("*opgekomen*") and became due and payable ("*opeisbaar*") prior to the assignment of the Mortgage Receivable and notification thereof to the relevant Borrower. The question whether a court will come to the conclusion that the relevant Mortgage Receivable and the claim of the Borrower against a Seller result from the same legal relationship will depend on all relevant facts and circumstances involved. But even if these would be held to be different legal relationships, set-off will be possible if the counterclaim of the Borrower has originated ("*opgekomen*") and become due and payable ("*opeisbaar*") prior to notification of the assignment, provided that all other requirements for set-off have been met (see above).

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

The Mortgage Receivables Purchase Agreement provides that if a Borrower sets off amounts due to it by the relevant Seller against the Relevant Mortgage Receivable or if a Borrower invokes set-off against the Issuer and, as a consequence thereof, the Issuer does not receive the amount which it is entitled to receive in respect of such Relevant Mortgage Receivable, the relevant Seller will pay to the Issuer an amount equal to the difference between the amount which the Issuer would have received in respect of the Relevant Mortgage Receivable if no set-off had taken place and the amount actually received by the Issuer in respect of such Relevant Mortgage Receivable. If any of the Sellers would not meet the obligations under the Mortgage Receivables Purchase Agreement, set-off by Borrowers could lead to losses under the Notes. In this respect it has been agreed in the Administration Agreement that in case of a breach by a Seller of its

obligations under the Mortgage Receivables Purchase Agreement, an amount equal to the aggregate Realised Damage will be credited to the Realised Damage Principal Deficiency Ledger (see also *The Sellers have limited resources available to meet their respective obligations/limited value of representations and warranties given by the Sellers*).

For specific set-off issues relating to the Life Insurance Policies connected to the Mortgage Loans, reference is made to *Risk of set-off or defences by Borrowers in case of insolvency of Insurance Companies* below.

Risk that the Credit Security Rights have not followed the Mortgage Receivables upon assignment to the Issuer

The mortgage deeds relating to the Mortgage Receivables that have been sold to the Issuer provide that the mortgage rights created pursuant to such mortgage deeds, not only secure the loan granted to the Borrower for the purpose of acquiring the relevant Mortgaged Asset, but also secure all drawings or amounts that are or may become due by the relevant Borrower under or in connection with the Mortgage Loan ("**Credit Mortgages**"). The Mortgage Loans also provide for rights of pledge granted in favour of the relevant Seller, which secure the same debts as the Credit Mortgages ("**Credit Pledges**" and jointly with the Credit Mortgages, the "**Credit Security Rights**").

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

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

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

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

In respect of the Mortgage Receivables, the relevant mortgage deeds and the agreements referred to therein stipulate that in case of assignment of the receivable the mortgage right and right of pledge will partially follow. These stipulations are a clear indication of the intentions of the parties in this respect. The Issuer has been advised that, in the absence of circumstances giving an indication to the contrary, the inclusion of these provisions in the mortgage deeds and the agreements referred to therein makes clear that the Credit Security Right (partially) follows the Mortgage Receivable as accessory and ancillary right upon its assignment, but that there is no case law explicitly supporting this advice.

The above applies *mutatis mutandis* in the case of the pledge of the Mortgage Receivables by the Issuer to

the Security Trustee under the Receivables Pledge Agreement.

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

If the Credit Security Rights have (partially) followed the Mortgage Receivables upon their assignment, the Credit Security Rights will be jointly-held by the Issuer (or the Security Trustee, as pledgee) and the relevant Seller and will secure both the Relevant Mortgage Receivables held by the Issuer (or the Security Trustee, as pledgee) and any claims held by the relevant Seller vis-à-vis the relevant Borrower (the "**Other Claims**").

Where the Credit Security Rights are jointly-held by both the Issuer or the Security Trustee and the relevant Seller, the rules applicable to a joint estate ("*gemeenschap*") apply. The Netherlands Civil Code provides for various mandatory rules applying to such jointly-held rights. In the Mortgage Receivables Purchase Agreement each Seller, the Issuer and the Security Trustee have agreed that the Issuer and/or the Security Trustee (as applicable) will manage and administer such jointly-held rights. Certain acts, including acts concerning the day-to-day management ("*beheer*") of the jointly-held rights, may under Dutch law be transacted by each of the participants ("*deelgenoten*") in the jointly-held rights. All other acts must be transacted by all of the participants acting together in order to bind the jointly-held rights. It is uncertain whether the foreclosure of the Credit Security Rights will be considered as day-to-day management, and, consequently it is uncertain whether the consent of the relevant Seller, the relevant Seller's bankruptcy trustee ("*curator*") (in case of bankruptcy) or administrator ("*bewindvoerder*") (in case of (preliminary) suspension of payments), as the case may be, may be required for such foreclosure. Each Seller, the Issuer and the Security Trustee will agree that in case of foreclosure the share ("*aandeel*") in each jointly-held Credit Security Right of the Issuer and/or the Security Trustee will be equal to the Outstanding Principal Amount of the Relevant Mortgage Receivable, increased with interest and costs, if any, and the share of the relevant Seller will be equal to the Net Proceeds less the Outstanding Principal Amount, increased with interest and costs, if any. The Issuer has been advised that although a good argument can be made that this arrangement will be enforceable against the relevant Seller or, in case of its bankruptcy or suspension of payments, its trustee or administrator, as the case may be, this is not certain. Furthermore, it is noted that this arrangement may not be effective against the Borrowers.

The mortgage conditions in respect of each of the Mortgage Loans stipulate that, *inter alia*, (i) the shares of the relevant Seller and any assignee respectively with respect to the mortgage right will be *pro rata* to the size of the claim they have against the Borrower and (ii) any power to manage or administer such jointly-held rights requires the explicit and written approval of the other party.

Each of the Sellers has agreed that in case of a breach by a Seller of its obligations under these agreements or if any of such agreement is dissolved, void, nullified or ineffective for any reason in respect of a Seller, such Seller shall compensate the Issuer and/or the Security Trustee (as applicable) forthwith for any and all loss, cost, claim, damage and expense whatsoever which the Issuer and/or the Security Trustee (as applicable) incurs as a result thereof. Receipt of such amount by the Issuer and/or the Security Trustee is subject to the ability of the Sellers to actually make such payments.

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

In the Mortgage Receivables Purchase Agreement, each Seller has represented that it has no Other Claims. In addition, each of the Sellers has undertaken in the Mortgage Receivables Purchase Agreement that, until the Notes have been fully redeemed in accordance with the Conditions and the Issuer has no further obligation under any of the other Relevant Documents, it shall not grant or acquire any Other Claim against a Borrower, unless it is a Further Advance and unless it sells and assigns the relevant Further Advance Receivable the Issuer on the immediately succeeding Mortgage Payment Date.

Long lease

The mortgage rights securing the Mortgage Loans may be vested on a long lease ("*erfpacht*"), as further described in the section *Description of Mortgage Loans*. A long lease will, *inter alia*, end as a result of expiration of the long lease term (in case of lease for a fixed period), or termination of the long lease by the

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

When underwriting a Mortgage Loan to be secured by a mortgage right on a long lease the Sellers will take into consideration the conditions, including the term, of the long lease. The acceptance conditions used by the Sellers provide that in certain events the Mortgage Loan shall have a maturity that is shorter than the term of the long lease. The general terms and conditions of the Mortgage Loans provide that the Mortgage Loan becomes immediately due and payable in the event that, *inter alia*, (i) the leaseholder has not paid the remuneration, (ii) the conditions of the long lease are changed, (iii) the lease holder breaches any obligation under the long lease, or (iv) the long lease is dissolved or terminated.

Risk that Borrower Insurance Pledges will not be effective

All rights of a Borrower under the Life Insurance Policies have been pledged to the relevant Seller (the "**Borrower Insurance Pledge**"). The Issuer has been advised that it is probable that the right to receive payment, including the commutation payment ("*afkoopsom*"), under the Life Insurance Policies will be regarded by a Netherlands court as a future right. The pledge of a future right is, under Netherlands law, not effective if the pledgor is declared bankrupt, granted a suspension of payments or is subject to emergency regulations, prior to the moment such right comes into existence. This means that it is uncertain whether such pledge will be effective.

To the extent the Borrower Insurance Pledges secure the same liabilities as the Credit Security Rights (and should therefore be regarded as Credit Pledges), reference is made to *Risk that the Credit Security Rights will not follow the Mortgage Receivables upon assignment to the Issuer* above.

Risks relating to Beneficiary Rights under the Life Insurance Policies

The relevant Seller has been appointed as beneficiary under the relevant Life Insurance Policy (the "**Beneficiary Rights**"), except that in certain cases another beneficiary is appointed who will rank ahead of the relevant Seller, provided that, *inter alia*, the relevant Insurance Company is irrevocably authorised by such beneficiary to pay the proceeds of the Life Insurance Policy to the relevant Seller (the "**Borrower Insurance Proceeds Instruction**"). The Issuer has been advised that it is unlikely that the appointment of the relevant Seller as beneficiary will be regarded as an ancillary right and that it will follow the Mortgage Receivables upon assignment or pledge thereof to the Issuer or the Security Trustee. The Beneficiary Rights will be assigned by the relevant Seller to the Issuer and will be pledged to the Security Trustee by the Issuer (see *Description of Security* below). However, the Issuer has been advised that it is uncertain whether this assignment and pledge will be effective.

Each Seller has undertaken that it will use its best efforts upon the occurrence of an Assignment Notification Event relating to it to terminate the appointment of the relevant Seller as beneficiary under the Life Insurance Policies and to appoint the Issuer or the Security Trustee, as the case may be, as first beneficiary under the Life Insurance Policies. In the event that a Borrower Insurance Proceeds Instruction has been given, the relevant Seller, will undertake to use its best efforts following an Assignment Notification Event to withdraw the Borrower Insurance Proceeds Instruction in favour of the relevant Seller and to issue such instruction in favour of (i) the Issuer subject to the dissolving condition ("*ontbindende voorwaarde*") of a Pledge Notification Event relating to it and (ii) the Security Trustee under the condition precedent ("*opschortende voorwaarde*") of the occurrence of a Pledge Notification Event. The termination and appointment of a beneficiary under the Life Insurance Policies and the withdrawal and the issue of the Borrower Insurance Proceeds Instruction will require the co-operation of all relevant parties involved. It is uncertain whether such co-operation will be forthcoming.

If the Issuer or the Security Trustee, as the case may be, has not become beneficiary of the Life Insurance Policies or the assignment and pledge of the Beneficiary Rights is not effective, any proceeds under the Life Insurance Policies will be payable to the relevant Seller or to another beneficiary rather than to the Issuer or the Security Trustee, as the case may be. If the proceeds are paid to the relevant Seller, it will pursuant to

the Mortgage Receivables Purchase Agreement be obliged to pay the amount involved to the Issuer or the Security Trustee, as the case may be. If the proceeds are paid to the relevant Seller and the relevant Seller does not pay such amount to the Issuer or the Security Trustee, as the case may be, e.g. in case of bankruptcy of the relevant Seller, or if the proceeds are paid to another beneficiary instead of the Issuer or the Security Trustee, as the case may be, this may result in the amount paid under the Life Insurance Policies not being applied in reduction of the Relevant Mortgage Receivables. This may lead to the Borrower invoking set-off or defences against the Issuer or, as the case may be, the Security Trustee for the amounts so received by the relevant Seller or another beneficiary, as the case may be.

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

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

As set out in *Set-off by Borrowers may affect the proceeds under the Mortgage Receivables* above, the Borrowers have waived their set-off rights, but it is uncertain whether such waiver is effective. If this provision described above is not effective the Borrowers will, in order to invoke a right of set-off, need to comply with the applicable legal requirements for set-off. One of these requirements is that the Borrower should have a claim, which corresponds to his debt to the same counterparty. The Life Insurance Policies are contracts between the relevant Insurance Company and the Borrowers. Therefore, in order to invoke a right of set-off, the Borrowers would have to establish that the relevant Seller and the relevant Insurance Company should be regarded as one legal entity or, possibly, based upon interpretation of case law, that set-off is allowed, even if the relevant Seller and the relevant Insurance Company are not considered as one legal entity, since the Life Insurance Policies and the Mortgage Loans might be regarded as one inter-related legal relationship. Furthermore, the Borrowers should have a counterclaim that is due and payable. If the relevant Insurance Company is declared bankrupt or has become subject to emergency regulations, the Borrower will have the right unilaterally to terminate the Life Insurance Policy and to receive a commutation payment ("*afkoopsom*"). These rights are subject to the Borrower Insurance Pledge. However, despite this pledge, it could be argued that the Borrower will be entitled to invoke a right of set-off for the commutation payment, subject, however, to what is stated above under Risk that Borrower Insurance Pledges will not be effective. However, apart from the right to terminate the Life Insurance Policies, the Borrowers are also likely to have the right to dissolve the Life Insurance Policies and to claim restitution of premiums paid and/or supplementary damages. It is uncertain whether such claim is subject to the Borrower Insurance Pledge. If not, the Borrower Insurance Pledge would not obstruct a right of set-off in respect of such claim by the Borrowers.

Set-off vis-à-vis the Issuer after notification of the assignment or vis-à-vis the Security Trustee after notification of the pledge would be subject to the additional requirements for set-off after assignment being met (see *Set-off by Borrowers may affect the proceeds under the Mortgage Receivables* above).

Even if the Borrowers cannot invoke a right of set-off, they may invoke defences vis-à-vis the relevant Seller, the Issuer and/or the Security Trustee, as the case may be. The Borrowers will naturally have all defences afforded by Netherlands law to debtors in general. A specific defence one could think of would be based upon interpretation of the mortgage conditions and the promotional materials relating to the Mortgage Loans. Borrowers could argue that the Mortgage Loans and the Life Insurance Policies are to be regarded as one inter-related legal relationship and could on this basis claim a right of annulment or rescission of the Mortgage Loans or possibly suspension of their obligations thereunder. They could also argue that it was the intention of the Borrower, the relevant Seller and the relevant Insurance Company, at least they could rightfully interpret the mortgage conditions and the promotional materials in such a manner, that the

Mortgage Receivable would be (fully or partially) repaid by means of the proceeds of the relevant Life Insurance Policy and that, failing such proceeds being so applied, the Borrower is not obliged to repay the (corresponding) part of the Mortgage Receivable. Also, a defence could be based upon principles of reasonableness and fairness ("*redelijkheid en billijkheid*") in general, i.e. that it is contrary to principles of reasonableness and fairness for the Borrower to be obliged to repay the Mortgage Receivable to the extent that he has failed to receive the proceeds of the Life Insurance Policy. The Borrowers could also base a defence on "error" ("*dwalings*"), i.e. that the Mortgage Loans and the Life Insurance Policy were entered into as a result of "error". If this defence would be successful, this could lead to annulment of the Mortgage Loan, which would have the result that the Issuer no longer holds a Mortgage Receivable.

Life Mortgage Loans

In respect of Life Mortgage Loans, the Issuer has been advised that it is unlikely that a court would honour set-off or defences of the Borrowers, as described above, taking into account that (x) each Seller has informed the Issuer that (i) there is no connection between the relevant Life Mortgage Loan and the relevant Life Insurance Policy other than the relevant Borrower Insurance Pledge and the relevant Beneficiary Rights, which would increase the risk that a Borrower can successfully set-off its obligations under the Life Mortgage Loan with its claims under the Life Insurance Policy or that it can invoke defences in this respect, (ii) the relevant Life Mortgage Loans and the Life Insurance Policies are not marketed as one combined mortgage and life insurance product or under one name, (iii) the Borrowers are free to choose the relevant Life Insurance Company and (iv) the Life Insurance Company is not a group company of the relevant Seller, and that (y) each Seller has represented and warranted in respect to these Life Mortgage Loans (a) the items (ii), (iii) and (iv) and (b) that to the best of its knowledge there are no circumstances resulting in a connection between the relevant Life Mortgage Loan and the relevant Life Insurance Policy other than the relevant Borrower Insurance Pledge and the relevant Beneficiary Rights, which would increase the set-off risk as described in this section (the "**Insurance Set-off Risk**"). However, if any circumstances which would result in a connection (as set out in (y)(b) above) between the Life Mortgage Loan and a Life Insurance Policy exist, the risk that the courts will honour set-off or defences invoked by Borrowers, as described above, will increase.

Risk related to the value of investments under Life Insurance Policies

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

Risk that interest rate reset rights will not follow Mortgage Receivables

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

Risks related to offering of Life Mortgage Loans

Apart from the general obligation of contracting parties to provide information, there are several provisions of Netherlands law applicable to offerors of financial products, such as a Life Mortgage Loans. In addition, several codes of conduct apply on a voluntary basis. On the basis of these provisions offerors of these products (and intermediaries) have a duty, *inter alia*, to provide the customers with accurate, complete and non-misleading information about the product, the costs and the risks involved. These requirements have become more strict over time. A breach of these requirements may lead to a claim for damages from the customer on the basis of breach of contract or tort or the relevant contract may be dissolved ("*ontbonden*") or nullified ("*vernietigen*") or a Borrower may claim set-off or defences against the Seller or the relevant Issuer (or the Security Trustee). The merits of such claims will, to a large extent, depend on the manner in which the product was marketed and the promotional material provided to the Borrower. Depending on the relationship between the offeror and any intermediary involved in the marketing and sale of the product, the offeror may be liable for actions of the intermediaries which have led to a claim. The risk of such claims

being made increases, if the value of investments made under Life Insurance Policies is not sufficient to redeem the relevant Mortgage Loans.

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

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

Loan-to-Foreclosure Value Ratio

The Mortgage Loans have a loan-to-foreclosure value ("**LTFV**") of up to 125 per cent. and in very limited cases up to 130 per cent. There can be no assurance that, on enforcement, all amounts owing by a Borrower under a Mortgage Loan can be recovered from the proceeds of the foreclosure of the Mortgaged Asset. In addition, there can be no assurance that the foreclosure proceeds will be equal to or exceed the relevant estimated foreclosure value of the Mortgaged Asset as valued by an independent qualified valuer. If, on enforcement, the proceeds of the foreclosure of the Mortgaged Asset are insufficient to satisfy all amounts owed by a Borrower under a Mortgage Loan, this may lead to losses under the Notes.

Risk related to prepayments on the Mortgage Loans

The maturity of the Notes of each Class will depend on, *inter alia*, the amount and timing of payment of principal (including full and partial prepayments, sale of the Mortgage Receivables by the Issuer and, Net Proceeds upon enforcement of a Mortgage Loan on the Mortgage Loans and the amount of Further Advance Mortgage Receivables offered by the Sellers. The average maturity of the Notes may be adversely affected by a higher or lower than anticipated rate of prepayments on the Mortgage Loans. The rate of prepayment of Mortgage Loans is influenced by a wide variety of economic, social and other factors, including prevailing market interest rates, changes in tax laws (including, but not limited to, amendments to mortgage interest tax deductibility), local and regional economic conditions and changes in Borrowers' behaviour (including, but not limited to, home-owner mobility). No guarantee can be given as to the level of prepayment that the Mortgage Loans may experience, and variation in the rate of prepayments of principal on the Mortgage Loans may affect each Class of Notes differently. The estimated average lives must therefore be viewed with considerable caution and the Noteholders should make their own assessment thereof.

Risk related to prepayments on the Mortgage Loans originated by KU88

In respect of the Mortgage Receivables that result from Mortgage Loans originated by KU88, the mortgage conditions used by KU88 provide that if the interest rate in respect of such Relevant Mortgage Receivables is reset, the relevant Mortgage Loan may be transferred to another legal entity (other than the Seller). Assuming that such transfer will result in a prepayment under the Mortgage Loan, this may affect the rate of prepayments of the Mortgage Loans and consequently may lower the average maturity of the Notes (see *Risk related to prepayments on the Mortgage Loans*).

Risk related to interest-only mortgage loans

On the Issue Cut-off Date, almost 94% of all Mortgage Loans are in the form of interest-only mortgage loans ("*aflossingsvrije hypotheek*"), meaning that only interest and no principal is payable by the Borrowers until the maturity of such Mortgage Loans (see table 13 in *Description of the Mortgage Loans* below). As a result, each Borrower under an Interest-only Mortgage Loan will be required to pay the full Outstanding Principal Amount of such Interest-only Mortgage Loan upon its maturity. There can be no assurance that the Borrowers will repay or will have sufficient funds available to repay the full Outstanding Principal Amount upon the maturity of the relevant Interest-only Mortgage Loan. If, in case of a default by a Borrower to repay the full Outstanding Principal Amount, and after enforcement, the proceeds of the foreclosure of the Mortgaged Asset are insufficient to satisfy all amounts owed by such Borrower under a Mortgage Loan, this may lead to losses under the Notes.

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

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

Risks of Losses Associated with Declining Values of Mortgaged Assets

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

Changes to tax deductibility of interest may impose various risks

In the Netherlands, subject to a number of conditions, mortgage loan interest payments are deductible from the income of the Borrowers for income tax purposes. The period allowed for deductibility is restricted to a term of 30 years and it only applies to mortgage loans secured by owner occupies properties. It is, however, uncertain if and to what extent such deductibility will remain in force and for how long. As from 2005, it is also no longer allowed, after a refinancing, to deduct interest on any equity extractions. Should there be a change to such deductibility and the right to deduct mortgage loan interest payment, this may among other things have an effect on the house prices and the rate of recovery and, depending on the changes in treatment of existing mortgage loans, may result in an increase of defaults, prepayments and repayments, see *Risk related to prepayments on the Mortgage Loans*. Finally, changes in tax treatment may have an adverse effect on the value of the Mortgaged Assets, see *Risks of Losses Associated with Declining Values of Mortgaged Assets*. It is expected that where rules are set for a certain minimum level of amortisation during the lifetime of a mortgage loan, which *de facto* results in a reduction of the mortgage loan interest payments that can be deducted from time to time, any existing interest-only mortgage loans and mortgage loans with a lower amortisation profile than such new rules may require, will be exempt from such mandatory amortisation during the tenor.

RISK FACTORS REGARDING THE NOTES**Factors which might affect an investor's ability to make an informed assessment of the risks associated with Notes**

Investors in the Notes must be able to make an informed assessment of the Notes, based upon full knowledge and understanding of the facts and risks. Investors must determine the suitability of that investment in light of its own circumstances. The following factors might affect an investor's ability to appreciate the risk factors outlined below, placing such investor at a greater risk of receiving a lesser return on his investment:

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

Potential investors should consider the tax consequences of investing in the Notes and consult their tax advisor about their own tax situation.

Clean-Up Call Option, redemption for tax reasons and redemption for regulatory reasons

Should the Issuer exercise the Clean-Up Call Option it will redeem all the Notes in accordance with Condition 6(h). The Issuer will have the option to redeem the Notes for tax reasons in accordance with Condition 6(f). The Issuer will have the option to redeem the Notes for regulatory reasons in accordance with Condition 6(g). The purchase price of the Mortgage Receivables will be calculated as described in *Sale of Mortgage Receivables* under *Credit Structure* below.

It should be noted that each Seller has only limited free assets available to it and it is uncertain whether it will be able to repurchase the Mortgage Receivables with own funds without refinancing when the Issuer wishes to exercise the Clean-Up Call Option or the option to redeem the Notes for tax reasons or for regulatory reasons and offers the Mortgage Receivables to the Seller.

If the Clean-Up Call Option, is exercised or if the Issuer redeems the Notes for tax reasons or redeems the Notes for regulatory reasons, this may lead to the Notes being redeemed prematurely. Noteholders may not be able to invest the amounts received as a result of the redemption of the Notes on conditions similar to those of the Notes.

Optional Redemption and Maturity Risk

As a result of the calculation of the estimated average life of the Class A Notes based on a voluntary Constant Prepayment Rate ("CPR") of 9 per cent., the Class A Notes are expected to be fully redeemed prior to the first Optional Redemption Date, although no guarantee can be given that the Class A Notes will actually be redeemed prior to such date. In addition, as a result of the increase in the margin payable on and from the first Optional Redemption Date in respect of the floating rate of interest on the Class B Notes and the Class C Notes, the Issuer may have an incentive to exercise its right to redeem all (but not some only) of the Notes on the first Optional Redemption Date or on any Optional Redemption Date thereafter. No guarantee can be given that the Issuer will actually exercise such right. The exercise of such right will, *inter alia*, depend on the ability of the Issuer to have sufficient funds available to redeem the Notes, for example through a sale of Mortgage Receivables still outstanding at that time. The Subordinated Notes can be redeemed at an amount less than their Principal Amount Outstanding (see Conditions 6 and 9(b) in

Conditions below).

If the Issuer wishes to exercise the option to redeem the Notes on an Optional Redemption Date, the Issuer shall first offer such Mortgage Receivables for sale to the Sellers at least sixty-seven (67) days prior to the scheduled date of sale. The Sellers shall within a period of fourteen (14) calendar days after receipt of such notice inform the Issuer whether they wish to repurchase the Mortgage Receivables. After such period of fourteen (14) calendar days, if the Sellers have not indicated that they wish to repurchase the Mortgage Receivables, if the Issuer finds a third party that is willing to purchase the Relevant Mortgage Receivables, the Issuer will notify the Sellers of the terms of such third party's offer by written notice at least thirty-nine (39) calendar days prior to the scheduled date of such sale. After having received such written notice, the Sellers will have the right, but not the obligation, to repurchase the Mortgage Receivables on terms equal to such third party's offer to purchase the Relevant Mortgage Receivables on the scheduled date of such sale, provided that the Sellers shall within a period of seven (7) calendar days after receipt of such notice inform the Issuer that they wish to repurchase the Mortgage Receivables on the scheduled date of such sale. The purchase price of the Mortgage Receivables will in each case be calculated as described in *Sale of Mortgage Receivables* under *Credit Structure* below. However, there is no guarantee that Sellers will, or such third party will be found to purchase the Mortgage Receivables. It should be noted that each Seller has only limited assets available to it and it is uncertain whether it will be able to repurchase the Mortgage Receivables when the Issuer wishes to exercise the option to redeem the Notes on an Optional Redemption Date and offers the Mortgage Receivables to the Seller.

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

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

The structure of the issue of the relevant Notes is based on the laws of the Netherlands (or England and Wales in respect of the Swap Agreement) in effect as at the date of this Prospectus and the relevant ratings which are to be assigned to them are based thereon. No assurance can be given as to the impact of any possible change to the laws of the Netherlands (or England and Wales in respect of the Swap Agreement) or administrative practice in the Netherlands (or England and Wales in respect of the Swap Agreement) after the date of this Prospectus.

Subordination of the Class B Notes and the Class C Notes

To the extent set forth in Condition 9 (i) the Class B Notes are subordinated in right of payment to the Class A Notes and (ii) the Class C Notes are subordinated in right of payment to the Class A Notes and the 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, 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 the Notes (see Condition 9). On any Monthly Payment Date, any Realised Losses on the Mortgage Loans will be allocated as described in Credit Structure below.

Risks related to the limited liquidity of the Notes

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

In addition, the forced sale into the market of mortgage-backed securities held by structured investment vehicles, hedge funds, issuers of collateralised debt obligations and other similar entities that are currently experiencing funding difficulties could adversely affect an investor's ability to sell, and/or the price an investor receives for, the Notes in the secondary market.

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

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in a raft of measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory capital charge to certain investors in securitisation exposures and/or the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such securities. Investors in the Notes are responsible for analysing their own regulatory position and none of the Issuer, the Arranger, the Class A Lead Manager nor the Sellers makes any representation to any prospective investor or purchaser of the Notes regarding the regulatory capital treatment of their investment on the date hereof or at any time in the future.

In particular, in Europe, investors should be aware of Article 122a of the Capital Requirements Directive, as implemented in the Netherlands by the Dutch Regulation Securitisations of 26 October 2010 ("*Regeling securitisaties Wft 2010*") which applies in general to new securitisations issued on or after 1 January 2011 and, after 31 December 2014, to existing securitisations where new underlying exposures are added or substituted after 31 December 2014. Article 122a restricts an EU regulated credit institution from investing in asset-backed securities unless the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to the EU regulated credit institution that it will retain, on an ongoing basis, a net economic interest of not less than 5% in respect of certain specified credit risk tranches or asset exposures as contemplated by Article 122a. Article 122a also requires an EU regulated credit institution to be able to demonstrate that it has undertaken certain due diligence in respect of, amongst other things, its note position and the underlying exposures and that procedures are established for such activities to be conducted on an on-going basis. Failure to comply with one or more of the requirements set out in Article 122a will result in the imposition of a penal capital charge on the notes acquired by the relevant investor.

Article 122a applies in respect of the Notes, so prospective noteholders who are EU regulated credit institutions should therefore make themselves aware of the requirements of Article 122a (and implementing rules of the Capital Requirements Directive in relation to a relevant jurisdiction) in addition to any other regulatory requirements applicable to them with respect to their investment in the Notes. Relevant investors are required to independently assess and determine the sufficiency of the information described in this Prospectus for the purpose of complying with Article 122a and none of the Issuer, the Sellers, the Arranger, the Class A Lead Manager or any other party to any of the Relevant Documents makes any representation that the information described above is sufficient in all circumstances for such purposes.

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

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

Proposed Changes to the Basel Capital Accord

On 26 June 2004, the Basel Committee on Banking Supervision published the text of the new capital accord under the title "Basel II: International Convergence of Capital Measurement and Capital Standards: a Revised Framework" ("**Basel II**"). Basel II, which places enhanced emphasis on market discipline and sensitivity to risk, serves as a basis for national and supra-national rulemaking and approval processes for banking organisations. Basel II has been put into effect for credit institutions in Europe via the recasting of a number of prior directives in a consolidating directive referred to as the Capital Requirements Directive. In

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

Notes in global form

Each Class of Notes shall be initially represented by a Temporary Global Note in bearer form. Each Temporary Global Note will be deposited with a common safekeeper. Interests in each Temporary Global Note will be exchangeable (provided certification of non-US beneficial ownership by the Noteholders has been received) not earlier than the Exchange Date for interests in the relevant Permanent Global Note in bearer form, without coupons, in the principal amount of the Notes of the relevant Class. Each Permanent Global Note will be exchangeable for Notes in definitive form only in the circumstances as more fully described in Global Notes. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note will be entitled to receive any payment made in respect of that Note in accordance with the rules and procedures of Euroclear or Clearstream, Luxembourg, as applicable. Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes, which must be made by the holder of a Global Note, for so long as such Global Note is outstanding. 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 so long as the Notes of a particular Class are represented by a Global Note, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular Principal Amount Outstanding of that Class of Notes will be treated by the Issuer and the Security Trustee as a holder of such Principal Amount Outstanding of that Class of Notes, but without prejudice to the entitlement of the bearer of relevant Global Note to be paid principal thereon and interest with respect thereto in accordance with and subject to its terms. Any statement in writing issued by Euroclear or Clearstream, Luxembourg as to the persons shown in its records as being entitled to such Notes and the respective Principal Amount Outstanding of such Notes held by them shall be conclusive for all purposes.

No gross-up for taxes

As provided in Condition 7, if withholding of, or deduction for, or an account of any present or future taxes, duties, assessments or charges of whatsoever nature are imposed, levied, withheld or assessed by or on behalf of the Netherlands or Luxembourg, any other jurisdiction or any political subdivision or any authority therein or thereof having power to tax, the Issuer or the Paying Agent (as applicable) will make the required withholding or deduction of such taxes, duties or charges for the account of the Noteholders as the case may be, and shall not be obliged to pay any additional amounts to the Noteholders.

Credit ratings may not reflect all risks

The rating of each Class of the Notes addresses the assessment made by Fitch and S&P of the likelihood of full and timely payment of interest and ultimate payment of principal on or before the Final Maturity Date.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if in its judgement, the circumstances in the future so require.

Due to the dependency on the performance of the relevant counterparties of their obligations in connection with this transaction, a deterioration of the credit quality of any of these counterparties (including a reduction

in the credit rating, the Liquidity Facility Provider, the GIC Provider or the Hedging Counterparty) might have an adverse effect on the rating of one or all classes of Notes.

Notes may not be recognised as eligible Eurosystem collateral

The Class A Notes are intended to be held in a manner which will allow Eurosystem eligibility, this means that the Class A Notes are intended upon issue to be deposited with one of the ICSDs as Common Safekeeper. This does not necessarily mean that the Class A Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria as amended from time to time, which criteria will in the future include the requirement that loan-by-loan information be made available to investors in accordance with the template which is available on the website of the European Central Bank. It has been agreed in the Administration Agreement and the Servicing Agreement, respectively, that the Issuer Administrator or, at the instruction of the Issuer Administrator, the MPT Provider, respectively, shall make such loan-by-loan information available as of the date on which such requirement becomes effective. Should, however, such loan-by-loan information not comply with the European Central Bank's requirements at such time, the Class A Notes may not be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem.

Risk that the rating of the Notes changes

The ratings to be assigned to the Notes by the Rating Agencies are based - inter alia - on the value and cash flow generating ability of the Mortgage Receivables and other relevant structural features of the transaction, and reflect only the view of each of the 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 if, in any of the Rating Agencies' judgement, circumstances so warrant.

No Recourse against the Rating Agencies

Notwithstanding that none of the Security Trustee and the Noteholders may have any right of recourse against the Rating Agencies in respect of any confirmation given by them and relied upon by the Security Trustee, the Security Trustee shall be entitled to assume, for the purposes of exercising any power, trust, authority, duty or discretion under or in relation to the Conditions or any of the Relevant Documents, that such exercise will not be materially prejudicial to the interests of the Noteholders if a confirmation of each of the Rating Agencies (each, a "**Rating Agency Confirmation**") has been obtained that the then current rating of the applicable Class or Classes of Notes would not be adversely affected by such exercise.

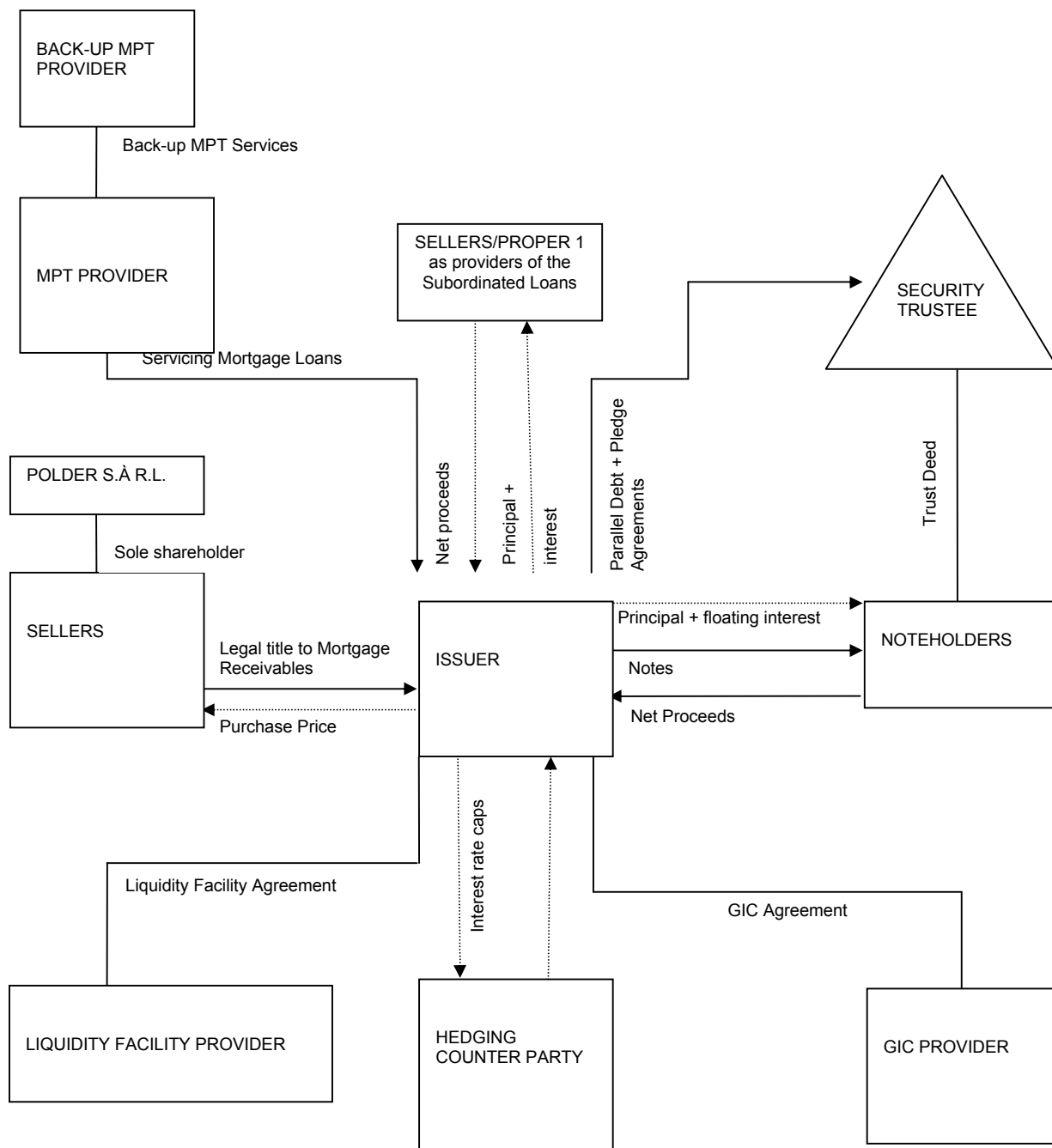
By obtaining a Rating Agency Confirmation, each of the Security Trustee and each Noteholder will be deemed to have agreed and acknowledged that (i) a credit rating is an assessment of credit only and does not address other matters that may be of relevance to the Noteholders and (ii) neither the Security Trustee nor the Noteholders have any right of recourse to or against any Rating Agency in respect of a Rating Agency Confirmation which is relied upon by the Security Trustee. It is further expressly agreed and acknowledged by the Security Trustee and the Noteholders will be deemed to have agreed that reliance by the Security Trustee on a Rating Agency Confirmation does not create, impose on or extend to any Rating Agency any actual or contingent liability to any person (including, without limitation, the Security Trustee, and/or the Noteholders) or create any legal relations between any Rating Agency and the Security Trustee, the Noteholders or any other person whether by way of contract or otherwise.

Forecasts and estimates

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

3. STRUCTURE DIAGRAM

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



4. OVERVIEW OF THE PARTIES AND PRINCIPAL FEATURES OF THE TRANSACTION

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

PARTIES

Issuer:	Principal Residential Investment Mortgages 1 S.A., incorporated on 3 February 2011 as a public limited liability company (" <i>société anonyme</i> "), existing and organised under the laws of Luxembourg, with registered office at 13-15 Avenue de la Liberté, L-1931 Luxembourg, being registered with the Luxembourg Register of Commerce and Companies under number B 158681, being subject, as an unregulated securitisation undertaking, to the Securitisation Act (the " Issuer "). The entire issued share capital of the Issuer is held by the Shareholder.
Issuer Administrator:	ATC Corporate Services (Luxembourg) S.A. (" ATC Corporate Services (Luxembourg) ") a public limited liability company (" <i>société anonyme</i> ") existing and organized under the laws of Luxembourg, with registered office at 13-15 Avenue de la Liberté, L-1931 Luxembourg, being registered with the Luxembourg Register of Commerce and Companies under number B 103.123 (the " Issuer Administrator ").
Sellers:	<p>KU88 B.V. (previously named Quion 88 B.V.), incorporated under the laws of the Netherlands as a private company with limited liability ("<i>besloten vennootschap met beperkte aansprakelijkheid</i>"), having its corporate seat in Amsterdam, the Netherlands and registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 24414511 ("KU88"); and Sparck Hypotheken B.V., incorporated under the laws of the Netherlands as a private company with limited liability ("<i>besloten vennootschap met beperkte aansprakelijkheid</i>"), having its corporate seat in Amsterdam, the Netherlands and registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 34236307 ("Sparck Hypotheken") (each a "Seller" and collectively referred to as the "Sellers").</p> <p>All outstanding shares in the capital of each of the Sellers are held by Polder S.à r.l. (formerly named Barcelona Investment S.à r.l.).</p>
Liquidity Facility Provider:	Natixis, acting through its London branch, incorporated under the laws of France as a " <i>société anonyme</i> " (" Natixis, London Branch ") (the " Liquidity Facility Provider ").
Swap Counterparty:	Natixis, London Branch (the " Hedging Counterparty ").
GIC Provider:	ABN AMRO Bank N.V. (the " GIC Provider "), incorporated under the laws of the Netherlands as a public company (" <i>naamloze vennootschap</i> ").
MPT Provider:	Vesting Finance Servicing B.V. (the " MPT Provider ") incorporated under the laws of the Netherlands as a private company with limited liability (" <i>besloten vennootschap met beperkte aansprakelijkheid</i> "). The MPT Provider had initially appointed Quion Hypotheekbemiddeling B.V. and Quion Hypotheekbegeleiding B.V. as its sub-agents in respect of the Relevant Mortgage Receivables, which appointment has been

terminated prior to the Issue Date.

Back-up MPT Provider:	CMIS Nederland B.V. (formerly named GMAC RFC Nederland B.V.), incorporated under the laws of the Netherlands as a private company with limited liability (" <i>besloten vennootschap met beperkte aansprakelijkheid</i> ") (the " Back-up MPT Provider ").
Security Trustee:	Stichting Security Trustee Principal Residential Investment Mortgages 1 (the " Security Trustee "), established under the laws of the Netherlands as a foundation (" <i>stichting</i> ").
Shareholder:	The entire issued share capital of the Issuer is held by Stichting Holding Principal Residential Investment Mortgages 1, established under the laws of the Netherlands as a foundation (" <i>stichting</i> ").
Directors:	With respect to the Issuer, Mr. Hille-Paul Schut, Mr. Joost Tulkens and Mrs. Neela Gungapersad, with respect to the Shareholder, ATC Management B.V. and with respect to the Security Trustee, ANT Securitisation Services B.V. together the " Directors ".
Paying Agent:	ABN AMRO Bank N.V. (the " Paying Agent ").
Reference Agent:	ABN AMRO Bank N.V. (the " Reference Agent ").
Listing Agent:	ABN AMRO Bank N.V. (the " Listing Agent ").
Arranger and Class A Lead Manager:	Natixis, incorporated under the laws of France as a " <i>société anonyme</i> " (" Natixis ") (the " Arranger " and " Class A Lead Manager ").
Common Safekeeper:	In respect of the Class A Notes, Euroclear and in respect of the Class B Notes and the Class C Notes, Bank of America Merrill Lynch (the " Common Safekeeper ").
Issuer Adviser:	Principal Asset Management Company B.V., incorporated under the laws of the Netherlands as a private company with limited liability (" <i>besloten vennootschap met beperkte aansprakelijkheid</i> ").

THE NOTES

Notes:	The Notes shall be the following notes of the Issuer, which are expected to be issued on or about 7 March 2012 (or such later date as may be agreed upon between the Issuer and the Class A Lead Manager) (the " Issue Date "): <ul style="list-style-type: none"> (i) the Class A Notes; (ii) the Class B Notes; and (iii) the Class C Notes.
Issue Price:	The issue price of the Notes shall be as follows: <ul style="list-style-type: none"> (i) the Class A Notes 100 per cent.; (ii) the Class B Notes 100 per cent.; and (iii) the Class C Notes 100 per cent.
Form:	The Notes are in bearer form and in the case of Notes in definitive form, serially numbered with coupons attached.

Denomination:	The Notes will be issued in denominations of EUR 125,000.
Status & Ranking:	<p>The Notes of each Class (as defined in the Conditions) rank <i>pari passu</i> without any preference or priority among Notes of the same Class. In accordance with the Conditions and the Trust Deed (i) payments of principal and interest on the Class B Notes are subordinated to, <i>inter alia</i>, payments of principal and interest on the Class A Notes and (ii) payments of principal and interest on the Class C Notes are subordinated to, <i>inter alia</i>, payments of principal and interest on the Class A Notes and the Class B Notes. See further <i>Terms and Conditions of the Notes</i>.</p> <p>In addition, the obligations of the Issuer in respect of the right to payment of interest and principal on the Subordinated Loans will rank below the obligations of the Issuer in respect of the right to payment on the Notes (see further <i>Overview of the Parties and Principal Features of the Transaction and Credit Structure</i>).</p>
Interest:	<p>Interest on the Notes is payable by reference to successive interest periods. Each interest period will commence on (and include) a Monthly Payment Date and end on (but exclude) the next succeeding Monthly Payment Date (each an "Interest Period"), except for the first Interest Period which will commence on (and include) the Issue Date and end on (but exclude) the Monthly Payment Date falling in March 2012. The interest will be calculated on the basis of the actual days elapsed in the Interest Period divided by 360 days.</p> <p>Interest will be payable monthly in arrear in respect of the Principal Amount Outstanding on the 28th day of each calendar month (or, if such day is not a Business Day, the next succeeding Business Day unless such Business Day falls in the next succeeding calendar month in which event the Business Day immediately preceding such day) in each year (each such day being a "Monthly Payment Date").</p> <p>A "Business Day" means each day on which banks are open for business in Amsterdam, Luxembourg and London, provided that such day is also a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system ("TARGET 2") (or its predecessor) or any successor thereto is operating credit or transfer instructions in respect of payments in euro.</p> <p>Interest on the Notes for each Interest Period will accrue from the Issue Date at an annual rate equal to the sum of the Euro Interbank Offered Rate ("Euribor") for one month deposits in EUR (determined in accordance with Condition 4) (or, in respect of the first Interest Period, the rate of 0.58500 per cent.), plus a margin which will be:</p> <ul style="list-style-type: none"> (i) up to and including the Final Maturity Date, for the Class A Notes a margin of 3.00 per cent. per annum; and (ii) up to (but excluding) the first Optional Redemption Date: <ul style="list-style-type: none"> a. for the Class B Notes a margin of 4.50 per cent. per annum; and b. for the Class C Notes a margin of 6.00 per cent. per annum.
Interest Step-Up:	If on the first Optional Redemption Date the Class B Notes and the Class C Notes have not been redeemed in full, the rate of interest applicable for such Notes will accrue at an annual rate equal to the sum

of Euribor for one month deposits in EUR determined in accordance with Condition 4, plus a margin which will be:

- (i) for the Class B Notes, a margin of 6.00 per cent. per annum; and
- (ii) for the Class C Notes, a margin of 7.50 per cent. per annum.

The margin in respect of the Class A Notes will not be reset.

**Redemption
of the Notes:**

The Issuer will be obliged to apply the Redemption Available Amount to (partially) redeem the Notes on the Monthly Payment Date falling in March 2012 and each Monthly Payment Date thereafter at their respective Principal Amount Outstanding, on a *pro rata* basis within a Class, in the following order:

- (a) *first*, the Class A Notes, until fully redeemed;
- (b) *second*, the Class B Notes, until fully redeemed; and
- (c) *third*, the Class C Notes, until fully redeemed.

**Optional
Redemption
of the Notes:**

The Issuer will have the option to redeem all of the Notes, but not some only, on each Optional Redemption Date at their respective Principal Amount Outstanding, subject to Condition 9(b).

If the Issuer wishes to exercise the option to redeem the Notes on an Optional Redemption Date, the Issuer shall first offer such Mortgage Receivables for sale to the Sellers at least sixty-seven (67) days prior to the scheduled date of sale. The Sellers shall within a period of fourteen (14) calendar days after receipt of such notice inform the Issuer whether they wish to repurchase the Mortgage Receivables. After such period of fourteen (14) calendar days, if the Sellers have not indicated that they wish to repurchase the Mortgage Receivables, if the Issuer finds a third party that is willing to purchase the Relevant Mortgage Receivables, the Issuer will notify the Sellers of the terms of such third party's offer by written notice at least thirty-nine (39) calendar days prior to the scheduled date of such sale. After having received such written notice, the Sellers will have the right, but not the obligation, to repurchase the Mortgage Receivables on terms equal to such third party's offer to purchase the Relevant Mortgage Receivables on the scheduled date of such sale, provided that the Sellers shall within a period of seven (7) calendar days after receipt of such notice inform the Issuer that they wish to repurchase the Mortgage Receivables on the scheduled date of such sale. The purchase price of the Mortgage Receivables will in each case be calculated as described in *Sale of Mortgage Receivables* under *Credit Structure* below.

**Final Maturity
Date:**

If and to the extent not otherwise redeemed, the Issuer will redeem the Notes at their respective Principal Amount Outstanding on the Monthly Payment Date falling in November 2040 (the "**Final Maturity Date**").

Average life:

The estimated average life of the Notes from the Issue Date up to (but excluding) the first Optional Redemption Date based on a voluntary Constant Prepayment Rate ("**CPR**") of 9 per cent., which is based on the historical performance of the Mortgage Loans, and the assumptions that there will be a constant default rate of 3 per cent., a loss severity of 25 per cent., a recovery lag of 12 months and that the Issuer will redeem the Notes on the first Optional Redemption Date, will be as follows:

- (i) the Class A Notes 2.8 years;
- (ii) the Class B Notes 6.8 years; and
- (iii) the Class C Notes 7.0 years.

The expected amortisation profile of the Notes based on this assumption is given in the Annex hereto. The average lives of the Notes given above should be viewed with caution; reference is made to the paragraph *Risk related to prepayments on the Mortgage Loans* in the *Risk Factors*.

**Redemption
for regulatory
reasons:**

In the event of the occurrence of a Regulatory Change, the Issuer may redeem the Notes, in whole but not in part, on any Monthly Payment Date at their Principal Amount Outstanding on such date, together with interest accrued up to and including the date of redemption, subject to and in accordance with the Conditions (including Condition 9(b)) (the "**Regulatory Call Option**").

If the Issuer wishes to exercise the Regulatory Call Option, the Issuer shall first offer such Mortgage Receivables for sale to the Sellers at least sixty-seven (67) days prior to the scheduled date of sale. The Sellers shall within a period of fourteen (14) calendar days after receipt of such notice inform the Issuer whether they wish to repurchase the Mortgage Receivables. After such period of fourteen (14) calendar days, if the Sellers have not indicated that they wish to repurchase the Mortgage Receivables, if the Issuer finds a third party that is willing to purchase the Relevant Mortgage Receivables, the Issuer will notify the Sellers of the terms of such third party's offer by written notice at least thirty-nine (39) calendar days prior to the scheduled date of such sale. After having received such written notice, the Sellers will have the right, but not the obligation, to repurchase the Mortgage Receivables on terms equal to such third party's offer to purchase the Relevant Mortgage Receivables on the scheduled date of such sale, provided that the Sellers shall within a period of seven (7) calendar days after receipt of such notice inform the Issuer that they wish to repurchase the Mortgage Receivables on the scheduled date of such sale. The purchase price of the Mortgage Receivables will in each case be calculated as described in *Sale of Mortgage Receivables* below.

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

In respect of the issue of the Notes Sparck Hypotheken, in its capacity as allowed entity under paragraph 2 of article 122a of the Capital Requirements Directive, shall, or undertakes that any entity designated by the Sellers as allowed entity under paragraph 2 of article 122a of the Capital Requirements Directive shall, retain, on an ongoing basis, a material net economic interest which, in any event, shall not be less than 5%. At the date of this Prospectus such interest is retained in accordance with item (d) of article 122a paragraph 1 of the Capital Requirements Directive, by Sparck Hypotheken holding a part of the X Loan, being the most junior Subordinated Loan, having the same or a more severe risk profile than those transferred or sold to investors and not maturing any earlier than those transferred or sold to investors, so that the retention equals in total no less than 5% of the nominal value of the Notes issued under this Prospectus and the Subordinated Loans granted to the Issuer. In exceptional circumstances Sparck Hypotheken or any entity designated by the Sellers as an allowed entity under paragraph 2 of Article 122a of the Capital Requirements Directive may hold a net economic interest in another manner permitted by paragraph 1 of Article 122(a).

In addition, each Seller shall (i) adhere to the requirements set out in paragraph 6 of article 122a of the Capital Requirements Directive and (ii) make appropriate disclosures to Noteholders about the retained net economic interest and ensure that the Noteholders have readily available access to all materially relevant data as required under paragraph 7 of article 122a of the Capital Requirements Directive.

In the Notes Purchase Agreements, each Seller shall undertake to the Class A Lead Manager and the Issuer that it shall comply with Dutch Regulation Securitisations of 26 October 2010 ("*Regeling securitisaties Wft 2010*") implementing *inter alia* article 122a of the Capital Requirements Directive.

The Sellers accept responsibility for the information set out above under *Retention and disclosure requirements under the Capital Requirements Directive*.

Clean-Up Call Option:

If on any Monthly Payment Date the aggregate Outstanding Principal Amount of the Mortgage Receivables is equal to or less than ten (10) per cent. of the aggregate Outstanding Principal Amount of the Mortgage Receivables on the Transfer Date, the Issuer has the option (but not the obligation) to redeem all of the Notes in whole but not in part at their Principal Amount Outstanding, subject to Condition 9(b) (the "**Clean-Up Call Option**"). No Class of Notes may be redeemed under such circumstances unless the other Classes of Notes (or such of them as are then outstanding) are also redeemed in full (subject to Condition 9(b)) at the same time.

If the Issuer wishes to exercise the Clean-Up Call Option, the Issuer shall first offer such Mortgage Receivables for sale to the Sellers at least sixty-seven (67) days prior to the scheduled date of sale. The Sellers shall within a period of fourteen (14) calendar days after receipt of such notice inform the Issuer whether they wish to repurchase the Mortgage Receivables. After such period of fourteen (14) calendar days, if the Sellers have not indicated that they wish to repurchase the Mortgage Receivables, if the Issuer finds a third party that is willing to purchase the Relevant Mortgage Receivables, the Issuer will notify the Sellers of the terms of such third party's offer by written notice at least thirty-nine (39) calendar days prior to the scheduled date of such sale. After having received such written notice, the Sellers will have the right, but not the obligation, to repurchase the Mortgage Receivables on terms equal to such third party's offer to purchase the Relevant Mortgage Receivables on the scheduled date of such sale, provided that the Sellers shall within a period of seven (7) calendar days after receipt of such notice inform the Issuer that they wish to repurchase the Mortgage Receivables on the scheduled date of such sale. The purchase price of the Mortgage Receivables will in each case be calculated as described in *Sale of Mortgage Receivables* below.

**Redemption
for tax reasons:**

If the Issuer is or will be obliged to make any withholding or deduction for, or on account of, any taxes, duties or charges of whatsoever nature from payments in respect of any Class of Notes as a result of any change in, or amendment to, the laws or regulations of the Netherlands or any other jurisdiction or any political sub-division or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which becomes effective on or after the Issue Date and such obligation cannot be avoided by the

Issuer taking reasonable measures available to it, the Issuer has the option to redeem the Notes, in whole but not in part, on any Monthly Payment Date at their Principal Amount Outstanding, together with interest accrued up to and including the date of redemption, subject to and in accordance with the Conditions (including Condition 9(b)) (the "**Tax Call Option**").

If the Issuer wishes to exercise the Tax Call Option, the Issuer shall first offer such Mortgage Receivables for sale to the Sellers at least sixty-seven (67) days prior to the scheduled date of sale. The Sellers shall within a period of fourteen (14) calendar days after receipt of such notice inform the Issuer whether they wish to repurchase the Mortgage Receivables. After such period of fourteen (14) calendar days, if the Sellers have not indicated that they wish to repurchase the Mortgage Receivables, if the Issuer finds a third party that is willing to purchase the Relevant Mortgage Receivables, the Issuer will notify the Sellers of the terms of such third party's offer by written notice at least thirty-nine (39) calendar days prior to the scheduled date of such sale. After having received such written notice, the Sellers will have the right, but not the obligation, to repurchase the Mortgage Receivables on terms equal to such third party's offer to purchase the Relevant Mortgage Receivables on the scheduled date of such sale, provided that the Sellers shall within a period of seven (7) calendar days after receipt of such notice inform the Issuer that they wish to repurchase the Mortgage Receivables on the scheduled date of such sale. The purchase price of the Mortgage Receivables will in each case be calculated as described in *Sale of Mortgage Receivables* below.

**Withholding
Tax:**

All payments of, or in respect of, principal of and interest on the Notes will be made without withholding of, or deduction for, or on account of any present or future taxes, duties, assessments or charges of whatsoever nature imposed, levied, withheld or assessed by or on behalf of the Netherlands or Luxembourg, any authority therein or thereof having power to tax unless the withholding or deduction of such taxes, duties, assessments or charges are required by law. In that event, the Issuer will make the required withholding or deduction of such taxes, duties, assessments or charges for the account of the Noteholders, as the case may be, and shall not pay any additional amounts to such Noteholders. In particular, but without limitation, no additional amounts shall be payable in respect of any Note or Coupon presented for payment, where such withholding or deduction is imposed on a payment to an individual or to a residual entity within the meaning of the European Union Directive 2003/48/EC on the taxation of savings that was adopted on 3 June 2003 (the "**EU Savings Directive**") and is required to be made pursuant to the EU Savings Directive, any laws implementing or complying with, or introduced in order to conform to the EU Savings Directive, or the Luxembourg Law of 23 December 2005 introducing a withholding tax on certain interest payments to Luxembourg resident individuals and "residual entities" within the meaning of article 4, paragraph 2 of the EU Savings Directive.

**Method of
Payment:**

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

**Use of
proceeds:**

The Issuer will use the net proceeds from the issue of the Notes to redeem the Initial Notes, the Junior Loan and the Junior Expenses Loan

and part of the X Loan that it has issued and entered into, respectively, on the Transfer Date and to be reserved as Pre-Issue Principal Proceeds.

MORTGAGE RECEIVABLES

Mortgage Receivables:

Under the Mortgage Receivables Purchase Agreement, on the Transfer Date the Issuer has purchased and accepted the assignment of any and all rights (the "**Mortgage Receivables**", which include any Further Advance Mortgage Receivables upon the purchase and acceptance of the assignment thereof), of each of the Sellers against certain borrowers (the "**Borrowers**") under or in connection with the Mortgage Loans. The Issuer has become entitled to the principal proceeds of the Mortgage Receivables from (and including) 1 January 2011 (the "**Transfer Cut-off Date**") and to the interest proceeds (including prepayment penalties) from (and including) the Transfer Date. The Mortgage Receivables relating to Life Mortgage Loans will hereinafter be referred to as the "**Life Mortgage Receivables**".

Each Seller has the benefit of Beneficiary Rights which entitle the relevant Seller to receive the final payment under the relevant Life Insurance Policies, which payment is to be applied towards redemption of the Relevant Mortgage Receivables. Under the Mortgage Receivables Purchase Agreement, each Seller has assigned such Beneficiary Rights to the Issuer and the Issuer has accepted such assignment.

Mortgage Loans:

The Mortgage Receivables sold by the Sellers pursuant to the Mortgage Receivables Purchase Agreement result from loans secured by a mortgage right over (i) a real property ("*onroerende zaak*") or (ii) an apartment right ("*appartementsrecht*") or (iii) a long lease ("*erfpacht*") and (together with real property, the "**Mortgaged Assets**") situated in the Netherlands and between any of the Sellers and the relevant Borrowers which meet the criteria set forth in the Mortgage Receivables Purchase Agreement and which have been selected prior to or on the Transfer Date (the "**Mortgage Loans**") which include any Further Advance Mortgage Loans.

All Mortgage Loans are secured by a first ranking or first and sequentially lower ranking mortgage right and were vested for a principal sum which is at least equal to the principal sum of the Mortgage Loan when originated, increased with interest, penalties, costs and any insurance premium. Mortgage Loans may consist of one or more loan parts ("*leningdelen*"). If a Mortgage Loan consists of one or more loan parts, the Sellers have sold and assigned and the Issuer has purchased and accepted the assignment of all, but not some, loan parts of such Mortgage Loan at the Transfer Date (or the Relevant Monthly Payment Date as the case may be). See *Description of Mortgage Loans*.

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

Risk Insurance Policies:

Each Life Mortgage Loan shall further 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.

**Life Mortgage
Loans:**

A portion of the Mortgage Loans will be in the form of life insurance mortgage loans ("**Life Mortgage Loans**"), i.e. Mortgage Loans or parts thereof which have the benefit of combined risk and capital insurance policies ("**Life Insurance Policies**") taken out by Borrowers/insured with an Insurance Company. Under a Life Mortgage Loan, no principal is paid until maturity. A portion of the Life Mortgage Loans are unit-linked, i.e. Mortgage Loans under which the amount to be received upon pay-out of the Life Insurance Policy depends on the performance of certain investment funds chosen by the Borrower. See *Risk Factors*.

**Further Advance Mortgage
Receivables:**

The Mortgage Receivables Purchase Agreement will provide that the Issuer will to the extent offered by the relevant Seller and subject to fulfilment of certain conditions, on each Monthly Payment Date up to (but excluding) the Final Maturity Date purchase from the relevant Seller(s) any and all claims of the relevant Seller on the relevant Borrower resulting from a further advance granted by the relevant Seller to a Borrower under a Relevant Mortgage Loan (a "**Further Advance**"), which may include a new mortgage loan, which is secured by the mortgage rights which also secures the Relevant Mortgage Loan (the "**Further Advance Mortgage Receivables**") and, in relation to the relevant Seller, the "**Relevant Further Advance Mortgage Receivables**").

Sellers Call Option:

On each Optional Redemption Date, the Sellers, acting jointly, have the option (but not the obligation) to repurchase the Mortgage Receivables (the "**Sellers Call Option**").

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

**Sale of
Mortgage
Receivables:**

On each Optional Redemption Date, the Issuer may sell and assign all, but not some, of the Mortgage Receivables to a third party provided that the Issuer shall apply the proceeds of such sale, to the extent relating to principal, to redeem the Notes in full, subject to, in respect of the Subordinated Notes, Condition 9(b). In addition, the Issuer will also have the right to sell and assign all, but not some, of the Mortgage Receivables, if the Issuer exercises the Tax Call Option, the Regulatory Call Option or the Clean-Up Call Option in accordance with Condition 6.

The purchase price of each Mortgage Receivable in the event of the exercise of the Issuer's right to redeem the Notes on an Optional Redemption Date, the Clean-Up Call Option, the Regulatory Call Option or the Tax Call Option shall be at least equal to an amount that is sufficient to redeem the Notes at their Principal Amount Outstanding subject to, in respect of the Class B Notes and the Class C Notes, Condition 9(b), together with accrued interest due but unpaid up to the date of sale and any costs incurred by the Issuer in effecting and completing such sale and re-assignment.

Furthermore, under the terms of the Mortgage Receivables Purchase Agreement, the Issuer shall be obliged to sell and assign the Mortgage Receivables to the relevant Seller, or any third party appointed by the

relevant Seller at its sole discretion, if the Sellers, acting jointly, exercise the Sellers Call Option.

The purchase price of each Mortgage Receivable in the event of the exercise of any Sellers Call Option shall be at least equal to the sum of (i) an amount that is sufficient to redeem the Notes at their Principal Amount Outstanding (ii) an amount to be calculated on the basis of the value of the X Loan and (iii) accrued interest due but unpaid up to the date of sale and any costs incurred by the Issuer in effecting and completing such sale and re-assignment.

Security for the Notes:

The Notes will be secured:

- (i) by a first ranking undisclosed right of pledge by the Issuer to the Security Trustee over (a) the Mortgage Receivables, including all rights ancillary thereto and (b) the Beneficiary Rights; and
- (ii) by a first ranking disclosed right of pledge by the Issuer to the Security Trustee over the Issuer's rights (a) against the Sellers under or in connection with the Mortgage Receivables Purchase Agreement; (b) against the MPT Provider under or in connection with the Services Agreement; (c) against the Issuer Administrator under or in connection with the Administration Agreements; (d) against the Back-up MPT Provider under or in connection with the Back-up Servicing Letter, (e) against the GIC Provider under or in connection with the GIC and in respect of the Transaction Accounts, (f) against the Hedging Counterparty under or in connection with the Swap Agreement and (g) against the Liquidity Facility Provider under or in connection with the Liquidity Facility Agreement.

After delivery of an Enforcement Notice, the amounts payable to the Noteholders and the other Security Beneficiaries will be limited to the amounts available for such purpose to the Security Trustee which, *inter alia*, will consist of amounts recovered by the Security Trustee in respect of such rights of pledge and amounts received by the Security Trustee as creditor under the Parallel Debt Agreement. Payments to the Security Beneficiaries will be made in accordance with the Priority of Payments upon Enforcement. See further *Credit Structure* and *Description of Security* below.

Furthermore, pursuant to a collection accounts pledge agreement dated the Issue Date between the Issuer, the Security Trustee, the Sellers and ABN AMRO Bank N.V. in its capacity as Seller Collection Accounts Provider (the "**Seller Collection Accounts Pledge Agreement**"), the Sellers shall grant on the balances standing to the credit of the Seller Collection Accounts a first ranking right of pledge in favour of the Issuer to secure certain of the Sellers' obligations under the Mortgage Receivables Purchase Agreement. Such right of pledge will be notified to the Seller Collection Accounts Provider and will therefore be a disclosed right of pledge. The Issuer will grant a power to collect to the Sellers, which will be withdrawn upon the occurrence of certain events.

Parallel Debt Agreement:

On the Issue Date, the Issuer and the Security Trustee will – among others – enter into a parallel debt agreement (the "**Parallel Debt Agreement**") for the benefit of the Security Beneficiaries under which the Issuer, by way of parallel debt, undertakes to pay to the Security Trustee amounts equal to the amounts due by it to the Security Beneficiaries, in order to create a claim of the Security Trustee thereunder which can be

validly secured by the rights of pledge created by the Pledge Agreements.

Administration Agreement:

Under an administration agreement entered into on the Transfer Date which will be amended and restated on the Issue Date (the "**Administration Agreement**") between the Issuer, the Issuer Administrator and the Security Trustee, the Issuer Administrator has agreed (a) to provide certain administration, calculation and cash management services on behalf of the Issuer on the basis of a bank account mandate for the Issuer on a day-to-day basis, including without limitation, all calculations to be made in respect of the Notes pursuant to the Conditions and (b) to submit certain statistical information regarding the Issuer as referred to above to certain governmental authorities if and when requested.

Services Agreement:

Under a services agreement entered into on the Transfer Date which will be amended and restated on the Issue Date (the "**Services Agreement**") between the Issuer, the MPT Provider and the Security Trustee, the MPT Provider has agreed to provide (i) mortgage payment transactions and the other services as agreed in the Services Agreement in relation to the 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 Mortgage Loans and (ii) the implementation of arrears procedures including, if applicable, the enforcement of mortgages (see further the section *Mortgage Loan Underwriting and Servicing Activities*).

In accordance with the Services Agreement, the MPT Provider had initially appointed Quion Hypotheekbemiddeling B.V. and Quion Hypotheekbegeleiding B.V. as its sub agents in respect of the Relevant Mortgage Receivables, which appointment has been terminated prior to the Issue Date. In addition, the Issuer has appointed CMIS Nederland B.V. (formerly named GMAC RFC Nederland B.V.) to act as the Back-up MPT Provider.

Domiciliation and Administration Agreement:

Under a domiciliation and administration agreement entered into on the Transfer Date (the "**Domiciliation and Administration Agreement**" and together with the Administration Agreement, the "**Issuer Administration Agreements**") between the Issuer, the Issuer Administrator and the Shareholder, the Issuer Administrator has agreed (a) to provide domiciliation services to the Issuer and (b) to provide certain administration to the Issuer, in addition to the services to be provided under the Administration Agreement. See further *The Issuer* below.

CASH-FLOW STRUCTURE:

Swap Agreement:

On or about the Transfer Date the Issuer has entered into an ISDA Master Agreement (which includes the schedule thereto, the credit support annex thereto and two confirmations evidencing the interest rate cap transactions thereunder, each of which will be amended and restated on the Issue Date, except for the second confirmation, which will be entered into on the Issue Date) with the Hedging Counterparty (the "**Swap Agreement**") to hedge a certain risk in relation to the difference between the rate of interest to be received by the Issuer on the Mortgage Receivables and the floating rate of interest due and payable by the Issuer on the Notes. See *Credit Structure* below.

Liquidity Facility Agreement:

On the Transfer Date, the Issuer has entered into a Liquidity Facility Agreement with a maximum term of 364 days with Natixis, London Branch (the "**Liquidity Facility Provider**"), which will be amended and restated on the Issue Date (the "**Liquidity Facility Agreement**") under which the Issuer is entitled to make drawings in order to meet certain shortfalls in its available revenue receipts. See further *Credit Structure* below.

X Loan Agreement:

On the Transfer Date the Issuer entered into a loan agreement (the "**X Loan Agreement**") with each of the Sellers (in such capacity, the "**X Loan Providers**") pursuant to which the Issuer has drawn a loan for an amount equal to EUR 55,118,990.83 (the "**X Loans**") which has been used by the Issuer to pay to the Sellers a part of the Purchase Price. Subsequently, on the Transfer Date, the Sellers sold and assigned the receivables resulting from the X Loan to Principal Residential Operating Platform Evaluating Receivables 1 S.à r.l. ("**PROPER 1**"). On or before the Issue Date, Sparck Hypotheken will purchase and accept the assignment of part of the receivables resulting from the X Loan for an amount which, as at such date, will equal not less than 5% of the nominal amount of the Notes and the Subordinated Loans, in accordance with Article 122a of the Capital Requirements Directive (PROPER 1 and Sparck Hypotheken in such capacity, the assignees under the X Loan Agreement).

Reserve Fund Loan Agreement:

On the Transfer Date the Issuer entered into a reserve fund loan agreement (the "**Reserve Fund Loan Agreement**") with each of the Sellers (in such capacity, the "**Reserve Fund Loan Providers**") pursuant to which the Issuer has drawn a loan for an amount equal to EUR 2,000,000 (the "**Reserve Fund Loan**" and together with the X Loan, the "**Subordinated Loans**") which has been deposited on the Reserve Account. Subsequently, on the Transfer Date, the Reserve Fund Loan Providers sold and assigned the receivables resulting from the Reserve Fund Loan Agreement to PROPER 1 (PROPER 1 in such capacity the assignee under the Reserve Fund Loan Agreement).

Interest under Subordinated Loans:

the Interest under the Reserve Fund Agreement and the X Loan Agreement is payable by reference to successive Interest Periods. The interest will be calculated on the basis of the actual days elapsed in the Interest Period divided by 360 days.

Interest will be payable monthly in arrear in respect of the Principal Amount Outstanding of each of the Reserve Fund Loan and the X Loans on each Monthly Payment Date.

Interest on the Reserve Fund Loan for each Interest Period will accrue from the Transfer Date at an annual rate equal to the sum of Euribor for one month deposits in EUR, plus a margin of 7.00 per cent. per annum.

Interest on the X Loans for each Interest Period will accrue from the Transfer Date and will be equal to an amount equal to the "**X Loan Interest**". The X Loan Interest shall be equal to the sum of all instalments in respect of the X Loan Interest and each instalment (each a "**X Loan Interest Instalment**") will, with respect to a Monthly Payment Date, be equal to (A) prior to the delivery of an Enforcement Notice, an amount equal to the part of the Interest Available Amount that exceeds (if any), the sum of all amounts payable by the Issuer as set forth in the Interest Priority of Payments under (a) up to and including (r) or (B), after the delivery of an Enforcement Notice, the amount remaining after all

payments as set forth in the Priority of Payments upon Enforcement under (a) up to and including (m) have been made.

The obligations of the Issuer in respect of the right to payment of interest under the Subordinated Loans will rank below the obligations of the Issuer in respect of the right to payment of interest on the Notes.

Redemption of Subordinated Loans:

the On the Monthly Payment Date falling in March 2012 and on each Monthly Payment Date thereafter until the delivery of an Enforcement Notice, the Issuer will be obliged to apply an amount equal to the positive difference, if any, between the Redemption Available Amount and the sum of all amounts payable by the Issuer in accordance with the Principal Priority of Payments under (a), (b) and (c) to redeem (or partially redeem) the X Loan, until fully redeemed (see further *Credit Structure* below).

In addition, on the Monthly Payment Date falling in March 2012 and on each Monthly Payment Date thereafter until the delivery of an Enforcement Notice, the Issuer will be obliged to apply an amount equal to the positive difference, if any, between the Interest Available Amount and the sum of all payments payable by the Issuer in accordance with the Interest Priority of Payments under (a) up to and including (p) to redeem (or partially redeem) the Reserve Fund Loan, provided that such amount shall never exceed the amount of the Reserve Fund Loan.

The obligations of the Issuer in respect of the right to payment of principal under the Subordinated Loans will rank below the obligations of the Issuer in respect of the right to payment of principal on the Notes.

Transaction Accounts:

The Issuer shall maintain with the GIC Provider the following accounts (together the "**Transaction Accounts**");

- (i) an account to which on each Mortgage Payment Date - *inter alia* - all amounts received in respect of the Mortgage Receivables are transferred by the MPT Provider in accordance with the Services Agreement (the "**Issuer Collection Account**"); and
- (ii) an account to which, on the Transfer Date, the proceeds of the Reserve Fund Loan, and on each Monthly Payment Date, certain amounts to the extent available in accordance with the Interest Priority of Payments, have been transferred (the "**Reserve Account**").

Swap Cash Collateral Account

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

Guaranteed Investment Contract:

On the Transfer Date the Issuer has entered into a guaranteed investment contract, as amended and restated on the Issue Date (the "**Guaranteed Investment Contract**" or the "**GIC**") with the GIC Provider, under which the GIC Provider has agreed pay a guaranteed interest rate determined by reference to Euribor on the balance standing to the credit of each of the Transaction Accounts from time to time. In addition, ABN AMRO Bank N.V. in its capacity as the GIC Provider has agreed to pay a guaranteed rate of interest determined by reference to EONIA on the balance standing from time to time to the credit of the Swap Cash

Collateral Account. See *Credit Structure*.

OTHER

Management Agreements:

Each of the Issuer, the Security Trustee and Stichting Holding Principal Residential Investment Mortgages 1 have entered into a management agreement (together the "**Management Agreements**") with the relevant Director, under which the relevant Directors will undertake to act as directors of the Issuer, the Security Trustee or the Shareholder, respectively, and to perform certain services in connection therewith.

Paying Agency Agreement:

On the Issue Date the Issuer will enter into a paying agency agreement (the "**Paying Agency Agreement**") with the Paying Agent and the Reference Agent pursuant to which the Paying Agent undertakes, *inter alia*, to perform certain payment services on behalf of the Issuer towards the Noteholders.

Risk Factors:

There are certain factors which may affect the Issuer's ability to fulfil its obligations under the Notes. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Notes. Both these factors are described in *Risk Factors* in this Prospectus.

Listing:

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

Ratings:

It is a condition precedent to issuance that the Class A Notes, on issue, be assigned a 'AAAsf' rating by Fitch and a 'AAA (sf)' rating by S&P, the Class B Notes, on issue, be assigned at least a 'AAsf' rating by Fitch and a 'AA (sf)' rating by S&P and the Class C Notes, on issue, be assigned at least a 'A-sf' rating by Fitch. Credit ratings included or referred to in this Prospectus have been issued by S&P and Fitch, each of which is established in the European Union and is registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation.

Settlement:

Euroclear and Clearstream, Luxembourg.

Governing Law:

The Notes will be governed by and construed in accordance with the laws of the Netherlands. The provisions of Articles 86 to 94-8 of the Luxembourg act dated 10 August 1915 on commercial companies, as amended, are expressly excluded.

5. 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 to redeem the Initial Notes, the Junior Loan and the Junior Expenses Loan and part of the X Loan that it has issued and entered into, respectively, on the Transfer Date and to be reserved as Pre-Issue Principal Proceeds.

The Issuer has used the net proceeds of the Initial Notes and the Junior Loan to pay (part of) the Purchase Price for the Mortgage Receivables, pursuant to the provisions of a mortgage receivables purchase agreement dated the Transfer Date (the "**Mortgage Receivables Purchase Agreement**") and made between the Sellers, the Issuer and the Security Trustee.

Mortgage Loan Interest Rates

The Mortgage Loans pay interest on a floating basis or on a fixed rate basis, subject to a reset from time to time. Interest rates vary between individual Mortgage Loans. The range of interest rates is described further in *Description of the Mortgage Loans*. Interest on the Notes and the Subordinated Loans is payable by reference to a floating rate of interest. To provide for certain mitigants for the possible mismatch between the interest received and payable by the Issuer, the Issuer has entered into the Swap Agreement (see also *Interest Rate Hedging*).

Cash Collection Arrangements

Payments by the Borrowers under the Mortgage Loans (i) which are originated by KU88 are due on the first day of each month, interest being payable in arrear and (ii) which are originated by Sparck Hypotheken are due on (a) if the date on which the relevant Mortgage Loan is originated or the fixed interest rate period ends, falls prior to the 16th calendar day of such month, the first day of such month or (b) if the date on which the relevant Mortgage Loan is originated or the fixed interest rate period ends, falls on or after the 16th calendar day of such month, the first day of the immediately succeeding month, interest being payable upfront. All payments made by the Borrowers in respect of the Mortgage Receivables sold by the Sellers will be paid into the accounts (the "**Seller Collection Accounts**") maintained by the Sellers with ABN AMRO Bank N.V. (the "**Seller Collection Accounts Provider**").

If at any time the unsecured, unsubordinated and unguaranteed debt obligations or, in respect of Fitch, the short-term issuer default rating or the long-term issuer default rating of ABN AMRO Bank N.V. (or a successor bank where the Seller Collection Accounts are held) are assigned a rating of less than (i) in respect of Fitch, the short-term issuer default rating of 'F-1' by Fitch or the long-term issuer default rating of 'A' by Fitch, provided that for the purposes of the determination of the Bank Required Rating in respect of any entity, if the ratings assigned to such entity by Fitch are designated by Fitch as being on ratings watch negative then the ratings of that entity will be deemed to be one notch lower than such published Fitch ratings and (ii) in respect of S&P, 'A' (long-term) (if the short-term, unsecured and unsubordinated debt obligations are rated at least as high as 'A-1' by S&P) or 'A+' (long-term) (if the short-term, unsecured and unsubordinated debt obligations are not rated, or are rated below 'A-1' by S&P) by S&P (the "**Bank Required Rating**") or such rating is withdrawn by any of the Rating Agencies, the Sellers will be required as soon as possible, but at least within 30 days (in respect of the ratings assigned to the Notes by Fitch) or 60 calendar days extended with a period of 30 calendar days provided that a written proposal has been received by S&P and S&P has confirmed that the ratings assigned to the Notes will not be adversely affected as a result of such proposal and the extended period, to (i) transfer the balance of the Seller Accounts to an alternative bank with the Bank Required Rating or (ii) obtain a third party, having the Bank Required Rating to guarantee the payments to be made in respect of amounts received on a Seller Account relating to Mortgage Receivables in accordance with the guarantee criteria of S&P or (iii) implement any other actions to maintain the then current ratings assigned to the Notes.

On each fourth Business Day following the last day of each Mortgage Calculation Period (a "**Mortgage Payment Date**") and, if earlier, on each first Business Day after the date on which the aggregate amounts received by the Sellers and standing to the credit of each of the Seller Collection Accounts jointly with respect to the Mortgage Receivables exceed Euro 1,000,000, all amounts of principal, interest (including penalty interest) and prepayment penalties received during the immediately preceding Mortgage Calculation Period in respect of the Mortgage Loans will be transferred to the Issuer Collection Account by the relevant

Seller (or the MPT Provider (or its sub-agent) on its behalf in accordance with the Mortgage Receivables Purchase Agreement. In order to secure, *inter alia*, the Sellers' obligation under the Mortgage Receivables Purchase Agreement to make such transfer, the Sellers shall grant on the balances standing to the credit of the Seller Collection Accounts a first ranking right of pledge in favour of the Issuer. Such right of pledge will be notified to the Seller Collection Accounts Provider and will therefore be a disclosed right of pledge. The Issuer will grant a power to collect to the Sellers, which will be withdrawn upon the occurrence of certain events.

Transaction Accounts

Issuer Collection Account

The Issuer will maintain with the GIC Provider the Issuer Collection Account to which – *inter alia* – all amounts received (i) in respect of the Mortgage Receivables and (ii) from the other parties to the Relevant Documents will be paid. The Issuer Administrator will identify all amounts paid into the Issuer Collection Account in respect of the Mortgage Receivables. The amount standing to the credit of the Issuer Collection Account will pay a certain rate of interest on the balance standing from time to time to the credit of the Issuer Collection Account.

The Issuer Administrator will identify all amounts paid into the Issuer Collection Account in respect of the Mortgage Receivables by crediting such amounts to ledgers established for such purpose. Payments received on each relevant Mortgage Payment Date in respect of the Mortgage Loans will be identified as principal or revenue receipts and credited to the relevant principal ledger or the revenue ledger, as the case may be.

Payments may be made from the Issuer Collection Account other than on a Monthly Payment Date (or the Issue Date) only to satisfy amounts due to third parties (other than pursuant to the Relevant Documents) and payable in connection with the Issuer's business.

Reserve Account

The Issuer will also maintain with the GIC Provider the Reserve Account (see below).

Swap Cash Collateral Account

Any collateral in the form of cash which is provided by the Hedging Counterparty to the Issuer will be deposited on the Swap Cash Collateral Account in which such cash will be held in accordance with the Swap Agreement.

Rating GIC Provider

If at any time the unsecured, unsubordinated and unguaranteed debt obligations or, in respect of Fitch, the short-term issuer default rating or the long-term issuer default rating of the GIC Provider are assigned a rating of less the Bank Required Rating or such rating is withdrawn by any of the Rating Agencies, the Issuer will be required, within 30 days (in respect of the ratings assigned to the Notes by Fitch) or 60 calendar days extended with a period of 30 calendar days provided that a written proposal has been received by S&P and S&P has confirmed that the ratings assigned to the Notes will not be adversely affected as a result of such proposal and the extended period, to (i) transfer the balance of the Transaction Accounts and the Swap Cash Collateral Account to an alternative bank with the Bank Required Rating or (ii) obtain a third party, having the Bank Required Rating to guarantee the obligations of the GIC Provider in accordance with the guarantee criteria of S&P or (iii) implement any other actions to maintain the then current ratings assigned to the Notes.

Calculations

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

In case the Issuer Administrator does not receive a Mortgage Report from the MPT Provider with respect to a Mortgage Calculation Period, then the Issuer and the Issuer Administrator on its behalf may use the three most recent Mortgage Reports for the purposes of the calculation of the amounts available to the Issuer to make payments, as further set out in the Administration Agreement. When the Issuer Administrator receives

the Mortgage Reports relating to the Mortgage Calculation Period for which such calculations have been made, it will make reconciliation calculations and reconciliation payments by drawing amounts from the Reconciliation Ledger as set out in the Administration Agreement. Any (i) calculations properly done on the basis of such estimates in accordance with the Administration Agreement, and (ii) payments made and not made under any of the Notes and Relevant Documents in accordance with such calculations and (iii) reconciliation calculations and reconciliation payments made or payments not made as a result of such reconciliation calculations, each in accordance with the Administration Agreement, shall be deemed to be done, made or not made in accordance with the provisions of the Relevant Documents and will in itself not lead to an Event of Default or any other default under any of the Relevant Documents or breach of any triggers included therein (including but not limited to Assignment Notification Events).

Priority of Payments in respect of interest

Prior to the delivery of an Enforcement Notice by the Security Trustee, the sum of the following amounts, calculated on each Monthly Calculation Date (being the third Business Day prior to each Monthly Payment Date) as being received during or in respect of the Mortgage Calculation Period (as defined in Condition 6) immediately preceding such Monthly Calculation Date (items under (i) up to and including (xi) hereafter being referred to as the "**Interest Available Amount**"):

- (i) as interest, including penalty interest, on the Mortgage Receivables received by the Issuer on or prior to such Monthly Calculation Date and paid by the Borrower during such Mortgage Calculation Period, including, in respect of interest, any amounts paid on the first, second, third and fourth business day following such Mortgage Calculation Period, but excluding any such amounts received by the Sellers during such Mortgage Calculation Period and already included in the Interest Available Amount calculated on the Monthly Calculation Date immediately preceding such Monthly Calculation Date;
- (ii) as interest accrued on the Transaction Accounts;
- (iii) as Prepayment Penalties under the Mortgage Receivables;
- (iv) as Net Proceeds on any Mortgage Receivables, to the extent such proceeds do not relate to principal;
- (v) as amounts to be drawn under the Liquidity Facility (other than Liquidity Facility Stand-by Drawings) on the immediately succeeding Monthly Payment Date;
- (vi) as amounts to be received from the Hedging Counterparty under the Swap Agreement, on the immediately succeeding Monthly Payment Date, excluding for the avoidance of doubt, any collateral provided by the Hedging Counterparty pursuant to the Swap Agreement;
- (vii) as amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement or any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts do not relate to principal;
- (viii) as amounts received in connection with a sale of Mortgage Receivables pursuant to the Trust Deed to the extent such amounts do not relate to principal and to the extent such amounts relate to principal, but only such part that is in excess of the relevant Outstanding Principal Amount of the relevant Mortgage Receivable;
- (ix) as amounts received as post-foreclosure proceeds on the Mortgage Receivables;
- (x) as amounts to be drawn from the Reserve Account and the Interest Reconciliation Ledger on the immediately succeeding Monthly Payment Date; and
- (xi) any amounts standing to the credit of any of the Transaction Accounts after all amounts of interest and principal due in respect of the Notes have been paid in full,

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

- a) *first*, in or towards satisfaction, *pari passu* and *pro rata*, according to the respective amounts thereof, of
 - (i) the fees, costs, expenses or other remuneration due and payable to the Directors in connection with the Management Agreements, (ii) any costs, charges, liabilities and expenses incurred by the Security Trustee under or in connection with any of the Relevant Documents (as defined in the Conditions), (iii) the fees and expenses due and payable to the MPT Provider under the Services Agreement, (iv) amounts due and payable to the Back-up MPT Provider under the Back-up Servicing Letter, (v) provided that no Termination Event (as defined in the Services Agreement) has occurred in respect of the MPT Provider or, if replaced by the Back-up MPT Provider, in respect of the Back-up MPT Provider,

the fees and expenses due and payable to the Issuer Administrator under the Issuer Administration Agreements, (vi) the fees and expenses due and payable to the Issuer Adviser under the Issuer Advisory Agreement, other than (a) any Termination Fee (as defined therein) payable under sub-paragraph (m) below and (b) the fees and expenses payable under sub-paragraph (r) below, (vii) the Liquidity Facility Commitment Fee to the Liquidity Facility Provider under the Liquidity Facility Agreement, (viii) the fees and expenses due to the GIC Provider under the GIC and (ix) the additional consideration for the purchase of the Mortgage Receivables due to the Sellers under of the Mortgage Receivables Purchase Agreement;

- b) *second*, in or towards satisfaction, *pari passu* and *pro rata*, according to the respective amounts thereof, of (i) any amounts due and payable to third parties under obligations incurred in the Issuer's business (other than under the Relevant Documents), including, without limitation, in or towards satisfaction of sums due or provisions for any payment of the Issuer's liability, if any, to tax and the fees and expenses of the Rating Agencies and any legal advisor, auditor and accountant, appointed by the Issuer or the Security Trustee and (ii) fees and expenses due to the Paying Agent and the Reference Agent under the Paying Agency Agreement;
- c) *third*, any interest due to the Liquidity Facility Provider in respect of drawings made under the Liquidity Facility (excluding the Liquidity Facility Commitment Fee payable under (a) above and any gross-up amounts or additional amounts due under the Liquidity Facility Agreement payable under sub-paragraph (o) below);
- d) *fourth*, in or towards satisfaction, *pari passu* and *pro rata*, according to the respective amounts thereof, of any amounts due and payable to the Liquidity Facility Provider under the Liquidity Facility Agreement or, following a Liquidity Facility Stand-by Drawing in or towards satisfaction of sums to be credited to the Liquidity Facility Stand-by Ledger or, as the case may be, an account to be opened with a bank having at least the Bank Required Rating, but excluding (i) the Liquidity Facility Commitment Fee, (ii) interest payable under (c) above and (iii) any gross-up amounts or additional amounts due under the Liquidity Facility Agreement payable under sub-paragraph (o) below;
- e) *fifth*, in or towards satisfaction of interest due on the Class A Notes;
- f) *sixth*, in or towards satisfaction of sums to be credited to the Third Principal Deficiency Ledger until the debit balance, if any, on the Third Principal Deficiency Ledger is reduced to zero;
- g) *seventh*, in or towards satisfaction of interest due on the Class B Notes;
- h) *eighth*, in or towards satisfaction of sums to be credited to the Second Principal Deficiency Ledger until the debit balance, if any, on the Second Principal Deficiency Ledger is reduced to zero;
- i) *ninth*, in or towards satisfaction of interest due on the Class C Notes;
- j) *tenth*, in or towards satisfaction of sums to be credited to the First Principal Deficiency Ledger until the debit balance, if any, on the First Principal Deficiency Ledger is reduced to zero;
- k) *eleventh*, in or towards satisfaction of any sums required to be deposited 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;
- l) *twelfth*, only upon and after the occurrence of an Acceleration Amortisation Trigger Event, in or towards satisfaction of principal amounts due under the Class A Notes, until fully redeemed, and then the Class B Notes, until fully redeemed, and then the Class C Notes, respectively, on the relevant Monthly Payment Date, including, as the case may be, the Final Maturity Date, until fully redeemed in accordance with the Conditions by forming part of the Redemption Available Amount;
- m) *thirteenth*, any Termination Fee (as defined in the Issuer Advisory Agreement) due and payable to the Issuer Adviser under the Issuer Advisory Agreement;
- n) *fourteenth*, any amounts to be applied in or towards payment of the purchase price of Further Advance Mortgage Receivables on the immediately succeeding Monthly Payment Date, if any;
- o) *fifteenth*, in or towards satisfaction of any gross-up amounts or additional amounts due, if any, to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement;
- p) *sixteenth*, in or towards satisfaction of interest accrued but unpaid in respect of the Reserve Fund Loan;
- q) *seventeenth*, in or towards satisfaction of principal due and payable but unpaid in respect of the Reserve Fund Loan;
- r) *eighteenth*, after the occurrence of a Termination Event (as defined in the Services Agreement) in respect of the MPT Provider or, if replaced by the Back-up MPT Provider, in respect of the Back-up MPT Provider, the fees and expenses due and payable to the Issuer Adviser under the Issuer Advisory Agreement; and
- s) *nineteenth*, in or towards satisfaction of an X Loan Interest Instalment to the X Loan Providers or the assignees under the X Loan Agreement.

Priority of Payments in respect of principal

Prior to the delivery of an Enforcement Notice by the Security Trustee, the sum of the following amounts (as also defined in Condition 6(c)) calculated on any Monthly Calculation Date as being received during (or in respect of) the Mortgage Calculation Period preceding such Monthly Calculation Date (items under (i) up to and including (vii) hereinafter being referred to as the "**Redemption Available Amount**"):

- (i) as repayment and prepayment of principal under the Mortgage Receivables received by the Issuer on or prior to such Monthly Calculation Date and paid by the Borrower during such Mortgage Calculation Period, excluding prepayment penalties;
- (ii) as Net Principal Proceeds on any Mortgage Receivable;
- (iii) as amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal;
- (iv) as amounts received in connection with a sale of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement and/or the Trust Deed to the extent such amounts relate to principal but up to the aggregate Outstanding Principal Amount of such Mortgage Receivables;
- (v) as amounts to be credited to the Principal Deficiency Ledger on the immediately succeeding Monthly Payment Date in accordance with the Administration Agreement;
- (vi) as amounts to be received on the immediately succeeding Monthly Payment Date pursuant to item (I) of the Interest Priority of Payments;
- (vii) any amount to be drawn from the Principal Reconciliation Ledger on the immediately preceding Monthly Payment Date; and
- (viii) in respect of the Monthly Payment Date falling in March 2012 an amount equal to the Pre-Issue Principal Proceeds;

will pursuant to terms of the Trust Deed be applied by the Issuer on the immediately succeeding Monthly 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 "**Principal Priority of Payments**").

- a) *first*, in or towards satisfaction of principal amounts due under the Class A Notes on the relevant Monthly Payment Date, including, as the case may be, the Final Maturity Date, until fully redeemed in accordance with the Conditions;
- b) *second*, in or towards satisfaction of principal amounts due under the Class B Notes on the relevant Monthly Payment Date, including, as the case may be, the Final Maturity Date, until fully redeemed subject to and in accordance with the Conditions;
- c) *third*, in or towards satisfaction of principal amounts due under the Class C Notes on the relevant Monthly Payment Date, including, as the case may be, the Final Maturity Date, until fully redeemed subject to and in accordance with the Conditions; and
- d) *fourth*, in or towards satisfaction of principal amounts due under the X Loan on the relevant Monthly Payment Date, including, as the case may be, the Final Maturity Date, until fully redeemed subject to and in accordance with the X Loan Agreement.

Pre-Issue Principal Proceeds

The Pre-Issue Principal Proceeds are determined by the Issuer, the Sellers and the Security Trustee in connection with (but will for the avoidance of doubt not be equal to) the principal proceeds received on the Mortgage Receivables by the Issuer from and including the 1 December 2011 up to and including 31 January 2012 and will on the Monthly Payment date falling in March 2012 be used to redeem the Notes in accordance with the conditions and "**Pre-Issue Principal Proceeds**" means an amount equal to EUR 3,622,425 which will be withheld from the proceeds of the issue of the Notes and which will on the Issue Date be deposited on the Issuer Collection Account as being the "Pre-Issue Principal Proceeds".

Priority of Payments upon Enforcement

Following delivery of an Enforcement Notice any amount recovered by the Security Trustee and payable under the Trust Deed will be paid to the Security Beneficiaries (including the Noteholders in the following order of priority (and in which case only if and to the extent payments of a higher priority have been made in full) (the "**Priority of Payments upon Enforcement**")):

- a) *first*, in or towards satisfaction, *pari passu* and *pro rata*, according to the respective amounts thereof, of (i) the fees, costs, expenses or other remuneration due to the Directors, (ii) any cost, charge, liability and expenses incurred by the Security Trustee under or in connection with any of the Relevant Documents, (iii) the fees and expenses of the Paying Agent incurred under the provisions of the Paying Agency Agreement, and (iv) the fees and expenses of the MPT Provider under the Services Agreement, and (v) the amounts due and payable to the Back-up MPT Provider under the Back-up Servicing Letter, (vi) the fees and expenses of the Issuer Administrator under the Issuer Administration Agreements, (vii) provided that no Termination Event (as defined in the Services Agreement) has occurred in respect of the MPT Provider or, if replaced by the Back-up MPT Provider, in respect of the Back-up MPT Provider, the fees and expenses due and payable to the Issuer Adviser under the Issuer Advisory Agreement, other than (a) any Termination Fee (as defined therein) payable under sub-paragraph (i) below and (b) the fees and expenses payable under sub-paragraph (l) below and (viii) the fees and expenses due to the GIC Provider under the GIC;
- b) *second*, to the Liquidity Facility Provider, in or towards satisfaction of amounts due but unpaid under the Liquidity Facility Agreement, excluding the amounts payable under item (k) below;
- c) *third*, in or towards satisfaction of all amounts due but unpaid in respect of interest on the Class A Notes;
- d) *fourth*, in or towards satisfaction of all amounts of principal and all other amounts due but unpaid in respect of the Class A Notes;
- e) *fifth*, in or towards satisfaction of all amounts due but unpaid in respect of interest on the Class B Notes;
- f) *sixth*, in or towards satisfaction of all amounts of principal and all other amounts due but unpaid in respect of the Class B Notes;
- g) *seventh*, in or towards satisfaction of all amounts due but unpaid in respect of interest on the Class C Notes;
- h) *eighth*, in or towards satisfaction of all amounts of principal and all other amounts due but unpaid in respect of the Class C Notes;
- i) *ninth*, any Termination Fee (as defined in the Issuer Advisory Agreement) due and payable to the Issuer Adviser under the Issuer Advisory Agreement;
- j) *tenth*, in or towards satisfaction of all amounts of interest due, interest accrued and principal due but unpaid in respect of the Reserve Fund Loan;
- k) *eleventh*, in or towards satisfaction of gross-up amounts or additional amounts due, if any, to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement;
- l) *twelfth*, after the occurrence of a Termination Event (as defined in the Services Agreement) in respect of the MPT Provider or, if replaced by the Back-up MPT Provider, in respect of the Back-up MPT Provider, the fees and expenses due and payable to the Issuer Adviser under the Issuer Advisory Agreement;
- m) *thirteenth*, in or towards satisfaction of all amounts due in respect of principal under the X Loan Agreement; and
- n) *fourteenth*, in or towards satisfaction of an X Loan Interest Instalment to the X Loan Providers or the assignees under the X Loan Agreement.

Liquidity Facility Agreement

On the Transfer Date, the Issuer has entered into the Liquidity Facility Agreement with Natixis, London Branch (the "**Liquidity Facility Provider**"). The Issuer will be entitled on any Monthly Payment Date (other than (x) a Monthly Payment Date if and to the extent that on such date the Notes will be redeemed in full, subject to Condition 9(b), and (y) the Final Maturity Date) to make drawings under the Liquidity Facility Agreement:

- a) with respect to a shortfall in the Interest Available Amount to meet items (a) to (i) (inclusive) but excluding items (f) and (h) of the Interest Priorities of Payment, up to the Liquidity Facility Maximum Limited Amount; and
- b) with respect to a shortfall in the Interest Available Amount to meet items (a) to (g) (inclusive) but excluding item (f) of the Interest Priorities of Payment, up to the Liquidity Facility Maximum Extended

Amount less the aggregate amount to be drawn pursuant to (a) on such Monthly Payment Date,
in each case subject to certain conditions.

"Liquidity Facility Maximum Extended Amount" will on any Monthly Calculation Date be equal to the lesser of (i) euro 8,500,000 or (ii) 8.55 per cent. of the Principal Amount Outstanding of the Notes on the opening of business of the Monthly Payment Date falling three calendar months prior to such Monthly Calculation Date.

"Liquidity Facility Maximum Limited Amount" will on any Monthly Calculation Date be equal to the lesser of (i) euro 8,500,000 or (ii) 7 per cent. of the Principal Amount Outstanding of the Notes on the opening of business of the Monthly Payment Date falling three calendar months prior to such Monthly Calculation Date.

The Liquidity Facility Agreement is for a maximum term of 364 days. The commitment of the Liquidity Facility Provider is extendable at its option for subsequent periods of 364 days only. Any drawing under the Liquidity Facility Agreement by the Issuer may only be made on a Monthly Payment Date if and to the extent that, after taking into account any drawing from the Reserve Account, there is a shortfall in the Interest Available Amount to meet items (a) to (i) (inclusive) but excluding items (f) and (h) of the Interest Priorities of Payment, provided that no drawing may be made to meet item (g) to the extent that, after the application of the Interest Available Amount, a debit balance would remain on the Second Principal Deficiency Ledger and no drawing may be made to meet item (i) to the extent that, after the application of the Interest Available Amount, a debit balance would remain on the First Principal Deficiency Ledger (each such amount the **"Permitted Liquidity Drawing Amount"**). The Liquidity Facility Provider will rank in priority in respect of payments and security to the Notes.

If, (i) at any time, the unsecured, unsubordinated and unguaranteed debt obligations or, in respect of Fitch, the short-term issuer default rating or the long-term issuer default rating of the Liquidity Facility Provider are assigned a rating of less than the Bank Required Rating or any such rating is withdrawn by any of the Rating Agencies and (ii) (a) within 14 days (in respect of the ratings assigned to the Notes by Fitch) or (b) within 60 calendar days extended with a period of 30 calendar days (in respect of the ratings assigned to the Notes by S&P) provided that a written proposal has been received by S&P and S&P confirmed that the ratings assigned to the Notes will not be adversely affected as a result of such proposal and the extended period, the Liquidity Facility Provider is not replaced with an alternative Liquidity Facility Provider whose unsecured, unsubordinated and unguaranteed debt obligations or, in respect of Fitch, of which the short-term issuer default rating or the long-term issuer default rating are assigned at least a rating of the Bank Required Rating or alternatively a guarantee for the Liquidity Facility Provider obligations in favour of the Issuer has been issued in accordance with the guarantee criteria of S&P by a guarantor having at least the Bank Required Rating, the Issuer will be required forthwith, and ultimately within a period of 60 calendar days after such occurrence, to draw down the entirety of the undrawn portion of the Liquidity Facility Agreement (a **'Liquidity Facility Stand-by Drawing'**) and deposit such amount to an account in the name of the Issuer to be opened with a bank having at least the Bank Required Rating, other than the GIC Provider, with a corresponding credit entry to the Liquidity Facility Stand-by Ledger. A Liquidity Facility Stand-by Drawing shall also be made if the Liquidity Facility Provider does not renew the Liquidity Facility Agreement at its commitment termination date, in which case the Liquidity Facility Stand-by Drawing shall be deposited to an account in the name of the Issuer to be opened with a bank having at least the Bank Required Rating, other than the GIC Provider with a corresponding credit entry to the Liquidity Facility Stand-by Ledger. All rights in relation to such account will be pledged by the Issuer to the Security Trustee. Amounts so deposited as a result of a Liquidity Facility Stand-by Drawing may be drawn by the Issuer for the same purpose as a drawing under the Liquidity Facility Agreement.

Reserve Account

The net proceeds of the Reserve Fund Loan have been credited to the Reserve Account on the Transfer Date (see further *Reserve Fund Loan Agreement* below).

Amounts credited to the Reserve Account will be available on any Monthly Payment Date to meet items (a) to (j) (inclusive) of the Interest Priority of Payments.

Moreover, if and to the extent that the Interest Available Amount on any Monthly Calculation Date exceeds

the amounts required to meet items ranking higher than item (j) in the Interest Priority of Payments, the excess amount will be used 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**" shall on any Monthly Calculation Date be equal to on any Monthly Calculation Date be equal to the lesser of (i) euro 2,000,000 or (ii) 2.5 per cent. of the Principal Amount Outstanding of the Notes on such Monthly Calculation Date.

On the Monthly Payment Date on which all amounts of interest and principal due in respect of the Notes have been or will be paid, 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 Interest Available Amount and be available, subject to the Interest Priority of Payments, for redemption of the Reserve Fund Loan on each Monthly Payment Date.

Principal Deficiency Ledger

A Principal Deficiency Ledger comprising two sub-ledgers, known as the "**Realised Damage Principal Deficiency Ledger**" and the "**Realised Losses Principal Deficiency Ledger**", respectively, have been established by or on behalf of the Issuer in order to record any Realised Damage and any Realised Losses, respectively, on the Mortgage Receivables (together the "**Principal Deficiency Ledger**").

The Realised Damage Principal Deficiency Ledger contains three sub-ledgers, known as the "**Third Realised Damage Principal Deficiency Ledger**", the "**Second Realised Damage Principal Deficiency Ledger**" and the "**First Realised Damage Principal Deficiency Ledger**" (together the "**Realised Damage Principal Deficiency Ledger**"), has been established by or on behalf of the Issuer in order to record any Realised Damage on the Mortgage Receivables (each respectively the "**Third Realised Damage Principal Deficiency**", the "**Second Realised Damage Principal Deficiency**" and the "**First Realised Damage Principal Deficiency**" and together a "**Realised Damage Principal Deficiency**"). Any Realised Damage shall be debited to the First Realised Damage Principal Deficiency Ledger (such debit items being reccredited at item (j) of the Interest Priority of Payments) so long as the debit balance on the First Principal Deficiency Ledger is less than the Principal Amount Outstanding of the Class C Notes and thereafter such amounts shall be debited to the Second Realised Damage Principal Deficiency Ledger (such debit items being reccredited at item (h) of the Interest Priority of Payments) so long as the debit balance on the Second Principal Deficiency Ledger is less than the Principal Amount Outstanding of the Class B Notes and thereafter such amounts shall be debited, *pro rata* according to the Principal Amount Outstanding of the Class A Notes on the Issue Date, to the Third Realised Damage Principal Deficiency Ledger (such debit items being reccredited at item (f) of the Interest Priority of Payments).

The Realised Losses Principal Deficiency Ledger contains three sub-ledgers, known as the "**Third Realised Losses Principal Deficiency Ledger**" (and together with the Third Realised Damage Principal Deficiency Ledger, the "**Third Principal Deficiency Ledger**"), the "**Second Realised Losses Principal Deficiency Ledger**" (and together with the Second Realised Damage Principal Deficiency Ledger, the "**Second Principal Deficiency Ledger**"), the "**First Realised Losses Principal Deficiency Ledger**" (and together with the First Realised Damage Principal Deficiency Ledger, the "**First Principal Deficiency Ledger**" and together with the Realised Damage Principal Deficiency Ledger, the "**Principal Deficiency Ledger**"), has been established by or on behalf of the Issuer in order to record any Realised Losses on the Mortgage Receivables (each respectively the "**Third Realised Losses Principal Deficiency**", the "**Second Realised Losses Principal Deficiency**" and the "**First Realised Losses Principal Deficiency**" and together a "**Realised Losses Principal Deficiency**", and together with the Realised Damage Principal Deficiency, a "**Principal Deficiency**"). Any Realised Losses shall be to the First Realised Losses Principal Deficiency Ledger (such debit items being reccredited at item (j) of the Interest Priority of Payments) so long as the debit balance on the First Principal Deficiency Ledger is less than the Principal Amount Outstanding of the Class C Notes and thereafter such amounts shall be debited to the Second Realised Losses Principal Deficiency Ledger (such debit items being reccredited at item (h) of the Interest Priority of Payments) so long as the debit balance on the Second Principal Deficiency Ledger is less than the Principal Amount Outstanding of the Class B Notes and thereafter such amounts shall be debited, *pro rata* according to the Principal Amount Outstanding of the Class A Notes on the Issue Date, to the Third Realised Losses Principal Deficiency Ledger (such debit items being reccredited at item (f) of the Interest Priority of Payments).

After any Realised Damage and any Realised Losses have been debited to the Third Principal Deficiency Ledger up to the Principal Amount Outstanding of the Class A Notes, such amounts shall be debited to the Realised Damage Principal Deficiency Ledger or Realised Losses Principal Deficiency Ledger, as applicable, without being debited on any of their respective sub-ledgers.

As there is no separate principal deficiency ledger to record losses on the X Loan, the Third Principal Deficiency Ledger, the Second Principal Deficiency Ledger and the First Principal Deficiency Ledger do not mirror the principal losses on the Class A Notes, the Class B Notes and the Class C Notes, respectively. Consequently, when calculating the Class B Principal Shortfall or the Class C Principal Shortfall (if any) in accordance with Condition 9(b), the principal amount outstanding of the X Loan is also taken into account.

"Realised Damage" means, on any relevant Mortgage Calculation Date, with respect to the Mortgage Receivables in respect of which any representations and warranties and/or covenants are breached by any Seller, the amount equal to the damage incurred by the Issuer as determined during the immediately preceding Monthly Calculation Period as a result of such breach unless, and to the extent, such amount is reimbursed to the Issuer by the relevant Seller.

"Realised Losses" means, on any relevant Monthly Calculation Date, the sum of (a) with respect to the Mortgage Receivables in respect of which the relevant Seller or the MPT Provider on behalf of the Issuer, the Issuer or the Security Trustee has completed foreclosure procedures from the Issue Date up to and including the immediately preceding Mortgage Calculation Period of the difference between (i) the aggregate Outstanding Principal Amount of all Mortgage Receivables, and (ii) the amount of the Net Principal Proceeds applied to reduce the Outstanding Principal Amount of the Mortgage Receivables; and (b), with respect to the Mortgage Receivables sold by the Issuer, the amount of the difference, if any, between (i) the aggregate Outstanding Principal Amount of such Mortgage Receivables, and (ii) the purchase price of the Mortgage Receivables sold to the extent relating to principal; and (c) with respect to the Mortgage Receivables in respect of which the Borrower has successfully asserted set-off or defence to payments, the amount by which the Mortgage Receivables have been extinguished ("*teniet gegaan*") unless, and to the extent, such amount is received from the relevant Seller pursuant to item (iii) of the Redemption Available Amount, except any amount forming part of the Realised Damage.

Interest Rate Hedging

The Mortgage Loan Criteria require that all Mortgage Receivables sold and assigned to the Issuer at Closing either bear (i) a fixed rate of interest or (ii) a floating rate of interest (as further described in Description of the Mortgage Loans below). The Mortgage Loan Criteria permit Borrowers to switch between fixed and floating interest rate products (see *Interest Rate Policy*). The interest rate payable by the Issuer with respect to the Notes is calculated as a margin over Euribor. The Issuer will hedge this potential interest rate exposure to a certain extent by entering into the Swap Agreement with the Hedging Counterparty in the following manner:

The Issuer has entered into a cap transaction under the Swap Agreement whereby the Issuer has made a one-off payment to the Hedging Counterparty on the Transfer Date and on the Issue Date it will enter into a second cap transaction under the Swap Agreement whereby the Issuer will make a one-off payment to the Hedging Counterparty on the Issue Date. The Hedging Counterparty will, in relation to each Monthly Calculation Period in respect of which Euribor for one month deposit in euro exceeds the strike rate of 4.00 per cent and 5.00 per cent. per annum (on an Actual/360 basis) respectively, make a payment to the Issuer determined by reference to the application of a rate (which rate shall be calculated by reference to the amount by which Euribor for one month deposits in euro exceeds the relevant strike rate) to a scheduled notional amount as set out in the cap transactions.

The first cap transaction has the following characteristics:

- a) cap notional amount on the Transfer Date: EUR 102,094,595.60;
- b) Issuer payment: EUR 3,250,000;
- c) Hedging Counterparty payment: the excess of the floating rate over 4 per cent. multiplied by the cap notional amount multiplied by the relevant day count fraction; and
- d) assumed CPR of 5 per cent. per annum.

The second cap transaction has the following characteristics:

- a) cap notional amount on the Issue Date: EUR 38,117,844;
- b) Issuer payment: an amount to be determined at the Issue Date;

- c) Hedging Counterparty payment: the excess of the floating rate over 5 per cent. multiplied by the cap notional amount multiplied by the relevant day count fraction; and
- d) assumed CPR of 8 per cent. per annum.

Sale of Mortgage Receivables

Under the terms of the Trust Deed, the Issuer will have the right to sell and assign all but not some of the Mortgage Receivables on each Optional Redemption Date, provided that the Issuer shall apply the proceeds of such sale to redeem the Notes in full, subject to, in respect of the Subordinated Notes, Condition 9(b) (see Condition 6(e)) (see also *Optional Redemption and Maturity Risk* in *Risk Factors* above).

Under the terms of the Trust Deed, the Issuer will also have the right to sell and assign all, but not some, of the Mortgage Receivables, if the Issuer exercises its option to redeem the Notes for tax reasons or regulatory reasons or the Clean-Up Call Option in accordance with Condition 6. Under the terms of the Mortgage Receivables Purchase Agreement, the Issuer shall be obliged to sell and assign the Mortgage Receivables to the relevant Seller, or any third party appointed by the relevant Seller at its sole discretion, if the Sellers, acting jointly, exercise the Sellers Call Option.

If the Issuer wishes to sell and assign all, but not some, of the Mortgage Receivables in accordance with the terms of the Trust Deed, the Issuer shall first offer such Mortgage Receivables for sale to the Sellers at least sixty-seven (67) days prior to the scheduled date of sale. The Sellers shall within a period of fourteen (14) calendar days after receipt of such notice inform the Issuer whether they wish to repurchase the Mortgage Receivables. After such period of fourteen (14) calendar days, if the Sellers have not indicated that they wish to repurchase the Mortgage Receivables, if the Issuer finds a third party that is willing to purchase the Relevant Mortgage Receivables, the Issuer will notify the Sellers of the terms of such third party's offer by written notice at least thirty-nine (39) calendar days prior to the scheduled date of such sale. After having received such written notice, the Sellers will have the right, but not the obligation, to repurchase the Mortgage Receivables on terms equal to such third party's offer to purchase the Relevant Mortgage Receivables on the scheduled date of such sale, provided that the Sellers shall within a period of seven (7) calendar days after receipt of such notice inform the Issuer that they wish to repurchase the Mortgage Receivables on the scheduled date of such sale. The purchase price of the Mortgage Receivables will in each case be calculated as described in *Purchase Price* below.

Purchase Price

The purchase price of each Mortgage Receivable in the event the Issuer decides to exercise its right to redeem the Notes on an Optional Redemption Date, the Clean-Up Call Option, the Regulatory Call Option and the Tax Call Option shall be at least equal to an amount that is sufficient to redeem the Notes at their Principal Amount Outstanding subject to, in respect of the Class B Notes and the Class C Notes, Condition 9(b), together with accrued interest due but unpaid up to the date of sale and any costs incurred by the Issuer in effecting and completing such sale and re-assignment.

The purchase price of each Mortgage Receivable in the event of the exercise of any Sellers Call Option shall be at least equal to the sum of (i) an amount that is sufficient to redeem the Notes at their Principal Amount Outstanding, (ii) an amount to be calculated on the basis of the value of the X Loan and (iii) accrued interest due but unpaid up to the date of sale and any costs incurred by the Issuer in effecting and completing such sale and re-assignment.

Subordinated Loans

X Loan Agreement

On the Transfer Date the Issuer entered into a loan agreement (the "**X Loan Agreement**") with each of the Sellers (in such capacity, the "**X Loan Providers**") pursuant to which the Issuer has drawn a loan for an amount equal to EUR 55,118,990.83 (the "**X Loans**") which has been used by the Issuer to pay to the Sellers a part of the Purchase Price. Subsequently, on the Transfer Date, the Sellers sold and assigned the receivables resulting from the X Loan to PROPER 1. On or before the Issue Date, Sparck Hypotheken will purchase and accept the assignment of part of the receivables resulting from the X Loan for an amount which, as at such date, will equal not less than 5% of the nominal amount of the Notes and the Subordinated Loans, in accordance with Article 122a of the Capital Requirements Directive (PROPER 1 and Sparck Hypotheken in such capacity, the assignees under the X Loan Agreement). Proper 1 has in its capacity as holder of part of the receivables resulting from the X Loan agreed to reimburse the Issuer for all cost,

expenses and commissions incurred by the Issuer in connection with the issue of the Notes. The obligations of Proper 1 to pay such costs, expenses and commissions will be set-off with a part of the obligation of the Issuer to repay the X Loans to Proper 1.

Reserve Fund Loan Agreement

On the Transfer Date the Issuer entered into a reserve fund loan agreement (the "**Reserve Fund Loan Agreement**") with each of the Sellers (in such capacity, the "**Reserve Fund Loan Providers**") pursuant to which the Issuer has drawn a loan for an amount equal to EUR 2,000,000 (the "**Reserve Fund Loan**" and together with the X Loan, the "**Subordinated Loans**") which has been deposited on the Reserve Account. Subsequently, on the Transfer Date, the Reserve Fund Loan Providers sold and assigned the receivables resulting from the Reserve Fund Loan Agreement to PROPER 1 (PROPER 1 in such capacity the assignee under the Reserve Fund Loan Agreement).

Interest under the Subordinated Loans

Interest under the Reserve Fund Agreement and the X Loan Agreement is payable by reference to successive Interest Periods. The interest will be calculated on the basis of the actual days elapsed in the Interest Period divided by 360 days. Interest will be payable monthly in arrear in respect of the Principal Amount Outstanding of each of the Reserve Fund Loan and the X Loans on each Monthly Payment Date.

Interest on the Reserve Fund Loan for each Interest Period will accrue from the Transfer Date at an annual rate equal to the sum of Euribor for one month deposits in EUR, plus a margin of 7.00 per cent. per annum.

Interest on the X Loans for each Interest Period will accrue from the Transfer Date and will be equal to an amount equal to the "**X Loan Interest**". The X Loan Interest shall be equal to the sum of all instalments in respect of the X Loan Interest and each instalment (each a "**X Loan Interest Instalment**") will, with respect to a Monthly Payment Date, be equal to (A) prior to the delivery of an Enforcement Notice, an amount equal to the part of the Interest Available Amount that exceeds (if any), the sum of all amounts payable by the Issuer as set forth in the Interest Priority of Payments under (a) up to and including (r) or (B), after the delivery of an Enforcement Notice, the amount remaining after all payments as set forth in the Priority of Payments upon Enforcement under (a) up to and including (m) have been made.

The obligations of the Issuer in respect of the right to payment of interest under the Subordinated Loans will rank below the obligations of the Issuer in respect of the right to payment of interest on the Notes.

Redemption of the Subordinated Loans

On the Monthly Payment Date falling in March 2012 and on each Monthly Payment Date thereafter until the delivery of an Enforcement Notice, the Issuer will be obliged to apply an amount equal to the positive difference, if any, between the Redemption Available Amount and the sum of all amounts payable by the Issuer in accordance with the Principal Priority of Payments under (a), (b) and (c) to redeem (or partially redeem) the X Loan, until fully redeemed.

In addition, on the Monthly Payment Date falling in March 2012 and on each Monthly Payment Date thereafter until the delivery of an Enforcement Notice, the Issuer will be obliged to apply an amount equal to the positive difference, if any, between the Interest Available Amount and the sum of all payments payable by the Issuer in accordance with the Interest Priority of Payments under (a) up to and including (p) to redeem (or partially redeem) the Reserve Fund Loan, provided that such amount shall never exceed the amount of the Reserve Fund Loan.

The obligations of the Issuer in respect of the right to payment of principal under the Subordinated Loans will rank below the obligations of the Issuer in respect of the right to payment of principal on the Notes.

6. THE DUTCH RESIDENTIAL MORTGAGE MARKET

General

After a promising start of the year, in Q4 2011 house prices continued to drop and fewer house transactions occurred. This picture is not expected to change in the near term as consumer willingness to buy remains weak. Reasons for this are both the poor economic performance and the uncertainty about several long term variables such as the future of mortgage relief.

Despite a lack of confidence, the affordability of buying a house has improved further. This is mainly due to the reduction of transfer tax and the decline in house prices. Nevertheless, there are still more houses on the market than potential buyers and in the fourth quarter of 2011, there were an additional 5,000 properties in the market. Given the circumstances, house prices will have to decrease more for the number of transactions to increase. However, as reflected by the low number of payment in arrears and forced sales, relatively few sellers are under severe pressure to cut their asking price.

Moreover, introduced on 15th of June 2011, the transfer tax reduction has caused a sharp influx of houses onto the market as sellers who were reluctant to sell because of the economic climate are now seizing the opportunity to do business. This additional supply is expected to put additional downward pressure on prices.

The price of existing homes is expected to decrease by 5% on average in 2012. Part of this price decline will be due to carry-over effects from 2011, resulting from a higher price decrease in Q4 2011. The remaining part will be caused by the mismatch between demand and supply which will likely continue in 2012. Price evolution in the coming years will mainly be driven by interest rates, inflation and incomes. Moreover, the health of the labour market and consumer confidence in general will also play an important role.

Characteristics of Dutch mortgages

The most common mortgage loans types in the Netherlands are annuity, linear, savings, life and investment mortgage loans. For savings, life and investment mortgage loans no principal is repaid during the term of the contract. Instead, the borrower makes payments in a saving account, endowment insurance or investment fund. Upon maturity the loan is repaid with the money in the savings account, the insurance contract or the investment fund respectively. The government encourages this method of redemption by exempting from tax the capital sum received under the policy, up to a certain amount (plus annual indexation), provided the term of insurance is at least 15 years. In addition, the insurance policies are exempted from wealth tax. On 1 January 2008, Bank Savings Act ("*Wet Banksparen*") came into force in the Netherlands. This Act grants the same favourable tax conditions to consumers saving via a bank account for a home or a pension. The bank savings mortgage has rapidly become the preferred method of redemption. Transparency and favourable rates have contributed to the success of these products.

In the Netherlands mortgage loans interest payments are deductible from the income of the borrower for income tax purposes. There are however certain restrictions. Firstly, tax deductibility is limited to interest payments on mortgage loans that are used for buying a new (owner-occupied) home or the improvement of a house. Thus mortgages for second homes or consumption purposes are excluded. Second, interest deductibility has been limited to a period of 30 years. Secondly, on 1 January 2004 as a consequence of the so-called *bijleenregeling* (regulation for "additional lending") came into force: homeowners moving to a more expensive property must apply capital gains on their former house towards an upfront payment for a newly acquired property.

In the Netherlands, advances of up to 125% of foreclosure value have become standard practice as a result of the attractive fiscal regime, generally long periods of fixed interest rates and attractive repayment arrangements. The foreclosure value amounts to approximately 85-90% of the market value of properties in the Netherlands. In 2011 a new business code of conduct has been introduced for new mortgage loans. As of 1st January 2012 the mortgage amount is limited to 110% of the purchase sum-of existing houses and 104% for new homes. Furthermore, an interest-only component of a mortgage loan is limited to 50% of the value of the property.

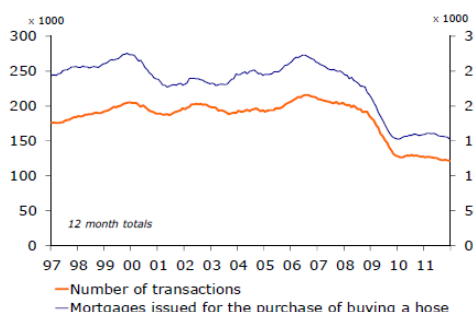
Long lease

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

Mortgage market

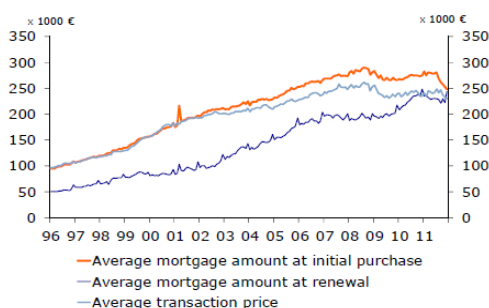
The number of approved mortgages decreased by 2.1% in the fourth quarter of 2011 compared to the same quarter in 2010. Nevertheless, with the increase of the number of houses sold, the number of mortgages issued rose by more than 4% compared to Q3 2011. On an annual basis, the total level of mortgages issued is 250,000 which is 53% lower than during the peak in 2006. Also, compared to 2010, there has been a 19.5% decrease in the number of mortgages granted for the purpose of buying a house. As far as mortgage renewals are concerned, both the volume and turnover declined on a year-on-year basis. Comparing the average amount of new mortgages with the average price paid for a house, these have both been rising for some time. However, since 2010 the average purchase price increased at a faster pace than the mortgage amount, hence implying that the loan to value ratios of mortgages are currently declining. Finally, as a result of the decline in house prices, the average mortgage amount at initial purchase and at renewal are moving closer together.

Figure 1: Further decline in mortgages registered



Source: Statistics Netherlands (CBS) and Land Registry

Figure 2: Average mortgage value

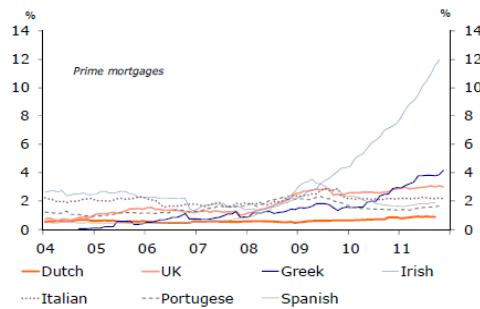


Source: Statistics Netherlands (CBS) and Land Registry

Performance of Dutch mortgage loans

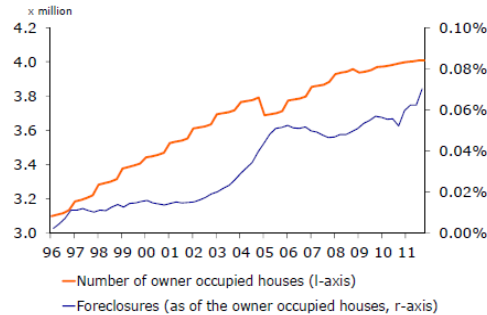
There were 891 forced sales in the fourth quarter of 2011 leading to a total of 2,811 for the whole year. This represents a rise of 34.8% compared to a year ago. Over the last four quarters, 2,500 foreclosures were registered by the land registry. Looking at the number of foreclosures as a percentage of the total number of transactions, this number stands at 1.7% in Q4 2011. As far as the percentage of mortgage loans in arrears of 60 days or more is concerned, it has not increased recently and amounted to 0.9% (of securitised mortgages) in September. Although between 2,500 and 3,000 forced sales are expected from these arrears, the Netherlands scores well compared for example to Ireland, Greece and the U.K. This can be due to the fact that as Dutch mortgages are often for fixed interest period of five years, they are protected from interest rates fluctuations until the time of interest rate reset. Another explanation for the low level of arrears in the Netherlands is the unemployment rate which has remained relatively low during the crisis.

Figure 3: International payment arrears



Source: Moody's

Figure 4: Forced sales/private housing stock



Source: Statistics Netherlands (CBS) and Land Registry

Housing transactions

In the fourth quarter of 2011, 32,080 house sales took place representing an increase of 4.3% on the previous quarter. However, this number is far from being a confirmation that the reduced stamp duty led to more sales. Indeed fourth quarter sales have often been higher than in the first three quarters of a year except in 2008.

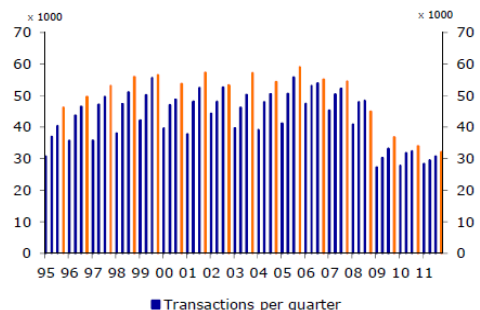
Moreover, when analysing the transaction numbers in the fourth quarter of 2011 compared to Q4 2010, there is a decrease of 5.9% leading to a decline of 4.3% in the annual total of house sales in 2011 compared to a year earlier.

The decline in transaction numbers is not equally distributed across the various house types. Accordingly, on an annual basis 7.4% fewer apartments and 4.0% fewer mid-terrace houses were sold in 2011, whereas the number of detached houses sold rose by 4.3%. Not surprisingly, houses that declined the most in price are now selling relatively better than a year ago. The reason is that the larger price drop means these houses have become relatively more attractive. Nevertheless, apartments are the exception but although sales numbers for apartments showed the largest decline during the past year, their price drop was not the biggest.

It is worth noting that house sales are registered two to three months earlier with NVM estate agents than with the Land Registry. Therefore, it is possible to estimate the trend in Land Registry figure for Q1 2012 based on NVM data for Q4 2011. The NVM data lead us to assume a further drop in transaction numbers during the first quarter of 2012.

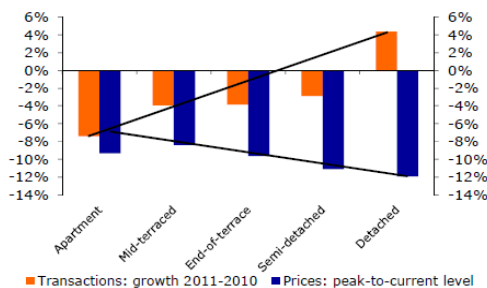
In contrast to the low level of demand, there is a rise in the supply of houses coming onto the market. This pushes up competition between sellers, which are likely to put further downward pressure on prices. Nonetheless, a major acceleration in the declining trend is not expected as relatively few households are under severe pressure to sell given the low level of arrears and forced sales.

Figure 5: Transactions always higher in 4th quarter



Source: Statistics Netherlands (CBS)

Figure 6: Correlation between price and transactions



Source: Statistics Netherlands (CBS)

Housing prices

In 2011 second-hand house prices fell for the third successive year. According to the existing homes index (PKB-index) of Statistics Netherlands/Land Registry, the year-on-year price drop in 2011 was 2.3%, with an acceleration in the decline in Q4 2011. Indeed, during the first three quarters, the average price decline was

0.5% on a quarterly basis compared to a drop of 1.7% in the fourth quarter. Current house prices are 3.3% lower than in the fourth quarter of 2010.

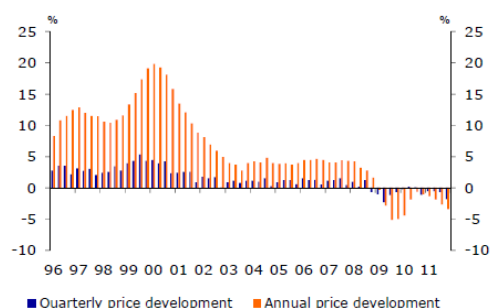
The current economic situation coupled with an uncertainty about a number of long-term issues, such as the future of mortgage interest relief are potential reasons for the decline in second-hand house prices in Q4 2011. More immediate issues causing anxiety to consumers include the employment situation and proposed government austerity measures.

The recent decline in house prices also means that the gap between prices at the peak of the index in August 2008 and the current level has increased further.

It is expected that house prices will remain under pressure in 2013 in view of the ample supply. Nevertheless, the magnitude of the decline will depend on the prevailing economic situation, government policy, and inflation and interest rate developments.

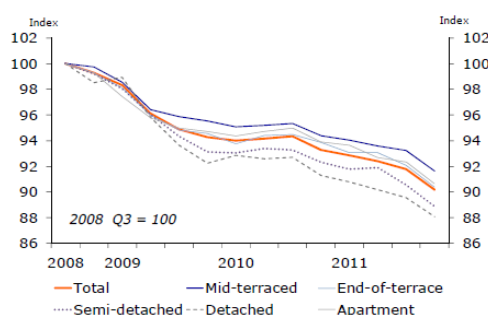
House price variations have not differed by segment in Q4 2011. Indeed, mid-terrace and detached houses both declined in value by 1.7% compared to the previous quarter and prices for end-of-terrace houses, semi-detached houses and apartments fell by 1.8%.

Figure 7: House price changes



Source: Statistics Netherlands (CBS)

Figure 8: House price development by segment



Source: Statistics Netherlands (CBS)

Key Figures

House prices

Year-on-year change (%)	2009	2010	2011	2012 ^a
NVM (median house price)	-7.1	3.2	-2.0	-5½
Land Registry (purchase prices)	-6.4	0.3	0.3	-6
Statistics Netherlands/Land Registry	-3.3	-2.0	-2.3	-5
CALCASA WOX	-3.3	-0.3	0.2	-4½

Numbers

X 1,000	2009	2010	2011	2012 ^a
Sales transactions	128	126	121	120
New housing completions (rental and sale)	83	56	52 ^a	52

Numbers

	2009	2010	2011	2012 ^a
Involuntary sales	2,256	2,086	2,811	

Key economic data (December 2011)

	2009	2010	2011	2012 ^a
GDP (volume growth in %)	-3.5	1.7	1.2	½
Inflation (%)	1.2	1.3	2.3	2
Unemployment (%)	4.8	5.4	5.4	5¼

^a Rabobank Economic Research Department

7. THE SELLERS

Sparck Hypotheken B.V. ("Sparck Hypotheken")

Corporate identity and structure

Sparck Hypotheken is a Dutch private company with limited liability ("*besloten vennootschap met beperkte aansprakelijkheid*") incorporated in the Netherlands on 9 November 2005 by Sparck Holding B.V. and is having its corporate seat in Amsterdam. Sparck Hypotheken has an authorised share capital of EUR 90,000 of which EUR 18,000 is issued and paid up.

Sparck Hypotheken's registration number with the Chamber of Commerce is 34236307.

The current shareholder of Sparck Hypotheken is Polder S.à.r.l., who acquired the shares in Sparck Hypotheken from Citigroup Netherlands B.V. pursuant to a notarial deed of transfer of shares dated 25 February 2011.

Polder S.à.r.l. is a mere holding company and has no business other than acting as holding company of PROPER 1, Sparck Hypotheken and KU88, and was newly incorporated for that purpose.

Business activities

Since its incorporation and until the end of 2008 / beginning of 2009, the activities of Sparck Hypotheken consist of granting mortgage backed loans. By the end of 2008 / beginning of 2009 Sparck Hypotheken was no longer engaged in granting further loans to new customers, although it did grant further mortgage backed loans to existing customers where contractually obliged to do so.

Sparck Hypotheken largely acted as special purpose company to hold mortgage backed loans as lender of record, and has not had material business activities itself:

- Sparck Hypotheken did not actively offer its loan products itself, this was done by intermediaries.
- The origination process was handled by a sister company.
- The servicing of the mortgage backed loans it holds was (and still is) carried out by Vesting Finance Servicing B.V.

Business liquidation

On 25 February 2011, Sparck Hypotheken sold and assigned the receivables of its mortgage portfolio to Principal Residential Investment Mortgages 1 S.A. After this sale and assignment, Sparck Hypotheken has become a nearly fully dormant company, with its remaining core business being that it still holds title to its portfolio of mortgage backed loans (the vast majority of which is sold to the Issuer) along with a small residual portfolio which mainly consists of mortgage backed receivables where the customer had a BKR 4 registration at the time of origination.

Sparck Hypotheken has no employees.

Financial information

Sparck Hypotheken's auditors are Deloitte

KU88 B.V. ("KU88")

Corporate identity and structure

KU88 is a private company with limited liability ("*besloten vennootschap met beperkte aansprakelijkheid*") incorporated in the Netherlands on 10 May 2007 by Sparck Holding B.V. and is having its corporate seat in Amsterdam. KU88 has an authorised share capital of EUR 90,000 of which EUR 18,000 is issued and paid up. KU88 was formerly named "Quion 88 B.V.", and changed its name per 7 June 2011 into "KU88 B.V.".

KU88's registration number with the Chamber of Commerce is 24414511.

The current shareholder of KU88 is Polder S.à.r.l., who acquired the shares in KU88 from Citigroup Netherlands B.V. pursuant to a notarial deed of transfer of shares dated 25 February 2011.

Polder S.à.r.l. is a mere holding company and has no business other than acting as holding company of PROPER 1, Sparck and KU88, and was newly incorporated for that purpose.

Business activities

Since its incorporation and until the end of 2008 / beginning of 2009, the activities of KU88 consist of granting mortgage backed loans. By the end of 2008 / beginning of 2009 KU88 was no longer engaged in granting further loans to new customers, although it did grant further mortgage backed loans to existing customers where contractually obliged to do so.

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- The origination process was handled by a sister company.
- The servicing of the mortgage backed loans it holds was (and still is) carried out by Vesting Finance Servicing B.V.

Business liquidation

On 25 February 2011, KU88 sold and assigned the receivables of its mortgage portfolio to Principal Residential Investment Mortgages 1 S.A. After this sale and assignment, KU88 has become a nearly fully dormant company, with its remaining core business being that it still holds title to its portfolio of mortgage backed loans (the vast majority of which is sold to the Issuer) along with a small residual portfolio which mainly consists of mortgage backed receivables where the customer had a BKR 4 registration at the time of origination.

KU88 has no employees.

Financial information

KU88's auditors are Deloitte.

8. DESCRIPTION OF THE MORTGAGE LOANS

The Mortgage Receivables sold and assigned to the Issuer on the Transfer Date or to be sold on a Monthly Payment Date, as the case may be, include any and all rights (whether actual or contingent) of the Sellers against any Borrower under or in connection with any Mortgage Loans selected by agreement between the Sellers and the Issuer. Payment for such sale has occurred on the Transfer Date or shall occur on the relevant Monthly Payment Date, as the case may be.

The Mortgage Loans are loans secured by a mortgage right, evidenced by notarial mortgage deeds ("*notariële akten van hypotheekstelling*") and are in force and effect between the Sellers and the relevant Borrowers.

The Mortgage Loans in the mortgage loan portfolio have been selected according to the criteria set forth in the Mortgage Receivables Purchase Agreement on or before the Transfer Date.

For a description of the representations and warranties given by the Sellers reference is made to the section *Mortgage Receivables Purchase Agreement* below.

Based on the numerical information set out below, but subject to what is set out in *Risk Factors* the securitised assets backing the issue of the Notes have characteristics that demonstrate capacity to produce funds to service payments due and payable on the Notes.

The numerical information set out below relates to the mortgage loan portfolio on the close of business on 30 November 2011 (the "**Issue Cut-off Date**"). In each table the weighted average coupon ("**WAC**") and the weighted average current loan to foreclosure value ("**WACLTFV**") are specified. All amounts are in euro.

After the Transfer Date the portfolio has changed and will further change from time to time as a result of repayment, prepayment, further advances under or amendment of Mortgage Receivables.

PRIM 1 Stratification Tables November 2011

Table 1: Original Loan Balance (€)

Original Loan Balance (€)	Total Current Principal Balance	% of Current Principal Balance	Number of Loan Parts	% of Number of Loan Parts	W.A. Coupon (%)	W.A. CLTFV (%)
<= 25,000.00	326.907	0,18	23	2,11	7,03	101,35
25,000.01-50,000.00	1.423.623	0,80	35	3,21	6,45	98,97
50,000.01-75,000.00	5.688.562	3,18	88	8,08	6,95	108,30
75,000.01-100,000.00	12.878.745	7,21	143	13,13	7,00	107,62
100,000.01-125,000.00	13.473.273	7,54	119	10,93	6,88	107,42
125,000.01-150,000.00	19.986.775	11,19	144	13,22	6,73	102,16
150,000.01-175,000.00	19.296.375	10,80	118	10,84	6,92	106,01
175,000.01-200,000.00	24.741.763	13,85	133	12,21	6,65	104,09
200,000.01-225,000.00	17.446.149	9,77	82	7,53	6,68	102,32
225,000.01-250,000.00	12.652.092	7,08	53	4,87	6,54	103,06
250,000.01-275,000.00	10.237.605	5,73	39	3,58	6,56	103,64
275,000.01-300,000.00	7.582.988	4,25	27	2,48	6,64	96,25
300,000.01-325,000.00	4.995.598	2,80	16	1,47	6,61	100,26
325,000.01-350,000.00	6.091.910	3,41	18	1,65	6,56	99,09
350,000.01-375,000.00	5.047.498	2,83	14	1,29	6,16	95,59
375,000.01-400,000.00	2.309.485	1,29	6	0,55	6,75	104,72
>= 400,000.01	14.453.699	8,09	31	2,85	6,11	92,75
Total:	178.633.045	100,00	1.089	100,00	6,67	102,64

Table 2: Current Loan Balance (€)

Current Loan Balance (€)	Total Current Principal Balance	% of Current Principal Balance	Number of Loan Parts	% of Number of Loan Parts	W.A. Coupon (%)	W.A. CLTFV (%)
<= 25,000.00	339.846	0,19	24	2,20	6,99	101,01
25,000.01-50,000.00	1.445.127	0,81	35	3,21	6,47	99,37
50,000.01-75,000.00	5.851.646	3,28	90	8,26	6,92	106,58
75,000.01-100,000.00	12.845.440	7,19	142	13,04	7,02	107,90
100,000.01-125,000.00	13.399.951	7,50	118	10,84	6,89	107,56
125,000.01-150,000.00	20.136.775	11,27	145	13,31	6,72	101,78
150,000.01-175,000.00	20.116.502	11,26	123	11,29	6,91	105,23
175,000.01-200,000.00	24.008.193	13,44	128	11,75	6,65	104,71
200,000.01-225,000.00	17.700.473	9,91	83	7,62	6,68	102,52
225,000.01-250,000.00	12.460.309	6,98	52	4,78	6,52	102,07
250,000.01-275,000.00	10.508.755	5,88	40	3,67	6,59	103,88
275,000.01-300,000.00	6.921.838	3,87	24	2,20	6,63	98,06
300,000.01-325,000.00	5.310.598	2,97	17	1,56	6,60	97,48
325,000.01-350,000.00	6.433.910	3,60	19	1,74	6,59	98,36
350,000.01-375,000.00	5.047.498	2,83	14	1,29	6,16	95,59
375,000.01-400,000.00	1.967.485	1,10	5	0,46	6,70	108,10
>= 400,000.01	14.138.699	7,91	30	2,75	6,10	93,63
Total:	178.633.045	100,00	1.089	100,00	6,67	102,64

Table 3: Original Loan to Foreclosure Value (%)

Original Loan to Foreclosure Value (%)	Total Current Principal Balance	% of Current Principal Balance	Number of Loan Parts	% of Number of Loan Parts	W.A. Coupon (%)	W.A. CLTFV (%)
<= 70.00	12.557.878	7,03	78	7,16	5,54	58,41
70.01-75.00	4.014.571	2,25	24	2,20	5,90	73,14
75.01-80.00	7.550.300	4,23	37	3,40	5,75	76,22
80.01-85.00	7.496.428	4,20	39	3,58	6,33	82,59
85.01-90.00	11.086.962	6,21	65	5,97	6,30	88,13
90.01-95.00	7.961.336	4,46	43	3,95	6,51	93,09
95.01-100.00	31.879.773	17,85	163	14,97	6,22	98,58
100.01-105.00	14.700.556	8,23	83	7,62	6,59	103,28
105.01-110.00	11.660.998	6,53	71	6,52	6,73	108,53
110.01-115.00	6.955.068	3,89	38	3,49	6,61	112,42
115.01-120.00	11.585.216	6,49	73	6,70	7,13	118,51
120.01-125.00	50.839.080	28,46	372	34,16	7,49	123,34
125.01-130.00	344.880	0,19	3	0,28	7,45	126,30
Total:	178.633.045	100,00	1.089	100,00	6,67	102,64

Table 4: Current Loan to Original Foreclosure Value (%)

Current Loan to Foreclosure Value (%)	Total Current Principal Balance	% of Current Principal Balance	Number of Loan Parts	% of Number of Loan Parts	W.A. Coupon (%)	W.A. CLTFV (%)
<= 70.00	13.874.778	7,77	84	7,71	5,58	58,64
70.01-75.00	4.014.571	2,25	24	2,20	5,90	73,14
75.01-80.00	6.709.560	3,76	35	3,21	5,76	78,18
80.01-85.00	7.733.698	4,33	43	3,95	6,29	83,01
85.01-90.00	11.473.101	6,42	66	6,06	6,34	88,10
90.01-95.00	8.188.255	4,58	47	4,32	6,48	93,39
95.01-100.00	31.358.282	17,55	156	14,33	6,23	99,05
100.01-105.00	14.195.158	7,95	79	7,25	6,59	103,65
105.01-110.00	11.660.998	6,53	71	6,52	6,73	108,53
110.01-115.00	7.123.370	3,99	40	3,67	6,59	112,91
115.01-120.00	11.617.703	6,50	75	6,89	7,16	118,67
120.01-125.00	50.338.691	28,18	366	33,61	7,49	123,50
125.01-130.00	344.880	0,19	3	0,28	7,45	126,30
Total:	178.633.045	100,00	1.089	100,00	6,67	102,64

Table 5: Original Loan to Market Value (%)

Original Loan to Market Value (%)	Total Current Principal Balance	% of Current Principal Balance	Number of Loan Parts	% of Number of Loan Parts	W.A. Coupon (%)	W.A. CLTFV (%)
<= 70.00	21.658.949	12,12	123	11,29	5,64	64,95
70.01-75.00	8.747.902	4,90	51	4,68	6,24	81,80
75.01-80.00	10.420.559	5,83	57	5,23	6,27	87,08
80.01-85.00	10.218.507	5,72	62	5,69	6,48	93,33
85.01-90.00	32.465.972	18,17	161	14,78	6,27	98,59
90.01-95.00	17.003.054	9,52	94	8,63	6,56	103,82
95.01-100.00	11.005.841	6,16	69	6,34	6,68	110,05
100.01-105.00	6.491.510	3,63	38	3,49	6,73	113,95
105.01-110.00	35.259.106	19,74	241	22,13	7,40	121,46
110.01-115.00	25.361.645	14,20	193	17,72	7,49	124,31
Total:	178.633.045	100,00	1.089	100,00	6,67	102,64

Table 6: Current Loan to Market Value (%)

Current Loan to Market Value (%)	Total Current Principal Balance	% of Current Principal Balance	Number of Loan Parts	% of Number of Loan Parts	W.A. Coupon (%)	W.A. CLTFV (%)
<= 70.00	22.276.171	12,47	129	11,85	5,66	65,00
70.01-75.00	8.677.162	4,86	51	4,68	6,22	82,10
75.01-80.00	10.750.324	6,02	57	5,23	6,30	87,16
80.01-85.00	11.194.717	6,27	68	6,24	6,46	93,40
85.01-90.00	31.270.573	17,51	153	14,05	6,27	99,16
90.01-95.00	16.780.374	9,39	93	8,54	6,56	104,06
95.01-100.00	11.094.145	6,21	69	6,34	6,69	110,12
100.01-105.00	6.436.730	3,60	39	3,58	6,70	114,58
105.01-110.00	35.519.502	19,88	246	22,59	7,40	121,68
110.01-115.00	24.633.347	13,79	184	16,90	7,51	124,41
Total:	178.633.045	100,00	1.089	100,00	6,67	102,64

Table 7: Seasoning (months)

Seasoning (months)	Total Current Principal Balance	% of Current Principal Balance	Number of Loan Parts	% of Number of Loan Parts	W.A. Coupon (%)	W.A. CLTFV (%)
<= 35.00	62.000	0,03	3	0,28	6,19	84,60
35.01-40.00	2.379.374	1,33	16	1,47	6,95	105,30
40.01-45.00	31.585.389	17,68	203	18,64	7,08	104,12
45.01-50.00	44.529.748	24,93	284	26,08	6,93	107,63
50.01-55.00	51.610.333	28,89	298	27,36	6,29	99,53
55.01-60.00	36.223.935	20,28	211	19,38	6,57	102,64
60.01-65.00	9.399.964	5,26	56	5,14	6,53	94,43
65.01-70.00	2.842.302	1,59	18	1,65	6,36	90,16
Total:	178.633.045	100,00	1.089	100,00	6,67	102,64

Table 8: Origination Year

Origination Year	Total Current Principal Balance	% of Current Principal Balance	Number of Loan Parts	% of Number of Loan Parts	W.A. Coupon (%)	W.A. CLTFV (%)
2006	17.025.685	9,53	106	9,73	6,55	94,97
2007	107.847.822	60,37	640	58,77	6,53	102,64
2008	53.759.538	30,09	343	31,50	7,00	105,08
Total:	178.633.045	100,00	1.089	100,00	6,67	102,64

Table 9: Remaining Term (years)						
Remaining Term (years)	Total Current Principal Balance	% of Current Principal Balance	Number of Loan Parts	% of Number of Loan Parts	W.A. Coupon (%)	W.A. CLTFV (%)
<= 5.00	17,454	0.01	2	0.18	5.96	90.59
5.01-10.00	107,765	0.06	2	0.18	6.59	91.87
10.01-15.00	262,924	0.15	6	0.55	5.74	89.35
15.01-20.00	1,121,987	0.63	11	1.01	6.13	98.15
20.01-25.00	13,497,313	7.56	86	7.90	6.48	94.71
25.01-30.00	163,625,602	91.60	982	90.17	6.69	103.36
Total:	178,633,045	100.00	1,089	100.00	6.67	102.64

Table 10: Interest Product						
Interest Product	Total Current Principal Balance	% of Current Principal Balance	Number of Loan Parts	% of Number of Loan Parts	W.A. Coupon (%)	W.A. CLTFV (%)
Floating - 1 Month	119,684.854	67,00	638	58,59	6,39	101,67
Floating - 3 Months	6,455.218	3,61	69	6,34	4,95	115,97
Fixed - 1 Year	8,312.259	4,65	52	4,78	7,21	110,04
Fixed - 3 Years	3,164.472	1,77	19	1,74	7,03	106,76
Fixed - 4 Years	10,469.308	5,86	117	10,74	7,97	116,14
Fixed - 5 Years	30,546.934	17,10	194	17,81	7,51	96,59
Total:	178.633.045	100,00	1.089	100,00	6,67	102,64

Table 11: Interest Rate (%)						
Interest Rate (%)	Total Current Principal Balance	% of Current Principal Balance	Number of Loan Parts	% of Number of Loan Parts	W.A. Coupon (%)	W.A. CLTFV (%)
<= 5.00	8.254.117	4,62	50	4,59	4,49	73,96
5.01-6.00	49.944.514	27,96	272	24,98	5,67	93,35
6.01-7.00	54.028.026	30,25	324	29,75	6,57	102,16
7.01-8.00	44.338.721	24,82	263	24,15	7,43	111,19
8.01-9.00	20.379.223	11,41	168	15,43	8,39	118,04
9.01-10.00	1.407.195	0,79	11	1,01	9,29	122,56
>= 10.01	281.250	0,16	1	0,09	10,10	125,00
Total:	178.633.045	100,00	1.089	100,00	6,67	102,64

Table 12: Remaining Period to Reset Date - Fixed Rate Loans (months)						
Remaining Fixed Period (months)	Total Current Principal Balance	% of Current Principal Balance	Number of Loan Parts	% of Number of Loan Parts	W.A. Coupon (%)	W.A. CLTFV (%)
<= 5.00	13.323.526	25,38	122	31,94	7,57	108,44
5.01-10.00	14.804.907	28,20	110	28,80	7,41	102,29
10.01-15.00	11.209.808	21,35	66	17,28	7,63	102,89
15.01-20.00	9.162.354	17,45	56	14,66	7,60	96,70
20.01-25.00	1.893.906	3,61	12	3,14	7,55	113,03
25.01-30.00	783.805	1,49	6	1,57	7,81	113,32
30.01-35.00	472.187	0,90	3	0,79	6,84	89,41
35.01-40.00	157.000	0,30	1	0,26	6,35	95,15
40.01-45.00	210.000	0,40	1	0,26	7,35	100,00
45.01-50.00	76.000	0,14	2	0,52	5,95	60,80
50.01-55.00	336.875	0,64	2	0,52	7,18	94,60
55.01-60.00	62.605	0,12	1	0,26	6,00	44,72
Total:	52.492.973	100,00	382	100,00	7,53	103,23

Table 13: Repayment Type

Repayment Type	Total Current Principal Balance	% of Current Principal Balance	Number of Loan Parts	% of Number of Loan Parts	W.A. Coupon (%)	W.A. CLTFV (%)
Annuity	844.706	0,47	17	1,56	7,33	101,09
Interest-only	167.185.261	93,59	950	87,24	6,65	101,84
Linear	12.940	0,01	1	0,09	6,05	92,46
Unit-linked	10.590.139	5,93	121	11,11	6,99	115,42
Total:	178.633.045	100,00	1.089	100,00	6,67	102,64

Table 14: Region

Region	Total Current Principal Balance	% of Current Principal Balance	Number of Loan Parts	% of Number of Loan Parts	W.A. Coupon (%)	W.A. CLTFV (%)
Drenthe	5.162.149	2,89	36	3,31	6,19	93,98
Flevoland	8.996.450	5,04	56	5,14	7,09	114,69
Friesland	7.193.872	4,03	49	4,50	6,85	97,23
Gelderland	16.521.624	9,25	77	7,07	6,29	91,01
Groningen	6.265.390	3,51	45	4,13	6,59	102,48
Limburg	10.610.965	5,94	74	6,80	6,59	103,08
Noord-Brabant	23.025.365	12,89	122	11,20	6,62	99,74
Noord-Holland	37.156.737	20,80	214	19,65	6,62	102,98
Overijssel	8.589.417	4,81	49	4,50	6,71	102,78
Utrecht	6.780.590	3,80	33	3,03	6,64	101,63
Zeeland	5.316.039	2,98	39	3,58	6,70	98,67
Zuid-Holland	43.014.448	24,08	295	27,09	6,85	108,35
Total:	178.633.045	100,00	1.089	100,00	6,67	102,64

Table 15: Trade Mark

Trade Mark	Total Current Principal Balance	% of Current Principal Balance	Number of Loan Parts	% of Number of Loan Parts	W.A. Coupon (%)	W.A. CLTFV (%)
Hypotruster	16.924.526	9,47	186	17,08	6,82	116,08
Sparck Hypotheken	161.708.520	90,53	903	82,92	6,65	101,24
Total:	178.633.045	100,00	1.089	100,00	6,67	102,64

Table 16: Negative BKR Registration

Negative BKR Registration	Total Current Principal Balance	% of Current Principal Balance	Number of Loan Parts	% of Number of Loan Parts	W.A. Coupon (%)	W.A. CLTFV (%)
Yes	81.458.391	45,60	472	43,34	6,86	103,66
No	97.174.654	54,40	617	56,66	6,51	101,80
Total:	178.633.045	100,00	1.089	100,00	6,67	102,64

Table 17: Employment and Verification Status

Employment and Verification Status	Total Current Principal Balance	% of Current Principal Balance	Number of Loan Parts	% of Number of Loan Parts	W.A. Coupon (%)	W.A. CLTFV (%)
Employed - Verified	103.498.522	57,94	742	68,14	6,97	111,06
Employed - Self-Certified	26.456.426	14,81	131	12,03	6,00	86,04
Self-Employed - Verified	25.933.417	14,52	115	10,56	6,75	100,82
Self-Employed - Self-Certified	22.744.681	12,73	101	9,27	5,97	85,74
Total:	178.633.045	100,00	1.089	100,00	6,67	102,64

Table 18: Loan Purpose

Loan Purpose	Total Current Principal Balance	% of Current Principal Balance	Number of Loan Parts	% of Number of Loan Parts	W.A. Coupon (%)	W.A. CLTFV (%)
Debt Consolidation	74.247.804	41,56	427	39,21	6,18	89,19
Further Advance	995.331	0,56	10	0,92	5,99	86,77
Purchase	103.389.911	57,88	652	59,87	7,02	112,46
Total:	178.633.045	100,00	1.089	100,00	6,67	102,64

Table 19: Arrears (months)

Arrears (months)	Total Current Principal Balance	% of Current Principal Balance	Number of Loan Parts	% of Number of Loan Parts	W.A. Coupon (%)	W.A. CLTFV (%)
0.00-1.00	166.064.501	92,96	1.009	92,65	6,65	102,15
1.01-2.00	6.089.618	3,41	39	3,58	6,90	107,59
2.01-3.00	1.788.075	1,00	11	1,01	7,35	113,01
3.01-4.00	1.272.872	0,71	7	0,64	7,09	104,13
4.01-5.00	1.035.730	0,58	7	0,64	6,75	109,45
5.01-6.00	120.937	0,07	1	0,09	7,85	125,00
6.01-7.00	182.500	0,10	1	0,09	6,85	123,53
7.01-8.00	630.250	0,35	4	0,37	6,56	116,83
8.01-9.00	518.838	0,29	4	0,37	6,62	107,86
9.01-10.00	130.350	0,07	1	0,09	6,85	124,12
>= 10.01	799.375	0,45	5	0,46	7,15	106,84
Total:	178.633.045	100,00	1.089	100,00	6,67	102,64

Table 20: Valuation Type

Valuation Type	Total Current Principal Balance	% of Current Principal Balance	Number of Loan Parts	% of Number of Loan Parts	W.A. Coupon (%)	W.A. CLTFV (%)
Full Surveyor	178.633.045	100,00	1.089	100,00	6,67	102,64
Total:	178.633.045	100,00	1.089	100,00	6,67	102,64

Table 21: Current Loan-to-Income Ratio

Current Loan-to-Income Ratio	Total Current Principal Balance	% of Current Principal Balance	Number of Loan Parts	% of Number of Loan Parts	W.A. Coupon (%)	W.A. CLTFV (%)
1.01-2.00	1.943.717	1,09	16	1,47	6,97	91,60
2.01-3.00	13.109.205	7,34	96	8,82	6,43	89,22
3.01-4.00	49.230.721	27,56	337	30,95	6,82	102,95
4.01-5.00	86.215.787	48,26	509	46,74	6,68	103,51
5.01-6.00	28.133.615	15,75	131	12,03	6,45	106,49
Total:	178.633.045	100,00	1.089	100,00	6,67	102,64

Table 22: Property Construction Date

Property Construction Date	Total Current Principal Balance	% of Current Principal Balance	Number of Loan Parts	% of Number of Loan Parts	W.A. Coupon (%)	W.A. CLTFV (%)
<= 1900	13.057.502	7,31	68	6,24	6,26	90,12
1900-1910	4.278.169	2,39	26	2,39	6,53	100,78
1910-1920	7.426.413	4,16	52	4,78	6,40	89,75
1920-1930	14.540.366	8,14	97	8,91	6,66	99,98
1930-1940	13.695.082	7,67	104	9,55	6,81	102,69
1940-1950	4.261.757	2,39	31	2,85	6,70	96,14
1950-1960	14.014.578	7,85	91	8,36	6,75	107,23
1960-1970	20.510.565	11,48	128	11,75	6,86	106,53
1970-1980	24.518.236	13,73	155	14,23	6,88	107,30
1980-1990	24.805.418	13,89	159	14,60	6,58	104,41
1990-2000	21.346.907	11,95	105	9,64	6,57	102,91
2000-2010	16.178.053	9,06	73	6,70	6,69	104,22
Total:	178.633.045	100,00	1.089	100,00	6,67	102,64

9. MORTGAGE LOAN UNDERWRITING AND SERVICING ACTIVITIES

Origination

The Mortgage Loans involved have been granted by the Sellers (both 100 per cent. subsidiaries of Polder S.à r.l. (formerly named Barcelona Investment S.à r.l.).

The only business activity of the Sellers is holding mortgage loans. The registered address of the Sellers is Naritaweg 199-207, 1043 CB Amsterdam.

All Mortgage Loans are administered and serviced by Vesting Finance Servicing B.V. ("Vesting Finance") in its capacity as MPT Provider. The MPT Provider will provide mortgage payment transactions and other services to and on behalf of the Issuer on a day-to-day basis in relation to the Mortgage Loans. The duties of the MPT Provider include the collection of payments of principal, interest and other amounts in respect of the Mortgage Loans and the implementation of arrears procedures including the enforcement of the Mortgages.

In accordance with the Services Agreement, the MPT Provider had for originating the Mortgage Loans initially appointed Quion Hypotheekbemiddeling B.V. and Quion Hypotheekbegeleiding (a 100 per cent subsidiary of Quion Groep B.V., jointly and individually referred to as "**Quion**") as its sub-agents to carry out (part of) the activities described below for all Mortgage Loans originated by KU88.

Underwriting rules

Quion has two different operating models: the Generic Funding Model and specific funding models. In the Generic Funding Model, the underwriting criteria are set by Quion in consultation with the Sellers. In specific funding models, the underwriting rules for mortgage loans are set by the Sellers. Overall, the underwriting rules typically include the following:

- (i) credit bureau information;
- (ii) amount of debt that can be advanced against the borrower's monthly income and definition of income for the purposes of this calculation as well as minimum income level;
- (iii) length of time that the borrower has been in his/her current job;
- (iv) loan-to-value limitations;
- (v) loan purpose, property type;
- (vi) foreclosure and market valuations; and
- (vii) age of borrower and status of borrower.

Mortgage Loans granted by KU88 have been assessed under the Generic Funding Model. Mortgage Loans originated by Sparck Hypotheken have been assessed under a specific funding model.

Origination process

Sparck B.V. (a sister company of Sparck Hypotheken B.V. at the time of origination, "**Sparck Processing**") carried out all activities regarding the requests for mortgages, including the offering, the review and acceptance of the requests and amendments to the mortgages. As such, the Sellers were not actively involved in the acceptance process and acted as lender of record of the loans on the basis of the loan files provided by Sparck Processing.

The origination process starts when a borrower opted for one of the Sparck Hypotheken or KU88 mortgage products advised by an intermediary. The intermediary has all borrower brochures available, as well as an

extensive manual outlining the mortgage lending criteria and conditions and application forms. Sparck Hypotheken and KU88, respectively, provided the intermediaries with an IT application enabling the intermediary to make all necessary calculations, check the mortgage loan criteria and send the application electronically to Sparck Hypotheken or KU88, as relevant. An application could also be faxed to them.

As soon as Sparck Processing receives the application, the origination department checks the loan specifics in the mortgage origination system ("**MO2**") and enters any data missing. If MO2 gives a 'stop' advice (i.e. if at least one of the criteria mentioned is not satisfied) the application will be declined unless individual assessment by a staff member of the origination team results in a request to the lender to accept the application. In the event that the assessor concludes that the criteria are not met, the application will be rejected.

If the loan complies with all underwriting conditions, Sparck Processing will submit an offer to the intermediary. This offer is valid for three (3) weeks. The borrower must accept, sign and return the offer, together with the required documentation within that period, after which the offer will be valid for three (3) months. Another maximum extension of three (3) months after the initial offer is possible if the borrower pays a fee of 0.25 per cent per month.

As soon as Sparck Processing received the signed offer, the origination department entered the loan specifics also in the mortgage origination system of Quion ("**HYPOS**"). Quion did a fraud check based on a score of fraud indicators and also checked the SFH system.

When all documents have been received and finally approved by the acceptance department, the mortgage processing department will file all relevant documents with the administration. At the same time notification is sent to the intermediary, who then informs the borrower. As soon as this has been done, everything had also been recorded in the administration system of Quion ("**HYPAS**"), after which Quion informed the civil law notary. Subsequently the civil law notary would fax the date of closing to Sparck Hypotheken or Quion, as relevant. The money is then transferred from the account of the lender to the civil law notary who temporarily places the money in a separate account. The civil law notary is responsible for the execution of the mortgage deed, after which all relevant documents are sent to Sparck Hypotheken or Quion, as relevant.

Collections

Vesting Finance is authorised by Sparck Hypotheken and KU88 who have been authorised by the borrower, to draw the monthly payments from the borrower's bank account through direct debit directly into the respective lender's bank account. The computer system of Vesting Finance automatically collects the payments on the day before the last business day of each month. Payments information is monitored daily by the mortgage servicing department of Vesting Finance.

IT

Quion

The central backup system generates a daily automatic back up of HYPOS, HYPAS and the central file servers. In the afternoon a backup is made of all the changes until 17.00 Central European Time, while at night a complete backup is generated. The backup tapes are circulated to different internal and external secure locations. Furthermore, weekly, monthly and annual backup tapes are also stored with Escrow Europe. An emergency plan is in place that enables all the applications to run at a location in Utrecht in the Getronics Business Continuity Centre ('GBC'). In case of a calamity event, Quion will relocate approximately 10 key staff members to the GBC. In this way all servicing and administration activities can be fully operational at the GBC within four (4) business days. This procedure is tested annually. Quion has established a software depot foundation ('*stichting*') to guarantee service continuity. In case Quion ceases to exist the lenders have the right to continue to use the IT systems and data files. Also the right to access the software source code is granted to the lenders in case of a discontinuation of Quion. All mortgage loan information is stored and operated using HYPAS.

Vesting Finance

A similar process is applied for Eurodossier, the system used by Vesting Finance since Q1 2009 as administration, servicing and special servicing system for the Mortgage Loans.

Arrears management

Introduction

The arrears management process for Mortgages Loans starts earlier and is more flexible and proactive than for regular prime mortgages:

- Immediate client contact after a missed payment;
- Focus on client relation;
- Strict and firm follow up;
- Use all means of communication and contact;
- Use personal visits and budget counselling; and
- Secure collateral.

Daily process

On a daily basis Vesting Finance detects and keeps track of all arrears and all relevant data is administrated in Eurodossier. Within 48 hours of a missed payment, Vesting Finance will endeavour to contact the Borrower using a combination of phone calls and letters. If Vesting Finance is not able to contact the Borrower, they will try to contact the employer, intermediary or other parties registered in the Borrower file. Vesting Finance sends reminder letters and in certain circumstances a SMS and/or AcceptEmail as well. If the Borrower does not pay or react within the set time, Vesting Finance may send the Borrower a letter advising them that it will be arranging for a valuation. If there is still no contact through either phone calls, letters or email, Vesting Finance may send a field agent to visit the borrower. If this is not successful, then Vesting Finance will enter into the foreclosure process.

Throughout the process Vesting Finance will work with the Borrower to arrange for full payment of the amount due. If applicable they will ask the Borrower to sign a Voluntary wage garnishing (*vrijwillig loonbeslag*). In addition, to encourage the Borrower to maintain their payment agreements, Vesting Finance will ask the Borrower to sign a power of attorney providing them with a delegated authority to sell the property, to secure his commitment to a payment arrangement. As each case is treated and assessed on a case by case basis, it is possible for the time line to deviate.

Vesting Finance has procedures for managing loans that are in arrears, including early contact with Borrowers in order to find a solution to any financial difficulties they may be experiencing. These same procedures, as from time to time varied in accordance with the practice of a prudent mortgage lender, will continue to be applied in respect of arrears arising on the Mortgage Loans in the Mortgage Pool.

Vesting Finance carries out detailed daily and monthly analyses of the Mortgage Pool and arrears. Borrowers who fail to make payments when due are contacted by Vesting Finance's collection staff by telephone, letters, email and SMS. This contact is maintained by the same communication methods during the course of the next month. Depending on the results of initial contacts, the Borrower may receive multiple calls, letters, emails and SMS messages during delinquency.

Through such contact, Vesting Finance will endeavour to collect the outstanding monthly payment in full. However, if the Borrower is unable to make such payment in full, Vesting Finance will require the Borrower to make an immediate payment towards part of the due amount. If the Borrower isn't able to make a partial payment, Vesting Finance will ask the Borrower to sign a voluntary claim on wages.

Foreclosures

As the relevant Seller has, as a first ranking mortgage, an 'executorial title' ("*executoriale title*"), it does not have to obtain permission from the court prior to foreclosure if the Borrower fails to fulfil his/her obligations and no other solutions are reached. Vesting Finance can, on behalf of the relevant Seller, sell the property either through a public sale (auction) or private sale (where it has been provided with a mandate by the Borrower). If the proceeds do not fully cover the Seller's claims, the outstanding amount still has to be paid by the Borrower.

When a loan is in arrears > 3 months, loan will be called with the following options:

- Together with notary the focus will be on a private sale;
- If private sale is not possible, an auction will take place within 65 days after sending assignment to notary

Meanwhile the process will be guarded by in house specialists that will use all possible means to get payments: seizure on salary, bank account, claims on other assets (life insurance)

Outstanding Amounts

If amounts are still outstanding after the sale of the property has been completed, Vesting Finance, on behalf of the relevant Seller, continues to manage the remaining receivables if it considers it likely that it will be able to recover such losses. These amounts still have to be repaid by the Borrower. If possible a settlement agreement will be entered into between the Borrower and Vesting Finance. If the Borrower does not comply with the settlement agreement or does not wish to cooperate with Vesting Finance on finding a solution to repay the unpaid amounts, other measures can be taken, such as attachments on assets of the debtor.

10. MORTGAGE RECEIVABLES PURCHASE AGREEMENT

Under the Mortgage Receivables Purchase Agreement, on the Transfer Date, the Issuer has purchased the Relevant Mortgage Receivables and has accepted the assignment of the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto from each Seller by means of execution of a deed of assignment in front of a civil law notary as a result of which legal title to the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto has been transferred to the Issuer. In addition, on any Monthly Payment Date up to and including the Monthly Payment Date immediately preceding the Final Maturity Date, the Issuer may apply an amount equal to the part of the Interest Available Amount that exceeds (if any) the sum of all amounts payable by the Issuer as set forth in the Interest Priority of Payments under (a) up to and including (m) (the "**Further Advance Available Amount**") towards the purchase from the relevant Sellers of any Relevant Further Advance Mortgage Receivables and the Beneficiary Rights relating thereto, subject to the fulfilment of certain conditions and to the extent offered by any of the Sellers. The assignment of the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto from each Seller to the Issuer will not be notified to the Borrowers and the relevant Insurance Companies, except upon the occurrence of any Assignment Notification Event. Until such notification the Borrowers will only be entitled to validly pay ("*bevrijdend betalen*") to the relevant Seller. The Issuer is entitled to all principal proceeds in respect of the Mortgage Receivables and to all interest (including prepayment penalties and penalty interest) in respect of the Mortgage Receivables as of 1 January 2011 (the "**Transfer Cut-off Date**") and in respect of any Further Advance Receivables, on the first day of the calendar month in which the relevant Further Advance Mortgage Receivable is purchased. Each Seller will pay or procure that the MPT Provider will pay to the Issuer on each Mortgage Payment Date all proceeds received during the immediately preceding Mortgage Calculation Period in respect of the Relevant Mortgage Receivables.

Purchase Price

The purchase price for the Mortgage Receivables consisted of a purchase price which has been paid on the Transfer Date or, in case of Further Advance Mortgage Receivables, shall be payable on the date on which the relevant Further Advance Mortgage Receivable is purchased (the "**Purchase Price**"). The Purchase Price in respect of the Mortgage Receivables purchased on the Transfer Date was EUR 193,718,990.83, which is equal to the aggregate Outstanding Principal Amount of the Mortgage Receivables at the Transfer Cut-off Date less an amount of EUR 5,930,900, being the amount of the Junior Expenses Loan. The "**Outstanding Principal Amount**" in respect of a Mortgage Receivable means, (a) on any date the (then remaining) aggregate principal sum ("*hoofdsom*") due by the relevant Borrower under the relevant Mortgage Receivable and (b) after the occurrence of a Realised Loss of the type (a) and (b) in respect of such Mortgage Receivable, zero.

Representations and warranties

Each of the Sellers has represented and warranted on the Transfer Date and on any date on which it sells and assigns Relevant Further Advance Mortgage Receivables with respect to the Mortgage Receivables that it has sold and sell (the "**Relevant Mortgage Receivables**") and the Mortgage Loans to which such Mortgage Receivables relate (the "**Relevant Mortgage Loans**") and the Beneficiary Rights relating thereto, *inter alia*:

- (a) each of the Relevant Mortgage Receivables is duly and validly existing and is not subject to annulment or dissolution as a result of circumstances which have occurred prior to or on the Transfer Date or, in the case of Further Advance Mortgage Receivables, the relevant Monthly Payment Date;
- (b) to the best of its knowledge each of the Beneficiary Rights is duly and validly existing and is not subject to annulment or dissolution as a result of circumstances which have occurred prior to or on the Transfer Date or, in the case of Beneficiary Rights relating to Further Advance Mortgage Receivables, the relevant Monthly Payment Date;
- (c) it has not been notified and is not aware of anything affecting its title to the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto;
- (d) it (i) has full right and title to the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto and (ii) it has power ("*is beschikkingsbevoegd*") to sell and assign the Relevant Mortgage

Receivables and to assign the Beneficiary Rights relating thereto and no restrictions on the sale and assignment of the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto are in effect and (iii) the Relevant Mortgage Receivables are capable of being assigned and pledged;

- (e) the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto are free and clear of any encumbrances and attachments ("*beslagen*") and no option to acquire the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto has been granted by it in favour of any third party with regard to the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto;
- (f) each Relevant Mortgage Receivable is secured by (i) a first ranking or (ii) a first and sequential lower ranking mortgage right ("*hypotheekrecht*") on a Mortgaged Asset governed by Netherlands law,
- (g) each mortgage deed contains provisions that in case of assignment of a Relevant Mortgage Receivable to a third party, the Mortgage or related right of pledge will partially follow, *pro rata*, the Mortgage Receivable if it is assigned to a third party;
- (h) each Mortgaged Asset concerned was valued by an independent qualified valuer; valuations by an independent qualified valuer are not older than twelve months prior to the date of the mortgage application by the Borrower; in certain cases, newly built Mortgaged Assets are exempt from valuation requirements;
- (i) each Relevant Mortgage Receivable and each Mortgage and Borrower Pledge securing such Relevant Mortgage Receivable constitute legal, valid, binding and enforceable obligations of the relevant Borrower vis-à-vis the relevant Seller;
- (j) all Mortgages and Borrower Pledges in respect of each Relevant Mortgage Receivables (i) constitute valid mortgage rights ("*hypotheekrechten*") and rights of pledge ("*pandrechten*") respectively on the Mortgaged Assets and the assets which are the subject of the Borrower Pledge respectively and, to the extent relating to the Mortgages, entered into the appropriate public register ("*Dienst van het Kadaster en de Openbare Registers*"), and (ii) were vested for a principal sum which is at least equal to the Outstanding Principal Amount of the Relevant Mortgage Loan when originated, increased with interest, penalties, costs and any insurance premium paid by the relevant Seller on behalf of the Borrower, up to an amount equal to at least 50 per cent. (in respect of Mortgage Loans originated by KU88) or 60 per cent. (in respect of Mortgage Loans originated by Sparck Hypotheken) of such Outstanding Principal Amount, therefore in total up to a maximum amount equal to 150 per cent. (in respect of Mortgage Loans originated by KU88) or 160 per cent. (in respect of Mortgage Loans originated by Sparck Hypotheken) of the Outstanding Principal Amount of the Relevant Mortgage Receivable upon origination;
- (k) each of the Relevant Mortgage Loans has been granted, and each of the Mortgages and Borrower Pledge has been vested, subject to the general terms and conditions and substantially in the forms of one of the forms of mortgage deeds as attached to the Mortgage Receivables Purchase Agreement;
- (l) each of the Relevant Mortgage Loans has been granted in accordance with all applicable legal requirements prevailing at the time of origination in all material respects, and the Code of Conduct on Mortgage Loans ("*Gedragscode Hypothecaire Financieringen*") and the relevant Sellers standard underwriting criteria and procedures, including borrower income requirements, prevailing at that time and these underwriting criteria and procedures are in a form as may reasonably be expected from a lender of Dutch residential mortgages;
- (m) it has not offered any insurance policies;
- (n) each of the Mortgage Loans to which a Life Insurance Policy is connected has the benefit of a valid right of pledge on the rights under such Life Insurance Policy and either (i) the relevant Seller has been validly appointed as beneficiary ("*begunstigde*") under such Life Insurance Policies upon the

terms of such Mortgage Loans, which has been notified to the relevant Insurance Companies, or (ii) the relevant Insurance Company is irrevocably authorised to apply the insurance proceeds in satisfaction of such Mortgage Receivable;

- (o) all receivables under a Relevant Mortgage Loan which are secured by the same Mortgage are sold and assigned to the Issuer pursuant to the Mortgage Receivables Purchase Agreement;
- (p) each Relevant Mortgage Loan constitutes the entire mortgage loan granted to the relevant Borrower and not merely one or more loan parts ("*leningdelen*");
- (q) to the best of its knowledge, the Borrowers are not in any material breach of any provision of their Relevant Mortgage Loans other than in respect of a breach of payment obligations under the Relevant Mortgage Loans as listed in the Mortgage Receivables Purchase Agreement;
- (r) with respect to the Relevant Mortgage Receivables secured by a mortgage right on a long lease ("*erfpacht*"), the Relevant Mortgage Loan (a) has a maturity that is equal to or shorter than the term of the long lease and/or, if the maturity date of the Relevant Mortgage Loan falls after the maturity date of the long lease, the acceptance conditions used by the relevant Seller provide that certain provisions should be met and (b) becomes due if the long lease terminates for whatever reason;
- (s) it is a requirement under the Mortgage Conditions that each of the Mortgaged Assets had, at the time the Relevant Mortgage Loan was advanced, the benefit of buildings insurance ("*opstalverzekering*") for the full reinstatement value ("*herbouwwaarde*");
- (t) the Mortgage Conditions applicable to the Relevant Mortgage Loans provide that all payments by the Borrowers should be made without any set-off (in respect of Mortgage Loans originated by Sparck Hypotheken) or deduction (in respect of Mortgage Loans originated by KU88);
- (u) each Relevant Mortgage Loan meets the Mortgage Loan Criteria in all material respects;
- (v) under each of the Relevant Mortgage Receivables interest and, if applicable, principal due in respect of at least one month has been paid by the relevant Borrower;
- (w) in respect of each relevant Mortgage Loan to which a Life Insurance Policy is connected through the relevant Borrower Insurance Pledge (i) the relevant Mortgage Loan and the Life Insurance Policy were not marketed as one combined mortgage and life insurance product under one name (ii) the Borrowers were free to choose the relevant Insurance Company, (iii) to the best of its knowledge there are no circumstances resulting in a connection between the relevant Mortgage Loan and the relevant Life Insurance Policy other than the relevant Borrower Insurance Pledge, which would increase the Insurance Set-off Risk and (iv) the Insurance Company is not a group company of the relevant Seller;
- (x) each Relevant Mortgage Loan was made available by a Seller as originator;
- (y) it has no Other Claim vis-à-vis any Borrower;
- (z) the principal sum was in case of each of the Relevant Mortgage Loans fully disbursed to the relevant Borrower whether or not through the relevant civil law notary and no amounts are held in deposit with respect to any construction amounts, premia and interest payments ("*bouw-, rente en premiedepots*");
- (aa) the aggregate Outstanding Principal Amount of all Mortgage Receivables on the close of business the day immediately preceding the Transfer Cut-off Date is equal to EUR 199,649,890.83, which is an amount equal to the Purchase Price plus the Junior Expenses Loan Amount;
- (bb) interest payments in respect of the Relevant Mortgage Receivable by the Borrowers are executed primarily by way of direct debit procedures;

- (cc) the notarial Mortgage Deeds ("*minuut*") relating to the Mortgages are kept by a civil law notary in the Netherlands and are registered in the appropriate registers, while the Loan Files, which include certified copies of the notarial Mortgage Deeds, are kept on behalf of it by the MPT Provider;
- (dd) none of the Borrowers had a negative Code 4 BKR registration ("*BKR codering*") upon origination;
- (ee) none of the Borrowers holds a savings account, current account or term deposit with the Sellers; and
- (ff) it can be determined in its administration which Beneficiary Rights relate to which Relevant Mortgage Receivables;

Mortgage Loan Criteria

Each of the Mortgage Loans will meet the following criteria (the "**Mortgage Loan Criteria**") on the Transfer Cut-off Date:

- (i) the Mortgage Loans are either in the form of (i) interest-only mortgage loans ("*aflossingsvrije hypotheek*"), (ii) annuity mortgage loans ("*annuïteiten hypotheek*"), (iii) linear mortgage loans ("*lineaire hypotheek*") or (iv) life mortgage loans ("*levenhypotheek*");
- (ii) the Borrower is a private individual, a resident of the Netherlands and not an employee of any of the Sellers;
- (iii) each Mortgage Loan is subject to either a fixed rate whereby the interest rates can be set for a specific period or is subject to a floating rate of interest;
- (iv) each Mortgaged Asset is not the subject of residential letting and is occupied by the Borrower at the moment of (or shortly after) origination;
- (v) interest payments are scheduled to be made monthly;
- (vi) the maximum Outstanding Principal Amount of each Mortgage Loan, or all such Mortgage Loans secured by the same Mortgaged Asset together, has not exceeded 125 per cent. of the Foreclosure Value of the Mortgaged Asset at origination as determined in the original valuation report;
- (vii) no Mortgage Loan or part thereof qualifies as a bridge loan ("*overbruggingshypotheek*");
- (viii) each Mortgaged Asset is located in the Netherlands;
- (ix) none of the Mortgage Loans has a maturity date beyond November 2038;
- (x) all Mortgaged Assets are used for residential or residential and commercial purposes;
- (xi) the Outstanding Principal Amount of each Mortgage Loan or the aggregate Outstanding Principal Amount of all Mortgage Loans secured on the same property does not exceed EUR 600,000; and
- (xii) each Mortgage Loan is denominated in euros.

In the event that any of the representations and warranties relating to the Mortgage Receivables proves to have been materially untrue or incorrect, the relevant Seller shall indemnify the Issuer for damages as a result thereof, provided that the aggregate amount of all damages in respect of such events exceeds an amount equal to 0.25 per cent. of the aggregate Outstanding Principal Amount of all Mortgage Receivables at such time.

The Sellers do not have an obligation to repurchase any of the Mortgage Receivables or to offer for sale any mortgage receivables as substitution for the Mortgage Receivables to the Issuer after the Closing Date.

Sellers Call Option

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

The purchase price of each Mortgage Receivable in the event of the exercise of any Sellers Call Option shall be at least equal to the sum of (i) an amount that is sufficient to redeem the Notes at their Principal Amount Outstanding, (ii) an amount to be calculated on the basis of the value of the X Loan and (iii) accrued interest due but unpaid up to the date of sale and any costs incurred by the Issuer in effecting and completing such sale and re-assignment.

Right to repurchase

If the Issuer decides to exercise its right to redeem the Notes on an Optional Redemption Date, the Clean-Up Call Option, the Regulatory Call Option or the Tax Call Option, the Issuer shall first offer such Mortgage Receivables for sale to the Sellers at least sixty-seven (67) days prior to the scheduled date of sale. The purchase price of each Mortgage Receivable in the event that the Sellers accept the Issuer's offer to repurchase all but not some Mortgage Receivables shall be at least equal to an amount that is sufficient to redeem the Notes at their Principal Amount Outstanding subject to, in respect of the Class B Notes and the Class C Notes, Condition 9(b), together with accrued interest due but unpaid up to the date of sale and any costs incurred by the Issuer in effecting and completing such sale and re-assignment. The Sellers shall within a period of fourteen (14) calendar days after receipt of such notice inform the Issuer whether they wish to repurchase the Mortgage Receivables. After such period of fourteen (14) calendar days, if the Sellers have not indicated that they wish to repurchase the Mortgage Receivables, if the Issuer finds a third party that is willing to purchase the Relevant Mortgage Receivables, the Issuer will notify the Sellers of the terms of such third party's offer by written notice at least thirty-nine (39) calendar days prior to the scheduled date of such sale. After having received such written notice, the Sellers will have the right, but not the obligation, to repurchase the Mortgage Receivables on terms equal to such third party's offer to purchase the Relevant Mortgage Receivables on the scheduled date of such sale, provided that the Sellers shall within a period of seven (7) calendar days after receipt of such notice inform the Issuer that they wish to repurchase the Mortgage Receivables on the scheduled date of such sale.

Assignment Notification Events

if – *inter alia* –:

- a. a default is made by any of the Sellers in the payment on the due date of any amount due and payable by the relevant Seller under the Mortgage Receivables Purchase Agreement or under any other Relevant Document to which it is a party and such failure is not remedied within fifteen (15) business days after having knowledge of such default or notice thereof has been given by the Issuer or the Security Trustee to the relevant Seller; or
- b. any of the Sellers fails duly to perform or comply with any of its obligations under Mortgage Receivables Purchase Agreement or under any other Relevant Documents to which it is a party and, if such failure is capable of being remedied, such failure is not remedied within thirty (30) business days after having knowledge of such failure or default or notice thereof has been given by the Issuer or the Security Trustee to the relevant Seller; or
- c. any representation, warranty or statement made or deemed to be made by any of the Sellers in Mortgage Receivables Purchase Agreement, other than those relating to the Relevant Mortgage Loans and the Relevant Mortgage Receivables, or under any of the other Relevant Documents to which the relevant Seller is a party or in any notice or other document, certificate or statement delivered by it pursuant thereto proves to have been, and continues to be after the expiration of any applicable grace period provided for in any Relevant Document, untrue or incorrect in any material respect; or
- d. any Seller has taken any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against it for its entering into emergency regulations ("*noodregeling*") as referred to in Chapter 3 of the Wft as amended from time to time, or (preliminary) suspension of payments ("*voorlopige surseance van betaling*"), or for bankruptcy ("*faillissement*") 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
- e. any of the Sellers has taken any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against it for its dissolution ("*ontbinding*") and liquidation ("*vereffening*") or legal demerger ("*juridische splitsing*") or its assets are placed under administration ("*onder bewind gesteld*"); or
- f. any of the Sellers has given materially incorrect information or not given material information which was essential for the Issuer and the Security Trustee in connection with the entering into of

Mortgage Receivables Purchase Agreement and/or any of the other Relevant Documents; or

- g. a Pledge Notification Event occurs,

then the Sellers to which the Assignment Notification Event relates shall, unless the Security Trustee delivers an Assignment Notification Stop Instruction:

(i) notify the Borrowers of the Relevant Mortgage Loans and any other relevant parties indicated by the Issuer and/or the Security Trustee of the assignment of the Relevant Mortgage Receivables to the Issuer or, at its option, the Issuer shall be entitled to make such notifications itself;

(ii) notify the relevant Insurance Company of the assignment of the Beneficiary Rights relating to the Relevant Mortgage Receivables and use its best efforts to obtain the co-operation from the relevant Insurance Companies and all other parties (a) (i) to waive its rights as first beneficiary under the relevant Life Insurance Policies (to the extent such rights have not been waived), (ii) to appoint as first beneficiary under the relevant Life Insurance Policies (to the extent such appointment is not already effective) (x) the Issuer subject to the dissolving condition of the occurrence of a Pledge Notification Event and (y) the Security Trustee under the condition precedent of the occurrence of a Pledge Notification Event and (b) with respect to Life Insurance Policies whereby the initial appointment of the first beneficiary has remained in force as a result of the instructions of such beneficiary to the relevant Insurance Company to make any payments under the relevant Life Insurance Policy to the relevant Seller, to convert the instruction given to the Insurance Companies to pay the insurance proceeds under the relevant Life Insurance Policy in favour of the relevant Seller towards repayment of the Relevant Mortgage Receivables into such instruction in favour of (x) the Issuer under the dissolving condition of the occurrence of a Pledge Notification Event and (y) the Security Trustee under the condition precedent of the occurrence of a Pledge Notification Event, the Security Trustee; and

(iii) if so requested by the Security Trustee and/or the Issuer, make the appropriate entries in the relevant public registers ("*Dienst van het Kadaster en de Openbare Registers*") relating to the assignment of the Relevant Mortgage Receivables, also on behalf of the Relevant Mortgage Receivables, also on behalf of the Issuer, or, at its option, the Issuer or the Security Trustee shall be entitled to make such entries itself, for which entries each of the Sellers herewith grant an irrevocable power of attorney to the Issuer and the Security Trustee,

(such actions together the "**Assignment Actions**")

"Assignment Notification Stop Instruction" means that upon the occurrence of an Assignment Notification Event, the Security Trustee shall, after having notified the Rating Agencies, be entitled to deliver a written notice to the relevant Seller (copied to the Issuer) instructing the relevant Seller not to undertake the Assignment Actions or to take any actions other than the Assignment Actions.

Further Advance Mortgage Receivables

The Mortgage Receivables Purchase Agreement provides that the Issuer shall on each Monthly Payment Date up to (but excluding) the Final Maturity Date use the Further Advance Available Amount, subject to the satisfaction of the Further Advance Conditions, to purchase and accept the assignment of the Further Advance from any of the Sellers, if and to the extent offered by any of the Sellers.

Further Advance Conditions

The purchase by the Issuer of Further Advance Mortgage Receivables will be subject to a number of conditions (the "**Further Advance Conditions**"), which include, *inter alia*, the conditions that on the relevant date of completion of the sale and purchase of the Further Advance Mortgage Receivables:

- a. the Further Advance Available Amount is sufficient to pay the purchase price for the relevant Further Advance Mortgage Receivables, if any;
- b. the aggregate amount of Further Advance Mortgage Receivables sold to the Issuer since the Transfer Date up to and including such Monthly Payment Date does not exceed EUR 500,000 per annum, calculated as of 1 January of each calendar year;

- c. the LTFV-ratio of all Mortgage Loans, including the Further Advances in respect of the Further Advance Receivables purchased on such date, does not exceed the weighted average of the LTFV-ratio on the Transfer Date plus 0.1 per cent.; and
- d. none of the Acceleration Amortisation Trigger Events have occurred.

Set-off by Borrowers

The Mortgage Receivables Purchase Agreement provides that if a Borrower sets off amounts due to it by the relevant Seller against the Relevant Mortgage Receivable or if a Borrower invokes set-off against the Issuer and, as a consequence thereof, the Issuer does not receive the amount which it is entitled to receive in respect of such Mortgage Receivable, the relevant Seller will pay to the Issuer an amount equal to the difference between the amount which the Issuer would have received in respect of the Relevant Mortgage Receivable if no set-off had taken place and the amount actually received by the Issuer in respect of such Mortgage Receivable (see also *The Sellers have limited resources available to meet their respective obligations/limited value of representations and warranties given by the Sellers and Set-off by Borrowers may affect the proceeds under the Mortgage Receivables* in Risk Factors above).

11. SERVICES AGREEMENT, ISSUER ADMINISTRATION AGREEMENTS AND ISSUER ADVISORY AGREEMENT

Services Agreement

In the Services Agreement the MPT Provider has agreed to (i) provide management services to the Issuer on a day-to-day basis in relation to the Mortgage Loans and the Mortgage Receivables resulting from such Mortgage Loans, 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 and any other collateral (see further *Mortgage Loan Underwriting and Servicing Activities* above) and (ii) prepare and provide the Issuer Administrator with certain statistical information regarding the Issuer as required by law, for submission to the relevant regulatory authorities. The MPT Provider will be obliged to manage the 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 MPT Provider had initially appointed Quion Hypotheekbemiddeling B.V. and Quion Hypotheekbegeleiding B.V. as its sub-agents in respect of the Relevant Mortgage Receivables to carry out (part of) the activities described above, which appointment has been terminated prior to the Issue Date.

The Services 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 MPT Provider to comply with its obligations (unless remedied within the applicable grace period), dissolution or liquidation of the MPT Provider or the MPT Provider being declared bankrupt or granted a suspension of payments or (only in respect of the MPT Provider) the MPT Provider no longer holds a licence as intermediary ("*bemiddelaar*") or offeror of credit ("*aanbieder*") under the Wft. In addition the Services Agreement may be terminated by the MPT Provider upon the expiry of not less than six months' notice, subject to written approval of the Issuer and the Security Trustee, which approval may not be unreasonably withheld and subject to Rating Agency Notification and Trustee Confirmation. A termination of the Services Agreement by either the Issuer and the Security Trustee or the MPT Provider will only become effective if a substitute mortgage payment transactions provider is appointed.

Back-up MPT Provider

The Issuer has appointed CMIS (formerly named GMAC RFC Nederland B.V.) to act as Back-up MPT Provider.

Administration Agreement

The Issuer Administrator has agreed in the Administration Agreement to provide certain administration, calculation and cash management services on behalf of the Issuer on the basis of a bank account mandate to the Issuer, including, *inter alia*, (a) the application of amounts received by the Issuer to the Transaction Accounts and the production of monthly reports in relation thereto, (b) procuring that, if required, drawings are made by the Issuer under the Liquidity Facility Agreement, whether or not from an account opened with a bank having at least the Bank Required Rating, other than the GIC Provider, and by the crediting a corresponding amount to the Liquidity Facility Stand-by Ledger, (c) procuring that all payments to be made by the Issuer under the Swap Agreement and any of the other Relevant Documents 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, (g) procuring that all calculations to be made pursuant to the Conditions are made and (h) to submit certain statistical information regarding the Issuer as referred to above to certain governmental authorities if and when requested.

The 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 Administration Agreement may be terminated by the Issuer Administrator upon the expiry of not less than six months' notice, subject to written approval of the Issuer and the Security Trustee, which approval may not be unreasonably withheld and subject to Rating Agency Notification and Trustee Confirmation. A termination of the Administration Agreement by either the Issuer

and the Security Trustee or the Issuer Administrator will only become effective if a substitute administrator is appointed.

Domiciliation and Administration Agreement

Under the Domiciliation and Administration Agreement, the Issuer Administrator has agreed (a) to provide domiciliation services to the Issuer and (b) to provide certain administration to the Issuer, in addition to the services to be provided under the Administration Agreement. See further *The Issuer* below.

Issuer Advisory Agreement

The Issuer has appointed Principal Asset Management Company B.V. to act as Issuer Adviser under the Issuer Advisory Agreement.

In the Issuer Advisory Agreement the Issuer Adviser has agreed to provide, in the context of its advisory functions, advice on all specific matters in relation to the activity carried out by the Issuer as a Luxembourg based securitisation company. In the performance of such advisory functions, the Issuer Adviser shall, *inter alia* (i) monitor, on a permanent basis, the performance of the transactions and investments of the Issuer and provide the Issuer's board of directors with such written reports as to the Issuer's activities, the performance of the transactions and investments and the risk management, process survey, as often as the Issuer's board of directors shall reasonably request, (ii) oversee the Issuer's relationship with the MPT Provider, including liaising with the MPT Provider and reporting to the Issuer on the performance of the MPT Provider under the terms of the Services Agreement, (iii) initiate and conduct audits of the services provided by the MPT Provider in accordance with and pursuant to the terms of the Services Agreement when requested to do so by the Issuer, (iv) report, as soon as reasonably practicable, to the Issuer any defects in or complaints about the services provided by the MPT Provider in accordance with and pursuant to the terms of the Services Agreement, of which it may become aware and forward all information in its possession or control to the Issuer in connection therewith, (v) notify the Issuer if it becomes aware of any termination event under the Services Agreement and (vi) analyse any monthly reports prepared by the Issuer and or third parties and answer questions by any investors in the Issuer from time to time.

Market Abuse Directive

The Directive 2003/6/EC of 28 January 2003 on insider dealing and market manipulation (the "**Market Abuse Directive**") and the Dutch legislation implementing this Directive (the Market Abuse Directive and the Dutch implementing legislation together referred to as the "**MAD Regulations**") *inter alia* impose on the Issuer the obligations to disclose inside information and to maintain a list of persons that act on behalf of or for the account of the Issuer and who, on a regular basis, have access to inside information in respect of the Issuer.

The Issuer Administrator has accepted the tasks of maintaining the list of insiders and to organise the assessment and disclosure of inside information, if any, on behalf of the Issuer. The Issuer Administrator shall have the right to consult with the MPT Provider and any legal counsel, accountant, banker, broker, securities company or other company other than the Rating Agencies and the Security Trustee in order to analyse whether the information can be considered to be inside information which must be disclosed in accordance with the MAD Regulations. If disclosure is required, the Issuer Administrator shall procure the publication of such information in accordance with the MAD Regulations. Notwithstanding the delegation of compliance with the MAD Regulations to the Issuer Administrator, the Issuer shall ultimately remain legally responsible and liable for such compliance.

12. THE ISSUER

General

The Issuer was incorporated in Luxembourg on 3 February 2011 as a public limited liability company ("*société anonyme*") with unlimited duration, under the name of Principal Residential Investment Mortgages 1 S.A., is registered with the Luxembourg Register of Commerce and Companies under number B 158.681 and is subject, as an unregulated securitisation undertaking, to the Securitisation Act.

The articles of association of the Issuer have been published in the Mémorial, Recueil des Sociétés et Associations (n°933, page 44752) on 7 May 2011.

The registered office of the Issuer is at 13-15 Avenue de la Liberté, L-1931 Luxembourg. The telephone number of the Issuer is +352 2689 0169.

The Issuer has fixed share capital of EUR 31,000 (thirty one thousand) represented by 3,100,000 (three million one hundred thousand) shares, with a nominal value of EUR 0.01 (one cent euro) each, all fully subscribed and entirely paid up. All shares of the Issuer are held by Stichting Holding Principal Residential Investment Mortgages 1.

Stichting Holding Principal Residential Investment Mortgages 1 is a foundation ("*stichting*") incorporated under the laws of the Netherlands on 10 December 2010. The objects of Stichting Principal Residential Investment Mortgages 1 are, *inter alia*, to incorporate, acquire and to hold shares in the share capital of the Issuer and to exercise all rights attached to such shares and to dispose of and encumber such shares. The sole managing director of Stichting Principal Residential Investment Mortgages 1 is ATC Management B.V.

Principal activities of the Issuer

The Issuer is a special purpose vehicle, which objectives are (a) to carry out one or several securitization operations within the meaning of the Securitisation Act and any activity ancillary or related thereto and/or provided for or permitted under the Securitisation Act, to enter into any and all transactions by which it acquires or assumes, directly or indirectly through another undertaking of any kind, the existing or future risks linked to the Mortgage Receivables, to issue, directly or indirectly through intermediary companies, any kind of securities of any form or nature whatsoever including, without limitation, shares, notes and debt instruments as well as options or warrants giving rights for additional shares, whose value, return or yield depend on the risks relating to the Mortgage Receivables, to borrow or raise funds in the form of loans or otherwise from any entity in order to fund or partly fund the acquisition or assumption of Mortgage Receivables and/or to comply with any payment or other obligation under any of the securities issued by the Issuer or under any agreement to be entered into in the context of a securitization, to the fullest extent permitted by the Securitization Act, directly or indirectly: (i) acquire, hold and dispose of, in any form, by any means, whether directly or indirectly, participations, rights and interest in, and obligations of, Luxembourg and/or foreign companies or other entities active in any sector (including real property); (ii) acquire or assume risks by means of granting loans to Luxembourg and/or foreign entities; (iii) acquire by purchase, subscription, or in any other manner, hold as well as transfer by sale, exchange or in any other manner stocks, bonds, debentures, notes units and other securities or financial instruments of any kind and contracts on one or more financial instruments or related thereto; (iv) provide any financial assistance to the undertakings forming part of its group by providing, without limitation, loans in any form; and (v) own, administer, develop and manage a portfolio (including, among others, the assets referred to in (i), (ii) and (iii) of this paragraph), in accordance with and to the extent permitted by the Securitization Act, to give guarantees and grant security over its assets in order to secure the obligations it has assumed for the securitization of these assets for the benefit of investors (including their trustee or representative, if any) and/or any issuing entity participating in a securitization transaction of the Issuer. The Issuer may not pledge, transfer, encumber or otherwise create security over some or all its assets, unless permitted by the Securitization Act.

The Issuer may perform all commercial, technical and financial or other operations, which are directly or indirectly connected with, or are necessary or useful to facilitate the accomplishment of, its purpose to the extent such action remains within the scope of the Securitization Act.

Statement by the board of directors of the Issuer

Since its incorporation there has been no material adverse change in the financial position or prospects of the Issuer and the Issuer has not (i) commenced operations, no profits and losses have been made or incurred and it has not declared or paid any dividends nor made any distributions, save for the activities related to its establishment and the securitisation transaction included in this Prospectus nor (ii) prepared any financial statements. There are no legal, arbitration or governmental proceedings which may have, or have had, significant effects on the Issuer's financial position or profitability nor, so far as the Issuer is aware, are any such proceedings pending or threatened against the Issuer since its incorporation on 3 February 2011.

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

ATC Corporate Services (Luxembourg) S.A. ("**ATC**") acts as domiciliation and administrative agent of the Issuer (the "**Domiciliation Agent**"). The address of the Domiciliation Agent serves as the registered office of the Issuer which is located at 13-15 Avenue de la Liberté, L-1931 Luxembourg. Pursuant to the terms of the Domiciliation and Administration Agreement dated the Transfer Date and entered into between the Domiciliation Agent, the Issuer and the Shareholder, the Domiciliation Agent performs in Luxembourg certain corporate secretarial, accounting and other administrative services. The appointment of the Domiciliation Agent may be terminated, *inter alia*, at any time without stating any reason by the Issuer or the Domiciliation Agent giving the other parties to the agreement a thirty (30) days prior written notice by means of a registered letter. In addition, in case the Domiciliation Agent violates its legal, regulatory or contractual obligations, the Issuer and the Shareholder are each entitled to terminate the Domiciliation Agreement with immediate effect. Furthermore, the Domiciliation Agent is entitled to terminate the Domiciliation Agreement with immediate effect if and when the Domiciliation Agent, in its own discretion, cannot reasonably be expected to continue to act as domiciliation agent or to act as a director of the Issuer further to, but not limited to, the occurrence of certain events in respect of the Issuer, such as its bankruptcy, dissolution or compliance under the Domiciliation Agreement. The remuneration payable by the Issuer to the Domiciliation Agent payable for services rendered under the Domiciliation Agreement are equal to an annual set fee of EUR 3,500 plus a fee based at hourly rates on a time spent basis between EUR 75 and EUR 250, depending on the requested services and the level of competency.

The directors of the Issuer are as follows:

<i>Director</i>	<i>principal outside activities business address</i>
Mr. Hille-Paul Schut	Employee of ATC 13-15 Avenue de la Liberté, L-1931 Luxembourg
Mr. Joost Tulkens	Employee of ATC 13-15 Avenue de la Liberté, L-1931 Luxembourg
Mrs. Neela Gungapersad	Employee of ATC 13-15 Avenue de la Liberté, L-1931 Luxembourg

Each of the directors of Stichting Holding Principal Residential Investment Mortgages 1 and the Issuer has entered into a management agreement with the entity of which it has been appointed managing director. In these management agreements each of the Directors agrees and undertakes to, *inter alia*, (i) do all that an adequate managing director should do and refrain from what an adequate managing director should not do, and (ii) refrain from taking any action detrimental to the obligations under any of the Relevant Documents or the then current ratings 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 the Issuer other than the Relevant Documents to which it is a party, without Rating Agency Notification and Trustee Confirmation.

There are no potential conflicts of interest between any duties to the Issuer of its directors and private interests or other duties of the directors.

The financial year of the Issuer coincides with the calendar year. The first financial year has ended on 31 December 2011.

Statutory Auditors

The current statutory auditors ("*cabinet de revision agree*") of the Issuer are Deloitte and belong to the

Luxembourg institute of auditors ("*Institut des réviseur d'entreprises*").

Capitalisation

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

Share Capital

Fixed Share Capital	EUR 31,000
Issued Share Capital	EUR 31,000

Borrowings

Class A Notes	EUR 89,250,000
Class B Notes	EUR 22,250,000
Class C Notes	EUR 22,250,000

Reserve Fund Loan	EUR 2,000,000
X Loan	EUR 44,871,892

13. USE OF PROCEEDS

The aggregate net proceeds of the Notes to be issued on the Issue Date amount to EUR 133,750,000.

The Issuer will use the net proceeds from the issue of the Notes to redeem the Initial Notes, the Junior Loan and the Junior Expenses Loan and part of the X Loan that it has issued and entered into, respectively, on the Transfer Date and to be reserved as Pre-Issue Principal Proceeds.

14. DESCRIPTION OF SECURITY

In the Parallel Debt Agreement the Issuer irrevocably and unconditionally undertakes to pay to the Security Trustee (the "**Parallel Debt**") an amount equal to the aggregate amount due ("*verschuldigd*") by the Issuer (i) as fees, costs and expenses or other remuneration to the Directors under the Management Agreements, (ii) as fees and expenses to the MPT Provider under the Services Agreement, (iii) to the Back-up MPT Provider under the Back-up Servicing Letter, (iv) as fees and expenses to the Issuer Administrator under the Administration Agreement, (v) as fees and expenses to the Paying Agent and the Reference Agent under the Paying Agency Agreement, (vi) to the Liquidity Facility Provider under the Liquidity Facility Agreement, (vii) to the GIC Provider under the GIC, (viii) to the Reserve Fund Loan Providers and the assignee under the Reserve Fund Loan Agreement, (ix) to the X Loan Providers and the assignees under the X Loan Agreement, (x) to the Issuer Adviser under the Issuer Advisory Agreement and (xi) to the Noteholders under the Notes (the parties referred to in items (i) through (xi) together the "**Security Beneficiaries**"). The Parallel Debt constitutes a separate and independent obligation of the Issuer and constitutes the Security Trustee's own separate and independent claim ("*eigen en zelfstandige vordering*") to receive payment of the Parallel Debt from the Issuer. Upon receipt by the Security Trustee of any amount in payment of the Parallel Debt, the payment obligations of the Issuer to the Security Beneficiaries shall be reduced by an amount equal to the amount so received and vice versa.

To the extent that the Security Trustee irrevocably and unconditionally receives any amount in payment of the Parallel Debt, the Security Trustee shall distribute such amount, among the Security Beneficiaries in accordance with the Priority of Payments upon Enforcement. The amounts due to the Security Beneficiaries, will, broadly, be equal to amounts recovered ("*verhaald*") by the Security Trustee on the Mortgage Receivables and other assets pledged to the Security Trustee under the Receivables Pledge Agreement and the Asset Pledge Agreement.

The Issuer has vested a right of pledge (the "**Receivables Pledge Agreement**") in favour of the Security Trustee on the Mortgage Receivables and the Beneficiary Rights on the Issue Date and in respect of any Further Advance Mortgage Receivables undertakes to grant a first ranking right of pledge on the relevant Further Advance Mortgage Receivables and the Beneficiary Rights relating thereto on the Monthly Payment Date on which they are acquired, which will secure the payment obligations of the Issuer to the Security Trustee under the Parallel Debt Agreement and any other Relevant Documents. The pledge on the Mortgage Receivables and the Beneficiary Rights relating thereto will not be notified to the Borrowers and the Insurance Companies, respectively, except in the event that certain notification events occur, which are similar to the Assignment Notification Events but relating to the Issuer, including the issuing of an Enforcement Notice by the Security Trustee (the "**Pledge Notification Events**"). Prior to notification of the pledge to the Borrowers and the Insurance Companies, the pledge will be a "silent" right of pledge ("*stil pandrecht*") within the meaning of article 3:239 of the Netherlands Civil Code.

In addition, a right of pledge (the "**Assets Pledge Agreement**", and together with the Receivables Pledge Agreement, the "**Pledge Agreements**") has been vested by the Issuer in favour of the Security Trustee on the Issue Date over all rights of the Issuer (a) against the Sellers under or in connection with the Mortgage Receivables Purchase Agreement; (b) against the MPT Provider under or in connection with the Services Agreement; (c) against the Issuer Administrator under or in connection with the Administration Agreement; (d) against the Back-up MPT Provider under or in connection with the Back-up Servicing Letter, (e) against the GIC Provider under or in connection with the GIC and in respect of the Transaction Accounts, (f) against the Hedging Counterparty under or in connection with the Swap Agreement and (g) against the Liquidity Facility Provider under or in connection with the Liquidity Facility Agreement. This right of pledge will be notified to the relevant obligors and will, therefore, be a disclosed right of pledge ("*openbaar pandrecht*"), but the Security Trustee will grant a power to collect to the Issuer which will be withdrawn upon the occurrence of any of the Pledge Notification Events.

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

sole purpose terminating ("*opzeggen*") its right of pledge.

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

The security rights described above shall serve as security for the benefit of the Security Beneficiaries, including each of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders but amounts owing to the Class B Noteholders will rank in priority of payment after amounts owing to Class A Noteholders and amounts owing to the Class C Noteholders will rank in priority of payment after amounts owing to the Class A Noteholders and the Class B Noteholders (see *Credit Structure* above).

Furthermore, pursuant to the Seller Collection Accounts Pledge Agreement, the Sellers shall grant on the balances standing to the credit of the Seller Collection Accounts a first ranking right of pledge in favour of the Issuer to secure certain of the Sellers' obligations under the Mortgage Receivables Purchase Agreement. Such right of pledge will be notified to the Seller Collection Accounts Provider and will therefore be a disclosed right of pledge. The Issuer will grant a power to collect to the Sellers, which will be withdrawn upon the occurrence of certain events.

15. THE SECURITY TRUSTEE

Stichting Security Trustee Principal Residential Investment Mortgages 1 (the "**Security Trustee**") is a foundation ("*stichting*") incorporated under the laws of the Netherlands on 10 December 2010. The statutory seat of the Security Trustee is in Amsterdam and its registered office is at Claude Debussylaan 24, 1082 MD Amsterdam, the Netherlands.

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

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

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

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

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

16. TERMS AND CONDITIONS OF THE NOTES

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

The issue of the EUR 89,250,000 Class A Mortgage-Backed Notes 2012 due 2040 (the "**Class A Notes**"), the EUR 22,250,000 Class B Mortgage-Backed Notes 2012 due 2040 (the "**Class B Notes**"), the EUR 22,250,000 Class C Mortgage-Backed Notes 2012 due 2040 (the "**Class C Notes**", together with the Class B Notes, the "**Subordinated Notes**" and together with the Class A Notes, the "**Notes**") was authorised by a resolution of the managing director of Principal Residential Investment Mortgages 1 S.A. (the "**Issuer**") passed on 5 March 2012. The Notes are issued under a trust deed dated 7 March 2012, as amended from time to time (the "**Trust Deed**") between the Issuer, Stichting Security Trustee Principal Residential Investment Mortgages 1 (the "**Security Trustee**") and Stichting Holding Principal Residential Investment Mortgages 1.

The statements in these terms and conditions of the Notes (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of (i) the Trust Deed, which will include the forms of the Notes and the interest coupons appertaining to the Notes (the "**Coupons**"), and the Temporary Global Notes and the Permanent Global Notes, (ii) a paying agency agreement (the "**Paying Agency Agreement**") dated 7 March 2012, between the Issuer, the Security Trustee and ABN AMRO Bank N.V. as paying agent (the "**Paying Agent**") and reference agent (the "**Reference Agent**"), (iii) a services agreement dated the Transfer Date, between, *inter alia*, Vesting Finance Servicing B.V., the Issuer and the Security Trustee, as amended and restated on 7 March 2012 (the "**Services Agreement**"), (iv) a parallel debt agreement (the "**Parallel Debt Agreement**") dated the Issue Date between the Issuer, the Security Trustee and the Security Beneficiaries, (v) a pledge agreement dated the Issue Date (the "**Receivables Pledge Agreement**") between the Issuer and the Security Trustee as amended and restated on 7 March 2012 and (vi) a pledge agreement dated the Issue Date (the "**Assets Pledge Agreement**") between the Issuer, the Security Trustee and others as amended and restated on 7 March 2012 (and jointly with the Receivables Pledge Agreement, the "**Pledge Agreements**").

Certain words and expressions used below are defined in a master definitions agreement dated the Transfer Date and entered into between the Issuer, the Security Trustee, the Sellers and certain other parties as amended and restated on 7 March 2012 and as may be further amended from time to time (the "**Master Definitions Agreement**"). Such words and expressions shall, except where the context requires otherwise, have the same meanings in these Conditions. If the terms or definitions in the Master Definitions Agreement would conflict with terms or definitions used herein, the terms and definitions of these Conditions shall prevail. As used herein, "**Class**" means either the Class A Notes or the Class B Notes or the Class C Notes, as the case may be.

Copies of the Paying Agency Agreement, the Trust Deed, the Pledge Agreements, and the Master Definitions Agreement and certain other Relevant Documents (see under *General Information*) are available for inspection, free of charge, by holders of the Notes (the "**Noteholders**") at the specified office of the Paying Agent and the present office of the Security Trustee, being at the date hereof Claude Debussylaan 24, 1082 MD Amsterdam, the Netherlands, and its telephone number is +31 20 5222 555. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Paying Agency Agreement, the Parallel Debt Agreement, the Pledge Agreements and the Master Definitions Agreement.

1. Form, Denomination and Title

The Notes will be in bearer form serially numbered with Coupons attached on issue in denominations EUR 125,000 each. Under Netherlands law, the valid transfer of Notes or Coupons requires, *inter alia*, delivery ('*levering*') thereof. The Issuer, the Security Trustee and the Paying Agent may, to the fullest extent permitted by law, treat the holder of any Note and of the Coupons appertaining thereto as its absolute owner for all purposes (whether or not payment under such Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing thereon or any notice of previous loss or theft thereof) for any purposes, including payment and no person shall be liable for so treating such holder. The Notes will be signed by two

Directors of the Issuer.

2. Status, Relationship between the Notes

- (a) The Notes of each Class are direct and unconditional obligations of the Issuer and rank *pari passu* and rateably without any preference or priority among Notes of the same Class.
- (b) In accordance with the provisions of Conditions 4, 6 and 9 and the Trust Deed (i) payments of principal and interest on the Class B Notes and the Class C Notes are subordinated - in part - to, *inter alia*, payments of principal and interest on the Class A Notes and (ii) payments of principal and interest on the Class C Notes are subordinated to, *inter alia*, payments of principal and interest on the Class B Notes.
- (c) The security for the obligations of the Issuer towards, *inter alia*, the Noteholders (the "**Security**") will be created pursuant to, and on the terms set out in, the Trust Deed and the Pledge Agreements, which will create, *inter alia*, the following security rights:
 - (i) a first ranking pledge by the Issuer to the Security Trustee over the Mortgage Receivables and the rights vis-à-vis the Insurance Companies under the Life Insurance Policies (the "**Beneficiary Rights**") and all rights ancillary thereto;
 - (ii) a first ranking pledge by the Issuer to the Security Trustee on the Issuer's rights (a) against the Sellers under or in connection with the Mortgage Receivables Purchase Agreement; (b) against the MPT Provider under or in connection with the Services Agreement; (c) against the Issuer Administrator under or in connection with the Administration Agreement; (d) against the Back-up MPT Provider under or in connection with the Back-up Servicing Letter, (e) against the GIC Provider under or in connection with the GIC and in respect of the Transaction Accounts, (f) against the Hedging Counterparty under or in connection with the Swap Agreement and (g) against the Liquidity Facility Provider under or in connection with the Liquidity Facility Agreement.
- (d) The obligations under the Notes are secured (directly and/or indirectly) by the Security. The obligations under the Class A Notes will rank in priority to the Class B Notes and the Class C Notes and the obligations under the Class B Notes will rank in priority to the Class C Notes. The Trust Deed contains provisions requiring the Security Trustee to have regard only to the interests of the Security Beneficiaries as regards all powers, trust, authorities, duties and discretions of the Security Trustee (except where expressly provided otherwise). If there is a conflict of interest between any Classes of Noteholders, the Security Trustee shall have regard only to the interest of the highest ranking Class of Noteholders. In this respect the order of priority is as follows: firstly, the Class A Noteholders, secondly, the Class B Noteholders and, thirdly, the Class C Noteholders. In addition, the Security Trustee shall have regard to the interest 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.

3. Covenants of the Issuer

As long as any of the Notes remain outstanding, the Issuer shall carry out its business in accordance with proper and prudent Luxembourg and Netherlands business practice and in accordance with the requirements of Netherlands law and accounting practice, and shall not, except (i) to the extent permitted by the Master Definitions Agreement, the Mortgage Receivables Purchase Agreement, the Deed of Assignment, any Further Advance Deeds of Assignment, the Swap Agreement, the GIC, the Liquidity Facility Agreement, the Services Agreement, the Pledge Agreements, the Seller Collection Accounts Pledge Agreements, the Notes Purchase Agreements, the Parallel Debt Agreement, the Notes, the Paying Agency Agreement, the Management Agreements, the Reserve Fund Loan Agreement, the Administration Agreement, the Issuer Advisory Agreement, the X Loan Agreement and the Trust Deed, (together the "**Relevant Documents**") or (ii) with the prior written consent of the Security Trustee:

- (a) carry out any business other than as described in the Prospectus dated 7 March 2012, relating to the issue of the Notes and as contemplated in the Relevant Documents;

- (b) incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness except as contemplated in the Relevant Documents;
- (c) create or promise to create any mortgage, charge, pledge, lien or other security interest whatsoever over any of its assets, or use, invest, sell, transfer or otherwise dispose of or grant any options or rights to any part of its assets except as contemplated by the Relevant Documents;
- (d) consolidate or merge with any other person or convey or transfer its properties or assets substantially or as an entirety to any person;
- (e) permit the validity or effectiveness of the Relevant Documents, or the priority of the security created thereby or pursuant thereto to be amended, terminated, waived, postponed or discharged, or permit any person whose obligations form part of such security rights to be released from such obligations or consent to any waiver except as contemplated in the Relevant Documents;
- (f) have any employees or premises or have any subsidiary or subsidiary undertaking; and
- (g) have an interest in any bank account other than the Transaction Accounts and the Swap Cash Collateral Account unless all rights in relation to such account will have been pledged to the Security Trustee as provided in Condition 2(c)(ii) or an account to which collateral under the swap agreement is transferred.

4. **Interest**

(a) *Period of accrual*

The Notes shall bear interest on their "**Principal Amount Outstanding**" (as defined in Condition 6 (c)) from and including the Issue Date. Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) shall cease to bear interest from its due date for redemption unless, upon due presentation, payment of the relevant amount of principal or any part thereof is improperly withheld or refused. In such event, interest will continue to accrue thereon (before and after any judgment) at the rate applicable to such Note up to but excluding the date on which, on presentation of such Note, payment in full of the relevant amount of principal is made or (if earlier) the seventh day after notice is duly given by the Paying Agent to the holder thereof (in accordance with Condition 13) that upon presentation thereof, such payments will be made, provided that upon such presentation payment is in fact made. Whenever it is necessary to compute an amount of interest in respect of any Note for any period (including any Interest Period), such interest shall be calculated on the basis of the actual days elapsed in such period and a 360 day year.

(b) *Interest Periods and Monthly Payment Dates*

Interest on the Notes is payable by reference to successive interest periods. Each successive interest period will commence on (and include) a Monthly Payment Date and end on (but exclude) the next succeeding Monthly Payment Date, except for the first interest period which will commence on (and include) the Issue Date and end on (but exclude) the Monthly Payment Date falling in March 2012 (each an "**Interest Period**").

Interest on each of the Notes shall be payable monthly in arrear in EUR in respect of the Principal Amount Outstanding (as defined in Condition 6(c)) of each Class of Notes on the twenty-eighth (28th) day of each calendar month (or, if such day is not a Business Day, the next succeeding Business Day, unless such Business Day falls in the next succeeding calendar month in which event the Business Day immediately preceding such day) in each year (each such day being a "**Monthly Payment Date**").

A "**Business Day**" means each day on which banks are open for general business in Amsterdam, Luxembourg and London, provided that such day is also a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system ("**TARGET 2**") or any successor thereto is operating credit or transfer instructions in respect of payments in euro.

(c) *Interest*

Interest on the Notes for each Interest Period will accrue from the Issue Date at an annual rate equal to the sum of Euribor for one month deposits in EUR (determined in accordance with paragraph (e) below) (or, in respect of the first Interest Period, the rate of 0.58500 per cent.), plus a margin of:

- (i) up to and including the Final Maturity Date, in respect of the Class A Notes, 3.00 per cent. per annum; and
- (ii) (a) up to (and including) the first Optional Redemption Date (as defined in Condition 6(e)):
 - (x) in respect of the Class B Notes, 4.50 per cent. per annum; and
 - (y) in respect of the Class C Notes, 6.00 per cent. per annum; and
- (b) if on the first Optional Redemption Date the Notes will not have been redeemed in full, from the first Optional Redemption Date:
 - (x) in respect of the Class B Notes, 6.00 per cent. per annum; and
 - (y) in respect of the Class C Notes, 7.50 per cent. per annum.

(d) *Euribor*

For the purpose of Condition 4(c) Euribor will be determined as follows:

- (i) The Reference Agent will, subject to Condition 4(c) obtain for each Interest Period the rate equal to Euribor for one month deposits in euros. The Reference Agent shall use the Euribor rate as determined and published jointly by the European Banking Federation and ACI - The Financial Market Association and which appears for information purposes on the Reuters Screen 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) as at or about 11.00 am (Brussels time) on the day that is two TARGET determination days (a date on which Euribor is determined and published) preceding the first day of each Interest Period (each an "**Interest Determination Date**")
- (ii) If, on the relevant Interest Determination Date, such Euribor rate is not determined and published jointly by the European Banking Association and ACI — The Financial Market Association, or if it is not otherwise reasonably practicable to calculate the rate under (i) above, the Reference Agent will:
 - (A) request the principal Euro-zone office of each of four major banks in the Euro-zone interbank market (the "**Euribor Reference Banks**") to provide a quotation for the rate at which one month euro deposits are offered by it in the Euro-zone interbank market at approximately 11.00 am (Brussels time) on the relevant Interest Determination Date to prime banks in the Euro-zone interbank market in an amount that is representative for a single transaction at that time; and
 - (B) if at least two quotations are provided, determine the arithmetic mean (rounded, if necessary, to the fifth decimal place with 0.000005 being rounded upwards) of such quotations as provided; and
- (iii) if fewer than two such quotations are provided as requested, the Reference Agent will determine the arithmetic mean (rounded, if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the rates quoted by major banks, of which there shall be at least two in number, in the Euro-zone, selected by the Reference Agent, at approximately 11.00 am (Brussels time) on the relevant Interest Determination Date for one month deposits to leading Euro-zone banks in an amount that is representative for a single transaction in that market at that time,

and Euribor for such Interest Period shall be the rate per annum equal to Euribor for one month

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 Interest Period, Euribor applicable to the Notes during such Interest Period will be Euribor determined in relation thereto.

(e) *Determination of the Rate of Interest and Calculation of Interest Amounts*

The Reference Agent will, as soon as practicable after 11.00 am (Brussels time) on each Interest Determination Date, determine the rate of interest referred to in paragraph (c) in respect of the Notes (the "**Rate of Interest**") above and calculate the amount of interest payable on each of the Notes for the following Interest Period (the "**Interest Amount**") by applying the relevant Rates of Interest to the Principal Amount Outstanding of the each Class of Notes respectively for the relevant period. The determination of the relevant Rate of Interest and each Interest Amount by the Reference Agent shall (in the absence of manifest error) be final and binding on all parties.

(f) *Notification of Rate of Interest and Interest Amounts*

The Reference Agent will cause the relevant Rates of Interest and the relevant Interest Amount and the Monthly Payment Date applicable to each relevant Class of the Notes to be notified to the Issuer, the Security Trustee, the Paying Agent, the Issuer Administrator, the holders of such Class of Notes and, as long as the Notes are admitted to listing, trading and/or quotation on Euronext Amsterdam or by any other competent authority, stock exchange and/or quotation system, such notice to be published in such place as may be required by the rules and regulations of such competent authority, stock exchange and/or quotation system, as soon as possible after the determination. The Rates of Interest, Interest Amount and Monthly Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

(g) *Determination or Calculation by Security Trustee*

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

(h) *Reference Banks and Reference Agent*

The Issuer will procure that, as long as any of the Notes remains outstanding, there will at all times be a Reference Agent. The Issuer has, subject to prior written consent of the Security Trustee, the right to terminate the appointment of the Reference Agent by giving at least 90 days' notice in writing to that effect. Notice of any such termination will be given to the holders of the Notes in accordance with Condition 13. If any person shall be unable or unwilling to continue to act as the Reference Agent or if the appointment of the Reference Agent shall be terminated, the Issuer will, with the prior written consent of the Security Trustee, appoint a successor Reference Agent (as the case may be) to act in its place, provided that neither the resignation nor removal of the Reference Agent shall take effect until a successor approved in writing by the Security Trustee has been appointed.

(i) *Redenomination*

If at any time (the "**Reference Date**") (a) the Dutch government no longer accepts payment in euro as legal tender (or after redenomination pursuant to this Condition 4, the Dutch government no longer accepts payment in the currency replacing the euro as legal tender (at such time such currency, the "**Non Legal Replacement Currency**")) or (b) the Dutch government has determined that it will not accept such currency as legal tender as of a certain date, which date falls within 60 days after the Reference Date, then the Issuer may, without the consent of the Noteholders, on giving prior notice to the Paying Agent, Euroclear, Clearstream, Luxembourg and, if applicable, Euroclear Nederland and at least 30 days' prior notice to the Noteholders in accordance with Condition 13, elect that, with effect from the Redenomination Date specified in the notice, the Notes denominated in euro (or in the Non Legal Replacement Currency) (each the "**Old Currency**") shall be redenominated in the then legal currency for making payments in the Netherlands (the "**New Currency**").

The election will have effect as follows:

- (i) the Notes shall be deemed to be redenominated into the New Currency in the denomination of 0.01 of the New Currency, with a principal amount for each Note and Receipt equal to the principal amount of that Note or Receipt in the Old Currency, converted into the New Currency at the Established Rate provided that, if the Issuer determines, with the agreement of the Paying Agent, that the market practice at the time of redenomination in respect of the redenomination into the New Currency of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Paying Agent of such deemed amendments;
- (ii) save to the extent that an Exchange Notice (as defined below) has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest 0.01 of the New Currency;
- (iii) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations of equivalent of euro 100,000 or such amount as may be allowed pursuant to the relevant laws which are applicable to (the offering of) such Notes and notified to the Noteholders;
- (iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Old Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the "**Exchange Notice**") to the Noteholders in accordance with Condition 14 that replacement of Old Currency denominated Notes are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes so issued will also become void on that date although those Notes will continue to constitute valid exchange obligations of the Issuer. New Currency denominated Notes will be issued in exchange for Notes denominated in the Specified Currency in such manner as the Paying Agent, in consultation with the Issuer, may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;
- (v) on or after the Redenomination Date, all payments in respect of the Notes other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in the New Currency as though references in the Notes to the Old Currency were to the New Currency. Payments will be made in the New Currency by credit or transfer to a New Currency account (or any other account to which the New Currency may be credited or transferred) specified by the payee or, at the option of the payee, by a New Currency cheque;

In this Condition 4(i), the following expressions have the following meanings:

"Established Rate" means the rate for the conversion of the Old Currency into the New Currency as fixed or accepted by the Dutch authorities;

"euro" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

"Redenomination Date" means any date for payment of interest under the Notes specified by the Issuer in the notice given to the Noteholders pursuant to paragraph (a) above and which in case of

(i) the New Currency shall be the date the Dutch government accepts payment in the New Currency as legal tender; and

"Treaty" means the treaty on the functioning of the European Union, as amended.

5. Payment

- (a) Payment of principal and interest in respect of Notes will be made upon presentation of the Note and against surrender of the relevant Coupon appertaining thereto at any specified office of the Paying Agent by transfer to an euro account by the payee with a bank in the Netherlands. All such payments are subject to any fiscal or other laws and regulations applicable in the place of payment.
- (b) At the Final Maturity Date (as defined in Condition 6(a)), or at such earlier date on which the Notes become due and payable, the Notes should be presented for payment together with all unmatured Coupons appertaining thereto, failing which the full amount of any such missing unmatured Coupons (or, in the case of payment not being made in full, that proportion of the full amount of such missing unmatured Coupons which the sum of principal so paid bears to the total amount of principal due) will be deducted from the sum due for payment. Each amount so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon at any time before the expiry of five years following the due date for payment of such principal (whether or not such Coupons would have become unenforceable pursuant to Condition 8).
- (c) If the relevant Monthly Payment Date is not a day on which banks are open for business in the place of presentation of the relevant Note and Coupon (a "**Local Business Day**") the holder of the Note shall not be entitled to payment until the next following Business Day, such day, or to any interest or other payment in respect of such delay, provided that in the case of payment by transfer to an euro account as referred to above, the Paying Agent shall not be obliged to credit such account until the day on which banks in the place of such account are open for business immediately following the day on which banks are open for business in the Netherlands. The name of the Paying Agent and of its offices are set out on the last page of the Prospectus.
- (d) The Issuer reserves the right at any time to vary or terminate the appointment of the Paying Agent and to appoint additional or other paying agents provided that no paying agent located in the United States of America will be appointed and that the Issuer will at all times maintain a paying agent having a specified office in the European Union. The Issuer will ensure that it maintains a paying agent with a specified office in a Member State that will not be obliged to withhold or deduct tax pursuant to the EU Savings Directive. Notice of any termination or appointment of a Paying Agent and of any changes in the specified offices of the Paying Agent will be given to the Noteholders in accordance with Condition 13.

6. Redemption

(a) *Final redemption*

If and to the extent not otherwise redeemed, the Issuer will redeem the Notes at their respective Principal Amount Outstanding, in respect of the Subordinated Notes, subject to Condition 9, on the Monthly Payment Date falling in November 2040 (the "**Final Maturity Date**").

(b) *Mandatory redemption*

Provided that no Enforcement Notice has been served in accordance with Condition 10, the Issuer shall be obliged to apply on the Monthly Payment Date falling in March 2012 and each Monthly Payment Date thereafter the Redemption Available Amount to redeem the Notes, whether in full or in part, at their respective Principal Amount Outstanding, in the following order:

- (i) *first*, the Class A Notes, until fully redeemed, and thereafter;
- (ii) *second*, the Class B Notes, until fully redeemed, and thereafter;
- (iii) *third*, the Class C Notes, until fully redeemed.

The principal amount so redeemable in respect of each relevant Note (each a "**Principal Redemption Amount**") on the relevant Monthly Payment Date shall be the aggregate amount (if

any) of the Redemption Available Amount on the Monthly Calculation Date relating to that Monthly Payment Date available for a Class of 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 of the relevant Class. Following application of the Principal Redemption Amount to redeem a Note, the Principal Amount Outstanding of such Note shall be reduced accordingly.

(c) *Definitions*

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

"Acceleration Amortisation Trigger" means, at any Monthly Calculation Date, any of the following events:

- (a) the Three Month Rolling Average Delinquency Ratio has been equal to, or exceeds, 8 per cent. on at least three consecutive Monthly Calculation Dates; and
- (b) the Three Month Rolling Average Default Ratio has been equal to, or exceeds, 7 per cent. on at least three consecutive Monthly Calculation Dates;
- (c) until the Monthly Calculation Date falling in February 2015, the Cumulative Loss Ratio exceeds 8 per cent.;
- (d) the Six Month Cumulative Loss Ratio exceeds 1.35 per cent. on at least two consecutive Monthly Calculation Dates;
- (e) on any Monthly Payment Date on which the aggregate Principal Amount Outstanding of the Class A Notes is equal to or higher than 25 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes on the Issue Date, the Cumulative Loss Ratio exceeds 12 per cent.;
- (f) the aggregate amount standing to the credit of the Realised Damage Principal Deficiency Ledger exceeds 0.5 per cent. of the aggregate Outstanding Principal Amount of the Notes at such Monthly Calculation Date;
- (h) all, but not some only, of the Notes are not fully redeemed at the first Optional Redemption Date;

"Cumulative Loss Ratio" means, on any Monthly Calculation Date, the cumulative Realised Losses on such Monthly Calculation Date from the Transfer Cut-off Date divided by the aggregate Outstanding Principal Amount of all Mortgage Receivables on the Transfer Cut-off Date;

"Monthly Calculation Date" means the 3rd business day prior to each Monthly Payment Date.

"Mortgage Calculation Period" means the period commencing on (and including) the first day of each calendar month and ending on (and including) the last day of such calendar month, with the first Mortgage Calculation Period starting 1 February 2012.

"Net Principal Proceeds" shall mean the Net Proceeds, after deduction of the amount to be applied towards interest due and/or accrued due (including penalty interest) under the relevant Mortgage Receivable.

"Net Proceeds" shall mean the sum of (a) the proceeds of a foreclosure on the mortgage right, (b) the proceeds of foreclosure on any other collateral securing the Mortgage Receivable, (c) the proceeds, if any, of collection of any Life Insurance Policies in connection with the Mortgage Receivable, including but not limited to life insurance and fire insurance, (d) the proceeds of any guarantees or sureties and (e) the proceeds of foreclosure on any other assets of the relevant debtor, after deduction of the amount of the foreclosure costs.

"Pre-Issue Principal Proceeds" means an amount equal to EUR 3,622,425 which will be withheld from the proceeds of the issue of the Notes and which will on the Issue Date be deposited on the Issuer Collection Account as being the "Pre-Issue Principal Proceeds".

"Principal Amount Outstanding" on any Monthly Calculation Date of any Note shall be the principal amount of that Note upon issue less the aggregate amount of all Principal Redemption Amounts, that have become due and payable prior to such Monthly Calculation Date, provided that for the purpose of Conditions 4, 6 and 10 all Principal Redemption Amounts that have become due

and not been paid shall not be so deducted.

"Redemption Available Amount" shall mean on any Monthly Calculation Date the aggregate amount received by the Issuer on the Mortgage Payment Date during the second preceding Mortgage Calculation Period prior to such Monthly Calculation Date:

- (i) as repayment and prepayment of principal under the Mortgage Receivables received by the Issuer on or prior to such Monthly Calculation Date and paid by the Borrower during such Mortgage Calculation Period, excluding prepayment penalties;
- (ii) as Net Principal Proceeds on any Mortgage Receivable;
- (iii) as amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal;
- (iv) as amounts received in connection with a sale of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement and/or the Trust Deed to the extent such amounts relate to principal but up to the aggregate Outstanding Principal Amount of such Mortgage Receivables;
- (v) as amounts to be credited to the Principal Deficiency Ledger on the immediately succeeding Monthly Payment Date in accordance with the Administration Agreement;
- (vi) as amounts to be received on the immediately succeeding Monthly Payment Date pursuant to item (I) of the Interest Priority of Payments; and
- (vii) any amount to be drawn from the Principal Reconciliation Ledger on the immediately preceding Monthly Payment Date; and
- (viii) in respect of the Monthly Payment Date falling in March 2012 an amount equal to the Pre-Issue Principal Proceeds.

"Six Month Cumulative Loss Ratio" means on any Monthly Calculation Date, (a) the sum of the numbers as calculated on each of such Monthly Calculation Date and the five immediately preceding Monthly Calculation Dates, each being equal to the cumulative Realised Losses on such Monthly Calculation Date divided by (b) the Six Month Rolling Average Outstanding Principal Amount calculated on such Monthly Calculation Date;

"Six Month Rolling Average Outstanding Principal Amount" means on any Monthly Calculation Date, (a) the sum of the numbers as calculated on each of such Monthly Calculation Date and the five immediately preceding Monthly Calculation Dates, each being equal to the aggregate Outstanding Principal Amount of all Mortgage Loans on such Monthly Calculation Date, divided by (b) 6;

"Three Month Rolling Average Default Ratio" means, on any Monthly Calculation Date, (a) the sum of the numbers as calculated on each of such Monthly Calculation Date and the two immediately preceding Monthly Calculation Dates, each being equal to (i) the aggregate Outstanding Principal Amount of all Mortgage Loans under which any amounts are in arrears for 90 days or more, excluding Mortgage Loans in respect of which the Mortgaged Assets have been foreclosed, on the relevant Monthly Calculation Date divided by (ii) the aggregate Outstanding Principal Amount of all Mortgage Loans as calculated on such Monthly Calculation Date, divided by (b) 3.

"Three Month Rolling Average Delinquency Ratio" means, on any Monthly Calculation Date, (a) the sum of the numbers as calculated on each of such Monthly Calculation Date and the two immediately preceding Monthly Calculation Dates, such numbers being equal to (i) the aggregate Outstanding Principal Amount of all Mortgage Loans under which any amounts are in arrears for more than 29 days and less than 90 days on the relevant Monthly Calculation Date divided by (ii) the aggregate Outstanding Principal Amount of all Mortgage Loans as calculated on such Monthly Calculation Date, divided by (b) 3.

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

- (i) On each Monthly Calculation Date, the Issuer shall determine (or cause the Issuer Administrator to determine) (a) the Redemption Available Amount, (b) the amount of the Principal Redemption Amount due for the relevant Class of Notes on the Monthly Payment Date and (c) the Principal Amount Outstanding of the relevant Note on the first day following the Monthly Payment Date. Each such determination by or on behalf of the Issuer shall in each case (in the absence of a manifest error) be final and binding on all persons.
- (ii) The Issuer will on each Monthly Calculation Date cause each determination of (a) the Redemption Available Amount, (b) the Principal Redemption Amount due for the relevant Class of Notes on the Monthly Payment Date and (c) the Principal Amount Outstanding of the Notes to be notified forthwith to the Security Trustee, the Paying Agent, the Reference Agent, Euroclear and Clearstream, Luxembourg, Euronext Amsterdam and to the holders of Notes and as long as the Notes are admitted to listing, trading and/or quotation on Euronext Amsterdam or by any other competent authority, stock exchange and/or quotation system, such notice is to be published in such place as may be required by the rules and regulations of Euronext Amsterdam or such competent authority, stock exchange and/or quotation system in accordance with Condition 13. If no Principal Redemption Amount, is due to be made on the Notes on any applicable Monthly Payment Date, a notice to this effect will be given to the Noteholders in accordance with Condition 13.
- (iii) If the Issuer or the Issuer Administrator on its behalf does not at any time for any reason determine any of the amounts set forth in item (i) above, such amount shall be determined by the Security Trustee in accordance with Condition 6(a), (b) and (c) (but based upon the information in its possession as to the relevant amounts and each such determination or calculation shall be deemed to have been made by the Issuer and shall in each case (in the absence of a manifest error) be final and binding on all persons.

(e) *Optional Redemption*

Unless previously redeemed in full, the Issuer may, at its option on the Monthly Payment Date falling in February 2019 and on any Monthly Payment Date thereafter (each an "**Optional Redemption Date**") redeem all Notes (but not some only) subject to Condition 9(b) at their Principal Amount Outstanding.

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

(f) *Redemption for tax reasons*

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Monthly Payment Date, at their Principal Amount Outstanding, subject to Condition 9(b), if, immediately prior to giving such notice, the Issuer has satisfied the Security Trustee that:

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

The Issuer shall notify the exercise of such option by giving not more than 60 nor less than 30 days notice to the Noteholders and the Security Trustee prior to the relevant Monthly Payment Date. No Class of Notes may be redeemed under such circumstances unless all Classes of Notes (or such of them as are then outstanding) are also redeemed in full (subject to Condition 9(b)) at the same time.

(g) *Redemption for regulatory reasons*

The Notes may be redeemed in whole, but not in part, by the Issuer, on any Monthly Payment Date, at their Principal Amount Outstanding, subject to Condition 9(b), if:

- (a) a change published on or after 7 March 2012 in the Basle Capital Accord (as amended and supplemented up to this date) 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 Sellers (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 authority) which has the effect of adversely affecting the rate of return on capital of the Sellers or increasing the cost or reducing the benefit to the Sellers with respect to the transaction contemplated by the Notes (a "**Regulatory Change**"); and
- (b) the Issuer will have sufficient funds available on the Monthly Calculation Date immediately preceding such Monthly Payment Date to discharge all amounts of principal and interest due in respect of the Notes and any amounts required to be paid in priority or *pari passu* with each Class of Notes in accordance with the Trust Deed.

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

No Class of Notes may be redeemed under such circumstances unless all Classes of Notes (or such of them as are then outstanding) are also redeemed in full (subject to Condition 9(b)) at the same time.

(h) *Clean-Up Call Option*

If on any Monthly Payment Date the aggregate Outstanding Principal Amount of the Mortgage Receivables is equal to or less than ten (10) per cent. of the aggregate Outstanding Principal Amount of the Mortgage Receivables on the Issue Date, the Issuer has the option (but not the obligation) to redeem all of the Notes, in whole but not in part at their Principal Amount Outstanding, subject to Condition 9(b). No Class of Notes may be redeemed under such circumstances unless the other Classes of Notes (or such of them as are then outstanding) are also redeemed in full (subject to Condition 9(b)) at the same time.

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

7. **Taxation**

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

8. **Prescription**

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

9. Subordination

(a) Interest

The interest on the Class B Notes and the Class C Notes shall be payable in accordance with the provisions of Conditions 4 and 5, subject to the terms of this Condition.

In the event that on any Monthly Calculation Date the Issuer has insufficient funds available to it to satisfy its obligations in respect of amounts of interest due on the Class B Notes on the next Monthly Payment Date, the amount available (if any) shall be applied *pro rata* to the amount of interest due on such Monthly Payment Date to the holders of the Class B Notes. In the event of a shortfall, the Issuer shall credit the 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 Class B Notes on any Monthly Payment Date in accordance with this Condition falls short of the aggregate amount of interest payable on the 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 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 Class B Note on the next succeeding Monthly Payment Date.

In the event that on any Monthly Calculation Date the Issuer has insufficient funds available to it to satisfy its obligations in respect of amounts of interest due on the Class C Notes on the next Monthly Payment Date, the amount available (if any) shall be applied *pro rata* to the amount of interest due on such Monthly Payment Date to the holders of the Class C Notes. In the event of a shortfall, the Issuer shall credit the 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 Class C Notes on any Monthly Payment Date in accordance with this Condition falls short of the aggregate amount of interest payable on the 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 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 Class C Note on the next succeeding Monthly Payment Date.

(b) Principal

Until the date on which the Principal Amount Outstanding of all Class A Notes is reduced to zero, the Class B Noteholders will not be entitled to any repayment of principal in respect of the Class B Notes. In the event that, on any Monthly Payment Date, there is a balance on the Principal Deficiency Ledger, then notwithstanding any other provisions of these Conditions, the principal amount payable on redemption of each Class B Note on such Monthly Payment Date shall not exceed its Principal Amount Outstanding less the Class B Principal Shortfall on such Monthly Payment Date. The "**Class B Principal Shortfall**" shall mean an amount equal to the quotient of (i) the higher of (a) the balance on the Principal Deficiency Ledger minus (x) the balance on the First Principal Deficiency Ledger and minus (y) the outstanding principal amount of the X Loan on such Monthly Payment Date and (b) zero, with a maximum of the aggregate Outstanding Principal Amount of the Class B Notes on such date and (ii) the number of Class B Notes outstanding on such Monthly Payment Date. The Class B Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding of the Class B Notes after the date on which the Issuer no longer holds any Mortgage Receivables and there is no balance standing to the credit of the Transaction Accounts and the Issuer has no further rights under or in connection with any of the Relevant Documents.

Until the date on which the Principal Amount Outstanding of all Class B Notes is reduced to zero, the Class C Noteholders will not be entitled to any repayment of principal in respect of the Class C Notes. In the event that, on any Monthly Payment Date, there is a balance on the Principal Deficiency Ledger, then notwithstanding any other provisions of these Conditions, the principal

amount payable on redemption of each Class C Note on such Monthly Payment Date shall not exceed its Principal Amount Outstanding less the Class C Principal Shortfall on such Monthly Payment Date. The "**Class C Principal Shortfall**" shall mean an amount equal to the quotient of (i) the higher of (a) the balance on the Principal Deficiency Ledger minus the outstanding principal amount of the X Loan on such Monthly Payment Date and (b) zero, with a maximum of the aggregate Outstanding Principal Amount of the Class C Notes on such date and (ii) the number of Class C Notes outstanding on such Monthly Payment Date. The Class C Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding of the Class C Notes after the date on which the Issuer no longer holds any Mortgage Receivables and there is no balance standing to the credit of the Transaction Accounts and the Issuer has no further rights under or in connection with any of the Relevant Documents.

(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 a Class of Notes are insufficient to pay in full all principal and interest and other amounts whatsoever due in respect of such Class of Notes, the Noteholders of the relevant Class of Notes shall have no further claim against the Issuer or the Security Trustee in respect of any such unpaid amounts.

10. Events of Default

The Security Trustee at its discretion may, and if so directed by an Extraordinary Resolution of the Class A Noteholders, or if no Class A Notes are outstanding, by an Extraordinary Resolution of the Class B Noteholders, or if no Class A Notes and Class B Notes are outstanding, by an Extraordinary Resolution of the 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 (b) below, only if the Security Trustee shall have certified in writing to the Issuer that such an event is, in its opinion, materially prejudicial to the Noteholders of the Relevant Class) give notice (an "**Enforcement Notice**") to the Issuer that the Notes are, and each Note shall become, immediately due and payable at their or its Principal Amount Outstanding, together with accrued interest, if any of the following shall occur (each an "**Event of Default**"):

- (a) default is made for a period of 7 days in the payment of the principal of, or default is made for a period of 14 days in the payment of interest on, the Notes of the Relevant Class when and as the same ought to be paid in accordance with these Conditions; or
- (b) the Issuer fails to perform any of its other obligations binding on it under the Notes of the Relevant Class, the Trust Deed, the Paying Agency Agreement or the Pledge Agreements and, except where such failure, in the reasonable opinion of the Security Trustee, is incapable of remedy, such default continues for a period of 30 days after written notice by the Security Trustee to the Issuer requiring the same to be remedied; or
- (c) if a conservatory attachment ("*saisie conservatoire*") or an executory attachment ("*saisie execution*") or any other kind of seizure or attachment on any major part of the Issuer's assets is made and not discharged or released within a period of 45 calendar days of its first being made; or
- (d) the Issuer has taken any winding-up resolution, has been declared bankrupt or has applied for general settlement or composition with creditors ("*concordat préventif de faillite*"), controlled management ("*gestion contrôlée*") or moratorium or reprieve from payment ("*sursis de paiement*"), or is subject to any similar proceedings affecting the rights of creditors generally,

provided that, if Class A Notes are outstanding, no Enforcement Notice may or shall be given by the Security Trustee to the Issuer in respect of the Class B Notes or the Class C Notes of whether an Extraordinary Resolution is passed by the Class B Noteholders or the Class C Noteholders, unless an Enforcement Notice in respect of the 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 Class A Notes, the Security Trustee shall not be required to have regard to the interests of the Class B Noteholders or the Class C Noteholders.

11. Enforcement

- (a) At any time after the obligations under the Notes of any Class become due and payable, the Security Trustee may, at its discretion and without further notice, take such steps and/or institute such proceedings as it may think fit to enforce the terms of the Trust Deed, the Pledge Agreements and the Notes, but it is not obliged to take such proceedings unless (i) it shall have been directed by an Extraordinary Resolution of the Class A Noteholders or, if all amounts due in respect of the Class A Notes have been fully paid, by an Extraordinary Resolution of the Class B Noteholders or, if all amounts due in respect of the Class A Notes and the Class B Notes have been fully paid, by an Extraordinary Resolution of the Class C Noteholders and (ii) it shall have been indemnified to its satisfaction.
- (b) Notwithstanding Condition 11(a) above, if the obligations under the Notes have become due and payable pursuant to Condition 10 otherwise than by reason of a default in payment of any amount due pursuant to the obligations under the Class A Notes, the Security Trustee will not be entitled to dispose of the assets pledged to it on the basis of the Pledge Agreements, unless either a sufficient amount would be realised to allow discharge in full of, all amounts owing to the Class A Noteholders or if the Security Trustee is of the opinion, reached after considering the advice of a financial adviser selected by the Security Trustee for the purpose of giving such advice, that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class A Noteholders in accordance with the Priority of Payments as set out in the Trust Deed.
- (c) The Noteholders may not 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.
- (d) 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 winding-up resolution, bankruptcy ("*faillite*"), insolvency, liquidation, reprieve from payment ("*sursis de paiement*"), controlled management ("*gestion controlee*"), fraudulent conveyance ("*actio pauliana*"), general settlement or composition with creditors ("*concordat préventif de faillite*") or any reorganisation. The Noteholders accept and agree that, the only remedy against the Issuer after any of the Notes have become due and payable pursuant to Condition 10 above is to enforce the Security.

12. Indemnification of the Security Trustee

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

13. Notices

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

14. Meetings of Noteholders; Modification; Consents; Waiver

- (a) The Trust Deed contains provisions for convening meetings of the Class A Noteholders, the Class B Noteholders and the 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 to any of these Conditions or any provisions of the Relevant Documents, provided that no change of the terms by any of the Noteholders of any Class altering the date of maturity of the Notes in the relevant Class, the Monthly Payment Dates 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 or rate of interest payable in respect of such Notes, altering the currency of payment of such Notes, altering the majority required to pass an Extraordinary Resolution, any alteration of the date or priority of redemption of such Notes or altering the quorum or majority required in relation to this exception (any such change in respect of any such class of Notes referred to below as a **"Basic Terms Change"**) shall be effective unless such Basic Terms Change is sanctioned by an Extraordinary Resolution of the Noteholders of the relevant Class of Notes as described below, except that, if the Security Trustee is of the opinion that such a Basic Terms Change is being proposed by the Issuer as a result of, or in order to avoid, an Event of Default, subject to Rating Agency Notification, no such Extraordinary Resolution is required.

A meeting as referred to above may be convened by the Noteholders of any Class holding not less than 10 per cent. of the principal amount of the Notes of such Class for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution for any Class of Notes will be two-thirds of the principal amount of the Notes of the relevant Class then outstanding as the case may be, and at such a meeting an Extraordinary Resolution is adopted with not less than a two-thirds 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 principal amount of the Notes of the relevant Class and the majority required shall be at least 75 per cent. of the votes cast at that meeting. If at such meeting the aforesaid quorum is not represented, a second meeting of the 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 may be passed by at least a simple majority of the validly cast votes regardless of the principal amount of the Notes of the relevant Class then represented.

No Extraordinary Resolution by the Class A Noteholders to sanction a change which would have the effect of approving a Basic Terms Change shall take effect unless (i) the Issuer has agreed thereto and (ii) it shall have been sanctioned by (a) an Extraordinary Resolution of the Class B Noteholders and the Class C Noteholders, respectively and (b) the holders of at least two-third of the then outstanding aggregate principal amount of the X Loan.

No Extraordinary Resolution by the Class B Noteholders to sanction a change which would have the effect of approving a Basic Terms Change shall take effect unless (i) the Issuer has agreed thereto and (ii) it shall have been sanctioned by (a) an Extraordinary Resolution of the Class C Noteholders and (b) the holders of at least two-third of the then outstanding aggregate principal amount of the X Loan.

No Extraordinary Resolution by the Class C Noteholders to sanction a change which would have the effect of approving a Basic Terms Change shall take effect unless (i) the Issuer has agreed thereto and (ii) it shall have been sanctioned by the holders of at least two-third of the then outstanding aggregate principal amount of the X Loan.

An Extraordinary Resolution of the holders of any Class of Notes shall only be effective when the Security Trustee is of the opinion that it will not be materially prejudicial to the interests of the holders of Notes of any Class ranking higher in priority than the relevant Class pursuant to Condition 2(d) or it is sanctioned by an Extraordinary Resolution of the holders of Notes of each of the Classes ranking higher in priority than the relevant Class pursuant to Condition 2(d).

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

notified the Rating Agencies and (b) (i) in respect of S&P, the Security Trustee has received a written confirmation from S&P that the then current ratings assigned by it to the Notes will not be adversely affected as a result of such event or matter and (ii) in respect of Fitch, (A) the Security Trustee has received a written confirmation from such Rating Agency that the then current ratings assigned by it to the Notes will not be adversely affected as a result of such event or matter or (B) that by the 15th calendar day after the Rating Agency was notified of any such matter or event, such Rating Agency has not indicated (x) which conditions are to be met before it is in a position to give a written confirmation that the then current ratings assigned by it to the Notes will not be adversely affected as a result of such event or matter or (y) that the then current ratings assigned by it to any of the Notes will be adversely affected and the Security Trustee, in its reasonable opinion, does not expect such a downgrade to occur. 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.

- (c) 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 Class A Noteholders, the Class B Noteholders and the 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 Paying Agent upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered, in the case of Notes together with all unmatured Coupons appertaining thereto, in the case of Coupons together with the Note and all unmatured Coupons to which they appertain ("*mantel en blad*"), before replacements will be issued.

16. Governing Law

The Notes and Coupons and any non-contractual obligations arising out of or in relation to the Notes are governed by, and will be construed in accordance with, the laws of the Netherlands. In relation to any legal action or proceedings arising out of or in connection with the Notes, Coupons the Issuer irrevocably submits to the jurisdiction of the District Court in Amsterdam, the Netherlands. This submission is made for the exclusive benefit of the holders of the Notes and the Security Trustee and shall not affect their right to take such action or bring such proceedings in any other courts of competent jurisdiction. The provisions of articles 86 to 94-8 of the Luxembourg law of 10 August 1915 on commercial companies, as amended, are excluded.

17. THE GLOBAL NOTES

Each Class of Notes shall be initially represented by a temporary global note in bearer form, without coupons (the "**Temporary Global Note**"), (i) in the case of the Class A Notes in the principal amount of EUR 89,250,000 (ii) in the case of the Class B Notes in the principal amount of EUR 22,250,000 and (iii) in the case of the Class C Notes in the principal amount of EUR 22,250,000. Each Temporary Global Note will be deposited with a common safekeeper for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") on or about the Issue Date. Upon deposit of each such Temporary Global Note, Euroclear and Clearstream, Luxembourg, as the case may be, will credit each purchaser of Notes represented by such Temporary Global Note with the principal amount of the relevant Class of Notes equal to the principal amount thereof for which it has purchased and paid. Interests in each Temporary Global Note will be exchangeable (provided certification of non-US beneficial ownership by the Noteholders has been received) not earlier than 40 days after the issue date of the Notes (the "**Exchange Date**") for interests in a permanent global note (each a "**Permanent Global Note**"), in bearer form, without coupons, in the principal amount of the Notes of the relevant Class (the expression "**Global Notes**" meaning the Temporary Global Notes of each Class and the Permanent Global Notes of each Class and the expression "**Global Note**" means any of them, as the context may require). On the exchange of a Temporary Global Note for a Permanent Global Note of the relevant Class of Notes, the Permanent Global Note will remain deposited with the common safekeeper.

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

The Global Notes will be transferable by delivery. Each Permanent Global Note will be exchangeable for Notes in definitive form only in the circumstances described below. Such Notes in definitive form shall be issued in denominations of EUR 125,000 or, as the case may be, in the then Principal Amount Outstanding of the Notes on such exchange date. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note will be entitled to receive any payment made in respect of that Note in accordance with the respective rules and procedures of Euroclear or, as the case may be, Clearstream, Luxembourg. Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes, which must be made by the holder of a Global Note, for so long as such Global Note is outstanding. Each person must give a certificate as to non-US beneficial ownership as of the date on which the Issuer is obliged to exchange a Temporary Global Note for a Permanent Global Note, which date shall be no earlier than the Exchange Date, in order to obtain any payment due on the Notes.

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

For so long as all of the Notes are represented by the Global Notes and such Global Notes are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relevant accountholders rather than by publication as required by Condition 13 (provided that, in the case any publication required by a stock exchange, that stock exchange agrees or, as the case may be, any other publication requirement of such stock exchange will be met). Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

For so long as the Notes of a particular Class are represented by a Global Note, each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular principal amount of that Class of Notes will be treated by the Issuer and the Security Trustee as a holder of such principal amount of that Class of Notes and the expression "**Noteholder**" shall be construed accordingly, but without prejudice to the entitlement of the bearer of the relevant Global Note to be paid principal thereon and interest with respect thereto in accordance with and subject to its terms. Any statement in writing issued by Euroclear or Clearstream, Luxembourg as to the persons shown in its records as being

entitled to such Notes and the respective principal amount of such Notes held by them shall be conclusive for all purposes.

If after the Exchange Date (i) the Notes become immediately due and payable by reason of accelerated maturity following an Event of Default, or (ii) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 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 Issue Date, the Issuer or Paying Agent is or will be required to make any deduction or withholding on account of tax from any payment in respect of the Notes which would not be required were the Notes in definitive form, then the Issuer will, at its sole cost and expense, issue:

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

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

The provisions of articles 86 to 94-8 of the Luxembourg law of 10 August 1915 on commercial companies, as amended, are excluded.

18. LUXEMBOURG TAXATION

European Union Directive on the Taxation of Savings Income

Under European Council Directive 2003/48/EC of 3 June 2003 on the taxation of savings income (the “**EU Savings Directive**”), each Member State of the European Union is required to provide to the tax authorities of another Member State details of payments of interest or other similar income (within the meaning of the EU Savings Directive) paid by a paying agent (within the meaning of the EU Savings Directive) to or collected by such a person for, an individual beneficial owner who is a resident, or to certain limited types of entities called residual entities (within the meaning of the EU Savings Directive) established in that other Member State.

For these purposes, the term “paying agent” is defined widely and includes in particular any economic operator who is responsible for making interest payments (within the meaning of the EU Savings Directive) to (or under certain circumstances securing such payments for the benefit of) individuals or residual entities (within the meaning of the EU Savings Directive). In the case at hand, (i) the Issuer or (ii) the Paying agent or (iii) another entity may be considered paying agents within the meaning of the EU Savings Directive depending on (a) their legal status and (b) the modalities of the payments made to the Noteholders.

However, for a transitional period, Austria, Belgium and Luxembourg (unless during such period they elect otherwise) are instead permitted to apply withholding systems in relation to such payments. Under such systems, tax will be deducted at the rate of 35 percent (since July 1, 2011) unless the recipient of the interest payment elects instead for an exchange of information procedure. As from January 1st, 2010, Belgium has elected to switch from the withholding tax system to the exchange of information system.

Such transitional period will normally end at the end of the first full financial year following the later of (i) the date of entry into force of an agreement between the EU, following a unanimous decision of the European Council, and the last of Switzerland, Liechtenstein, San Marino, Monaco and Andorra, providing for the exchange of information upon request as defined in the OECD Model Agreement on Exchange of Information on Tax Matters released on April 18, 2002 (the “**OECD Model Agreement**”) with respect to interest payments within the meaning of the EU Savings Directive, in addition to the simultaneous application by those same countries of a withholding tax on such payments at the rate applicable for the corresponding periods mentioned above and (ii) the date on which the European Council unanimously agrees that the United States of America is committed to exchange of information upon request as defined in the OECD Model Agreement with respect to interest payments within the meaning of the EU Savings Directive.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures with effect since July 1, 2005 (either provision of information or transitional withholding), including measures in relation to payments made by a paying agent established within such countries or territories to, or collected by such a paying agent for, an individual beneficial owner who is a resident or a residual entity established in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories, including measures in relation to payments made by a person in a Member State to an individual beneficial owner who is a resident or a residual entity established in one of those territories.

On November 13, 2008, the European Commission published a proposal for amendments to the EU Savings Directive. The proposal included a number of suggested changes which, if implemented, may amend or broaden the scope of the rules described above. The European Parliament approved an amended version of this proposal on April 24, 2009. Investors who are in any doubt as to their position should consult their professional advisers.

Investors who are individuals should note that neither the Issuer nor the Paying Agent (as applicable) will not pay additional amounts as described under *Withholding Tax* in *Overview of the parties and principal features of the transaction* in respect of any withholding tax imposed as a result of the EU Savings Directive.

Luxembourg Tax Considerations

The following general summary of Luxembourg tax considerations is based upon the tax laws of

Luxembourg as in effect on the date of this Prospectus and is subject to any change that may come into effect after that date. The below summary purports to be a description of certain material Luxembourg tax consequences with respect to the Notes and does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any prospective investor and may not include tax considerations that arise from rules of general application or that are generally assumed to be known by the Noteholders.

It is not intended to be, nor should it be construed to be, legal or tax advice. Prospective purchasers of Notes whether or not Luxembourg tax resident are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of Notes and the receipt of interest thereon, including the effect of any state or local taxes, under the tax laws of Luxembourg and each country of which they are residents or citizens.

Please be aware that the residence concept used below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax ("*impôt sur le revenu des collectivités*"), municipal business tax ("*impôt commercial communal*"), a solidarity surcharge ("*contribution au fonds pour l'emploi*"), as well as personal income tax ("*impôt sur le revenu*") generally. Corporate Noteholders may further be subject to net wealth tax ("*impôt sur la fortune*") as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual tax payers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

1. Luxembourg tax residency of the Noteholders

Noteholders will not become residents, or deemed to be residents, in Luxembourg by reason only of the holding of a Note or the execution, performance, delivery and/or enforcement of the Note.

2. Withholding Tax

2.1 Non Luxembourg Resident Noteholders

Under Luxembourg tax law currently in effect and subject to the amended laws of June 21, 2005 implementing the aforementioned EU Savings Directive and several agreements concluded between Luxembourg and certain dependent and associated territories of the European Union (the "**June 2005 Laws**") there is no Luxembourg withholding tax on payments of a fixed/floating rate of interest (including accrued but unpaid interest). Subject to the June 2005 Laws, there is also no Luxembourg withholding tax upon repayment of principal in case of reimbursement, redemption, repurchase or exchange of the Notes.

Under the June 2005 Laws a Luxembourg based paying agent is required as of July 1, 2005, to withhold tax on interest payments as well as on the interest portion in case of repayment, reimbursement, redemption, repurchase or exchange of certain notes (the "**Savings WHT**") paid to (or under certain circumstances, to the benefit of) an individual resident in another Member State or a residual entity (a "**Residual Entity**") in the sense of article 4.2. of the EU Savings Directive (i.e. an entity without legal personality (it is noted that despite their legal personality, a Finnish *avoin yhtiö* and *kommandiittiyhtiö* / *öppet bolag* and *kommanditbolag* and a Swedish *handelsbolag* and *kommanditbolag* are treated as not having such legal personality for this provision) and whose profits are not taxed under the general arrangements for business taxation and that is not, or has not, opted to be considered as a UCITS recognised in accordance with Council Directive 85/611/EEC), resident or established in another Member State, unless the beneficiary of such interest payments opts for the procedure of exchange of information or for the tax certificate procedure. The same regime may apply to payments made to individuals or Residual Entities residing or established in any of the following dependent and associated territories of the EU: Aruba, the British Virgin Islands, Guernsey, the Isle of Man, Jersey, Montserrat, Curaçao, Bonaire, Saint-Eustache and Saba and the (Dutch part) of Saint Martin.

The withholding tax rate is 35% as of July 1, 2011. The withholding tax system under the June 2005 Laws

will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain other countries.

2.2 Luxembourg Resident Holders of Notes

2.2.1 Luxembourg Resident Individuals

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005 as amended (the "**December 2005 Law**"), there is no withholding tax on payments of principal, premium or fixed/floating interest made to Luxembourg resident Noteholders, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident Noteholders.

Under the December 2005 Law, a 10% withholding tax (the "**10% WHT**") is levied since January 1, 2006 on interest payments (or similar income) made by a Luxembourg paying agent to or for the immediate benefit of a Luxembourg resident individual. The 10% WHT also applies on accrued interest received upon disposal, redemption or repurchase of the Notes. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth.

Further, a Luxembourg resident individual who acts in the course of the management of his/her private wealth and who is the beneficial owner of an interest payment made by a paying agent established outside Luxembourg in a Member State of the EU or of the EEA or in a jurisdiction having concluded an agreement with Luxembourg in connection with the EU Savings Directive, may also, in accordance with the December 2005 Law, opt for a final 10% levy (the "**10% Levy**"). In such case, the 10% Levy is calculated on the same amounts as for the payments made by Luxembourg resident paying agents. The option for the 10% Levy must cover all interest payments made by the paying agent to the Luxembourg resident beneficial owner during the entire civil year.

The terms "interest" and "paying agent" used here above have the same meaning as in the June 2005 Laws.

2.2.2. Luxembourg Resident Undertakings with a Collective Character

Fixed/floating interest paid to Noteholders who are not individual entities will not be subject to any withholding tax.

3. Taxation of the Noteholders

3.1 Taxation of Luxembourg residents

3.1.1. Luxembourg resident individuals

A Luxembourg resident individual, holding Notes in the course of the management of his/her private wealth, is subject to Luxembourg ordinary income tax in respect of interest received, redemption premiums or issue discounts under the Notes, except if the 10% WHT or the 10% Levy has been applied.

Under Luxembourg domestic tax law, gains (or portions thereof) realised upon the sale, reimbursement, redemption, disposal or redemption of the Notes by a Luxembourg resident individual Noteholder, who acts in the course of the management of his/her private wealth, on the sale or disposal, in any form whatsoever, of Notes are not subject to Luxembourg ordinary income tax if such gains (or portions thereof) are considered interest payments within the meaning of the December 2005 Law and are consequently subject to the 10% WHT or the 10% Levy. If such gains (or portions thereof) are not considered interest payments, they are not subject to Luxembourg ordinary income tax if (i) the sale or disposal took place at least six months after the acquisition of the Notes and (ii) the Notes do not constitute zero coupon notes or issue discount notes.

Without prejudice to what is stated above on the 10% WHT, a Luxembourg resident individual, who acts in the course of the management of a professional or business undertaking to which the Notes are attributable,

has to include interest and gains realized on the sale or disposal of the Notes in his/her taxable income subject to progressive personal income tax rates for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed.

3.1.2. Luxembourg resident companies

A Luxembourg resident company ("*société de capitaux*") must include interest and gains realized on the sale or disposal of the Notes in its taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed.

3.1.3. Luxembourg residents benefiting from a special tax regime

Luxembourg residents who benefit from a special tax regime, such as, for example, (i) undertakings for collective investment subject to the amended laws of December 20, 2002, (ii) specialised investment funds subject to the law dated February 13, 2007 or (iii) family wealth management companies subject to the law dated May 11, 2007, are exempt from income tax in Luxembourg and thus income derived from the Notes, as well as gains realised thereon, are not subject to Luxembourg income taxes.

3.2. Taxation of Luxembourg non-residents

Without prejudice to what is stated above on the Savings WHT, a non-resident having neither a fixed place of business, a permanent establishment nor a permanent representative in Luxembourg to which the Notes and/or the income /gains thereon are attributable is not liable to any Luxembourg income tax, whether he receives payments of principal or interest (including accrued but unpaid interest) or realises capital gains upon redemption, repurchase, sale or exchange of any Notes.

Without prejudice to what is stated above on the Savings WHT, a Luxembourg non-resident having a fixed place of business, a permanent establishment or a permanent representative in Luxembourg to which the Notes and/or the income/gains thereon are attributable has to include any interest, as well as any capital gain realised on the sale or disposal of the Notes, in his/her taxable income for Luxembourg income tax assessment purposes.

4. Net Wealth Tax

A Luxembourg resident or a non-resident having a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable is subject to Luxembourg net wealth tax on such Notes, except if the Noteholder is (i) a resident or non-resident individual taxpayer, (ii) an undertaking for collective investment subject to the amended law of December 20, 2002, (iii) a securitisation company governed by the law of March 22, 2004 on securitisation, (iv) a company governed by the law of June 15, 2004 relating to the investment company in risk capital, (v) a specialised investment fund subject to the law of February 13, 2007 or (vi) a family wealth management company subject to the law of May 11, 2007.

5. Other Taxes

5.1. Registration taxes and stamp duties

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the Noteholders as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, redemption or repurchase of the Notes. In the case of court proceedings in a Luxembourg court or the voluntary presentation of documents – either directly or by way of reference – to any official authority ("*autorité constituée*") in Luxembourg, such court or *autorité constituée* may require registration of all or part of the documents with the *Administration de l'Enregistrement et des Domaines* in Luxembourg, which may result in registration duties, at a fixed rate of EUR 12 or an *ad valorem* rate which depends on the nature of the registered document, becoming due and payable if and at the time when the documents are registered with the *Administration de l'Enregistrement et des Domaines* in Luxembourg.

5.2. Value added tax

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services.

5.3. Inheritance tax and gift tax

No estate or inheritance taxes are levied on the transfer of the Notes upon death of a Noteholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes.

Gift tax may be due on a gift or donation of Notes if the gift is recorded in a deed passed in front of a Luxembourg notary or otherwise registered in Luxembourg.

6. Taxation in respect of the Issuer

The Issuer is subject to the tax regime applicable in Luxembourg for securitisation vehicles as implemented by the Securitisation Act.

Any capital increase or change of articles of association of the Issuer will trigger a specific fixed registration duty of EUR 75.

The Issuer is subject to Luxembourg corporate income tax rate and municipal business tax at the ordinary rate (currently 28.8 per cent. for a company established in the City of Luxembourg). Its taxable basis may however be reduced to nil or close to nil by way of deduction of interest paid to the Noteholders other deductible expenses and any commitments towards investors (including commitments, if any, paid or payable to its shareholders - it is generally accepted by the Luxembourg tax authorities that "commitments" include "dividends").

The Issuer is exempt from Luxembourg net wealth tax. The Issuer will, in principle, benefit from the double tax treaties concluded by Luxembourg as a Luxembourg resident company. It should however be verified when invoking a tax treaty whether the other contracting state takes the same position under its interpretation of the tax treaty.

As a result of its activities and in light of European case law (as confirmed by a Circular Letter dated December 29, 2006 and April 30, 2010 issued by the Luxembourg VAT authorities (Circular Letter no. 723 and 723 bis), the Issuer should be considered an "entrepreneur" (taxable person) for value added tax, or VAT, purposes. As a result of such characterisation, certain services provided by service providers established outside Luxembourg to the Issuer may be deemed to be located for VAT purposes on Luxembourg territory. By law, the Issuer has no right to deduct or recover the VAT he incurs.

This may lead to a VAT reverse charge mechanism in Luxembourg at the applicable rates at the time the taxable service is provided, presently either 12% or 15%, depending on the nature of the services. In order to declare and pay the VAT due under the before mentioned reverse charge mechanism, the Issuer would have to register for VAT and file VAT returns. At the date of the present prospectus, the Issuer has been registered for VAT purposes in Luxembourg.

However, a VAT exemption applies on the management services, within the sense of article 44, 1., d) of the Luxembourg VAT Law, rendered to a securitisation vehicle in Luxembourg. Thus the VAT burden may be quite limited during the life of a securitisation vehicle to a rather short list of services (such as legal advice, tax advice, custody services, etc.).

There is currently no clear and comprehensive definition of VAT exempt "management services". Indications are provided in the Circular Letters no. 723 and no. 723bis, which provide that VAT exempt management

services are those which are considered as specific and essential to the management of (inter alia) a securitisation vehicle. The management of the portfolio of the securitisation vehicle and, the administration of the securitisation vehicle in itself are covered by the VAT exemption. Other indications concerning the VAT exempt management services may be found in the annex II of the Directive 85/611/EEC (covering investment funds including, according to Luxembourg VAT Law, securitisation vehicles within the meaning of the Securitisation Act), such administration services include: legal and fund management accounting services; customer inquiries; valuation and pricing (including tax returns); regulatory compliance monitoring; maintenance of unit-holder register; distribution of income; unit issues and redemptions; contract settlements (including certificate dispatch); record keeping. The ECJ, followed by the Luxembourg tax authorities, decided however that purely technical or material services, such as control and supervision or IT services, are excluded from VAT exemption of the management services. If provided to the Issuer, such services will be subject to Luxembourg VAT at the rate of 12% or 15%, as the case may be, without the right to deduct such VAT charge. In addition, the exemption does generally not apply to those services which are not specific and essential to the management of the securitisation vehicle such as for example lawyers' fees. If provided to the Issuer such services will be subject to 15% VAT without the right to deduct such VAT charge.

Finally, services which are expressly subject to VAT by an explicit provision of the Luxembourg VAT Law, such as debt collection services, do not qualify for the VAT exemption, even if they are provided in the framework of the management of the securitisation vehicle.

To the extent that the Issuer would be considered to be engaged in factoring activities for VAT purposes, such activities would fall within the scope of VAT and be considered a services subject to VAT.

19. Taxation in The Netherlands

Holder of Notes

Where in this section "*Taxation in The Netherlands*" reference is made to a "holder of Notes", such reference will include, without limitation:

- an owner of one or more Notes who, in addition to the title to such Notes, has an economic interest in such Notes,
- a person or an entity that holds the entire economic interest in one or more Notes,
- a person 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, and
- a person who is deemed to hold an interest in Notes, as referred to under any of the above, 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 example, in a trust or a foundation.

Withholding Tax

All payments of interest and principal by the issuer under the Notes can be made free of withholding or deduction for any taxes of any nature imposed, levied, withheld, or assessed by The Netherlands or any political subdivision or taxing authority of or in The Netherlands.

Tax Residents

A holder of Notes will not be treated as a resident of The Netherlands by reason only of the holding of a note or the execution, performance, delivery and/or enforcement of the Notes.

Generally, interest paid by the issuer to a holder of Notes who is a resident or deemed to be a resident of The Netherlands and that is subject to Netherlands corporate income tax ("*Vennootschapsbelasting*") will be included in the holder's taxable profit, subject to Dutch corporate income tax at a rate of 25%; a rate of 20% applies to the first €200,000 of taxable profits. Capital gains and losses arising on the disposal and redemption of the Notes will be included in the holder's taxable profit, subject to the same rate.

If the holder of the Notes is an individual, resident or deemed to be a resident of The Netherlands for the purposes of Netherlands income tax ("*Inkomstenbelasting*"), including a non-resident individual holder who has opted to be treated as a resident of The Netherlands for Netherlands income tax purposes, the actual income derived from the Notes and the actual gains realised upon the disposal and redemption of the Notes will be subject to such individual income tax at the progressive income tax rates, the maximum being 52%, if:

- the holder of Notes has an enterprise or an interest in an enterprise, to which enterprise or part of such enterprise, as the case may be, the Notes are attributable,
- the income derived from and the capital gains realised upon the disposal and redemption of the Notes are regarded as 'taxable income from one or more activities not being activities that generate taxable profit or taxable wages' ("*Belastbaar resultaat uit overige werkzaamheden*") within the meaning of article 3.91 of the Income Tax Act 2001 ("*Wet Inkomstenbelasting 2001*"), or
- the holder or any of his spouse, his partner, a person deemed to be his partner, or other persons sharing such person's house or household, certain other of such persons' relatives (including foster children), (i) has indirectly the disposition of the proceeds of the Notes, or (ii) has a substantial interest in an entity that legally or de facto, directly or indirectly, has the disposition of proceeds of the Notes. For purposes of this paragraph, a substantial interest is generally present if a holder holds, alone or together with his spouse or partner, whether directly or indirectly, the ownership of, or certain other rights (including rights to acquire shares, whether or not already issued) over, (a) shares representing 5% or more of the total issued and outstanding capital (or of the issued and outstanding capital of any class of shares) of a company, (b) profit sharing certificates, or membership rights in a co-operative association, entitling the holder to 5% or more of the profits or of the liquidation distributions of a company or co operative association, or (c) membership rights representing 5% or more of the voting rights in a co operative association's general meeting.

An individual holder who is a resident or deemed to be a resident of The Netherlands for the purposes of Netherlands income tax, including a non-resident individual holder who has opted to be treated as a resident of The Netherlands for Netherlands income tax purposes, and who is not liable to tax under the preceding paragraphs, will not be liable to income tax on the actual income and the actual gains realised on the Notes. Instead, such holder will be taxed at a flat rate of 30% on deemed income from "savings and investments" ("*Sparen en beleggen*") within the meaning of article 5.1 of the Income Tax Act 2001. This deemed income amounts to 4% of the average of the individual's "yield basis" ("*Rendementsgrondslag*") at the beginning of the calendar year and the individual's yield basis at the end of the calendar year, insofar as the average exceeds a certain exempt amount. The Notes will be included in the holder's "yield basis".

Non-Residents

A holder who is not a resident of The Netherlands, nor deemed to be a resident, nor an individual who has opted to be taxed as a resident of The Netherlands for Netherlands income tax purposes, is not taxable on income derived from the Notes and capital gains realised upon the disposal or redemption of the Notes, provided that:

- such holder does not have an enterprise or an interest in an enterprise which, in whole or in part, is carried on through a permanent establishment, or a deemed permanent establishment or a permanent representative in The Netherlands to which enterprise or part of an enterprise, as the case may be, the Notes are attributable,
- the Notes are not attributable to the assets of an enterprise that is effectively managed in The Netherlands, with respect to which enterprise, such holder is entitled to a share in its profits, other than by way of securities or if such holder is an individual, pursuant to the terms of an employment contract,

and in addition for individuals only:

- such holder does not derive income and/or realise capital gains on the Notes that are regarded as 'taxable income from one or more activities performed in The Netherlands not being activities that generate taxable profit or taxable wages' ("*Belastbaar resultaat uit overige werkzaamheden in Nederland*") within the meaning of article 3.91 of the Income Tax Act 2001, and
- the holder or any of his spouse, his partner, a person deemed to be his partner, or other persons sharing such person's house or household, certain other of such persons' relatives (including foster children), (a) does not have indirectly disposition of the proceeds of the Notes, nor (b) has a substantial interest in an entity that legally or de facto, directly or indirectly, has the disposition of proceeds of the Notes nor (c) if either (a) or (b) is not met, such disposition can not be considered to take place in The Netherlands. For purposes of this paragraph a substantial interest is generally present if a holder holds, alone or together with his spouse or partner, whether directly or indirectly, the ownership of, or certain other rights (including rights to acquire shares, whether or not already issued) over, (a) shares representing 5% or more of the total issued and outstanding capital (or of the issued and outstanding capital of any class of shares) of a company, (b) profit sharing certificates, or membership rights in a co-operative or a co operative association, entitling the holder to 5% or more of the profits or of the liquidation distributions of a company, a co-operative or a co operative association, or (c) membership rights representing 5% or more of the voting rights in a co-operative or a co operative association's general meeting.

Gift, Estate and Inheritance Taxes

Generally, gift and inheritance taxes will be due in The Netherlands on the acquisition of the Notes by way of a gift, in substance or in form, by, or on the death of, a holder of Notes who is a resident or deemed to be resident of The Netherlands for the purpose of Netherlands gift and inheritance tax at the time of the gift or his or her death.

No gift or inheritance taxes will arise in The Netherlands on the acquisition of the Notes by way of a gift, or a result of the death of, a holder of Notes who is neither a resident nor deemed to be a resident of The Netherlands for the purpose of Netherlands gift and inheritance tax, unless in the case of a gift of the Notes by an individual who at the date of the gift was neither a resident nor deemed to be a resident of The

Netherlands, such holder dies within 180 days after the date of the gift, while at the time of his death being a resident or deemed to be a resident of The Netherlands.

Value Added Tax

There is no Netherlands value added tax payable by a holder of a note on payments in consideration for the issue of the Notes or on the payment of interest or principal under the Notes, or the transfer of the Notes.

Other Taxes and Duties

No capital duty, registration tax, transfer tax, customs duty, stamp duty or other similar duties or documentary taxes will be payable in The Netherlands on the creation, subscription, offering, issue allotment or delivery of the Notes.

20. PURCHASE AND SALE

The Class A Lead Manager (in such capacity the "**Initial Class A Notes Purchaser**") has pursuant to a class a notes purchase agreement entered into with the Issuer dated on or about 7 March 2012 (the "**Class A Notes Purchase Agreement**") agreed with the Issuer, subject to certain conditions, to purchase the Notes at their respective issue prices. The Issuer has agreed to indemnify and reimburse the Class A Lead Manager against certain liabilities and expenses in connection with the issue of the Notes.

Furthermore, PROPER 1 (in such capacity the "**Initial Class B and C Notes Purchaser**" and together with the Initial Class A Notes Purchaser, the "**Initial Notes Purchasers**") has pursuant to a class b and c notes purchase agreement entered into with the Issuer dated on or about 7 March 2012 (the "**Class B and C Notes Purchase Agreement**") agreed with the Issuer, subject to certain conditions, to purchase the Notes at their respective issue prices. The Issuer has agreed to indemnify and reimburse PROPER 1 against certain liabilities and expenses in connection with the issue of the Notes.

PROPER 1 has agreed to reimburse the Issuer for all cost, expenses and commissions incurred by the Issuer in connection with the issue of the Notes.

Each reference in this section *Purchase and Sale* to the "Notes" means with respect to the Initial Class A Notes Purchaser, the Class A Notes and with respect to the Initial Class B and C Notes Purchaser, the Class B Notes and the Class C 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 Initial Notes Purchasers have each 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 the Prospectus to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Initial Notes Purchasers nominated by the Issuer for any such offer; 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 Initial Notes Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

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

United Kingdom

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

France

The Initial Notes Purchasers have each represented and agreed that this Prospectus or any offering material relating to the Notes have not been and will not be subject to any approval by or registration (visa) with the French *Autorité des Marchés Financiers*. Accordingly, the Initial Notes Purchasers have each represented and agreed that it will represent and agree in respect of the Notes that, in connection with its initial distribution, it has not:

- (a) offered, sold or otherwise transferred and will not offer, sell or otherwise transfer directly or indirectly, any Notes to the public in the Republic of France (*offre public*); and
- (b) subject to the provisions set out below, distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France this Prospectus or any other offering material relating to the Notes.

Such offers, sales, distributions and other transfers have been and shall only be made in the Republic of France to (i) qualified investors (*investisseurs qualifiés*) provided that such investors are acting for their own account except as otherwise stated under French laws and regulations and/or to a restricted circle of investors (*cercle restreint d'investisseurs*) acting for their own account and/or persons providing portfolio management services on a discretionary basis (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), all as defined in and in accordance with articles L. 411-2 and D. 411-1 to D. 411-4, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French Monetary and Financial Code and any implementing regulation and/or (ii) to non-resident investors (*investisseurs non-résidents*).

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

Italy

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

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

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

- (i) only by banks, investment firms (*imprese di investimento*) or financial companies enrolled on the register provided for in art. 106 of Legislative Decree no. 385 of 1 September 1993, as amended (the "**Italian Banking Act**"), in each case to the extent duly authorised to engage in the placement and/or underwriting (*sottoscrizione e/o collocamento*) of financial instruments (*strumenti finanziari*) in Italy in accordance with the Italian Banking Act, the Decree No. 58 and the relevant implementing regulations;
- (ii) only to qualified investors (*investitori qualificati*) as set out above; and

- (iii) in accordance with all applicable Italian laws and regulations, including all relevant Italian securities and tax laws and regulations and any limitations as may be imposed from time to time by CONSOB or the Bank of Italy.

Luxembourg

The terms and conditions relating to this Prospectus have not been approved by and will not be submitted for approval to the Luxembourg Financial Services Authority ("*Commission de Surveillance du Secteur Financier*") for the purposes of public offering or sale in Luxembourg. Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this Prospectus nor any other circular, offering memorandum, form of application, advertisement, communication or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg except in circumstances which do not constitute an offer of securities to the public pursuant to the provisions of the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities ("*loi relative aux prospectus pour valeurs mobilières*") (the "**Prospectus Act**").

The Notes may not be offered to the public in Luxembourg, other than:

- (a) to legal entities that are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; or
- (b) to any legal entity that 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 combined accounts; or
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Act), subject to obtaining the prior consent of the joint bookrunning managers; or
- (d) any other circumstances that do not require the publication by the Issuer of a prospectus pursuant to Article 5 of the Prospectus Act.

Furthermore, the Issuer as an unregulated securitisation vehicle under the Securitisation Act is not authorised to issue notes to the public on a continuous basis, unless prior authorisation and approval from the CSSF has been obtained for the purpose of an authorisation under the Securitisation Act.

United States

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

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

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

General

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

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

Capital Requirements Directive

Each of the Sellers undertakes that it shall, or undertakes that any entity designated by the Sellers as allowed under paragraph 2 of article 122a of the Capital Requirements Directive shall at all times comply with Dutch Regulation Securitisations of 26 October 2010 (*Regeling securitisaties Wft 2010*) implementing, inter alia, Article 122a of the Directives 2006/48/EC and 2006/49/EC (the "**Capital Requirements Directive**"), as amended by Directive 2009/111/EC.

21. IMPORTANT INFORMATION AND RESPONSIBILITY STATEMENTS

Only the Issuer is responsible for the information contained in this Prospectus, other than the information for which the Sellers and the Security Trustee are responsible as referred to in the following two paragraphs. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information (except for the information for which the Sellers and the Security Trustee are responsible as referred to in the following paragraph) 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 such responsibility accordingly. Any information from third-parties contained and specified as such in this Prospectus, except for the information for which the Sellers and the Security Trustee are responsible as referred to in the following paragraphs, has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from information published by that third-party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Sellers are responsible solely for the information contained in the following sections of this Prospectus: '*Description of Mortgage Loans*', '*The Dutch Residential Mortgage Market*', '*The Sellers*' and '*Mortgage Loan Underwriting and Servicing Activities*' and the specific sections in this Prospectus which outline the Sellers' obligations under article 122a of the Capital Requirements Directive. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in these paragraphs is in accordance with the facts and does not omit anything likely to affect the import of such information. Each of the Sellers accepts responsibility accordingly. Any information from third-parties contained and specified as such in these sections has been accurately reproduced and as far as the Sellers are aware and are able to ascertain from information published by that third-party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Sellers are not responsible for information contained in any other section, and consequently do not assume any liability in respect of the information contained in any other section.

The Security Trustee is responsible solely for the information contained in the section '*The Security Trustee*' of 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 paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information. The Security Trustee accepts responsibility accordingly. Any information from third-parties contained and specified as such in these sections has been accurately reproduced and as far as the Security Trustee is aware and is able to ascertain from information published by that third-party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Security Trustee is not responsible for information contained in any other section, and consequently does not assume any liability in respect of the information contained in any other section.

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

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 the section entitled *Purchase and Sale* above. No one is authorised by the Issuer or each Seller to give any information or to make any representation concerning the issue of the Notes other than those contained in this Prospectus in accordance with applicable laws and regulations.

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

purchase any Notes.

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

The Class A Lead Manager expressly does not undertake to review the financial conditions or affairs of the Issuer during the life of the Notes. Investors should review, *inter alia*, the most recent financial statements of the Issuer when deciding whether or not to purchase, hold or sell any Notes during the life of the Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and include Notes in bearer form that are subject to United States tax law requirements. The Notes may not be offered, sold or delivered within the United States or to United States persons as defined in Regulation S under the Securities Act, except in certain transactions permitted by US tax regulations and the Securities Act (see Purchase and Sale below).

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

22. GENERAL INFORMATION

1. The Issuer has obtained all necessary consents, approvals and authorisations (if any) which are necessary in Luxembourg and/or in the Netherlands at the date of this Prospectus in connection with the issue and performance of the Notes.
2. The issue of the Notes has been authorised by a resolution of the board of directors of the Issuer passed on 5 March 2012.
3. Application has been made to list the Notes on Euronext Amsterdam. The estimated expenses relating to such admission to trading of the Notes are approximately EUR 12,750.
4. The Class A Notes have been accepted for clearance through Euroclear and Clearstream and will bear common code 073663911 and ISIN XS0736639112.
5. The Class B Notes have been accepted for clearance through Euroclear and Clearstream and will bear common code 073664268 and ISIN XS0736642686.
6. The Class C Notes have been accepted for clearance through Euroclear and Clearstream and will bear common code 073664420 and ISIN XS0736644203.
7. There has been no material adverse change in the financial position or prospects of the Issuer since its incorporation on 3 February 2011.
8. There are no legal, arbitration or governmental proceedings neither is the Issuer aware of any such 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 since 3 February 2011.
9. As long as any of the Notes are outstanding, copies of the following documents may be inspected at the specified offices of the Security Trustee and the Paying Agent during normal business hours and will be available either in physical or in electronic form, as the case may be:
 - (i) the Deed of Incorporation of the Issuer, including its Articles of Association;
 - (ii) the Mortgage Receivables Purchase Agreement;
 - (iii) the Deed of Assignment;
 - (iv) the Class A Notes Purchase Agreement;
 - (v) the Class B and C Notes Purchase Agreement;
 - (vi) the Paying Agency Agreement;
 - (vii) the Trust Deed;
 - (viii) the Parallel Debt Agreement;
 - (ix) the Services Agreement;
 - (x) the Issuer Administration Agreements;
 - (xi) the Swap Agreement;
 - (xii) the GIC;
 - (xiii) the Liquidity Facility Agreement;
 - (xiv) the Pledge Agreements;
 - (xv) the Seller Collection Accounts Pledge Agreement;
 - (xvi) the Management Agreements;
 - (xvii) the Reserve Fund Loan Agreement;
 - (xviii) the X Loan Agreement;
 - (xix) the Issuer Advisory Agreement;
 - (xx) the Back-up Servicing Letter;
 - (xxi) the Interest Rate Reset Agreement; and
 - (xxii) the Master Definitions Agreement.
10. A copy of the Prospectus (in print) will be available (free of charge) at the registered office of the Issuer, the Security Trustee and the Paying Agent.

11. The Issuer has commenced operations on 25 February 2011 and as of the date of this Prospectus no financial statements have been produced. The most recent audited annual financial statements of the Issuer will be made available, free of charge from the specified office of the Security Trustee.
12. US taxes:

The Notes will bear a legend to the following effect: 'any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Section 165(j) and 1287(a) of the Internal Revenue Code'.

The sections referred to in such legend provide that a United States person who holds a Note will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.
13. The accountants at Deloitte are a member of the Luxembourg institute of auditors ("*Institut des réviseur d'entreprises*").
14. The Issuer intends to provide the following post-issuance transaction information on the transaction: a monthly investor report on the performance of the Mortgage Receivables, including the arrears and the losses, and the Notes admitted to trading.

23. ANNEX

The amortisation profiles are based on, amongst others, the following assumptions:

- (i) a constant default rate of 3 per cent.;
- (ii) a loss severity of 25 per cent.;
- (iii) a recovery lag of 12 months;
- (iv) either (a) the Issuer does not exercise any call option (see *table 1*) or (b) the Issuer exercises the call on the first Optional Redemption Date (see *table 2*); and
- (v) a voluntary Constant Prepayment Rate ("CPR") of 9 per cent.

	Table 1	Table 2
Class	Expected Weighted Average Life with No Call (yrs)	Expected Weighted Average Life with Call (yrs)
A	2.80	2.80
B	7.05	6.80
C	9.12	7.00

24. INDEX OF DEFINED TERMS

Acceleration Amortisation Trigger.....	93
Administration Agreement	39
Arranger.....	30
Assets Pledge Agreement	83, 86
Assignment Actions	75
Assignment Notification Stop Instruction	75
ATC Corporate Services (Luxembourg).....	29
Back-up MPT Provider.....	30
Bank Regulations	96
Bank Required Rating.....	43
Basel II.....	25
Basel III.....	26
Basic Terms Change	100
Basle Accord	96
Beneficiary Rights.....	18, 87
Borrower Insurance Pledge	18
Borrower Insurance Proceeds Instruction.....	18
Borrowers	36
Business Day.....	31, 88
Capital Requirements Directive	116
Class.....	86
Class A Lead Manager	30
Class A Notes	2, 86
Class A Notes Purchase Agreement	113
Class B and C Notes Purchase Agreement.....	113
Class B Notes.....	2, 86
Class B Principal Shortfall	97
Class C Notes.....	2, 86
Class C Principal Shortfall	98
Clean-Up Call Option.....	34
Clearstream, Luxembourg	2, 102
Common Safekeeper	30
Conditions.....	2, 86
Coupons	86
CPR.....	23, 32, 121
CRA Regulation	2, 8
Credit Mortgages	16
Credit Security Rights	16
Cumulative Loss Ratio.....	93
Definitive Notes	2
Directors	30
Domiciliation and Administration Agreement	39
Enforcement Notice	98
EONIA	6
Established Rate	91
EUR.....	118
Euribor	31
Euribor Reference Banks.....	89
euro	91, 118
Euroclear	2, 102
Euronext Amsterdam	2
Event of Default	98
Exchange Date	102
Exchange Notice	91
Final Maturity Date.....	32
Final Maturity Date.....	2
Final Maturity Date.....	92
First Principal Deficiency Ledger	50
First Realised Damage Principal Deficiency	50
First Realised Damage Principal Deficiency Ledger.....	50
First Realised Losses Principal Deficiency	50
Fitch.....	2
FSMA.....	113
Further Advance Available Amount	70
Further Advance Conditions	75

Further Advance Mortgage Receivables.....	37
GIC	41
GIC Provider.....	29
Global Note.....	2, 102
Global Notes.....	2, 102
Guaranteed Investment Contract.....	41
Hedging Counterparty.....	29
HYPAS	67
HYPOS.....	67
ICSDs	3
Initial Class A Notes Purchaser	113
Initial Class B and C Notes Purchaser.....	113
Initial Notes Purchaser.....	113
Insurance Set-off Risk	20
Interest Amount	90
Interest Available Amount.....	45
Interest Determination Date.....	89
Interest Period	31, 88
Interest Priority of Payments.....	45
Issue Cut-off Date.....	60
Issue Date	30
Issuer.....	2, 29, 79, 86
Issuer Administration Agreements	39
Issuer Administrator.....	29
Issuer Collection Account	41
Junior Expenses Loan	5
Junior Expenses Loan Agreement.....	5
Junior Loan.....	5
Junior Loan Agreement	5
KU88.....	29
Life Insurance Policies.....	37
Life Insurance Policy.....	19
Life Mortgage Loans.....	37
Life Mortgage Receivables	36
Liquidity Facility Agreement.....	40
Liquidity Facility Maximum Extended Amount	49
Liquidity Facility Maximum Limited Amount.....	49
Liquidity Facility Provider.....	29, 48
Listing Agent.....	30
Local Business Day	92
LTFV.....	21
Luxembourg.....	2
MAD Regulations.....	78
Management Agreements	42
Market Abuse Directive.....	78
Master Definitions Agreement	86
Monthly Calculation Date.....	93
Monthly Payment Date	31, 88
Mortgage Calculation Period	93
Mortgage Loan Criteria.....	73
Mortgage Loans.....	36
Mortgage Receivables Purchase Agreement	43
Mortgage Receivables'	36
Mortgaged Assets.....	36
MPT Provider.....	29
Natixis	30
Natixis, London Branch.....	29
Net Principal Proceeds	93
New Currency.....	90
Noteholder	102
Noteholders	86
Notes	2, 32, 86
Old Currency	90
Optional Redemption Date	2, 95
Other Claims.....	17
Outstanding Principal Amount	70
Parallel Debt.....	83
Parallel Debt Agreement.....	38, 86

Paying Agency Agreement	42, 86
Paying Agent	30, 86
Permanent Global Note	2, 102
Permitted Liquidity Drawing Amount	49
Pledge Agreements	83, 86
Pledge Notification Events	83
Pre-Issue Principal Proceeds	47, 93
Principal Amount Outstanding	88, 93
Principal Deficiency	50
Principal Deficiency Ledger	50
Principal Priority of Payments	47
Principal Redemption Amount	92
PROPER 1	40
Prospectus	2
Prospectus Directive	2
Purchase Price	70
Quion	66
Rate of Interest	90
Rating Agencies	2
Realised Damage	51
Realised Damage Principal Deficiency	50
Realised Damage Principal Deficiency Ledger	50
Realised Losses	51
Realised Losses Principal Deficiency	50
Realised Losses Principal Deficiency Ledger	50
Receivables Pledge Agreement	83, 86
Redemption Available Amount	47, 94
Redenomination Date	91
Reference Agent	30, 86
Regulatory Call Option	33
Regulatory Change	96
Relevant Class	98
Relevant Documents	87
Relevant Further Advance Mortgage Receivables	37
Relevant Mortgage Loans	70
Relevant Mortgage Receivables	70
Reserve Account	41
Reserve Account Target Level	50
Reserve Fund Loan	40, 53
Reserve Fund Loan Agreement	40, 53
Reserve Fund Loan Providers	40, 53
Risk Insurance Policies	36
Risk Insurance Policy	36
S&P	2
Second Principal Deficiency Ledger	50
Second Realised Damage Principal Deficiency	50
Second Realised Damage Principal Deficiency Ledger	50
Second Realised Losses Principal Deficiency	50
Second Realised Losses Principal Deficiency Ledger	50
Securities Act	118
Securitisation Act	2
Security	87
Security Beneficiaries	83
Security Trustee	2, 30, 86
Seller Collection Accounts	43
Seller Collection Accounts Pledge Agreement	38
Seller Collection Accounts Provider	43
Sellers Call Option	2, 7, 37
Services Agreement	39, 86
Shareholder	30
Six Month Cumulative Loss Ratio	94
Sparck Hypotheken	29
Sparck Processing	66
Subordinated Loans	7, 40, 53
Subordinated Notes	2, 86
Swap Agreement	39
Swap Cash Collateral Account	41
TARGET 2	31, 88

Tax Call Option	34
Tax Event	12
Temporary Global Note	2, 102
Third Principal Deficiency Ledger	50
Third Realised Damage Principal Deficiency	50
Third Realised Damage Principal Deficiency Ledger	50
Third Realised Losses Principal Deficiency	50
Third Realised Losses Principal Deficiency Ledger	50
Three Month Rolling Average Default Ratio	94
Three Month Rolling Average Delinquency Ratio	94
Transaction Accounts	41
Transfer Cut-off Date	36, 70
Treaty	92
Trust Deed	86
WAC	60
WALTFV	60
Wft	12
X Loan Agreement	40, 52
X Loan Providers	40, 52
X Loan Realised Losses Principal Deficiency	50
X Loans	40, 52

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