

## IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S.

**IMPORTANT: You must read the following before continuing.** The following applies to the base prospectus following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the base prospectus. In accessing the base prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SECURITIES OF THE ISSUER IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION OF THE U.S. AND THE SECURITIES MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

**Prohibition of sales to EEA retail investors:** The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**MiFID II product governance / target market:** The Final Terms in respect of any Covered Bonds will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID II Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID II Product Governance Rules**"), any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Arranger nor any Dealer nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID II Product Governance Rules.

**Confirmation of your Representation:** In order to be eligible to view this base prospectus or make an investment decision with respect to the securities, investors must not be a U.S. person (within the meaning of Regulation S under the Securities Act). This base prospectus is being sent at your request and by accepting the e-mail and accessing this base prospectus, you shall be deemed to have represented to us that you are not a U.S. person, the electronic mail address that you gave us and to which this e-mail has been delivered is

not located in the U.S. (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any States of the United States or the District of Columbia and that you consent to delivery of such base prospectus by electronic transmission.

You are reminded that this base prospectus has been delivered to you on the basis that you are a person into whose possession this base prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this base prospectus to any other person.

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

This base prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither Nationale-Nederlanden Bank N.V. nor NN Conditional Pass-Through Covered Bond Company B.V. nor ABN AMRO Bank N.V. nor any person who controls it nor any director, officer, employee nor agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the base prospectus distributed to you in electronic format and the hard copy version available to you on request from Nationale-Nederlanden Bank N.V. or ABN AMRO Bank N.V.



**Nationale-Nederlanden Bank N.V.**

*(incorporated under the laws of the Netherlands with limited liability  
and having its statutory seat in The Hague, the Netherlands)*

**EUR 5,000,000,000 Conditional Pass-Through Covered Bond Programme**

**guaranteed as to payments of interest and principal by**

**NN CONDITIONAL PASS-THROUGH COVERED BOND COMPANY B.V.**

*(incorporated under the laws of the Netherlands with limited liability  
and having its statutory seat in Amsterdam, the Netherlands)*

This document constitutes a base prospectus within the meaning of the Prospectus Directive. This Base Prospectus has been approved by the AFM, which is the Dutch competent authority for the purpose of the Prospectus Directive and relevant implementing measures in the Netherlands, as a Base Prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the Netherlands for the purpose of giving information with regard to the issue of Covered Bonds under the Programme during the period of twelve (12) months after the date hereof. This Base Prospectus will be published in electronic form on [www.nn-group.com](http://www.nn-group.com). This Base Prospectus is issued in replacement of a base prospectus dated 20 September 2017, and accordingly supersedes any earlier base prospectus.

Under its EUR 5,000,000,000 Conditional Pass-Through Covered Bond Programme the Issuer may from time to time issue Covered Bonds denominated in euro. Subject as set out herein, the maximum aggregate nominal amount of the Covered Bonds from time to time outstanding under the Programme will not exceed EUR 5,000,000,000 subject to any increase as described herein.

NN Conditional Pass-Through Covered Bond Company B.V. as CBC will guarantee the payment of scheduled interest and principal payable under the Covered Bonds pursuant to a guarantee issued under the Trust Deed. The Covered Bonds will further be (indirectly) secured by a right of pledge (or such other security right as may be applicable) over the Transferred Assets vested by the CBC in favour of the Security Trustee and a right of pledge vested by the CBC in favour of the Security Trustee over all rights of the CBC under or in connection with the CBC Transaction Documents. Recourse against the CBC under its guarantee will be limited to the Security.

The Covered Bonds may be issued on a continuing basis to one or more of the Dealers and to investors directly. Covered Bonds may be distributed by way of a public offer or private placements and, in each case, on a syndicated or non-syndicated basis. The method of distribution of each relevant Series (or Tranche thereof) will be stated in the relevant Final Terms. Notice of the aggregate nominal amount of Covered Bonds, interest (if any) payable in respect of Covered Bonds, the issue price of Covered Bonds and any other terms and conditions not contained herein which are applicable to the Covered Bonds will be set forth in the applicable Final Terms which, in respect to Covered Bonds to be listed on Euronext Amsterdam will be filed and delivered to Euronext Amsterdam on or before the date of each issue of such Covered Bonds.

Application has been made for the Covered Bonds to be listed on the official list of Euronext Amsterdam during the period of twelve (12) months from the date of this Base Prospectus and will also apply if so indicated in the Final Terms. In addition, Covered Bonds issued under the Programme may be listed or admitted to trading, as the case may be, on any other stock exchange or regulated market specified in the applicable Final Terms. The Issuer may also issue unlisted Covered Bonds under the Programme. The applicable Final Terms will state whether or not the relevant Covered Bonds are to be listed, quoted and/or

traded and, if so, on or by which competent listing authority(ies) or stock exchange(s) and/or quotation system(s).

The Issuer and the CBC may agree with the Security Trustee that Covered Bonds may be issued in a form not contemplated by the Terms and Conditions of the Covered Bonds set out herein, in which event a supplement to the Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Covered Bonds.

It is expected that each issue of a Series of Covered Bonds will, on issue, be assigned an "AAA" rating by S&P, unless otherwise specified in the applicable Final Terms. 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 Agency. Whether or not each credit rating applied for in relation to a relevant Series of Covered Bonds will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms. For a discussion of the risks associated with an investment in the Covered Bonds, see '*Risk Factors*'. The Rating Agencies have been registered by the European Securities and Markets Authority as credit rating agencies in accordance with the CRA Regulation.

The Covered Bonds and the Guarantee have not been and will not be registered under the Securities Act, or the securities laws of any state of the U.S. or other jurisdiction of the U.S. The Covered Bonds may not be offered, sold or delivered within the U.S. or to, or for the account or benefit of, U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws. Accordingly, the Covered Bonds are being offered, sold or delivered only to non-U.S. persons (as defined in Regulation S) outside the U.S. in reliance on Regulation S.

The Covered Bonds of each Tranche are in bearer form or in registered form. Bearer Covered Bonds will (unless otherwise specified in the applicable Final Terms) initially be represented by a Global Covered Bond. Global Covered Bonds will be deposited on or about the Issue Date thereof either (i) with a common safekeeper or common depositary for Euroclear and Clearstream, Luxembourg or (ii) with Euroclear Nederland and/or (iii) any other agreed clearance system. Registered Covered Bonds will be issued to each relevant holder by a registered covered bonds deed. See '*Form of Conditional Pass-Through Covered Bonds*'.

The Covered Bonds may be issued in an NGN-form, which will allow Eurosystem eligibility. This means that the Covered Bonds in NGN-form are intended upon issue to be deposited with the ICSDs as common safekeeper. The Covered Bonds may also be issued and deposited with Euroclear Nederland, which will also allow Eurosystem eligibility. In each case, this does not necessarily mean that the Covered Bonds 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 from time to time.

Capitalised terms used herein have the meaning ascribed thereto in section 20 '*Glossary of Defined Terms*'.

The date of this Base Prospectus is 29 May 2018.

**Arranger and Dealer**

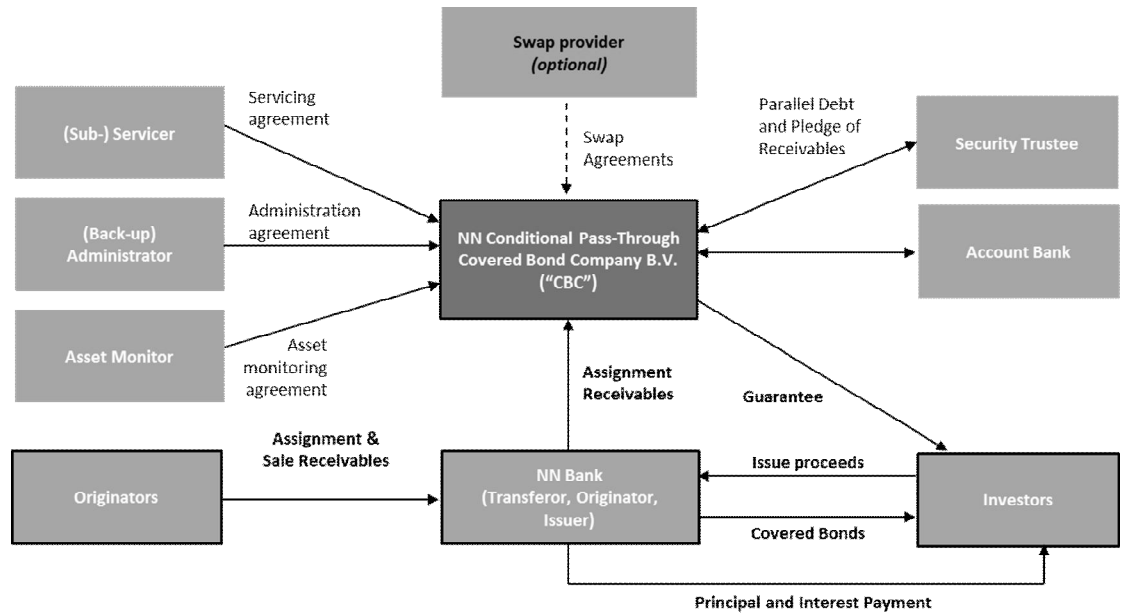
**ABN AMRO Bank N.V.**

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## 1. STRUCTURE DIAGRAM

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



## 2. OVERVIEW OF THE PARTIES AND PRINCIPAL FEATURES OF THE PROGRAMME

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

### **PARTIES**

<b>Issuer:</b>	Nationale-Nederlanden Bank N.V., (" <b>NN Bank</b> ") a public company with limited liability ( <i>naamloze vennootschap</i> ) incorporated under the laws of the Netherlands, having its statutory seat in The Hague, the Netherlands. The Issuer is registered in the Business Register of the Chamber of Commerce under number 52605884.
<b>Transferor:</b>	NN Bank.
<b>Originators:</b>	NN Bank and NN Leven.
<b>CBC:</b>	NN Conditional Pass-Through Covered Bond Company B.V., a private company with limited liability ( <i>besloten vennootschap met beperkte aansprakelijkheid</i> ) incorporated under the laws of the Netherlands, having its statutory seat in Amsterdam, the Netherlands. The CBC is registered in the Business Register of the Chamber of Commerce under number 68265956.
<b>Guarantor:</b>	CBC.
<b>Programme:</b>	The EUR 5,000,000,000 Conditional Pass-Through Covered Bond Programme of NN Bank guaranteed as to payments of interest and principal by the CBC.
<b>Administrator:</b>	NN Bank in its capacity as administrator under the Administration Agreement or its successor or successors.
<b>Servicer:</b>	NN Bank in its capacity as servicer under the Servicing Agreement or its successor or successors.
<b>Asset Monitor:</b>	KPMG Accountants N.V.
<b>Arranger:</b>	ABN AMRO.
<b>Dealers:</b>	ABN AMRO and any other dealer appointed from time to time.
<b>Security Trustee:</b>	Stichting Security Trustee NN Conditional Pass-Through Covered Bond Company, a foundation ( <i>stichting</i> ) incorporated under the laws of the Netherlands, having its statutory seat in Amsterdam, the Netherlands. The Security Trustee is registered in the Business Register of the Chamber of Commerce under number 69558701.
<b>Stichting Holding:</b>	The entire issued share capital of the CBC is held by Stichting Holding NN Conditional Pass-Through Covered Bond Company, a foundation ( <i>stichting</i> ) incorporated under the laws of the Netherlands having its statutory seat in Amsterdam, the Netherlands. The Stichting Holding is registered in the Business Register of the Chamber of Commerce under number 68254202.
<b>Directors:</b>	Intertrust Management B.V., the sole director of the CBC and the sole director of the Stichting Holding and SGG Securitisation Services B.V., the sole director of the Security Trustee.

<b>Insurance Savings Participant:</b>	NN Leven.
<b>Bank Savings Participant:</b>	NN Bank.
<b>CBC Account Bank:</b>	N.V. Bank Nederlandse Gemeenten.
<b>Principal Paying Agent:</b>	ABN AMRO.
<b>Paying Agent:</b>	Any paying agent appointed under the Agency Agreement.
<b>Listing Agent:</b>	ABN AMRO.
<b>Registrar:</b>	NN Bank.
<b>Calculation Agent:</b>	In relation to the Covered Bonds of any Series, the institution appointed as calculation agent in relation to such Covered Bonds pursuant to the Calculation Agency Agreement (Schedule 3 to the Agency Agreement) or the Agency Agreement.
<b>Rating Agencies:</b>	Any rating agency (or its successor) who, at the request of the Issuer assigns, and for as long as it assigns, one or more ratings to the Covered Bonds under the Programme from time to time, which at the date of this Base Prospectus includes S&P.
<b>Portfolio Swap Counterparty:</b>	Any swap counterparty under any Portfolio Swap Agreement.
<b>Interest Swap Counterparty:</b>	Any swap counterparty under any Interest Swap Agreement.

### **THE COVERED BONDS**

<b>Programme size:</b>	Up to EUR 5,000,000,000 outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
<b>Issue Price:</b>	Covered Bonds may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
<b>Form:</b>	Each Covered Bond will be in a bearer or registered form.

Each Tranche of Bearer Covered Bonds will (unless otherwise specified in the applicable Final Terms) initially be represented by a Temporary Global Covered Bond or, if so indicated in the applicable Final Terms, a Permanent Global Covered Bond. Each Temporary Global Covered Bond (a) which is intended to be issued as an NGN Temporary Global Covered Bond will be deposited on or around the relevant Issue Date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg, (b) which is not intended to be issued in NGN form may also be deposited on or around the relevant Issue Date (i) with Euroclear Nederland, (ii) with a common depositary for Euroclear and/or Clearstream, Luxembourg or (iii) with (a depositary for) any other agreed clearing system. A Temporary Global Covered Bond will be exchangeable as described therein for a Permanent Global Covered Bond.

A Permanent Global Covered Bond is exchangeable for Definitive Covered Bonds only upon the occurrence of an Exchange Event or, in case a Permanent Global Covered Bond is deposited with Euroclear Nederland, only upon the occurrence of a Delivery Event, all as described in Form of



Conditional Pass-Through Covered Bonds below. Any interest in a Global Covered Bond will be transferable only in accordance with the rules and procedures for the time being of either (i) Euroclear and/or Clearstream, Luxembourg and/or (ii) Euroclear Nederland (and the Dutch Securities Giro Transfer Act (*Wet giraal effectenverkeer*)) and/or (iii) any other agreed clearing system, as appropriate. See '*Form of Conditional Pass-Through Covered Bonds*'.

If any Permanent Global Covered Bond is not duly exchanged, the terms of such Permanent Global Covered Bond will provide a mechanism for relevant account holders with Euroclear, Clearstream, Luxembourg, Euroclear Nederland and/or any other agreed clearing system(s) to whose securities account(s) with such clearing system(s) the beneficial interests in such Permanent Global Covered Bond are credited to be able to enforce rights directly against the Issuer.

Registered Covered Bonds will be issued to each holder (unless otherwise specified in the applicable Final Terms) by a Registered Covered Bonds Deed.

**Denomination:**

Covered Bonds will be issued in such denominations as set forth in the applicable Final Terms save that the minimum denomination of each Covered Bond will be such as may be allowed or required from time to time by the relevant central bank or regulatory authority (or equivalent body) and save that the minimum denomination (and in respect of Covered Bonds issued at a discount to their nominal amount, the minimum issue price) of each Covered Bond admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive will be EUR 100,000.

**Currency:**

Subject to any applicable legal or regulatory restrictions, the Covered Bonds will be issued in euros.

**Status and Ranking:**

The Covered Bonds issued from time to time under the Programme will constitute unsecured and unsubordinated obligations of the Issuer, guaranteed by the CBC under the Guarantee, and will rank *pari passu* without any preference amongst themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer, save for any obligations preferred by a mandatory operation of applicable law.

**Interest:**

Interest (which may be fixed or floating) shall be payable on each Series or Tranche of Covered Bonds on the Interest Payment Dates specified in the applicable Final Terms up to the Maturity Date or the Extended Due for Payment Date, if applicable. Interest shall be payable (i) monthly, bi-monthly, quarterly, semi-annually, annually or upon redemption of the relevant Covered Bonds as further specified in the applicable Final Terms up to the earlier of (a) the Maturity Date and (b) the service of a Breach of Amortisation Test Notice and (ii) monthly after the earlier to occur of (a) the Maturity Date and (b) the date of the service of a Breach of Amortisation Test Notice, up to the Extended Due for Payment Date.

**Fixed Rate Covered Bonds:**

Fixed Rate Covered Bonds means Covered Bonds which will bear interest at a fixed rate, payable on such date or dates as set forth in the applicable Final Terms and on redemption and will be calculated on the basis of such Day Count Fraction as set forth in the applicable Final Terms. If on or after the Maturity Date the Fixed Rate Covered Bonds are not redeemed in full or

if a Breach of Amortisation Test Notice has been served, the Fixed Rate Covered Bonds will continue to bear interest at a fixed rate up to the Extended Due for Payment Date as set forth in the applicable Final Terms.

**Floating Rate Covered Bonds:**

Floating Rate Covered Bonds means Covered Bonds which will bear interest either at a rate determined on the same basis as the floating rate under a notional interest rate swap transaction in euro governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as of the Issue Date of the first Tranche of Covered Bonds of the relevant Series) or on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service or on such other basis as set forth in the applicable Final Terms up to the Maturity Date (or, if earlier, the date of the service of a Breach of Amortisation Test Notice) and will be calculated on the basis of such Day Count Fraction as set forth in the applicable Final Terms.

**Margin:**

The Margin will be specified in the applicable Final Terms. If after the Maturity Date such Floating Rate Covered Bonds are not fully redeemed or if a Breach of Amortisation Test Notice has been served, as of that Maturity Date or the date of such notice, the applicable floating rate will switch to a Fixed Rate Coupon as set forth in the applicable Final Terms.

**Other provisions in relation to Floating Rate Covered Bonds:**

Floating Rate Covered Bonds may also have a Cap, a Floor or Collar up to the Maturity Date. Interest on Floating Rate Covered Bonds in respect of each Interest Period will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as set forth in the applicable Final Terms.

**Redemption:**

The applicable Final Terms will indicate that (a) the relevant Covered Bonds cannot be redeemed prior to their stated maturity (other than following specified events, if applicable, or for taxation reasons or following an Issuer Event of Default or a CBC Event of Default) or (b) such Covered Bonds will be redeemable at the option of the Issuer upon giving notice to the Covered Bondholders, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as set forth in the applicable Final Terms or (c) such Covered Bonds will be redeemable at the option of the Covered Bondholder upon giving notice to the Issuer, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as set forth in the applicable Final Terms.

**Maturities:**

Such maturities as set forth in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank or regulatory authority (or equivalent body) or any laws or regulations applicable to the Issuer, subject to a maximum maturity (i.e. the Extended Due for Payment Date) for each Series of sixty-two (62) years.

**Maturity Date:**

In respect of a Series, the date on which the Covered Bonds of such Series are expected to be redeemed at their Principal Amount Outstanding, as specified in the relevant Final Terms, which date falls no more than thirty (30) years after the Issue Date of such Series. Each Series is due by the Issuer on its respective Maturity Date.

**Extended Due for Payment Date:**

The final maturity date which falls thirty-two (32) years after the Maturity Date of such Series.

**Withholding Tax:**

All payments of, or in respect of, interest and principal in respect of the

Covered Bonds will be made free and clear of, and without withholding of or deduction for, or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Netherlands, any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer will make the required withholding or deduction of such taxes, duties, assessments or governmental charges for the account of the Covered Bondholders, as the case may be, and the Issuer will, subject to certain exceptions, be required to pay such additional amounts to cover such withholding or deduction to such Covered Bondholders or, if the Issuer so elects, it may redeem the Series affected. The CBC will not be required or liable to pay such additional amounts.

**FATCA Withholding:**

Payments in respect of the Covered Bonds might be subject to any withholding or deduction required pursuant to an agreement described in section 1471(b) of the US IR Code or otherwise imposed pursuant to sections 1471 through 1474 of the US IR Code, any regulations or agreements thereunder, official interpretation thereof, or any law implementing an intergovernmental agreement thereto. Any such amounts withheld or deducted will be treated as paid for all purposes under the Covered Bonds, and no additional amounts will be paid on the Covered Bonds with respect to any such withholding or deduction.

**Method of Payment:**

For as long as the Covered Bonds are represented by a Global Covered Bond, payments of interest and principal will be made (i) by giro transfer in euro to Euroclear Nederland or, as the case may be, (ii) in euro to the Principal Paying Agent for the credit of the respective accounts of the Covered Bondholders through Euroclear and Clearstream, Luxembourg, as the case may be, or (iii) in accordance with the rules of another agreed clearing system and as set forth in the applicable Final Terms.

**Use of proceeds:**

The net proceeds from each issue of Covered Bonds will be used by the Issuer for its general corporate purposes.

**Listing:**

Application has been made for the Covered Bonds to be listed on the official list of Euronext Amsterdam during the period of twelve (12) months from the date of this Base Prospectus, which listing will apply for Covered Bonds if so indicated in the applicable Final Terms. In addition, Covered Bonds issued under the Programme may be listed or admitted to trading, as the case may be, on any other stock exchange or regulated market specified in the applicable Final Terms. The Issuer may also issue unlisted Covered Bonds under the Programme.

**Selling Restrictions:**

There are selling restrictions in relation to the United States, the European Economic Area (including the United Kingdom, France, Italy and the Netherlands) and Japan and such other restrictions as may apply in connection with the offering and sale of a particular Tranche or Series. See '*Subscription and Sale*' below.

**SECURITY FOR THE  
COVERED BONDS**

**Guarantee, Security, CBC:**

Pursuant to the Guarantee issued under the Trust Deed, the CBC will guarantee the payment of interest and principal payable under the Covered Bonds. The obligations of the CBC under the Guarantee will constitute unsubordinated and unguaranteed obligations of the CBC, secured indirectly, through the Security Trustee, by (i) a first ranking undisclosed pledge (or such other security right as may be applicable) granted by the

CBC to the Security Trustee over the Transferred Assets and (ii) a first ranking disclosed pledge by the CBC to the Security Trustee over the CBC's rights under or in connection with the CBC Transaction Documents.

Payments made by the CBC under the Guarantee (after the service of an Issuer Acceleration Notice or a CBC Acceleration Notice) will be made subject to, and in accordance with, the CBC Priority of Payments or the Post CBC Acceleration Notice Priority of Payments, as applicable.

**Parallel Debt Agreement:** The CBC and the Security Trustee have entered into the Parallel Debt Agreement for the benefit of the Covered Bondholders and the other Secured Creditors under which the CBC, by way of parallel debt, undertakes to pay to the Security Trustee amounts equal to the amounts due by it to the Secured Creditors, in order to create claims of the Security Trustee thereunder which can be validly secured by the rights of pledge created by any Security Trustee Receivables Pledge Agreement and any Security Trustee Rights Pledge Agreement.

**Interest under the Guarantee:** If the CBC is obliged to pay under the Guarantee, the CBC is obliged to pay any Guaranteed Amount (other than the Guaranteed Final Redemption Amount, see below) when Due for Payment.

**Extendable obligations:** An Extended Due for Payment Date will apply in relation to each Series of Covered Bonds. In respect of each Series, if the CBC is obliged under the Guarantee to pay a Guaranteed Final Redemption Amount, in which case:

- (a) the obligation of the CBC to pay the Guaranteed Final Redemption Amount shall be deferred to, and shall under the Guarantee be due on the Extended Due for Payment Date, provided that if on any CBC Payment Date which falls prior to the Extended Due for Payment Date, and after the CBC shall under the relevant Priority of Payments have paid or provided for all higher ranking amounts, any amounts are available to the CBC for payment of (or to be reserved for payment of) principal on a Series of Covered Bonds, such available amounts will be applied on the relevant CBC Payment Date towards payment of all Pass-Through Covered Bonds; and
- (b) the CBC shall under the Guarantee owe interest over the unpaid portion of the Guaranteed Final Redemption Amount.

**Pass-Through Covered Bonds:** If a Covered Bond has not been repaid in full on its Maturity Date, such Covered Bond becomes a Pass-Through Covered Bond. If an Issuer Event of Default has occurred and a Notice to Pay and a Breach of Amortisation Test Notice have been served, all Covered Bonds become Pass-Through Covered Bonds.

**Pass-Through structure:** The pass-through structure will particularly become relevant after the service of a Notice to Pay on the CBC. The CBC will be obliged to pass any available funds through and apply such funds towards redemption of all Pass-Through Covered Bonds and the CBC will also be obliged to use its best efforts to sell or refinance the Selected Transferred Assets on each Refinance Date to enable it to redeem all Pass-Through Covered Bonds prior to the Extended Due for Payment Date, provided that it can sell or refinance the Selected Transferred Assets and consequently redeem the Pass-Through Covered Bonds without negatively impacting the Amortisation Test. Failure by the CBC to sell or refinance Selected Transferred Assets in accordance with the Asset Monitoring Agreement (as described below) will not constitute a CBC Event of Default.



**GUARANTEE SUPPORT  
AND THE MORTGAGE  
RECEIVABLES**

**Guarantee Support  
Agreement:**

As consideration for the CBC issuing the Guarantee, and so as to enable the CBC to meet its obligations under the Guarantee, the Transferor may transfer Eligible Assets to the CBC in accordance with the Guarantee Support Agreement. At the option of the Issuer, subject always to Rating Agency Confirmation, New Transferors may accede to the Guarantee Support Agreement.

The Issuer will use its best efforts, and the CBC will use reasonable efforts, to ensure, amongst other things, that the Asset Cover Test is satisfied as at the end of each calendar month, as calculated on the immediately succeeding Calculation Date and the Issuer shall use its best efforts to transfer or procure the transfer of sufficient Eligible Receivables directly or indirectly by the Issuer.

**Mortgage Receivables:**

Under the Guarantee Support Agreement, the Transferor may assign Mortgage Receivables and the Beneficiary Rights of the Transferor to the CBC, subject to the fulfilment of certain conditions. See '*Guarantee Support Agreement*' above.

The Mortgage Loans have the characteristics that demonstrate the capacity to produce funds to service payments by the CBC under the Guarantee and each of the Mortgage Receivables will meet the Eligibility Criteria.

**Insurance Savings  
Participation Agreement:**

The CBC has entered into the Insurance Savings Participation Agreement with the Insurance Savings Participant under which the Insurance Savings Participant will acquire participations in the relevant Savings Mortgage Receivables and Switch Mortgage Receivables with a Savings Alternative equal to the amounts of Savings Premium paid by the relevant Borrower to the Insurance Savings Participant in respect of a Savings Insurance Policy and a Savings Investment Insurance Policy, respectively. In the Insurance Savings Participation Agreement the Insurance Savings Participant has undertaken to pay to the CBC amounts equal to all amounts received as Savings Premium on the Savings Insurance Policies and the Savings Investment Insurance Policies, respectively. In return, the Insurance Savings Participant is entitled to receive the Insurance Savings Participation Redemption Available Amount from the CBC. See further section 14 '*Participation Agreements*' below.

**Bank Savings Participation  
Agreement:**

The CBC has entered into the Bank Savings Participation Agreement with the Bank Savings Participant under which the Bank Savings Participant will acquire participations in the relevant Bank Savings Mortgage Receivables equal to amounts received as Bank Savings Deposit by the Bank Savings Participant. In the Bank Savings Participation Agreement the Bank Savings Participant has undertaken to pay to the CBC amounts equal to all amounts received as Bank Savings Deposit. In return, the Bank Savings Participant is entitled to receive the Bank Savings Participation Redemption Available Amount from the CBC. In addition, the Bank Savings Participant will pay to the Issuer an amount equal to the Bank Savings Bonus Amount, if and when accrued. See further section 14 '*Participation Agreements*' below.

**Administration Agreement:**

Under the terms of the Administration Agreement, the Administrator agrees to provide certain administration, calculation and cash management

services to the CBC on a day-to-day basis, including without limitation, all calculations to be made pursuant to the Conditions in connection with the Covered Bonds. The Administrator is permitted to sub-contract its administration role to a third party administrator subject to any applicable conditions in the Administration Agreement.

**Servicing Agreement:**

Under the terms of the Servicing Agreement, the Servicer agrees (i) to provide administration and management services in relation to the relevant Mortgage Loans on a day-to-day basis, including, without limitation, the collection of payments of principal, interest and all other amounts in respect of the relevant Mortgage Loans and the implementation of arrears procedures including, if applicable, the enforcement of mortgages, any other related security and other collateral, if applicable, (ii) to communicate with the Borrowers and (iii) to investigate payment delinquencies. The Servicer is permitted to sub-contract its servicing role to an affiliate of the Issuer or any third party, provided that the Servicer shall continue to be liable as if no such delegation had taken place.

**Custody Agreement:**

If Substitution Assets and/or other collateral are transferred to the CBC, the CBC will appoint a custodian to provide custody services in relation to such Substitution Assets or other collateral transferred to the CBC.

**CBC Account Agreement:**

Under the terms of the CBC Account Agreement, the CBC Account Bank agrees to pay a guaranteed rate of interest on the CBC Transaction Accounts Funds or such other interest rate as may be agreed between the CBC Account Bank and the CBC.

In the event that the interest rate in respect of any of the CBC Transaction Accounts is less than zero, such amount will be payable by the CBC to the CBC Account Bank.

**CBC Account:**

The CBC shall maintain with the CBC Account Bank the CBC Account (and any additional or replacement accounts) to which all amounts to be received in respect of the Transferred Asset and other amounts by the CBC are to be paid during the CBC Payment Period.

**Reserve Account:**

The CBC shall maintain with the CBC Account Bank the Reserve Account to which the higher of (i) the Reserve Account Required Amount and (ii) the Liquidity Reserve Required Amount will be credited.

**Portfolio Swap Agreements:**

There may be certain mismatches between the interest to be received on the Transferred Assets and the CBC Transaction Accounts and the amounts payable under the Covered Bonds. In order to mitigate certain mismatches, the CBC may enter into appropriate hedging arrangements subject to Rating Agency Confirmation with respect to one or more Series or all Series of Covered Bonds whereby revenue scheduled to be received on all Transferred Assets multiplied by the Portfolio Swap Fraction is exchanged for (x) a fixed or floating rate of interest on one or more Series or all Series of Covered Bonds or (y) any rate of interest payable under any Interest Rate Swap in respect of a specific Series of Covered Bonds. The Portfolio Swap Fraction is calculated by dividing the Principal Amount Outstanding of the relevant Series of Covered Bond by the Principal Amount Outstanding of all outstanding Covered Bonds.

**Interest Swap Agreement:**

In addition to Portfolio Swap Agreements and in order to mitigate certain mismatches, the CBC may enter into appropriate hedging arrangements subject to Rating Agency Confirmation whereby a certain fixed or floating interest rate is exchanged for a specific interest rate on one or more Series

or all Series of Covered Bonds.

**Management Agreements:** Each of the CBC, the Security Trustee and the Stichting Holding have entered into a Management Agreement, under which the relevant Director has undertaken to act as director of the CBC, the Security Trustee and the Stichting Holding, respectively, and to perform certain services in connection therewith.

**Deposit Agreement:** Each of the CBC, the Security Trustee, the Issuer, the Transferor, the Originators and NautaDutilh N.V. have entered into the Deposit Agreement, pursuant to which the Transferor and/or Originators will deposit personal data with respect to Borrowers with NautaDutilh N.V. who may only release such information to the CBC and/or the Security Trustee upon the occurrence of an Assignment Notification Event.

**Sale or Refinancing of Transferred Assets:** If an Issuer Event of Default occurs and a Notice to Pay has been served on the CBC, then upon the earliest to occur on or after such Issuer Event of Default of (i) any amount remaining unpaid in respect of a Series on the Maturity Date, (ii) any Maturity Date of a Series of Covered Bonds falling within a period of six (6) calendar months of such date and (iii) the service of a Breach of Amortisation Test Notice, the CBC shall use its best efforts to sell or refinance as soon as possible after the occurrence of such event (such date the first Refinance Date) the Selected Transferred Assets, provided that the proceeds of such sale or refinancing are at least sufficient to redeem the relevant Series in full (or a proportional part thereof if only a part of the Selected Transferred Assets have been sold or refinanced) on their Maturity Date.

The CBC shall first offer all the Selected Transferred Assets for sale to the Transferor after the occurrence of an Issuer Event of Default. If, for whatever reason, the Transferor informs the CBC, within a period of twenty (20) Business Days after the CBC has made such offer, that it will not repurchase the Selected Transferred Assets, the CBC shall offer the Selected Transferred Assets to a third party or third parties.

If the CBC receives, after the Transferor has refused the offer for sale of all Selected Transferred Assets, an offer from a third party to purchase the Selected Transferred Assets, the CBC will notify the Transferor of such offer and, within five (5) business days after such notice, the Transferor has the right to match the offer to purchase the Selected Transferred Assets on the same terms and conditions as the offer of such third party and, if the Transferor offers to purchase the Selected Transferred Assets on the same terms and conditions as the offer of such third party, the CBC shall accept such offer of the Transferor.

Such sale or refinancing of the Selected Transferred Assets and subsequent redemption of the respective Covered Bonds must not result in a deterioration of the quotient of (i) the Amortisation Test Aggregate Asset Amount; and (ii) the Principal Amount Outstanding of all Series outstanding after redemption of the respective Covered Bonds.

If the expected proceeds of such sale or refinancing of the Selected Transferred Assets are insufficient to redeem the relevant Series of Covered Bonds in full, the CBC shall repeat its attempt to sell or refinance the Selected Transferred Assets every six (6) calendar months after the first Refinance Date until the proceeds of the sale and refinancing are sufficient to redeem the relevant Series in full.



If, on the Refinance Date immediately preceding the first Extended Due for Payment Date of any Series outstanding, such sale or refinancing is insufficient to redeem the relevant Series of Covered Bonds in full, then each month up to and including such Extended Due for Payment Date the CBC will (i) offer the Selected Transferred Assets for sale for the best terms reasonably available, including but not limited to the best price reasonably available, or (ii) seek to refinance the Selected Transferred Assets on the best terms reasonably available, both (i) and (ii) subject to the consent of the Security Trustee, notwithstanding that such amount may be less than the amount to redeem the relevant Series of Covered Bonds in full.

See further section 15 '*Asset Monitoring*' sub section '*Sale or Refinancing of Selected Assets*'.

## **OTHER**

### **Ratings:**

It will be a condition precedent for the first issue of Covered Bonds under the Programme that the Covered Bonds on issue, be assigned an 'AAA', or equivalent, rating by the Rating Agencies. Each further issue of a Series of Covered Bonds will have ratings equal to the then current rating assigned to the outstanding Series of Covered Bonds, if applicable.

### **Transaction Documents:**

The Programme Agreement, the Master Definitions Agreement, the Pledge Agreements, the Swap Agreements (if any), the Administration Agreement, the Servicing Agreement, the CBC Account Agreement, the Trust Deed, the Parallel Debt Agreement, the Agency Agreement, any Calculation Agency Agreement (if any), the Guarantee Support Agreement, the Asset Monitoring Agreement, the Asset Monitor Appointment Agreement, the Management Agreements, the Deposit Agreement, the Insurance Savings Participation Agreement and the Bank Savings Participation Agreement.

### **Governing Law:**

The Covered Bonds and the Transaction Documents (other than the Swap Agreements (if any)) will be governed by and construed in accordance with Dutch law. The Swap Agreements (if any) will be governed by English law.

### **Risk factors:**

There are certain factors which may affect the ability of the Issuer and/or the CBC to fulfil its obligations under the Covered Bonds issued under the Programme or the Guarantee, respectively. Prospective Covered Bondholders should take into account the fact that the liabilities of the CBC under the Guarantee are limited recourse obligations and that the ability of the Issuer and/or the CBC to meet such and/or their obligations will be affected by certain factors. These include the fact that the Issuer's and/or the CBC's results can be adversely affected by (i) general economic conditions, (ii) competition, (iii) regulatory change, (iv) changes in fiscal laws, (v) standard banking risks including changes in interest and foreign exchange rates, (vi) operational, credit, market, liquidity, legal risk and (vii) certain factors which are material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme. In addition, there are certain factors which are material for the purpose of assessing the market risks and other risks associated with Covered Bonds issued under the Programme (see in more detail '*Risk Factors*' below).

### **Business Day:**

A reference to a day on which banks are generally open for business in Amsterdam and London, provided that such day is also a day on which TARGET 2 or any successor thereto is operating credit or transfer instructions in respect of payments in euro, or, if used in or by reference to Condition 5 (*Interest*), such day as determined in accordance with Condition 5 (*Interest*) and the applicable Final Terms.

**CB Regulations**

This Programme qualifies as a conditional pass-through covered bonds programme which has an extension period that is longer than twenty-four (24) months. The primary cover assets (*primaire dekkingsactiva*) of this Programme comprise of receivables backed by residential property as referred to in article 129(1)(d)(i) CRR. Each Borrower is a resident of the Netherlands and the Mortgage Receivables are governed by Dutch law.

### 3. RISK FACTORS

*The Issuer and the CBC believe that the following factors may affect their ability to fulfil their obligations under the Covered Bonds and the Guarantee. Most of these factors are contingencies which may or may not occur and the Issuer and the CBC are 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 Covered Bonds are also described below. The Issuer and the CBC believe that the factors described below represent the material risks inherent in investing in the Covered Bonds, but the inability of the Issuer or the CBC to pay interest, principal or other amounts on or in connection with the Covered Bonds may occur for other reasons not known to the Issuer nor the CBC or not deemed to be material enough. Neither the Issuer nor the CBC represents that the statements below regarding the risks of investing in any Covered Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

*Additional risks and uncertainties not presently known to the Issuer or that the Issuer currently deems immaterial may also have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects, which could result in an inability of the Issuer to pay interest and/or principal and could negatively affect the price of the Covered Bonds.*

*Prospective investors should carefully review the entire Prospectus, and should form their own views before making an investment decision with respect to the Covered Bonds. Before making an investment decision with respect to any Covered Bonds, prospective investors should consult their own stockbroker, bank manager, lawyer, accountant or other financial, legal and tax advisers and carefully review the risks entailed by an investment in the Covered Bonds and consider such an investment decision in the light of the prospective investor's personal circumstances. The sequence in which the risk factors are presented below, and any quantitative historical impacts and sensitivities included, are not indicative of their likelihood of occurrence or the potential magnitude of their financial consequences in the future.*

#### **RISK FACTORS REGARDING THE ISSUER**

##### **Risks Related to General Economic and Market Conditions**

**The Issuer's business, revenues, results of operations, financial condition and prospects are materially affected by the condition of global financial markets and economic conditions generally**

As generally demonstrated in the financial crisis that started in 2008, which in Europe was followed by the onset of the euro-crisis in 2010, weak macroeconomic conditions, including recessions, and the implementation of austerity measures in many economies, along with global financial market turmoil and volatility, generally affect the behaviour of the Issuer's customers, and, by extension, the demand for, and supply of, the Issuer's products and services. These events may return in the form of new crises and as such, may continue to have similar impact. High unemployment levels, reduced consumer and government spending levels, government monetary and fiscal policies, inflation rates, interest rates, credit spreads and credit default rates, liquidity spreads, market indices, equity and other securities prices, the volatility and strength of the capital markets, political events and trends terrorism, cybercrime, cyberattack, real estate prices and changes in customer behaviour, have impacted and will continue to impact the business and economic environment and, ultimately, its solvency, liquidity and the amount and profitability of business the Issuer conducts. All of these factors are impacted by changes in financial markets and developments in the global and European economies.

Over the past several years, as the Dutch, European and global economies have taken steps to recover from the financial crisis, significant actions by governments, including bail-outs of financial institutions, as well as volatile markets, interest rates and credit spreads, liquidity spreads and significant changes in asset valuations (including material write-offs and write-downs of impaired assets), have all affected the business of financial institutions, including the Issuer. Any future significant deterioration in the Dutch, European and global economies or renewed volatility in financial markets may affect the Issuer in one or more of the following ways which, should such events occur, could have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects:

- The Issuer provides a number of banking products that expose it to risks associated with fluctuations in interest rates, market indices, equity and other securities prices, credit default rates, the value of real estate assets, and credit and liquidity spreads. Accordingly the profitability of many of these products fluctuate depending on the factors described in the previous sentence.
- Financial market conditions may adversely affect the effectiveness of the hedge instruments used by the Issuer to manage interest rate risks to which it is exposed. This may result in the hedge instruments not performing as intended or expected, in turn resulting in higher realised losses and increased cash needs to collateralise or settle these hedge transactions. Such financial market conditions have limited, and may limit, the availability, and increase the costs, of hedging instruments. In certain cases, these costs have not been, and may not be, fully recovered in the pricing of the products to which the hedges relate.
- Disruptions, uncertainty or volatility in financial markets may limit or otherwise adversely impact the Issuer's ability to access the public markets for debt and equity capital. The impact of this is discussed further below under *'Adverse capital and credit market conditions could impact the Issuer's ability to access liquidity and capital, as well as the cost of credit and capital'*.
- The Issuer holds a liquidity portfolio which consists of bonds of at least investment grade. In principle there is the risk that credit and liquidity spreads may increase in the case of a very severe economic downturn scenario or for instance an EU break up scenario (see also the risk factor *'The UK public voted by a majority in favour of the British government taking the necessary action for the UK to leave the European Union'*). This may significantly reduce the value of the bonds in the liquidity portfolio and reduce the liquidity of these typically liquid assets. If the Issuer requires significant amounts of cash on short notice in excess of normal cash requirements or is required to post or return collateral in connection with its derivatives transactions, the Issuer may be forced to sell assets. If those assets are illiquid, the Issuer may be forced to sell them for a lower price than it otherwise would have been able to realise, resulting in losses.

**The Issuer is subject to liquidity risk, which may not be timely resolved by available liquidity**

Although the Issuer currently has adequate liquid assets, it could be faced with a lack of liquidity. The Issuer is exposed to the risk of customer deposit outflows and an inability to attract wholesale funding to fund its illiquid assets, in particular its mortgage portfolio. There can be no assurance that liquidity is always timely available or may be made available to the Issuer or that the Issuer will have access to external sources of liquidity.

The Issuer needs liquidity in its day-to-day business activities to pay, *inter alia*, its operating expenses, interest on its debt, loan disbursements, withdrawal on savings accounts, collateral requirements (in relation to interest rate hedging), to maintain its repo activities and to replace certain maturing liabilities.

**Adverse capital and credit market conditions could impact the Issuer's ability to access liquidity and capital, as well as the cost of credit and capital**

Adverse capital market conditions may affect the availability and cost of borrowed funds, thereby impacting the Issuer's ability to support or grow its businesses.

Without sufficient liquidity, the Issuer may be forced to curtail its operations and its business may suffer. The principal sources of its funding are client deposits, mainly from retail clients, and medium-term and long-term securitised debt. Other sources of funding may also include a variety of short- and long-term instruments, including repurchase agreements, commercial paper, medium-term and long-term debt, subordinated debt securities, capital securities and shareholders' equity.

In the event that current resources do not satisfy its needs or need to be refinanced, the Issuer may need to seek additional financing. The availability of additional financing will depend on a variety of factors such as market conditions, the general availability of credit, the volume of maturing debt that needs to be refinanced, the overall availability of credit to the financial services industry, the Issuer's credit ratings and credit capacity, as well as the possibility that lenders could develop a negative perception of the long-term or short-term financial prospects of the Issuer. Similarly, the Issuer's access to funds may be limited if regulatory authorities or rating agencies take negative actions against it. If the Issuer's internal sources of liquidity prove to be

insufficient, there is a risk that external funding sources might not be available, or available at unfavourable terms.

Disruptions, uncertainty or volatility in the capital and credit markets, may also limit the Issuer's access to capital required to operate its business. Such market conditions may in the future limit the Issuer's ability to raise additional capital to support business growth, or to counter-balance the consequences of losses or increased regulatory capital requirements. This could force the Issuer to (i) delay raising capital, (ii) reduce, cancel or postpone interest payments on its capital securities, (iii) issue capital of different types or under less favourable terms than the Issuer would otherwise do, or (iv) incur a higher cost of capital than in a more stable market environment. This would have the potential to decrease both the Issuer's profitability and its financial flexibility. The Issuer's results of operations, financial condition, cash flows and regulatory capital and liquidity position could be materially adversely affected by disruptions in the financial market.

Furthermore, regulatory liquidity requirements in which the Issuer operates are generally becoming more stringent, including those forming part of the Basel III/CRD IV requirements, discussed further below under 'The impact on the Issuer of recent and ongoing financial regulatory reform initiatives is uncertain'. Insufficient liquidity in public markets may force the Issuer to curtail certain operations and strategies, and may adversely impact the Issuer's ability to meet regulatory and rating agency requirements.

The occurrence of one or more of the events described above could have a material adverse effect on the business, results of operations, financial condition and prospects of the Issuer.

**The continuing risk that one or more European countries could exit the eurozone or the EU could have a material adverse effect on the Issuer's business, results of operations, financial condition and prospects**

Despite recent improvements in the financial position of many European countries, there remains a risk that financial difficulties may result in certain European countries exiting the eurozone. The possible exit from the eurozone of one or more European countries and the replacement of the euro by one or more successor currencies could create significant uncertainties regarding the enforceability and valuation of euro denominated contracts to which the Issuer (or its counterparties) are a party and thereby materially and adversely affect the Issuer's (and/or its counterparties') liquidity, business and financial condition. Such uncertainties may include the risk that (a) a liability that was expected to be paid in euro is redenominated into a new currency (which may not be easily converted into other currencies without significant cost), (b) currencies in some European countries may devalue relative to others, (c) former eurozone member states may impose capital controls that would make it complicated, illegal or more costly to move capital out of such countries, and/or (d) some courts (in particular, courts in countries that have left the eurozone) may not recognise and/or enforce claims denominated in euro (and/or in any replacement currency). The possible exit from the eurozone of one or more European countries and/or the replacement of the euro by one or more successor currencies could also cause other significant market dislocations and lead to other adverse economic and operational impacts that are inherently difficult to predict or evaluate. As a result, the occurrence of one or more of these events could have a material adverse effect on the business, results of operations, financial condition and prospects of the Issuer and its counterparties.

**The UK public voted by a majority in favour of the British government taking the necessary action for the UK to leave the European Union.**

The outcome of the UK's referendum on membership in the European Union, held on 23 June 2016, was that the UK public voted by a majority in favour of the British government taking the necessary action for the UK to leave the European Union. On 29 March 2017, the United Kingdom has formally served the notice to the European Council of its desire to withdraw. Subsequently, initiation of the legal process pursuant to Article 50 of the Lisbon Treaty has commenced and will end in March 2019 with the United Kingdom exiting the European Union. Recently it was announced that a transition period was agreed that will last from 29 March 2019 to 31 December 2020. During this period EU laws shall generally still be applicable to and in the UK.

At this time, it is not certain what arrangements (if any) will define the future relationship between the European Union and the UK, or the length of time that this may take. Furthermore, the UK's decision to leave the European Union has caused, and is anticipated to continue to cause, significant new uncertainties and instability in the financial markets, which may affect the Issuer and the trading price of the Covered Bonds. These uncertainties could have a material adverse effect on the business, results of operations, financial

condition and prospects of the Issuer and its counterparties. In addition, it is unclear at this stage what the consequences of the UK's departure from the European Union will ultimately be for the Issuer or the trading price of the Covered Bonds.

**The default of a major market participant could disrupt the markets**

Within the financial services industry the severe distress or default of any one institution (including sovereigns) could lead to defaults or severe distress by other institutions. Such distress or defaults could disrupt securities markets or clearance and settlement systems in the Issuer's markets. This could cause market declines or volatility. Such a failure could lead to a chain of defaults that could adversely affect the Issuer and its contract counterparties. Concerns about the creditworthiness of a sovereign or financial institution (or a default by any such entity) could lead to significant liquidity and/or solvency problems, losses or defaults by other institutions, because the commercial and financial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a sovereign or a counterparty may lead to market wide liquidity problems and losses or defaults by the Issuer or by other institutions. This risk is sometimes referred to as systemic risk and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom the Issuer interacts on a daily basis and financial instruments of sovereigns in which the Issuer invests. Systemic risk could have a material adverse effect on the Issuer's ability to raise new funding and on its business, financial condition, results of operations, liquidity and/or prospects. In addition, such a failure could impact future product sales as a potential result of reduced confidence in the financial services industry.

The Issuer is of the opinion that systemic risk to the markets in which it operates continues to exist, and dislocations caused by the interdependency of financial market participants continues to be a potential source of material adverse changes to the Issuer's business, financial condition, results of operations, liquidity and/or prospects.

**Inflation and deflation may negatively affect the Issuer's business**

A sustained increase in the inflation rate in the Issuer's principal markets would have multiple impacts on it and may negatively affect its business, solvency position and results of operations. For example, a sustained increase in the inflation rate may result in an increase in market interest rates, which may:

1. decrease the estimated fair value of certain fixed income securities that the Issuer holds in its investment portfolio, resulting in:
  - reduced levels of unrealised capital gains available to the Issuer, which could negatively impact its solvency position and net income; and/or
  - a decrease in collateral values;
2. require the Issuer, as an issuer of securities, to pay higher interest rates on debt securities that it issues in the financial markets from time to time to finance its operations, which would increase its interest expenses and reduce its results of operations; and/or
3. decrease of demand for new mortgage loans due to decreased borrowers' affordability,

A significant and sustained increase in inflation has historically also been associated with decreased prices for equity securities and sluggish performance of equity markets generally. A sustained decline in equity markets may negatively impact the ability of the Issuer's asset management activities to retain and attract assets under management, as well as the value of assets they manage, which may negatively impact their results of operations.

On the other hand, deflation experienced in the Issuer's market may also adversely affect its financial performance. In recent years, the risk of low inflation and even deflation (i.e. a continued period with negative rates of inflation) in the eurozone has materialised. Deflation may erode collateral values and diminish the quality of loans (decreased borrowers' affordability due to lower income growth) and cause a decrease in borrowing levels, which would negatively affect the Issuer's business and results of operations.

## **Risks Related to the Business**

### **A significant portion of the results of the Issuer relates to its mortgage loan products**

Mortgage loans constitute 85 per cent. of the pro forma combined balance sheet of the Issuer and Delta Lloyd Bank at year-end 2017. An economic downturn, stagnation or drop in property values, changes in or abolition of the tax deductibility of interest payments on residential mortgage loans in the Netherlands, increased interest rates or a combination thereof, could lead to a decrease in the production of new mortgage loans and/or increased default rates on existing mortgage loans. Further, a decrease in the general level of interest rates could affect the Issuer through, among other things, increased prepayments on the loan and mortgage portfolio for instance as a result of low interest rates on saving accounts. Consequently prepayments on mortgage loans is more beneficial to consumers than savings. Recently there has been a relatively high level of such prepayments. Also, fixation of lower margins for long interest rate reset periods on mortgage loans provided to customers may have a prolonged impact on the Issuer's results of operations.

### **Changes to the Dutch tax treatment of interest on mortgage loans may bring various risks**

The Dutch tax system allows borrowers to deduct, subject to certain limitations, mortgage interest payments for owner-occupied residences from their taxable income. The deduction period allowed is restricted to a term of thirty (30) years and it only applies to mortgage loans secured by owner occupied properties. Since 2004, the tax deductibility of mortgage interest payments has been restricted under the so-called additional borrowing regulation (*Bijleenregeling*). On the basis of this regulation, if a home owner acquires a new home and realises a surplus value on the sale of his old home in respect of which interest payments were deducted from taxable income, the interest deductibility is limited to the interest that relates to an amount equal to the purchase price of the new home less the net surplus value realised in the sale of the old home. Special rules apply to moving home owners that do not (immediately) sell their previous home.

As of 1 January 2013, interest deductibility in respect of mortgage loans originated after 1 January 2013 is restricted and is only available in respect of mortgage loans which amortise over thirty (30) years or less and are repaid on at least an annuity basis. In addition to these changes further restrictions on the interest deductibility have entered into force as of 1 January 2014. The tax rate against which the mortgage interest may be deducted will be gradually reduced as of 1 January 2014. For taxpayers in the highest income tax rate bracket the interest deductibility will be reduced by 0.5 per cent. per annum down to 38 per cent. in 2042.

On 10 October 2017, the four parties that have formed the new Dutch government released their coalition agreement (*regeerakkoord*) 2017-2021. In the coalition agreement, the new Dutch government announced, among other things, that from 2020 the decrease of the maximum interest deductibility for mortgage loans will be accelerated and will decrease with 3 per cent. annually down to 36.93 per cent. in 2023. Other tax measures have also been announced which may also have an impact. At the date of this Base Prospectus, it is not clear if, when and how these changes will be implemented and what the impact will be on the housing market and other relevant factors in relation to mortgage loans.

These changes and any further changes in the tax treatment could ultimately have an adverse impact on the ability of borrowers to pay interest and repay their mortgage receivables. In addition, changes in the deductibility of mortgage interest payments may lead to different prepayment behaviour by borrowers on their mortgage loans resulting in higher or lower prepayment rates of such mortgage loans. A sharp increase in demand for mortgage loans may lead to a situation in which the Issuer is unable to provide all requested loans due to funding and/or operational reasons. Finally, changes in tax treatment may have an adverse effect on the value of the Mortgaged Assets.

### **Revised treatment of risk premium in mortgage interest rates**

Most (major) offerors of mortgage loans in the Netherlands apply an interest rate pricing system based on risk-based pricing with multiple risk premium categories, whereby the interest rate for a mortgage loan is set depending on the loan-to-valuation ("LTV") ratio (a lower LTV will lead to a lower interest rate). In the past, mortgage loans originated by the Originators were eligible to move into another risk premium category only on the interest reset date.

The Issuer decided to implement a change to this pricing system, under which the mortgage loan can move into another (lower) risk premium category during the fixed interest rate term, if the LTV has decreased due to an increase of the house price and/or repayment.

The Issuer's amended interest rate pricing system allows for the adjustment of the mortgage interest rate by moving to a lower risk premium category (1) automatically following (partial) repayment of the loan principal, also taking into account (p)repayments that have already been made, and/or (2) upon request following a proven revaluation of the relevant mortgaged asset. The implementation of the amended interest rate pricing system will trigger a negative revaluation of the mortgage loans on the balance sheet of the Issuer.

The implementation as stated above will affect the proceeds of the Mortgage Receivables and will make the proceeds more dependent on house price changes and (p)repayment behaviour and/or may likely change the (p)repayment behaviour of Borrowers. This may have a material adverse effect on the Issuer's revenues and results of operations

**Risks following the introduction of a new mortgage source system for NN Bank**

In 2018 NN Bank introduced a new mortgage loan administration platform. From March 2018 onwards, newly originated NN-labelled mortgage loans are administered and serviced in this new administration system. Accordingly, existing mortgage loans in the current source system will be migrated to the new administration system in tranches. This is to ensure a safe and controlled migration to the new platform. Although the new administration system has been extensively tested, there may be the risk of loss of data quality and/or completeness of the mortgage data currently captured. This may result in, *inter alia*, incomplete or incorrect investor reporting and loan tapes.

**Market conditions may increase the risk of loans being impaired. The Issuer is exposed to declining property values on the collateral supporting residential real estate lending**

The Issuer is exposed to the risk that its borrowers may not repay their loans according to their contractual terms and that the collateral securing the payment of these loans may be insufficient. The Issuer may continue to see adverse changes in the credit quality of its borrowers and counterparties, for example as a result of their inability to refinance their indebtedness, with increasing delinquencies, defaults and insolvencies across a range of sectors. This may lead to higher additions to loan loss provisions on the loan portfolio and/or higher level of impaired loans. A significant increase in the size of the Issuer's provision for loan losses or the level of impaired loans could have a material adverse effect on its financial position and results of operations.

Economic and other factors could lead to further contraction in the residential mortgage and commercial lending market (including, without limitation, lending to small and medium-sized enterprises) and to further decreases in residential property prices or increases in arrears which could generate substantial increases in loan loss provisions and/or impaired loans.

**A significant portion of the Issuer's funding relates to (short-term) savings deposits**

Customer deposits and other funds on deposit constitute 67 per cent. of the pro forma combined balance sheet of the Issuer and Delta Lloyd Bank at year end 2017. Almost half of customer deposits and other funds on deposit relates to deposits on internet-based savings accounts without any restrictions for withdrawals. When a customer with such savings requests a withdrawal, the Issuer will transfer such withdrawal to the external payment account of that customer within one business day. Reduced consumer confidence could lead to an increased withdrawal of savings deposits via internet banking. Consumer confidence in the Issuer may be negatively influenced by for example rumours, negative publicity or a hoax on social media, which in turn may lead to a large increase of withdrawals of savings deposits, and ultimately may lead to a run on the bank. A large amount of withdrawals may materially adversely affect the Issuer's liquidity levels. This could force the Issuer to (i) use its liquidity buffers, (ii) delay or (temporary or permanent) cease new business, (iii) reduce, cancel or postpone interest payments on its capital securities, or (iv) sell its assets under less favourable terms than the Issuer would otherwise do. This would have the potential to decrease both the Issuer's profitability and its financial flexibility. A continuing run on the bank may lead to the Issuer not meeting its regulatory requirements which ultimately may lead to a default of the Issuer.

**Because the Issuer operates in highly competitive markets, it may lose its competitive position and market share, which may have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects**

The Issuer faces intense competition, including from new competitors in the Dutch market. The Issuer competes based on a number of factors, including the NN brand recognition, reputation, scope of distribution,



quality of service, product features and price. A decline in the Issuer's competitive position could have a material adverse effect on its business, revenues, results of operations, financial condition and prospects.

Recently a number of new competitors entered the Dutch retail mortgage and savings market. Some of these new competitors may have lower (relative) operating costs and an ability to absorb greater risk more competitively, which could adversely affect the Issuer's ability to obtain new, or retain existing, customers, or its ability to adjust prices. These competitive pressures could result in increased pressure on product pricing on a number of the Issuer's products and services, which may adversely affect the Issuer's operating margins, underwriting results and capital requirements, or reduce market share, any of which could have a material adverse effect on the Issuer's business, revenues, results of operations and prospects. Consumer demand, technological changes, regulatory changes and actions and other factors also affect competition. Generally, the Issuer could lose market share, incur losses on some or all of its activities and experience lower growth if it is unable to offer competitive, attractive and innovative products and services that are also profitable, does not choose the right product offering or distribution strategy, fails to implement such a strategy successfully or fails to adhere or successfully adapt to such demands and changes. Developing technologies are accelerating the introduction and prevalence of alternative distribution channels, particularly the internet. Such alternative (direct) distribution channels may also increase the possibility that new competitors whose competencies include the development and use of these alternative distribution channels may enter the markets in which the Issuer operates.

**A downgrade or a potential downgrade in the Issuer's credit ratings could result in, amongst others, a loss of existing or potential business, and decreased liquidity, each of which could have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects**

Credit ratings represent the opinions of rating agencies regarding an entity's ability to repay its indebtedness. The Issuer's credit ratings are important to its ability to issue debt and to the cost of such financing. In the event of a downgrade the cost of issuing debt will increase, having an adverse effect on net results. The Issuer has a credit rating from S&P. S&P reviews its ratings and rating methodologies on a recurring basis and may decide on a downgrade at any time.

Furthermore, the Issuer's assets are risk weighted. Downgrades of these assets could result in a higher risk weighting which may result in higher capital requirements. This may impact net earnings and the return on capital, and may have an adverse impact on the Issuer's competitive and liquidity position and, therefore, its ability to make the payment due under the Covered Bonds. In addition, a downgrade of the Issuer's credit rating could have a negative effect on the credit rating of the Covered Bonds.

As rating agencies continue to evaluate the financial services industry, it is possible that rating agencies will heighten the level of scrutiny that they apply to financial institutions, increase the frequency and scope of their credit reviews (including the provision of unsolicited credit ratings), request additional information from the companies that they rate and potentially adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain ratings levels. It is possible that the outcome of any such review of the Issuer would have additional adverse ratings consequences, which could have a material adverse effect on the Issuer's results of operations, financial condition and liquidity. The Issuer may need to take actions in response to changing standards set by any of the rating agencies which could cause its business and operations to suffer. The Issuer cannot predict what additional actions a rating agency may take, or what actions the Issuer may take in response to the actions of the rating agency.

**In valuing its balance sheet risks and in pricing its products, the Issuer uses assumptions to model the impact of future customers' behaviour, which may be different from the actual impact of future customers' behaviour. A discrepancy between assumed behaviour and actual experience, as well as changes to the assumptions used in the modelling, may have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects**

The Issuer is exposed to risks associated with the future behaviour of customers which may have an impact on future payment and prepayment patterns. Relevant customers behaviours include, among others, withdrawal decisions, decisions on whether or not to redeem (part of) their loans, decisions on whether or not to save or invest monies and choices regarding the underlying fund composition in relation to certain investment products. Risks arise from the discretions afforded to customers under the products, and decisions by customers on whether or not to perform under the products. Customer behaviour and patterns

can be influenced by many factors, including financial market conditions and economic conditions generally. Factors such as customer perception of the Issuer, awareness and appreciation by customers of potential benefits of early redemptions of (mortgage) loans, and changes in laws (including tax laws that make relevant products more or less beneficial to customers from a tax perspective) can also affect customer behaviour. Other factors, less directly related to the product, such as a change in state pensions, an increase or decrease in the preference of consumers for cash at hand, the existence and terms of competing products, changes in tax regulations which allow customers with a fiscal-driven product to withdraw monies with lower or no tax levies and others, may also have an impact on customer behaviour. A discrepancy between assumed customer behaviour and actual experience, as well as changes to the assumptions used in the modelling, may have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects.

**One of the Issuer's most important distribution channels is its network of independent intermediaries. A failure by the Issuer to maintain a competitive distribution network, or to attain a market share of new sales and distribution channels that is comparative to its market share of traditional channels, could have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects**

One of the main primary distribution channels of the Issuer is its network of intermediaries through which it sells and distributes its products. The intermediaries through whom the Issuer sells and distributes its products are independent of the Issuer, with the exception of the own advisors of the Issuer. Moreover, the Issuer does not have exclusivity agreements with intermediaries, so they are free to offer products from competitors and there is no obligation to favour the Issuer products. The successful distribution of the Issuer products therefore depends in part on the choices an intermediary may make as regards its preferred offeror, and as regards its preferred products and services. A failure by the Issuer to maintain a competitive distribution network, including participation in, or the development of, an internet-based platform to maintain its market share of new sales through this distribution channel compared to its market share of traditional channels, could have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects.

**Interest rate volatility and other interest rate changes may adversely affect the Issuer's profitability**

Changes in prevailing interest rates may negatively affect the Issuer's business, including the level of net interest revenue the Issuer earns, and the levels of deposits and the demand for loans. In a period of changing interest rates, interest expense may increase and interest credited to accountholders may change at different rates than the interest earned on assets. Accordingly, changes in interest rates could decrease net interest revenue. Changes in interest rates may negatively affect the value of the Issuer's assets and its ability to realise gains or avoid losses from the sale of those assets, all of which also ultimately affect earnings and capital, as well as the Issuer's regulatory solvency position. A sustained increase in the inflation rate in the Issuer's principal markets may also negatively affect its business, financial condition and results of operations. For example, a sustained increase in the inflation rate may result in an increase in nominal market interest rates. A failure to accurately anticipate higher inflation and factor it into the Issuer's product pricing assumptions may result in mispricing of its products, which could materially and adversely impact its results of operations. On the other hand, recent concerns regarding negative interest rates and the low level of interest rates generally may negatively impact the Issuer's net interest income, which may have an adverse impact on its profitability.

Declining interest rates or a prolonged period of low interest rates may result in:

- higher than expected prepayment or redemption of mortgages and fixed maturity securities in the Issuer's investment portfolio, as borrowers seek to borrow at lower interest rates potentially combined with lower credit spreads. Consequently, the Issuer may be required to reinvest the proceeds into assets at lower interest rates;
- decreased borrowers' affordability as a low interest rate environment often corresponds with a combination of low economic growth, high unemployment and typically less income growth. Consequently, the Issuer may originate less mortgage loans and face a higher probability of default on existing loans with fixed interest reset tenors;
- lower interest rates may cause asset margins to decrease thereby lowering the Issuer's results of operations. This may for example be the consequence of increased competition for investments as result of the low rates, thereby driving margins down;

- lower profitability as the result of a decrease in the spread between client rates earned on assets and client rates paid on savings, current account and other liabilities;
- higher costs for certain derivative instruments that may be used to hedge certain of the Issuer's product risks;
- (depending on the position) a significant collateral posting requirement associated with the Issuer's interest rate hedge programmes, which could materially and adversely affect liquidity and its profitability;
- outflow of liabilities for example due to low rates paid on them; and/or
- lower earnings over time on investments, as reinvestments will earn lower rates.

All these effects may be amplified in a (prolonged) negative rate environment. In such environment there may also be the risk that a rate is to be paid on assets, while there is no (partial) compensation on the liabilities.

This will reduce the Issuer's results of operations.

On the other hand, rapidly increasing interest rates may result in:

- lower than expected prepayment or redemption of mortgages and fixed maturity securities in the Issuer's investment portfolio, as borrowers maintain borrowing at the relatively lower fixed interest rate levels rather than prepaying on their mortgage loans. Consequently, the Issuer may be required to refinance at higher interest rates;
- decreased borrowers' affordability as a high interest rate environment would imply origination and resets at higher interest rate levels. Consequently, the Issuer may face a decrease in the demand for new loans and a higher probability of defaults on existing loans;
- outflow of liabilities for example due to increased competition;
- higher interest rates to be paid on debt securities that the Issuer has issued or may issue on the financial markets from time to time to finance its operations and on savings/other liabilities, which would increase its interest expenses and reduce its results of operations;
- (depending on the position) a significant collateral posting requirement associated with the Issuer's interest rate hedge programmes, which could materially and adversely affect liquidity and its profitability;
- decreased fee income associated with balances invested in fixed income funds;
- a material adverse effect on the value of the Issuer's investment portfolio by, for example, decreasing the estimated fair values of the fixed income securities within its investment portfolio;
- higher interest rates can lead to lower investments prices and a reduction in the revaluation reserves, thereby lowering IFRS equity and the capital ratios. Also the lower securities value leads to a loss of liquidity generating capacity which needs to be compensated by attracting new liquidity generating capacity which reduces the Issuer's results of operations; and/or
- in the event liability outflow is experienced, this may result in realised investment losses, in case investments are to be sold when prices become depressed due to the higher interest rates and/or higher credit spreads. Regardless of whether an investment loss is realised, these outflows would result in a decrease in total invested assets, and may decrease the Issuer's net income.

**The Issuer's hedging programme may prove inadequate or ineffective for the risks it addresses, which could have a material adverse effect on the Issuer's business, results of operations, financial condition and prospects**

The Issuer employs a hedging programme with the objective of mitigating risks inherent in its business and operations, being the effect of interest rates. As part of its risk management strategy, the Issuer employs the hedging programme to control these risks by entering into derivative financial instruments (swaps). Developing an effective strategy for dealing with the risks described above is complex, and no strategy can completely protect the Issuer from such risks. The Issuer's hedging programme is based on financial market and customer behaviour models using, amongst others, statistics, observed historical market and customer behaviour, underlying (loan) product terms and conditions, and the Issuer's own judgment, expertise and experience. These models are complex and may not identify all exposures, may not accurately estimate the magnitude of identified exposures or may not accurately determine the effectiveness of the hedge instruments, or fail to update hedge positions quickly enough to effectively respond to market movements. Furthermore, the effectiveness of these models depends on information regarding markets, customers, the Issuer's loan portfolio and other matters, each of which may not always be accurate, complete, up to date or properly evaluated. A hedging programme also involves transaction and other costs, and, if the Issuer

terminates a hedging arrangement, it may be required to pay additional costs, such as transaction fees or breakage costs. The Issuer may incur losses on transactions after taking into account hedging strategies. Although the Issuer follows policies and procedures to identify, monitor and manage risks associated with the hedging programme, the hedging programme may not be effective in mitigating the risks that it is intended to hedge, particularly during periods of financial market volatility. Furthermore, the derivative counterparty in a hedging transaction may default on its obligations. The Issuer could be required to post (additional) collateral if, for instance, equity markets fall, interest rates move or the Issuer's counterparties amend their view on the Issuer's creditworthiness. Although it is the Issuer's policy to fully collateralise derivative contracts, and differences in market value of the collateral are settled between the relevant parties on a daily basis, it is still exposed to counterparty risk. For instance, the Issuer is dependent on third parties for the daily calculation of the market values of the derivative collateral. If these third parties (mostly large institutions) miscalculate the collateral required and the counterparty fails to fulfil its obligations under the derivative contract, it could result in unexpected losses, which could have a material adverse effect on the business, revenues, results of operations and financial condition of the Issuer. The Issuer's inability to manage risks successfully through derivatives (including a single counterparty's default and the systemic risk that a default is transmitted from counterparty to counterparty) could have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects.

**The Issuer is exposed to counterparty risk. Deteriorations in the financial soundness of other financial institutions, sovereigns or other contract counterparties may have a material adverse effect on the Issuer's business, revenues, results of operations and financial condition**

Due to the nature of the global financial system, financial institutions, such as the Issuer, are interdependent on other financial institutions as a result of trading, counterparty and other relationships. Other financial institutions with whom the Issuer conducts business act as counterparties to the Issuer in such capacities as issuers of securities, customers, banks, reinsurance companies, trading counterparties, counterparties under swaps and credit and other derivative contracts, clearing agents, exchanges, clearing houses, intermediaries, commercial banks, investment banks, mutual and hedge funds and other financial intermediaries. In any of these capacities, a financial institution acting as counterparty may not perform their obligations due to, among other things, bankruptcy, lack of liquidity, market downturns or operational failures, and the collateral or security they provide may prove inadequate to cover their obligations at the time of the default. A default by any financial institution, or by a sovereign, could lead to additional defaults by other market participants. The failure of a sufficiently large and influential financial institution or sovereign has in the past disrupted, and could in the future disrupt, securities markets or clearance and settlement systems, and could lead to a chain of defaults because the commercial and financial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of one or more counterparties may lead to market-wide liquidity problems and losses or defaults by the Issuer or by other institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which the Issuer interacts on a daily basis. Systemic risk could have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects.

With respect to secured transactions, the Issuer's credit risk may be exacerbated when the collateral held by the Issuer cannot be realised, or is liquidated at prices not sufficient to recover the full amount of the relevant secured loan or secured derivative. The Issuer has credit and counterparty exposure to a number of financial institutions.

In addition, the Issuer is subject to the risk that its rights against third parties may not be enforceable in all circumstances. The deterioration or perceived deterioration in the credit quality of third parties whose securities or obligations the Issuer holds could result in losses and/or adversely affect its ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes. A significant downgrade in the credit ratings of the Issuer's counterparties could also have a negative impact on its income and risk weighting, leading to increased capital requirements.

While in many cases the Issuer is permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral it is entitled to receive and the value of secured assets. The Issuer's credit risk may also be exacerbated when the collateral it holds cannot be realised or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure that is due to the Issuer, which is most likely to occur during periods of illiquidity and depressed asset

valuations, such as those experienced during the recent financial crisis. The termination of contracts and the foreclosure on collateral may subject the Issuer to claims for the improper exercise of its rights under such contracts. Bankruptcies, downgrades and disputes with counterparties as to the valuation of collateral tend to increase in times of market stress and illiquidity.

Any of these developments or losses could materially and adversely affect the Issuer's business, financial condition, results of operations, liquidity and/or prospects.

**The determination of the amount of impairments taken on the Issuer's investment and other financial assets is subjective and could have a material adverse effect on the Issuer's results of operations and financial condition**

Impairment evaluation of the Issuer's investment and other financial assets is a complex process that involves significant judgments and uncertainties that may have a significant impact on the Issuer's results of operations and financial condition. All debt and equity securities (other than those carried at fair value through profit and loss) held by the Issuer are subject to impairment testing every reporting period. The carrying value is reviewed in order to determine whether an impairment loss has been incurred. Evaluation for impairment includes both quantitative and qualitative considerations. For debt securities, such considerations include actual and estimated incurred credit losses indicated by payment default, market data on (estimated) incurred losses and other current evidence that the relevant issuer may be unlikely to pay amounts when due. Equity securities are impaired when management believes that, based on (the combination of) a significant or prolonged decline of the fair value below the acquisition price, there is sufficient reason to believe that the acquisition cost may not be recovered. Upon impairment, the full difference between the (acquisition) cost and fair value is removed from equity and recognised in net result. The identification of impairment is an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, statistical loss data, discount rates and observable market prices. Estimates and assumptions are based on management's judgment and other available information. Significantly different results can occur as circumstances change and additional information becomes known.

**The Issuer's risk management policies and guidelines may prove inadequate for the risks it faces**

The Issuer has developed risk management policies and procedures and the Issuer expects to continue to do so in the future. Nonetheless, the Issuer's policies and procedures to identify, monitor and manage risks may not be fully effective, particularly during extremely turbulent times. The methods the Issuer uses to manage, estimate and measure risk are partly based on historic market behaviour. The methods may, therefore, prove to be inadequate for predicting future risk exposure, which may be significantly greater than what is suggested by historic experience. For instance, these methods may not predict the losses seen in the stressed conditions in recent periods, and may also not adequately allow prediction of circumstances arising due to the government interventions, stimulus and/or austerity packages, which increase the difficulty of evaluating risks. In order to mitigate these risks, the Issuer engages in stress testing and scenario analysis. However, these procedures will never be able to cover all potential future outcomes. Other methods for risk management are based on evaluation of information regarding markets, customers or other information that is publicly known or otherwise available to the Issuer. Such information may not always be correct, updated or correctly evaluated.

**The Issuer's residential mortgage portfolio is exposed to the risk of default by borrowers and to declines in real estate prices; these exposures are concentrated in the Netherlands**

The Issuer is exposed to the risk of default by borrowers under mortgage loans. Borrowers may default on their obligations due to bankruptcy, lack of liquidity, downturns in the economy generally or declines in real estate prices, operational failure, fraud or other reasons. The value of the secured property in respect of these mortgage loans is exposed to decreases in real estate prices, arising for instance from downturns in the economy generally, oversupply of properties in the market, and changes in tax regulations related to housing (such as the decrease in deductibility for tax purposes of interest on mortgage payments). Furthermore, the value of the secured property in respect of these mortgage loans is exposed to destruction and damage resulting from floods and other natural and man-made disasters. Damage or destruction of the secured property also increases the risk of default by the borrower. For the Issuer, all of these exposures are concentrated in the Netherlands because the mortgage loans have been advanced, and are secured by residential property, in the Netherlands. As of the date of this Base Prospectus, almost all of the aggregate principal amount of mortgage loans advanced in the Netherlands is secured by residential property, and a negligible amount by commercial property. An increase of defaults, or the likelihood of defaults, under the

mortgage loans, or a decline in property prices in the Netherlands, has had, and could have, a material adverse effect on the Issuer's results of operations and financial condition.

**The Issuer is exposed to the risk of damage to its brands and its reputation**

The Issuer's business and results of operations are, to a certain extent, dependent on the strength of its brands and NN Group's reputation. NN Group and its products are vulnerable to adverse market perception as it operates in an industry where integrity, customer trust and confidence are paramount. NN Group and therefore the Issuer is exposed to the risk that litigation (such as in connection with misselling), personnel fraud and other misconduct, operational failures, the negative outcome of regulatory investigations, press speculation and negative publicity, amongst others, whether or not founded, could damage its brands or reputation. Any of NN Group's brands or reputation could also be harmed if products or services recommended by NN Group (or any of its intermediaries) do not perform as expected or do not otherwise meet customer expectations (whether or not the expectations are founded), or the customer's expectations for the product change. Negative publicity could be based, for instance, on allegations that NN Group failed to comply with regulatory requirements or result from failures in business continuity or the performance of NN Group's information technology ("IT") systems, loss of customer data or confidential information, unsatisfactory service (support) levels, or insufficient transparency or disclosure of cost allocation (cost loading). Negative publicity adversely affecting NN Group's brands or its reputation could also result from any misconduct or malpractice by intermediaries, business promoters or other third parties linked to NN Group (such as strategic partners). Furthermore, negative publicity, and damage to NN Group's brands or reputation, could result from allegations that NN Group has invested in, or otherwise done business with, entities and individuals that are, or which become, subject to political or economic sanctions or are blacklisted, or which do not meet environmental and social responsibility standards. Any damage to NN Group's brands or reputation could cause existing customers or intermediaries to withdraw their business from the Issuer and potential customers or intermediaries to be reluctant or elect not to do business with the Issuer. Also, negative publicity could result in greater regulatory scrutiny and influence market or rating agencies' perception of the Issuer, which could make it more difficult for the Issuer to maintain its credit ratings. See also the risk factor '*A downgrade or a potential downgrade in the Issuer's credit ratings could result in, amongst others, a loss of existing or potential business, and decreased liquidity, each of which could have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects*' above.

Any damage to NN Group's brands or reputation could cause disproportionate damage to the Issuer's business, even if the negative publicity is factually inaccurate or unfounded.

**The acquisition by NN Group of Delta Lloyd may not give rise to the intended benefits to NN Group.**

On 5 October 2016, NN Group announced that it intended to make an all cash offer for all the issued and outstanding ordinary shares of Delta Lloyd. On 23 December 2016, NN Group and Delta Lloyd jointly announced that they had reached a conditional agreement on a recommended all cash public offer for all the issued and outstanding ordinary shares of Delta Lloyd. On 26 April 2017, NN Group announced that it had acquired 93.3 per cent. of the issued and outstanding ordinary shares of Delta Lloyd, as a result of which preparations could be taken to implement a triangular legal merger of Delta Lloyd into NN Group Bidco B.V. ("**NN Bidco**"), a direct wholly-owned subsidiary of NN Group (the "**Acquisition**").

On 31 May 2017, NN Group announced that it had executed the triangular legal merger of Delta Lloyd into NN Bidco, whereby remaining holders of issued and outstanding ordinary shares in the capital of Delta Lloyd received listed ordinary shares in the capital of NN Group. As part of the legal restructuring process, NN Group and NN Bidco executed a legal merger of NN Bidco into NN Group, which became effective on 31 December 2017. As a result of this, NN Bidco ceased to exist and NN Group assumed all assets and liabilities of NN Bidco.

No assurance is given that the commercial, operational and other benefits, including cost synergies, return on investment, that NN Group believes will arise as a result of the Acquisition, will in fact arise or arise on a timely basis, or that there will not be any negative impact on NN Group as a result of the Acquisition. No assurance is given that NN Group will be able to fully or effectively integrate Delta Lloyd (or its entities or assets) into its business in the future. The discontinuation of Delta Lloyd brands may result in customers either not entering into new business with entities within NN Group, or cancelling their existing contracts. The integration of Delta Lloyd may be complex and expensive, and depends largely on integrating the risk,

financial, technological and management standards, processes, procedures and controls of Delta Lloyd, as well as employees and other operational functions, into those of NN Group's business. Such integration will require management to devote significant time and resources to execute effectively, particularly in areas where the businesses of NN Group and Delta Lloyd differ. This may present a number of challenges for management, including management distraction and overstretch and the deferral, modification or cancellation of certain management plans and targets. In addition, expected business growth opportunities, increased competitive offering and advantages, revenue growth and cost synergies, operational efficiencies, improved customer proposition, more diversified product offering and other benefits may not materialise for various reasons, including if the assumptions upon which NN Group determined to proceed with the Acquisition are proved to be incorrect or if the integration of Delta Lloyd into NN Group's business is not successful, or not as successful as NN Group contemplated. No assurance can be given as to whether the concluded diligence undertaken has been sufficient to uncover all material issues (including, in relation to whether or not Delta Lloyd has complied or currently complies with all applicable laws and regulations), or to confirm that the Acquisition of Delta Lloyd will not negatively impact upon NN Group's business, including its overall financial, capital or liquidity position, or stability, or otherwise, and will not have a material adverse effect on the business, revenues, result of operation, financial condition and prospects of NN Group. As a result, if the anticipated synergies or other benefits of the Acquisition are not achieved, or not achieved in full, or in each case, not achieved on a timely basis, or those achieved are materially different from those that were expected to be achieved prior to the Acquisition, or if the Acquisition has a negative impact on NN Group, then this could have a material adverse effect on NN Group, including its business, operations, financial condition or stability, credit ratings, risk profile and prospects. In addition, the IFRS financials as well as key management information metrics of Delta Lloyd, including but not limited to expenses, value of new business and capital generation, may differ significantly when consolidated under NN Group policies and related standards when compared to similar information disclosed by Delta Lloyd as a stand-alone company before the Acquisition.

**The legal merger of Delta Lloyd Bank and NN Bank may not give rise to the intended benefits and/or may have a negative impact on NN Bank's business, including its overall financial, capital or liquidity position, or stability, or otherwise, and may have a material adverse effect on the business, revenues, result of operation, financial condition and prospects of NN Bank**

As part of the legal restructuring process, NN Group and NN Bidco executed a legal merger of NN Bidco into NN Group (the "**Merger**"), which became effective on 31 December 2017. As a result of this, NN Bidco ceased to exist and NN Group assumed all assets and liabilities of NN Bidco.

No assurance is given that the commercial, operational and other benefits, including cost synergies and operational results for 2018 and onwards, that NN Bank believes will arise as a result of the Merger, will in fact arise or arise on a timely basis, or that there will not be any negative impact on NN Bank as a result of the Merger. Also no assurance is given that NN Bank will be able to fully or effectively integrate Delta Lloyd Bank (or its entities or assets) into its business in the future. The discontinuation of Delta Lloyd brands may result in

customers either not entering into new business with NN Group, or cancelling their existing contracts. The integration of Delta Lloyd Bank may be complex and expensive, and depends largely on integrating the risk, financial, technological and management standards, processes, procedures and controls of Delta Lloyd Bank, as well as employees and other operational functions, into those of NN Bank's business. Such integration will require management to devote significant time and resources to execute effectively, particularly in areas where the businesses of NN Bank and Delta Lloyd Bank differ. This may present a number of challenges for management, including management distraction and overstretch and the deferral, modification or cancellation of certain management plans and targets. In addition, expected business growth opportunities, increased competitive offering and advantages, revenue growth and cost synergies, operational efficiencies, improved customer proposition, more diversified product offering and other benefits may not materialise for various reasons, including if the assumptions upon which NN Bank (or its shareholders) determined to proceed with the Merger are proved to be incorrect or if the integration of Delta Lloyd Bank into NN Bank's business is not successful, or not as successful as NN Bank contemplated. If a due diligence is undertaken, it may not be sufficient to uncover all material issues (including, in relation to whether or not Delta Lloyd Bank has complied or currently complies with all applicable laws and regulations), or to confirm that the Merger will not negatively impact upon NN Bank's business, including its overall financial, capital or liquidity position, or stability, or otherwise, and will not have a material adverse effect on the business, revenues, result of operation, financial condition and prospects of NN Bank. As a result, if the anticipated synergies or other benefits of the Merger are not achieved, or not achieved in full, or in each case, not achieved on a timely basis, or those achieved

are materially different from those that were expected to be achieved prior to the Merger, or if the Merger has a negative impact on NN Bank, then this could have a material adverse effect on NN Bank, including its business, operations, financial condition or stability, credit ratings, risk profile and prospects and key personnel may leave as a result of the Merger. It is also possible that the Merger and/or the integration of Delta Lloyd Bank into NN Bank's business could have a negative impact on its solicited or unsolicited credit ratings in the future and the solicited or unsolicited credit ratings assigned to the Covered Bonds (see further section 5 '*Nationale-Nederlanden Bank N.V.*').

#### **The Issuer's business is primarily concentrated in the Netherlands**

The Issuer generates its income in the Netherlands and therefore is particularly exposed to the economic, political and social conditions in the Netherlands. Economic conditions in the Netherlands can be difficult. Any long-term persistence of the difficult economic environment in the Netherlands could negatively affect the demand for the Issuer's products and services.

#### **The Issuer forms part of a group**

The Issuer forms part of NN Group and its operations are interdependent on and may be affected by developments concerning NN Group, such as, but not limited to, (i) capital contributions (*kapitaalstortingen*), (ii) credit ratings of NN Group or entities within NN Group and/or (iii) passing on of costs incurred or set off by NN Group or within NN Group. These interdependencies result in the fact that the Issuer may be affected by the realisation of certain risks of NN Group. See description of the Issuer in section 5 '*Nationale-Nederlanden Bank N.V.*'.

#### **Regulatory and Litigation Risks**

The Issuer is subject to comprehensive banking and other financial services laws and regulations, and to supervision by many regulatory authorities that have broad administrative powers over the Issuer. These laws and regulations have been and will be subject to changes, the impact of which is uncertain. Failure to comply with applicable laws and regulations may trigger regulatory intervention which may harm the Issuer's reputation, and could have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects

The Issuer is subject to comprehensive banking and other financial services laws and regulations, and to supervision by many regulatory authorities that have broad administrative and discretionary power over the Issuer. Amongst others, the laws and regulations to which the Issuer is subject concern: capital adequacy requirements; liquidity requirements; permitted investments; the distribution of dividends, product and sales suitability; product distribution; payment processing; employment practices; remuneration; ethical standards; anti-money laundering; anti-terrorism measures; prohibited transactions with countries and individuals that are subject to sanctions or otherwise blacklisted; anticorruption; privacy and confidentiality; recordkeeping and financial reporting; price controls, and exchange controls. The laws and regulations to which the Issuer is subject are becoming increasingly more extensive and complex and regulators are closely monitoring and scrutinising the industries in which the Issuer operates, and on the Issuer itself, placing an increasing burden on the Issuer's resources and expertise, and requiring implementation and monitoring measures that are costly. In some cases, the laws and regulations to which the Issuer is subject have increased because governments are increasingly enacting laws that have an extra-territorial scope. Regulations to which the Issuer is, and may be, subject may limit the Issuer's activities, including through its net capital, customer protection and market conduct requirements, may negatively impact the Issuer's ability to make autonomous decisions in relation to its businesses and may limit the information to which the Issuer has access in relation to those businesses, and result in restrictions on businesses in which the Issuer can operate or invest, each of which may have a material adverse effect on the Issuer's business, results of operations and prospects. As compliance with applicable laws and regulations is time-consuming and personnel-intensive, and changes in laws and regulations have increased, and may further increase, the cost of compliance has increased and is expected to continue to increase. Laws, regulations and policies currently governing the Issuer have changed, and may continue to change in ways which have had and may have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects.

The Issuer cannot predict whether or when future legislative or regulatory actions may be taken, or what impact, if any, actions taken to date or in the future could have. Financial regulation in the Member State in which the Issuer operates is mainly based on EU directives. However, differences may occur in the regulations of various Member States, and such differences between the regulations of Member States may



place the Issuer's business at a competitive disadvantage in comparison to other European financial services groups. Notwithstanding the Issuer's policy to maintain effective compliance procedures and to comply with applicable laws and regulations, these compliance procedures may be inadequate or otherwise ineffective, including as a result of human or other operational errors in their implementation, and the Issuer might fail to meet applicable standards. The Issuer may also fail to comply with applicable laws and regulations as a result of unclear regulations, regulations being subject to multiple interpretations or being under development, or as a result of a shift in the interpretation or application of laws and regulations (including EU Directives) by regulators. Failure to comply with any applicable laws and regulations could subject the Issuer to administrative penalties and other enforcement measures imposed by a particular governmental or self-regulatory authority, and could lead to unanticipated costs associated with remedying such failures (including claims from the Issuer customers) and adverse publicity, harm the Issuer's reputation, cause temporary interruption of operations and cause revocation or temporary suspension of the licence. Each of these risks, should they materialise, could have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects.

**The impact on the Issuer of recent and ongoing financial regulatory reform initiatives is uncertain**

As described above under 'The Issuer is subject to comprehensive banking and other financial services laws and regulations, and to supervision by many regulatory authorities that have broad administrative powers over the Issuer. These laws and regulations have been and will be subject to changes, the impact of which is uncertain. Failure to comply with applicable laws and regulations may trigger regulatory intervention which may harm the Issuer's reputation, and could have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects.', the Issuer is subject to comprehensive banking and other financial services laws and regulations, and to supervision by many regulatory authorities that have broad administrative and discretionary power over the Issuer.

In light of current conditions in the global financial markets and the global economy, regulators have increased their focus on the regulation of the financial services industry. The Netherlands has adopted, or is currently considering, major legislative and/or regulatory initiatives in response to the financial crisis. Governmental and regulatory authorities in the EU, the Netherlands and elsewhere are implementing measures to increase regulatory control in their respective financial markets and financial services sectors, including in the areas of prudential rules, capital requirements, executive compensation, crisis and contingency management, bank and financial transaction taxes and financial reporting, amongst others. Additionally, governmental and regulatory authorities in the Netherlands as well as in a multitude of jurisdictions continue to consider new mechanisms to limit the occurrence and/or severity of future economic crises (including proposals to restrict the size of financial institutions operating in their jurisdictions and/or the scope of operations of such institutions).

Financial regulatory reform initiatives could have adverse consequences for the financial services industry generally, including the Issuer. The Issuer cannot predict whether or when future legislative or regulatory actions may be taken, or what impact, if any, actions taken to date or in the future could have on its business, financial condition, results of operations, capital, liquidity and/or prospects. Despite the Issuer's efforts to maintain effective compliance procedures and to comply with applicable laws and regulations, there is a risk that the Issuer fails to meet applicable standards, for example in areas where applicable regulations may be unclear, subject to multiple interpretation or under development or may conflict with one another or where regulators revise their previous guidance or courts overturn previous rulings. Regulators and other authorities have the power to bring administrative or judicial proceedings against the Issuer, which could result, amongst other things, in suspension or revocation of its licences, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially harm the Issuer's results of operations and financial condition.

Recent and ongoing regulatory reform initiatives include, amongst others:

Basel III/Basel III Reforms/CRD V

The Issuer is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements. Since the financial crisis that started in 2008, financial institutions, including credit institutions such as the Issuer, have been subject to increased public and regulatory scrutiny, and new laws and regulations have been enacted. Specifically, in December 2010, the Basel Committee on Banking Supervision published its final standards on the revised capital adequacy

framework known as 'Basel III'. These standards are significantly more stringent than the capital adequacy requirements that were in place before Basel III. In order to facilitate the implementation of the Basel III capital and liquidity standards for banks and investment firms, CRD IV has been adopted. CRD IV consists of the CRD IV Directive and the CRR and aims to create a sounder and safer financial system. The CRD IV Directive governs amongst other things the permissibility of deposit-taking activities while the CRR establishes the majority of prudential requirements institutions need to respect. The CRD IV Directive entered into force in the Netherlands on 1 August 2014. The CRD IV Regulation entered into effect on 1 January 2014. Certain provisions stemming from the aforementioned regulations have yet to become applicable. Since the introduction of the Basel III framework, the Basel Committee published several consultation documents for amendment of Basel III. Any amendments resulting from these and possible future consultations are likely to affect rules contained in CRD IV and/or the application of CRD IV and the rules and regulations based thereon.

CRD IV resulted, *inter alia*, in the Issuer becoming subject to stricter capital and liquidity requirements and will also affect the scope, coverage, or calculation of capital. In addition, more stringent rules apply to instruments in order to constitute regulatory capital ("*toetsingsvermogen*"). The supervisory authorities could require the Issuer to take remedial action if it breaches any of the regulatory capital requirements. The remedial action could be to work closely with the authorities to protect customers' interests and to restore the Issuer's capital and solvency positions to acceptable levels. This may have a negative impact on the payments on the Covered Bonds.

As briefly referred to above, the Basel Committee published several consultation documents for amendment of Basel III. These consultations include, among others, proposals for revision of the standardised approaches for credit, operational and market risk, the introduction of capital floors based on standardised approaches, revision of the leverage ratio framework and enhancement of the Pillar III disclosure requirements. Of these proposals, the proposed revisions of the standardised approach for credit risk, in combination with the proposed capital floor framework based on the revised standard approaches for credit, market and operational risk, may have the most significant impact on the Issuer. The proposal regarding the revisions of the standardised approach for credit risk includes, among others, (i) introduction of due diligence requirements for assessing the creditworthiness of a bank's counterparties, (ii) enhancement of the requirements surrounding the use of external ratings, (iii) the introduction of risk drivers to determine risk weightings of certain asset classes and (iv) the introduction of higher risk weights for certain asset classes. The aim of the revision is to discourage banks from relying mechanically on external ratings for the assessment of an asset's creditworthiness. Relevant for the Issuer are in particular the proposed revisions with respect to exposures secured by real-estate (such as mortgage loans), including the proposal to use the LTV ratio as the main risk driver for risk weighting purposes, certain procedural aspects for being able to apply a preferential risk weight based on the LTV ratio (e.g. required documentation) and the treatment of guarantees (such as the Dutch National Mortgage Guarantee, (*Nationale Hypotheek Garantie*)). The proposal regarding the capital floor based on the revised standardised approach for credit, market and operational risk forms part of a range of policy and measures that aim to enhance the reliability and comparability of risk weighted capital ratios across banks. Its objectives are, amongst others, to ensure that the level of capital across the banking system does not fall below a certain level, mitigate model risk and measurement error stemming from internally modelled approaches and address incentive-compatibility issues. Timing for adoption, content and impact of these proposals remains subject to considerable uncertainty. However, the implementation of amendments to the Basel III framework in general, and the revisions to the standardised approach for credit risk and the capital floor framework based thereon in particular, and the amendments of Basel III as already made public in several consultative documents, most notably on the treatment of credit and operational risks (which amendments are referred to as 'Basel IV'), could have a significant impact on the Issuer's financial position and results of operations and therefore its ability to make payments on the Covered Bonds.

Following certain proposals of the Basel Committee and the Financial Stability Board, the European Commission ("**EC**") proposed on 23 November 2016 a comprehensive package of banking reforms to CRD IV, the BRRD and the SRM Regulation (the "**EU Banking Reforms**"), including measures to increase the resilience of EU institutions and enhance financial stability. The EU Banking Reforms are wide-ranging and cover multiple areas, including: (a) a binding 3 per cent. leverage ratio, (b) a binding detailed net stable funding ratio, (c) a requirement to have more risk-sensitive own funds for banks trading in certain instruments (further to Basel Committee's fundamental review of the trading book), (d) a new category of 'non-preferred' senior debt, (e) the introduction of the new total loss-absorbing capacity ("**TLAC**") standard for G-SIIs, (f) an

amendment of the minimum requirement for own funds and eligible liabilities ("**MREL**") framework to integrate the TLAC standard and (g) a revised calculation method for derivatives exposures. It is expected that the EU Banking Reforms package will be adopted in 2018. Except for certain elements, such as the envisaged application of TLAC as of 1 January 2019 and the required implementation in the Member States of the 'non-preferred' senior debt ultimately by 29 December 2018, the timing for the entry into force of these reforms is, however, unclear at the date of this Base Prospectus.

On 7 December 2017, the Basel Committee published the finalised Basel III reforms as improvements to the global regulatory framework ("**Basel III Reforms**") (informally referred to as Basel IV). Basel III Reforms seeks to restore credibility in the calculation of risk weighted assets ("**RWA**") and to improve the comparability of banks' capital ratio. The most important changes involve stricter rules for internal models and a capital floor. The Basel III Reforms, however, also include revisions to the standardised approaches for credit risk, operational risk and CVA. Given that the Basel III Reforms will have to be transposed by the EU legislature, the precise impact of the Basel III Reforms on NN Bank remains uncertain.

#### Recovery and Resolution Directive, SRM and Wft

The BRRD and the SRM Regulation provide for the European framework for recovery and resolution of (amongst others) ailing banks, certain investment firms and certain group entities.

The BRRD was adopted by the European Council on 6 May 2014 and the SRM Regulation was adopted on 15 July 2014. The SRM Regulation will be directly applicable in the Member States participating in the SSM. Those parts of the SRM Regulation dealing with recovery and resolution entered into force as of 1 January 2016. On 26 November 2015 the law to implement the BRRD and to facilitate the application of the SRM Regulation in Netherlands (the "**BRRD Implementation Act**") entered into force.

The Issuer, as a bank established in a Member State participating in the SSM, will primarily be subject to the SRM under the SRM Regulation. The BRRD, however, which has been implemented in Dutch law, in addition provides for certain early intervention measures and for the powers of the competent resolution authority necessary to implement the decisions taken pursuant to the SRM Regulation. Although the SRM Regulation provides for the establishment of a European single resolution board (consisting of representatives of the ECB, the European Commission and the relevant national authorities) to be responsible for the effective and consistent functioning of the SRM (including the implementation of any resolution decisions), the Issuer, because it is a bank subject to the indirect supervision of the ECB, will in principle fall under the competency of the national resolution authority (i.e. DNB). In other words, the national resolution authority will in principle be responsible for setting the level of the MREL, writing down or converting relevant capital instruments, adopting resolution decisions and applying resolution tools in accordance with the resolution principles and in order to meet the resolution objectives.

The SRM and BRRD apply not only to banks, but may also apply to certain investment firms, group entities (including financial institutions subject to consolidated supervision and entities consolidated with the Issuer on the basis of the accounting rules) and (to a limited extent) branches of equivalent non-EEA banks and investment firms. In connection therewith, the SRM and BRRD recognise and enable the application of the recovery and resolution framework both on the level of an individual entity as well as on a group level. The below should be read in the understanding that the Issuer or any entity belonging to the group may become subject to requirements and measures under the SRM and BRRD not only with a view to or as a result of its individual financial situation, but also, in certain circumstances, with a view to or as a result of the financial situation of the group that it forms part of. For the avoidance of doubt, the below requirements and measures may also apply to any such group entity of the Issuer.

The early intervention measures that may be imposed by the competent regulator in respect of the Issuer in the event its financial condition is deteriorating could pertain, amongst others, to a change of its legal or operational structure, the removal of (individuals within) senior management or the management body and the appointment of a temporary administrator to work together or replace such (individual within) senior management or management body. The national resolution authority may also under certain circumstances decide to write down or convert relevant capital instruments, including Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments, in a certain order. If the Issuer would be failing or is likely to fail and the other resolution conditions would also be met, the national resolution authority may decide to place the Issuer under resolution. As part of the resolution scheme to be adopted by the national resolution authority it may decide to

apply certain resolution tools and exercise its powers pursuant to the implemented BRRD in order to give effect to such resolution tools. The resolution tools under the SRM Regulation and the BRRD Implementation Act include the sale of business tool, the bridge institution tool and the asset separation tool, each of which, in short, provides for a transfer of certain assets and/or liabilities of the institution under resolution to a third party. In addition, the SRM Regulation and the BRRD Implementation Act introduce the bail-in tool which gives the national resolution authority the power to write down or convert into equity certain debt and other liabilities of the institution.

The SRM Regulation and the BRRD Implementation Act also require banks to meet at all times a certain MREL, expressed as a percentage of the total liabilities and own funds. The competent resolution authority shall set a level of minimum MREL on a bank-by-bank basis based on assessment criteria to be set out in technical regulatory standards. In addition hereto, the FSB has developed proposals to enhance the TLAC of global systemically important banks in resolution. The FSB proposes minimum TLAC requirements to be set as a percentage of the loss-absorbing capital and debt against the balance sheet (both weighted and unweighted) (as further described below).

Some Member States have implemented legislation to provide for mandatory subordination of certain senior unsecured debt instruments, including bonds in bearer and registered form, amongst other reasons, in order for banks to be able to meet MREL and/or TLAC requirements. With a view to the new category of 'non-preferred' senior debt introduced as part of the EU Banking Reforms that banks could make use of, but which does not provide for any mandatory subordination, it is unlikely that similar legislation will be introduced. If such legislation would be introduced in the Netherlands, it could cause certain debt instruments of the Issuer to become subordinated to other senior debt instruments of the Issuer. As a result, in a resolution of the Issuer, such debt instruments would be bailed in prior to other senior unsecured liabilities and such a subordination may also have retroactive effect.

The resolution framework under the SRM Regulation and the BRRD purports, amongst others, to ensure the critical functionality of the relevant institution, to avoid significant adverse effects on the stability of the financial markets and to protect public funds. The SRM Regulation further introduces the single resolution fund ("**SRF**"), which for banks established in the members states participating in the SSM will replace the national resolution funds set up or to be set up further to the implementation of the BRRD. The SRF must be funded in order to ensure that the SRF has adequate financial resources to allow for an effective functioning of the resolution framework under the SRM Regulation. Similar to the national resolution funds under the BRRD, the SRF will be funded by ex-ante annual contributions from banks, such as the Issuer. For the SRF these will be calculated for each bank on the basis of their liabilities, excluding own funds and covered deposits, and adjusted for risk. The SRF will be built up over a period of eight (8) years to reach a target level of at least 1 per cent. of the amount of covered deposits of all banks authorised in all the member states participating in the SSM.

It is possible, pursuant to the BRRD and/or the SRM Regulation, that the relevant regulator or resolution authority may use its powers under the new regime in a way that could result in subordinated and/or senior debt instruments of the Issuer absorbing losses. The use of certain powers pursuant to the SRM Regulation, BRRD and BRRD Implementation Act could negatively affect the position of the Covered Bondholders and the credit rating attached to debt instruments then outstanding and could result in losses to Covered Bondholders, in particular if and when any of the above proceedings would be commenced against the Issuer. These measures could increase the Issuer's cost of funding and thereby have an adverse impact on the Issuer's financial position and results of operation. In addition, there could be amendments to the SRM, BRRD and BRRD Implementation Act, which may add to these effects. Covered bonds should normally be exempted from the applicability of the write-down and conversion powers described above, however this exemption does not apply if and to the extent the aggregate Principal Amount Outstanding of the Covered Bonds would exceed the value of the collateral available to secure such Covered Bonds. In addition, it is uncertain whether the Guarantee constitutes such collateral and therefore to what extent such exception applies to the obligations of the Issuer under the Covered Bonds. The resolution framework as described above provides for certain safeguards against a partial transfer and the exercise of certain resolution powers in respect of covered bonds, which ensures that rights arising out of covered bonds will not be affected by such partial transfer or exercise of such resolution power. However, it is unclear if and to what extent some of the rules may be applied, and to what extent the safeguards apply, to covered bonds. This will to a certain extent also be

subject to future Level II-legislation to be adopted by European legislators and regulatory authorities on the scope and interpretation of certain aspects of the BRRD and the SRM Regulation.

The EU Banking Reforms (as described above under "*Basel III/Basel III Reforms/CRD V*") include various amendments to the BRRD and SRM framework. Among others, the EU Banking Reforms contain a proposal for the implementation of the TLAC standard as well as an amendment of the MREL framework to integrate the TLAC standard. The TLAC standard adopted by the Financial Stability Board aims to ensure that G-SIBs have sufficient loss-absorbing and recapitalisation capacity available in resolution. To maintain coherence between the MREL rules (which apply to both G-SIBs and non-G-SIBs) and the TLAC standards, the EU Banking Reforms also propose a number of changes to the MREL rules applicable to non-G-SIBs, such as the Issuer, including (without limitation) the criteria for eligibility of liabilities for MREL. The EU Banking Reforms further provide for the resolution authorities to give guidance to an institution to have own funds and eligible liabilities in excess of the requisite levels for certain purposes. Furthermore, the EU Banking Reforms also include a directive which entered into force on 28 December 2017 amending the BRRD (the "**BRRD Amendment Directive**"). The BRRD Amendment Directive provides for an EU-harmonised approach on bank creditors' insolvency ranking that would enable banks to issue debt in a new statutory category of unsecured debt, ranking just below the most senior debt and other senior liabilities for the purposes of resolution, while still being part of the senior unsecured debt category. The EU Banking Reforms also propose a moratorium tool allowing for the suspension of certain contractual obligations for a short period of time in resolution as well as in the early intervention phase. As such, the EU Banking Reforms may affect the Issuer (including with regard to the MREL it must maintain) and the Covered Bonds (including with regard to their ranking in insolvency and their being at risk of being bailed-in). The BRRD Amendment Directive has to be implemented by the Member States by 29 December 2018. The Netherlands legislature has published the legislative proposal for implementation of the BRRD Amendment Directive on 9 March 2018. It is however subject to parliamentary debate and thus change, and the date of entry into force thereof is unclear at this time. The timing for the final implementation and applicability of the other reforms that form part of the EU Banking Reforms also remains unclear as at the date of this Base Prospectus. Furthermore, until the EU Banking Reforms are in final form, it is uncertain how the proposals will affect the Issuer or Covered Bondholders.

In addition to the SRM Regulation and the BRRD Implementing Act, the Dutch Financial Supervision Act (*Wet op het financieel toezicht* or "**Wft**") contains far-reaching intervention powers for the Dutch Minister of Finance with regard to banks or their parent undertakings established in the Netherlands, such as the Issuer, if the Minister of Finance deems that the stability of the financial system is in serious and immediate danger due to the situation that bank is in. The Wft empowers the Dutch Minister of Finance to (i) commence proceedings leading to ownership by the Dutch State (nationalisation) of the relevant financial institution, or also its parent company and expropriation of assets and liabilities, claims against it and/or securities, and (ii) take immediate measures which may deviate from statutory provisions or from the articles of association of the relevant financial institution.

The Issuer is unable to predict what effects, if any, the BRRD, the BRRD Implementation Act, the SRM Regulation, the EU Banking Reform proposals and the special resolution powers under the Wft may have on the financial system generally, the Issuer's counterparties, or on the Issuer, its group entities, its operations and/or its financial position or the Covered Bonds and/or the Programme.

#### Draft bill on recovery and resolution of insurers

On 28 November 2017, a legislative proposal for the recovery and resolution of insurers (*Wet herstel en afwikkeling van verzekeraars*) was published and submitted to the Dutch parliament (the "**Legislative Proposal**"). The Legislative Proposal, among other things, (i) expands and improves DNB's tools, including bail-in tools to write down debt or convert debt into equity, for recovering and resolving insurers in an orderly manner to protect the interests of the policyholders; and (ii) opens the possibility to pay advances (*voorschotten*) to policyholders of an insolvent insurer prior to the bankruptcy verification meeting (*verificatievergadering*).

As the Issuer forms a part of NN Group which includes an insurance company, the Legislative Proposal might (indirectly) affect the Issuer. However, the Issuer at this time is unable to predict what effects, if any, any actions taken under the Legislative Proposal may have on the financial system generally, the Issuer's counterparties, or on the Issuer, its operations and/or its financial position or the Covered Bonds if the

Legislative Proposal is adopted. The Legislative Proposal is subject to parliamentary discussion and therefore subject to change. Moreover, its envisaged date of entry into force is currently unclear.

#### Remuneration

As from 2011, credit institutions and investment firms based in European Member States have to comply with the variable pay constraints following from CRD III. These CRD III rules have been revised and as from 2014, credit institutions and investment firms based in Member States have to comply with the variable pay constraints following from CRD IV, including a bonus cap of 100 per cent. of fixed pay (or 200 per cent. if shareholders approve) for identified staff. These variable pay constraints are applicable to all operations of credit institutions and investment firms based in Member States (including their operations outside the EU). These variable pay constraints following from CRD IV were implemented in Dutch law on 1 August 2014. CRD IV allows Member States to introduce a more restrictive bonus cap. On 7 February 2015, the Act on Remuneration Policies in Financial Enterprises (*Wet beloningsbeleid financiële ondernemingen*) ("**ARPFE**") entered into force which is not only applicable to Dutch-based banks but also to Dutch-based insurance companies. The ARPFE introduces a cap for variable remuneration of 20 per cent. of fixed remuneration for all staff in the Netherlands. In the ARPFE, the following exceptions to the 20 per cent. cap are included: (i) for staff in the Netherlands whose remuneration does not exclusively fall under a collective labour agreement, the 20 per cent. cap does not apply on an individual basis, but it applies to the average variable remuneration of such staff whereby the maximum variable remuneration is capped at 100 per cent. of the fixed remuneration of each individual; (ii) for staff that work predominantly outside of the Netherlands, but within the EU, there is an individual variable remuneration cap of 100 per cent. of fixed remuneration; (iii) for staff that work predominantly outside the EU, an individual variable remuneration cap of 200 per cent. of fixed remuneration applies, subject to shareholder approval and notification to the regulator; and (iv) the 20 per cent. cap does not apply to legal entities whose regular business is managing one or more collective investment undertakings which are subject to AIFMD or UCITS. In addition, the ARPFE also covers a number of other topics, such as strict conditions on severance pay, prohibition on guaranteed bonuses and claw-back of variable remuneration and severance pay. Although exceptions to the 20 per cent. cap are available, these pay constraints may limit the Issuer's ability to attract and retain talented staff.

#### SIFIs

As a result of the financial crisis that started in 2008, international and domestic regulators have moved to protect the global financial system by adopting regulations intended to prevent the failure of systemically important financial institutions ("**SIFIs**") or, if one does fail, limiting the adverse effects of its failure. In November 2011, the FSB published a list of global systemically important financial institutions ("**G-SIFIs**"). Subsequently, in July 2013, the FSB designated nine global insurance companies as global systemically important insurers ("**G-SIIs**"). As a result, these firms will be subject to enhanced supervision and increased regulatory requirements in the areas of recovery and resolution planning as well as capital. The implementation deadlines for these requirements start after an insurer (like NN) has been designated as G-SIFI. The list of G-SIIs is expected to be updated annually and published in November every year, most recently on 21 November 2017. Although NN Group at this point in time does not expect to be designated a G-SIFI or a G-SII, it cannot be ruled out that this or similar supervision and regulation will apply to NN Group and therefore the Issuer in the future.

#### Risk associated with Compensation Schemes

In the Netherlands and other jurisdictions Compensation Schemes have been implemented from which compensation may become payable to customers of financial services firms in the event the financial service firm is unable to pay, or unlikely to pay, claims against it. In many jurisdictions these Compensation Schemes are funded, directly or indirectly, by financial services firms which operate and/or are licensed in the relevant jurisdiction. As a result of the increased number of bank failures, in particular since the fall of 2008, the Issuer expects that levies in the industry will continue to rise as a result of the Compensation Schemes. In particular, the Issuer is a participant in the Dutch Deposit Guarantee Scheme, which guarantees an amount of EUR 100,000 per person per bank (regardless of the number of accounts held). The costs involved with making compensation payments under the Deposit Guarantee Scheme are allocated amongst the participating banks by DNB, based on an allocation key related to their market shares with respect to the deposits protected by the Deposit Guarantee Schemes. The ultimate costs to the industry of payments which may become due under the Compensation Schemes remain uncertain, although they may be significant and these and the associated costs to the Issuer may have a material adverse effect on its results of operations and financial condition.

On 16 April 2014, the Recast Deposit Guarantee Directive was adopted. Pursuant to the Recast Deposit Guarantee Directive, the Deposit Guarantee Scheme changes from an ex-post scheme, where the Issuer contributes after the failure of a firm, to an ex-ante scheme where the Issuer and other financial institutions will pay risk-weighted contributions into a fund to cover future drawings under the Deposit Guarantee Scheme. The fund is expected to grow to a target size of 0.8 per cent. of all deposits guaranteed under the Deposit Guarantee Scheme. The target size should be reached by 2024. The costs associated with potential future ex-ante contributions are today unknown, and will depend on the methodology used to calculate risk-weighting, but may be significant. The Recast Deposit Guarantee Directive was implemented in the Netherlands on 26 November 2015.

#### Financial Transaction Tax

On 14 February 2013, the European Commission has published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transaction tax ("**FTT**") in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia, and Spain (the "**participating Member States**"). However, Estonia has since stated it will not participate.

The Commission's Proposal has a very broad scope and could, if introduced in its current form, apply to certain dealings in Covered Bonds (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Covered Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State. However, the Commission's Proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Given the lack of certainty surrounding the Commission's Proposal, it is not possible to predict what effect the proposed FTT might have. Prospective investors are advised to seek their own professional advice in relation to the FTT.

#### MiFID reform

On 3 January 2018, the Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments ("**MiFID II**"), replacing the Markets in Financial Instruments Directive (Directive 2004/39/EC, "**MiFID**"), entered into force. Furthermore, MiFID II was accompanied by Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments ("**MiFIR**"). MiFID II/MiFIR, *inter alia*, aim to strengthen investor protection and improve the functioning of the financial markets. New reporting requirements increased the amount of information available, and reduce the use of dark pools and OTC trading. The protection of investors is strengthened through the introduction of new requirements on product governance and independent investment advice, the extension of existing rules to structured deposits, and the improvement of requirements in several areas, including on the responsibility of management bodies, inducements, information and reporting to clients, cross-selling, remuneration of staff, and best execution. The new rules have been implemented in most jurisdictions, however for some EU member states the local implementation rules are not finalised yet and will continue to require attention throughout 2018.

#### EMIR

EMIR entered into force on 16 August 2012. It establishes certain requirements for over-the-counter (OTC) derivative contracts, including a mandatory clearing obligation, risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty and reporting requirements.

Under EMIR, (i) financial counterparties ("**FC**") and (ii) non-financial counterparties whose positions in OTC derivatives (including the positions of other non-financial entities in its group, but excluding any hedging positions) exceed a specified clearing threshold ("**NFC+**") must clear OTC derivative contracts that are entered into on or after the effective date for the clearing obligation, provided that such class of OTC derivative

contract has been declared subject to the clearing obligation. The Issuer is, however, of the view that the CBC currently qualifies as a non-financial counterparty whose positions in OTC derivatives are below the specified clearing threshold referred to under (i) above ("**NFC**"). This is, because the CBC's only positions in OTC derivatives would be the positions under the Swap Agreement (if any), which in its view would qualify as hedging positions under EMIR. In addition, to the Issuer's knowledge, no other non-financial entity in the CBC's group exceeds the clearing threshold. Should the CBC nonetheless qualify as a NFC+ (or FC), it would in principle become subject to the clearing obligation, although an exemption may be available.

OTC derivative contracts that are not cleared by a CCP are subject to certain other risk-mitigation requirements. These include arrangements for timely confirmation of OTC derivative contracts, portfolio reconciliation, dispute resolution and arrangements for monitoring the value of outstanding OTC derivative contracts. Certain of these risk mitigation requirements may impose obligations on the CBC in relation to the Swap Agreement (if any). Another risk mitigation requirement under EMIR is the mandatory margining of non-cleared OTC derivative contracts, which is currently being phased in. This requirement does, however, not apply to NFC's, such as the CBC (see above). Moreover, the risk management procedures for derivatives associated with covered bonds may specify that variation margin is not posted by the covered bond issuer or cover pool and that initial margin is not posted or not collected. This is, however, subject to certain conditions, which are substantially similar to the conditions for the clearing exemption referred to above.

In addition, under EMIR, any counterparty must timely report the conclusion, modification and termination of their OTC and exchange traded derivative contracts to a trade repository.

If the CBC is required to comply with certain obligations under EMIR which may give rise to more administrative burdens, additional costs and expenses for the CBC, this may in turn reduce amounts available to make payments with respect to the Covered Bonds. The CBC may also need to appoint a third party and/or incur costs and expenses to enable it to comply with the regulatory requirements imposed by EMIR. Pursuant to Article 12 (3) of EMIR any failure by a party to comply with the rules under Title II of EMIR shall not make an OTC derivative contract invalid or unenforceable.

If any party fails to comply with the rules under EMIR it may be liable for an incremental penalty payment or fine. If such a penalty or fine is imposed on the Issuer and/or the CBC, the Issuer and/or the CBC may have insufficient funds to pay its liabilities in full.

On 4 May 2017, the European Commission published a proposal for a regulation amending EMIR (the "**Amending Regulation**"). It includes, amongst others, changes to the reporting requirements and the application of the clearing thresholds for NFC, the introduction of a clearing threshold for FC and the removal of the frontloading requirement for contracts subject to the clearing obligation. The Amending Regulation, however, has yet to go through the EU legislative process and until it is in final form, it is uncertain if and how the proposals will affect the Issuer and/or the CBC. Finally, the timing for the implementation of the Amending Regulation as at the date of this Base Prospectus is unclear.

Prospective investors in the Covered Bonds should be aware that the regulatory changes arising from the Amending Regulation may in due course significantly increase the cost of entering into and/or maintaining derivative contracts and may adversely affect the ability of the Issuer and/or the CBC to engage in and/or maintain derivative contracts.

#### Benchmark Regulation

On 1 January 2018, the Benchmark Regulation became applicable, subject to certain transitional provisions. The Benchmark Regulation will contribute to the accuracy and integrity of benchmarks used in financial instruments and financial contracts or to measure the performance of investment funds by, among others, (i) ensuring that benchmark administrators are subject to prior authorisation and supervision depending on the type of benchmark, requiring greater transparency on how a benchmark is produced; (ii) ensuring the appropriate supervision of critical benchmarks, such as EURIBOR/LIBOR, the failure of which might create risks for market participants and for the functioning and integrity of markets and (iii) requiring EU supervised entities to only use benchmarks of administrators that are duly authorised/registered. As user of benchmarks for, amongst others, the debt securities it issues, the Issuer may only use benchmarks, which are in compliance with the Benchmark Regulation. See also the risk factor '*Changes or uncertainty in respect of*



*LIBOR and/or EURIBOR or other interest rate benchmarks may affect the value or payment of interest under the Covered Bonds'.*

The Financial Stability Board and additional governmental measures

In addition to the adoption of the laws, regulations and other measures described herein, regulators and lawmakers around the world are actively reviewing the causes of the financial crisis and exploring steps to avoid similar problems in the future. In many respects, this work is being led by the FSB, consisting of representatives of national financial authorities of the G20 nations. The G20 and the FSB have issued a series of papers and recommendations intended to produce significant changes in how financial companies, particularly companies that are members of large and complex financial groups, should be regulated. These proposals address such issues as financial group supervision, capital and solvency standards, systemic economic risk, corporate governance including executive compensation, and a host of related issues associated with responses to the financial crisis. The lawmakers and regulatory authorities in the Netherlands have already begun introducing legislative and regulatory changes taking into account G20 and FSB recommendations.

Furthermore, governments in the Netherlands and abroad have also intervened over the past few years on an unprecedented scale, responding to stresses experienced in the global financial markets.

**The Issuer is subject to stress tests and other regulatory enquiries. Stress tests and the announcement of the results by regulatory authorities can destabilise the banking sector and lead to a loss of trust with regard to individual companies or the banking sector as a whole. Such stress tests, and the announcement of the results, could negatively impact the Issuer's reputation and financing costs and trigger enforcement actions by regulatory authorities**

In order to assess the level of available capital and liquidity in the banking sector, the national and supra-national regulatory authorities (such as EIOPA and EBA) require capital and liquidity calculations and conduct stress tests where they examine the effects of various adverse scenarios on banks. Announcements by regulatory authorities that they intend to carry out such tests can destabilise the banking sector and lead to a loss of trust with regard to individual companies or the banking sector as a whole. In the event that the Issuer's results in such a calculation or test are worse than those of its competitors and these results become known, this could also have adverse effects on the Issuer's financing costs, customer demand for the Issuer's products and the Issuer's reputation. Furthermore, a poor result by the Issuer in such calculations or tests could influence regulatory authorities in the exercise of their discretionary powers.

**Because the Issuer is continuously developing new financial products and entering into financial transactions, it might be faced with legal claims, advocate groups and negative publicity that could have an adverse effect on its operations and net result if clients' expectations are not met**

The Issuer develops financial products whereby it takes into account the internal product approval requirements, compliance procedures and the applicable laws and regulations. When new financial products are brought to the market, communication and marketing aims to present a balanced view of the product (however there is a focus on potential advantages for the customers). If the Issuer enters into financial transactions and such products or transactions do not generate the expected profit for the Issuer's clients, or result in a loss, or otherwise do not meet expectations, customers may file misselling claims against the Issuer. Misselling claims are claims from customers who allege that they have received misleading advice or other information from either the Issuer internal or external advisors (even though the Issuer does not always have full control over the external advisors). Complaints may also arise if customers feel that they have not been treated reasonably or fairly, or that the duty of care has not been complied with (see also '*Adverse publicity, claims and allegations, litigation and regulatory investigations and sanctions may have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects*' below). While a considerable amount of time and money has been invested in reviewing and assessing historic sales and "know your customer" practices, and in the maintenance of risk management, legal and compliance procedures to monitor current sales practices, there can be no assurance that all of the issues associated with current and historic sales practices have been or will be identified, nor that any issues already identified will not be more widespread than presently estimated. The negative publicity associated with any sales practices, any compensation payable in respect of any such issues and/or regulatory changes resulting from such issues could have a material adverse effect on the Issuer's reputation, business, results of operations and prospects. Customer protection regulations as well as changes in interpretation and perception

by both the public at large and governmental authorities of acceptable market practices might influence client expectations.

**Adverse publicity, claims and allegations, litigation and regulatory investigations and sanctions may have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects**

The Issuer is subject to litigation, arbitration and other claims and allegations, including in connection with its activities as offeror of banking products and services, lender, employer, investor and taxpayer. The occurrence of such events could result in adverse publicity and reputational harm, lead to increased regulatory supervision, affect the Issuer's ability to attract and retain customers and maintain its access to the capital markets, result in cease-and-desist orders, claims, enforcement actions, fines and civil and criminal penalties, other disciplinary action, or have other material adverse effects on the Issuer in ways that are not predictable.

Over time, the regulatory requirements and expectations of various stakeholders, including customers, regulators and the public at large, as well as standards and market practice, have developed and changed, leading to increasing customer protection. As a result, costumers have claimed and may in the future claim that products sold in the past fail to meet current requirements and expectations and that the Issuer or any other financial institution(s) have failed to meet the required level of transparency where it concerns, for instance, cost charges, interest, product characteristics and related risks. In any such proceedings, it cannot be excluded that the relevant court, regulator, governmental authority or other decision-making body will apply current norms, requirements, expectations, standards and market practices on laws and regulations to products sold, issued or advised on by the Issuer.

Some claims and allegations may be brought by or on behalf of a class (a collective action), and claimants may seek large or indeterminate amounts of damages, including compensatory, liquidated, treble and punitive damages. In this respect, it should be noted that while the nature and application of a collective action may differ depending on jurisdiction, a collective action initiated in the Netherlands has as a main characteristic that a plaintiff cannot claim damages on behalf of a class of disadvantaged parties. Instead, Dutch law entitles claims organisations may demand other relief, most importantly, a 'declaration of law' by the court that a certain action was unlawful. Such declaration can then form the basis for an award for damages in individual cases. A declaration of law may also serve as a basis for negotiations between the defendant against which the declaration of law has been awarded and claims organisations representing disadvantaged parties, to come to a collective monetary settlement which can subsequently be declared binding by the Court of Appeal in Amsterdam and applied to the entire class of disadvantaged parties. It should be noted that in the Netherlands, on 16 November 2016 the Dutch minister of safety and justice submitted a legislative proposal which aims to enhance efficient and effective redress of mass claims, *inter alia* by way of permitting claims organisations to demand an award for damages. The Issuer's reserves for litigation liabilities may prove to be inadequate. Claims and allegations, should they become public, need not be well founded, true or successful to have a negative impact on the Issuer's reputation. In addition, press reports and other public statements that assert some form of wrongdoing on the part of the Issuer or other large and well-known companies (including as result of financial reporting irregularities) could result in adverse publicity and in inquiries or investigations by regulators, legislators and law enforcement officials, and responding to these inquiries and investigations, regardless of their ultimate outcome, is time-consuming and expensive.

Adverse publicity, claims and allegations (whether on an individual or collective basis), litigation and regulatory investigations and sanctions may have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects in any given period.

**Financial Conglomerate ("FICO")**

In April 2016, NN Group has been designated by DNB as a mixed financial holding company, also known as a FICO. NN Group is the holding company of licensed insurers, an asset manager and the Issuer. As of the designation as a FICO, the requirements that follow from the Financial Conglomerate Directive (2002/87/EC), as implemented in Dutch law, apply to NN Group. For insurance led FICOs, such as NN Group, the Issuer understands that DNB is currently of the view that the CRD IV and CRR requirements regarding prudential consolidation do not apply if a sole-financial holding exists above the entity which holds the banking license. As such the prudential requirements are calculated on the level of NN Bank. However, a different interpretation of these requirements by the EC, or future changes to these requirements, might lead to DNB

taking a different view in this respect. If so, this could lead to the application of other consolidation requirements for the Issuer, whereby the Issuer would need to include certain group elements in its capital calculation. This could have a material adverse effect on its business and requires NN Group to make changes to its business model.

#### **Risks related to the unit-linked products as offered by the Dutch insurance subsidiaries of NN Group N.V.**

Apart from the general obligation of contracting parties to provide information, there are several provisions of Dutch law applicable to offerors of financial products, such as investment mortgage loans, life mortgage loans, and switch mortgage loans with an investment alternative. In addition, several codes of conduct apply on a voluntary basis. On the basis of these provisions offerors of these products (and intermediaries) have a duty, *inter alia*, to provide the customers with accurate, complete and non-misleading information about the product, the costs and the risks involved. These requirements have become more strict over time. A breach of these requirements may lead to a claim for damages from the customer on the basis of breach of contract or tort or the relevant contract may be dissolved (*ontbonden*) or nullified (*vernietigd*) or a borrower may claim set-off or defences against the relevant originator (being NN Leven or the Issuer). The merits of such claims will, to a large extent, depend on the manner in which the product was marketed and the promotional material provided to the borrower. Depending on the relationship between the offeror and any intermediary involved in the marketing and sale of the product, the offeror may be liable for actions of the intermediaries which have led to a claim. The risk of such claims being made increases, if the value of investments made under investment mortgage loans or life insurance policies is not sufficient to redeem the relevant mortgage loans.

In this respect it is further of note that since the end of 2006, unit-linked products (commonly referred to in Dutch as '*beleggingsverzekeringen*') have received negative attention in the Dutch media, from the Dutch Parliament, the AFM and consumer protection organisations. Costs of unit-linked products sold in the past are perceived as too high and Dutch insurers are in general being accused of being less transparent in their offering of such unit-linked products. The criticism on unit-linked products led to the introduction of compensation schemes by Dutch insurance companies that have offered unit-linked products. In 2008 and 2010, Nationale-Nederlanden and Delta Lloyd (and ABN AMRO Levensverzekering in 2010) reached agreements with consumer protection organisations to offer compensation to unit-linked policyholders. The agreements with the consumer protection organisations are not binding to policyholders, and consequently, do not prevent individual policyholders from initiating legal proceedings against NN Group's Dutch insurance subsidiaries.

On 29 April 2015, the European Court of Justice issued its ruling on preliminary questions submitted by the District Court in Rotterdam, upon request of parties, including Nationale-Nederlanden, to obtain clarity on principal legal questions with respect to cost transparency in relation to unit-linked products. The main preliminary question considered by the European Court of Justice was whether European law permits the application of information requirements based on general principles of Dutch law that extend beyond information requirements as explicitly prescribed by laws and regulations in force at the time the policy was written. The European Court of Justice ruled that the information requirements prescribed by the applicable European directive may be extended by additional information requirements included in national law, provided that these requirements are necessary for a policyholder to understand the essential characteristics of the commitment and are clear, accurate and foreseeable. Although the European Court does not decide on the applicable standards in specific cases and solely provides clarification on the interpretation of the applicable European directive, the ruling of the European Court of Justice has given clarification on this question of legal principle which is also the subject of other legal proceedings in the Netherlands. Dutch courts will need to take the interpretation of the European Court of Justice into account in relevant proceedings.

In 2013 '*Vereniging Woekerpolis.nl*', and in 2017 '*Vereniging Consumentenbond*' and '*Wakkerpolis*', all associations representing the interests of policyholders of Nationale-Nederlanden, individually initiated so-called 'collective actions' against Nationale-Nederlanden. These claims have been rejected by Nationale-Nederlanden and Nationale-Nederlanden defends itself in these legal proceedings.

'*Vereniging Woekerpolis.nl*' requested the District Court in Rotterdam to declare that Nationale-Nederlanden sold products which are defective in various respects. '*Vereniging Woekerpolis.nl*' alleges that Nationale-Nederlanden failed to meet the required level of transparency regarding, cost charges and other product characteristics, failed to warn policyholders of certain product related risks, such as considerable stock

depreciations, the inability to realise the projected final policy value, unrealistic capital projections due to differences in geometric versus arithmetic returns and that certain general terms and conditions regarding costs were unfair. On 19 July 2017, the District Court in Rotterdam rejected all claims of '*Vereniging Woekerpolis.nl*' and ruled that Nationale-Nederlanden has generally provided sufficient information on costs and premiums. '*Vereniging Woekerpolis.nl*' has lodged an appeal with the Court of Appeal in The Hague against the ruling of the District Court in Rotterdam.

The claims from '*Vereniging Consumentenbond*' and '*Wakkerpolis*' are based on similar grounds as presented in the collective action initiated by '*Vereniging Woekerpolis.nl*'.

The claim from '*Wakkerpolis*' primarily concentrates on the recovery of initial costs for policyholders and refers to a ruling of the KiFiD in an individual case against Nationale-Nederlanden. In this case, the KiFiD's Dispute Committee and Committee of Appeal ruled that there is no contractual basis for charging initial costs and that the insurer is obliged to warn against the leverage and capital consumption effect. In its ruling of 22 June 2017, the Appeals Committee concluded that Nationale-Nederlanden, at the time of selling the unit-linked insurance product, should have provided more information to this individual customer than was prescribed by the laws and regulations applicable at that time. In the ruling in the collective action initiated by '*Vereniging Woekerpolis.nl*', the District Court in Rotterdam reached a different conclusion than the Appeals Committee of the KiFiD. The Court's judgment is in line with the Nationale-Nederlanden's view, that the provision of information needs to be assessed against the laws and regulations and norms applicable at the time of concluding the unit-linked insurance policy.

All life insurance policies and savings investment insurance policies with an investment alternative related to the mortgage loans may qualify as unit-linked products as referred to in the paragraphs above, and therefore exposed to this risk. Approximately 10 per cent. of the mortgage loans on the balance sheet of the Issuer has such insurance policies connected to them as collateral for the loans.

If the unit-linked products related to the mortgage loans would be legally dissolved or nullified, this would affect the collateral granted to secure these mortgage loans. 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. This may lead to material losses for the Issuer. Even if the mortgage loan is not affected, the borrower/insured may invoke set-off or other defences against the Issuer. When successful set-off defences do not lead to compensation by the relevant insurance company, this may lead to material losses for the Issuer. See also '*Risks related to offering of Investment Mortgage Loans, Life Mortgage Loans and Switch Mortgage Loans with an Investment Alternative*'.

**The Issuer is exposed to the risk of claims from customers who feel misled or treated unfairly because of advice or information received**

The Issuer's products are exposed to claims from customers who allege that they have received misleading advice or other information from advisers (both internal and external) as to which products were most appropriate for them, or that the terms and conditions of the products, the nature of the products or the circumstances under which the products were sold were misrepresented to them. When new financial products are brought to the market, the Issuer engages in a product approval process in connection with the development of such products, including production of appropriate marketing and communication materials. Notwithstanding these processes, customers may make claims against the Issuer if the products do not meet customer expectations. Customer protection regulations, as well as changes in interpretation and perception by both the public at large and governmental authorities of acceptable market practices, influence customer expectations. Products distributed through person-to-person sales forces have a higher exposure to these claims as the sales forces provide face-to-face financial planning and advisory services. Complaints may also arise if customers feel that they have not been treated reasonably or fairly, or that the duty of care has not been complied with. While a considerable amount of time and resources have been invested in reviewing and assessing historic sales practices, and in the maintenance of risk management, and legal and compliance procedures to monitor current sales practices, there can be no assurance that all of the issues associated with current and historic sales practices have been or will be identified, nor that any issues already identified will not be more widespread than presently estimated. The negative publicity associated with any sales practices, any compensation payable in respect of any such issues and regulatory changes resulting from such issues have had and may continue to have a material adverse effect on the Issuer's business, reputation, revenues, results of operations, financial condition and prospects.

**The Issuer is required to maintain significant levels of capital and to comply with a number of regulatory requirements relating thereto. If the Issuer was in danger of failing, or fails, to meet regulatory capital requirements or to maintain sufficient assets to satisfy certain regulatory requirements, the supervisory authorities have broad authority to require it to take steps to protect its clients and to compensate for capital shortfalls**

The Issuer is required to maintain significant levels of capital and to comply with a number of regulatory requirements relating thereto. The Issuer's supervisory authorities could require it to take remedial action if the Issuer breaches or is at risk of breaching any of the regulatory capital requirements. Amongst others, such breaches could be as a result of new regulatory requirements or as a result of material adverse developments in any of the legal and regulatory developments described above. In addition, the supervisory authorities could decide to increase the regulatory capital requirements of the Issuer, or the level of the Issuer's regulatory capital may decrease as a result of a change or difference in the interpretation or application of principle-based regulatory requirements, including capital and liquidity requirements, by or between the Issuer and the supervisory authorities. In this regard, DNB may give instructions on the interpretation of the regulatory requirements, including capital and liquidity requirements, and the application of the Issuer's funds to strengthen its capital position to levels above regulatory capital requirements, any of which may affect the ability of the Issuer to meet its obligations to its creditors, including Covered Bondholders. Remedial action could include working closely with the authorities to protect clients' interests and to restore the Issuer's capital and liquidity positions to acceptable levels and to ensure that the financial resources necessary to meet obligations to clients are maintained. In taking any such remedial action, the interests of the clients would take precedence over those of Covered Bondholders. If the Issuer is unable to meet its regulatory requirements by redeploying existing available capital, it would have to consider taking other measures to protect its capital and liquidity position. These measures might include divesting parts of its business, which may be difficult or costly or result in a significant loss. The Issuer might also have to raise additional capital in the form of subordinated debt or equity. Raising additional capital from external sources might be impossible due to factors outside the Issuer's control, such as market conditions, or it might be possible only on unfavourable terms. Any of these measures could have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects. If the regulatory requirements are not met (because the Issuer could not take appropriate measures or because the measures were not sufficiently effective), the Issuer could lose any of its licences and hence be forced to cease some or all of its business operations. The capital requirements applicable to the Issuer are subject to ongoing regulatory change.

**Changes in tax laws could materially impact the Issuer's tax position which could affect the ability of the Issuer to make payments to Covered Bondholders. Changes in tax laws may make some of the Issuer's banking products less attractive to customers, decreasing demand for certain of the Issuer's products, which may have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects**

Changes in the applicable tax legislation, in the interpretation of existing tax laws, amendments to existing tax rates, or the introduction of new tax legislation, specifically with respect to taxation of financial institutions, could lead to a higher tax burden on the Issuer, materially impact the Issuer's tax receivables and liabilities as well as deferred tax assets and deferred tax liabilities, and could have a material adverse effect on the Issuer's business, results of operations and financial condition. Amendments to applicable laws, orders and regulations may be issued or altered with retroactive effect. Additionally, tax authorities may change their interpretations of tax laws at any time, which may lead to a higher tax burden on the Issuer. While changes in taxation laws would affect the financial sector as a whole, changes may be more detrimental to particular operators in the industry. A higher tax burden on the Issuer could negatively impact the ability of the Issuer to make payments to Covered Bondholders.

Similarly, the design of certain of the Issuer's products is predicated on tax legislation valid at that time and these products may be attractive to customers because they afford certain tax benefits. For example: (a) annuity bank savings allow accountholders under certain conditions to deduct their payments from their taxable income; and (b) the tax deductibility of interest payments on mortgage loans. Future changes in tax legislation or its interpretation may, when applied to these products, have a material adverse effect on the Issuer's customers' demand for these products. Any of these developments could have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects.

On 10 October 2017, the four parties that formed the new Dutch government released their coalition agreement (*regeerakkoord*) 2017-2021. The coalition agreement sets out a large number of policy intentions of the new Dutch government. One of the policy intentions is the introduction of a 'thin capitalisation' rule for banks and insurers that would limit the deduction of interest on debt exceeding 92 per cent. of their commercial balance sheet total. Many aspects of this policy intention remain unclear, but if this initiative is implemented in Dutch tax law, this may have a material impact on the amount of interest that the Issuer may deduct for Dutch corporate income tax purposes and thus its financial position.

In addition, on 22 February 2018, the Court of Justice of the European Union ruled in the joined cases X BV (Case C-398/16) and X NV (Case C-399/16) against the Dutch State Secretary for Finance that certain elements of the Dutch fiscal unity regime for corporate income tax purposes are to be considered an unjustified violation of the freedom of establishment and are therefore contrary to European Union law. As a result, previously announced emergency legislation, changing the Dutch fiscal unity regime, will most likely enter into force with retroactive effect as from 25 October 2017 at 11:00 am (CET). The wording of this emergency legislation has not yet been made public. It is expected that a legislative proposal will be sent to Dutch parliament in the second quarter of 2018. This emergency legislation may have an impact on the tax position of the Issuer and the group companies included in its fiscal unity for Dutch corporate income tax purposes.

### **Operational Risks**

**The Issuer is subject to operational risks, which can originate from inadequate or failed internal processes and systems of the Issuer, the conduct of its personnel and third parties, and from external events that are beyond the Issuer's control. The Issuer's policies and procedures may be inadequate, or may otherwise not be fully effective. Should operational risks occur, they may have a material adverse effect on the Issuer's business, revenues, results of operations and financial condition**

The Issuer is subject to operational risks, which risks can originate from inadequate or failed internal processes and systems, the conduct of the Issuer's personnel and third parties (including intermediaries, tied agents and other persons engaged by the Issuer to sell and distribute its products and to provide other services to the Issuer), and from external events that are beyond the Issuer's control. The Issuer's internal processes and systems may be inadequate or may otherwise fail to be fully effective due to the failure by the Issuer's personnel and third parties (including intermediaries and other persons engaged by the Issuer to sell and distribute its products and to provide other services to the Issuer) to comply with internal business policies or guidelines, and (unintentional) human error (including during transaction processing), which may result in, among others: the incorrect or incomplete storage of files, data and important information (including confidential customer information); inadequate documentation of contracts and mistakes in the acceptance of mortgage loans applications. The Issuer has developed policies and procedures to identify, monitor and manage operational risks, and will continue to do so in the future. However, these policies and procedures may be inadequate, or may otherwise not be fully effective.

If any of these operational risks were to occur, it could result in, amongst others, additional or increased costs, errors, fraud, violations of law, investigations and sanctions by regulatory and other supervisory authorities, claims by customers, customer groups and customer protection bodies, loss of existing customers, loss of potential customers and sales, loss of receivables and harm the Issuer's reputation, any of which, alone or in the aggregate, could have a material adverse effect on the Issuer's business, revenues, results of operations, and financial condition.

**The occurrence of natural or man-made disasters may endanger the continuity of the Issuer's business operations and the security of the Issuer's personnel, which may have a material adverse effect on the Issuer's business, results of operations, financial condition and prospects**

The Issuer is exposed to various risks arising from natural disasters (including hurricanes, floods, fires and disease), as well as man-made disasters and core infrastructure failures (including acts of terrorism, war, military actions and power grid and telephone/internet infrastructure failures). These natural and man-made disasters may endanger the continuity of the Issuer's business operations and the security of the Issuer's personnel, and may adversely affect the Issuer's business, results of operations and financial condition by causing, among other things:

- disruptions of the Issuer's normal business operations due to property damage, loss of life or disruption of public and private infrastructure, including information technology and communications services, and financial services;
- losses in the Issuer's investment portfolio due to significant volatility in global financial markets or the failure of counterparties to perform; and
- changes in the rates of mortality, claims, premium holidays, withdrawals, lapses and surrenders of existing policies and contracts, as well as sales of new policies and contracts.

The Issuer's business continuity and crisis management plan or its insurance coverage may not be effective in mitigating the negative impact on operations or profitability in the event of a natural or man-made disaster or core infrastructure failure. The business continuity and crisis management plans of the Issuer's distributors and other third party vendors, on whom the Issuer relies for certain distribution and other services and products, may also not be effective in mitigating any negative impact on the provision of such services and products in the event of such a disaster or failure.

**The Issuer depends on the ability to attract and retain key personnel without whom the Issuer may not be able to manage its business effectively**

The loss of key personnel, and the failure to attract and retain key personnel with appropriate qualifications and experience, could have a material adverse effect on the Issuer's business and impair its ability to implement its business strategy. The Issuer's success depends in large part on its ability to attract and retain key personnel with appropriate knowledge and skills, particularly financial, investment, IT, risk management, underwriting, CRD and other specialist skills and experience. Competition for senior managers as well as personnel with these skills is intense among financial institutions, and the Issuer may incur significant costs to attract and retain such personnel or may fail to do so. While the Issuer does not believe that the departure of any particular individual would cause a material adverse effect on its operations, the unexpected loss of several members of the Issuer's senior management or other key personnel could have a material adverse effect on its operations due to the loss of their skills, knowledge of the Issuer's business and their years of industry experience, as well as the potential difficulty of promptly finding qualified replacement personnel. Any failure by the Issuer to attract or retain qualified personnel could have a material adverse effect on its business, revenues, results of operations and financial condition.

**The Issuer is exposed to the risk of fraud and other misconduct or unauthorised activities by the Issuer's personnel, distributors, customers and other third parties. The occurrence of fraud and other misconduct and unauthorised activities could result in losses and harm the Issuer's reputation, and may have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects**

The Issuer is exposed to the risk of fraud and other misconduct or unauthorised activities by the Issuer's personnel, distributors, customers and other third parties. Fraud typically occurs when these persons deliberately abuse the Issuer's procedures, systems, assets, products or services, and includes sales fraud (where, for instance, intermediaries design commission schemes that are not for bona fide customers, or are written for non-existent customers, in order to collect commissions that are typically payable in the first year of the contract, after which the policy is allowed to lapse), fraud in relation to loans (where, for instance, customers files falsified documents in order to get a (mortgage or consumer) loan or payments from a construction depot), fraud in relation to payment execution (where payments of policy benefits are fraudulently routed to bank accounts other than those of the relevant beneficiary), and forgery and other types of bank fraud. The occurrence of fraud and other misconduct and unauthorised activities could result in losses, increased costs, violations of law, investigations and sanctions by regulatory and other supervisory authorities, claims by customers, customer groups and customer protection bodies, loss of potential and existing customers, loss of receivables and harm to the Issuer's reputation, any of which, alone or in the aggregate, could have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects.

**Interruption or other operational failures in telecommunication, IT and other operational systems, or a failure to maintain the security, integrity, confidentiality or privacy of sensitive data in those systems, including as a result of human error, could have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects**

The Issuer is highly dependent on automated and IT systems to adequately secure confidential and business information, and to maintain the confidentiality, integrity and availability of information and data.

The Issuer could experience a failure of these systems, its personnel could fail to monitor and implement enhancements or other modifications to a system in a timely and effective manner, or its personnel could fail to complete all necessary data reconciliation or other conversion controls when implementing a new software system or implementing modifications to an existing system. Furthermore, NN Group relies on third party suppliers to provide certain critical information technology and telecommunication services to NN Group and its customers. For instance, in the Netherlands a significant part of NN Group's IT infrastructure is provided by a third party supplier. The failure of any one of these systems, or the failure of a third party supplier to meet its obligations, for any reason, or errors made by the Issuer's personnel or the third party supplier, could in each case cause significant interruptions to the Issuer's operations, harm the Issuer's reputation, adversely affect its internal control over financial reporting and have a material adverse effect on the Issuer's business, results of operations, financial condition and prospects.

The Issuer retains confidential information in its IT systems, and relies on industry standard commercial technologies to maintain the security of those systems. Anyone who is able to circumvent the Issuer's security measures and penetrate its IT systems could access, view, misappropriate, alter or delete information in the systems, including personally identifiable customer information and proprietary business information. Information security risks also exist with respect to the use of portable electronic devices, such as laptops and smartphones, which are particularly vulnerable to loss and theft. In addition, the laws of an increasing number of jurisdictions require that customers be notified if a security breach results in the disclosure of personally identifiable customer information.

Since 1 January 2016, the Issuer is required to notify certain data leakages of personal data to the Dutch Data Protection Authority (AP) within 72 hours after becoming aware of the leakage. Failure to do so may result in substantial regulatory fines.

Any compromise of the security of the Issuer's IT systems that results in unauthorised disclosure or use of personally identifiable customer information could harm the Issuer's reputation, deter purchases of its products, subject the Issuer to heightened regulatory scrutiny, substantial regulatory fines, or significant civil and criminal liability, and require that the Issuer incur significant technical, legal and other expenses, each of which could have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects.

**The Issuer is dependent on the continued performance, accuracy, compliance and security of third party service providers who provide certain critical operational support functions to the Issuer. Inadequate performance by these service providers could result in reputational harm and increased costs, which could have a material adverse effect on the Issuer's business, revenues, results of operations and prospects**

The Issuer has outsourced certain critical operational support functions to third party service providers, including to NN Group. The Issuer is dependent on the continued performance, quality of customer service, accuracy, compliance and security of these service providers. If the contractual arrangements with any third party service providers are terminated, the Issuer may not find an alternative provider of the services, on a timely basis, on equivalent terms or at all. Many of these service providers have access to confidential customer information, and any unauthorised disclosure or other mishandling of that confidential customer information could result in adverse publicity, reputational harm, deter purchases of the Issuer's products, subject the Issuer to heightened regulatory scrutiny, substantial regulatory fines, or significant civil and criminal liability, and require that the Issuer incur significant legal and other expenses. Any of these events could have a material adverse effect on the Issuer's business, revenues, results of operations and prospects.

## **Financial Reporting Risks**

**Changes in accounting standards or policies, or the Issuer's financial metrics, including as a result of choices made by the Issuer, could adversely impact the Issuer's reported results of operations and its reported financial condition**

The Issuer's consolidated annual accounts are subject to the application of IFRS, which is periodically revised or expanded. Accordingly, from time to time the Issuer is required to adopt new or revised accounting standards issued by recognised authoritative bodies, including the International Accounting Standards Board ("IASB"). It is possible that future accounting standards which the Issuer is required to adopt, could change



the current accounting treatment that applies to its consolidated annual accounts and that such changes could have a material adverse effect on the Issuer's results of operations and financial condition.

The Issuer shall change an accounting policy only if the change: is required by IFRS; or results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

Further changes in accounting standards or policies, or the Issuer's financial metrics, including as a result of choices made by the Issuer, could have a material adverse effect on the Issuer's reported results of operations and its reported financial condition.

IFRS 16 "Leases" has been endorsed by the EU and will be effective as of 1 January 2019. IFRS 16 contains a new accounting standard for leases. The implementation of IFRS 16 is not expected to have a significant impact on shareholders' equity or the net result of the Issuer.

The Issuer shall assess the impact of the new requirements.

The merger between the Issuer and Delta Lloyd Bank is between companies with the same parent ('under common control'). IFRS 3 business combinations is not applicable for common control transactions. The accounting took place on the basis of existing carrying amounts of Delta Lloyd Bank, whereby its accounting policies are harmonised with those of the Issuer. Because it is a legal merger with application of this book value accounting, there is no purchase consideration transferred and no goodwill or newly recognised intangible assets. There were no significant acquisition-related costs.

Note 36 'Subsequent and other events' of the Annual Report 2017 of the Issuer includes the following disclosures on the merger between the Issuer and Delta Lloyd Bank:

- pro forma combined balance sheet of the Issuer and Delta Lloyd Bank as per 31 December 2017;
- harmonisation of accounting policies incl. the impact on equity as at 1 January 2018;
- pro forma combined regulatory ratios of the Issuer and Delta Lloyd Bank as per 31 December 2017;
- combined impact of the IFRS 9 adoption as at 1 January 2018 indicated above.

**Defects and errors in the Issuer's processes, systems and reporting may cause internal and external miscommunication (including incorrect public disclosure), wrong decisions and wrong reporting to customers. Should they occur, such events could harm the Issuer's reputation and could have a material adverse effect on the Issuer's business, revenues, results of operations and financial condition**

Defects and errors in the Issuer's financial processes, systems and reporting, including both human and technical errors, could result in a late delivery of internal and external reports, or reports with insufficient or inaccurate information. Moreover, in recent years the frequency, quality, volume and complexity of the type of financial information that must be processed by the Issuer's financial reporting systems has increased, in part due to more onerous regulatory requirements. For instance, new reporting requirements (such as Deposit Guarantee Scheme reporting) are significantly more complex than the financial information the Issuer's financial reporting systems processed in the past, and require a higher level of skill by the Issuer's personnel. Defects and errors in the Issuer's financial processes, systems and reporting could lead to wrong decisions in respect of, for instance, product pricing and hedge decisions which could materially adversely affect its results of operations. In addition, misinforming customers and investors could lead to substantial claims and regulatory fines, increased regulatory scrutiny, reputational harm and increased administrative costs to remedy errors. In the event any such defects and errors occur, this could harm the Issuer's reputation and could materially adversely affect the Issuer's business, revenues, results of operations and financial condition.

#### ***RISK FACTORS REGARDING THE CONDITIONAL PASS-THROUGH COVERED BONDS***

##### **The Covered Bonds will be solely the obligations of the Issuer**

The Covered Bonds will be solely the obligations of the Issuer. The Covered Bonds will not be obligations or responsibilities of, or guaranteed by (other than pursuant to the Guarantee), any other entity or person, in whatever capacity acting (other than as Issuer), including, without limitation, the Transferor, NN Leven as the Originator any Swap Counterparty, the Servicer, the Administrator, the Directors, any Paying Agents, the

Registrar, any Calculation Agent, the Arranger, any Dealer, the CBC Account Bank, the Security Trustee, the Insurance Savings Participant, the Bank Savings Participant and the Rating Agencies. Furthermore, none of the Originators, the Swap Counterparties, the Servicer, the Administrator, the Directors, the Paying Agents, the Registrar, the Calculation Agent, the Arranger, the Dealers, the CBC Account Bank, the Security Trustee, the Insurance Savings Participant, the Bank Savings Participant and the Rating Agencies, nor any other person in whatever capacity acting (other than the Issuer), will accept any liability whatsoever to Covered Bondholders in respect of any failure by the Issuer to pay any amounts due under the Covered Bonds.

**Legal investment considerations may restrict certain investments**

The investment activities of certain investors are subject to laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Covered Bonds are legal investments for it, (ii) Covered Bonds can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

**Factors which might affect an investor's ability to make an informed assessment of the risks associated with Covered Bonds issued under the Programme**

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

- (i) if such an investor does not have sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds and the merits of investing in the Covered Bonds in light of the risk factors outlined above or below;
- (ii) 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 Covered Bonds will have on his overall investment portfolio;
- (iii) if such an investor does not have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including, but not limited to, where the currency for principal or interest payments is different from the investor's base currency;
- (iv) if such an investor does not understand thoroughly the terms of the Covered Bonds and is not familiar with the behaviour of any relevant indices in the financial markets (including the risks associated therewith) such investor is more vulnerable to any fluctuations in the financial markets generally; and
- (v) 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.

A wide range of Covered Bonds may be issued under the Programme. A number of these Covered Bonds may have features which contain particular risks for investors. Covered Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments but as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. Investors should not invest in Covered Bonds unless they have the expertise (either alone or with a financial adviser) to evaluate how the Covered Bonds will perform under changing conditions, the resulting effects on the value of the Covered Bonds and the impact this investment will have on the investor's overall investment portfolio.

**Risks related to the structure of a particular issue of Covered Bonds**

Covered Bonds issued under the Programme will either be fungible with an existing Series or have different terms to an existing Series (in which case it will constitute a new Series). All Covered Bonds issued from time to time will rank *pari passu* with each other in all respects and will share equally in the Guarantee granted by the CBC. If an Issuer Event of Default or a CBC Event of Default occurs and results in acceleration (in respect of the CBC only in case of a CBC Event of Default), all Covered Bonds of all Series will accelerate at the same time. Set out below is a description of the most common features of Covered Bonds:

*Covered Bonds subject to optional redemption by the Issuer*

An optional redemption feature of Covered Bonds is likely to limit their market value. During any period when the Issuer may elect to redeem Covered Bonds, the market value of those Covered Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be the case prior to any optional redemption period.

The Issuer may be expected to redeem Covered Bonds when its cost of borrowing is lower than the interest rate on the Covered Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Covered Bonds being redeemed and may only be able to do so at a (significantly) lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

If the Issuer is specified as having the option to redeem the Covered Bonds in the applicable Final Terms prior to the Maturity Date and the Issuer cannot exercise its option because an Issuer Event of Default has occurred and is continuing, then the CBC will have the right to declare that all of the Covered Bonds then outstanding will mature on the relevant Optional Redemption Date as specified in the applicable Final Terms and that the Maturity Date will be such Optional Redemption Date. If the CBC exercises its right, the Maturity Date will be the relevant Optional Redemption Date and the Extended Due for Payment Date will continue to be the date falling thirty-two (32) years after such date (or if indicated otherwise in the applicable Final Terms, such date).

*Covered Bonds issued at a substantial discount or premium*

The market values of Covered Bonds issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than to prices for conventional interest-bearing Covered Bonds. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing Covered Bonds with comparable maturities.

**Risks related to Covered Bonds generally**

Set out below is a brief description of certain risks relating to the Covered Bonds generally.

*Certain decisions of Covered Bondholders taken at Programme level*

Any Programme Resolution to direct the Security Trustee to serve an Issuer Acceleration Notice, a Notice to Pay or a CBC Acceleration Notice, and any direction to the Security Trustee to take any enforcement action must be passed at a single meeting of the holders of all Covered Bonds of all Series then outstanding as set out in more detail in Condition 15 (*Meetings of Covered Bondholders, Modification and Waiver*) and cannot be decided upon at a meeting of Covered Bondholders of a single Series. A Programme Resolution will be binding on all Covered Bondholders including Covered Bondholders who did not attend and vote at the relevant meeting and Covered Bondholders who voted in a manner contrary to the majority.

*The Security Trustee may agree to modifications to or waivers under the Covered Bonds and/or the Transaction Documents without the Covered Bondholders' or other Secured Creditors' prior consent*

Pursuant to the terms of the Trust Deed, the Security Trustee may, without the consent or sanction of any of the Covered Bondholders or any of the other Secured Creditors (other than the Secured Creditors that are a party to such Transaction Documents (where applicable)), concur with any person in making or sanctioning any modifications to or waivers or authorisations (e.g. in respect of any breach or proposed breach of any of the provisions of the Covered Bonds of any Series or the Transaction Documents, or determination, without any such consent as aforesaid, that any Issuer Event of Default or CBC Event of Default shall not be treated as such) under the Covered Bonds of any Series, the related Coupons or any Transaction Documents (including without limitation designating further creditors as Secured Creditors):

- (i) provided that (i) in the opinion of the Security Trustee such modification or designation is not materially prejudicial to the interests of any of the Covered Bondholders or Couponholders of any Series or any of the other Secured Creditors (in which respect the Security Trustee may rely upon the consent in writing of any other Secured Creditor as to the absence of material prejudice to the interests of such Secured Creditor), (ii) it has not been informed in writing by any Secured Creditor (other than any Covered Bondholder(s)) that such Secured Creditor will be materially prejudiced thereby (other than a Secured Creditor who has given its written consent as aforesaid) and (iii) it has received Rating Agency Confirmation in respect of such modification; or

- (ii) which is of a formal, minor or technical nature or is made to correct a manifest error or an error established as such to the satisfaction of the Security Trustee or to comply with its EMIR obligations or to comply with mandatory provisions of law; or
- (iii) which is required or necessary in connection with any change, after the relevant Issue Date, to any laws or regulation (including but not limited to the laws and regulations of the Netherlands and the European Union) applicable or relevant with respect to covered bonds (*gedekte obligaties*) to ensure that the Issuer, the CBC and/or Covered Bondholders enjoy the full benefits of such legislation, provided that in the sole opinion of the Security Trustee such modification is not materially prejudicial to the interest of any of the Covered Bondholders or any of the other Secured Creditors; or
- (iv) which are in the opinion of the Issuer and the Security Trustee necessary in order to transfer title (and if applicable obligations) in respect of Eligible Assets to the CBC and/or to create security in respect thereof in favour of the Security Trustee, provided that (i) in the opinion of the Security Trustee such modification is not materially prejudicial to the interests of any of the Covered Bondholders or Couponholders of any Series or any of the other Secured Creditors (in which respect the Security Trustee may rely upon the consent in writing of any other Secured Creditor as to the absence of material prejudice to the interests of such Secured Creditor), (ii) it has not been informed in writing by any Secured Creditor (other than any Covered Bondholder(s)) that such Secured Creditor will be materially prejudiced thereby (other than a Secured Creditor who has given its written consent as aforesaid) and (iii) the Security Trustee has received Rating Agency Confirmation in respect of such modification; or
- (v) in relation to any modification to the Eligibility Criteria, which is in the opinion of the Security Trustee, subject to Rating Agency Confirmation, not materially prejudicial to the interests of the existing Covered Bondholders or Couponholders of any Series (see further Condition 15 (*Meetings of Covered Bondholders, Modification and Waiver*)).

#### *Taxation*

This Base Prospectus includes a general summary of certain material Dutch tax considerations relating to an investment in the Covered Bonds issued by the Issuer. Such summary may not apply to a particular holder of Covered Bonds or to a particular issue and does not cover all possible tax considerations. Potential investors and sellers of Covered Bonds should be aware that they may be required to pay stamp taxes or other documentary or fiscal charges in accordance with the laws and practices of the country where the Covered Bonds are transferred, including but not limited to a financial transaction tax.

Potential investors should consider the tax consequences of investing in the Covered Bonds and consult their own tax advisor about their own tax situation. In addition, potential investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.

#### *Policy changes to certain Dutch tax regimes*

On 10 October 2017, the four parties that have formed the new Dutch government released their coalition agreement (*regeerakkoord*) 2017-2021. The coalition agreement sets out a large number of policy intentions of the new Dutch government. One of the policy intentions is the introduction of a withholding tax as of 1 January 2021, on interest payments directly or indirectly made to beneficiaries in low-tax jurisdictions or countries that are included in the EU list of non-cooperative jurisdictions. The policy intentions suggest that this withholding tax on interest is intended to combat "letterbox" structures, or structures through "low tax jurisdictions" or countries that are included in the EU list of non-cooperative jurisdictions, however it cannot be ruled out that it will have a wider application. The coalition agreement does not include the text of the proposed legislation or further explanatory remarks. Consequently, as at the date of this Base Prospectus it is unclear which jurisdictions will be considered "low tax jurisdictions" and, more generally, what the exact scope and impact of the measures will be. Based on the limited information made available through a letter of the Dutch State Secretary of Finance of 23 February 2018 (*Brief Aanpak belastingontwijking en belastingontduiking*), it seems unlikely that the proposed measure will apply to interest on debt instruments that are issued in the market and/or listed. If the policy intentions are implemented in such a way that the Issuer would become obliged to pay additional amounts as provided or referred to in Condition 8, the Issuer may redeem the Covered Bonds in whole but not in part pursuant to Condition 7(b).

#### *Conflicts of Interest*

Where the Issuer acts as Calculation Agent or the Calculation Agent is an affiliate of the Issuer, potential conflicts of interest may exist between the Calculation Agent and holders of Covered Bonds, including with

respect to certain determinations and judgments that the Calculation Agent may make pursuant to the Conditions that may influence the amount receivable upon redemption of the Covered Bonds.

**The Issuer and/or any of its affiliates may have existing or future business relationships and will pursue actions and take steps that they or it deem(s) necessary or appropriate to protect their and/or its interests arising therefrom without regard to the consequences for a Covered Bondholder**

*Different capacities*

The Issuer acts in different capacities under the Transaction Documents, such as Transferor, Originator, Issuer, Dealer, Servicer, Bank Savings Participant and Administrator. NN Leven also acts in different capacities under the Transaction Documents, such as Originator and Insurance Savings Participant. Each of the Issuer and NN Leven has been advised that, as a matter of Dutch law, a party is not capable of contracting with itself. However, this general principle does not apply where such party (like the Issuer and NN Leven) is acting with other parties (such as the Security Trustee and the CBC).

*Dealers transacting with the Issuer*

A Dealer and its affiliates may have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business. A Dealer and its affiliates may have positions, deal or make markets in the Covered Bonds issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, a Dealer and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. A Dealer or its affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealer and its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Covered Bonds issued under the Programme. Any such positions could adversely affect future trading prices of Covered Bonds issued under the Programme. A Dealer and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

*Covered Bonds held in global form*

The Bearer Covered Bonds which are in NGN form (as specified in the applicable Final Terms), will be held by a common safekeeper for Euroclear and/or Clearstream, Luxembourg and the Bearer Covered Bonds which are not in NGN form (as specified in the applicable Final Terms), will initially be held by a common depository for Euroclear and/or Clearstream, Luxembourg, or Euroclear Nederland, or in either case any other agreed clearing system, and in each case in the form of a Global Covered Bond which will be exchangeable for Definitive Covered Bonds only in the limited circumstances as more fully described in *Form of Conditional Pass-Through Covered Bonds* below. For as long as a Covered Bond is represented by a Global Covered Bond held by the common safekeeper or common depository on behalf of Euroclear and/or Clearstream, Luxembourg or by Euroclear Nederland, payments of principal, interest (if any) and any other amounts on a Global Covered Bond will be made through Euroclear and/or Clearstream, Luxembourg and/or Euroclear Nederland (as the case may be) against presentation or surrender (as the case may be) of the relevant Global Covered Bond and, in the case of a Temporary Global Covered Bond, certification as to non-U.S. beneficial ownership. The holder of the relevant Global Covered Bond, being the common depository or safekeeper for Euroclear and/or Clearstream, Luxembourg or Euroclear Nederland, or any other agreed clearing system, shall be treated by the Issuer and any Paying Agent as the sole holder of the relevant Covered Bonds represented by such Global Covered Bond with respect to the payment of principal, interest (if any) and any other amounts payable in respect of the Covered Bonds.

Covered Bonds which are represented by a Global Covered Bond will be transferable only in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg or Euroclear Nederland (and in the latter case, the Wge), as the case may be.

*Integral multiples of less than EUR 100,000 in case of Definitive Covered Bonds*

In relation to any issue of Covered Bonds which have a denomination of EUR 100,000 plus a higher integral multiple of another smaller amount, it is possible that the Covered Bonds be traded in amounts in excess of EUR 100,000 or its equivalent that are not integral multiples of EUR 100,000 (for the purpose of this paragraph, the "**Stub Amount**"). In such a case a Covered Bondholder who, as a result of trading such amounts, holds a Stub Amount may not receive a Definitive Covered Bond in respect of such holding (should Definitive Covered Bonds be printed) and would need to purchase a principal amount of Covered Bonds such that its holding amounts up to at least EUR 100,000. As long as the Stub Amount is held in the relevant clearing system, the Covered Bondholder will be unable to transfer this Stub Amount.

*Registered Covered Bonds*

Payments of principal, interest (if any) and any other amounts in respect of Registered Covered Bonds will be made to the person shown on the Register as being entitled to the relevant amount of principal or interest or other amount, or part thereof, as the case may be, at the Record Date. If any Registered Covered Bondholder transfers any Registered Covered Bonds in accordance with Condition 20.3 (*Terms and Conditions of the Registered Covered Bonds*) and the Trust Deed and such transfer is notified to the Issuer, the CBC and the Registrar three (3) Business Days prior to the close of business on the Record Date, the Issuer, the CBC and the Security Trustee will in respect of the Registered Covered Bond so transferred, be discharged from their respective payment obligations on and after the Record Date only by payment to or to the order of the transferee. If the notification of transfer of the relevant Registered Covered Bond is made after such time and date, (i) the risk that the transfer is not timely recorded in the Register is borne by the transferee and (ii) the Issuer, the CBC, the Security Trustee, the Registrar and the relevant Paying Agent shall not be liable as a result of any payment being made to the person shown in the Register in accordance with Condition 20 (*Terms and Conditions of the Registered Covered Bonds*). The Registrar shall fulfil certain obligations of the Principal Paying Agent in relation to payments in respect of the Registered Covered Bonds.

To the extent that Dutch law is applicable, one of the requirements for a valid transfer of a Registered Covered Bond, is a valid delivery (*levering*). Investors should be aware that delivery of a Registered Covered Bond requires the execution of a deed of assignment (*akte van cessie*) between the assignor and the assignee and notification thereof by the assignor or the assignee to the Issuer, the CBC and the Registrar.

*Eurosystem eligibility - Covered Bonds in NGN form or deposited with Euroclear Nederland*

The NGN form has been introduced to allow for the possibility of Covered Bonds being issued and held in a manner which will permit them to be recognised as eligible collateral for monetary policy of the Eurosystem and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Covered Bonds deposited with Euroclear Nederland also allow for such possibility. However in any particular case such recognition will depend upon satisfaction of the Eurosystem eligibility criteria at the relevant time and there can be no assurance that such Covered Bonds will be recognised as such or will remain to be recognised as such.

*Base Prospectus to be read together with applicable Final Terms*

The Terms and Conditions of the Covered Bonds included in this Base Prospectus apply to the different types of Covered Bonds which may be issued under this Base Prospectus. The full terms and conditions applicable to each Tranche of Covered Bonds can be reviewed by reading the Terms and Conditions as set out in full in this Base Prospectus, which constitute the basis of all Covered Bonds to be offered under this Base Prospectus, together with the applicable Final Terms which applies and/or disappplies, supplements and/or amends the Conditions in the manner required to reflect the particular terms and conditions applicable to the relevant Series of Covered Bonds (or Tranche thereof).

*Change of law and jurisdiction*

The Terms and Conditions of the Covered Bonds are governed by Dutch law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible change to Dutch law or administrative practice after the date of this Base Prospectus.

Prospective investors should note that the courts of the Netherlands shall have exclusive jurisdiction in respect of any disputes involving any Series or Tranche of Covered Bonds. Dutch law may be materially different from the law that would be relevant in the home jurisdiction of prospective investors in its application to the Covered Bonds.

#### **Risks related to the market generally**

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

##### *Secondary Market*

There can be no assurance as to how any Covered Bonds will trade in the secondary market or whether such market will be liquid or illiquid. Application may or may not be made to list the Covered Bonds on a stock exchange, as indicated in the applicable Final Terms. The fact that Covered Bonds may be listed does not necessarily lead to greater liquidity. No assurance can be given that there will be a market for any Covered Bonds. If any Covered Bonds are not traded on any stock exchange, pricing information for such Covered Bonds may be more difficult to obtain, and the liquidity and market prices of such Covered Bonds may be adversely affected. The liquidity of the Covered Bonds may also be affected by restriction on offers and sales of the Covered Bonds in some jurisdictions. Lack of liquidity may result in investors suffering losses on the Covered Bonds in secondary resales even if there is no decline in the performance of the assets of the Issuer. The Issuer cannot predict if and when conditions of general market illiquidity for such Covered Bonds and instruments similar to such Covered Bonds will occur in the future.

##### *Exchange rate risks and exchange controls*

The Issuer will pay interest and principal on the Covered Bonds in euros. This presents certain risks relating to currency conversions if the Investor's Currency is not euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency or other competent authorities may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the euro would decrease (i) the Investor's Currency-equivalent yield on the Covered Bonds, (ii) the Investor's Currency-equivalent value of the principal payable on the Covered Bonds and (iii) the Investor's Currency-equivalent market value of the Covered Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

##### *Interest rate risks*

Investment in Fixed Rate Covered Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Covered Bonds.

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

The ratings assigned to the Covered Bonds address:

- the likelihood of full and timely payment to holders of the Covered Bonds of all payments of interest on each Interest Payment Date; and
- the likelihood of ultimate payment of principal in relation to Covered Bonds on the Extended Due for Payment Date thereof.

The expected ratings of the Covered Bonds (if rated) are set out in the relevant Final Terms for each Series of each Tranche of Covered Bonds. Any Rating Agency may lower its rating or withdraw its rating if, in the sole judgment of the Rating Agency, the credit quality of the Covered Bonds has declined or is in question. If any rating assigned to the Covered Bonds is lowered or withdrawn by any Rating Agency, the market value of the Covered Bonds may be reduced. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time without prior notice. A credit rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Covered Bonds.

*Return on an investment in Covered Bonds will be affected by charges incurred by investors*

An investor's total return on an investment in any Covered Bonds will be affected by the level of fees charged by the nominee service provider and/or clearing system used by the investor. Such a person or institution may charge fees for the opening and operation of an investment account, transfers of Covered Bonds, custody services and on payments of interest, principal and other amounts. Potential investors are therefore advised to investigate the basis on which any such fees will be charged on the relevant Covered Bonds.

*Legal investment considerations may restrict certain investments*

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Covered Bonds are legally permitted investments for it, (2) Covered Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

*Solvency II/CRR*

Financial institutions, to which Solvency II, CRR or other prudential regulations apply, might be less interested in investing in instruments such as Covered Bonds. Potential investors should consult their own advisers as to the consequences to and effect on them of Solvency II, CRR or other prudential requirements (as applicable), as a result of their holding of any Covered Bonds. Neither the Issuer, the Arranger, any Dealer, the CBC nor the Security Trustee is responsible for informing Covered Bondholders of the effects on the changes to risk-weighting of regulatory capital which, amongst others, may affect investors as a result of the implementation of Solvency II, CRR or other prudential requirements in their own jurisdiction (whether or not implemented in its current form or otherwise).

*Compliance of Covered Bonds with Dutch legislation, the UCITS Directive and/or CRR*

The Issuer has under the CB Regulations applied for the Programme and the Covered Bonds issued thereunder to obtain the status of being compliant with the requirements for the legal covered bonds as set out therein (the Regulated Status), which includes compliance of article 52(4) of the UCITS Directive and article 129 of the CRR. The Issuer will only issue Covered Bonds under this Base Prospectus that obtain the Regulated Status. In the Trust Deed the Issuer has undertaken to use its best efforts to procure that the Covered Bonds that have obtained the Regulated Status, will keep the Regulated Status until the Maturity Date or any earlier date on which such Covered Bonds have been redeemed in full.

The "best efforts" undertaking set out in the preceding paragraph will no longer apply if, as a result of a change of law or regulations, Dutch residential mortgage receivables are no longer eligible for collateralisation of the Covered Bonds to keep the Regulated Status or are no longer eligible to collateralise covered bonds under CRD IV.

Covered Bondholders should note that the CB Regulations impose ongoing obligations on the Issuer, including ongoing administration and reporting obligations towards DNB and mandatory audit procedures by an external auditor and stress tests.

DNB will perform certain supervision and enforcement related tasks in respect of the Covered Bonds, including monitoring compliance with the ongoing requirements set out in the CB Regulations. If a Covered Bond no longer meets the requirements prescribed by the CB Regulations, or if the Issuer would no longer comply with its ongoing administration and/or reporting obligations towards DNB, DNB can take several measures, which include, without limitation, imposing an issuance-stop on the Issuer, which may be disclosed by DNB in the relevant register, and DNB has the authority to terminate the registration of the Issuer, but not of the Covered Bonds that have already been issued.

In addition, DNB has the authority to include in the register that the Covered Bonds are no longer or are not compliant with article 129 CRR as a result of which the Covered Bonds would no longer maintain the status of being compliant with the requirements set out in article 129 of the CRR. Although under the CB Regulations Covered Bonds will always continue to be registered as legal covered bonds and continue to keep the Regulated Status (except for the CRR Status) there is a risk that the CRR Status will not be maintained until redemption in full of the relevant Series. If at any time the CRR Status is withdrawn or otherwise lost, a Covered Bondholder may experience adverse consequences (i.e. an adverse effect on the market value or on



the regulatory treatment), depending on the reasons for making the investment in such Covered Bonds. Covered Bondholders should, amongst other things, conduct their own thorough analysis, and consult their legal advisers or the appropriate regulators from time to time to determine the appropriate status of Covered Bonds under any applicable risk-based capital or similar rules, including, without limitation, the UCITS Directive and/or CRD IV.

In addition, on 12 March 2018 the European Commission adopted a legislative proposal for an EU-framework consisting of a directive on the issue of covered bonds and covered bond public supervision and a regulation on amending Regulation (EU) No 575/2013 as regards exposures in the form of covered bonds, as part of the EU Capital Markets Union project. The legislative proposal aims to foster the development of covered bonds across the European Union. The proposed directive (i) provides a common definition of covered bonds, which will represent a consistent reference for prudential regulation purposes, (ii) defines the structural features of covered bonds, (iii) defines the tasks and responsibilities for the supervision of covered bonds and (iv) sets out the rules allowing the use of the 'European Covered Bonds' label. The legislative proposals build on the analysis and the advice of the European Banking Authority. Following the publication of the legislative proposals, the EU legislative process will need to be followed. Until the EU legislative process has been finalised and the proposals are available in their final form, it is uncertain if or how the proposals will affect the Issuer, the CBC, the market for covered bonds in general and/or the Covered Bonds.

#### **No consent from Covered Bondholders required for different Covered Bonds**

This Base Prospectus only describes Covered Bonds to be issued as part of the Programme under this Base Prospectus. In the future, the Issuer may issue Covered Bonds under the Programme (whether or not under this Base Prospectus) in different markets and/or with different features, which have not been described herein, and different risks associated with them, such as index or equity linked and dual currency Covered Bonds. It is not expected that the consent of Covered Bondholders will be obtained in order to provide for the inclusion of such Covered Bonds in the Programme, however, Covered Bonds issued under this Programme will always be conditional pass-through covered bonds.

#### **Risks in relation to negative interest rates on the CBC Transaction Accounts**

Pursuant to the CBC Account Agreement the interest rate accruing on the balances standing to the credit of any of the CBC Transaction Accounts could be less than zero in case EONIA is below, equal to or just above zero. Any negative interest will be payable by the CBC to the CBC Account Bank, provided that the CBC Account Bank has sent a written notice to the CBC two (2) Business Days in advance. If the CBC has the obligation to pay interest accruing on the balances standing to the credit of any of the CBC Transaction Accounts to the CBC Account Bank instead of receiving interest thereon, this will reduce the income of the CBC and its possibility to generate further income on the assets held in the form of cash in the CBC Transaction Accounts. This risk increases if the amount deposited on the CBC Transaction Accounts becomes (more) substantial. Ultimately such negative interest rate and/or an enduring obligation of the CBC to make such payments in respect thereof to the CBC Account Bank could result in the CBC having insufficient funds to pay any amounts due under the Guarantee to Covered Bondholders.

#### **Actions taken by the Calculation Agent may affect the value of Covered Bonds**

The Calculation Agent for an issue of Covered Bonds is the agent of the Issuer and not the agent of the holders of the Covered Bonds. The Calculation Agent is not acting as a fiduciary to any holders of Covered Bonds. The Calculation Agent will make such determinations and adjustments as it deems appropriate, in accordance with the terms and conditions of the specific issue of Covered Bonds. In making its determinations and adjustments, the Calculation Agent will be entitled to exercise substantial discretion and may be subject to conflicts of interest in exercising this discretion.

#### **ECB asset purchase programme**

In September 2014, the ECB initiated an asset purchase programme whereby it envisages to bring inflation back to levels in line with the ECB's objective to maintain the price stability in the euro area and, also, to help enterprises across Europe to enjoy better access to credit, boost investments, create jobs and thus support the overall economic growth. The expanded asset purchase programme will encompass the earlier announced asset-backed securities purchase programme and the covered bond purchase programme. These programmes are in any case intended to be carried out until the ECB's Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim. It remains to be seen what the effect of these purchase programmes ultimately will be on the volatility in the financial markets and economy

generally. In addition, the continuation, the amendments to or the termination of these purchase programmes could have an adverse effect on the secondary market value of the Covered Bonds and the liquidity in the secondary market for Covered Bonds.

**Changes or uncertainty in respect of LIBOR and/or EURIBOR or other interest rate benchmarks may affect the value or payment of interest under the Covered Bonds**

Various interest rate benchmarks (including the London InterBank Offered Rate ("**LIBOR**") and the Euro Interbank Offered Rate ("**EURIBOR**") are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective, including the Benchmark Regulation, whilst others are still to be implemented. Under the Programme, the interest payable on the Covered Bonds can be determined by reference to such benchmarks.

Under the Benchmark Regulation, which applies from 1 January 2018, in general, new requirements apply with respect to the provision of a wide range of benchmarks (including LIBOR and EURIBOR), the contribution of input data to a benchmark and the use of a benchmark within the European Union. In particular, the Benchmark Regulation, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with extensive requirements in relation to the administration of benchmarks and (ii) prevents certain uses by EU-supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU-based, deemed equivalent or recognised or endorsed).

The sustainability of LIBOR has been questioned by the UK Financial Conduct Authority as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. Additionally, in March 2017, the European Money Markets Institute ("**EMMI**") published a position paper referring to certain proposed reforms to EURIBOR, which reforms aim to clarify the EURIBOR specification, to develop a transaction-based methodology for EURIBOR and to align the relevant methodology with the Benchmark Regulation, the IOSCO Principles for Financial Benchmarks and other regulatory recommendations. The EMMI has since indicated that there has been a "change in market activity as a result of the current regulatory requirements and a negative interest rate environment" and "under the current market conditions it will not be feasible to evolve the current EURIBOR methodology to a fully transaction-based methodology following a seamless transition path". It is the current intention of the EMMI to develop a hybrid methodology for EURIBOR.

These reforms and other pressures may cause one or more interest rate benchmarks to disappear entirely, to perform differently than in the past (as a result of a change in methodology or otherwise), create disincentives for market participants to continue to administer or participate in certain benchmarks or have other consequences which cannot be predicted.

Investors should be aware that, if LIBOR, EURIBOR or any other benchmark were discontinued or otherwise unavailable, the rate of interest on the Covered Bonds which reference any such benchmark will be determined for the relevant period by the fallback provisions applicable to such Covered Bonds (see also the risk factor '*Future discontinuance of LIBOR, Euribor and any other benchmark may adversely affect the value of Covered Bonds which reference LIBOR, Euribor or such other benchmark*' below). At this time, it is not possible to predict what the effect of these developments will be or what the impact on the value of the Covered Bonds will be. More generally, any of the above changes or any other consequential changes to EURIBOR, LIBOR or any other "benchmark" as a result of international, national, or other proposals for reform or other initiatives or investigations, or any further uncertainty in relation to the timing and manner of implementation of such changes, could have a material adverse effect on the liquidity and value of, and return on, any Covered Bonds based on or linked to a "benchmark".

Moreover, any significant change to the setting or existence of LIBOR, EURIBOR or any other relevant interest rate benchmark could affect the ability of the Issuer to meet its obligations under the Covered Bonds and could have a material adverse effect on the value or liquidity of, and the amount payable under, the Covered Bonds.

**Future discontinuance of LIBOR, Euribor and any other benchmark may adversely affect the value of Covered Bonds which reference LIBOR, Euribor or such other benchmark**

On 27 July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards. This may cause LIBOR to perform differently than it did in the past and may have other consequences which cannot be predicted.

Investors should be aware that, if LIBOR, Euribor or any other benchmark were discontinued or otherwise unavailable, the rate of interest on Covered Bonds which reference LIBOR, Euribor or any other benchmark will be determined for the relevant period by the fallback provisions set out in Condition 5(B)(ii)(c) applicable to such Covered Bonds. If the Calculation Agent or the Issuer determines at any time prior to, on or following any Interest Determination Date, that the relevant Reference Rate (as specified in the applicable Final Terms) has been discontinued, the Issuer will, as soon as reasonably practicable (and in any event prior to the next relevant Interest Determination Date) appoint a Rate Determination Agent (as defined in Condition 5(B)(ii)(c)) which will determine in its sole discretion, acting in good faith, whether a substitute or successor rate, as well as any necessary changes to the business day convention, the definition of business day, the interest determination date, the day count fraction and any method for calculating the Replacement Reference Rate (as defined in Condition 5(B)(ii)(c)), including any adjustment factor needed to make such Replacement Reference Rate comparable to the relevant Reference Rate.

The Rate Determination Agent may be considered an 'administrator' under the Benchmark Regulation. This is the case if it is considered to be in control over the provision of the Replacement Reference Rate and/or the determined rate of interest on the basis of the Replacement Reference Rate and any adjustments made thereto by the Rate Determination Agent and/or otherwise in determining the applicable rate of interest in the context of a fallback scenario. This would mean that the Rate Determination Agent (i) administers the arrangements for determining such rate, (ii) collects, analyses, or processes input data for the purposes of determining such rate and (iii) determines such rate through the application of a method of calculation or by an assessment of input data for that purpose. Furthermore, for the Rate Determination Agent to be considered an 'administrator' under the Benchmark Regulation, the Replacement Reference Rate and/or the determined rate of interest on the basis of the Replacement Reference Rate and any adjustments made thereto by the Rate Determination Agent and/or otherwise in determining the applicable rate of interest in the context of a fallback scenario should be a benchmark (index) within the meaning of the Benchmark Regulation. This may be the case if the Replacement Reference Rate and/or the determined rate of interest on the basis of the Replacement Reference Rate and any adjustments made thereto by the Rate Determination Agent and/or otherwise in determining the applicable rate of interest in the context of a fallback scenario, is published or made available to the public and regularly determined by the application of a method of calculation or by an assessment, and on the basis of certain values or surveys.

The Benchmark Regulation stipulates that each administrator of a benchmark regulated thereunder or the benchmark itself must be registered, authorised, recognised or endorsed, as applicable, in accordance with the Benchmark Regulation. There is a risk that administrators (which may include EMMI an ICE Benchmark Administration Ltd as well as the Rate Determination Agent (which may be the Issuer) in the circumstances as described above) of certain benchmarks will fail to obtain such registration, authorisation, recognition or endorsement, preventing them from continuing to provide such benchmarks, or may otherwise choose to discontinue or no longer provide such benchmark.

The Replacement Reference Rate will (in the absence of manifest error) be final and binding, and will apply to the relevant Covered Bonds without any requirement that the Issuer obtains consent of any Covered Bondholders. If the Rate Determination Agent is unable to or otherwise does not determine a Replacement Reference Rate under Condition 5(B)(ii)(c), this could result under Conditions 5(B)(ii)(a), (b) or (c) in the effective application of a fixed rate to what was previously a Floating Rate Covered Bond based on the rate which applied in the previous period when the relevant Reference Rate was available (as stated in the Final Terms in respect of a series of Covered Bonds).

In addition, due to the uncertainty concerning the availability of successor rates and substitute reference rates and the involvement of a Rate Determination Agent (as defined in Condition 5(B)(ii)(c)), the relevant fallback provisions may not operate as intended at the relevant time. In addition, the Replacement Reference Rate

may perform differently from the discontinued benchmark. For example, there are currently proposals to replace LIBOR (which generally has a term of one, three or six months) with an overnight rate. Similarly, proposals have been made to use a rate on highly rated government obligations to replace LIBOR, which is currently based on interbank lending rates and carries an implicit element of credit risk of the banking sector. Any such consequences could have a material adverse effect on the value of and return on any such Covered Bonds. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Covered Bonds or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Covered Bonds.

#### **RISK FACTORS REGARDING THE ASSET-BACKED GUARANTEE**

##### **The Guarantee will be solely the obligation of the CBC**

The Guarantee will be solely the obligation of the CBC. The Guarantee will not be an obligation or responsibility of, any other entity or person, in whatever capacity acting, including, without limitation, the Issuer, the Transferor, the Originators, any Swap Counterparty, the Servicer, the Administrator, the Directors, the Paying Agents, the Registrar, the Calculation Agent, the Arranger, any Dealer, the CBC Account Bank, the Insurance Savings Participant, the Bank Savings Participant and the Security Trustee. Furthermore, none of the Issuer, the Transferor, the Originators, the Swap Counterparties, the Servicer, the Administrator, the Directors, the Paying Agents, the Registrar, the Calculation Agent, the Arranger, the Dealers, the CBC Account Bank, the Insurance Savings Participant, the Bank Savings Participant and the Security Trustee, nor any other person in whatever capacity acting, will accept any liability whatsoever to Covered Bondholders in respect of any failure by the CBC to pay any amounts due under the Guarantee.

None of the Issuer, the Transferor, the Originators, the Swap Counterparties, the Servicer, the Administrator, the Directors, the Paying Agents, the Registrar, the Calculation Agent, the Arranger, the Dealers, the CBC Account Bank, the Insurance Savings Participant, the Bank Savings Participant and the Security Trustee will be under any obligation whatsoever to provide additional funds to the CBC (save in limited circumstances pursuant to the Transaction Documents).

##### **The CBC is only obliged to pay Guaranteed Amounts when the same are Due for Payment**

The CBC has no obligation to pay the Guaranteed Amounts payable under the Guarantee until service by the Security Trustee on the Issuer of an Issuer Acceleration Notice and on the CBC of a Notice to Pay, or, if earlier, on the Issuer and the CBC of a CBC Acceleration Notice.

The CBC will not be obliged to pay any other amounts than the Guaranteed Amounts to the Covered Bondholders. Payments by the CBC will be made subject to any applicable withholding or deduction for or on account for tax and the CBC will not be obliged to pay any additional amounts as a consequence.

A Notice to Pay can only be served if an Issuer Event of Default occurs and results in the service by the Security Trustee of an Issuer Acceleration Notice on the Issuer. A CBC Acceleration Notice can only be served if a CBC Event of Default occurs.

Following the service of an Issuer Acceleration Notice on the Issuer, a Notice to Pay shall be served by the Security Trustee on the CBC. However, a failure by the Issuer to make a payment in respect of one or more Series will not automatically result in the service of an Issuer Acceleration Notice. The Security Trustee may, but is not obliged to, serve an Issuer Acceleration Notice unless and until requested or directed by Covered Bondholders of all Series then outstanding.

If a Breach of Asset Cover Test Notice is served by the Security Trustee on the CBC following a Breach of Asset Cover Test, the CBC will not be obliged to make payments under the Guarantee until (a) an Issuer Event of Default has occurred and a Notice to Pay has been served or (b) a CBC Event of Default has occurred and a CBC Acceleration Notice has been served.

Following service of a Notice to Pay on the CBC (provided no CBC Acceleration Notice has been served) under the terms of the Guarantee the CBC will be obliged to pay Guaranteed Amounts as and when the same are Due for Payment. Such payments will be subject to and will be made in accordance with the CBC Priority of Payments. In these circumstances, other than the Guaranteed Amounts the CBC will not be obliged to pay

any amount, for example in respect of broken funding indemnities, penalties, premiums, default interest or interest on interest which may accrue on or in respect of the Covered Bonds.

Subject to applicable grace periods, if the CBC fails to make a payment when Due for Payment under the Guarantee or any other CBC Event of Default occurs then the Security Trustee may accelerate the Covered Bonds (to the extent not yet accelerated) by service of a CBC Acceleration Notice, whereupon the CBC will under the Guarantee owe the Early Redemption Amount of each Covered Bond, together with accrued interest and certain other amounts then due under the Covered Bonds. Following service of a CBC Acceleration Notice, the Security Trustee may enforce the Security. The proceeds of enforcement of the Security shall be applied by the Security Trustee in accordance with the Post CBC Acceleration Notice Priority of Payments, and Covered Bondholders will receive amounts from the CBC on an accelerated basis. Without limitation, if a CBC Acceleration Notice is served on the CBC, then the Covered Bonds may be repaid sooner or later than expected or not at all.

#### **Extendable obligations under the Guarantee**

If the CBC is obliged under the Guarantee to pay a Guaranteed Final Redemption Amount and has insufficient funds available under the relevant Priority of Payments to pay such Guaranteed Final Redemption Amount in full, then the obligation of the CBC to pay such Guaranteed Amounts shall automatically be deferred to the relevant Extended Due for Payment Date. However, to the extent the CBC has sufficient moneys available to pay in part the Guaranteed Final Redemption Amount in respect of the relevant Series of Covered Bonds, the CBC shall make such partial payment in accordance with the relevant Priority of Payments, as described in Condition 3 (*The Guarantee*), on each CBC Payment Date falling prior to the relevant Extended Due for Payment Date. Payment of the unpaid amount shall be deferred automatically up to the applicable Extended Due for Payment Date. An Extended Due for Payment Date will fall thirty-two (32) years after the relevant Maturity Date. Interest will continue to accrue and be payable on the unpaid Guaranteed Final Redemption Amount on the basis set out in the applicable Final Terms or, if not set out therein, Condition 5 (*Interest*), applies *mutatis mutandis*. Except where the CBC has failed to apply amounts in accordance with the relevant Priority of Payments in accordance with Condition 3 (*The Guarantee*), failure by the CBC to pay the relevant Guaranteed Final Redemption Amount on the relevant CBC Payment Date or any subsequent CBC Payment Date falling prior to the relevant Extended Due for Payment Date (or the relevant later date in case of an applicable grace period) shall not constitute a CBC Event of Default. However, failure by the CBC to pay any Guaranteed Final Redemption Amount or the balance thereof, as the case may be, on the relevant Extended Due for Payment Date and/or pay any other amount due under the Guarantee will (subject to any applicable grace period) constitute a CBC Event of Default.

#### **Risks relating to Covered Bonds becoming Pass-Through Covered Bonds**

If any amount of principal on a Series of Covered Bonds remains unpaid on its Maturity Date, such Series of Covered Bonds will become a Pass-Through Covered Bond. Under the Guarantee the CBC will on each CBC Payment Date be required to utilise all amounts available for such purpose to redeem all Pass-Through Covered Bonds on a *pro rata* basis. If an Issuer Event of Default has occurred and a Breach of Amortisation Test Notice has been served, all Covered Bonds will become Pass-Through Covered Bonds. If as a result of the occurrence of such events all Covered Bonds become Pass-Through Covered Bonds, there is a risk that Covered Bondholders of Covered Bonds with a Maturity Date after such date, receive principal repayments prior to the Maturity Date and therefore earlier than expected, which may result in a lower yield on such Covered Bondholders' investment than expected.

With respect to Pass-Through Covered Bonds in respect of which any amount of principal has remained unpaid on the Maturity Date, there is a risk that, as a consequence of all Covered Bonds becoming Pass-Through Covered Bonds, the speed of repayment of such Pass-Through Covered Bonds will be reduced, because the available funds for repayment will be divided *pro rata* with respect to all Covered Bonds and not only those that have matured. In such case, it is likely that the repayment of such Covered Bonds will take longer.

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

As provided in Condition 8 (*Taxation*), if withholding of, or deduction for, or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature are imposed or levied by or on behalf of the Netherlands or any authority therein or thereof having power to tax, the CBC will make the required withholding or deduction of such taxes, duties, assessments or governmental charges for the account

of the Covered Bondholders, as the case may be, and shall not be obliged to pay any additional amounts to the Covered Bondholders.

#### **Limited resources available to the CBC**

The ability of the CBC to meet its obligations under the Guarantee will depend on the receipt by it of funds under the Transferred Assets, the proceeds of the sale of any Transferred Assets, the timing thereof, the receipt by it of payments under the Swap Agreements, if any, and the receipt by it of interest in respect of the balance standing to the credit of the CBC Transaction Accounts and the balance standing to the credit of the CBC Transaction Accounts. The CBC does not have any other resources available to it to meet its obligations under the Guarantee.

If a CBC Event of Default occurs and the Security is enforced, the proceeds may not be sufficient to meet the claims of all the Secured Creditors, including the Covered Bondholders. If, following enforcement of the Security, the Secured Creditors have not received the full amount due to them pursuant to the terms of the Transaction Documents, the Secured Creditors will no longer have a claim against the CBC after enforcement of the Security. The Secured Creditors may still have an unsecured claim against the Issuer for the shortfall.

Covered Bondholders should note that the Asset Cover Test and, after a Notice to Pay, the Amortisation Test has been structured to ensure that (i) the Adjusted Aggregate Asset Amount is an amount at least equal to the euro equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds, (ii) the Net Outstanding Principal Amount of all Mortgage Receivables, excluding any Defaulted Receivables, plus (a) the Collateral Market Value of all Transferred Collateral in the form of Substitution Assets plus (b) all amounts standing to the balance of the CBC Transaction Accounts, excluding Swap Collateral Amounts, will always be at least equal to 110 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds; (iii) the First Regulatory Current Balance Amount will always be at least equal to 105 per cent., or such other percentage as may be required from time to time under the CB Regulations, of the aggregate Principal Amount Outstanding of the Covered Bonds, and (iv) the Second Regulatory Current Balance Amount will always be at least equal to 100 per cent., or such other percentage as may be required from time to time under the CB Regulations, of the aggregate Principal Amount Outstanding of the Covered Bonds, which should reduce the risk of there being a shortfall. However there is no assurance that there will not be a shortfall.

#### **Reliance of the CBC on third parties**

Counterparties to the CBC may not perform their obligations under the Transaction Documents, which may result in the CBC not being able to meet its obligations under the Guarantee.

If a termination event occurs pursuant to the terms of the Servicing Agreement, then the CBC and/or the Security Trustee will be entitled to terminate the appointment of the Servicer and appoint a new servicer in its place. There can be no assurance that a substitute servicer with sufficient experience of administering residential mortgage loans can be found who would be willing and able to service the Mortgage Receivables on the terms of the Servicing Agreement. Any delay or inability to appoint a substitute servicer may affect the realisable value of the Mortgage Receivables or any part thereof, and/or the ability of the CBC to make payments under the Guarantee.

Neither the Servicer nor other third parties have any obligation themselves to advance payments that Borrowers fail to make in a timely fashion. Covered Bondholders will have no right to consent to or approve of any actions taken by the Servicer under the Servicing Agreement.

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

Under or pursuant to the Pledge Agreements, various rights of pledge will be granted by the CBC to the Security Trustee. On the basis of these pledges the Security Trustee can exercise the rights afforded by Dutch law to pledgees notwithstanding bankruptcy or suspension of payments of the CBC. The CBC is a special purpose vehicle and is therefore unlikely to become insolvent. However, any bankruptcy or suspension of payments involving the CBC would affect the position of the Security Trustee as pledgee and, subsequently, the Covered Bondholders, in some respects, the most important of which are: (i) payments made by the Borrowers to the CBC prior to notification of the relevant pledge but after bankruptcy or suspension of payments granted in respect of the CBC the amounts so paid will be part of the bankruptcy estate of the CBC, although the Security Trustee has the right to receive such amounts by preference after deduction of certain costs, (ii) a mandatory 'cool-off' period of up to four (4) months may apply in case of bankruptcy and in case

of suspension of payments involving the CBC, which, if applicable, would delay the exercise of the pledge on the Transferred Assets and other assets pledged to the Security Trustee and (iii) the Security Trustee may be obliged to enforce its pledge within a reasonable period following bankruptcy if so requested by the liquidator and as determined by the judge-commissioner (*rechter-commissaris*) appointed by the court in case of bankruptcy of the CBC. Similar or different restrictions may apply in case of insolvency proceedings other than Dutch insolvency proceedings.

To the extent the receivables pledged by the CBC to the Security Trustee are future receivables, the pledge on such future receivables cannot be invoked against the estate of the CBC if such future receivable comes into existence after 00.00 hours on the date on which the CBC has been declared bankrupt or has been granted a suspension of payments. The CBC has been advised that some of the assets pledged to the Security Trustee under the Security Trustee Rights Pledge Agreement should be regarded as future receivables. This would for example apply to amounts paid to the CBC Transaction Accounts following the CBC's bankruptcy or suspension of payments. With respect to Beneficiary Rights, reference is made to the section '*Risks relating to Beneficiary Rights under the Insurance Policies*' below.

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

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

The Security Trustee is a special purpose vehicle and is therefore unlikely to become insolvent. The Security Trustee acts solely as security trustee for the purpose of this Programme. Any payments in respect of the Parallel Debt and any proceeds received by the Security Trustee are, in the case of an insolvency of the Security Trustee, not separated from the Security Trustee's other assets and as such will form part of the Security Trustee's estate. The Secured Creditors therefore have a credit risk on the Security Trustee, which could lead to losses under the Covered Bonds.

#### **Transfer of Guarantee**

Under Dutch law an independent guarantee like the Guarantee is normally regarded as an independent claim and not an accessory right (*afhankelijk recht*) and is unlikely to be an ancillary right (*nevenrecht*) that by operation of law follows the receivables it secures upon transfer thereof. The Issuer and the CBC have been advised that, in the case of Bearer Covered Bonds, such a transfer of the Guarantee can be accomplished by ensuring that the Guarantee forms an integral part of the Covered Bonds. For this reason the Guarantee and the Covered Bonds will provide that the rights under the Guarantee (a) form an integral part of the Covered Bonds, (b) are of interest to a Covered Bondholder only if, to the extent that, and for so long as, it holds Covered Bonds and (c) can only be transferred together with all other rights under the relevant Covered Bond. The Issuer and the CBC have been advised that as a result, in case of a transfer of a Covered Bond to a transferee by way of book-entry transfer (*girale overboeking*) or physical transfer of a Bearer Covered Bond, such transfer includes the corresponding rights under the Guarantee. For Registered Covered Bonds, the rights under the Guarantee are to be separately assigned, together with the corresponding rights under the relevant Registered Covered Bonds.

#### **Forecasts and estimates**

Forecasts and estimates in this Base 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 results might differ from the projections and such differences might be significant.

## **RISK FACTORS REGARDING THE MORTGAGE RECEIVABLES AND OTHER ASSETS**

*In case the CBC is required to pay under the Guarantee, the ability to comply with such obligations will depend predominantly on the proceeds of the Transferred Assets. Payments on the Mortgage Receivables and other assets are subject to certain risks described in more detail below.*

### **Risk related to payments received by the Transferor or the Originators prior to notification of the assignment to the CBC**

Under Dutch law, assignment of the legal title of claims, such as the Eligible 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 in respect of the Mortgage Receivables from time to time have been or, as the case may be, will be assigned (i) in respect of Mortgage Receivables which have been originated by NN Leven (a) first, by NN Leven to the Transferor (to the extent such Mortgage Receivables have not been assigned previously) (also referred to as "**Assignment I**") and (b) second, by the Transferor to the CBC and (ii) in respect of Mortgage Receivables which have been originated by the Transferor, by the Transferor to the CBC (each also referred to as "**Assignment II**"). The Guarantee Support Agreement will provide that Assignment II will not be notified by the Transferor or, as the case may be, the CBC to the Borrowers except that notification of the assignment of the Mortgage Receivables may be made upon the occurrence of any of the Assignment Notification Events. For a description of these notification events reference is made to section 9 '*Guarantee Support*'.

Until notification of the Assignment I, the Borrowers under the Mortgage Receivables which have been originated by NN Leven can only validly pay to NN Leven in order to fully discharge their payment obligations (*bevrijdend betalen*) in respect thereof. Upon notification of the Assignment I and until notification of Assignment II, the Borrowers under Mortgage Receivables originated by NN Leven can only validly pay to the Transferor. The same applies, *mutatis mutandis*, in case of Mortgage Receivables which have been originated by the Transferor. Until notification of Assignment II, the Borrowers under such Mortgage Receivables can only validly pay to the Transferor.

Payments made by Borrowers (i) under Mortgage Receivables originated by NN Leven, prior to notification of Assignment I, but after bankruptcy, suspension of payments or emergency regulations in respect of NN Leven having been declared and (ii) (a) under Mortgage Receivables originated by NN Leven, after notification of Assignment I and prior to notification of Assignment II, and (b) under Mortgage Receivables originated by the Transferor prior to notification of Assignment II, but after bankruptcy, suspension of payments or emergency regulations in respect of the Transferor having been declared, will be part of, respectively, NN Leven's or the Transferor's bankruptcy estate. In respect of these payments, the CBC will be a creditor of the relevant 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.

### *Collection Foundation*

All amounts of interest and principal are directed to the Collection Accounts held with ING Bank N.V. as collection account provider in the name of NN Insurance Eurasia N.V. Subsequently, NN Insurance Eurasia N.V. will transfer or pay such amounts to the entity entitled to such amounts. If either ING Bank N.V. or NN Insurance Eurasia N.V. does not comply with their obligations to transfer or pay such amounts to the Originator, the Transferor, the CBC and/or the Security Trustee, as the case may be, for whatever reason (including a bankruptcy of such entity), the Originator, the Transferor, the CBC and/or the Security Trustee, as the case may be, may not receive the amounts due under the Mortgage Loans which have been collected from the Borrowers. In addition, if the Originator and/or Transferor receives the amounts collected by NN Insurance Eurasia N.V. and does not comply with their obligations to transfer or pay such amounts to the CBC for whatever reason (including a bankruptcy of such entity), the CBC may not receive the amounts so collected from the Borrowers (which will in such case have fully discharged their payment obligations as described above).

The risks set out in relation to the bankruptcy suspension of payments or emergency regulations relating to NN Insurance Eurasia N.V. are mitigated by the following structural features. Pursuant to the Receivables Proceeds Distribution Agreement the Collection Accounts are transferred under the condition precedent (*opschortende voorwaarde*) of the occurrence of a Trigger Event to the Collection Foundation by way of contract transfer. The Issuer and the CBC have been advised that in the absence of conclusive case law there



might be a risk that upon the occurrence of a Trigger Event the automatic contract transfer will not become fully effective as a result of Dutch bankruptcy laws and/or the insolvency of NN Insurance Eurasia N.V. For this reason the balance standing to the credit of the Collection Accounts will be pledged by NN Insurance Eurasia N.V. to the Collection Foundation as security for (*inter alia*) any and all monetary obligations of NN Insurance Eurasia N.V. to the Collection Foundation under or in connection with the Receivables Proceeds Distribution Agreement. As a result, even if the contract transfer is not effective, the balance on the Collection Accounts prior to such Trigger Event will be subject to the pledge and therefore effectively for the benefit of the Collection Foundation.

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

The Collection Foundation has, after the occurrence of a Trigger Event and the transfer of the Collection Accounts pursuant to the Receivables Proceeds Distribution Agreement, a claim against ING Bank N.V. (or its successor) as collection accounts provider as the bank where such accounts are held in respect of the balances standing to credit of the Collection Accounts. In the event of a bankruptcy of the Originator and after the occurrence of a Trigger Event and the transfer of the Collection Accounts to the Collection Foundation pursuant to the Receivables Proceeds Distribution Agreement, any amounts standing to the credit of the Collection Accounts relating to the Mortgage Receivables will not form part of the bankruptcy estate of such Originator or NN Insurance Eurasia N.V.

Subject to the occurrence of a Trigger Event and upon receipt of such amounts, the Collection Foundation will distribute to the CBC or, after a Pledge Notification Event, to the Security Trustee any and all amounts relating to the Mortgage Receivables received by it on the Collection Accounts, in accordance with the relevant provisions of the Receivables Proceeds Distribution Agreement. Pursuant to the Receivables Proceeds Distribution Agreement, the Transferor and after an insolvency event relating to the Transferor, a new administrator appointed for such purpose, will perform such payment transaction services on behalf of the Collection Foundation.

There is a risk that the Originators or the Transferor (prior to notification of the assignment) or its liquidator (following bankruptcy or suspension of payments but prior to notification) instructs the Borrowers to pay to another bank account. Any such payments by a Borrower would be valid (*bevrijdend*). This risk is, however, mitigated by the following. Firstly, the Transferor and the Originator have under the Receivables Proceeds Distribution Agreement undertaken towards the CBC and the Security Trustee not to amend the payment instructions and not to redirect cash flows to the Collection Accounts in respect of the Mortgage Receivables to another account, without prior approval of the CBC and the Security Trustee. In addition, the Issuer in its capacity as administrator for the Collection Foundation has undertaken in the Receivables Proceeds Distribution Agreement to disregard any instructions or orders from the Transferor, the Originator or any third party to cause the transfer of amounts in respect of the Mortgage Receivables to be made to another account than the Collection Accounts without prior approval of the CBC and the Security Trustee. Notwithstanding the above, the Transferor is obliged to pay to the CBC any amounts which were not paid on the Collection Accounts but to the Transferor or the Originator, as the case may be, directly.

#### **Risk related to the Construction Deposits being set-off with the Mortgage Receivable**

The Borrowers may maintain a Construction Deposit with the relevant Originator. Such amount will be paid out in case certain conditions are met.

Construction Deposits have to be paid out after the building activities or renovation activities have been finalised. Upon the finalisation of such activities, the remaining Construction Deposit will be set off against the relevant Mortgage Receivable. In view of set-off risks the amount of the Construction Deposit is deducted in the Asset Cover Test. The amount for which the Borrower can invoke set-off or defences may, depending on the circumstances, exceed the amount of the Construction Deposit. Therefore, the remaining risk is that, if and to the extent that the amount for which a Borrower successfully invokes set-off or defences exceeds the relevant Construction Deposit, such set-off or defence may lead to losses under the corresponding Mortgage Receivables, which would reduce the amounts available for payment to Covered Bondholders.

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

Under Dutch law a debtor has a right of set-off if it has a claim that corresponds to its debt owed to the same counterparty and it is entitled to pay its debt as well as to enforce its claim. Subject to these requirements being met, each Borrower will be entitled to set off amounts due by the relevant Originator to it (if any) with amounts it owes in respect of the Mortgage Receivable originated by such Originator prior to notification of the relevant assignment of the Mortgage Receivable originated by it. As a result of the set-off of amounts due and payable by an Originator to the Borrower with amounts the Borrower owes in respect of the Mortgage Receivable originated by such Originator, the Mortgage Receivable will, partially or fully, be extinguished (*gaat teniet*). Set-off by Borrowers could thus affect the proceeds under the Mortgage Receivables and as a result lead to losses under the Covered Bonds.

After notification of Assignment I (and/or Assignment II) to a Borrower, such Borrower will also continue to have set-off rights in respect of claims it has on the relevant Originator vis-à-vis the Transferor (or, after the notification of Assignment II, on the relevant Originator and/or the Transferor vis-à-vis the CBC), provided that the legal requirements for set-off are met (see above) and further provided that (i) the counterclaim of the Borrower results from the same legal relationship as the relevant Mortgage Receivable or (ii) the counterclaim of the Borrower has been originated (*opgekomen*) and became due and payable (*opeisbaar*) prior to Assignment I 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 NN Leven or the Transferor 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 became due and payable (*opeisbaar*) prior to notification of Assignment I, provided that all other requirements for set-off have been met (see above). Claims of a Borrower against NN Leven could, *inter alia*, result from Construction Deposits, Insurance Policies and premium deposits (*premiëdepots*) of such Borrower with NN Leven. Claims against the Transferor could, *inter alia*, result from savings accounts or deposits made by such Borrower with the Transferor, including, Construction Deposits and, in respect of Bank Savings Mortgage Loans, Bank Savings Deposits. Also, such claims of a Borrower against NN Leven or the Transferor can, *inter alia*, result from services rendered by NN Leven or the Transferor to the Borrower, such as investment advice or investment management services in connection with Investment Mortgage Loans rendered by NN Leven or the Transferor or for which NN Leven or the Transferor is responsible or liable. The above applies *mutatis mutandis* to the pledge of the Mortgage Receivables envisaged in the Security Trustee Receivables Pledge Agreement. The above applies *mutatis mutandis* to the right of set-off in respect of the Transferor and the CBC after notification of Assignment II to the Borrowers.

After a Borrower has been notified of Assignment II (together with the notification of Assignment I, if applicable), the Borrower will have the right of set-off of a counterclaim vis-à-vis the CBC on (i) the relevant Originator and/or (ii) the Transferor, provided that the requirements for set-off after notification of an assignment have been satisfied (see previous paragraph).

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

The Guarantee Support Agreement provides that if a Borrower sets off amounts due to it by the Transferor or the Originator against the relevant Mortgage Receivable, including, without limitation, any deposits owed to it with the relevant Mortgage Receivable and, as a consequence thereof, the CBC or the Security Trustee, as applicable, does not receive the amount which it is entitled to receive with respect to such Mortgage Receivable, the Transferor will pay to the CBC or the Security Trustee, as applicable, an amount equal to the difference between the amount which the CBC or the Security Trustee, as applicable, would have received with respect to the relevant Mortgage Receivable if no set-off had taken place and the amount actually received by the CBC or the Security Trustee, as applicable, with respect to such Mortgage Receivable.

Receipt of such amount by the CBC or the Security Trustee, as applicable, is subject to the ability of the Transferor to actually make such payments.

In addition, certain deductions in view of set-off risks are provided for in the Asset Cover Test.

For specific set-off issues relating to the Bank Savings Mortgage Loans or Life Insurance Policies or Savings Investment Insurance Policies, connected to the Mortgage Loans or specific set-off issues relating to the Investment Mortgage Loans, reference is made to '*Risk of set-off or defences in case of Bank Savings Mortgage Loans, Risk of set-off or defences by Borrowers in case of insolvency of Insurance Companies and Risks related to offering of Investment Mortgage Loans and Life Mortgage Loans or Switch Mortgage Loans with an Investment Alternative*' below.

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

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

As of 1 January 2014 the Bank Savings Deposit will be set off with the relevant Bank Savings Mortgage Receivable by operation of law, if and when in respect of the Transferor (i) the Deposit Guarantee Scheme has been instituted by the Dutch Central Bank, (ii) emergency regulations (*noodregeling*) have been declared or (iii) bankruptcy (*faillissement*) has been declared, irrespective of any rights of third parties, such as the CBC, with respect to the Bank Savings Mortgage Receivable.

In circumstances where the set-off by operation of law as described in the foregoing paragraph does not apply, to the extent the Bank Savings Mortgage Loans have been originated by the Transferor, each Borrower under the relevant Bank Savings Mortgage Loan, provided that the conditions for set-off by Borrowers have been met (see '*Set-off by Borrowers may affect the proceeds under the Mortgage Receivables*'), will be entitled to set off amounts due by the Transferor under the Bank Savings Deposit with the relevant Bank Savings Mortgage Receivable. In circumstances where the set-off by operation of law as described in the foregoing paragraph does not apply and Borrowers under the Bank Savings Mortgage Loans originated by NN Leven will not be able to recover their claims under their Bank Savings Deposits, the CBC and the Issuer have been advised that there is a considerable risk (*een aanmerkelijk risico*) that a set-off or defence by a Borrower would be successful in view of, *inter alia*, the close connection between the Bank Savings Mortgage Loan and the Bank Savings Deposit.

To mitigate the risk of set-off or defences with respect to Bank Savings Mortgage Loans, the Bank Savings Participation Agreement has been entered into between the CBC, the Security Trustee and NN Bank, as Bank Savings Participant (see also section 14 '*Participation Agreements*' below). Therefore, normally the CBC would not suffer any damages if the Borrower would invoke any such right of set-off or defences, if and to the extent that the amount for which the Borrower would invoke set-off or defence does not exceed the sum of the relevant Bank Savings Participation and the Bank Savings Bonus Amount. However, there is a risk that the amount for which the Borrower can invoke set-off or defences may, depending on the circumstances, exceed the sum of the relevant Bank Savings Participation and the Bank Savings Bonus Amount Participation. The remaining risk will be that if and to the extent that the amount for which a Borrower successfully invokes set-off or defences would exceed the sum of the relevant Bank Savings Participation and the Bank Savings Bonus Amount Participation, such set-off or defences could lead to losses under the Covered Bonds. Such excess amount could include any future entitlement of a Borrower in the Transferor's bankruptcy to a bonus amount under a Bank Savings Mortgage Loan which has not accrued.

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

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

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. In case of Mortgage Receivables in respect of which NN Leven is both the Originator of the relevant Mortgage Loans and the Insurance Company under the Insurance Policy connected thereto, this requirement will have been satisfied. In case of Mortgage Receivables in respect of which NN Bank is the Originator of the relevant Mortgage Loans and NN Leven the Insurance Company under the Insurance Policy connected thereto, in order to invoke a right of set-off, the Borrowers would have to establish that NN Bank (being the Originator) and NN Leven (being the Insurance Company) should be regarded as one legal entity or, possibly, based upon interpretation of case law, that set-off is allowed, even if NN Bank (being the Originator) and NN Leven (being the Insurance Company) are not considered as one legal entity, since the Insurance Policies and the Mortgage Loans might be regarded as one inter-related legal relationship.

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

Even if the Borrowers cannot invoke a right of set-off, they may invoke defences vis-à-vis the relevant Originator, the CBC and/or the Security Trustee, as the case may be. The Borrowers will naturally have all defences afforded by Dutch law to debtors in general. For example such defence could be based upon interpretation of the Mortgage Conditions and the promotional materials relating to the Mortgage Loans. Borrowers could argue that the Mortgage Loans and the Insurance Policies are to be regarded as one inter-related legal relationship and could on this basis claim a right of annulment or rescission of the Mortgage Loans or possibly suspension of their obligations thereunder. They could also argue that it was the intention of the Borrower, the relevant Originator and the Insurance Company, at least they could rightfully interpret the Mortgage Conditions and the promotional materials in such a manner, that the Mortgage Receivable would be (fully or partially) repaid by means of the proceeds of the relevant Insurance Policy and that, failing such proceeds being so applied, the Borrower is not obliged to repay the (corresponding) part of the Mortgage Receivable. Also, a defence could be based upon principles of reasonableness and fairness (*redelijkheid en billijkheid*) in general, i.e. that it is contrary to principles of reasonableness and fairness for the Borrower to be obliged to repay the Mortgage Receivable to the extent that he has failed to receive the proceeds of the Insurance Policy. The Borrowers could also base a defence on "error" (*dwalig*), i.e. that the Mortgage Loans and the Insurance Policy were entered into as a result of "error". If this defence would be successful, this could lead to annulment of the Mortgage Loan, which would have the result that the CBC no longer has a claim under the relevant Mortgage Receivable.

*Life Mortgage Loans to which a Life Insurance Policy taken out with an Insurance Company other than NN Leven is connected*

In respect of the risk of such set-off or defences being successful, as described above, if, in case of bankruptcy or emergency regulations of any of the Life Insurance Companies, the Borrowers/insured will not

be able to recover their claims under their Life Insurance Policies, the Issuer and the CBC have been advised that, in view of the preceding paragraphs and the representation by the Transferor that with respect to Life Mortgage Loans (i) a Borrower Insurance Pledge is granted on the rights under such policy in favour of the relevant Originator, (ii) the Life Mortgage Loan and the Life Insurance Policy are in the relevant Originator's or the Insurance Company's promotional materials not offered as one combined mortgage and life insurance product or under one name and (iii) the Borrower is not obliged to enter into the Life Insurance Policy with an Insurance Company which is a group company of the relevant Originator, it is unlikely that a court would honour set-off or defences of the Borrowers, as described above, if the Insurance Company is not NN Leven or a group company of NN Leven or the Transferor within the meaning of article 2:24b of the Dutch Civil Code.

*Life Mortgage Loans to which a Life Insurance Policy taken out with NN Leven is connected*

In respect of the risk of such set-off or defences being successful, as described above, if, in case of bankruptcy or emergency regulations of NN Leven, the Borrowers/insured will not be able to recover their claims under their Life Insurance Policies, the Issuer and the CBC have been advised that (i) in respect of Life Mortgage Loans originated by NN Leven and with a Life Insurance Policy taken out with NN Leven there is a considerable risk (*een aanmerkelijk risico*) that such set-off would be successful, *inter alia*, because the Life Mortgage Loan and the Life Insurance Policy were sold by one legal entity (NN Leven being both the Originator and the Insurance Company) and as one single package and (ii) in respect of Life Mortgage Loans originated by the Issuer and Life Insurance Policies taken out with NN Leven, the possibility certainly cannot be disregarded (*kan zeker niet worden uitgesloten*) that such set-off would be successful.

*Savings Mortgage Loans and Switch Mortgage Loans*

In respect of Savings Mortgage Loans and Switch Mortgage Loans originated by NN Leven with a Savings Insurance Policy or a Savings Investment Insurance Policy taken out with NN Leven, the Issuer and the CBC have been advised that the risk that such a set-off or defence would be successful is greater than in case of Life Mortgage Loans originated by NN Leven with a Life Insurance Policy taken out with NN Leven in view of, *inter alia*, the close connection between a Savings Mortgage Loan and a Savings Insurance Policy and between a Switch Mortgage Loan and a Savings Investment Insurance Policy, as applicable.

In respect of Savings Mortgage Loans and Switch Mortgage Loans originated by the Transferor with a Savings Insurance Policy or a Savings Investment Insurance Policy with NN Leven, the Issuer and the CBC have been advised that there is a considerable risk (*een aanmerkelijk risico*) that such a set-off or defence would be successful in view of, *inter alia*, the close connection between the Savings Mortgage Loan or Switch Mortgage Loan and the Savings Insurance Policy or the Savings Investment Insurance Policy, as applicable.

In respect of Savings Mortgage Loans and Switch Mortgage Loans which are subject to an Insurance Savings Participation, the Insurance Savings Participation Agreement will provide that should a Borrower invoke a defence, including but not limited to a right of set-off or counterclaim in respect of such Savings Mortgage Loan or Switch Mortgage Loans if, for whatever reason, the Insurance Savings Participant does not pay the insurance proceeds when due and payable, whether in full or in part, under the relevant Savings Insurance Policy or Savings Investment Insurance Policy and, as a consequence thereof, the CBC will not have received any amount outstanding prior to such event in respect of the relevant Savings Mortgage Receivable or Switch Mortgage Receivables with a Savings Alternative, the relevant Insurance Savings Participation of the Insurance Savings Participant will be reduced by an amount equal to the amount which the CBC has failed to receive. The amount of the Insurance Savings Participation is equal to the amounts of Savings Premium received by the CBC plus the accrued yield on such amount (see section 14 '*Participation Agreements*'), provided that the Insurance Savings Participant will have paid all amounts equal to the amounts due under the Insurance Savings Participation Agreement to the CBC. Therefore, normally the CBC will not suffer any damages if the Borrower invokes any such set-off or defence, if and to the extent that the amount for which the Borrower invokes set-off or defences does not exceed the amount of the Insurance Savings Participation. However, there is a risk that the amount for which the Borrower can invoke set-off or defences may, depending on the circumstances, exceed the amount of the Insurance Savings Participation. If and to the extent that the amount for which a Borrower successfully invokes set-off or defences would exceed the Insurance Savings Participation, such set-off or defences could lead to losses under the Covered Bonds.

The Insurance Savings Participation Agreement will apply to the Switch Mortgage Receivables only to the extent that Savings Premium is deposited or accumulated in a savings part of the Savings Investment

Insurance Policy connected thereto. Consequently, the risk of set-off or defences, as described above, applies without limitation and is not mitigated by the Insurance Savings Participation Agreement in case of a Switch Mortgage Loans in respect of which no Savings Premium is deposited or accumulated in a savings part of the Savings Investment Insurance Policy.

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

The Transferor has represented that with respect to Investment Mortgage Loans, the relevant investments held in the name of the relevant Borrower have been validly pledged to the relevant Originator and the securities are purchased for investment purposes on behalf of the relevant Borrower by an investment firm (*beleggingsonderneming*) in the meaning ascribed thereto in the Wft, such as a securities broker or a portfolio manager, or by a bank, each of which is by law obliged to make adequate arrangements to safeguard the clients' rights to such securities. The CBC has been advised that on the basis of this representation the relevant investments should be effectuated on a bankruptcy remote basis and that, in respect of these investments, the risk of set-off or defences by the Borrowers should not be relevant in this respect. However, if this is not the case and the investments were to be lost, this may lead to the Borrowers trying to invoke set-off rights or defences against the CBC on similar grounds as discussed under *Risk that set-off by Borrowers may affect the proceeds under the Mortgage Receivables* and *Risk of set-off and defences by Borrowers in case of insolvency of Insurance Companies*.

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

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

**Risks related to offering of Investment Mortgage Loans, Life Mortgage Loans and Switch Mortgage Loans with an Investment Alternative - to be further updated by NN**

Apart from the general obligation of contracting parties to provide information, there are several provisions of Dutch law applicable to offerors of financial products, such as Investment Mortgage Loans, Life Mortgage Loans and Switch Mortgage Loans with an Investment Alternative. In addition, several codes of conduct apply on a voluntary basis. On the basis of these provisions offerors of these products (and intermediaries) have a duty, *inter alia*, to provide the customers with accurate, complete and non-misleading information about the product, the costs and the risks involved. These requirements have become more strict over time. A breach of these requirements may lead to a claim for damages from the customer on the basis of breach of contract or tort or the relevant contract may be dissolved (*ontbonden*) or nullified (*vernietigd*) or a Borrower may claim set-off or defences against the relevant Originator or the CBC (or the Security Trustee). The merits of such claims will, to a large extent, depend on the manner in which the product was marketed and the promotional material provided to the Borrower. Depending on the relationship between the offeror and any intermediary involved in the marketing and sale of the product, the offeror may be liable for actions of the intermediaries which have led to a claim. The risk of such claims being made increases, if the value of investments made under Investment Mortgage Loans or Life Insurance Policies is not sufficient to redeem the relevant Mortgage Loans.

In this respect it is further of note that since the end of 2006, unit-linked products (commonly referred to in Dutch as *beleggingsverzekeringen*) have received negative attention in the Dutch media, from the Dutch Parliament, the AFM and consumer protection organisations and are the subject of legal proceedings (see further *Risks related to the unit-linked products as offered by the Dutch insurance subsidiaries of NN Group N.V.*).

If Life Insurance Policies or Savings Investment Insurance Policies with an Investment Alternative related to the Mortgage Loans would be dissolved or nullified, this will affect the collateral granted to secure the relevant Mortgage Loans (as the Borrower Insurance Pledges and the Beneficiary Rights would cease to exist). The Issuer and the CBC have 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 or the CBC.

In case of Mortgage Receivables in respect of which the Transferor is the Originator of the relevant Mortgage Loans and NN Leven is the Insurance Company under the Life Insurance Policy or Savings Investment

Insurance Policies with an Investment Alternative or in case of Mortgage Receivables in respect of which a Borrower has taken out a Life Insurance Policy with another Insurance Company than NN Leven, the analysis 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 Transferor 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 Transferor in the marketing and sale of the insurance policy, set-off or defences against the CBC could be invoked, which will probably only become relevant if such insurer and/or the Transferor will not indemnify the Borrower.

In case of Mortgage Receivables in respect of which NN Leven is the Originator of the relevant Mortgage Loans and NN Leven is also the Insurance Company under the Life Insurance Policy connected thereto, the right of the Borrowers to invoke set-off will be as described in *Set-off by Borrowers may affect the proceeds under the Mortgage Receivables above*.

Any such set-off or defences may affect the proceeds of the Mortgage Receivables and as a result lead to losses under the Covered Bonds.

**Risk that the All Moneys Security Rights will not follow the Mortgage Receivables upon assignment to the CBC**

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

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

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

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

Although the view prevailing in the past, to the effect that given its nature an all moneys 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 and the CBC have been advised that the better view is that as a general rule an all moneys security right in view of its nature follows the receivable as an accessory right upon its assignment. Whether in the particular circumstances involved the all moneys 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.

**Risk related to jointly-held All Moneys Security Rights by the relevant Originator, the CBC and the Security Trustee**

If the All Moneys Security Rights have (partially) followed the Mortgage Receivables upon their assignment by the Originator to the Transferor and/or by the Transferor to the CBC, the All Moneys Security Rights will be jointly-held (i) by the CBC (or the Security Trustee) and the relevant Originator and will secure both the Mortgage Receivables held by the CBC (or the Security Trustee, as pledgee) and any Other Claims of the relevant Originator.

Where the All Moneys Security Rights are jointly-held by the CBC or the Security Trustee and the relevant Originator, the rules applicable to a joint estate (*gemeenschap*) apply. The Dutch Civil Code provides for various mandatory rules applying to such jointly-held rights. In the Guarantee Support Agreement, the Originators, the CBC and the Security Trustee have agreed that the CBC and/or the Security Trustee (as applicable) will manage and administer such jointly-held rights (together with the arrangements regarding the share (*aandee*) set out in the next paragraph, the "Joint Security Right Arrangements"). Certain acts, including acts concerning the day-to-day management (*beheer*) of the jointly-held rights, may under Dutch law be transacted by each of the participants (*deelgenoten*) in the jointly-held rights. All other acts must be transacted by all of the participants acting together in order to bind the joint estate. It is uncertain whether the foreclosure of the All Moneys Security Rights will be considered as day-to-day management, and, consequently it is uncertain whether the consent of the relevant Originator or the relevant Originator's bankruptcy trustee (curator) (in case of bankruptcy) or administrator (*bewindvoerder*) (in case of emergency regulations), may be required for such foreclosure.

The Originators, the CBC and the Security Trustee will agree in the Guarantee Support Agreement that in case of foreclosure the share (*aandee*) in each jointly-held All Moneys Security Right of the CBC and/or the Security Trustee will be equal to the Outstanding Principal Amount of the Mortgage Receivable, increased with interest and costs, if any, and the share of the relevant Originator be equal to the Net Foreclosure Proceeds less the Outstanding Principal Amount, increased with interest and costs, if any (provided that, if the outcome thereof is negative, this will not lead to an obligation of the relevant Originator to reimburse the CBC for the amount of the outcome). The CBC has been advised that although a good argument can be made that this arrangement will be enforceable against the Originators or, in case of its bankruptcy or emergency regulations, its trustee or administrator, as the case may be, this is not certain. Furthermore, it is noted that the Joint Security Right Arrangement may not be effective against the Borrower.

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

#### **Risk that the Mortgages on long leases cease to exist**

The mortgage rights securing the Mortgage Loans may be vested on a long lease (*erfpacht*). A long lease will, *inter alia*, end as a result of expiration of the long lease term (in the case of a lease for a fixed period), or termination of the long lease by the leaseholder or the landowner. The landowner can terminate the long lease if the leaseholder has not paid the remuneration (*canon*) due for a period exceeding two (2) consecutive years or seriously breaches (*in ernstige mate tekortschiet in*) other obligations under the long lease. If the long lease ends, the landowner will have the obligation to compensate the leaseholder. In such event the mortgage right will, by operation of law, be replaced by a right of pledge on the claim of the (former) leaseholder on the landowner for such compensation. The amount of the compensation will, *inter alia*, be determined by the conditions of the long lease and may be less than the market value of the long lease.

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

Accordingly, certain Mortgage Loans may become due and payable prematurely as a result of early termination of a long lease. In such event there is a risk that the CBC will upon enforcement receive less than the market value of the long lease, which could lead to losses under the Covered Bonds.

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



All rights of a Borrower under the Insurance Policies have been pledged to the relevant Originator under a Borrower Insurance Pledge. The CBC has been advised that it is probable that the right to receive payment under the Insurance Policies will be regarded by a Dutch court as a future right. The pledge of a future right is, under Dutch law, not effective if the pledgor is declared bankrupt, granted a suspension of payments or a debt restructuring scheme pursuant to the Dutch Bankruptcy Code or is subject to emergency regulations, prior to the moment such right comes into existence. This means that it is uncertain whether such pledge will be effective. The same applies to any Borrower Investment Pledges to the extent the rights of the Borrower qualify as future claims, such as option rights (*opties*).

Accordingly, the CBC's rights under insurance policies and investments pledged by Borrowers may be subject to limitations under Dutch insolvency law, which may, in turn, lead to losses under the Covered Bonds.

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

The relevant Originator has been appointed as beneficiary under the relevant Insurance Policy, or in respect of NN Leven has appointed itself, except that in certain cases another beneficiary is appointed who will rank ahead of the relevant Originator, provided that, *inter alia*, the relevant beneficiary has given a Borrower Insurance Proceeds Instruction. The CBC has been advised that it is unlikely that the appointment of the relevant Originator as beneficiary will be regarded as an ancillary right and that it will follow the Mortgage Receivables upon assignment or pledge thereof. The Beneficiary Rights will be assigned by the relevant Originator to the CBC and will be pledged to the Security Trustee by the CBC. The assignment and pledge of the Beneficiary Rights will only be completed upon notification to the Insurance Company, which is not expected to occur prior to the occurrence of an Assignment Notification Event. However, the CBC has been advised that it is uncertain whether this assignment and pledge will be effective.

The relevant Originator will only have a claim on the relevant Insurance Company as beneficiary if it accepts the appointment as beneficiary by delivering a statement to this effect to the Insurance Company. The relevant Originator can only accept such appointment as beneficiary by written notification to the relevant Insurance Company of (i) the acceptance and (ii) the written consent by the insured, unless the appointment as beneficiary has become irrevocable.

In the event that a Borrower Insurance Proceeds Instruction has been given, the Transferor has undertaken in the Guarantee Support Agreement to use its best efforts, following an Assignment Notification Event, to withdraw the Borrower Insurance Proceeds Instruction in favour of the relevant Originator and to issue the Borrower Insurance Proceeds Instruction in favour of (i) the CBC subject to the dissolving condition of the occurrence of a Pledge Notification Event and (ii) the Security Trustee under the condition precedent of the occurrence of a Pledge Notification Event. The termination and appointment of a beneficiary under the Insurance Policies and the withdrawal and the issue of the Borrower Insurance Proceeds Instruction will require the co-operation of all relevant parties involved. It is uncertain whether such co-operation will be forthcoming.

If (i) the CBC or the Security Trustee, as the case may be, has not become the beneficiary of the Insurance Policies and (ii) the assignment and pledge of the Beneficiary Rights are not effective, any proceeds under the Insurance Policies will be payable to the relevant Originator or to another beneficiary, instead of the CBC or the Security Trustee, as the case may be, up to the amount of any claims such Originator may have on the relevant Borrower. If the proceeds are paid to the relevant Originator, it will pursuant to the Guarantee Support Agreement be obliged to pay the amount involved to the CBC or the Security Trustee, as the case may be. If the proceeds are paid to the relevant Originator and such Originator does not pay the amount involved to the CBC or the Security Trustee, as the case may be, for example in the case of bankruptcy of or emergency regulations applicable to the relevant Originator, or if the proceeds are paid to another beneficiary instead of the CBC or the Security Trustee, as the case may be, this may result in the amount paid under the Insurance Policies not being applied in reduction of the Mortgage Receivable. This may lead to the Borrower trying to invoke set-off or defences against the CBC or the Security Trustee, as the case may be, for the amounts so received by the relevant Originator or another beneficiary, as the case may be.

Accordingly, the CBC's rights and the Security Trustee's rights as pledgee in respect of insurance policies containing a beneficiary clause or a payment instruction in favour of the Transferor may be subject to limitations under Dutch insolvency law, which may, in turn, lead to losses under the Covered Bonds.

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

The CBC has been advised that a good argument can be made that the right to reset the Mortgage Interest Rate should be considered as an ancillary right and would follow the Mortgage Receivables upon their assignment to the CBC 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 CBC 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 Transferor, the co-operation of the trustee (in bankruptcy) or administrator (in emergency regulations) would be required to reset the interest rates.

**Risks related to maturity of Long Term Mortgage Loans**

The conditions applicable to the Long Term Mortgage Loans do not provide for a maturity date. The Borrower is only obliged to repay the principal sum of the Long Term Mortgage Loan (or the relevant loan-part) in certain events provided for in the applicable general terms and conditions. It is uncertain whether or when any of the other events will occur and, consequently, it is possible that Long Term Mortgage Loans will only become due and repayable after the Extended Due for Payment Date. A Long Term Mortgage Loan may be a loan part (*leningdeel*) of a Mortgage Loan of which the other loan part(s) do provide for a maturity date.

**Risks related to prepayment penalties charged by the Transferor and to interest rate averaging**

In the Netherlands borrowers of mortgage loans may generally prepay their mortgage loans before the maturity date. If the prepayment exceeds a predefined maximum amount and such prepayment does not result from certain predefined events, such as a sale of the mortgaged property, the provider of a mortgage loan may charge a prepayment penalty. A prepayment penalty may also be charged in case the borrower applies for interest rate averaging (*rentemiddeling*), as further described below.

Under the act implementing the Mortgage Credit Directive in the Netherlands which entered into force on 14 July 2016, prepayment penalties may not exceed the financial loss incurred by the provider of the mortgage loan. In view of the new legislation, the AFM investigated the calculation method for, and the prepayment penalties charged by, different providers of mortgage loans. As a result, on 20 March 2017, the AFM published guidelines setting out certain principles for calculating the prepayment penalty that may be charged in case of a prepayment of a mortgage loan (*Leidraad Vergoeding voor vervroegde aflossing van de hypotheek*).

The AFM guidelines apply for the calculation of the prepayment penalties charged as of 14 July 2016. However, it cannot be ruled out that the principles formulated by the AFM or other legal grounds will be used as a basis to claim that prepayment penalties charged by mortgage providers before 14 July 2016 should be recalculated and/or repaid.

On 6 February 2018 two consumer organisations (*Consumentenbond* and *Vereniging Eigen Huis*) publicly announced that they will initiate a trial process claiming that prepayment penalties charged prior to 14 July 2016 should be recalculated and potentially be repaid to the borrowers. No claim has been received and legal proceedings have not yet been initiated. In case any obligation for repayment or recalculation were to be established in the trial proceedings, such obligation is likely to be determined in respect of mortgages that are not included in the cover pool at the date of this Base Prospectus. However, the outcome of such a trial process may negatively impact financial institutions and, thus, impact the Issuer's financial position, business, revenues, result of operations and prospects.

The Transferor offers interest rate averaging (*rentemiddeling*) to borrowers. In case a borrower of a mortgage loan applies for interest rate averaging (*rentemiddeling*) such borrower is offered a new fixed interest rate, whereby the (agreed-upon) fixed interest will be reduced taking into account the current interest rate offered by such offeror for the relevant period, the risk profile, the break costs for the fixed interest and a small surcharge. It should be noted that interest rate averaging (*rentemiddeling*) - when offered to a Borrower - may have a downward effect on the interest received on the relevant Mortgage Loans, which could lead to losses under the Covered Bonds.

Although the aforementioned AFM guidelines do not directly apply to interest rate averaging, the AFM expects providers of mortgage loans to act in the best interest of the borrower. Furthermore, the AFM announced that it will investigate whether providers of mortgage loans always act in accordance with the borrowers' interest.

In this respect, the AFM could decide to argue for adjustment of the legislation concerning interest rate averaging.

**Valuation may not accurately reflect the value or condition of the Mortgaged Assets**

In general, valuations represent the analysis and opinion of the person performing the valuation at the time the valuation is prepared and are not guarantees of, and may not be indicative of, present or future value. There can be no assurance that another person would have arrived at the same valuation, even if such person used the same general approach to and same method of valuing the property.

Each valuation obtained in connection with the origination of the Mortgage Loans sought to establish the amount a typically motivated buyer would pay a typically motivated seller at the relevant time they were prepared. Such amount could be significantly higher than the amount obtained from the sale of a Mortgaged Asset under a distressed or liquidation sale. In addition, in many real estate markets, including in the Netherlands, property values may have varied since the time the valuations were obtained, and therefore the valuations may not be an accurate reflection of the current Market Value of the Mortgaged Assets. The current market value of the Mortgaged Assets could be lower than the values indicated in the appraisals obtained at the origination of the Mortgage Loans. In addition, differences exist between valuations due to the subjective nature of valuations and appraisals, particularly between different appraisers performing valuations at different points in time. For the avoidance of doubt, no revaluation of the Mortgaged Assets has been made for the purpose of this Programme.

Furthermore, 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 Covered Bondholders if the relevant security rights on the Mortgaged Assets are required to be enforced. A decline in value can be caused by many different circumstances, including but not limited to individual circumstances relating to the Borrower (e.g. neglect of the property) or events that affect all Borrowers, such as catastrophic events, or a general or regional decline in value. Investors should be aware that Dutch house prices have declined significantly between 2008 and 2013.

**No investigations in relation to the Mortgage Loans and the Mortgaged Assets**

None of the CBC, the Security Trustee, the Arranger, the Dealers or any other person has undertaken or will undertake an independent investigation, searches or other actions to verify the statements of the Transferor concerning itself, the Mortgage Loans, the Mortgage Receivables and the Mortgaged Assets. The CBC and the Security Trustee will rely solely on the Transferor Warranties.

Prior to service of a Notice to Pay and provided that the Asset Cover Test shall not be breached upon such retransfer, the Transferor may request the retransfer of a Mortgage Receivable from the CBC if a breach of the Mortgage Receivables Warranties occurs on or appears after the relevant Transfer Date in respect of such Mortgage Receivable (see section 9 'Retransfers'). Should the Transferor fail to take the appropriate action, this may have an adverse effect on the ability of the Issuer to make payments under the Covered Bonds.

Agreed-upon procedures (AUP) performed on the randomly selected audit sample of the Mortgage Loans prior to the Programme Date have revealed and, thereafter, prior to an Issue Date may reveal that within the audit sample some information in respect of the Mortgage Loans required in relation to such tests is not or no longer available and/or errors may have been made in the application of the then applicable procedures for recording borrower information. Files that can be associated with any findings will be excluded from the cover pool. The audit sample of Mortgage Loans is representative of all Mortgage Loans and the same margin of error may apply to all Mortgage Loans. It may therefore be that the Transferor will be in breach of some of the Mortgage Receivables Warranties as of the relevant Transfer Date. However, it is noted that if in the future it appears that any Mortgage Receivable does not comply with any of the Eligibility Criteria as at the relevant Transfer Date, then such Mortgage Receivable will be excluded in the calculation of the Asset Cover Test and the Amortisation Test.

**Risks associated with defaults by Borrowers and declining property values**

Payments on the Mortgage Receivables and other assets are, *inter alia*, subject to credit, liquidity and interest rate risks. This may in respect of Mortgage Receivables be due to, amongst other things, market interest rates, general economic conditions, the financial standing of Borrowers and similar factors. Other factors such as loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies and

bankruptcy filings by Borrowers and could ultimately have an adverse impact on the ability of Borrowers to repay their Mortgage Receivables.

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. House prices in the Netherlands have, on average (regional differences in the rate of change can be noticed), declined until the second half of 2013 and increased in recent years (see in this respect section 10 'Overview of the Dutch Residential Mortgage Market'). If the CBC is required to pay under the Guarantee, a decline in value may result in losses to the Covered Bondholders if the relevant security rights on the Mortgaged Assets are required to be enforced. Neither the Transferor nor the Originators will be liable for any losses incurred by the Covered Bondholders, or for any deficiency incurred by the CBC as a result of such decline in value in connection with the relevant Mortgage Loans. As set forth herein, however, Defaulted Receivables will be excluded in the calculation of the Asset Cover Test and the Amortisation Test.

#### **Changes to the underwriting criteria may lead to increased defaults by Borrowers**

Each of the Mortgage Loans originated by the Originators will have been originated in accordance with its underwriting criteria at the time of origination. Upon transfer of Mortgage Receivables, the Transferor will warrant only that such Mortgage Receivables were originated in accordance with such Originator's underwriting criteria applicable at the time of origination. The relevant Originator retains the right to revise its underwriting criteria from time to time, provided that it acts as a reasonable prudent lender. If the underwriting criteria change in a manner that affects the creditworthiness of the Borrowers under the Mortgage Receivables, that may lead to increased defaults by Borrowers, lower foreclosure proceeds and may affect the realisable value of the Mortgage Receivables, or part thereof, and the ability of the CBC to make payments under the Guarantee. It is however noted that Defaulted Receivables will be excluded in the calculation of the Asset Cover Test and the Amortisation Test.

#### **Limited recourse to the Transferor**

The CBC will not, and the Security Trustee will not, undertake any investigations, searches or other actions on any Mortgage Receivable and will rely instead on the Mortgage Receivables Warranties given in the Guarantee Support Agreement by the Transferor in respect of the relevant Mortgage Receivables.

If any Mortgage Receivable does not materially comply with any of the Eligibility Criteria as at the Transfer Date of that Mortgage Receivable or is or becomes a Defaulted Receivable, then such Mortgage Receivables will be excluded in the calculation of the Asset Cover Test and the Amortisation Test.

#### **Risk that interest rate offered to Borrowers does not comply with the obligation to set such interest rates not below the Minimum Mortgage Interest Rate**

The Servicing Agreement provides that following notification to the relevant Borrowers of Assignment II of the Mortgage Receivables, the Servicer, acting on behalf of the CBC, will only offer the relevant Borrowers in respect of Mortgage Loans (or relevant loan part thereof) an interest rate (including relevant margin) for the next succeeding interest rate period (*rentevastperiode*) which is at least 1 per cent. per annum, which percentage may be amended by the CBC and the Issuer, subject to Rating Agency Confirmation and with the consent of the Security Trustee, subject to the Mortgage Conditions and to applicable law (including, without limitation, principles of reasonableness and fairness) (the "**Minimum Mortgage Interest Rate**"). The terms and conditions applicable to the Mortgage Loans provide that, unless agreed otherwise between the parties, upon termination of an interest rate period the relevant Borrower will be offered a new interest rate for a new fixed interest rate period. The terms and conditions do not contain guidelines as to how the new interest rate will be calculated or determined. If the interest rate is set below the Minimum Mortgage Interest Rate, the difference between such interest rate and the Minimum Mortgage Interest Rate will be taken into account in the Asset Cover Test.

The Guarantee Support Agreement provides that a Transferor will be obliged to repurchase the Relevant Mortgage Receivables sold and assigned by it to the CBC if the interest rate in respect of the Relevant Mortgage Loan is reset at a (fixed) interest rate for the next succeeding interest rate period (*rentevastperiode*) which is lower than the Minimum Mortgage Interest Rate, provided that no such repurchase is required if the Asset Cover Test provides that the Current Balance is adjusted in relation thereto. If the Transferor does not comply with its obligation to repurchase and accept re-assignment of the relevant Mortgage Receivables, the

interest received by the CBC may not be sufficient to pay the interests payable by the CBC on the Covered Bonds.

### **Risks in respect of NHG Guarantees**

Mortgage Loans may have the benefit of an NHG Guarantee issued by Stichting WEW. Pursuant to the terms and conditions (*voorwaarden en normen*) applicable to the NHG Guarantee, Stichting WEW has no obligation to pay any loss (in whole or in part) incurred by a lender after a private or a forced sale of the mortgaged property if such lender has not complied with the terms and conditions of the NHG Guarantee. The Transferor will in the Guarantee Support Agreement represent and warrant that in respect of each NHG Mortgage Loan Receivable: (i) each NHG Mortgage Loan Receivable has the benefit of an NHG Guarantee which has been granted for the full Outstanding Principal Amount in respect of the NHG Mortgage Loan or Loan Part at origination and constitutes legal, valid and binding obligations of Stichting WEW enforceable in accordance with its terms, (ii) all the NHG Conditions were complied with and (iii) the Transferor is not aware of any reason why any claim under the NHG Guarantee granted by Stichting WEW in respect of any NHG Mortgage Loan Receivable should not be met in full and in a timely manner.

Furthermore, the terms and conditions of the NHG Guarantee stipulate that the NHG Guarantee will terminate upon expiry of a period of thirty (30) years after the issue of the NHG Guarantee. Mortgage Loans may have a maturity date which falls after the expiry date of the relevant NHG Guarantee. This will result in the Issuer, CBC or Security Trustee, as the case may be, not being able to claim for payment with Stichting WEW of a loss incurred after the term of the NHG Guarantee has expired.

Finally, the terms and conditions of the NHG Guarantee stipulate that each NHG Guarantee (irrespective of the type of redemption of the mortgage loan) is reduced on a monthly basis by an amount which is equal to the amount of the monthly repayments plus interest as if the Mortgage Loan were to be repaid on a thirty year annuity basis. The actual redemption structure of a Mortgage Loan can be different. This may result in the Issuer, CBC or Security Trustee, as the case may be, not being able to fully recover a loss incurred with Stichting WEW. Mortgage loans taken out for houses purchased after 1 January 2013 have to be repaid in full in thirty (30) years and at least on an annuity basis in order to be eligible for mortgage interest relief (*hypotheekrenteaftrek*).

In view of government tax measures described above, annuity mortgage loans (*annuïteitenhypotheken*) have become the standard. This will considerably reduce the risk described above. In alignment with this reduced risk, the Dutch government has introduced amendments to the NHG Conditions. In respect of NHG mortgage loans provided after 1 January 2014, the amount the offeror of mortgage loans can recover from Stichting WEW in case of losses under a NHG mortgage loan will be 90 per cent. (instead of 100 per cent.) of the total loss under the relevant NHG mortgage loan (see also the representation and warranty in this respect as described above).

### **Prepayment**

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 Borrower's behaviour (including but not limited to home owner mobility). No assurance can be given as to the level of prepayment that the Mortgage Loans granted may experience, and variation in the rate of prepayments of principal on the Mortgage Loans granted pursuant to the Mortgage Loan Conditions may affect the timing of the payments of the CBC under the Guarantee.

### **New Transferors**

The Issuer may propose that any affiliate to the Issuer may become a New Transferor and that such New Transferor may transfer Eligible Assets to the CBC. However, such New Transferor will only be permitted to become a New Transferor if the conditions precedent set out in the Programme Agreement relating to New Transferors acceding to the Programme are met including, but not limited to, Rating Agency Confirmation.

Any Mortgage Receivables originated by a New Transferor will have been originated in accordance with the underwriting criteria of the New Transferor, which may differ from the underwriting criteria of Mortgage Receivables originated by the Originators. If the underwriting criteria differ in a way that affects the creditworthiness of the Borrowers under the Mortgage Receivables, that may lead to increased defaults by

Borrowers and may affect the realisable value of the relevant Mortgage Receivables or any part thereof and/or the ability of the CBC to make payments under the Guarantee. This risk is mitigated to a certain extent by the fact that Defaulted Receivables will be excluded in the calculation of the Asset Cover Test and the Amortisation Test.

## **RISK FACTORS REGARDING ASSET MONITORING AND SERVICING**

### **Maintenance of Transferred Assets**

If the collateral value of the Transferred Assets has not been maintained in accordance with the terms of the Asset Cover Test or the Amortisation Test, then that may affect the realisable value of the Transferred Assets or any part thereof (both before and after the occurrence of a CBC Event of Default) and/or the ability of the CBC to make payments under the Guarantee.

Unless a Breach of Asset Cover Test has occurred, the Asset Monitor will test the arithmetic of the calculations performed by the Administrator in respect of the Asset Cover Test once each year on the Calculation Date immediately preceding each anniversary of the Programme Date and more frequently in certain circumstances. Following the service of a Breach of Asset Cover Test Notice (until remedied), the Asset Monitor will be required to test the calculations performed by the Administrator in respect of the Amortisation Test on each Calculation Date.

The Security Trustee shall not be responsible for monitoring compliance with, nor the monitoring of, the Asset Cover Test or the Amortisation Test or any other test, or supervising the performance by any other party of its obligations under any Transaction Document.

### **Sale or refinancing of Selected Mortgage Receivables**

If the CBC is required to pay under the Guarantee, the CBC will undertake its best efforts to sell or refinance Selected Mortgage Receivables (selected on a random basis) in order to make funds available to the CBC to make payments to the CBC's creditors including to make payments under the Guarantee.

There is no guarantee that a buyer will be found for the Selected Mortgage Receivables nor assurance as to the price which may be obtained, which may affect payments under the Guarantee. In addition, the CBC will not be permitted to give warranties or indemnities in respect of Selected Mortgage Receivables (unless expressly permitted to do so by the Security Trustee). There is no assurance that the Transferor would give any warranties or representations in respect of the Selected Mortgage Receivables. Any Representations or Warranties previously given by the Transferor in respect of the relevant Mortgage Receivables may not have value for a third party purchaser if the Transferor is then subject to any insolvency proceedings. Accordingly, there is a risk that the realisable value of the Selected Mortgage Receivables could be adversely affected by the lack of representations and warranties which in turn could adversely affect the ability of the CBC to meet its best efforts undertaking under the Guarantee.

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

An entity which services (*beheert*) and administers (*uitvoert*) loans granted to consumers, such as the CBC, must have a licence under the Wft. An exemption from the licence requirement is available, if such entity, which is not the originator, acquired the receivables and outsources the servicing of the loans and the administration thereof to an entity holding a licence under the Wft. The CBC has outsourced the servicing and administration of the Mortgage Loans to the Servicer. The Servicer holds a licence as intermediary (*bemiddelaar*) and offeror of credit (*aanbieder van krediet*) under the Wft and the CBC thus benefits from the exemption. However, if the Servicing Agreement is terminated, the CBC 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 CBC will have to comply with the applicable requirements under the Wft. If the Servicing Agreement is terminated and the CBC 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 CBC will have to terminate its activities and settle (*afwickelen*) its existing agreements.

### **Not all risks are deducted from the Asset Cover Test**

As the Asset Cover Test and the Amortisation Test are composed of multiple tests, not all tests included therein provide for deduction of certain risks in the manner described herein. In particular certain set-off risks and other risks which are deducted from the Adjusted Aggregate Asset Amount are not deducted for the

purpose of the calculation of the First Regulatory Current Balance Amount and the Second Regulatory Balance Amount. Therefore, the First Regulatory Current Balance Amount and the Second Regulatory Balance Amount do not include a deduction in respect of these risks. Therefore, where in the risk factors it is stated that such risks are to be deducted from the Asset Cover Test and/or the Amortisation Test, this means that these will be deducted from the Adjusted Aggregate Asset Amount and/or Amortisation Test Aggregate Asset Amount and does not mean that these are deducted from the First Regulatory Current Balance Amount and the Second Regulatory Balance Amount.

## **RISK FACTORS REGARDING SWAPS**

### **Risk related to the mismatches between income and liabilities and termination of a Swap Agreement**

Variances are possible in (i) the rates of interest payable on the Mortgage Receivables (which may, for instance, include variable rates of interest, fixed rates of interest or rates of interest which track a base rate), the other Transferred Assets and the CBC Transaction Accounts and (ii) the amounts payable on the outstanding Covered Bonds. The CBC may hedge against these variances by entering into Swap Agreements.

A Swap Counterparty will usually be obliged to make payments under the relevant Swap Agreement without any withholding or deduction of taxes unless required by law. If any such withholding or deduction is required by law, the relevant Swap Counterparty will be required to pay such additional amount necessary to ensure that the net amount actually received by the CBC will equal the full amount that the CBC would have received had no such withholding or deduction been required. The relevant Swap Agreement may provide, however, that if due to a Tax Event, the relevant Swap Counterparty may (with the consent of the CBC and subject to Rating Agency Confirmation) transfer its rights and obligations to another of its offices, branches or affiliates to avoid the relevant Tax Event. If the relevant Swap Counterparty is unable to transfer its rights and obligations under the relevant Swap Agreement to another office, branch or affiliate, it will in such case have the right to terminate the relevant Swap Agreement. Upon such termination, the CBC or the relevant Swap Counterparty may be liable to make a termination payment to the other party.

A Swap Agreement will usually 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 relevant Swap Agreement, (iii) a CBC Acceleration Notice is served, (iv) a Tax Event occurs as described in the paragraph above or (v) an additional termination event (as defined in the relevant Swap Agreement) occurs. Events of Default under the Swap Agreements in relation to the CBC will in principle be limited to (i) non-payment under the relevant Swap Agreement and (ii) insolvency events. If the relevant Swap Agreement terminates, the CBC will be exposed to changes in the relevant rates of interest. As a result, unless a replacement swap agreement is entered into, the CBC may have insufficient funds to make payments under the Guarantee, if it is required to pay thereunder.

### **Termination payments under Swap Agreements**

If a Swap Agreement terminates, then the CBC may be obliged to make a termination payment to the relevant Swap Counterparty. There can be no assurance that the CBC will have sufficient funds available to make such a termination payment, nor can there be any assurance that the CBC will be able to enter into a replacement swap agreement, or if one is entered into, that the credit rating of the replacement swap counterparty will be sufficiently high to prevent a downgrade of the then current ratings of the Covered Bonds by the Rating Agencies.

If the CBC is obliged to make a termination payment under any Swap Agreement, such termination payment will in most cases (see the applicable priority of payments) rank ahead of amounts due on the Covered Bonds except where default by, or downgrade of, the relevant Swap Counterparty has caused the relevant Swap Agreement to terminate. The obligation to make a termination payment other than arising from default by, or downgrading of, the Swap Counterparty, may therefore adversely affect the ability of the CBC to meet its obligations under the Guarantee.

### **Differences in timing of obligations of the CBC and Swap Counterparties**

With respect to the Swap Agreements, the CBC (or the Issuer on its behalf) may be obliged to make monthly payments to the relevant Swap Counterparty, whereas the relevant Swap Counterparty may not be obliged to make corresponding swap payments for up to twelve (12) months. If the relevant Swap Counterparty does not meet its payment obligations to the CBC, the CBC may have a larger shortfall than it would have had if the

relevant Swap Counterparty's payment obligations had coincided with CBC's payment obligations under the relevant Swap. Hence, the difference in timing between the obligations of the CBC and the relevant Swap Counterparty may affect the CBC's ability to make payments under the Guarantee.

**Payments with respect to Covered Bonds and Swap Agreements during a CBC Payment Period (other than on the CBC Payment Date on which the CBC Payment Period commences)**

Following the service of an Issuer Acceleration Notice and a Notice to Pay (but prior to a CBC Acceleration Notice), pursuant to the Trust Deed, the Available Revenue Funds and the Available Principal Funds (less any amounts payable to third parties incurred by the CBC in its ordinary course of business, which may be paid on each day by the CBC) will be applied in accordance with the CBC Priority of Payments on each CBC Payment Date, which date will occur monthly. Payments in respect of interest and principal on a Series of Covered Bonds and in respect of Swap Agreements may however become due and payable on other days than on the relevant CBC Payment Date during a CBC Payment Period. Such amounts will be payable by the CBC on the date on which such payments become due and payable as follows:

- (i) in respect of a Series of Covered Bonds, to the extent that the CBC has entered into a Swap Agreement with respect to such Series of Covered Bonds, from the amounts received under the relevant Swap Agreement connected to such Series after the CBC Payment Date on which the relevant CBC Payment Period commenced;
- (ii) from the amounts reserved in respect of such Series of Covered Bonds or such Swap Agreement pursuant to items (e) and (f) of the CBC Priority of Payments on the CBC Payment Date on which the relevant CBC Payment Period commenced; and
- (iii) in respect of a Series of Covered Bonds, to the extent not so paid in full following application of the funds available in accordance with (i) and (ii) above, from the amounts as were credited to the CBC Transaction Accounts in accordance with item (i) of the CBC Priority of Payments on the CBC Payment Date on which the relevant CBC Payment Period commenced.

To the extent that the amounts under (i), (ii) and (iii) are insufficient to pay the amounts due, the CBC will be unable to meet its obligations with respect to such Series of Covered Bonds.

It is noted that, consequently, should a Swap Counterparty default in its obligation to pay the CBC under a Swap Agreement, and despite the relevant mitigants described above there are insufficient funds available pursuant to item (f) of the CBC Priority of Payments, one or more Series which are subject to a Swap Agreement may not be paid, or not be paid in full during the relevant CBC Payment Period, whereas one or more other Series may be paid in full during that same CBC Payment Period.

**RISKS FACTOR REGARDING CASHFLOWS**

For as long as no Assignment Notification Event has occurred and no Breach of Asset Cover Test Notice (which is not remedied), Notice to Pay or CBC Acceleration Notice has been served on the CBC, the Transferor will be entitled to receive and retain the proceeds from the Transferred Assets for its own benefit. In addition, the Issuer will, as consideration for the CBC issuing the Guarantee, pay all costs and expenses of the CBC and make and receive all payments to be made or received by the CBC under any Swap Agreement, the Insurance Savings Participation Agreement, the Bank Savings Participation Agreement and certain other obligations of the CBC. Upon the earlier to occur of an Assignment Notification Event and service of a Breach of Asset Cover Test Notice (which is not remedied) or a Notice to Pay or CBC Acceleration Notice on the CBC, these rights of the Transferor will terminate and the amounts received by the CBC will be applied in accordance with the relevant Priority of Payments (except that any collateral to be provided by a Swap Counterparty following its downgrade will be delivered to the CBC irrespective of whether any Assignment Notification Event has occurred or any Breach of Asset Cover Test Notice (which is not remedied) or Notice to Pay or CBC Acceleration Notice has been served at such time) (see further section 17 'Cashflow').



#### 4. IMPORTANT INFORMATION

The Issuer and the CBC (only as far as it concerns the CBC) accept responsibility for the information contained in this Base Prospectus. To the best of their knowledge (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. Any information from third-parties identified in this Base Prospectus as such has been accurately reproduced and as far as the Issuer and the CBC are aware and are able to ascertain from the information published by a third party, does not omit any facts which would render the reproduced information inaccurate or misleading. The Issuer and the CBC accept responsibility accordingly.

No representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Arranger, the Dealers or the Security Trustee as to the accuracy or completeness of the information contained or referred to in this Base Prospectus or any other information provided or purported to be provided by or on behalf of the Arranger, a Dealer, the Security Trustee, the Issuer or the CBC in connection with the Programme. The Arranger, the Dealers and the Security Trustee accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of such information.

The Issuer will furnish a supplement to this Base Prospectus in case of any significant new factor, material mistake or inaccuracy relating to the information contained in this Base Prospectus which is capable of affecting the assessment of the Covered Bonds and which arises or is noticed between the time when this Base Prospectus has been approved and the final closing of any Series or Tranche of Covered Bonds offered to the public or, as the case may be, when trading of any Series or Tranche of Covered Bonds on a regulated market begins, in respect of Covered Bonds issued on the basis of this Base Prospectus.

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

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Covered Bonds should be considered as a recommendation by the Issuer or the CBC that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Covered Bonds should purchase any Covered Bonds. Each investor contemplating purchasing any Covered Bonds should make its own independent investigation of the financial condition and affairs and its own appraisal of the creditworthiness of the Issuer and the CBC. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Covered Bonds constitutes an offer or invitation by or on behalf of the Issuer to any person to subscribe for or to purchase any Covered Bonds.

Forecasts and estimates in this Base 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.

The distribution of this Base Prospectus and the offering, sale and delivery of the Covered Bonds may be restricted by law in certain jurisdictions. Persons into whose possession this Base Prospectus or any Covered Bonds comes must inform themselves about, and observe, any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Covered Bonds and on distribution of this Base Prospectus and other offering material relating to the Covered Bonds, see '*Subscription and Sale*' below.

The Covered Bonds have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission or any other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the accuracy or adequacy of this Base Prospectus. Any representation to the contrary is unlawful.

The Covered Bonds have not been and will not be registered under the Securities Act and include Covered Bonds in bearer form that are subject to United States tax law requirements. The Covered Bonds 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 U.S. tax regulations and the Securities Act. See '*Subscription and Sale*' below.

The credit ratings included or referred to in this Base Prospectus will be treated for the purposes of the CRA Regulation as having been issued by S&P upon registration pursuant to the CRA Regulation. S&P is established in the European Union and has been registered by the European Securities and Markets Authority as credit rating agencies in accordance with the CRA Regulation.

Whether or not a rating in relation to any Series of Covered Bonds will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms.

If a Stabilising Manager is appointed for a Series or Tranche of Covered Bonds, the relevant Stabilising Manager will be set out in the applicable Final Terms. The Stabilising Manager or any duly appointed person acting for the Stabilising Manager may over-allot or effect transactions with a view to supporting the market price of the relevant Series of Covered Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Series or Tranche of Covered Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of thirty (30) calendar days after the issue date and sixty (60) calendar days after the date of the allotment of the relevant Series or Tranche of Covered Bonds. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or any persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules as amended from time to time.

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

The Arranger, the Dealers and/or their affiliates may have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Arranger, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their clients. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. The Arranger, the Dealers and/or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Arranger, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Covered Bonds issued under the Programme. Any such short positions could adversely affect future trading prices of Covered Bonds issued under the Programme. The Arranger, the Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**Benchmark Regulation:** Interest and/or other amounts payable under the Covered Bonds may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark under the Benchmark Regulation. If any such reference rate does constitute such a benchmark, the relevant Final Terms will indicate whether or not the administrator thereof is included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmark Regulation. Not every reference rate will fall within the scope of the Benchmark Regulation. Furthermore, transitional provisions in the Benchmark Regulation may have the result that an administrator and/or a benchmark is not required to appear in the register of administrators and benchmarks at the date of the relevant Final Terms. The registration status of any administrator or benchmark under the Benchmark Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update any Final Terms to reflect any change in the registration status of the administrator.

## 5. NATIONALE-NEDERLANDEN BANK N.V.

### General

The Issuer is a public company with limited liability (*naamloze vennootschap*) organised under Dutch law and incorporated on 26 April 2011 under the name Nationale-Nederlanden Bank N.V. The Issuer operates under the business names 'Nationale-Nederlanden Bank N.V.', 'Nationale-Nederlanden Bank', 'NN Bank', 'Nationale-Nederlanden', 'NN', 'Brickler', 'Delta Lloyd Bank' and 'OHRA Bank'.

The Issuer has its statutory seat in The Hague, the Netherlands and its registered office at Prinses Beatrixlaan 35-37, 2595 AK The Hague, the Netherlands, telephone number +31 (0)70 3418418. It is registered with the Business Register held by the Chamber of Commerce under number 52605884. According to article 2 of the Issuer's articles of association, its objectives are to conduct the banking business in the widest sense of the word, including to offer bank savings products, to broker in insurances, acquire, establish and develop real estate, and furthermore to participate in, to conduct the business of, to provide the funding and to give personal or collateral security for the commitments of and to provide services to other companies and institutions, of any type, but especially companies and institutions which are active in the area of the credit system, investments, and/or other financial services, as well as to undertake all actions that are deemed to be necessary to the foregoing, or in furtherance thereof.

The Legal Entity Identifier (LEI) of the Issuer is 724500L7T6JR7V9S1O28.

### Share capital

The Issuer's authorised share capital at 31 December 2017 amounted to EUR 50,000,000, divided into 5,000,000 ordinary shares, each with a nominal value of EUR 10. The Issuer's issued share capital amounts to EUR 10,000,000, consisting of 1,000,000 ordinary shares, with a nominal value of EUR 10 each. The rights of the shareholders are described in the Issuer's articles of association in conjunction with Dutch company law. NN Bank is fully owned by NN Group.

### Brief history

NN Bank was founded on 26 April 2011 as a Dutch retail bank. It is a fully-owned subsidiary of NN Group, and its broad range of banking products is complementary to Nationale-Nederlanden's individual life and non-life insurance products for retail customers in the Netherlands. NN Bank's purpose is to help retail customers secure their financial futures: helping them manage and protect their assets and income through mortgage loans, (internet) savings, bank annuities, consumer lending and retail investment products. In addition, NN Bank provides administration and management services to NN Group companies and external parties.

### Subsidiaries

NN Bank has two fully-owned subsidiaries:

- HQ Hypotheken 50 B.V., which was founded on 21 August 2012 with statutory seat in Rotterdam, the Netherlands. Through this subsidiary, NN Bank offers mortgage loans to customers via a business partner.
- Nationale-Nederlanden Beleggingsrekening N.V. This is a dormant company, not currently conducting any business or other activities.

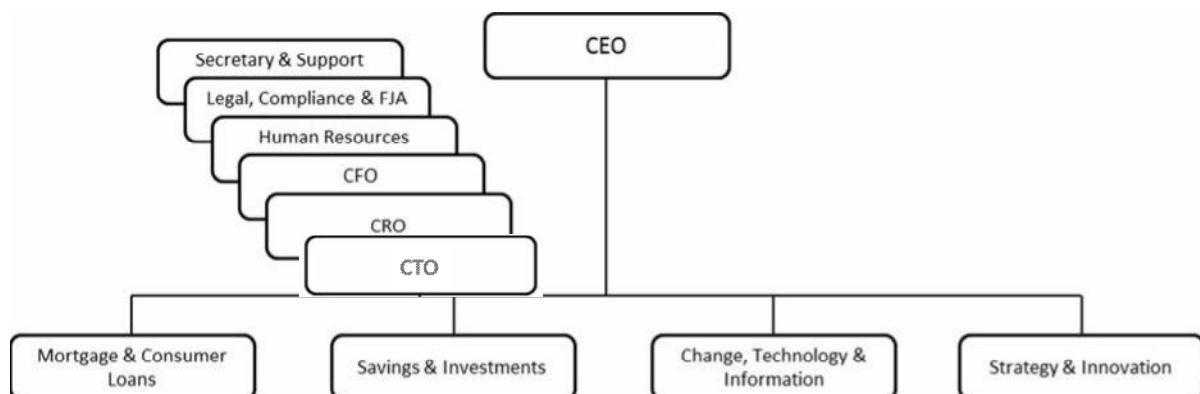
### Legal Merger

After the acquisition of Delta Lloyd Group by NN Group in 2017, NN Bank and Delta Lloyd Bank decided to integrate their businesses. On 31 December 2017, NN Bank entered into a legal merger with Delta Lloyd Bank. As a result of this merger, Delta Lloyd Bank ceased to exist as a separate entity and NN Bank acquired all assets and liabilities of Delta Lloyd Bank under universal title of succession (*algemene titel*), effective on 1 January 2018.

### Organisation

Together with Customer & Commerce, NN Non-Life, NN Leven and Intermediaries, NN Bank is part of Nationale-Nederlanden in the Netherlands. NN Bank is organised in a value chain structure focused on its core retail banking activities: Mortgages & Consumer Loans and Savings & Investments. Each value chain is organised in such a way, that all responsibilities and activities regarding a specific product (e.g. mortgage

loans) are embedded within that chain, i.e. from front to back. The organisation applies a customer centric approach, as well as an effective and efficient management of its processes and servicing of its relationships (i.e. both customers and intermediaries).



In addition to these two operational chains, a separate Change, Technology & Information domain is responsible for general IT and operations not linked to a particular value chain and a Strategy & Innovation domain focuses on long term value creation.

### Strategy

NN Bank helps customers to secure their financial future. This is its common purpose, and NN Bank aims to achieve this by primarily focusing on the situation and demands of its customers. The approach to customers is personal, and the products and services are designed to meet their needs. Wherever possible, these products and services are available online, so the bank's customers can organise their finances quickly and easily.

The customer strategy of NN Bank is based on the overall strategy of NN Group and the 'Dutch Strategy NL'. The common objective is to help customers, particularly when it comes to securing their financial future. According to the Dutch Strategy NL, "digital", "personal" and "relevant" are the key words that characterise the Nationale Nederlanden service. NN Bank added a fourth keyword: "convenience", which is essential in today's competitive market, as the data driven online world leads to consumers expecting personalised service and convenience. NN Bank's business unit offers various banking products and services to private individuals. Core products are mortgage loans and (bank annuity) savings.

NN Bank does not have a branch network, and keeps its costs low, therefore it is able to compete with conventional banks. This allows NN Bank to place the needs of its customers first and ensures that customers are happy to remain with the bank, purchase a greater share of their financial products from NN Bank and also recommend NN Bank to others.

In the coming years NN Bank will continue its current business strategy:

- primary focus on growth in mortgage loans and savings;
- investing in its customer service and processes; and
- simplifying its IT landscape.

### Revenue model

The activities of the Issuer generate the following income flows:

- *Interest result*: which is the difference between (i) interest income (mainly comprising (long-term) interest received on mortgages and consumer loans) and (ii) interest expense (including (short-term) interest paid on internet savings accounts, deposits and wholesale funding as well as interest expense

- on debt securities issued, subordinated loans and other borrowed funds).
- *Net fee and commission income*: which is the difference between commission received and commission paid. Commission received mainly comprises the origination fee received on mortgage production for Group entities, servicing fees related to mortgage portfolios of other (Group) entities which the Issuer services and management fees on the investment portfolio. The commission paid mainly relates to lending commission on mortgages and consumer credits and services bought from third parties e.g. for servicing the mortgage offering process and credit card services.
- *Other income*: mainly comprises gains and losses on financial transactions and valuation results on derivatives. Premiums and discounts depend on the market rates at the time of the sale versus the client rate on the sold mortgage. In the past years, the Issuer benefitted from the decline in market rates.

## Business

The Issuer offers a range of banking products to mainly retail customers in the Netherlands. Early 2018, NN Bank started a proof of concept for offering an online savings product in Spain.

The Issuer's banking product offering, with mortgages and savings as its key products, includes the following: mortgages, (bank annuity) savings products, consumer credit and retail investments.

## Mortgage Loans

### 1. *Mortgage loans originated by NN Leven and NN Bank*

Mortgage Loans are originated for the Issuer's balance sheet and are also sold to internal NN Group parties and to external parties as investments. All NN-originated Mortgage Loans are distributed through independent intermediaries and the Issuer's own advisors. This distribution process is managed by the Issuer. New mortgage loans are accepted on the basis of standard underwriting procedures. All origination is done in line with the then prevailing Code of Conduct (since 2007) and Dutch legislation (since 2013). The servicing of all NN-originated mortgage loans is performed by the Issuer since 1 July 2013. This holds for both the regular loan servicing and special servicing ("**Arrears Management**").

Of the Issuer's NN-labelled mortgage loan portfolio of EUR 12.4 billion (gross outstanding amount) at the end of 2017, almost two-thirds of the loans have an amortizing feature such as a redemption scheme (annuity and linear of 24 per cent.) or additional collateral value being built up (savings and bank savings of 27 per cent. and life and investments of 14 per cent.), whereas interest-only loans accounted for 34 per cent. (leaving around 1 per cent. miscellaneous). A mortgage loan often consists of multiple loan parts, e.g. an interest-only loan part may be combined with an additional collateralised loan part.

The Issuer also provides these mortgage administration and management services to ING Bank N.V. (in relation to a remainder of the NN-labelled mortgage portfolio owned by the former WUB), Nationale-Nederlanden Levensverzekering Maatschappij N.V., NN Insurance Belgium N.V., Nationale-Nederlanden Schadeverzekering Maatschappij N.V. and the NN Dutch Residential Mortgage Fund.

### 2. *Mortgage loans offered via Quion*

HQ Hypotheken 50 B.V. was founded on 21 August 2012 with statutory seat in Rotterdam, the Netherlands. Through this subsidiary, NN Bank funds mortgage loans to customers via Quion Hypotheekbemiddeling B.V. ("**Quion**"). Of the HQ labelled mortgage loan portfolio of EUR 1.1 billion (gross outstanding amount) at the end of 2017, 85 per cent. has been originated with a guarantee from Stichting WEW (i.e. NHG mortgage loans). The HQ labelled mortgage loans are not eligible for inclusion into the cover pool.

### 3. *Mortgage loans offered by Delta Lloyd*

Delta Lloyd Bank performs activities relating to the offering, conclusion and servicing of residential mortgage loans offered by, *inter alia*, Amstelhuys N.V., OHRA Hypotheken Fonds N.V. and Delta Lloyd Levensverzekering N.V. (the "**Delta Lloyd labelled mortgage loans**"). The total Delta Lloyd labelled mortgage loan portfolio amounts to EUR 4.5 billion (gross outstanding amount) at the end of 2017. The Delta Lloyd labelled mortgage loans are not eligible for inclusion into the cover pool.

From 1 February 2018 Delta Lloyd labelled mortgage loans and other Delta Lloyd and Ohra banking products (such as (bank annuity) savings and investment accounts) are no longer offered.

(Bank annuity) savings

Main categories of savings products are Bank Annuities and On-line Savings Accounts. Bank Annuities are fiscally driven savings products and include Immediate Annuities, Deferred Annuities and Severance Payment Annuities.

The Issuer operates a stand-alone Treasury department, responsible for capital planning and the management of the funding (medium and long-term), liquidity (short-term) and interest rate risk position. The starting point for the management of capital and the liquidity and interest rate risk position are the mortgage and customer savings portfolios.

**Pro forma combined balance sheet of NN Bank and Delta Lloyd Bank**

In order to provide insight in the impact of the legal merger, the pro forma combined balance sheet of NN Bank and Delta Lloyd Bank as at 31 December 2017 is as follows:

	31 December 2017			
	NN Bank (x EUR 1,000)	Delta Lloyd Bank (x EUR 1,000)	Eliminations (x EUR 1,000)	Pro forma combined (x EUR 1,000)
<b>Assets</b>				
Cash and balances at central banks	1,085,613	396,196	0	1,481,809
Amount due from banks	398,900	118,090	-130,000	386,990
Financial assets at fair value through profit or loss	0	0	0	0
- non trading derivatives	193,271	7,783	0	201,054
Available-for-sale investments	547,331	269,309	0	816,640
Loans and advances to customers	13,739,818	4,546,526	0	18,286,344
Other assets	104,365	4,677	0	109,042
Deferred tax assets	625	0	0	625
<b>Total assets</b>	<b>16,069,923</b>	<b>5,342,581</b>	<b>-130,000</b>	<b>21,282,504</b>

31 December  
2017

	NN Bank (x EUR 1,000)	Delta Lloyd Bank (x EUR 1,000)	Eliminations (x EUR 1,000)	Pro forma combined (x EUR 1,000)
<b>Liabilities</b>				
Amounts due to banks	432,394	130,021	-130,000	432,415
Customer deposits and other funds on deposit	10,604,951	3,565,917	0	14,170,868
Financial liabilities at fair value through profit or loss	0	0	0	0
- non-trading derivatives	208,153	15,579	0	223,732
Other borrowed funds	485,000	0	0	485,000
Other liabilities	56,817	43,278	0	100,095
Deferred tax liabilities	4,377	24,592	0	28,969
Provisions	1,001	5,032	0	6,033
Debt securities issued	3,481,034	1,349,533	0	4,830,567
Subordinated debt	85,000	12,000	0	97,000
<b>Total liabilities</b>	<b>15,358,727</b>	<b>5,145,952</b>	<b>-130,000</b>	<b>20,374,679</b>

31 December  
2017

	NN Bank	Delta Lloyd Bank	Eliminations	Pro form combined
Equity				
<b>Shareholders' equity</b>	<b>711,196</b>	<b>196,629</b>	<b>0</b>	<b>907,825</b>
<b>Total equity and liabilities</b>	<b>16,069,923</b>	<b>5,342,581</b>	<b>-130,000</b>	<b>21,282,504</b>

The pro forma combined balance sheet of NN Bank and Delta Lloyd Bank as at 31 December 2017 is included in Note 36 'Subsequent and other events' of the Annual Report 2017 of the Issuer.

#### Harmonisation and accounting policies

Following the legal merger and the application of book value accounting, the accounting policies of Delta Lloyd Bank were compared with those of NN Bank and the accounting policies are aligned. In 2017, Delta Lloyd bank was added to the Dutch fiscal unity of NN Group. Within the Dutch fiscal unity, the former Delta Lloyd group companies operate under the Dutch fiscal policies, whereas NN Bank operates under an IFRS ruling. As from 1 January 2018, after the legal merger, the IFRS ruling is applied for assets and liabilities of the former Delta Lloyd Bank. The financial impact is an increase of deferred tax liabilities amounting to EUR 2.6 million and a corresponding decrease in the tax liability.

## Pro forma combined regulatory ratios of NN Bank and Delta Lloyd Bank

	31 December 2017
CET1 capital <sup>1</sup>	878
CET1 ratio - transitional <sup>1</sup>	15.4%
Leverage ratio - transitional	4.1%
LCR	175%

<sup>1</sup> These ratios are excluding the fourth quarter result of 2017 and dividend for NN Bank. The negative result of DL Bank is included.

The pro forma combined regulatory ratios of NN Bank and Delta Lloyd Bank as at 31 December 2017 are included in Note 36 'Subsequent and other events' of the Annual Report 2017 of the Issuer.

The Issuer decided to implement an amended interest rate pricing system based on risk-based pricing with multiple risk premium categories which allows for the adjustment of mortgage interest rates by moving to a lower risk premium category (1) automatically following (partial) repayment of the loan principal, also taking into account (p)repayments that have already been made, and/or (2) upon request following a proven revaluation of the relevant mortgaged asset. The implementation will trigger a negative revaluation of the mortgage loans on the balance sheet of the Issuer, which will marginally impact the Issuer's capital ratios and leverage ratio

The pro forma combined regulatory ratios stemming from the merger of NN Bank and Delta Lloyd Bank are calculated based on the results of the regulatory reporting process of each individual bank. The ratios presented in the table above are calculated based on the respective components of the presented individual ratios, such as common equity tier 1 capital and risk weighted assets for the CET1 ratio. As much as possible, the separate policies and data definitions used for the calculation of these ratios have been aligned.

The pro forma combined balance sheet of NN Bank and Delta Lloyd Bank has been presented for illustrative purposes only and is not necessarily indicative of the actual results of operations or financial position that would have been achieved had the transaction been consummated on the date indicated above, or the future consolidated results of operations or financial position of NN Bank or Delta Lloyd Bank. Due to its nature, the pro forma combined balance sheet of NN Bank and Delta Lloyd Bank addresses a hypothetical situation and does not therefore represent NN Bank's or Delta Lloyd Bank's actual financial position or results.

### Legal proceedings

The Issuer is, and could be, involved in litigation and other binding proceedings involving claims by and against the Issuer that arise in the ordinary course of its business, including in connection with its activities as bank, investor and its position as employer and taxpayer. Such proceedings could entail that large or indeterminate amounts are sought. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, the Issuer's management is - at the date of this Base Prospectus - not aware that the Issuer or any of its subsidiaries was involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the twelve (12) months prior to the date of this Base Prospectus that may have or have in the recent past, had a significant effect on the financial condition or profitability of the Issuer and its subsidiaries.

However, on 6 February 2018 two consumer protection organisations (*Consumentenbond* and *Vereniging Eigen Huis*) publicly announced to start a trial process against Delta Lloyd in which they claim that prepayment penalties charged prior to 14 July 2016 should be recalculated and potentially be repaid to the borrowers. No claim has been received and legal proceedings have not yet been initiated. The outcome of such a trial process may negatively impact financial institutions and, thus, impact the Issuer's financial position, business, revenues, result of operations and prospects. See for more information '*Risk Factors - Risks related to prepayment penalties charged by the Transferor and to interest rate averaging*'.

Currently, several legal proceedings regarding unit-linked products are pending before Dutch Courts and the KiFiD against Dutch insurance subsidiaries of NN Group. Although the Issuer is not subject to any



governmental, legal or arbitration proceedings regarding unit-linked products, actions against Dutch insurance subsidiaries of NN Group might lead to material losses for the Issuer. See for more information '*Risk Factors—Risks related to the unit-linked products as offered by the Dutch insurance subsidiaries of NN Group N.V.*'.

**Material agreements**

The Issuer does not enter into any material contract (other than in its ordinary course of business) which could result in an obligation or entitlement that is material to the Issuer's ability to meet its obligation to investors in the Covered Bonds.

## MANAGEMENT BOARD AND SUPERVISORY BOARD

### General

The Issuer has a two tier board structure consisting of a management board (*raad van bestuur*) (the "**Management Board**") and a supervisory board (*raad van commissarissen*) (the "**Supervisory Board**").

The Issuer is managed by a four-member Management Board under the supervision of the Supervisory Board. The Management Board has the ultimate executive responsibility for the Issuer. The Management Board is responsible for profitability and for business and operational activities and the risks and controls they entail. The Management Board establishes the Issuer's risk appetite (ratified by the Supervisory Board) and determines the risk policy framework, which it implements and monitors under the supervision of the Supervisory Board.

### Supervisory Board

#### ***Powers, responsibilities and functioning***

The Supervisory Board is responsible for supervising the management of the Management Board and the general course of affairs of the Issuer and the business connected with it and providing advice to the Management Board. The Supervisory Board may, on its own initiative, provide the Management Board with advice and may request any information from the Management Board that it deems appropriate. In performing its duties, the Supervisory Board must consider and act in accordance with the interests of the Issuer and the business connected with it, taking into consideration the relevant interests of all the stakeholders of the Issuer (including its customers and personnel). The Management Board must timely provide the Supervisory Board with the information necessary for the performance of its duties. At least once a year, the Management Board must provide the Supervisory Board with a written report outlining the Issuer's strategy, the general and financial risks faced by the Issuer and the Issuer's management and control system.

The Supervisory Board has appointed one of its members as chairman. The Supervisory Board is assisted by the head of the Legal and Compliance department of the Issuer.

#### ***Members of the Supervisory Board***

As at the date of this Base Prospectus, the Supervisory Board consists of the following persons:

- Mr H.G.M. (Hein) Blocks (1945), chair (independent). Mr Blocks has a long background in the banking industry. He is also chairman of Bestuur Stichting Administratiekantoor KLM (SAK2), chair of the board of Stichting Geschillencommissies Consumentenzaken and Geschillencommissies Beroep en Bedrijf, member of the Raad van Advies College Bescherming Persoonsgegevens, chair of the supervisory board of Da Vinci Groep, member of the Commissie Toegang Notariaat (Min. Veiligheid en Justitie).
- Mr A.A.G. (André) Bergen (1950), former CEO of the Belgian KBC Group, is an experienced management and supervisory board member of large financial institutions. He is also director of Sapient Investment Managers.
- Mr D.E. (David) Knibbe (1971), also member of the management board of NN Group, chief executive officer of NN Netherlands Insurance and member of the board of VNO-NCW and chair of the board of the Dutch Association of Insurers.
- Mr D. (Delfin) Rueda Arroyo (1964), also chief financial officer and member of the executive board and management board of NN Group and member of the supervisory boards of NN Re (Netherlands) N.V., Nationale-Nederlanden Levensverzekering Maatschappij N.V., Movir N.V., Nationale-Nederlanden Schadeverzekering Maatschappij and NN Non-Life Insurance N.V., Delta Lloyd N.V., Delta Lloyd Levensverzekering N.V. and Delta Lloyd Schadeverzekering N.V. and supervisory board member and head of the audit committee of the supervisory board of Adyen B.V.
- Mr J.H. (Jan-Hendrik) Erasmus (1980), also chief risk officer and member of the management board of NN Group, member of the supervisory boards of Nationale-Nederlanden Levensverzekering Maatschappij N.V., Movir N.V., Nationale-Nederlanden Schadeverzekering Maatschappij N.V., NN Non-Life Insurance N.V., Delta Lloyd Levensverzekering N.V. and Delta Lloyd Schadeverzekering N.V. and vice-chair of the CRO Forum 2018.

The business address of the members of the Supervisory Board is the registered address of the Issuer, at Prinses Beatrixlaan 35-37, 2595 AK The Hague, the Netherlands.

***Potential conflicts of interest***

Other than the fact that three members of the Supervisory Board Members are not independent from an NN Group perspective, because they are member of the executive board or management board or otherwise work at NN Group, the Issuer is not aware of any actual or potential conflicts of interests between any duties owed by the members of the Supervisory Board to the Issuer and any private interests or other duties that such person may have. There is no family relationship between any member of the Management Board or the Supervisory Board.

Conflicting interests are considered to be absent and are not reported if a member of the Supervisory Board obtains financial products and services from the Issuer, which are provided by the Issuer in the ordinary course of business on terms that apply to all personnel.

**Management Board*****Powers, responsibilities and functioning***

The Management Board is entrusted with the general and day-to-day management, the strategy and the operations of the Issuer under the supervision of the Supervisory Board. In performing its duties, the Management Board must carefully consider and act in accordance with the interests of the Issuer and the business connected with it, taking into consideration the interest of all the stakeholders of the Issuer (including its customers and personnel). The Management Board, through the CEO, is required to keep the Supervisory Board informed, to consult with the Supervisory Board on important matters and to submit certain important decisions to the Supervisory Board for its approval (such as the Issuer's risk appetite, the medium term planning and the Issuer's risk policies). At least once a year, the Management Board must provide the Supervisory Board with a written report outlining the Issuer's strategy and the general and financial risks faced by the Issuer. Each of the members of the Management Board is responsible and accountable within the Management Board for the specific tasks as assigned. The members of the Management Board will attend Supervisory Board meetings if so requested.

The tasks and responsibilities of the members of the Management Board are allocated as follows:

- Chief Executive Officer (CEO)  
As chairman, the CEO is responsible for the liaison between the various members of the Management Board, so that they can take collective management responsibility for profitability and business and operational activities, and thus also the risk profile and control of the bank. The CEO reports hierarchically as well as functionally to the CEO Netherlands Insurance.
- Chief Financial Officer (CFO)  
The CFO is responsible for the financial function, including Finance Bank and Treasury. The CFO reports hierarchically to the Issuer's CEO and functionally into NN Group's CFO.
- Chief Risk Officer (CRO)  
The CRO is responsible for the risk management function (second-line) and is jointly responsible with the business (first-line) for the risk profile within the Issuer. The CRO reports hierarchically to the Issuer's CEO and functionally into NN Group's CRO.
- Chief Transition Officer (CTO)  
The CTO is responsible for the intended merger of (the operations of Delta Bank N.V.) into the Issuer's operations. The CTO reports hierarchically as well as functionally to the Issuer's CEO.

***Members of the Management Board***

As at the date of this Base Prospectus, the Management Board consists of the following persons:

- Mr E. (Erik) Muetstege (1960), CEO and chairman;
- Mrs J.E. (Sandra) van Eijk (1971), CFO;
- Mrs M.E. (Monique) Tailor-Hemerijck (1960), CRO;
- Mr A.J.M. (Marcel) Zuidam (1970), CTO.

The business address of the members of the Management Board is the registered address of the Issuer, at Prinses Beatrixlaan 35-37, 2595 AK The Hague, the Netherlands.

***Potential conflicts of interest***

The Issuer is not aware of any actual or potential conflicts of interests between any duties owed by the members of the Management Board to the Issuer and any private interests or other duties that such person may have. There is no family relationship between any member of the Management Board or the Supervisory

Board.

Conflicting interests are considered to be absent and are not reported if a member of the Management Board obtains financial products and services from the Issuer, which are provided by the Issuer in the ordinary course of business on terms that apply to all personnel.

### **Committees**

The Management Board has delegated a number of activities to specific committees within the Issuer. These committees have an advisory role to the Management Board or have been granted delegated authority. Those committees are as follows:

#### **Asset and Liability Committee (ALCO)**

The responsibilities of the Management Board with respect to asset and liability management are delegated to the ALCO. The ALCO is responsible for managing interest rate risk, liquidity risk, customer behaviour and for determining which capital instruments are to be deployed and for overseeing the implementation of (new) instruments. Within the ALCO financial risks associated with the banking business are discussed and reviewed with the individual members in order to address the risks in an integrated way. Credit Risk and Operational Risk are out of scope of ALCO's responsibilities, being dealt with by Credit Risk Management and Operational Risk Management respectively. The Management Board remains ultimately responsible for policy regarding, and management of, all the Issuer's risks.

#### **Credit Risk Committee (CRC)**

The responsibilities of the Management Board with respect to credit risk management are delegated to the CRC. The CRC is responsible for managing the Issuer's credit risk. The Management Board remains ultimately responsible for policy regarding, and management of, all the Issuer's risks.

#### **Data Governance Committee (DGC)**

Responsibilities of the Management Board with respect to data governance & quality management are delegated to the DGC. The DGC is responsible for maintenance and implementation of the policies regarding data governance & quality management. Decisions made in the DGC are mandatory guidance for those with an identified role in the data governance & quality management policy (e.g. data owners, data custodians, data stewards). The Management Board remains ultimately responsible for data governance and quality management within the Issuer.

#### **Impairment and Provisioning Committee (IPC)**

The IPC has been mandated to determine the Loan Loss Provisioning (LLP) of the Issuer in accordance with the methodology as described in the credit risk policy of the Issuer. The Management Board remains ultimately responsible for the LLP and the correctness of the used methodology and processes.

#### **Non-Financial Risk Committee (NFRC)**

The responsibilities of the Management Board with respect to non-financial risk management are delegated to the NFRC. The NFRC is responsible for managing non-financial risk. The Management Board remains ultimately responsible for policy regarding, and management of, all the Issuer's risks.

#### **Crisis Steering Committee (CC)**

The main scope and responsibility of the CC is handling financial and non-financial crisis situations in accordance with the crisis management governance as described in the Issuer's recovery plan. The Issuer's crisis management governance frameworks meets four key crisis management governance criteria:

- Ensure separation between decision making and execution;
- Ensure tracking & logging of actions;
- Ensure unity of command;
- Ensure that the Issuer speaks with a single voice to its stakeholders and other parties.

The framework provides the necessary flexibility to tackle different financial crisis situations. It effectively facilitates the Issuer's mobilisation of the required expertise and to focus all efforts on finding, deciding on and bringing about an effective solution.

#### **Balance Sheet Optimisation Committee**

Responsibilities of the Management Board of the Issuer with respect to managing the balance sheet

concerning ROE/profitability are delegated to the Balance Sheet Optimisation Committee (BSO). The BSO is responsible for optimisation of the pricing of savings and mortgages to ensure meeting at least ROE/profitability targets while striving for economic profit per product greater than zero. Decisions made in the BSO are mandatory guidance for the pricing committees. In scope are all products and the current key focus is on mortgages and savings.

#### Model Committee (MoC)

The responsibilities of the Management Board with respect to model risk management has been delegated to the MoC, including the approval authority for the models, methodologies and parameters. The Management Board remains ultimately responsible for policy regarding, and management of, all the Issuer's risks.

#### Product Approval & Review Committee (PARC)

The PARC has been established to support the Management Board with product approval and review. The PARC is responsible for coordination and oversight of approval and review of (new and existing) products of the Issuer.

#### Pricing Committees

There are two Pricing Committees, the Wealth Finance Pricing Committee (WFPC) for mortgages and consumer lending rates and the Wealth Accumulation Pricing Committee (WAPC) for savings products (including "Box 3" savings and "Banksparen"). Both Pricing Committees support the Management Board in determining and evaluating the client rates that the Issuer sets for its mortgages (including "overbruggingskredieten"), consumer lending and savings products. The Pricing Committees are mandated to decide on rate setting within limits set by the Management Board. When no limits are set the Pricing Committees advises the Management Board on rate setting.

#### Disclosure Committee

The Disclosure Committee advises the NN Group Disclosure Committee on bank relevant disclosures. Furthermore the committee assists the Issuer in providing full, fair, accurate, timely and understandable information in documents required to be filed by the Issuer in compliance with regulations (e.g. Annual Report, COREP, FINREP, Prospectus). The Disclosure Committee ensures that all disclosures made by the Issuer are accurate, complete, appropriate and fairly present the Issuer's condition.

#### Disclosure Committee, specific for inside information

The Disclosure Committee decides on issues (potentially) relating to inside information. It (i) decides whether information is inside information, (ii) decides whether or not to delay a publication of inside information, (iii) decides if a draft (emergency) press release must be prepared, (iv) records the time when the inside information first existed within NN Bank, (v) informs and liaises with the Disclosure Committee secretary of NN Group and (other members of the) Disclosure Committee of NN Group in relation to the possibility of inside information pertaining to NN Bank affecting NN Group.

#### **Supervision**

The Issuer is a credit institution with a full Netherlands banking license and as such is supervised by the Dutch Central Bank (*De Nederlandsche Bank*) and by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*).

#### **Credit rating**

In August 2017, S&P assigned a long-term rating of single A- and affirmed the short-term rating of A-1 and the stable outlook to the Issuer. On 7 October 2016, S&P placed NN Group on CreditWatch negative, after NN Group initially announced its intention to purchase Delta Lloyd Group in an all-cash transaction on 5 October 2016. Due to the highly strategic status to its parent, the Issuer was also put on CreditWatch negative as per 7 October 2016. On 11 May 2017, S&P lowered the insurer financial strength rating of NN Group with one notch to 'A' and the long-term counterparty credit rating of NN Group with one notch to 'BBB+' and the long-term counterparty credit rating of the Issuer to A-, both with a stable outlook.

#### **NN Group N.V.**

NN Group is an insurance and asset management company active in 18 countries with a leading position in the Netherlands and a strong presence in a number of European markets and Japan. NN Group includes Nationale-Nederlanden, Delta Lloyd, NN Investment Partners, ABN AMRO Insurance, Movir, AZL, BeFrank

and OHRA.

NN Group's roots lie in the Netherlands with a rich history that stretches back more than 170 years. With around 15,000 personnel, NN Group offers retirement services, insurance, investment and banking products to retail, self-employed workers, SME, large corporate and institutional customers.

NN Group is a public limited liability company (*naamloze vennootschap*) incorporated under the laws of the Netherlands. NN Group became a standalone company on 2 July 2014. Since that date, the shares in the share capital of NN Group are listed on Euronext in Amsterdam under the listing name "NN Group".

According to the NN Group decision structure, certain decisions of the Issuer require the approval of NN Group prior to those decisions being taken. Examples of such decisions are: (a) the acquisition, increase, decrease and/or spinning-off of shareholder interests in a company (insofar as the transaction exceeds a specific threshold value); (b) intra group transactions (insofar as the transaction exceeds a specific threshold value); (c) the development of structurally new business activities or cessation of current business activities; and (d) proposals that may result in significant damage to reputation or harbours a substantial financial risk.

The NN Group governance manual describes the key structures, organisation and operating principles of NN Group, governing the standard management practices that must apply to all operations of NN Group, amongst which the Issuer's operations. This also includes a reporting model between certain functions of the Issuer and NN Group.

NN Group has a framework of policies, procedures and minimum standards in place to create consistency throughout its entire organisation and to define minimum requirements that are binding to all group companies such as the Issuer.

The Issuer is not only dependent on NN Group in its capacity as the Issuer's sole indirect shareholder, but it also has certain outstanding debt facilities with NN Group. NN Group has provided the Issuer with (i) subordinated (Tier 2) loans and (ii) a credit facility commitment.

## 6. CONDITIONAL PASS-THROUGH COVERED BONDS

### **CHARACTERISTICS OF CONDITIONAL PASS-THROUGH COVERED BONDS**

#### **Conditional pass-through covered bonds**

This Programme is a Dutch conditional pass-through covered bonds programme. Two of the main differences of the conditional pass-through covered bond structure compared with other Dutch non conditional pass-through covered bond programmes existing at the date of this Base Prospectus are set out below under '*Extension period*' and '*Sale of selected assets*'. Investors should be aware that there are more differences compared to other existing Dutch non conditional pass-through covered bond programmes, but these are not further described in this section.

#### **Extension period**

##### *NN Bank Conditional Pass-Through Covered Bond Programme*

The conditional pass-through structure will become particularly relevant after an Issuer Event of Default and the service of a Notice to Pay on the CBC. In this Programme the CBC will under the Guarantee be required to redeem each Series of Covered Bonds on the Extended Due for Payment Date that falls thirty-two (32) years after the Maturity Date of the relevant Series, unless it has funds available to redeem the relevant Series of Covered Bonds on an earlier CBC Payment Date. The Extended Due for Payment Date will therefore fall after the date on which the latest maturing Mortgage Loan must be repaid (except for the Long Term Mortgage Loans, which have no maturity date). After the service of a Breach of Amortisation Test Notice, which does not result in a CBC Acceleration Notice, the CBC will be required to use all funds available to redeem all Series on a pro rata basis. Interest will continue to accrue on the unpaid part of the Covered Bonds (see section 7 '*Asset Backed Guarantee section Guarantee*').

##### *Comparison with other existing Dutch covered bond programmes*

In some, but not all, Dutch non conditional pass-through covered bond programmes (in case of soft bullet covered bonds) the obligations under the guarantee to pay principal on the covered bonds will after the maturity date of the relevant series also be deferred to the extended due for payment date, but for a maximum period of 1.5 years. A breach of amortisation test in all Dutch non conditional pass-through covered bond programmes will result in the security trustee being entitled to serve a CBC acceleration notice. All other existing Dutch non conditional pass-through covered bond programmes that contain a deferral of principal provide that interest will continue to accrue on the unpaid part of the covered bonds.

#### **Sale of selected assets**

##### *NN Bank Conditional Pass-Through Covered Bond Programme*

In this Programme the CBC will after the service of a Notice to Pay only be required to sell Transferred Assets if the sale proceeds are sufficient to redeem the relevant Series of Covered Bonds with respect to which a sale is undertaken (which can be all Series in case all Series have become Pass-Through Covered Bonds). If the CBC is not able to sell the Transferred Assets for the amount required the relevant Series will not be redeemed in full on the succeeding CBC Payment Date, but will be redeemed to the extent funds are available for such purpose in accordance with the CBC Priority of Payments. The CBC will undertake its best efforts to sell Transferred Assets on each Refinance Date. (see section 15 '*Asset Monitoring section Sale or refinancing of selected assets*').

##### *Comparison with other existing Dutch covered bond programmes*

In Dutch non conditional pass-through covered bond programmes the CBC will either before (after certain tests have been failed) or, in case of soft bullet covered bonds, shortly after the maturity date be required (to use its best efforts) to sell selected transferred assets for a price at least equal to redeem the relevant series of covered bonds in full and thereafter if such sale is not successful, for the best price available if it has insufficient funds to redeem the covered bonds on the maturity date or, in case of soft bullet covered bonds, on the extended due for payment date.

#### **DNB**

Below is included a general description of differences between covered bonds and conditional pass-through covered bonds taken from and published on the website of DNB (<http://www.toezicht.dnb.nl>):

*"DNB draws a distinction between covered bonds and conditional pass-through covered bonds. What are the implications of this?"*

*A conditional pass-through covered bond is a covered bond with an extension period of more than 24 months. The extension period is the maximum term by which the covered bond company can defer its contractual payment obligations. This means that covered bonds must be redeemed by the end of this period.*

*When assessing a covered bond programme, DNB looks at aspects such as the risks faced by the buyer of a covered bond issued under a covered bond programme. It is important that the relevant covered bond documentation clearly states these risks. Therefore, DNB believes it necessary to make a clear distinction between covered bonds and conditional pass-through covered bonds. Consequently, only covered bonds or only conditional pass-through covered bonds may be issued under a regulated programme. In other words, it is not possible to issue both standard and conditional pass-through covered bonds under a single covered bond programme.*

*DNB makes a distinction between standard and conditional pass-through covered bonds because they have different risk characteristics. A pass-through structure involves a higher extension risk to investors because the bond's maturity may be extended in specific circumstances to the end of the maturity of the underlying assets. At the same time, the market risk that standard covered bonds pose owing to potential fire sales of the underlying assets is lower in the case of a pass-through covered bond. Given the different risk characteristics, a registration application must specify whether the redemption date can be extended by more than 24 months, making it possible to distinguish between standard covered bonds and conditional pass-through covered bonds. Both types can be issued under the supervision of DNB, but not under the same covered bond programme. This creates transparency for covered bond investors regarding the risks that they are exposed to. Consequently, DNB considers it important that the issuer is transparent in its covered bond programme documentation on at least (and not limited to) the characteristics of a conditional pass-through covered bond as follows.*

- *The circumstances that lead or can lead to activation of the pass-through mechanism or deferral of the payment obligations (i.e. the start of the extension period).*
- *The payments that can come under the pass-through mechanism or the extension [1].*
- *The rights of the covered bondholder if the contractual payments are deferred, in particular any rights to additional interest on bonds if the contractual payment date of the principal amount is deferred.*

*[1] For example, it should be clear whether deferral of the contractual obligations only applies to redemption of the principal (the bond) or also to the interest payable during the covered bond's maturity."*

*This Programme qualifies as a conditional pass-through covered bond programme which has an extension period that is longer than twenty-four (24) months.*



#### **FORM OF CONDITIONAL PASS-THROUGH COVERED BONDS**

Each Tranche of Covered Bonds will (as specified in the applicable Final Terms) be in bearer or in registered form. Bearer Covered Bonds will initially be issued in the form of a Temporary Global Covered Bond (unless otherwise indicated in the Final Terms). Each Temporary Global Covered Bond which is intended to be issued in NGN form, as specified in the applicable Final Terms, will be deposited on or prior to the issue date of a Tranche with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Covered Bond which is not intended to be issued in NGN form, as specified in the applicable Final Terms, will on or prior to the original issue date of the Tranche be deposited with (i) the *Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.* ("Euroclear Nederland"), or with (ii) a common depositary for Euroclear and/or Clearstream Luxembourg or with (iii) (a depositary for) any other agreed clearing system. Registered Covered Bonds will be issued to each holder by a Registered Covered Bonds Deed. Registered Covered Bonds will either be issued by means of a Registered Covered Bonds Deed for all Covered Bonds issued (global) or for one or more Covered Bonds (individual). Registered Covered Bonds in global form may also be held by or on behalf of one of the ICSDs as common safekeeper (and registered in the name of a nominee of one of the ICSDs acting as common safekeeper) and may also be registered in the name of (i) Euroclear Nederland or of (ii) a common depositary for Euroclear and/or Clearstream, Luxembourg or of (iii) (a depositary for) any other agreed clearing system. Registered Covered Bonds will be issued to each holder by a Registered Covered Bonds Deed.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Security Trustee, but shall not include Euroclear Nederland.

Whilst any Covered Bond is represented by a Temporary Global Covered Bond payments of principal, interest (if any) and any other amount payable in respect of the Covered Bonds due prior to the Exchange Date will be made against presentation of the Temporary Global Covered Bond only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Covered Bond are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and/or Euroclear Nederland and Euroclear and/or Clearstream, Luxembourg and/or Euroclear Nederland, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the Exchange Date which is not less than forty (40) calendar days (nor (if the Temporary Global Covered Bond has been deposited with Euroclear Nederland) more than ninety (90) calendar days) after the date on which the Temporary Global Covered Bond is issued (or the "restricted period" within the meaning of U.S. Treasury Regulations section 1.163-5(c)(2)(i)(D)(7)) or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-2c or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010, interests in such Temporary Global Covered Bond will be exchangeable (free of charge) upon a request as described therein for interests in a Permanent Global Covered Bond of the same Series, against certification of non-US beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Covered Bond will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Covered Bond for an interest in a Permanent Global Covered Bond is improperly withheld or refused. Payments of principal, interest (if any) and any other amounts on a Permanent Global Covered Bond will be made without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Covered Bond will only be exchangeable (free of charge), in whole but not in part, for Definitive Covered Bonds with, where applicable, receipts, interest coupons and talons attached only upon the occurrence of an Exchange Event or, in case such Permanent Global Covered Bond is deposited with Euroclear Nederland, only upon the occurrence of a Delivery Event and never in bearer form, subject to mandatory provisions of applicable laws and regulations. The Issuer will promptly give notice to Covered Bondholders of each Series in accordance with Condition 14 (Notices) if an Exchange Event or a Delivery Event occurs. In such events, Euroclear and/or Clearstream, Luxembourg and/or, if applicable, Euroclear Nederland (acting on the instructions of any holder of an interest in such Permanent Global Covered Bond) or the Security Trustee may give notice to the Principal Paying Agent requesting exchange or delivery, as the case may be, and, in the event of the occurrence of an Exchange

Event as described in (iii) of the definition, the Issuer or the CBC may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than forty-five (45) calendar days after the date of receipt of the first relevant notice by the Principal Paying Agent.

If Definitive Covered Bonds have not been duly delivered by 6.00 p.m. (Amsterdam time) on the forty-fifth (45th) day after which the preconditions to such exchange are first satisfied then as from the start of the first day on which the banks in Amsterdam are open for business following such event (the "**Relevant Exchange Time**") each relevant account holder shall be able to enforce against the Issuer and the CBC all rights ("**Direct Rights**") which the relevant account holder in question would have had if, immediately before the Relevant Exchange Time, it had been the holder of Definitive Covered Bonds issued on the issue date of the Permanent Global Covered Bond in an aggregate principal amount equal to the principal amount of the relevant entry including, without limitation, the right to receive all payments due at any time in respect of such Definitive Covered Bonds other than payments corresponding to any already made under the Permanent Global Covered Bond, and the rights under the Guarantee. No further action shall be required on the part of any person in order to be able to enforce Direct Rights as contemplated herein before and for each relevant account holder to have the benefit of, and to enforce, rights corresponding to all the provisions of the terms and conditions of the relevant Definitive Covered Bonds as if they had been specifically incorporated in the Permanent Global Covered Bond other than the right to receive payments corresponding to any already made under the Permanent Global Covered Bond. As from the Relevant Exchange Time, the bearer of the Permanent Global Covered Bond shall not be entitled to receive payments or enforce any other rights hereunder (including the rights under the Guarantee).

Definitive Covered Bonds will be in the standard euromarket form (unless otherwise indicated in the applicable Final Terms). Definitive Covered Bonds and Global Covered Bonds will be in bearer form. The Global Covered Bonds are held in book-entry form.

Global Covered Bonds, Definitive Covered Bonds and Registered Covered Bonds will be issued in accordance with and subject to the terms of the Agency Agreement and the Trust Deed.

The following legend will appear on all Bearer Covered Bonds and each Registered Covered Bonds Deed relating to Registered Covered Bonds which have an original maturity of more than one (1) year and on all receipts and interest coupons relating to such Covered Bonds:

"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 SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Covered Bonds, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Covered Bonds, receipts or interest coupons.

The following legend will appear on all Global Covered Bonds held through Euroclear Nederland:

"NOTICE: THIS COVERED BOND IS ISSUED FOR DEPOSIT WITH *NEDERLANDS CENTRAAL INSTITUUT VOOR GIRAAL EFFECTENVERKEER B.V.* ("EUROCLEAR NEDERLAND") AT AMSTERDAM, THE NETHERLANDS. ANY PERSON BEING OFFERED THIS COVERED BOND FOR TRANSFER OR ANY OTHER PURPOSE SHOULD BE AWARE THAT THEFT OR FRAUD IS ALMOST CERTAIN TO BE INVOLVED."

The Covered Bonds and the Guarantee have not been and will not be registered under the Securities Act, or the securities laws of any state of the U.S. or other jurisdiction of the U.S. The Covered Bonds may not be offered, sold or delivered within the U.S. or to, or for the account or benefit of, U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws. Accordingly, the Covered Bonds are being offered, sold or delivered only to non-U.S. persons (as defined in Regulation S) outside the U.S. in reliance on Regulation S.

Covered Bonds which are represented by a Global Covered Bond and are held through Euroclear or Clearstream, Luxembourg, will only be transferable in accordance with the rules and procedures for the time

being of Euroclear or Clearstream, Luxembourg, as the case may be. In case of a Global Covered Bond deposited with Euroclear Nederland, the rights of Covered Bondholders will be exercised in accordance with and are subject to the Dutch Securities Giro Transfer Act (*Wet Giraal Effectenverkeer*).

Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where a further Tranche of Covered Bonds is issued which is intended to form a single Series with an existing Tranche of Covered Bonds, the Covered Bonds of such further Tranche shall be assigned a temporary common code and ISIN Code by Euroclear and Clearstream, Luxembourg and/or any other relevant security code which are different from the common code, ISIN Code and other relevant security code assigned to Covered Bonds of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Covered Bonds of such Tranche.

If a Series of Covered Bonds is held through Euroclear and Clearstream, Luxembourg and if such Series of Covered Bonds will be redeemed on the Maturity Date, the Issuer shall (to ensure that such Series of Covered Bonds will be redeemed on the Maturity Date) provide or procure that the Principal Paying Agent shall on its behalf provide a formal notice (in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg) at least two (2) Business Days prior to the relevant Maturity Date to Euroclear and Clearstream, Luxembourg that such Series of Covered Bonds will be redeemed on the Maturity Date, with a copy of such notice to the CBC and the Security Trustee.

No Covered Bondholder or Couponholder shall be entitled to proceed directly against the Issuer or the CBC unless the Security Trustee, having become bound so to proceed, fails to do so within a reasonable period and the failure shall be continuing.

## **FORM OF FINAL TERMS**

Copies of the Final Terms will be provided upon request by the Issuer. [In addition, in case of Covered Bonds listed on Euronext Amsterdam, the Final Terms will be displayed on the website of Euronext Amsterdam (\_\_\_\_\_).]

Set out below is the form of Final Terms which will be completed for each Tranche of Covered Bonds issued under the Programme.

### **Final Terms**

Dated [...]

### **Nationale-Nederlanden Bank N.V.**

*(incorporated under the laws of the Netherlands with limited liability and having its statutory seat in The Hague, the Netherlands)*

### **Issue of [up to] [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds] (the "Covered Bonds")**

Guaranteed as to payment of interest and principal by

### **NN Conditional Pass-Through Covered Bond Company B.V.**

under Nationale-Nederlanden Bank N.V.'s EUR 5,000,000,000 Conditional Pass-Through Covered Bond Programme

This document constitutes the Final Terms of the issue of Covered Bonds under the EUR 5,000,000,000 Conditional Pass-Through Covered Bond Programme (the "**Programme**") of Nationale-Nederlanden Bank N.V. as the Issuer guaranteed by NN Conditional Pass-Through Covered Bond Company B.V. as the CBC, described herein for the purposes of article 5.4 of the Directive 2003/71/EC (including Directive 2010/73/EU) (the "**Prospectus Directive**"). This document must be read in conjunction with the base prospectus pertaining to the Programme, dated 29 May 2018 [as lastly amended on [...]] and any further amendments and supplements thereto (the "**Base Prospectus**"), which constitute a base prospectus for the purposes of the Prospectus Directive [include the following language if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date[, refer to the relevant Terms and Conditions], save in respect of the Terms and Conditions (as defined below) which are replaced by the terms and conditions set forth in the base prospectus dated [...] [which are incorporated by reference in the Base Prospectus]. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus and any amendments or supplements thereto and the terms and conditions set forth in [the Base Prospectus]/[the base prospectus dated [...]]. The Base Prospectus (and any amendments thereto) is/are, in accordance with article 14 of the Prospectus Directive, available for viewing at [www.nn-group.com](http://www.nn-group.com) as well as at the office of the Issuer at Prinses Beatrixlaan 35-37 The Hague, the Netherlands, where copies may also be obtained (free of charge). Any supplements to the Base Prospectus will in any case be available at this office and copies thereof may be obtained (free of charge) there.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPS Regulation") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

### **MiFID II product governance / Professional investors and eligible counterparties only target market:**

Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is

eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Covered Bonds (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

The Covered Bonds and the Guarantee have not been and will not be registered under the Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state of the U.S. or other jurisdiction. The securities may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws. Accordingly, the Covered Bonds are being offered, sold or delivered only to non-U.S. persons (as defined in Regulation S) outside the U.S. in reliance on Regulation S.

These Final Terms are to be read in conjunction with the Terms and Conditions (the "**Terms and Conditions**") set forth in section 6 '*Conditional Pass-Through Covered Bonds*' of the Base Prospectus. The Terms and Conditions as supplemented, amended and/or disapplied by these Final Terms constitute the conditions (the "**Conditions**") of the Covered Bonds. Capitalised terms not defined herein have the same meaning as in the Terms and Conditions. Certain capitalised terms in the Conditions which are not defined therein have the meaning set forth in a master definitions agreement (the "**Master Definitions Agreement**") dated 20 September 2017, as amended, supplemented, restated or otherwise modified from time to time and signed by the Issuer, the CBC, the Security Trustee, the Transferor and certain other parties. All references to numbered Conditions and sections are to Conditions and sections of the Terms and Conditions set forth in section 6 '*Conditional Pass-Through Covered Bonds*' of the Base Prospectus.

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Final Terms.]*

*[Consider whether a drawdown prospectus is necessary in order to issue fungible Covered Bonds where the first Tranche was issued pursuant to a previous base prospectus. This could arise in circumstances where, for example, the Final Terms for the original tranche included information which is no longer permitted to be included in Final Terms under the Prospectus Directive (as amended) or pursuant to guidance issued by ESMA.]*

1. (i) Issuer: Nationale-Nederlanden Bank N.V.
- (ii) CBC: [NN Conditional Pass-Through Covered Bond Company B.V.]
2. [(i)] Series Number: [...]
- [(ii)] Tranche Number: [...]  
*(If fungible with an existing Series, details of that Series, including the date on which the Covered Bonds become fungible)*
3. Currency: Euro
4. Aggregate Nominal Amount: [of Covered Bonds admitted to trading]:
  - [(i)] Series: [...]
  - [(ii)] Tranche: [...]

5. Issue Price of Tranche: [...] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date and details (if any)]* (in the case of fungible issues only, if applicable)]
6. (i) Specified Denomination(s): [...]
- (Each Covered Bond admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive must be at least EUR 100,000)*
- (ii) Calculation Amount: [...]
- (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations)*
7. (i) Issue Date: [...]
- (ii) Interest Commencement Date : For the [Fixed Rate period/Floating Rate period] (the period from (and including) the Issue Date to (but excluding) the Maturity Date or, if earlier, the date on which a Breach of Amortisation Test Notice has been served): [...]
- For the extension Fixed Rate period (the period from (and including) the Maturity Date or if earlier, the date on which a Breach of Amortisation Test Notice has been served to (but excluding) the Extended Due for Payment Date): the Maturity Date or, if earlier, the date on which a Breach of Amortisation Test Notice is served.
8. Maturity Date: *[specify date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to [specify month and year]]*
- Extended Due for Payment Date: *[specify date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to [specify month and year, which date is [32/[...]] years after the Maturity Date]*
9. Interest Basis: [For the [Fixed Rate period/Floating Rate period] (the period from (and including) the Issue Date to (but excluding) the Maturity Date or, if earlier, the date on which a Breach of Amortisation Test Notice has been served):][[...]] per cent. Fixed Rate]
- [[LIBOR/EURIBOR/other reference rate] +/- [...] per cent. Floating Rate]
- If payment of the Guaranteed Final Redemption Amount is deferred in whole or in part, for the period from (and including) the Maturity Date or, if earlier, the date on which a Breach of Amortisation Test Notice has been served to (and excluding) the Extended Due for Payment Date: [...] per cent Fixed Rate
10. Redemption/Payment Basis: [Redemption at par]

[specify other amount or percentage] (NB: no derivatives within the meaning of the Commission Regulation (EC) 809/2004 will be issued, unless a Supplemental Prospectus is issued in this respect)]

11. Change of Interest Basis or Redemption/  
Payment Basis: [The Interest Basis will change from [...] to [...] per cent Fixed Rate on the Maturity Date, if applicable, or, if earlier, the date on which a Breach of Amortisation Test Notice is served / Not Applicable]
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]  
[Not Applicable]
13. Status of the Covered Bonds: Unsubordinated, unsecured, guaranteed
14. Status of the Guarantee: Unsubordinated, secured (indirectly, through a parallel debt),  
unguaranteed

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Covered Bond Provisions:** [Applicable to but excluding the Maturity Date, or if earlier, the date on which a Breach of Amortisation Test Notice has been served / Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
  - (i) Rate(s) of Interest: [...] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]
  - (ii) Interest Payment Date(s): [[specify one date or more dates] in each year]/[...] in each month] up to and including the Maturity Date, if applicable subject to the Business Day Convention  
*(NB: This will need to be amended in the case of long or short coupons)*
  - (iii) Fixed Coupon Amount(s): [...] per [Calculation Amount]
  - (iv) Broken Amount(s): [...] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [...] / Not Applicable]
  - (v) Business Day Convention  
- Business Day Convention [Following Business Day  
Convention/Modified Following Business Day  
Convention/No Adjustment/Preceding Business Day  
Convention]  
- Adjustment or Unadjustment  
for Interest Period [Adjusted] or [Unadjusted]
  - (vi) Fixed Day Count Fraction: [30/360 or Actual/Actual (ICMA)]
16. **Floating Rate Covered Bond Provisions:** [Applicable to (but excluding) the Maturity Date, or if earlier the date on which a Breach of Amortisation Test Notice has been served /Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Specified Period(s)/  
Specified Interest Payment Dates: [...] (Specified Interest Payment Dates and Specified Period are alternatives.)
- (ii) Business Day Convention:  
- Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ No Adjustment]
- Adjustment or Unadjustment  
for Interest Period: [Adjusted] or [Unadjusted]
- (iii) Additional Business Centre(s): [Not Applicable / give details]
- (iv) Manner in which the Rate of  
Interest and Floating Interest  
Amount is  
to be determined: [Screen Rate Determination/ISDA Determination]
- (v) Party responsible for calculating  
the Rate of Interest and interest  
Amount (if not the Principal  
Paying Agent): [[Name] shall be the Calculation Agent (no need to specify if  
the Principal Paying Agent is to perform this function)]
- (vi) Screen Rate Determination: [Yes/No]  
- Reference Rate: [...] (Either LIBOR or EURIBOR or other reference rate)
- Interest Determination Date(s): [...] (Second London business day prior to the start of each  
Interest Period if LIBOR (other than sterling or euro LIBOR),  
first day of each Interest Period if sterling LIBOR and the  
second day on which the TARGET2 is open prior to the start  
of each Interest Period if EURIBOR, euro LIBOR or any  
other inter-bank offered rate prevailing in a country in which  
the TARGET2 does not apply)  
(specify up to and including the Maturity Date)
- Relevant Screen Page: [...] (In the case of EURIBOR, if not Reuters EURIBOR 01  
ensure it is a page which shows a composite rate or amend  
the fallback provisions appropriately)
- Relevant Time: [...] (For example, 11.00 a.m. London time/Brussels time)
- Relevant Financial Centre: [...] (For example, London/Euro-zone (where Euro zone means  
the region comprised of the countries whose lawful currency  
is the euro))
- (vii) ISDA Determination: [Yes/No]  
- Floating Rate Option: [...]  
- Designated Maturity: [...]  
- Reset Date: [...]



- (viii) Margin(s): [ +/- ] [...] per cent. per annum
- (ix) Minimum Rate of Interest: [...] per cent. per annum
- (x) Maximum Rate of Interest: [...] per cent. per annum
- (xi) Floating Day Count Fraction: [[Actual/365  
Actual/365 (Fixed)  
Actual/360  
or 30/360, 360/360 or Bond Basis  
30E/360 or Eurobond Basis  
30E/360 (ISDA)]  
[(See Condition [5] (Interest) for alternatives)]

#### 17. Fixed Rate Covered Bond Provisions

(also applicable for each Floating Rate Covered Bond which switches to a Fixed Rate Covered Bond):

[Applicable from and including the Maturity Date if payment of the Guaranteed Final Redemption Amount is deferred in whole or in part or, if earlier, applicable from and including the date on which a Breach of the Amortisation Test Notice is served/Not Applicable]

- (i) Rate(s) of Interest: [...] per cent. per annum payable monthly in arrear
- (ii) Interest Payment Date(s): [each CBC Payment Date after the earlier of (i) the Maturity Date up to and including the Extended Due for Payment Date and (ii) the date on which a Breach of Amortisation Test Notice is served, up to and including the Extended Due for Payment Date, if applicable subject to the Business Day Convention]
- (iii) Interest Period: [Please specify/Not Applicable]
- (iv) Business Day Convention
  - Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/No Adjustment/Preceding Business Day Convention]]
  - Adjustment or Unadjustment for Interest Period: [Adjusted] or [Unadjusted]
- (v) Fixed Day Count Fraction: [30/360 or Actual/Actual (ICMA)]

#### PROVISIONS RELATING TO REDEMPTION

#### 18. Issuer Call:

[Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Optional Redemption Date(s): [...]
- (ii) Optional Redemption Amount(s): [...] per Calculation Amount
- (iii) If redeemable in part:
  - (a) Minimum Redemption Amount: [...] per Calculation Amount
  - (b) Maximum Redemption

- Amount: [...] per Calculation Amount
19. **Investor Put:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [...]
- (ii) Optional Redemption Amount(s): [...] per Calculation Amount
20. **Final Redemption Amount** [...] [per Calculation Amount]
21. Early Redemption Amount(s) per Calculation Amount of each Covered Bond payable on redemption for taxation reasons, or on acceleration following an Issuer Event of Default as against the Issuer or a CBC Event of Default or other early redemption: [...] per Calculation Amount / as specified in Condition 7(e) *(Early Redemption Amounts)*

#### GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

22. Form of Covered Bonds: [Bearer form/registered form *(Include for Registered Covered Bonds)*]
- [Temporary Global Covered Bond exchangeable for a Permanent Global Covered Bond which is exchangeable for Definitive Covered Bonds only upon the occurrence of an Exchange Event/a Delivery Event]
- [Permanent Global Covered Bond exchangeable for Definitive Covered Bonds only upon the occurrence of an Exchange Event/a Delivery Event]
- [Permanent Global Covered Bond not exchangeable for Definitive Covered Bonds]
23. New Global Note form: [Applicable/Not Applicable (see also item 38(vi))]
24. a) Exclusion of set-off: [Not Applicable/Applicable]  
[See Condition 6(G) *(Set-off)*]
- b) German Insurers: [Not Applicable/Applicable]
25. Additional Financial Centre(s) or other special provisions relating to payment Dates: [Not Applicable/*give details*]  
Note that this item relates to the date and place of payment and not Interest Period end dates to which item 16 (iii) relates
26. Talons for future Coupons to be attached to Definitive Covered Bonds (and dates on which such Talons mature): [Yes/No] *(If yes, give details)*
27. Consolidation Provisions: [the provisions of Condition 18 *(Further Issues)* apply]/[Not Applicable]

## DISTRIBUTION

28. Method of distribution: [syndicated / non-syndicated / other]
- (i) [If syndicated, names of Managers]: [Not Applicable/give names/ give legal names]
- [Please note that the process for notification to potential investors of the amount allotted and an indication whether dealing may begin before notification is made will be provided for by the Manager(s) and notified by the Manager(s) to potential investors]*
- (ii) Stabilising Manager (if any): [Not Applicable/give legal name]
29. If non-syndicated, name and address of relevant Dealer: [specify name of Dealer/Not applicable. The Covered Bonds are not being underwritten by any Dealer(s)]

## OTHER PROVISIONS

30. U.S. Selling Restrictions: [Reg S Compliance [category [...]]/TEFRA D/TEFRA C/ TEFRA rules not applicable]
31. Listing:
- (i) Listing [Euronext Amsterdam/other (specify)/ None]
- (ii) Admission to trading: Application has been made for the Covered Bonds to be admitted to trading on the regulated market on the official list of [Euronext Amsterdam] /[specify other regulated market] with effect from [...]/[Not Applicable]
- (iii) Estimate of total expenses related to admission to trading: [...]
32. Ratings: The Covered Bonds to be issued [are not / are expected to be / have been] rated:
- [S&P\*: AAA]  
[Other\*]: [...]
- (\*The exact legal name of the rating agency entity providing the rating should be specified)*
- [Registration of Rating Agency: [...]]
- [Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider]*
- (The above disclosure should reflect the rating allocated to the Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating)*
- [Insert one (or more) of the following options, as applicable:]*

*[Insert legal name of particular credit rating agency entity providing rating]* is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**")

*[Insert legal name of particular credit rating agency entity providing rating]* is established in the EEA and has applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"), although notification of the corresponding registration decision has not yet been provided by the *[relevant competent authority]* */[European Securities and Markets Authority]*

*[Insert legal name of particular credit rating agency entity providing rating]* is established in the EEA and is neither registered nor has it applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**")

*[Insert legal name of particular credit rating agency entity providing rating]* is not established in the EEA but the rating it has given to the Covered Bonds is endorsed by *[insert legal name of credit rating agency]*, which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**")

*[Insert legal name of particular credit rating agency entity providing rating]* is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**")

*[Insert legal name of particular credit rating agency entity providing rating]* is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") and the rating it has given to the Covered Bonds is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation

33. [Notification / Not Applicable]

The Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) ("AFM") [has been requested to provide/has provided – include first alternative for an issue which is contemporaneous with the update of the Programme and the second alternative for subsequent issues] the [names of competent authorities of host Member States] with a notification that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.]

34. **Interests of Natural and Legal Persons Involved in the Issue**

Need to include a description of any interest, including conflicting ones, that is material to the issue, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the statement below:

"Save as discussed in "*Subscription and Sale*", so far as the Issuer is aware, no person involved in the issue of the Covered Bonds has an interest material to the offer." (*Amend as appropriate if there are other interests*)]

*[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under article 16 of the Prospectus Directive.)]*

35. [Reasons for the Offer (if different from making a profit and/or hedging certain risks)]  
 (Also see "Use of Proceeds" wording in Base Prospectus – if reasons for the offer are different from making profit and/or hedging certain risks, include those reasons here. If proceeds are intended for more than one use, split out and present in order of priority. If proceeds are insufficient to fund all proposed uses, state amount and sources of other funding.)

36. [Estimated net proceeds and total expenses]

(i) Estimated net proceeds: [...]

(ii) Estimated total expenses: [...] [Include breakdown of expenses]]

37. Yield (Fixed Rate Covered Bonds only)

Indication of yield: [...]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield

38. Operational Information

(i) ISIN: [...]

(ii) Common Code: [...]

(iii) Fondscore: [...]

(iv) WKN Code: [...] [Not Applicable]

(v) [Other relevant code:] [...] [Not Applicable/give name(s) and numbers(s)]

(vi) New Global Note intended to be held in a manner which would allow Eurosystem eligibility: [Not Applicable/Yes/No]

[Yes. Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] [include this text for registered Covered Bonds] and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met] [Include this text if "Yes" selected in which case the Covered Bonds must be issued in NGN form]/

[No. (only include if held through or on behalf of Euroclear or Clearstream, Luxembourg) Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Covered Bonds are capable of meeting them the Covered Bonds may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] [include this text for registered Covered Bonds]]. Note that this does not necessarily mean that the

Covered Bonds will then be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met]]

[Not applicable, means that the Covered Bond will not be held through the system of Euroclear or Clearstream, Luxembourg]

- (vii) Offer Period: [The offer of the Covered Bonds is expected to open at [...] hours ([...] time) on [...] and close at [...] hours ([...] time) on [...] or such earlier or later date or time as the Issuer may determine, following consultation with the relevant Dealer where practical,] (and announce)] [Not Applicable]
- (viii) Delivery: Delivery [against/free of] payment
- (ix) Payment: [Method and time limits of paying up the Covered Bonds – to be included if any agreement in this respect is entered into between Issuer and Manager(s)]
- (x) Settlement Procedure: [Method of settlement procedure to be included / Not Applicable]
- (xi) Clearing System: [Euroclear/Clearstream Luxembourg/Euroclear Nederland/other agreed clearing system] [insert address of relevant clearing system]
39. Additional paying agent (if any) [Name: [...]][Address: [...]] / Not Applicable]
40. Listing Application [These Final Terms comprise the final terms required to list and have admitted to trading on [specify the relevant regulated market] the issue of Covered Bonds described herein pursuant to the Programme for the issuance of Covered Bonds of Nationale-Nederlanden Bank N.V./ Not Applicable]
4. Statement on benchmark[s] [[specify benchmark] is provided by [administrator legal name]][repeat as necessary]. As at the date hereof, [[administrator legal name][appears]/[does not appear] [repeat as necessary] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the Benchmark Regulation. As far as the Issuer is aware, [[specify benchmark(s)] [does/do] not fall within the scope of the Benchmark Regulation by virtue of Article 2 of that regulation] [the transitional provisions in Article 51 of the Benchmark Regulation apply], such that [legal name of administrator(s)] [is/are] not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).][Not Applicable]

### Responsibility

The Issuer and the CBC declare that, having taken all reasonable care to ensure that such is the case, the information contained herein is, to the best of its knowledge, in accordance with the facts and contains no

omission likely to affect its import. The Issuer and the CBC [(only as far as it concerns the CBC)] accept responsibility for the information contained in these Final Terms. [...] has been extracted from [...]. The Issuer and the CBC confirm that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [...], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

Signed on behalf of the CBC:

By:  
Duly authorised

By:  
Duly authorised

By:  
Duly authorised

By:  
Duly authorised

## **TERMS AND CONDITIONS OF CONDITIONAL PASS-THROUGH COVERED BONDS**

*The following are the Terms and Conditions to be issued by the Issuer which will be incorporated by reference into each Global Covered Bond, Registered Covered Bonds Deed and each Definitive Covered Bond in the standard euromarket form. The applicable Final Terms in relation to any Tranche of Covered Bonds may specify other terms and conditions which shall to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Tranche of Covered Bonds. The applicable Final Terms will be endorsed on, incorporated by reference into, or attached to, each Global Covered Bond, Registered Covered Bonds Deed and Definitive Covered Bond in the standard euromarket form. Reference should be made to "Form of Final Terms" above for a description of the content of Final Terms which includes the definition of certain terms used in the following Terms and Conditions.*

This Covered Bond is one of a Series (as defined below) of Covered Bonds issued by Nationale-Nederlanden Bank N.V. (the "**Issuer**" which expression shall include any Substituted Debtor pursuant to Condition 17 (*Substitution of the Issuer*)) pursuant to a trust deed (as amended, restated or otherwise modified from time to time, the "**Trust Deed**") dated 20 September 2017 (the "**Programme Date**") made between the Issuer, NN Conditional Pass-Through Covered Bond Company B.V. (the "**CBC**") and Stichting Security Trustee NN Conditional Pass-Through Covered Bond Company (the "**Security Trustee**") and Stichting Holding NN Conditional Pass-Through Covered Bond Company (the "**Stichting Holding**").

Save as provided for in Conditions 10 (*Events of Default and Enforcement*) and 15 (*Meetings of Covered Bondholders, Modification and Waiver*) or where the context otherwise requires, references herein to the Covered Bonds shall be references to the Covered Bonds of this Series and shall mean:

in relation to any Covered Bonds represented by a Global Covered Bond, units of the lowest Specified Denomination in euro;

any Temporary Global Covered Bond, any Permanent Global Covered Bond and any Registered Covered Bond, as the case may be; and

any Definitive Covered Bonds issued in exchange for a Permanent Global Covered Bond upon the occurrence of an Exchange Event.

The Covered Bonds and the Coupons (as defined below) have the benefit of an agency agreement (such agency agreement as amended, supplemented, restated or otherwise modified from time to time, the "**Agency Agreement**") entered into on the Programme Date between the Issuer, the CBC, the Security Trustee, ABN AMRO Bank N.V. as issuing and principal paying agent (the "**Principal Paying Agent**") and Nationale-Nederlanden Bank N.V. as registrar (the "**Registrar**"), and the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agent).

Interest bearing Definitive Covered Bonds in the standard euromarket form (unless otherwise indicated in the applicable Final Terms) have Coupons and, if indicated in the applicable Final Terms, Talons attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons.

The Final Terms for this Covered Bond (or the relevant provisions thereof) are (i) in the case of a Bearer Covered Bond, attached to or endorsed on this Covered Bond or (ii) in the case of a Registered Covered Bond, attached to the relevant Registered Covered Bonds Deed, and supplement these Terms and Conditions (together in respect of the relevant Covered Bond the "**Conditions**") and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Covered Bond. References to the applicable Final Terms are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Covered Bond or the relevant Registered Covered Bonds Deed.

The Security Trustee acts for the benefit of the holders for the time being of the Covered Bonds (the "**Covered Bondholders**" or "**Bondholders**", which expression shall, in relation to (i) any Bearer Covered Bonds represented by a Temporary Global Covered Bond or a Permanent Global Covered Bond, and (ii) any



Registered Covered Bond, be construed as provided below) and the holders of the Coupons (the "**Couponholders**", which expression shall, unless the context otherwise requires, include the holders of the Talons) and for holders of each other Series in accordance with the provisions of the Trust Deed. Any holders mentioned above include those having a credit balance in the collective depots held by Euroclear Nederland or one of its participants.

As used herein, "**Tranche**" means Covered Bonds which are identical in all respects (including as to listing) and "**Series**" means a Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

These Terms and Conditions include summaries of, and are subject to, the provisions of the Trust Deed, the Parallel Debt Agreement, the Pledge Agreements and the Agency Agreement.

Copies of the Trust Deed, the Pledge Agreements, the Master Definitions Agreement, the Parallel Debt Agreement and the Agency Agreement are available for inspection during normal business hours at the registered office of the Security Trustee for the time being at Amsterdam, the Netherlands and at the specified office of each of the Paying Agents. Copies of the applicable Final Terms for all Covered Bonds of each Series (including in relation to unlisted Covered Bonds of any Series) are obtainable during normal business hours at the specified office of each of the Paying Agents and any Covered Bondholder must produce evidence satisfactory to the Issuer and the Security Trustee or, as the case may be, the relevant Paying Agent as to its holding of Covered Bonds and identity. The Covered Bondholders and the Couponholders are deemed to have notice of, are bound by, and are entitled to the benefit of, all the provisions of, and definitions contained in, the Trust Deed, the Pledge Agreements, the Master Definitions Agreement, the Agency Agreement, each of the other Transaction Documents and the applicable Final Terms which are applicable to them and to have notice of each Final Terms relating to each other Series.

Except where the context otherwise requires, capitalised terms used and not otherwise defined in these Terms and Conditions shall bear the meaning given to them in the applicable Final Terms and/or the master definitions agreement dated the Programme Date, as amended, supplemented, restated, novated or otherwise modified from time to time (the "**Master Definitions Agreement**"), a copy of each of which may be obtained as described above.

## **1. FORM, DENOMINATION AND TITLE**

The Covered Bonds are either Bearer Covered Bonds or Registered Covered Bonds issued pursuant to the terms and conditions of a Registered Covered Bonds Deed, as set out in the applicable Final Terms, and, in the case of Definitive Covered Bonds, serially numbered, and in the case of Definitive Covered Bonds or Registered Covered Bonds in euro and the Specified Denomination(s). Covered Bonds of one Specified Denomination may not be exchanged for Covered Bonds of another Specified Denomination.

This Covered Bond may be a Fixed Rate Covered Bond, a Floating Rate Covered Bond or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Definitive Covered Bonds are issued with Coupons attached.

Under Dutch law, the valid transfer of Covered Bonds requires, amongst other things, delivery (*levering*) thereof.

For Bearer Covered Bonds held by Euroclear Nederland deliveries will be made in accordance with the Wge.

The Issuer, the CBC, the Paying Agents and the Security Trustee may (except as otherwise required by law) deem and treat the holder of any Bearer Covered Bond or Coupon as the absolute owner thereof, whether or not any payment is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof and no person shall be liable for so treating such bearer for all purposes but, in the case of any Global Covered Bond, without prejudice to the provisions set out in the first succeeding paragraph. The signatures on this Covered Bond or the relevant Registered Covered Bonds Deed, as applicable, are manual and/or in facsimile.

For so long as any of the Covered Bonds are represented by a Global Covered Bond held on behalf of Euroclear and/or Clearstream, Luxembourg by a common safekeeper, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Covered Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to such nominal amount of such Covered Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the CBC, the Paying Agents and the Security Trustee as the holder of such nominal amount of such Covered Bonds for all purposes other than with respect to the payment of principal or interest or other amounts on such nominal amount of such Covered Bonds, for which purpose the bearer of the relevant Global Covered Bond shall be treated by the Issuer, the CBC, any Paying Agent and the Security Trustee as the holder of such nominal amount of such Covered Bonds in accordance with and subject to the terms of the relevant Global Covered Bond and the expressions "Covered Bondholder" and "holder of Covered Bonds" and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Covered Bonds as aforesaid, the Security Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error or an error established as such to the satisfaction of the Security Trustee, be conclusive and binding on all concerned. Covered Bonds which are represented by a Global Covered Bond will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg, and/or Euroclear Nederland, as the case may be.

Where Covered Bonds represented by a Permanent Global Covered Bond are deposited with Euroclear Nederland, a Covered Bondholder shall not have the right to request delivery (*uitlevering*) of his Covered Bonds under the Wge other than as set out in accordance with the rules and procedures of Euroclear Nederland and the Wge and never in bearer form.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Security Trustee but shall not include Euroclear Nederland.

## **2. STATUS OF THE COVERED BONDS**

The Covered Bonds and any relative Coupons constitute unsubordinated and unsecured obligations of the Issuer, guaranteed by the Guarantee and rank *pari passu* without any preference amongst themselves and at least *pari passu* with all other unsecured and unsubordinated obligations of the Issuer, present and future, other than any obligations preferred by mandatory provisions of applicable law.

## **3. THE GUARANTEE**

Pursuant to the Guarantee, the CBC has as an independent obligation irrevocably undertaken to pay the Guaranteed Amounts when the same shall become Due for Payment. However, the CBC shall have no such obligation under the Guarantee until (i) the occurrence of an Issuer Event of Default, the service by the Security Trustee on the Issuer of an Issuer Acceleration Notice and the service by the Security Trustee on the CBC of a Notice to Pay or (ii) the occurrence of a CBC Event of Default and the service by the Security Trustee of a CBC Acceleration Notice on the Issuer and the CBC. In addition, in respect of each Series of Covered Bonds, if the CBC is obliged to pay, on each CBC Payment Date the Guaranteed Final Redemption Amount, then:

- (a) the obligation of the CBC to pay the Guaranteed Final Redemption Amount shall be deferred to, and shall under the Guarantee be due on, the Extended Due for Payment Date, provided that if on any CBC Payment Date which falls prior to the Extended Due for Payment Date, any moneys are available to the CBC to be paid (or reserved for payment of principal on any Series of Covered Bonds), after the CBC shall under the relevant Priority of Payments have paid or provided for (on the relevant CBC Payment Date) all higher ranking amounts, then the CBC shall (a) give notice thereof to the relevant holders of the Pass-Through Covered Bonds (in accordance with Condition 14 (*Notices*)), the Rating Agencies, the Security Trustee, the Principal Paying Agent and the Registrar (in the case of Registered Covered Bonds) as soon as reasonably practicable and in any event at least two (2) Business Days prior to such CBC Payment Date (whereby such notice shall be deemed to have been given on the first

Business Day following the date on which such notice was given by the CBC to the relevant clearing system, if any, and otherwise in accordance with Condition 14 (*Notices*)), and (b) apply such remaining available moneys in payment, in whole or in part, of the Guaranteed Final Redemption Amount pertaining to all Pass-Through Covered Bonds, if applicable *pro rata* by reference to the Principal Amount Outstanding of such Covered Bonds (and to such extent the Guaranteed Final Redemption Amount shall for the purpose of the relevant Priority of Payments and all other purposes be due) on such CBC Payment Date; and

- (b) the CBC shall under the Guarantee owe interest over the unpaid portion of the Guaranteed Final Redemption Amount, which shall accrue and be payable on the basis set out in the applicable Final Terms or, if not set out therein, Condition 5 (*Interest*),

all without prejudice to the CBC's obligation to pay any other Guaranteed Amount (i.e. other than the Guaranteed Final Redemption Amount) when Due for Payment.

The rights under the Guarantee (a) form an integral part of the Covered Bonds, (b) are of interest to a holder of Covered Bonds only if, to the extent that, and for so long as, it holds Covered Bonds and (c) can only be transferred together with all other rights under the relevant Covered Bond. The obligations of the CBC under the Guarantee are unsubordinated and unguaranteed obligations of the CBC, which are secured (indirectly, through a parallel debt) as set out below.

As security for a parallel debt corresponding to the CBC's obligations under the Guarantee and the other Transaction Documents to which it is a party, the CBC has granted the following security rights to the Security Trustee:

- (i) a first ranking right of pledge (or such other security right as may be applicable) over the Transferred Assets; and
- (ii) a first ranking right of pledge over the CBC's rights under or in connection with the CBC Transaction Documents and the CBC Transaction Accounts.

The holders of the Covered Bonds of each Series will, through the Security Trustee, benefit from the security rights and are deemed to have acknowledged, and are bound by the Parallel Debt Agreement and Trust Deed.

For the purposes of these Terms and Conditions:

**"Extended Due for Payment Date"** means, subject to Condition 7(c) (*Redemption at the option if the Issuer (Issuer Call)*), the date falling thirty-two (32) years after the Maturity Date, as specified as such in the applicable Final Terms; and

**"Pass-Through Covered Bonds"** means (i) each Covered Bond of a Series in respect of which any amount has remained unpaid on the relevant Maturity Date or (ii) after the service of a Notice to Pay and a Breach of Amortisation Test Notice, all Series of Covered Bonds.

#### 4. REDENOMINATION

The Issuer may, without the consent of the Covered Bondholders and the Couponholders, on giving prior notice to the Principal Paying Agent, Euroclear, Clearstream, Luxembourg and, if applicable, Euroclear Nederland and at least thirty (30) calendar days' prior notice to the Covered Bondholders in accordance with Condition 14 (*Notices*), elect that, with effect from the Redenomination Date (as defined below) specified in the notice, the Covered Bonds and the Coupons denominated in euro (each for the purpose of this Condition the **"Old Currency"**) shall be redenominated in another currency (for the purpose of this Condition the **"New Currency"**) upon the occurrence of a Convertibility Event.

The election will have effect as follows:

- (i) the Covered Bonds and the Coupons shall be deemed to be redenominated into the New Currency in the denomination of the equivalent of euro 0.01 in another currency, with a principal amount for each

Covered Bond equal to the principal amount of that Covered Bond in euro, converted into the New Currency at the rate for the conversion of the Old Currency into the New Currency as fixed by the government of the Netherlands, provided that, if the Issuer determines, with the agreement of the Security Trustee, 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 Covered Bondholders, the stock exchange (if any) on which the Covered Bonds may be listed and the Paying Agents 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 Covered Bonds will be calculated by reference to the aggregate principal amount of Covered Bonds 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 equivalent of euro 0.01 in another currency;
- (iii) if Definitive Covered Bonds are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations of euro 100,000 or such other amount as may be allowed or required pursuant to the relevant laws which are applicable equivalent to (the offering of) such Covered Bonds and notified to the Covered Bondholders;
- (iv) if issued prior to the Redenomination Date, all unmaturing Coupons denominated in euro (whether or not attached to the Covered Bonds) will become void with effect from the date on which the Issuer gives notice (for the purpose of this Condition the "**Exchange Notice**") to the Covered Bondholders in accordance with Condition 14 (*Notices*) that replacement of Old Currency denominated Covered Bonds and Coupons 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 Covered Bonds and Coupons so issued will also become void on that date although those Covered Bonds and Coupons will continue to constitute valid exchange obligations of the Issuer. New Currency denominated Covered Bonds and Coupons will be issued in exchange for Covered Bonds and Coupons denominated in euro in such manner as the Issuer may specify and as shall be notified to the Covered Bondholders in the Exchange Notice. No Exchange Notice may be given less than fifteen (15) calendar days prior to any date for payment of principal or interest on the Covered Bonds;
- (v) on or after the Redenomination Date, all payments in respect of the Covered Bonds and the Coupons, with a possible exception of 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 Covered Bonds to euro 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; and
- (vi) if the Covered Bonds are Fixed Rate Covered Bonds and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated by applying the Rate of Interest to each Calculation Amount, multiplying such sum by the applicable Fixed Day Count Fraction (as defined in Condition 5(a) (*Interest on Fixed Rate Covered Bond (up to but excluding the Maturity Date or, if earlier, the date on which a Breach of Amortisation Test Notice is served on the CBC)*)), and rounding the resultant figure to the nearest sub-unit of the relevant New Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. The amount of interest payable in respect of such Fixed Rate Covered Bonds shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

For the purpose of this Condition "**Redenomination Date**" means any date for payment of interest or redemption under the Covered Bonds, specified by the Issuer in the notice given to the Covered Bondholders pursuant to paragraph (a) above and which shall be the date the government of the Netherlands accepts payment in the New Currency as legal tender.

## 5. INTEREST

### A. *Interest on Fixed Rate Covered Bonds (up to but excluding the Maturity Date or, if earlier, the date on which a Breach of Amortisation Test Notice is served on the CBC)*

Each Fixed Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) the interest commencement date as specified in the applicable Final Terms (an "**Interest Commencement Date**") (or, if not specified in the applicable Final Terms, the Issue Date) at the rate(s) per annum equal to the Fixed Rate(s) of Interest. Interest will be payable in arrears on the Interest Payment Date(s) in each year (i) up to (and including) the Maturity Date (if that date does not fall on an Interest Payment Date), or, (ii) if earlier, up to, but excluding the date on which a Breach of Amortisation Test Notice is served on the CBC.

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount except if a Breach of Amortisation Test Notice is served on the CBC in which case the interest will be calculated as set out below. Payments of interest on any Interest Payment Date or the Maturity Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) the Following Business Day Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day; or
- (2) the Modified Following Business Day Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date (or other date) shall be brought forward to the immediate preceding Business Day; or
- (3) the Preceding Business Day Convention, such Interest Payment Date (or other date) shall be brought forward to the immediate preceding Business Day; or
- (4) No Adjustment, such Interest Payment Date (or other date) shall not be adjusted in accordance with any Business Day Convention.

If "**Unadjusted**" is specified in the applicable Final Terms the number of days in each Interest Period shall be calculated as if the Interest Payment Date were not subject to adjustment in accordance with the Business Day Convention specified in the applicable Final Terms.

If "**Adjusted**" is specified in the applicable Final Terms the number of days in each Interest Period shall be calculated as if the Interest Payment Date is subject to adjustment in accordance with the Business Day Convention specified in the applicable Final Terms.

If interest is required to be calculated for a period starting or ending other than on an Interest Payment Date (the "**Interest Calculation Period**"), such interest shall be calculated by applying the Fixed Rate of Interest to the Calculation Amount, multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the euro, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention and multiplying such rounded up figure by a fraction equal to the Specified Denomination of such Covered Bond divided by the Calculation Amount.

For the purposes of these Terms and Conditions (unless defined otherwise in the relevant section or subsection);

**"Fixed Day Count Fraction"** means:

if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms for the relevant period, it means:

(a) where the Interest Calculation Period is equal to or shorter than the Determination Period during which it falls, the actual number of days in the Interest Calculation Period divided by the product of (1) the actual number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(b) where the Interest Calculation Period is longer than one Determination Period, the sum of:

(A) the actual number of days in such Interest Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the actual number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(B) the actual number of days in such Interest Calculation Period falling in the next Determination Period divided by the product of (1) the actual number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year;

where:

**"Determination Period"** means the period from and including an Interest Payment Date in any year up to but excluding the next Interest Payment Date;

if **"30/360"** is specified in the applicable Final Terms for the relevant period, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) (unless (i) the last day of the Fixed Interest Period is the 31st day of a month but the first day of the Fixed Interest Period is a day other than the 30th or the 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month or (ii) the last day of the Fixed Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month) divided by 360;

**"sub-unit"** means one cent;

**"Calculation Amount"** has the meaning ascribed to it in the applicable Final Terms or if no such amount is specified in the applicable Final Terms, the Specified Denomination;

**"Fixed Interest Period"** means the period from and including an Interest Payment Date (or in the case of a first interest period, the Interest Commencement Date, or if such is not specified in the applicable Final Terms, the Issue Date) to but excluding the next or first Interest Payment Date;

**"Maturity Date"** means, subject to Condition 7(c) (*Redemption at the option of the Issuer (Issuer Call)*) and Condition 7(d) (*Redemption of Covered Bonds at the option of the Covered Bondholders*), in respect of a Series of Covered Bonds, the relevant Interest Payment Date which falls no more than thirty (30) years after the Issue Date of such Series and on which the Covered Bonds of such Series are expected to be redeemed at their Principal Amount Outstanding in accordance with these Conditions, as specified in the relevant Final Terms; and

**"Principal Amount Outstanding"** means, on any date, the principal amount of a Covered Bond on the relevant Issue Date, less the aggregate amount of any principal payments in respect of such Covered Bond which have been paid to the relevant Covered Bondholder on or prior to that date.

The applicable Final Terms shall contain provisions (if necessary) relating to the calculation of interest in respect of Interest Payment Dates that fall in the interval between the Issue Date and the First Interest Payment Date or the interval between the Maturity Date and the immediately preceding Interest Payment Date.

**B. Interest on Floating Rate Covered Bonds (up to, but excluding, the Maturity Date or, if earlier, the date on which a Breach of Amortisation Test Notice is served on the CBC)**

(i) *Interest Payment Dates*

Each Floating Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date at the rate equal to the Rate of Interest payable in arrear on either:

- (a) the Specified Interest Payment Date(s) in each year; or
- (b) if no express Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. "**Interest Period**" shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention is specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 5 (B)(i)(b) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date (or other date) shall be brought forward to the immediate preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date (or other date) shall be brought forward to the immediate preceding Business Day; or
- (5) No Adjustment, such Interest Payment Date (or other date) shall not be adjusted in accordance with any Business Day Convention.

If "**Unadjusted**" is specified in the applicable Final Terms the number of days in each Interest Period shall be calculated as if the Interest Payment Date were not subject to adjustment in accordance with the Business Day Convention specified in the applicable Final Terms.

If "**Adjusted**" is specified in the applicable Final Terms the number of days in each Interest Period shall be calculated as if the Interest Payment Date is subject to adjustment in accordance with the Business Day Convention specified in the applicable Final Terms.

In this Condition 5 (*Interest*), "**Business Day**" means a day which is both:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Additional Business Centre specified in the applicable Final Terms; and

- (b) a day on which the TARGET2 is open. In these Terms and Conditions, "TARGET2" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007 or any successor thereof.

(ii) *Rate of Interest*

The Rate of Interest will be determined in the manner specified in the applicable Final Terms.

(a) *ISDA Determination for Floating Rate Covered Bonds*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (a), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds, published by the International Swaps and Derivatives Association, Inc. (the "**ISDA Definitions**") and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is the period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on LIBOR or on EURIBOR, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (a), (i) "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions, (ii) the definition of "**Banking Day**" in the ISDA Definitions shall be amended to insert after the words "are open for" in the second line before the word "general" and (iii) "**Euro-zone**" means the region comprised of Member States of the European Union that adopt the single currency in accordance with the EU Treaty.

When this sub-paragraph (a) applies, in respect of each relevant Interest Period the Principal Paying Agent will be deemed to have discharged its obligations under Condition 5(B)(iv) (*Determination of Rate of Interest and Calculation of Floating Interest Amounts*) in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this subparagraph (a).

(b) *Screen Rate Determination for Floating Rate Covered Bonds*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation (if there is only one quotation on the Relevant Screen Page); or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards or, if the relevant Screen Rate is EURIBOR, to the third decimal place, with 0.0005 being rounded upwards) of the offered quotations, (expressed as a percentage rate per annum) for the Reference Rates which appears or appear, as the case may be, on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations,



plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent.

The Agency Agreement contains provisions for determining the Rate of Interest pursuant to this subparagraph (b) in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Covered Bonds is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Covered Bonds will be determined as provided in the applicable Final Terms.

(c) *Replacement Reference Rate Determination for Discontinued Reference Rate*

Notwithstanding the provisions above in this Condition 5(B), if the Principal Paying Agent or the Issuer determines at any time prior to, on or following any Interest Determination Date, that the relevant Reference Rate (as specified in the applicable Final Terms) has been permanently discontinued, the Issuer will, as soon as reasonably practicable (and in any event prior to the next relevant Interest Determination Date), appoint an agent ("**Rate Determination Agent**"), which will determine in its sole discretion, acting in good faith and in a commercially reasonable manner, whether a substitute or successor rate for purposes of determining the relevant Reference Rate on each Interest Determination Date falling on such date or thereafter that is substantially comparable to the Reference Rate is available or a successor rate that has been recommended or selected by the monetary authority or similar authority (or working group thereof) in the jurisdiction of the applicable currency. If the Rate Determination Agent determines that there is an industry-accepted successor rate, the Rate Determination Agent will use such successor rate to determine the relevant Reference Rate. If the Rate Determination Agent has determined a substitute or successor rate in accordance with the foregoing (such rate, the "**Replacement Reference Rate**") for purposes of determining the Reference Rate on the relevant Interest Determination Date falling on or after such determination, (A) the Rate Determination Agent will also determine changes (if any) to the business day convention, the definition of business day, the interest determination date, the day count fraction and any method for calculating the Replacement Reference Rate, including any adjustment factor needed to make such Replacement Reference Rate comparable to the relevant Reference Rate, in each case in a manner that is consistent with industry-accepted practices for such Replacement Reference Rate; (B) references to the Reference Rate in these Conditions applicable to the relevant Floating Rate Covered Bonds will be deemed to be references to the relevant Replacement Reference Rate, including any alternative method for determining such rate as described in (A) above; (C) the Rate Determination Agent will notify the Issuer of the foregoing as soon as reasonably practicable; and (D) the Issuer will give notice as soon as reasonably practicable to the Covered Bondholders (in accordance with Condition 14 (Notices)) and the Principal Paying Agent specifying the Replacement Reference Rate, as well as the details described in (A) above.

The determination of the Replacement Reference Rate and the other matters referred to above by the Rate Determination Agent will (in the absence of manifest error) be final and binding on the Issuer, the Principal Paying Agent, the Security Trustee and the Covered Bondholders. If the Rate Determination Agent is unable to or otherwise does not determine a substitute Replacement Reference Rate, then the Reference Rate will remain unchanged.

For the avoidance of doubt, each Covered Bondholder shall be deemed to have accepted the Replacement Reference Rate or such other changes pursuant to this Condition (iii).

The Rate Determination Agent will be (A) a major bank or broker-dealer in a principal financial center of the European Union or the United Kingdom as appointed by the Issuer; or (B), if it is not reasonably practicable to appoint a party as referred to under (A), the Issuer.

(iii) *Minimum and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of

paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and Calculation of Floating Interest Amounts*

The Principal Paying Agent, in the case of Floating Rate Covered Bonds will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent will calculate the amount of interest (the "**Floating Interest Amount**") payable on the Floating Rate Covered Bonds, in respect of each Calculation Amount for the relevant Interest Period. Each Floating Interest Amount shall be calculated by applying the Rate of Interest to each Calculation Amount, multiplying such sum by the applicable Floating Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the euro, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Covered Bond in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Floating Rate Covered Bond shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

In this Condition "**Floating Day Count Fraction**" means, in respect of the calculation of an amount of interest for any Interest Period:

if "**Actual/365**" or "**Actual/Actual ISDA**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30;

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30; and

if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

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

The Principal Paying Agent will cause the Rate of Interest and each Floating Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Covered Bonds are for the time being listed and notice thereof to be published in accordance with Condition 14 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Floating Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Covered Bonds are for the time being listed and to the Covered Bondholders in accordance with Condition 14 (*Notices*). If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Floating Interest Amount but instead may publish only the Calculation Amount and the Floating Interest Amount in respect of the Covered Bond having the minimum Specified Denomination. For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(vi) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(B) (*Interest on Floating Rate Covered Bonds (up to, but excluding, the Maturity Date or, if earlier, the date on which a Breach of Amortisation Test Notice is served on the CBC)*), whether by the Principal Paying Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Principal Paying Agent, the Calculation Agent, if applicable, the other Paying Agents and all Covered Bondholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Covered Bondholders or the Couponholders shall attach to the Principal Paying Agent or the Calculation Agent, if

applicable, in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**C. Interest from the Maturity Date or, if earlier, the date a Breach of Amortisation Test Notice has been served on the CBC**

As from the Maturity Date or, if earlier, the date on which a Breach of Amortisation Test Notice is served on the CBC, each Covered Bond will bear interest on its Principal Amount Outstanding from (and including) the date as specified in the applicable Final Terms as Interest Commencement Date (or, if not specified in the applicable Final Terms, the earlier to occur of (i) the Maturity Date and (ii) the date on which a Breach of Amortisation Test Notice is served on the CBC) ("**Interest Commencement Date**") at the rate(s) per annum equal to the Fixed Rate(s) of Interest. Interest will be payable in arrears on the Interest Payment Dates in each year up to (and including) the Extended Due for Payment Date (if that date does not fall on an Interest Payment Date).

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will be calculated in respect of each Calculation Amount by applying the fixed Rate of Interest to each Principal Amount Outstanding, multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the euro, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention and multiplying such rounded up figure by a fraction equal to the Specified Denomination of such Covered Bond divided by the Calculation Amount.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) the Following Business Day Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day; or
- (2) the Modified Following Business Day Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date (or other date) shall be brought forward to the immediate preceding Business Day; or
- (3) the Preceding Business Day Convention, such Interest Payment Date (or other date) shall be brought forward to the immediate preceding Business Day; or
- (4) No Adjustment, such Interest Payment Date (or other date) shall not be adjusted in accordance with any Business Day Convention.

If "**Unadjusted**" is specified in the applicable Final Terms the number of days in each Interest Period shall be calculated as if the Interest Payment Date were not subject to adjustment in accordance with the Business Day Convention specified in the applicable Final Terms.

If "**Adjusted**" is specified in the applicable Final Terms the number of days in each Interest Period shall be calculated as if the Interest Payment Date is subject to adjustment in accordance with the Business Day Convention specified in the applicable Final Terms.

For the purposes of this Condition 5(C) (*Interest from the Maturity Date or, if earlier, the date a Breach of Amortisation Test Notice has been served on the CBC*):

"**Fixed Day Count Fraction**" means:

if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms for the relevant period, it means:

- (a) where the Interest Calculation Period is equal to or shorter than the Determination Period during which it falls, the actual number of days in the Interest Calculation Period divided by the product of (1) the actual number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(b) where the Interest Calculation Period is longer than one Determination Period, the sum of:

(A) the actual number of days in such Interest Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the actual number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(B) the actual number of days in such Interest Calculation Period falling in the next Determination Period divided by the product of (1) the actual number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year;

where:

**"Determination Period"** means the period from and including an Interest Payment Date in any year up to but excluding the next Interest Payment Date;

if **"30/360"** is specified in the applicable Final Terms for the relevant period, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) (unless (i) the last day of the Fixed Interest Period is the 31st day of a month but the first day of the Fixed Interest Period is a day other than the 30th or the 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month or (ii) the last day of the Fixed Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month) divided by 360;

**"sub-unit"** means one cent; and

**"Fixed Interest Period"** means the period from and including an Interest Payment Date (or in the case of a first interest period, the Interest Commencement Date) to but excluding the next or first Interest Payment Date.

#### **D. Accrual of interest**

Each Covered Bond (or in the case of the redemption of part only of a Covered Bond, that part only of such Covered Bond) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

### **6. PAYMENTS**

#### **(a) Method of payment**

Subject as provided below, payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

In no event will payment be made by a cheque mailed to an address in the United States. Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment in these Terms and Conditions, the Trust Deed, the Agency Agreement and the Final Terms, but without prejudice to the provisions of Condition 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **"US IR Code"**) or otherwise imposed pursuant to sections 1471 through 1474 of the US IR Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental agreement thereto. References to euro will include any successor currency under Dutch law.

#### **(b) Presentation of Definitive Covered Bonds and Coupons**

Payments of principal in respect of Definitive Covered Bonds will (subject as provided below) be made in the manner provided in paragraph (A) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Covered Bonds, and payments of interest in respect of Definitive Covered Bonds will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States.

Fixed Rate Covered Bonds in definitive form should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of five (5) years after the Relevant Date (as defined in Condition 8 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9 (*Prescription*)) or, if later, five (5) years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Covered Bond in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Covered Bond in definitive form becomes due and repayable in whole, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. Where any such Covered Bond is presented for redemption without all unmatured Coupons or Talons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

If the due date for redemption of any Definitive Covered Bond is not an Interest Payment Date, interest (if any) accrued in respect of such Covered Bond from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Covered Bond.

(c) *Payments in respect of Global Covered Bonds*

Payments of interest and principal (if any) in respect of Covered Bonds represented by any Global Covered Bond will (subject as provided below) be made in the manner specified above in relation to Definitive Covered Bonds and otherwise in the manner specified in the relevant Global Covered Bond against presentation or surrender (as the case may be) of such Global Covered Bond at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Covered Bond, distinguishing between any payment of principal and any payment of interest, will be made on such Global Covered Bond by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made and in respect of a Global Covered Bond in NGN-form the payment is entered pro rata in the record of Euroclear and Clearstream, Luxembourg.

(d) *General provisions applicable to payments*

The holder of a Global Covered Bond shall be the only person entitled to receive payments in respect of Covered Bonds represented by such Global Covered Bond and the Issuer or the CBC and the Security Trustee will be discharged by payment to, or to the order of, the holder of such Global Covered Bond in respect of each amount so paid.

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or Euroclear Nederland as the beneficial holder of a particular nominal amount of Covered Bonds represented by a Global Covered Bond must look solely to Euroclear, Clearstream, Luxembourg or Euroclear Nederland,

as the case may be, for his share of each payment so made by the Issuer or the CBC or the Security Trustee to, or to the order of, the holder of such Global Covered Bond.

(e) *Payment Day*

If the date for payment of any amount in respect of any Covered Bond or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 9 (*Prescription*)) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

- a) the relevant place of presentation; and
- b) any Additional Financial Centre specified in the applicable Final Terms.

(f) *Interpretation of interest and principal*

Any reference in these Terms and Conditions to principal in respect of the Covered Bonds shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 8 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Covered Bonds;
- (iii) the Early Redemption Amount of the Covered Bonds;
- (iv) the Optional Redemption Amount;
- (v) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Covered Bonds; and
- (vi) any Excess Proceeds which may be payable by the Security Trustee to either the CBC or the Covered Bondholders under or in respect of the Covered Bond.

Any reference in these Terms and Conditions to interest in respect of the Covered Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

(g) *Set-off*

- (i) Any payments under or pursuant to the Covered Bonds shall be made by the Issuer free of set-off and withholding if and to the extent so specified in the applicable Final Terms.
- (ii) If in the Final Terms "German Insurers" are indicated Applicable, each of the Issuer and the CBC hereby waives, for the benefit of all present and future holders of the Registered Covered Bonds issued in such Final Terms, any right to set-off (*verrekenen*, in German: *aufrechnen*) any amount against, any right to retain (*inhouden*, in German: *zurückbehalten*) any amount from, and any right of pledge (*pandrecht*, in German: *Pfandrecht*), including but not limited to any right of pledge created under the Issuer's General Banking Conditions with regard to, any amount it owes under or in respect of the Registered Covered Bonds and any similar right which may adversely affect the rights under or in respect of Registered Covered Bonds.

If this waiver under (g)(ii) is applicable it (i) applies as far as and as long as the Registered Covered Bonds are part of the guarantee assets (*Sicherungsvermögen*) of an insurer within the meaning of the German Insurance Supervisory Act (*Versicherungsaufsichtsgesetz*) as amended from time to time also in case of an insolvency and (ii) prevails over any present or future agreement with a conflicting content, save in the case of future agreements only, where such future agreement has a conflicting content which explicitly refers to this specific waiver.

## 7. REDEMPTION AND PURCHASE

(a) *Redemption at maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Covered Bond will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner



specified in, the applicable Final Terms in euro on the Maturity Date (the "**Final Redemption Amount**").

(b) *Redemption for tax reasons*

The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Covered Bond is not a Floating Rate Covered Bond) or on any Interest Payment Date (if this Covered Bond is a Floating Rate Covered Bond), on giving not less than thirty (30) nor more than sixty (60) calendar days' notice to the Security Trustee and the Principal Paying Agent and, in accordance with Condition 14 (Notices), the Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Security Trustee immediately before the giving of such notice that:

- (i) on the occasion of the next payment due under the Covered Bonds, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Covered Bonds; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than sixty (60) calendar days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Covered Bonds then due.

Prior to the publication of any notice of redemption pursuant to this Condition 7(b) (*Redemption for tax reasons*), the Issuer shall deliver to the Security Trustee a certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and the Security Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Covered Bondholders and the Couponholders. Covered Bonds redeemed pursuant to this Condition 7(b) (*Redemption for tax reasons*) will be redeemed at their Early Redemption Amount referred to in Condition 7(d) (*Redemption of Covered Bonds at the option of the Covered Bondholders*) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) *Redemption at the option of the Issuer (Issuer Call)*

If the Issuer is specified as having the option to redeem the Covered Bonds in the applicable Final Terms, the Issuer may, subject as provided in paragraph (e) below and having given:

- (i) not less than fifteen (15) nor more than thirty (30) calendar days' notice to the Covered Bondholders in accordance with Condition 14 (*Notices*); and
- (ii) not less than fifteen (15) calendar days before the giving of the notice referred to in (i), notice to the Security Trustee, the Principal Paying Agent, the CBC and the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Covered Bonds then outstanding on any optional redemption date as specified in the applicable Final Terms ("**Optional Redemption Date**") and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date, provided that no Issuer Event of Default has occurred and is continuing.

If the Issuer is specified as having the option to redeem the Covered Bonds in the applicable Final Terms and it cannot exercise its option because an Issuer Event of Default has occurred and is continuing, then the CBC may declare with:

- (i) not less than five (5) (or if the notice period of the Issuer has been shortened to five (5) calendar days' or less, the notice period will be one (1) calendar day less than the minimum notice period

- for the Issuer) nor more than thirty (30) calendar days' notice to the Covered Bondholders in accordance with Condition 14 (*Notices*); and
- (ii) not less than five (5) calendar days (or if the notice period of the Issuer has been shortened to five (5) days' or less, the notice period will be one (1) day less than the minimum notice period for the Issuer) before the giving of the notice referred to in (i), notice to the Security Trustee, the Principal Paying Agent, the Issuer and the Registrar;

that all of the Covered Bonds then outstanding of such Series will mature on the Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms, and that the Maturity Date will be such Optional Redemption Date.

Any redemption pursuant to this Condition 7(c) (*Redemption at the option of the Issuer (Issuer Call)*) must be of a nominal amount not less than the minimum redemption amount ("**Minimum Redemption Amount**") and not more than the maximum redemption amount ("**Maximum Redemption Amount**"), in each case as may be specified in the applicable Final Terms (and subject to Condition 3 (*The Guarantee*)). In the case of a partial redemption of Covered Bonds, the Covered Bonds to be redeemed (the "**Redeemed Covered Bonds**") will be selected individually by lot, in the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, and where applicable in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) and/or Euroclear Nederland, in the case of Redeemed Covered Bonds represented by a Global Covered Bond, in each case, not more than thirty (30) calendar days prior to the date fixed for redemption (such date of selection being hereinafter called for the purposes of this paragraph the "**Selection Date**"). In the case of Redeemed Covered Bonds (i) represented by Definitive Covered Bonds, a list of the serial numbers and (ii) in the case of Registered Covered Bonds, the nominal amount drawn and the holders thereof, of such Redeemed Covered Bonds will be published in accordance with Condition 14 (*Notices*) not less than fifteen (15) calendar days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Covered Bonds represented by Definitive Covered Bonds shall bear the same proportion to the aggregate nominal amount of all Redeemed Covered Bonds as the aggregate nominal amount of Definitive Covered Bonds outstanding bears to the aggregate nominal amount of the Covered Bonds outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Covered Bonds represented by a Global Covered Bond shall be equal to the balance of the Redeemed Covered Bonds. No exchange of the relevant Global Covered Bond will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Covered Bondholders in accordance with Condition 14 (*Notices*) at least five (5) calendar days prior to the Selection Date.

If the option to redeem the Covered Bonds is exercised by the Issuer or the CBC has given a declaration that the Covered Bonds will mature on the Optional Redemption Date (each in accordance with this Condition 7(c) (*Redemption at the option of the Issuer (Issuer Call)*)), then the Optional Redemption Date will for all purposes in all Transaction Documents be deemed to be the Maturity Date in respect of the Covered Bonds to which it applies instead of the Maturity Date specified as such in the applicable Final Terms to the extent of the amount redeemed or to be redeemed, as the case may be, on such date. The Extended Due for Payment Date in respect of such Covered Bonds will for all purposes in all Transaction Documents be deemed to be thirty-two (32) years after such new Maturity Date instead of the date included in the applicable Final Terms (unless in the section Issuer Call in the applicable Final Terms a specific date is included, in which case such date will apply).

If in the applicable Final Terms it is specified that the manner of determining the interest on some or all Covered Bonds of a Series switches to another manner of determining the interest as of the Maturity Date, such switch will occur on the Maturity Date as determined pursuant to the previous paragraph to the extent of the amount redeemed or to be redeemed, as the case may be, on such date.

- (d) *Redemption of Covered Bonds at the Option of the Covered Bondholders*

Subject as provided in paragraph (e) below, if the Covered Bondholders are specified in the applicable Final Terms as having an option to redeem, upon the holder of any Covered Bond giving to the Issuer in accordance with Condition 14 (*Notices*) not less than fifteen (15) nor more than thirty (30) calendar days' notice or such other period of notice as is specified in the applicable Final Terms (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part), such Covered Bond on the Optional Redemption Date and at the Optional Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

If this Covered Bond is in definitive form, to exercise the right to require redemption of this Covered Bond its holder must deliver such Covered Bond at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition.

If the option to redeem the Covered Bonds is exercised by the Covered Bondholders, then the Optional Redemption Date will for all purposes in all Transaction Documents be deemed to be the Maturity Date in respect of the Covered Bonds to which it applies instead of the Maturity Date specified as such in the applicable Final Terms to the extent of the amount redeemed or to be redeemed, as the case may be, on such date. The Extended Due for Payment Date in respect of such Covered Bonds will for all purposes in all Transaction Documents be deemed to be thirty-two (32) years after such new Maturity Date instead of the date included in the applicable Final Terms (unless in the section Issuer Call in the applicable Final Terms a specific date is included, in which case such date will apply).

If in the applicable Final Terms it is specified that the manner of determining the interest on some or all Covered Bonds of a Series switches to another manner of determining the interest as of the Maturity Date, such switch will occur on the Maturity Date as determined pursuant to the previous paragraph to the extent of the amount redeemed or to be redeemed, as the case may be, on such date.

(e) *Early Redemption Amounts*

For the purpose of paragraph (b) and (d) above and Condition 10 (*Events of Default and Enforcement*), each Covered Bond will be redeemed at its Early Redemption Amount calculated as follows (each, the relevant "**Early Redemption Amount**"):

- (i) in the case of a Covered Bond with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- (ii) in the case of a Covered Bond with a Final Redemption Amount which is or may be less or greater than the Issue Price, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount.

(f) *Purchases*

The Issuer, the CBC and/or any member of NN Group may at any time purchase Covered Bonds (provided that, in the case of Definitive Covered Bonds, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Covered Bondholders alike. Covered Bonds purchased in accordance with this Condition 7(f) (*Purchases*) may be held, reissued, resold or, at the option of the Issuer or the CBC and/or such member of NN Group, surrendered to any Paying Agent for cancellation.

(g) *Cancellation*

All Bearer Covered Bonds which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption).

(h) *Redemption due to illegality*

The Covered Bonds of all Series may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than thirty (30) nor more than sixty (60) calendar days' notice to the Security Trustee and the Principal Paying Agent and, in accordance with Condition 14 (*Notices*), all Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Security Trustee immediately before the giving of such notice that it has, or will, before the next Interest Payment Date of any Covered Bond of any Series, become unlawful for the Issuer to make any payments under the Covered Bonds as a result of any change in, or amendment to, the applicable laws or regulations or any change in the application or official interpretation of such laws or regulations, which change or amendment has become or will become effective before the next such Interest Payment Date.

Covered Bonds redeemed pursuant to this Condition 7(h) (*Redemption due to illegality*) will be redeemed at their Early Redemption Amount referred to in Condition 7(e) (*Redemption and Purchase - Early Redemption Amounts*) above together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(i) *Certificate*

Prior to the publication of any notice of redemption pursuant to this Condition 7 (*Redemption and Purchase*), the Issuer shall deliver to the Security Trustee a certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and the Security Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on all Covered Bondholders.

**8. TAXATION**

(a) *General*

All payments of, or in respect of, interest and principal in respect of the Covered Bonds and Coupons by the Issuer or the CBC, as the case may be, will be made free and clear of, and without withholding or deduction for or account of any present or future taxes or duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction, unless such withholding or deduction is required by law. In the event of a withholding or deduction being made by the Issuer in respect of a payment of the Covered Bonds made by it, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Covered Bonds or Coupons after such withholding or deduction shall equal the respective amounts of interest and principal which would otherwise have been receivable in respect of the Covered Bonds or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable by the Issuer with respect to any Covered Bond or Coupon presented for payment:

- (a) outside the Netherlands;
- (b) by, or by a third party on behalf of, a holder of a Bearer Covered Bond who is liable to such taxes or duties in respect of such Covered Bond or Coupon by reason of his having some connection with the Netherlands other than the mere holding of such Bearer Covered Bond or Coupon; or
- (c) more than thirty (30) calendar days after the Relevant Date, except to the extent that the relevant holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of thirty (30) calendar days.

Should any payments made by the CBC under the Guarantee be made subject to any withholding or deduction on account of taxes or duties of whatever nature imposed or levied by or on account of any Tax Jurisdiction the CBC will not be obliged to pay any additional amounts as a consequence.

As used herein:

"**Relevant Date**" in relation to a payment means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Security Trustee or the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Covered Bondholders in accordance with Condition 14 (*Notices*); and

"**Tax Jurisdiction**" means the European part of the Kingdom of the Netherlands or any political subdivision or any authority thereof or therein having power to tax.

(b) *FATCA Withholding*

Payments in respect of the Covered Bonds may be subject to any withholding or deduction required pursuant to an agreement described in section 1471(b) of the US IR Code or otherwise imposed pursuant to sections 1471 through 1474 of the US IR Code, any regulations or agreements thereunder, any official interpretations thereof or any law implementing an intergovernmental agreement thereto. Any such amounts withheld or deducted will be treated as paid for all purposes under the Covered Bonds, and no additional amounts will be paid by the Issuer or the CBC on the Covered Bonds with respect to any such withholding or deduction.

**9. PRESCRIPTION**

The Covered Bonds and Coupons will become void unless presented for payment within a period of five (5) years after the Relevant Date therefore.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 9 (*Prescription*) or Condition 6(B) (*Presentation of Definitive Covered Bonds and Coupons*) or any Talon which would be void pursuant to Condition 6(B) (*Presentation of Definitive Covered Bonds and Coupons*).

**10. EVENTS OF DEFAULT AND ENFORCEMENT**

(a) *Issuer Events of Default*

Pursuant to the Trust Deed the Security Trustee at its discretion may, and in relation to the defaults set out in subparagraphs (i) and (v) below or if so directed by a Programme Resolution of the Covered Bonds shall, give an Issuer Acceleration Notice (subject in each case to being indemnified and/or secured to its satisfaction), if any of the following events (each an "**Issuer Event of Default**") shall occur and be continuing:

- (i) a default is made by the Issuer for a period of seven (7) calendar days or more in the payment of any principal or redemption amount of the Covered Bonds of any Series when due, or for a period of fourteen (14) calendar days or more in the payment of any interest of the Covered Bonds of any Series when due; or
- (ii) a default is made in the performance by the Issuer of any material obligation (other than any obligation for the payment of principal, redemption amount or interest in respect of the Covered Bonds of any Series) under the provisions of the Covered Bonds of any Series or the Trust Deed or any other Transaction Document to which the Issuer is a party which (unless certified by the Security Trustee, in its opinion, to be incapable of remedy) shall continue for more than thirty (30) calendar days after written notification requiring such default to be remedied and indicating that this provision may be invoked if it is not so remedied, shall have been given to the Issuer by the Security Trustee in accordance with the Trust Deed; or
- (iii) an order is made or an effective resolution passed for the dissolution or winding up of the Issuer (except a dissolution or winding up for the purpose of a reconstruction, amalgamation, merger or following the transfer of all or substantially all of the assets of the Issuer, the terms of which have previously been approved by an Extraordinary Resolution (as defined below) of the holders of the Covered Bonds or which has been effected in compliance with the terms of Condition 15 (*Meetings of Covered Bondholders, Modification and Waiver*)); or
- (iv) a liquidator, receiver or other similar officer is appointed in relation to the Issuer or in relation to the whole of its assets; or the Issuer initiates or consents to judicial proceedings relating to its

- bankruptcy (*faillissement*) or equivalent or analogous proceedings under any applicable law, or shall make a conveyance, assignment or assignation for the benefit of, or shall enter into any composition (*akkoord*) with, its creditors generally; or
- (v) the Issuer is adjudged or found bankrupt (*failliet*) or emergency regulations (*noodregeling*) in the interest of all creditors as referred to in section 3 of the Wft, or equivalent or analogous judgments or measures under any applicable law, are imposed on the Issuer, provided that in case an event described in paragraph (ii) above shall occur, the Security Trustee shall only deliver an Issuer Acceleration Notice if it shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series.

Upon delivery of an Issuer Acceleration Notice pursuant to this Condition 10(a) (*Issuer Events of Default*), the Security Trustee shall forthwith serve a Notice to Pay on the CBC pursuant to the Guarantee and the CBC shall be required to make payments of Guaranteed Amounts when the same shall become Due for Payment in accordance with the terms of the Guarantee.

Following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice, the Security Trustee may or shall take such proceedings against the Issuer in accordance with the first paragraph of Condition 10(c) (*Events of Default and Enforcement*).

Following an Issuer Event of Default the Security Trustee shall, within three (3) months, convene a meeting for each Series to discuss the possibility to sell Selected Transferred Assets in the following six (6) months. The voting rights for such meeting for Covered Bonds held by any member of NN Group shall be excluded, as set out in Condition 15 (*Meeting of Covered Bondholders, Modification and Waiver*).

The Trust Deed provides that the Excess Proceeds may be paid by the Security Trustee to the CBC and shall be held by the CBC in the CBC Account and shall be used by the CBC in the same manner as all other moneys from time to time standing to the credit of the CBC Account. Any Excess Proceeds received by the Security Trustee shall discharge the obligations of the Issuer in respect of the Covered Bonds and Coupons for an amount equal to such Excess Proceeds. The Security Trustee shall not be required to pay such amounts to the CBC. However, the receipt by the Security Trustee of any Excess Proceeds shall not reduce or discharge any of the obligations of the CBC under the Guarantee.

(b) *CBC Events of Default*

The Security Trustee at its discretion may, and, if so directed by a Programme Resolution, shall give a CBC Acceleration Notice (subject in each case to being indemnified and/or secured to its satisfaction), if any of the following events (each a "**CBC Event of Default**") shall occur and be continuing:

- (i) default is made by the CBC under the Guarantee for a period of seven (7) calendar days or more in the payment of any principal or redemption amount, or for a period of fourteen (14) calendar days or more in the payment of any interest when due; or
- (ii) a default is made in the performance or observance by the CBC of any material obligation binding upon it (other than any obligation for the payment of Guaranteed Amounts in respect of the Covered Bonds of any Series) under the Trust Deed, the Pledge Agreements or any other Transaction Document to which the CBC is a party which (unless certified by the Security Trustee, in its opinion, to be incapable of remedy) shall continue for more than thirty (30) calendar days after written notification requiring such default to be remedied and indicating that this provision may be invoked if it is not so remedied shall have been given to the CBC by the Security Trustee in accordance with the Trust Deed; or
- (iii) an order is made or an effective resolution passed for the dissolution or winding up of the CBC; or
- (iv) the CBC ceases to carry on its business or substantially all its business; or
- (v) a liquidator, receiver or other similar officer is appointed in relation to the CBC or in relation to the whole or any major part of its assets or a conservatory attachment (*conservatoir beslag*) or an executory attachment (*executoriaal beslag*) or other process is levied or enforced upon or sued out against the whole or any major part of its assets or the CBC initiates or consents to judicial proceedings relating to its bankruptcy (*faillissement*) or (preliminary) suspension of

- payments (*voorlopige surseance van betaling*), or equivalent or analogous proceedings under any applicable law, or makes a conveyance, assignment or equivalent or assignation for the benefit of, or shall enter into any composition (*akkoord*) with, its creditors generally; or
- (vi) the CBC is adjudged or found bankrupt (*failliet*) or, if applicable, emergency regulations (*noodregeling*) in the interest of all creditors as referred to in section 3 of the Wft, or equivalent or analogous judgments or measures under any applicable law, are imposed on the CBC; or
  - (vii) the Guarantee is not, or is claimed by the CBC not to be, in full force and effect,

provided that in case an event described in paragraph (ii) above shall occur, the Security Trustee shall only deliver a CBC Acceleration Notice if it shall have certified in writing to the CBC that such event is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series.

Following the occurrence of a CBC Event of Default which is continuing and service of a CBC Acceleration Notice, the Security shall become enforceable and the Security Trustee may or shall take proceedings or steps against the Issuer and the CBC in accordance with Condition 10(c) (*Events of Default and Enforcement - Enforcement*) and the Covered Bondholders shall have a claim against the CBC, under the Guarantee, for the Early Redemption Amount together with accrued interest as provided in the Trust Deed in respect of each Covered Bond.

In these Terms and Conditions:

**"Calculation Date"** means the date falling two (2) Business Days before each CBC Payment Date. The "relevant" Calculation Date in respect of any Calculation Period will be the first Calculation Date falling after the end of that period and the "relevant" Calculation Date in respect of any CBC Payment Date will be the last Calculation Date prior to that CBC Payment Date.

**"Calculation Period"** means the period from the Programme Date to the last day of October 2017 and thereafter, each period from (and including) the first day of each month to the last day of that same month.

**"CBC Payment Date"** means the 26th day of each month or, if such day is not a Business Day, the next following Business Day unless it would thereby fall into the next calendar month, in which event such CBC Payment Date shall be brought forward to the immediately preceding Business Day.

**"Distribution Compliance Period"** has the meaning given to that term in Regulation S under the Securities Act.

(c) *Enforcement*

The Security Trustee may at any time after service of an Issuer Acceleration Notice (in the case of the Issuer) or a CBC Acceleration Notice (in the case of both the Issuer and the CBC), at its discretion and without further notice, take such proceedings in accordance with the relevant provisions under Dutch law against the Issuer and/or the CBC, as the case may be, to enforce the Security, but it shall not be bound to take any such enforcement proceedings in relation to the Trust Deed, the Covered Bonds or the Coupons, the Security or any other Transaction Document unless (i) it shall have been so directed by a Programme Resolution and (ii) it shall have been indemnified and/or secured to its satisfaction.

(d) *No action by Covered Bondholders or Couponholders*

Subject to the provisions of the Trust Deed, only the Security Trustee may enforce the provisions of the Covered Bonds and the Transaction Documents. Neither the Covered Bondholders nor any other person shall be entitled to proceed directly against the Issuer or the CBC to enforce any provision of the Covered Bonds and/or the Transaction Documents, unless the Security Trustee fails to take any steps to enforce the Security in accordance with the Trust Deed within a reasonable time and such failure is continuing. All limitations and restrictions imposed under or by virtue of the Trust Deed, the Covered Bonds or any other Transaction Document on the Security Trustee in relation to the enforcement of rights and the availability of remedies, shall *mutatis mutandis* also fully apply to such Secured Creditors.

Neither the Covered Bondholders nor the Security Trustee may institute against, or join any person in instituting any bankruptcy, winding-up, reorganisation, arrangement, insolvency or liquidation proceeding against the CBC until the expiry of a period of at least one (1) year after the latest maturing Covered Bond is paid in full. The only remedy of the Security Trustee against the CBC after a CBC Acceleration Notice has been given pursuant to this Condition 10 (*Events of Default and Enforcement*) is to enforce the Security.

(e) *Limited Recourse*

The recourse of the Covered Bondholders and the Couponholders against the CBC pursuant to the Guarantee is limited. Covered Bondholder will have a right of recourse (*verhaalsrecht*) only in respect of the Security and will not have any claim, by operation of law or otherwise, against, or recourse to any of the CBC's other assets.

No amounts under the Covered Bonds and the Transaction Documents shall be due and payable by the CBC or, as the case may be, the Security Trustee, except (i) in accordance with the Trust Deed and (ii) unless and until all amounts thereby required to be paid in priority thereto have been paid or discharged in full.

In the event that the Security has been fully enforced and the proceeds of such enforcement and any other amounts received by the Security Trustee, after payment of all claims ranking in priority to any Covered Bonds or Coupons of any Series in accordance with the Trust Deed, are insufficient to pay in full all amounts outstanding in respect of the Covered Bonds or Coupons, then the Covered Bondholders or Couponholders shall have no further claim against the CBC or the Security Trustee in respect of such unpaid amount.

**11. REPLACEMENT OF COVERED BONDS, COUPONS AND TALONS**

Should any Covered Bond, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Covered Bonds, Coupons or Talons must be surrendered before replacements will be issued.

**12. PAYING AGENTS AND REGISTRAR**

The names of the initial Paying Agents and the Registrar and their initial specified offices are set out in the Base Prospectus.

The Issuer or the CBC, as the case may be, is entitled, with the prior written approval of the Security Trustee (such approval not to be unreasonably withheld or delayed), to vary or terminate the appointment of any Paying Agent and the Registrar and/or appoint additional or other Paying Agents or Registrars and/or approve any change in the specified office through which any Paying Agent or Registrar acts, provided that:

- (a) there will at all times be a Principal Paying Agent;
- (b) as long as any Registered Covered Bonds are outstanding, there will at all times be a Registrar; and
- (c) so long as the Covered Bonds are listed, quoted and/or traded on or by any competent listing authority, on any stock exchange or quotation system, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant competent authority or stock exchange.

Any variation, termination, appointment or change shall only take effect (other than in the case of a bankruptcy, an insolvency or any equivalent or analogous proceeding, when it shall be of immediate effect) after not less than thirty (30) nor more than forty-five (45) calendar days' prior notice thereof shall have been given to the Covered Bondholders in accordance with Condition 14 (*Notices*).

In acting under the Agency Agreement, the Paying Agents and the Registrar act solely as agents of the Issuer and the CBC and, in certain circumstances specified therein, of the Security Trustee and do not assume any obligation to, or relationship of agency with, any Covered Bondholders or Couponholders. The Agency



Agreement contains provisions permitting any entity into which any Paying Agent or the Registrar is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent or registrar.

### **13. EXCHANGE OF TALONS**

On and after the Interest Payment Date or the Specified Interest Payment Date or the Specified Period, as the case may be, on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Covered Bond to which it appertains) a further Talon, subject to the provisions of Condition 9 (*Prescription*). Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date or the Specified Interest Payment Date or for the Specified Period (as the case may be) on which the final Coupon comprised in the relative Coupon sheet matures.

### **14. NOTICES**

All notices regarding the Covered Bonds shall be published in a daily newspaper of wide circulation in the Netherlands and in the English language in the Financial Times or such other newspaper of wide circulation in Europe as long as the Covered Bonds are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system, such notice shall be published in such place as may be required by the rules and regulations of such competent authority, stock exchange and/or quotation system.

Until any Definitive Covered Bonds are issued and as long as the Global Covered Bond(s) is or are held in its or their entirety with a depository or a common depository or a common safekeeper on behalf of Euroclear and Clearstream, Luxembourg and/or any other relevant clearing system or with Euroclear Nederland, any notice may also be made via such depository or such common depository or such common safekeeper on behalf of Euroclear and Clearstream, Luxembourg and/or any other relevant clearing system and/or with Euroclear Nederland (provided that, in the case of any publication required by a stock exchange, the rules of the stock exchange so permit). Any such notice shall be deemed to have been given to the holders of the Covered Bonds on the second day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg and/or Euroclear Nederland and/or any other relevant clearing system.

Notices to be given by any Covered Bondholder shall be in writing and given by lodging the same, together (in the case of any Definitive Covered Bonds or Registered Covered Bonds) with the relative Covered Bond or Covered Bonds, with the Principal Paying Agent and/or Registrar. Whilst any of the Covered Bonds are represented by a Global Covered Bond, such notice may be given by any holder of a Covered Bond to the Principal Paying Agent through Euroclear, Clearstream, Luxembourg and/or Euroclear Nederland, as the case may be, in such manner as the Principal Paying Agent and Euroclear, Clearstream, Luxembourg and/or Euroclear Nederland, as the case may be, may approve for this purpose.

### **15. MEETINGS OF COVERED BONDHOLDERS, MODIFICATION AND WAIVER**

The Trust Deed contains provisions for convening meetings of the Covered Bondholders of any Series to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Covered Bonds of such Series or the related Coupons or of any of the Transaction Documents (subject as provided below and in the Trust Deed). Such a meeting may be convened by the Issuer, the CBC or the Security Trustee and shall be convened by the Issuer if required in writing by Covered Bondholders of a Series holding not less than fifteen (15) per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being remaining outstanding. The quorum at any such meeting in respect of any Series for passing an Extraordinary Resolution (other than a Programme Resolution to be taken by an Extraordinary Resolution) is: one or more persons holding or representing not less than seventy-five (75) per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned meeting one or more persons being or representing Covered Bondholders of such Series whatever the Principal Amount Outstanding of the Covered Bonds of such Series so held or represented.

Any modification of the Covered Bonds of a Series, which the Security Trustee deems to be materially prejudicial to the interest of Covered Bondholders of other Series, may not become effective, unless the Covered Bondholders of such other Series of Covered Bonds have agreed thereto.

An Extraordinary Resolution passed at any meeting of the Covered Bondholders of a Series shall, subject as provided below, be binding on all the Covered Bondholders of such Series, whether or not they are present at the meeting, and on all Couponholders in respect of such Series. Pursuant to the Trust Deed, the Security Trustee may convene a single meeting of the holders of Covered Bonds of more than one Series if in the opinion of the Security Trustee there is no conflict between the holders of such Covered Bonds, in which event the provisions of this paragraph shall apply thereto *mutatis mutandis*.

In a meeting convened by the Security Trustee for Covered Bondholders of each Series to discuss the possibility to sell Selected Transferred Assets as set out in Condition 10(a) (*Issuer Events of Default*) any member of NN Group holding Covered Bonds shall not have any voting rights on its Covered Bonds in respect of a resolution to sell Selected Transferred Assets and such Covered Bonds held by a member of NN Group shall not be taken into account for the quorum.

Notwithstanding the preceding paragraphs of this Condition 15 (*Meetings of Covered Bondholders, Modification and Waiver*), any resolution to direct the Security Trustee (i) to accelerate the Covered Bonds pursuant to Condition 10 (*Events of Default and Enforcement*); (ii) to take any enforcement action, or (iii) to remove or replace the Security Trustee's Director shall only be capable of being passed by a Programme Resolution. Any such meeting to consider a Programme Resolution may be convened by the Issuer, the CBC or the Security Trustee or by Covered Bondholders of any Series. The quorum at any such meeting for passing a Programme Resolution (including by means of an Extraordinary Resolution) is one or more persons holding or representing more than 50 per cent of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing Covered Bonds whatever the Principal Amount Outstanding of the Covered Bonds of any Series so held or represented. A Programme Resolution passed at any meeting of the Covered Bondholders of all Series shall be binding on all Covered Bondholders of all Series, whether or not they are present at the meeting, and on all related Couponholders in respect of such Series.

The Security Trustee, the Issuer and the CBC may also agree, without the consent of the Covered Bondholders or Couponholders of any Series, to:

- (a) any modification of the Covered Bonds of one or more Series, the related Coupons or any Transaction Document and/or designate further creditors as Secured Creditor, provided that (i) in the opinion of the Security Trustee such modification or designation is not materially prejudicial to the interests of any of the Covered Bondholders or Couponholders of any Series or any of the other Secured Creditors (in which respect the Security Trustee may rely upon the consent in writing of any other Secured Creditor as to the absence of material prejudice to the interests of such Secured Creditor), (ii) it has not been informed in writing by any Secured Creditor (other than any Covered Bondholder(s)) that such Secured Creditor will be materially prejudiced thereby (other than a Secured Creditor who has given its written consent as aforesaid) and (iii) it has received Rating Agency Confirmation in respect of such modification; or
- (b) any modification of the Covered Bonds of any one or more Series, the related Coupons or any Transaction Document which is of a formal, minor or technical nature or is made to correct a manifest error or an error established as such to the satisfaction of the Security Trustee or to comply with its EMIR obligations or to comply with mandatory provisions of law; or
- (c) any modification to the Covered Bonds of one or more Series, the related Coupons, and/or any Transaction Documents, required or necessary in connection with any change, after the relevant Issue Date, to any laws or regulation (including but not limited to the laws and regulations of the Netherlands and the European Union) applicable or relevant with respect to covered bonds (*gedekte obligaties*) to ensure that the Issuer, the CBC and/or Covered Bondholders enjoy the full benefits of such legislation, provided that in the sole opinion of the Security Trustee such modification is not materially prejudicial to the interest of any of the Covered Bondholders or any of the other Secured Creditors; or
- (d) any modification to the Transaction Documents which are in the opinion of the Issuer and the Security Trustee necessary in order to transfer title (and if applicable obligations) in respect of Eligible Assets to the CBC and/or to create security in respect thereof in favour of the Security Trustee, provided that (i)

in the opinion of the Security Trustee such modification is not materially prejudicial to the interests of any of the Covered Bondholders or Couponholders of any Series or any of the other Secured Creditors (in which respect the Security Trustee may rely upon the consent in writing of any other Secured Creditor as to the absence of material prejudice to the interests of such Secured Creditor), (ii) it has not been informed in writing by any Secured Creditor (other than any Covered Bondholder(s)) that such Secured Creditor will be materially prejudiced thereby (other than a Secured Creditor who has given its written consent as aforesaid) and (iii) the Security Trustee has received Rating Agency Confirmation in respect of such modification; or

- (e) any modification to the Eligibility Criteria which is in the opinion of the Security Trustee, subject to Rating Agency Confirmation, not materially prejudicial to the interests of the existing Covered Bondholders or Couponholders of any Series.

The Security Trustee may also agree, without the consent of the Covered Bondholders of any Series, and/or Couponholders or any other Secured Creditor, to the waiver or authorisation of any breach or proposed breach of any of the provisions of the Covered Bonds of any Series or the Transaction Documents, or determine, without any such consent as aforesaid, that any Issuer Event of Default or CBC Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Security Trustee, materially prejudicial to the interests of any of the Secured Creditors (in which respect the Security Trustee may (without further enquiry) rely upon the consent in writing of any other Secured Creditor as to the absence of material prejudice to the interests of such Secured Creditor) provided that (i) the Security Trustee has not been informed by any Secured Creditor (other than any Covered Bondholder(s)) that such Secured Creditor will be materially prejudiced thereby (other than a Secured Creditor who has given its written consent as aforesaid) and (ii) the Security Trustee has received Rating Agency Confirmation in respect of such waiver, authorisation or determination.

Any such modification, waiver, authorisation or determination shall be binding on all Covered Bondholders of all Series for the time being outstanding, the related Couponholders and the other Secured Creditors, and unless the Security Trustee otherwise agrees, any such modification, waiver, authorisation or determination will be notified by the Issuer to the Covered Bondholders of all Series for the time being outstanding, the other Secured Creditors and the Rating Agencies in accordance with the relevant terms and conditions as soon as practicable thereafter.

In connection with the exercise by it of any of its powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Security Trustee shall have regard to the general interests of the Covered Bondholders of each Series as a class (but shall not have regard to any interests arising from circumstances particular to individual Covered Bondholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Covered Bondholders, the related Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Security Trustee shall not be entitled to require, nor shall any Covered Bondholder or Couponholder be entitled to claim, from the Issuer, the CBC, the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Covered Bondholders or Couponholders, except to the extent already provided for in Condition 8 (*Taxation*) and/or in any undertaking or covenant given in addition to, or in substitution for, Condition 8 (*Taxation*) pursuant to the Trust Deed.

The Security Trustee shall, as regards all the powers, authorities, duties and discretions vested in it by the Covered Bonds or the other Transaction Documents or, except where expressly provided otherwise, have regard to the interests of both the Covered Bondholders and the other Secured Creditors, but if, in the Security Trustee's sole opinion, there is a conflict between their interests, it will have regard solely to the interests of each Secured Creditor, including, but not limited to, the Covered Bondholders, in accordance with the relevant Priority of Payments.

The Issuer may, without the consent of the holders of the Covered Bonds of any Series or any Coupons relating thereto, or any other Secured Creditor consolidate with, merge or amalgamate into or transfer their respective assets substantially as an entirety to, any corporation organised under Dutch

law, or any political subdivision thereof, provided that (i) a certificate of two authorised signatories of the Issuer and the CBC is delivered to the Security Trustee to the effect that immediately after giving effect to such transaction no Issuer Event of Default and no CBC Event of Default, respectively, will have happened and be continuing and (ii) unless the Issuer is the surviving entity, the Issuer shall procure that the surviving or transferee company assumes its obligations as Issuer under the Trust Deed, each other Transaction Document and all of the outstanding Covered Bonds of all Series, in place of the Issuer and (iii) in the case of an assumption of the obligations of the Issuer by a successor or transferee company, the Guarantee of the CBC is fully effective on the same basis in relation to the obligations of such successor or transferee company and (iv) certain other conditions set out in the Trust Deed are met. Upon the assumption of the obligations of the Issuer by such surviving or transferee company, the predecessor Issuer shall (subject to the provisions of the Trust Deed) have no further liabilities under or in respect of the Trust Deed or the outstanding Covered Bonds of each Series then outstanding or any Coupons appertaining thereto and the other Transaction Documents. Any such assumption shall be subject to the relevant provisions of the Trust Deed. The Trust Deed provides that any such assumption shall be notified to the holders of all Series in accordance with the relevant terms and conditions of such Covered Bonds and the other Secured Creditors.

For the purposes hereof:

**"Extraordinary Resolution"** means a resolution at a meeting duly convened and held in accordance with the provisions for meetings of covered bondholders as set out in the Trust Deed, by not less than two-thirds of the votes cast.

**"Programme Resolution"** means either:

- (a) a written resolution of the holders of not less than fifty (50) per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding as if they were a single Series; or
- (b) an Extraordinary Resolution (with the Covered Bonds of all Series taken together as a single Series).

## 16. SECURITY TRUSTEE

The Trust Deed contains provisions for the indemnification of the Security Trustee and for the Security Trustee's relief from responsibility, including provisions relieving it from taking any action unless indemnified and/or secured to its satisfaction.

The Security Trustee will not be responsible for any loss, expense or liability, which may be suffered as a result of any Transferred Assets, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Security Trustee. The Security Trustee will not be responsible for (i) supervising the performance by the Issuer or any other party to the Transaction Documents of their respective obligations under the Transaction Documents and will be entitled to assume, until it has written notice to the contrary, that all such persons are properly performing their duties; (ii) considering the basis on which approvals or consents are granted by the Issuer or any other party to the Transaction Documents under the Transaction Documents; (iii) monitoring the Transferred Assets, including, without limitation, whether the Transferred Assets are in compliance with the Asset Cover Test or the Amortisation Test; or (iv) monitoring whether Mortgage Receivables (and any other Transferred Assets) satisfy the applicable Eligibility Criteria or such other criteria as may be agreed with the CBC and subject to Rating Agency Confirmation in relation to other Transferred Assets. The Security Trustee will not be liable to any Covered Bondholder or other Secured Creditor for any failure to make or to cause to be made on their behalf the searches, investigations and enquiries which would normally be made by a prudent chargee in relation to the security rights and have no responsibility in relation to the legality, validity, sufficiency and enforceability of the security rights it holds and the Transaction Documents.

## 17. SUBSTITUTION OF THE ISSUER

- (a) The Issuer may, subject to Rating Agency Confirmation and without the consent of the Covered Bondholders or Couponholders in respect of each Series of Covered Bonds on which no payment of principal of or interest on any of the Covered Bonds is in default and after written approval of DNB (*De*

*Nederlandsche Bank N.V.*), be replaced and substituted by any Substituted Debtor as principal debtor in respect of the Covered Bonds and the relative Coupons provided that:

- (i) such documents shall be executed by the Substituted Debtor and the Issuer as may be necessary to give full effect to the substitution (for the purposes of this Condition the "**Documents**") and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favour of each Covered Bondholder and Couponholder to be bound by the Terms and Conditions of the Covered Bonds and the provisions of the Transaction Documents as fully as if the Substituted Debtor had been named in the Covered Bonds, and the relative Coupons and the Transaction Documents as the principal debtor in respect of the Covered Bonds and the relative Coupons in place of the Issuer and pursuant to which the Issuer shall guarantee, which guarantee shall be unconditional and irrevocable, (for the purposes of this Condition the "**Substituted Debtors Guarantee**") in favour of each Covered Bondholder and each holder of the relative Coupons the payment of all sums (including any additional amounts payable pursuant to Condition 8 (*Taxation*)) payable in respect of the Covered Bonds and the relative Coupons;
- (ii) where the Substituted Debtor is incorporated, domiciled or resident for taxation purposes in a territory other than the Netherlands, the Documents shall contain a covenant and/or such other provisions as may be necessary to ensure that each Covered Bondholder has the benefit of a covenant in terms corresponding to the provisions of Condition 8 (*Taxation*) with the substitution for the references to the Netherlands of references to the territory in which the Substituted Debtor is incorporated, domiciled and/or resident for taxation purposes. The Documents shall also contain a covenant by the Substituted Debtor and the Issuer to indemnify and hold harmless each Covered Bondholder and Couponholder against all liabilities, costs, charges and expenses, which may be incurred by or levied against such holder as a result of any substitution pursuant to this Condition and which would not have been so incurred or levied had such substitution not been made (and, without limiting the foregoing, such liabilities, costs, charges and expenses shall include any and all taxes or duties which are imposed on any such Covered Bondholder or Couponholder by any political sub-division or taxing authority of any country in which such Covered Bondholder or Couponholder resides or is subject to any such tax or duty and which would not have been so imposed had such substitution not been made);
- (iii) the Documents shall contain a warranty and representation by the Substituted Debtor and the Issuer (a) that each of the Substituted Debtor and the Issuer has obtained all necessary governmental and regulatory approvals and consents for such substitution and the performance of its obligations under the Documents, and that all such approvals and consents are in full force and effect and (b) that the obligations assumed by each of the Substituted Debtor and the Issuer under the Documents are all valid and binding in accordance with their respective terms and enforceable by each Covered Bondholder;
- (iv) each stock exchange which has Covered Bonds listed thereon shall have confirmed that following the proposed substitution of the Substituted Debtor such Covered Bonds would continue to be listed on such stock exchange;
- (v) the Substituted Debtor shall have delivered to the Security Trustee or procured the delivery to the Security Trustee of a legal opinion from a leading law firm in the jurisdiction in which the Substituted Debtor is situated to the effect that the Documents and the Substituted Debtor's obligations under the Covered Bonds and Coupons will constitute legal, valid and binding obligations of the Substituted Debtor, such opinion to be dated not more than three (3) calendar days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Covered Bondholders and Couponholders at the specified office of the Principal Paying Agent; and
- (vi) the Issuer shall have delivered to the Security Trustee or procured the delivery to the Security Trustee of a legal opinion from a Dutch law firm to the effect that the Documents (including the Substituted Debtors Guarantee) will constitute legal, valid and binding obligations of the Substituted Debtor and the Issuer, as the case may be, such opinion to be dated not more than three (3) calendar days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Covered Bondholders and Couponholders at the specified office of the Principal Paying Agent.

- (b) In connection with any substitution effected pursuant to this Condition, neither the Issuer nor the Substituted Debtor need have any regard to the consequences of any such substitution for individual Covered Bondholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and no Covered Bondholder or Couponholder, except as provided in Condition 17(a)(ii), shall be entitled to claim from the Issuer or any Substituted Debtor under the Covered Bonds and the relative Coupons any indemnification or payment in respect of any tax or other consequences arising from such substitution.
- (c) Upon the execution of the Documents as referred to in paragraph (a) above, the Substituted Debtor shall be deemed to be named in the Covered Bonds and the relative Coupons as the principal debtor in place of the Issuer and the Covered Bonds and the relative Coupons shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents shall operate to release the Issuer as issuer from all of its obligations as principal debtor in respect of the Covered Bonds and the relative Coupons save that any claims under the Covered Bonds and the relative Coupons prior to release shall ensure for the benefit of Covered Bondholders and Couponholders.
- (d) The Documents shall be deposited with and held by the Principal Paying Agent for so long as any Covered Bonds or Coupons remain outstanding and for so long as any claim made against the Substituted Debtor by any Covered Bondholder or Couponholder in relation to the Covered Bonds or the relative Coupons or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted Debtor and the Issuer shall acknowledge in the Documents the right of every Covered Bondholder and Couponholder to the production of the Documents for the enforcement of any of the Covered Bonds or the relative Coupons or the Documents.
- (e) Not later than fifteen (15) Business Days after the execution of the Documents, the Substituted Debtor shall give notice thereof to the Covered Bondholders in accordance with Condition 14 (*Notices*).

## 18. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Covered Bondholders or the Couponholders to create and issue further bonds having terms and conditions the same as the Covered Bonds of any Series or the same in all respects save for the amount and date of the first payment of interest thereon, issue date and/or purchase price and so that the same shall be consolidated and form a single Series with the outstanding Covered Bonds of such Series.

## 19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

The Covered Bonds and the Transaction Documents (except for the Swap Agreements) are governed by, and shall be construed in accordance with, Dutch law. The Swap Agreements (if any) will usually be governed by English law.

Any disputes arising out of or in connection with the Covered Bonds, including any disputes relating to any non-contractual obligations arising out of or in connection with the Covered Bonds shall be submitted to the exclusive jurisdiction of the competent courts of Amsterdam, the Netherlands.

## 20. TERMS AND CONDITIONS OF REGISTERED COVERED BONDS

- 20.1 If the applicable Final Terms specify that Registered Covered Bonds are issued, then the following terms and conditions shall apply in addition to the terms and conditions set out in Conditions 1 to and including 19 above. In the event of any inconsistency between Conditions 1 to and including 19 and this Condition 20 (*Terms and Conditions of Registered Covered Bonds*), this Condition 20 (*Terms and Conditions of Registered Covered Bonds*) will prevail with regard to Registered Covered Bonds.
- 20.2 Registered Covered Bonds are registered claims (*vorderingen op naam*) which will be issued to each holder by a Registered Covered Bonds Deed. The holder of a Registered Covered Bond is the creditor of the relevant registered claim and "**Covered Bondholder**" shall be construed accordingly, provided that if the provision at the end of Condition 20.3 applies, the transferee shall, from the moment the transfer takes effect be treated as a Covered Bondholder for all purposes, without prejudice to any entitlement of the transferor pursuant to Condition 20.5.

- 20.3 Under Dutch law, the valid transfer of Covered Bonds requires, amongst other things, delivery (*levering*) thereof, which in the case of Registered Covered Bonds is effected by assignment (*cessie*) of both the rights under the Registered Covered Bonds and the corresponding rights under the Guarantee by execution of a deed of assignment (*akte*) between the transferor and the transferee and notification (*mededeling*) thereof to the Issuer, the CBC and the Registrar. A form of deed of assignment and notification is attached to each Registered Covered Bonds Deed. Registered Covered Bonds may be transferred in whole, but not in part, provided that the transferor and transferee may otherwise agree in the relevant assignment deed in respect of amounts that have accrued but not yet been paid in respect of the period up to the relevant transfer.
- 20.4 The Issuer shall procure that a register be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). The Registrar shall register details of any holder of Registered Covered Bonds in the Register and amend the Register to reflect any transfer and/or redemption of Registered Covered Bonds.
- 20.5 Payments of principal, interest (if any) and any other amounts in respect of Registered Covered Bonds will be made to the person shown on the Register as being entitled to the relevant amount of principal or interest or other amount at the close of business of the Business Day prior to the due date of such payments (the "**Record Date**"). If any Registered Covered Bondholder transfers any Registered Covered Bonds in accordance with Condition 20.3 and the Trust Deed and such transfer is notified to the Issuer, the CBC and the Registrar three (3) Business Days prior to the Record Date, the Issuer, the CBC and the Security Trustee will in respect of the Registered Covered Bond so transferred, be discharged from their respective payment obligations only by payment to or to the order of the transferee. If the notification of transfer of the relevant Registered Covered Bond is made after such date and time, (i) the risk that the transfer is not timely recorded in the Register is borne by the transferee and (ii) the Issuer, the CBC, the Security Trustee, the Registrar and the relevant Paying Agent shall not be liable as a result of any payment being made to the person shown in the Register in accordance with this Condition.
- 20.6 Notices to holders of Registered Covered Bonds shall be mailed or faxed to them at their respective addresses as recorded in the Register and shall be deemed to have been given on the fourth Business Day (being a day other than a Saturday or a Sunday) following the date of mailing or faxing.

## **TAXATION IN THE NETHERLANDS**

### **General**

*The following summary describes certain material Netherlands tax consequences of the acquisition, holding, redemption and disposal of Covered Bonds, which term, for the purpose of this summary, includes Coupons and Talons. This summary does not purport to be a comprehensive description of all Netherlands tax considerations that may be relevant to a Covered Bondholder or prospective Covered Bondholder and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as trusts or similar arrangements) may be subject to special rules. The discussion of certain Netherlands taxes set forth below is included for general information purposes only.*

This summary is based on the tax laws of the Netherlands, published regulations thereunder and published authoritative case law, all as in effect on the date hereof, and all of which are subject to change or to different interpretation, possibly with retroactive effect. Where the summary refers to "the Netherlands" it refers only to the part of the Kingdom of the Netherlands located in Europe.

This discussion is for general information purposes only and is not tax advice or a complete description of all tax consequences relating to the acquisition, holding, redemption and disposal of Covered Bonds. Each prospective Covered Bondholder should consult its own professional adviser with respect to the tax consequences of an investment in the Covered Bonds in light of their particular circumstances.

### **Withholding tax**

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

### **Taxes on income and capital gains**

Please note that the summary in this section does not describe the Netherlands tax consequences for:

- (1) holders of Covered Bonds if such holders, and in the case of individuals, his/her partner or certain of their relatives by blood or marriage in the direct line (including foster children), have a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Issuer under the Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*). Generally speaking, a holder of securities in a company is considered to hold a substantial interest in such company, if such holder alone or, in the case of individuals, together with his/her partner (as defined in the Netherlands Income Tax Act 2001), directly or indirectly, holds (i) an interest of 5 per cent. or more of the total issued and outstanding capital of that company or of 5 per cent. or more of the issued and outstanding capital of a certain class of shares of that company; or (ii) rights to acquire, directly or indirectly, such interest; or (iii) certain profit sharing rights in that company that relate to 5 per cent. or more of the company's annual profits and/or to 5 per cent. or more of the company's liquidation proceeds. A deemed substantial interest may arise if a substantial interest (or part thereof) in a company has been disposed of, or is deemed to have been disposed of, on a non-recognition basis;
- (2) pension funds, investment institutions (*fiscale beleggingsinstellingen*), exempt investment institutions (*vrijgestelde beleggingsinstellingen*) (as defined in the Netherlands Corporate Income Tax Act 1969; *Wet op de vennootschapsbelasting 1969*) and other entities that are, in whole or in part, not subject to or exempt from Netherlands corporate income tax; and
- (3) holders of Covered Bonds who are individuals for whom the Covered Bonds or any benefit derived from the Covered Bonds are a remuneration or deemed to be a remuneration for activities performed by such holders or certain individuals related to such holders (as defined in the Netherlands Income Tax Act 2001).

### *Netherlands Resident Entities*

Generally speaking, if the holder of Covered Bonds is an entity that is a resident or deemed to be resident of the Netherlands for Netherlands corporate income tax purposes (a "Netherlands Resident Entity"), any



payment under the Covered Bonds or any gain or loss realized on the disposal or deemed disposal of the Covered Bonds is subject to Netherlands corporate income tax at a rate of 20 per cent. with respect to taxable profits up to €200,000 and 25 per cent. with respect to taxable profits in excess of that amount (rates and brackets for 2018).

#### *Netherlands Resident Individuals*

If a holder of Covered Bonds is an individual, resident or deemed to be resident of the Netherlands for Netherlands income tax purposes (a "Netherlands Resident Individual"), any payment under the Covered Bonds or any gain or loss realized on the disposal or deemed disposal of the Covered Bonds is taxable at the progressive income tax rates (with a maximum of 51.95 per cent. in 2018), if:

- (1) the Covered Bonds are attributable to an enterprise from which the holder of Covered Bonds derives a share of the profit, whether as an entrepreneur (*ondernemer*) or as a person who has a co-entitlement to the net worth (*medegerechtigd tot het vermogen*) of such enterprise without being a shareholder (as defined in the Netherlands Income Tax Act 2001); or
- (2) the holder of Covered Bonds is considered to perform activities with respect to the Covered Bonds that go beyond ordinary asset management (*normaal, actief vermogensbeheer*) or derives benefits from the Covered Bonds that are taxable as benefits from other activities (*resultaat uit overige werkzaamheden*).

*Income from savings and investments.* If the above-mentioned conditions (1) and (2) do not apply to the individual holder of Covered Bonds, such holder will be taxed annually on a deemed, variable return (with a maximum of 5.38 per cent. in 2018) of his/her net investment assets (*rendementsgrondslag*) for the year at an income tax rate of 30 per cent.

The net investment assets for the year are the fair market value of the investment assets less the allowable liabilities on 1 January of the relevant calendar year. The Covered Bonds are included as investment assets. A tax free allowance may be available. Actual income, gains or losses in respect of the Covered Bonds are as such not subject to Netherlands income tax.

For the net investment assets on 1 January 2018, the deemed return ranges from 2.02 per cent. up to 5.38 per cent. (depending on the aggregate amount of such holder's net investment assets on 1 January 2018). The deemed, variable return will be adjusted annually on the basis of historic market yields.

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

A holder of Covered Bonds that is neither a Netherlands Resident Entity nor a Netherlands Resident Individual will not be subject to Netherlands taxes on income or capital gains in respect of any payment under the Covered Bonds or in respect of any gain or loss realized on the disposal or deemed disposal of the Covered Bonds, provided that:

- (1) such holder does not have an interest in an enterprise or deemed enterprise (as defined in the Netherlands Income Tax Act 2001 and the Netherlands Corporate Income Tax Act 1969) which, in whole or in part, is either effectively managed in the Netherlands or carried on through a permanent establishment, a deemed permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the Covered Bonds are attributable; and
- (2) in the event the holder is an individual, such holder does not carry out any activities in the Netherlands with respect to the Covered Bonds that go beyond ordinary asset management and does not derive benefits from the Covered Bonds that are taxable as benefits from other activities in the Netherlands.

#### **Gift and inheritance taxes**

##### *Residents of the Netherlands*

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

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

No Netherlands gift or inheritance taxes will arise on the transfer of Covered Bonds by way of gift by, or on the death of, a holder of Covered Bonds who is neither resident nor deemed to be resident in the Netherlands, unless:

- (1) in the case of a gift of a Covered Bond by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 calendar days after the date of the gift, while being resident or deemed to be resident in the Netherlands; or
- (2) the transfer is otherwise construed as a gift or inheritance made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands.

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

#### **Value added tax (VAT)**

No Netherlands VAT will be payable by the holders of the Covered Bonds on (i) any payment in consideration for the issue of the Covered Bonds or (ii) the payment of interest or principal by the Issuer under the Covered Bonds.

#### **Other taxes and duties**

No Netherlands registration tax, stamp duty or any other similar documentary tax or duty will be payable by the holders of the Covered Bonds in respect of (i) the issue of the Covered Bonds or (ii) the payment of interest or principal by the Issuer under the Covered Bonds.

#### **THE FOREIGN ACCOUNT TAX COMPLIANCE ACT ("FATCA")**

Pursuant to sections 1471 through 1474 of the US IR Code, commonly referred to as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer has registered with the IRS as a reporting financial institution for these purposes.

A number of jurisdictions (including the Netherlands) have entered into or have agreed in substance to intergovernmental agreements with the U.S. to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of the IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of FATCA provisions and IGAs to instruments such as the Covered Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, are uncertain and may be subject to change.

Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, such withholding would not apply prior to 1 January 2019 and Covered Bonds issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA Withholding unless materially modified after such date (including by reason of a substitution of the Issuer) and/or characterised as equity for U.S. tax purposes. However, if additional covered bonds (as described under "*Terms and Conditions - Further Issues*") that are not distinguishable from previously issued Covered Bonds are issued after the expiration of the grandfathering period and are subject to FATCA Withholding, then withholding agents may treat all such Covered Bonds, including those Covered Bonds offered prior to the expiration of the grandfathering period, as subject to FATCA Withholding.

Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Covered Bonds. In the event that any FATCA Withholding would be required with respect to payments on the Covered Bonds, no person will be required to pay additional amounts as a result of the FATCA Withholding.

## SUBSCRIPTION AND SALE

The Dealers have, in a Programme Agreement, agreed and each further Dealer appointed under the Programme shall agree, with the Issuer and the CBC a basis upon which such Dealer or any of them may from time to time agree to purchase Covered Bonds. The Programme Agreement provides that the obligations of the Dealers to purchase Covered Bonds are subject to certain conditions precedent. Any such agreement will extend to those matters stated in the Terms and Conditions and under '*Form of Conditional Pass-Through Covered Bonds*'. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Covered Bonds under the Programme.

### Prohibition of Sales to EEA Retail Investors

The Dealers have represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
  - (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in the Prospectus Directive; and
- (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds.

### France

The Dealers have and the Issuer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell, directly or indirectly, Covered Bonds to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Covered Bonds, and that such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals acting for their own account all as defined in, and in accordance with, articles L.411-1, L.411-2, D.411-1 and D.411-4 of the French *Code monétaire et financier*.

### Italy

The offering of the Covered Bonds has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and accordingly, the Dealers have represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that save as set out below, it has not offered or sold and will not offer or sell any Covered Bonds in the Republic of Italy in an offer to the public and that sales of the Covered Bonds in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Accordingly, each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver any Covered Bonds or distribute copies of this Base Prospectus and any other document relating to the Covered Bonds in the Republic of Italy other than:

- i. to "qualified investors", as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Decree No. 58**") and defined in Article 34-ter, paragraph 1, let. b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("**Regulation No. 11971**"); or

- ii. that it may offer, sell or deliver Covered Bonds or distribute copies of any prospectus relating to such Covered Bonds in an offer to the public in the period commencing on the date of publication of such prospectus, provided that such prospectus has been approved in another Relevant Member State and notified to CONSOB, all in accordance with the Directive 2003/71/EC of 4 November 2003 (the "**Prospectus Directive**" as amended, including by Directive 2010/73/EU), as implemented in Italy under Decree No. 58 and Regulation No. 11971, and ending on the date which is 12 months after the date of approval of such prospectus; or
- iii. in any other circumstances where an express exemption from compliance with the offer restrictions applies, as provided under Decree No. 58 or Regulation No. 11971.

Any such offer, sale or delivery of the Covered Bonds or distribution of copies of this Base Prospectus or any other document relating to the Covered Bonds in the Republic of Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended, Decree No. 58 CONSOB Regulation No. No. 20307 of 15 February 2018, as amended and any other applicable laws and regulations;
- (b) in compliance with Article 129 of Legislative Decree No. 385 of 1 September 1993, as amended (pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy) and the relevant implementing guidelines of the Bank of Italy issued on 25 August 2015 (as amended on 10 August 2016); and
- (c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

*Provisions relating to the secondary market in the Republic of Italy*

Investors should also note that, in any subsequent distribution of the Covered Bonds in the Republic of Italy, Article 100-bis of Decree No. 58 may require compliance with the law relating to public offers of securities. Furthermore, where the Covered Bonds are placed solely with "qualified investors" and are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of Covered Bonds who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and, in addition, to claim damages from any authorised person at whose premises the Covered Bonds were purchased, unless an exemption provided for under Decree No. 58 applies.

**United Kingdom**

The Dealers have represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

**United States**

The Covered Bonds and the Guarantee have not been and will not be registered under the Securities Act, or the securities laws of any state of the U.S. or other jurisdiction of the U.S. The Covered Bonds may not be offered, sold or delivered within the U.S. or to, or for the account or benefit of, U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws. Accordingly, the Covered Bonds are being offered, sold or delivered only to non-U.S. persons (as defined in Regulation S) outside the U.S. in reliance on Regulation S.

The Covered Bonds 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 a, or for the account or benefit of, a U.S.

person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the US IR Code and U.S. Treasury regulations promulgated thereunder.

The Dealers have represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, except as permitted pursuant to the Programme Agreement, that it will offer, sell or deliver the Covered Bonds (i) as part of its distribution at any time and (ii) otherwise until forty (40) calendar days after distribution of the Covered Bonds only in accordance with rule 903 of the Securities Act. Such Dealer has also, or shall have, represented and agreed that it will have sent to each distributor, Dealer or person receiving a selling concession, fee or other remuneration to which it sells Covered Bonds 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 Regulation S under the Securities Act.

#### **Japan**

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the FIEA) and the Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Covered Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan as defined under Item 5, Paragraph 1, article 6 of the Foreign Exchange and Foreign Trade Control Law (Act No. 228 of 1949, as amended)) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

#### **The Netherlands/All issues**

The Dealers have represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that as long as it does not have the benefit of a licence or exemption as an investment firm of the relevant type pursuant to the Wft, it shall not offer any Covered Bonds or distribute this Base Prospectus or any circulars, offer documents or information relating to the Issuer or the Covered Bonds in the Netherlands.

#### **General**

The Dealers have agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers or sells Covered Bonds or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Covered Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any other Dealer shall have any responsibility therefor.

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

With regard to each Tranche, the relevant Dealer will be required to comply with any additional restrictions set out in the applicable Final Terms.

## **COVERED BOND LEGISLATION AND COMPLIANCE WITH UCITS AND/OR CAPITAL REQUIREMENTS DIRECTIVE**

### *Description of the Dutch Covered Bond Regulations*

In 2008, the Netherlands introduced a legal framework for regulated covered bonds which was replaced as of 1 January 2015 by a new framework. The CB Regulations aim to provide more safeguards to covered bondholders, while respecting other interests that are connected with the issuance of covered bonds, such as avoiding an undesirable degree of asset encumbrance.

The CB Regulations apply to the issuance of DNB-registered covered bonds, which are bonds included in the list made publicly available pursuant to article 52(4) of the UCITS Directive or, where such registration has not yet occurred, a covered bond which is registered by DNB in accordance with the CB Regulations. Therefore, like any other issuance of debt instruments and legal transfers of assets made in accordance with Dutch law, the issuance of a DNB-registered covered bond and the legal transfer of cover assets are subject to the provisions of the Dutch Civil Code and the Dutch Bankruptcy Code.

The CB Regulations include rules on the level of parliamentary law and form a collection of rules forming part of three layers of legislation: the Wft, the Wft Prudential Rules Decree (*Besluit prudentiële regels Wft*) and the Wft Implementing Regulation (*Uitvoeringsregeling Wft*). The inclusion of rules on parliamentary law level enables a more extensive and proportional sanctions regime, such as fines, than was possible under the legal framework for regulated covered bonds introduced in 2008. Under the CB Regulations the registration of a covered bond issued under a programme cannot be cancelled anymore. However, DNB can eliminate the registration of the issuer and order an issuance stop, after which the issuing bank will not be allowed to issue more covered bonds.

The CB Regulations include various requirements relating to issuers, owners of the asset pool, eligible assets and the contractual arrangements made in respect of such assets. The CB Regulations also require a valid safeguarding or sufficient cover assets for holders of DNB-registered covered bonds. Furthermore, the issuer must be a licensed bank with its registered address in the Netherlands.

As a main principle the CB Regulations require that DNB-registered covered bonds will have to comply with the conditions for preferential treatment of article 52(4) UCITS Directive. In addition the CB Regulations also include mandatory compliance with article 129 CRR.

The CB Regulations introduce a minimum level of overcollateralisation of 5 per cent. This means that the nominal value of the cover assets must be 105 per cent. of the nominal value of the outstanding covered bonds under the relevant programme. An additional collateralisation requirement, which is calculated separately, is that the nominal size of the cover assets taking into account the cut-off rules for collateralised assets of article 129 CRR is at least equal to the nominal value of the outstanding covered bonds. The Issuer as part of the programme undertakes as part of the Asset Cover Test that it will meet the requirements pursuant to the Wft in respect of the collateralisation of the Covered Bonds, including, that (i) the First Regulatory Current Balance Amount will always be at least equal to 105 per cent., or such other percentage as may be required from time to time under the CB Regulations, of the aggregate Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding and (ii) the Second Regulatory Current Balance will always be at least equal to 100 per cent., or such other percentage as may be required from time to time under the CB Regulations, of the aggregate Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding (see section 15 'Asset Monitoring').

An issuer is required to ensure that the owner of the asset pool maintains a liquidity buffer that covers interest payments, principal payments and senior costs that will be due in the coming six (6) months. If an extension period of at least six (6) months is included, (as in this programme), no liquidity buffer needs to be held for principal payments. Liquid assets are public sector loans and exposures to institutions as defined in article 129 CRR.

There are strict criteria as to which assets may be included in an asset pool for the purposes of a DNB-registered covered bond and are limited to the assets listed in article 129 CRR under (a), (b), (d) sub (i), (e), (f) sub (i) and (g), i.e. public sector loans, residential real estate loans, commercial real estate loans, and shipping loans, subject to certain limitations. The issuer must choose which asset class it primarily includes in the programme. In addition, up to 20 per cent. of the outstanding covered bonds under a program may be

covered by substitution assets. These are the liquid assets that are allowed under CRR: public sector exposures and exposures to institutions. Residential mortgage backed securities and commercial mortgage backed securities are excluded as cover assets. The Eligibility Criteria require that the Issuer only includes residential real estate loans as primary assets and the definition of Substitution Assets complies with the CB Regulations.

The CB Regulations include rules on valuation of cover assets. As a main rule, cover assets will be valued at their nominal value. Substitution assets will have to be valued at market value according to an internationally accepted accountancy standard. Several categories of assets will be awarded no value when applying the overcollateralisation and liquidity requirements are met:

- defaulted loans, as defined by article 178 CRR;
- assets which are the subject of a sub-participation or similar arrangement up to an amount to which a third party has an entitlement to (part of) such assets; and
- assets that consist of exposures of the CBC on the issuer or entities of the same group.

Issuers are required to appoint an external auditor as asset monitor which will have to perform an annual check of certain aspects of the administration and valuation process on the cover assets. More specifically, the external auditor has to:

- perform a check on the calculation of the legal overcollateralisation requirements; and
- perform a check on the calculation of the legal liquidity buffer requirement;

In addition the issuer must ensure that an external auditor performs a yearly check on a sample of the files related to the cover assets.

The issuer must maintain a healthy ratio between the outstanding covered bonds and the balance sheet of the issuer (the latter to protect other stakeholders). The issuer will also be required to perform annual stress tests to assess whether the healthy ratio will be maintained in adverse scenarios. Risks to be taken into account include credit risk, interest rate risk, currency risk and liquidity risk.

The issuer will also need to have solid and effective strategies and procedures for verifying and procuring the sufficiency of the cover assets, taking into account the composition of the cover assets, the over-collateralisation and the applicable risks and stress tests.

Also, the CB Regulations provide for ongoing administration and reporting obligations towards DNB and include new reporting obligations towards the covered bondholders.

#### *Compliance with UCITS- and/or Capital Requirements Directive*

The Issuer has applied to DNB for admission of its covered bonds issued under the Programme to the register of DNB in accordance with the CB Regulations and has obtained the Regulated Status. The Issuer will only issue Covered Bonds under this Base Prospectus that obtain the Regulated Status.

In the Trust Deed the Issuer has undertaken to use its best efforts to procure that the Covered Bonds that have obtained the Regulated Status, will keep the Regulated Status until their Maturity Date or any earlier date on which such Covered Bonds have been redeemed.

It is the intention of the Issuer that the Covered Bonds have the CRR Status and such status is mandatory. The criteria for Eligible Assets and the limitations as a result of the LTV Cut-Off Percentage in the Asset Cover Test procure that the Covered Bonds issued have the CRR Status, when these have the Regulated Status.

The "best efforts" undertakings set out in this section will no longer apply if, as a result of a change of law or regulations, Dutch residential mortgage receivables are insufficient for collateralisation of the Covered Bonds to keep the Regulated Status or are no longer eligible to collateralise covered bonds under the CRD IV.



## 7. ASSET BACKED GUARANTEE

### **GUARANTEE**

Pursuant to the Guarantee, if (i) an Issuer Acceleration Notice and a Notice to Pay are served or (ii) a CBC Acceleration Notice is served, the CBC will be liable to pay Guaranteed Amounts when the same become Due for Payment.

The pass-through structure will become relevant after the service of a Notice to Pay on the CBC. The CBC will be obliged to pass any available funds through and apply such funds towards redemption of all Pass-Through Covered Bonds and the CBC will also be obliged to use its best efforts to sell Transferred Assets on each Refinance Date to enable it to redeem all Pass-Through Covered Bonds prior to the Extended Due for Payment Date, provided that it can sell the Transferred Assets and consequently redeem the Pass-Through Covered Bonds without negatively impacting the Amortisation Test. Failure by the CBC to sell or refinance Selected Mortgage Receivables in the portfolio in accordance with the Asset Monitoring Agreement (as described below) will not constitute a CBC Event of Default (see further section 15 'Asset Monitoring').

All payments of Guaranteed Amounts by or on behalf of the CBC will be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, unless such withholding or deduction is required by law. In such event, the CBC will pay the Guaranteed Amounts net of such withholding or deduction and shall account to the appropriate tax authority for the amount required to be withheld or deducted. The CBC will not be obliged to pay any additional amount to the Security Trustee or any holder of Covered Bonds in respect of the amount of such withholding or deduction.

Payments in respect of the Covered Bonds might be subject to FATCA Withholding. Any FATCA Withholding will be treated as paid for all purposes under the Covered Bonds, and no additional amounts will be paid on the Covered Bonds with respect to any FATCA Withholding.

An Extended Due for Payment Date will apply to each Series of Covered Bonds to be issued under the Programme.

In respect of each Series, if the CBC is obliged under the Guarantee to pay a Guaranteed Final Redemption Amount, then:

- (a) the obligation of the CBC to pay the Guaranteed Final Redemption Amount shall be deferred to, and shall under the Guarantee be due on, the Extended Due for Payment Date, provided that if on any CBC Payment Date which falls prior to the Extended Due for Payment Date, any moneys are available to the CBC to be paid (or reserved for payment of principal on any Series of Covered Bonds) after the CBC shall under the relevant Priority of Payments have paid or provided for (on the relevant CBC Payment Date) all higher ranking amounts, then the CBC shall (a) give notice thereof to the relevant holders of the Pass-Through Covered Bonds (in accordance with Condition 14 (*Notices*)), the Rating Agencies, the Security Trustee, the Principal Paying Agent and the Registrar (in the case of Registered Covered Bonds) as soon as reasonably practicable and in any event at least two (2) Business Days prior to such CBC Payment Date (whereby such notice shall be deemed to have been given on the first Business Day following the date on which the notice was given by the CBC to the relevant clearing system, if any, and otherwise in accordance with Condition 14 (*Notices*)) and (b) apply such remaining available moneys in payment, in whole or in part, of the Guaranteed Final Redemption Amount pertaining to all Pass-Through Covered Bonds, if applicable pro rata by reference to the Principal Amount Outstanding of such Covered Bonds (and to such extent the Guaranteed Final Redemption Amount shall for the purpose of the relevant Priority of Payments and all other purposes be due) on such CBC Payment Date. If any amount of principal on a Covered Bond remains unpaid on its Maturity Date, such Covered Bond will become a Pass-Through Covered Bond and if a Notice to Pay and a Breach of Amortisation Test Notice have been served, all Covered Bonds will become Pass-Through Covered Bonds; and

- (b) the CBC shall under the Guarantee owe interest over the unpaid portion of the Guaranteed Final Redemption Amount, which shall accrue and be payable on the basis set out in the applicable Final Terms or, if not set out therein, Condition 5 (*Interest*),

all without prejudice to the CBC's obligation to pay any other Guaranteed Amount (i.e. other than the Guaranteed Final Redemption Amount) when Due for Payment.

Failure by the CBC to pay Guaranteed Final Redemption Amounts or the balance thereof, as the case may be, on the Extended Due for Payment Date and/or pay the other Guaranteed Amounts on any Scheduled Payment Date or the Extended Due for Payment Date will (subject to any applicable grace period) be a CBC Event of Default.

## **SECURITY**

### **Parallel Debt**

In the Parallel Debt Agreement the CBC has irrevocably and unconditionally undertaken to pay to the Security Trustee (the "**Parallel Debt**") an amount equal to the aggregate amount due (*verschuldigd*) by it (i) to the Covered Bondholders under the Covered Bonds, (ii) as fees or other remuneration to the Directors under the Management Agreements, (iii) as fees and expenses to the Servicer under the Servicing Agreement, (iv) as fees and expenses to the Administrator under the Administration Agreement, (v) as fees and expenses to the Paying Agents and the Registrar under the Agency Agreement, (vi) as fees and expenses to the Calculation Agent under the Calculation Agency Agreement, (vii) to the Swap Counterparties) under the Swap Agreements (if any), (viii) as fees and expenses to the Asset Monitor under the Asset Monitor Appointment Agreement, (ix) to the CBC Account Bank under the CBC Account Agreement, (x) to the Issuer and the Transferor, (xi) to the Insurance Savings Participant under the Insurance Savings Participation Agreement, (xii) to the Bank Savings Participant under the Bank Savings Participation Agreement and (xiii) to such other party designated by the Security Trustee to become a secured creditor. The Parallel Debt constitutes a separate and independent obligation of the CBC and constitutes the Security Trustee's own separate and independent claims (*eigen en zelfstandige vordering*) to receive payment of the Parallel Debt from the CBC. Upon receipt by the Security Trustee of any amount in payment of the Parallel Debt, the payment obligations of the CBC to the Secured Creditors shall be reduced by an amount equal to the amount so received.

### **Security Documents - distribution of proceeds**

The Parallel Debt is secured by the first ranking security rights created under the Security Documents.

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 amongst the Secured Creditors in accordance with the Post CBC Acceleration Notice Priority of Payments, save for amounts due to the Insurance Savings Participant and the Bank Savings Participant in connection with, in respect of each Savings Mortgage Receivable and Switch Mortgage Receivable with a Savings Alternative, the Insurance Savings Participation and in respect of each Bank Savings Mortgage Receivable, the Bank Savings Participation. The amounts due to the Secured Creditors, other than the Insurance Savings Participant and the Bank Savings Participant, will, broadly, be equal to amounts recovered (*verhaald*) by the Security Trustee (i) on the Mortgage Receivables (other than the Savings Mortgage Receivables, the Switch Mortgage Receivables with a Savings Alternative and the Bank Savings Mortgage Receivables) and other assets pledged to the Security Trustee under or pursuant to any Security Trustee Receivables Pledge Agreement, any Security Trustee Rights Pledge Agreement and any other Pledge Agreements and (ii) (A) on each of the Savings Mortgage Receivables or on each of the Switch Mortgage Receivables with a Savings Alternative which are subject to an Insurance Savings Participation to the extent the amount recovered exceeds the Insurance Savings Participation in the relevant Savings Mortgage Receivable or Switch Mortgage Receivables with a Savings Alternative, respectively, and (B) on each of the Bank Savings Mortgage Receivables which is subject to a Bank Savings Participation to the extent the amount recovered exceeds the Bank Savings Participation in the relevant Bank Savings Mortgage Receivables.

The amounts due to the Insurance Savings Participant will be equal to the Insurance Savings Participation in each of the Savings Mortgage Receivables or Switch Mortgage Receivables with a Savings Alternative or, if the amount recovered is less than the Insurance Savings Participation in such Savings Mortgage Receivable or Switch Mortgage Receivables with a Savings Alternative, an amount equal to the amount actually recovered. The amounts due to the Bank Savings Participant will be equal to the Bank Savings Participation and the Bank Savings Bonus Amount Participation in each of the Bank Savings Mortgage Receivables or, if the amount recovered is less than the Bank Savings Participation in such Bank Savings Mortgage Receivable, an amount equal to the amount actually recovered.

### **Security in favour of the Security Trustee in respect of the Mortgage Receivables**

Pursuant to the Security Trustee Receivables Pledge Agreement the CBC has undertaken to vest a right of pledge in favour of the Security Trustee on the Mortgage Receivables and the Beneficiary Rights immediately following the transfer thereof to the CBC, which will secure the payment obligations of the CBC to the Security Trustee under the Parallel Debt Agreement and any other Transaction Documents. The pledge on the Mortgage Receivables will not be notified to the Borrowers and the Insurance Company, respectively, except in the event that certain notification events occur relating to the CBC, including the occurrence of a CBC Event of Default, by the Security Trustee. Prior to notification of the pledge to the Borrowers or the Insurance

Company, the pledge will be an "undisclosed" right of pledge (*stil pandrecht*) within the meaning of section 3:239 of the Dutch Civil Code.

**Security in favour of the Security Trustee over other Transferred Assets**

The CBC has also undertaken to vest a first ranking right of pledge or such other appropriate first ranking security interest in favour of the Security Trustee on any other Transferred Assets transferred to the CBC on the relevant Transfer Date.

**Security in favour of the Security Trustee over Transaction Documents**

In addition, under the Security Trustee Rights Pledge Agreement a right of pledge was vested by the CBC in favour of the Security Trustee on the Programme Date over all rights of the CBC under or in connection with the CBC Transaction Documents and in respect of the CBC Transaction Accounts. This right of pledge has been notified to the relevant obligors and will, therefore, be a disclosed right of pledge (*openbaar pandrecht*).

### **THE CBC**

The CBC was incorporated as a private company with limited liability (*besloten vennootschap*) under the laws of the Netherlands on 9 March 2017. The statutory seat (*statutaire zetel*) of the CBC is in Amsterdam, the Netherlands. The registered office of the CBC is at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands and its telephone number is +31 20 521 4777. The CBC is registered in the Business Register of the Chamber of Commerce under number 68265956.

The CBC is a special purpose vehicle, which objects are, in the framework of a Conditional Pass-Through Covered Bond Programme of the Issuer, (a) to acquire, purchase, conduct the management of, dispose of and to encumber assets including receivables under or in connection with loans granted by a third party or by third parties and to exercise any rights connected to such assets, (b) to acquire monies to finance the acquisition of the assets including the receivables mentioned under a., by way of issuing notes or other securities or by way of entering into loan agreements, (c) to issue guarantees in favour of holders of covered bonds issued by Nationale-Nederlanden Bank N.V., (d) to on-lend and invest any funds held by the CBC, (e) to hedge interest rate and other financial risks, amongst others by entering into derivatives agreements, such as swaps, (f) in connection with the foregoing: (i) to borrow funds, amongst others to repay the obligations under the securities mentioned under b.; and (ii) to grant security rights or to release security rights to third parties, and (g) to do anything which, in the widest sense of the words, is connected with or may be conducive to the attainment of these objects.

The CBC has an authorised share capital of euro 1.00 of which euro 1.00 has been issued and is fully paid. All shares of the CBC are held by Stichting Holding NN Conditional Pass-Through Covered Bond Company.

Stichting Holding is a foundation (*stichting*) incorporated under the laws of the Netherlands on 8 March 2017. The objects of Stichting Holding NN Conditional Pass-Through Covered Bond Company are to incorporate, to acquire and to hold shares in the capital of the CBC, to conduct the management of and to administer shares in the CBC, to exercise any rights connected to shares in the CBC, to grant loans to the CBC and to alienate and to encumber shares in this company and furthermore, to perform any acts which are related or conducive to the above. The sole managing director of Stichting Holding is Intertrust Management B.V.

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

Since its incorporation there has been no material adverse change in the financial position or prospects of the CBC and the CBC 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 transaction included in this Base Prospectus and the first series of covered bonds issued on 10 October 2017, nor (ii) prepared any financial statements.

There are no legal, arbitration or governmental proceedings (including any such proceedings of which are pending or threatened of which the CBC is aware) which may have, or have had in the recent past, a significant effect on the CBC's financial position or profitability nor, so far as the CBC is aware, are any such proceedings pending or threatened against the CBC.

The CBC has the corporate power and capacity to issue the Guarantee, to acquire the Transferred Assets and to enter into and perform its obligations under the Transaction Documents (see further '*Terms and Conditions of the Covered Bonds*').

The sole managing director of the CBC is Intertrust Management B.V. The managing directors of Intertrust Management B.V. are E.M. van Ankeren and S.A. Jonker-Douwes. The managing director of the CBC has chosen domicile at the office address of Intertrust Management B.V., being Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands.

Each of the managing directors of Stichting Holding and the CBC has entered into a management agreement with the entity of which it has been appointed managing director. In these management agreements each of the managing 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 Transaction Documents or the then current ratings assigned to the Covered Bonds outstanding. In addition each of the managing directors agrees in the relevant management agreement that it will not enter into any agreement in relation to the CBC other than the

Transaction Documents to which it is a party, without the prior written consent of the Security Trustee and subject to Rating Agency Confirmation.

There are no potential conflicts of interest between any duties to the CBC of its managing director and private interests or other duties of the managing director.

The financial year of the CBC coincides with the calendar year and the first financial year ended on 31 December 2017. The CBC has not published any audited financial information or interim financial information and the CBC confirms that since the date of its incorporation there has been no significant change in the financial or trading position of the CBC.

## 8. THE SECURITY TRUSTEE

The Security Trustee is a foundation (*stichting*) incorporated under the laws of the Netherlands on 6 September 2017. It has its statutory seat in Amsterdam, the Netherlands.

The objects of the Security Trustee are (a) to act as security trustee for the benefit of the creditors of the CBC, including the holders of bonds to be issued by the CBC, (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 CBC, including the holders of the bonds to be issued by the CBC, and to perform acts and legal acts, including the acceptance of a parallel debt obligation from the CBC, which is conducive to the holding of the above mentioned security rights, (c) to borrow money, (d) to make donations and (e) to do anything which, in the widest sense of the words, is connected with and/or may be conducive to the attainment of the above. The Security Trustee does not have the intent to make profits.

The sole director of the Security Trustee is SGG Securitisation Services B.V., having its registered office at Hoogoorddreef 15, 1101 BA Amsterdam, the Netherlands.

The Security Trustee has agreed to act as security trustee for the holders of the Covered Bonds and to pay any amounts received from the Issuer or the CBC or amounts collected by the Security Trustee under the Security to the Covered Bondholders subject to and pursuant to the Parallel Debt Agreement and the Trust Deed.

In addition, the Security Trustee has agreed to act as security trustee *vis-à-vis* the other Secured Creditors and to pay to such Secured Creditors any amounts received from the Issuer or the CBC or amounts collected by the Security Trustee under the Security subject to and pursuant to the Parallel Debt Agreement and the Trust Deed.

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

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

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

However, the Covered Bondholders can resolve to dismiss the Director of the Security Trustee as the director of the Security Trustee by a Programme Resolution pursuant to the Trust Deed. 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 and the CBC, after having consulted the Secured Creditors, other than the Covered Bondholders, and subject to Rating Agency Confirmation, has been contracted to act as director of the Security Trustee.

## 9. GUARANTEE SUPPORT

### TRANSFERS

As consideration for the CBC issuing the Guarantee, and so as to enable the CBC to meet its obligations under the Guarantee, the Issuer agreed in the Guarantee Support Agreement that it will use its best efforts to transfer or procure the transfer of sufficient Eligible Assets, either directly or indirectly, to the CBC. The transfers are effectuated as follows:

- (a) in the case of Eligible Receivables, by way of undisclosed assignment (*stille cessie*). This takes place through due execution by the Transferor and the CBC of a deed of assignment in the form attached to the Guarantee Support Agreement and offering the same for registration to the Dutch tax authorities (*Belastingdienst*) or by way of a notarial deed incorporating such deed of assignment. Notification (*mededeling*) of Assignment I (if applicable) and Assignment II to the Borrowers will only take place if an Assignment Notification Event occurs in respect of the Transferor and/or an Originator (unless it is an Originator Assignment Notification Event which will only require notification of Assignment I, if applicable). Following receipt of notification of Assignment I (if applicable) and Assignment II by the relevant Borrowers, in principle, only payment to the CBC will be capable of discharging a Borrower's obligations under the relevant Mortgage Receivable; and/or
- (b) in the case of Eligible Collateral, by way of book-entry transfer (*girale overboeking*) and such further deed shall be executed and steps taken as required and customary to effect the transfer of such Eligible Collateral.

On the first Transfer Date, the Transferor will transfer to the CBC the respective Eligible Assets. Thereafter:

- (i) the Transferor may at any time offer for transfer further Eligible Assets to the CBC;
- (ii) the Issuer will use its best efforts, upon request of the CBC, to offer to transfer or to procure the transfer of further Eligible Assets to the CBC. The CBC will only make such a request if it (or the Administrator on its behalf) determines that the Asset Cover Test has been breached (or would be breached when at that moment the Asset Cover Test would be performed) under the Asset Monitoring Agreement; and
- (iii) the CBC shall accept each such offer if the relevant conditions precedent set out in the Guarantee Support Agreement have been met, including in the case of the transfer of New Mortgage Receivables receipt of a confirmation that the Mortgage Receivables Warranties are true and correct in all material respects and not misleading in any material respect as at the relevant Transfer Date.

The Transferor may transfer to the CBC Mortgage Receivables resulting from Mortgage Loans originated by it or any of the other Originators. In case the Mortgage Loans are originated by an Originator other than the Transferor, legal title to the Mortgage Receivables (i) firstly will be transferred by way of an undisclosed assignment (*stille cessie*) or has been transferred by way of an undisclosed assignment (*stille cessie*) by NN Leven to the Transferor ("**Assignment I**") and (ii) subsequently will be transferred by way of an undisclosed assignment (*stille cessie*) by the Transferor to the CBC on any Transfer Date through a deed of assignment and registration thereof with the appropriate tax authorities ("**Assignment II**"). If the Mortgage Loans are originated by the Issuer there will only be one assignment to the CBC, and such assignment is also referred to as Assignment II.

If the Issuer envisages to transfer the mortgage receivables originated by Delta Lloyd Bank N.V. (or other entities belonging to NN Group than those allowed under the Eligibility Criteria) to the CBC, the Issuer shall be required to update the description of the Mortgage Receivables in the Base Prospectus and the risk factors (to the extent necessary). If changes to the Transaction Documents are in such case necessary, these changes will be made subject to and in accordance with the Trust Deed.

In the Trust Deed, the Security Trustee agreed, upon receipt of each Asset Cover Report, to, *inter alia*, verify whether such Asset Cover Report states that an Assignment Notification Event has occurred.

If an Assignment Notification Event has occurred, unless the Security Trustee, subject to Rating Agency Confirmation, instructs it otherwise, the Transferor shall notify or ensure that the relevant Borrowers and, solely in relation to the Beneficiary Rights, the Insurance Company are forthwith notified of both Assignment I and Assignment II (whereby an Originator Assignment Notification Event in respect of an Originator will only



require a notification of Assignment I to Borrowers of Mortgage Loans originated by such Originator and will not constitute an Assignment Notification Event).

Each of the CBC and the Security Trustee has the right to make these notifications itself.

The Transferor will undertake that it will use its best efforts upon the occurrence of an Assignment Notification Event to terminate its appointment or the appointment of the relevant Originator as beneficiary under the Insurance Policies and to appoint the CBC or the Security Trustee, as the case may be, as first beneficiary under the Insurance Policies.

For as long as no Assignment Notification Event has occurred and no Breach of Asset Cover Test Notice (which is not remedied), no Notice to Pay and no CBC Acceleration Notice has been served, pursuant to the Guarantee Support Agreement, the CBC is not entitled to receive or retain any proceeds from the Transferred Assets; such proceeds will all be received and retained by the Transferor for its own benefit. If an Assignment Notification Event occurs or a Breach of Asset Cover Test Notice (which is not remedied), a Notice to Pay or CBC Acceleration Notice is served on the CBC, pursuant to the Guarantee Support Agreement, the CBC shall, subject to the rights of the Security Trustee as pledgee, be entitled to receive for its own benefit all proceeds of the Transferred Assets to the extent relating to the period following such Assignment Notification Event (unless remedied) or service of such Notice to Pay or CBC Acceleration Notice.

In the Guarantee Support Agreement the Transferor covenants, amongst other things, that if (i) it or an Originator makes any Further Advance under any mortgage loan agreement, (ii) such Further Advance is secured by the same Mortgage that secures the Mortgage Receivable and (iii) (a) such Further Advance results in an Eligible Receivable, then it will, after such Further Advance has been assigned to it by the relevant Originator (if required), offer to transfer such further Eligible Receivable to the CBC as soon as reasonably practicable and, if possible, prior to the following Calculation Date, or (b) such Further Advance does not result in an Eligible Receivable, then it will request the retransfer of the relevant Mortgage Receivable in accordance with the Guarantee Support Agreement.

In the Guarantee Support Agreement the Transferor furthermore covenants, amongst other things, that each Originator and/or Transferor may amend the terms and conditions of the Mortgage Loans, provided that (i) after such amendment the Mortgage Loan or, as the case may be, the Mortgage Receivable meets the Eligibility Criteria and (ii) such amendment does not adversely affect the enforceability of the Mortgage Loan or, as the case may be, the Mortgage Receivable and the security rights granted in connection therewith. Therefore, if an Originator and/or Transferor wishes to amend the terms and conditions of the Mortgage Loans in such manner that such Mortgage Loan or, as the case may be, the Mortgage Receivable will no longer meet the Eligibility Criteria, such Mortgage Receivables should first be retransferred to the Transferor prior to such amendment.

Neither the CBC, nor the Security Trustee has made or has caused to be made on its behalf any enquiries, searches or investigations in respect of the Transferred Assets. Instead, each is relying entirely on the Transferor Warranties by the Transferor contained in the Guarantee Support Agreement. The mortgage receivables warranties (the "**Mortgage Receivables Warranties**") are as follows and are given on the relevant Transfer Date by the Transferor in respect of the Eligible Receivables and the New Mortgage Receivables to be transferred by it to the CBC:

- (i) each New Mortgage Receivable is an Eligible Receivable; and
- (ii) the particulars of the Eligible Receivables set out in Annex 1 to the relevant deed of assignment and pledge, are true, complete and accurate in all material respects and the Outstanding Principal Amount in respect of each Eligible Receivable as at the relevant Transfer Date and the aggregate Outstanding Principal Amount of the Eligible Receivables is correctly stated in the relevant deed of assignment and pledge.

The parties to the Guarantee Support Agreement may amend the Eligibility Criteria, to the extent (i) such modification is in the opinion of the Security Trustee not materially prejudicial to the existing Covered Bondholders of any Series and subject to Rating Agency Confirmation, or (ii) such modification has been approved by a meeting of Covered Bondholders.

The Programme Agreement provides a mechanism for at the option of the Issuer, members of NN Group wishing to transfer Eligible Assets to the CBC, to accede to the Transaction Documents as a New Transferor, subject always to Rating Agency Confirmation. New Transferors will be required to provide the same covenants, representations and warranties described herein as the initial Transferor. However, New Transferors will, contrary to the Issuer, not have a best efforts undertaking to transfer Eligible Assets if requested by the CBC.

For the purpose hereof:

**"Assignment Notification Event"** means in respect of the Transferor the earliest to occur of the following events:

- (i) a default is made by the Transferor in the payment on the due date of any amount due and payable by it under any Transaction Document to which it is a party and such failure is not remedied within ten (10) Business Days after notice thereof has been given by the CBC or the Security Trustee to the Transferor;
- (ii) the Transferor fails to duly perform or comply with any of its obligations under any Transaction Document to which it is a party and, if such failure is capable of being remedied, such failure is not remedied within ten (10) Business Days after notice thereof has been given by the CBC or the Security Trustee to the Transferor;
- (iii) the Transferor takes any corporate action or other steps are taken or legal proceedings are started or threatened against it (unless as a consequence of a merger) for its dissolution (*ontbinding*), liquidation (*vereffening*) or legal demerger (*juridische splitsing*) involving the Transferor or for its being converted in a foreign entity, or its assets are placed under administration (*onder bewind gesteld*);
- (iv) the Transferor takes any corporate action or other steps are taken or legal proceedings are started or threatened against it for (i) its entering into emergency regulations (*noodregeling*) as referred to in section 3 of the Wft or suspension of payments (*surseance van betaling*), as the case may be, (ii) its bankruptcy (*faillissement*), (iii) any analogous insolvency proceedings under any applicable law or (iv) the appointment of a liquidator, administrator or a similar officer of it or of any or all of its assets;
- (v) a Notice to Pay is served on the CBC;
- (vi) an Issuer Acceleration Notice is served on the Issuer;
- (vii) a CBC Event of Default occurs; or
- (viii) a Security Trustee Pledge Notification Event occurs.

**"Originator Assignment Notification Event"** means in respect of an Originator any event which is or may become (with the lapse of time and/or the giving of notice and/or the making of any determination) one of the Assignment Notification Event which only relates to such Originator and not to the Transferor and whereby each reference in the Assignment Notification Events to "Transferor" is replaced by "relevant Originator".

If an Originator Assignment Notification Event occurs which only applies to one Originator, and not to the Transferor, Assignment I may be notified to the Borrowers in respect of the Mortgage Receivables transferred by such Originator to the Transferor, unless the Security Trustee instructs otherwise.

### **RETRANSFERS**

Pursuant to the Guarantee Support Agreement:

1. Prior to the occurrence of a CBC Event of Default or the service of a Notice to Pay, the Transferor may from time to time request a retransfer from the CBC to it of any Transferred Asset.
2. Prior to the occurrence of a CBC Event of Default, the Issuer shall request a retransfer of the relevant Mortgage Receivable from the CBC to the Transferor if (i) it, or the Originator, has an Other Claim and/or (ii) the Originator makes a Further Advance which is secured by the same security rights that secure such Mortgage Receivable and such Further Advance does not result in an Eligible Mortgage Receivable.

The CBC shall in each case comply with such request so long as the Asset Cover Test is not breached upon such retransfer.

If the CBC intends to sell Transferred Assets on terms permitted or required by the Asset Monitoring Agreement, it shall first offer such Transferred Assets for sale on the same terms to the Transferor (or any party appointed by the Transferor) in accordance with the Guarantee Support Agreement.

A retransfer of a Mortgage Receivable will take place in accordance with the Guarantee Support Agreement. A retransfer by the CBC as abovementioned will be effectuated in substantially the same manner as the transfers to the CBC described above. If the retransfer concerns Mortgage Receivables which are transferred to the Transferor further to the Transferor's right of first refusal or the Transferor's right to match (*voorkeursrecht*), the underlying transfer will be concluded through execution and registration of a deed of assignment.

The Guarantee Support Agreement provides that an Originator may amend the terms and conditions of the Mortgage Loans, in respect of Mortgage Receivables, provided that (i) after such amendment the Mortgage Loan or, as the case may be, the Mortgage Receivable meets the Eligibility Criteria and (ii) such amendment does not adversely affect the enforceability of the Mortgage Loan or, as the case may be, the Mortgage Receivable and the security rights granted in connection therewith. Therefore, if an Originator wishes to amend the terms and conditions of the Mortgage Loans, in respect of Mortgage Receivables, in such manner that such Mortgage Loan or, as the case may be, the Mortgage Receivable will no longer meet the Eligibility Criteria, the relevant Mortgage Receivable must first be retransferred to the Transferor prior to such amendment.

***ELIGIBLE ASSETS***

The following assets are eligible to be transferred to the CBC by the Transferor pursuant to the Guarantee Support Agreement:

- Eligible Receivables; and
- Eligible Collateral.

## **ELIGIBILITY CRITERIA**

For a Mortgage Receivable to be an Eligible Receivable it must meet the following eligibility criteria:

### *General*

- (a) the Mortgage Loans are either:
  - 1. Bank Savings Mortgage Loans (*bankspaarhypotheken*);
  - 2. Life Mortgage Loans (*levenhypotheken*);
  - 3. Investment Mortgage Loans (*beleggingshypotheken*);
  - 4. Linear Mortgage Loans (*lineaire hypotheken*);
  - 5. Annuity Mortgage Loans (*annuïteitenhypotheken*);
  - 6. Interest-only Mortgage Loans (*aflossingsvrije hypotheken*);
  - 7. Savings Mortgage Loans (*spaarhypotheken*);
  - 8. Switch Mortgage Loans (*switch hypotheken*); or
  - 9. Mortgage Loans which combine any of the above mentioned types of mortgage loans;
- (b) each Mortgage Receivable and the Beneficiary Rights relating thereto are duly and validly existing, not subject to annulment or dissolution as a result of circumstances which have occurred prior to the relevant Transfer Date;
- (c) each Mortgage Receivable and the Mortgage and the right of pledge, if any, securing such receivable constitute legal, valid, binding and enforceable obligations of the relevant Borrower vis-à-vis the Transferor;
- (d) each of the Mortgage Loans and each of the Risk Insurance Policies offered by it has been granted in accordance with all applicable legal requirements prevailing at the time of origination in all material respects, and with the Code of Conduct on Mortgage Loans (*Gedragscode Hypothecaire Financieringen*) and the relevant Originator's standard underwriting criteria and procedures, including borrower income requirements, prevailing at that time and these underwriting criteria and procedures are in a form as may reasonably be expected from a lender of Dutch residential mortgages;
- (e) the maximum Outstanding Principal Amount of each Mortgage Loan, or all Mortgage Loans secured on the same Mortgaged Asset, as the case may be, (a) originated in and after August 2011 did not at origination exceed (i) 104 per cent. of the original market value of the relevant mortgaged assets, which outstanding principal amount may, where applicable, be supplemented by the stamp duty payable under the Dutch Legal Transactions (taxation) Act upon its creation or, if lower, (ii) the maximum amount as may be applicable under the relevant regulations at the time of origination, and (b) originated before August 2011 the Outstanding Principal Amount of the Mortgage Loan from which it results does not exceed 130 per cent. of the foreclosure value of the related Mortgaged Asset at the time of origination;
- (f) with respect to the Mortgage Receivables secured by a mortgage right on a long lease (*erfpacht*), the 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 Mortgage Loan falls after the maturity date of the long lease, the acceptance conditions used by the relevant Originator provide that certain provisions should be met and (b) becomes due if the long lease terminates for whatever reason;
- (g) with respect to each Mortgage Loan or relevant loan part which has the benefit of an NHG Guarantee,
  - (i) each NHG Guarantee connected to the Mortgage Loan was granted for the full Outstanding Principal Amount of the Mortgage Loan at origination and constitutes legal, valid and binding obligations of the Stichting WEW, enforceable in accordance with their terms, (ii) the NHG Guarantee was in compliance with all terms and conditions (*voorwaarden en normen*) applicable to it at the time of origination of the Mortgage Loans or relevant loan part and (iii) the relevant Originator has not done anything or omitted to do anything which could compromise the enforceability of its claim nor is the relevant Originator aware of any reason why any claim under any NHG Guarantee granted by Stichting WEW in respect of the Mortgage Loan or relevant loan part should not be met in full and in a timely manner, provided that in respect of NHG Mortgage Loan Receivables or Further Advance Receivables

originated after 1 January 2014, the relevant Originator (or its successor) is obliged to participate for 10 per cent. in any loss claims made under the NHG Guarantee;

- (h) interest payments in respect of the Mortgage Receivables by the Borrowers are executed by way of direct debit procedures;
- (i) none of the Borrowers is an employee of NN Group or any of its subsidiaries;
- (j) each Borrower is a private individual and a resident of the Netherlands;
- (k) it can be determined in its administration which Beneficiary Rights relate to which Mortgage Receivables;
- (l) each Mortgage Loan is originated in the Netherlands and governed by Dutch law and is denominated in euro;
- (m) other than the Construction Deposit, the principal sum was in case of each of the Mortgage Loans fully disbursed to the relevant Borrower whether or not through the relevant civil law notary;
- (n) to the best of its knowledge, the Borrowers are not in any material breach of any provision of their Mortgage Loans and Mortgages;
- (o) each Mortgage Loan, save Interest-only Mortgage Loans in respect of which an offer is made prior to 24 September 2012, has a legal maturity of not more than thirty (30) years and one (1) month;
- (p) the interest rates for each Mortgage Receivable (or relevant loan part thereof) on the relevant Cut-Off Date is at least equal to the Minimum Mortgage Interest Rate, provided that the interest rate for a Mortgage Receivable may be lower than the Minimum Mortgage Interest Rate, if the Asset Cover Test provides for an adjustment of the Current Balance of such Mortgage Receivables;
- (q) the conditions applicable to the Mortgage Loans do not contain any provisions on the level on which the interest rate is to be reset which would prevent the resetting of interest rates in accordance with the Minimum Mortgage Interest Rate;
- (r) in respect of each Mortgage Loan at least one (interest) payment has been received prior to the Transfer Date;
- (s) the Mortgage Receivable was originated by the relevant Originator and the relevant Originator or the Transferor, as applicable, is entitled to collect (*inningsbevoegd*) the Mortgage Receivable;

#### *Transfer*

- (t) the Transferor has full right and title to the Mortgage Receivables and the Beneficiary Rights relating thereto and it has power (*is beschikkingsbevoegd*) to assign the Mortgage Receivables and the Beneficiary Rights relating thereto and no restrictions on the transfer of the Mortgage Receivables and the Beneficiary Rights relating thereto are in effect and the Mortgage Receivables are capable of being transferred or pledged, other than pursuant to the Transaction Documents;
- (u) the Mortgage Receivables and the Beneficiary Rights relating thereto are free and clear of any encumbrances and attachments (*beslagen*) and no option to acquire the Mortgage Receivables and the Beneficiary Rights relating thereto has been granted by it in favour of any third party with regard to the Mortgage Receivables and the Beneficiary Rights relating thereto;
- (v) the Transferor has not been notified and is not aware of anything affecting its title to the Mortgage Receivables and the Beneficiary Rights relating thereto;

- (w) none of the mortgage deeds, the Mortgage Loans, the Borrower Pledges and any other conditions applicable to the Mortgage or the Borrower Pledge contain any specific wording to the extent that the Mortgage or the Borrower Pledge will not follow the receivable if it is assigned to a third party;

#### *Security*

- (x) all Mortgages and Borrower Pledges granted to secure the 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 rights of pledge respectively and, to the extent relating to the mortgage rights, entered into the appropriate public register (*Dienst van het Kadaster en de Openbare Registers*), (ii) have first priority or first and sequentially lower ranking priority and (iii) were vested for a principal sum which is at least equal to the Outstanding Principal Amount of the Mortgage Loan when originated, increased with interest, penalties, costs and any insurance premium up to an amount equal to at least 40 per cent. of such Outstanding Principal Amount, therefore in total up to a minimum amount equal to 140 per cent. of the Outstanding Principal Amount of the Mortgage Receivable;
- (y) each Mortgaged Asset is used for residential purposes but is not the subject of residential letting and is occupied by the Borrower at the moment of (or shortly after) origination;
- (z) each Mortgaged Asset concerned was valued according to the then prevailing guidelines of the relevant Originator, which guidelines are in a form as may reasonably be expected from a prudent mortgage lender of residential mortgage loans in the Netherlands. For the avoidance of doubt, no revaluation of the Mortgaged Assets has been made for the purpose of this Programme;

#### *Insurance*

- (aa) each of the Life Mortgage Loans has the benefit of a valid right of pledge on the rights under a Life Insurance Policy and either (i) the relevant Originator has been validly appointed as beneficiary (*begunstigde*) under such Life Insurance Policies upon the terms of such Life Mortgage Loans and the relevant Life Insurance Policies, 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 Life Mortgage Receivable;
- (bb) with respect to Life Mortgage Loans taken out with a Life Insurance Company other than NN Leven (i) the Life Mortgage Loan and the Life Insurance Policy are in the relevant Originator's or the Insurance Company's promotional materials not offered as one combined mortgage and life insurance product or under one name and (ii) the Borrower is not obliged to enter into the Life Insurance Policy with a Life Insurance Company which is a group company of the relevant Originator;
- (cc) it is a requirement under the Mortgage Conditions that each of the Mortgaged Assets had, at the time the Mortgage Loan was advanced, the benefit of buildings insurance (*opstalverzekering*) for the full reinstatement value (*herbouwwaarde*);

#### *Savings Mortgage Loans*

- (dd) with respect to Savings Mortgage Loans, the Transferor has the benefit of a valid right of pledge on the rights under the relevant Savings Insurance Policies

#### *Bank Savings Mortgage Loans*

- (ee) with respect to Bank Savings Mortgage Loans, the Transferor has the benefit of a valid right of pledge on the rights under the relevant Bank Savings Account
- (ff) all Bank Savings Accounts are held with the Bank Savings Participant;

#### *Investment Mortgage Loans*



- (gg) with respect to Investment Mortgage Loans, the relevant investments held in the name of the relevant Borrower have been validly pledged to the relevant Originator and the securities are purchased for investment purposes on behalf of the relevant Borrower by an investment firm (*beleggingsonderneming*) in the meaning ascribed thereto in the Wft, such as a securities broker or a portfolio manager, or by a bank, each of which is by law obliged to make adequate arrangements to safeguard the clients' rights to such securities;

*Entire Loan*

- (hh) each receivable under a mortgage loan (*hypothecaire lening*) which is secured by the same mortgage right is assigned to the CBC pursuant to the Guarantee Support Agreement; and
- (ii) each Mortgage Loan constitutes the entire mortgage loan granted to the relevant Borrower and not merely one or more Loan Parts (*leningdelen*).

## 10. OVERVIEW OF THE DUTCH RESIDENTIAL MORTGAGE MARKET

This section 10 '*Overview of the Dutch Residential Mortgage Market*' is derived from the overview which is available at the website of the Dutch Securitisation Association (<https://www.dutchsecuritisation.nl/dutch-mortgage-and-consumer-loan-markets>) regarding the Dutch residential mortgage market over the period until February 2018, provided that the percentage in the fifth paragraph is adjusted from 37% to 36.93%. The Issuer believes that this source is reliable and as far as the Issuer is aware and is able to ascertain from the Dutch Securitisation Association, no facts have been omitted which would render the information in this section 10 '*Overview of the Dutch Residential Mortgage Market*' inaccurate or misleading.

### **Dutch residential mortgage market**

The Dutch residential mortgage debt stock is relatively sizeable, especially when compared to other European countries. Since the 1990s, the mortgage debt stock of Dutch households has grown considerably, mainly on the back of mortgage lending on the basis of two incomes in a household, the introduction of tax-efficient product structures such as mortgage loans with deferred principal repayment vehicles and interest-only mortgage loans, financial deregulation and increased competition among originators. Moreover, Loan-to-Value (LTV) ratios have been relatively high, as the Dutch tax system implicitly discouraged amortisation, due to the tax deductibility of mortgage interest payments. After a brief decline between 2012 and 2015, mortgage debt reached a new peak of EUR 672 billion in Q4 2017<sup>1</sup>. This represents a rise of EUR 8.2 billion compared to Q4 2016.

### **Tax system**

The Dutch tax system plays an important role in the Dutch mortgage market, as it allows for almost full deductibility of mortgage interest payments from taxable income. This tax system has been around for a very long time, but financial innovation has resulted in a greater leverage of this tax benefit. From the 1990s onwards until 2001, this tax deductibility was unconditional. In 2001 and 2004, several conditions have been introduced to limit the usage of tax deductibility, including a restriction of tax deductibility to (mortgage interest payments for) the borrower's primary residence and a limited duration of the deductibility of 30 years.

A further reform of the tax system was enforced on 1 January 2013. Since this date, all new mortgage loans have to be repaid in full in 30 years, at least on an annuity basis, in order to be eligible for tax relief (linear mortgage loans are also eligible). The tax benefits on mortgage loans, of which the underlying property was bought before 1 January 2013, have remained unchanged and are grandfathered, even in case of refinancing and relocation. As such, new mortgage originations still include older loan products, including interest-only. However, any additional loan on top of the borrower's grandfathered product structure, has to meet the mandatory full redemption standards to allow for tax deductibility.

Another reform imposed in 2013 to reduce the tax deductibility is to lower the maximum deduction percentage. This used to be equal to the highest marginal tax bracket (52%), but since 2013 the maximum deduction is lowered by 0.5% per annum (2018: 49.5%). The new government coalition has the intention to speed up this decrease. According to their policy agenda, they will reduce the maximum deduction percentage by 3.0% per annum, starting in 2020. In 2023, the maximum deduction percentage will be 37%, which will then be equal to the second highest marginal income tax rate.

There are several housing-related taxes which are linked to the fiscal appraisal value ("WOZ") of the house, both imposed on national and local level. Moreover, a transfer tax (stamp duty) of 2% is applied when a house changes hands. Although these taxes partially unwind the benefits of tax deductibility of interest payments, and several restrictions to this tax deductibility have been applied, tax relief on mortgage loans is still substantial.

### **Loan products**

The Dutch residential mortgage market is characterised by a wide range of mortgage loan products. In general, three types of mortgage loans can be distinguished.

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<sup>1</sup> Statistics Netherlands, household data.

Firstly, the “classical” Dutch mortgage product is an annuity loan. Annuity mortgage loans used to be the norm until the beginning of the 1990s, but they have returned as the most popular mortgage product in recent years. Reason for this return of annuity mortgage loans is the tax system. Since 2013, tax deductibility of interest payments on new loans is conditional on full amortisation of the loan within 30 years, for which only (full) annuity and linear mortgage loans qualify.

Secondly, there is a relatively big presence of interest-only mortgage loans in the Dutch market. Full interest-only mortgage loans were popular in the late nineties and in the early years of this century. Mortgage loans including an interest-only loan part were the norm until 2013, and even today, grandfathering of older tax benefits still results in a considerable amount of interest-only loan origination.

Thirdly, there is still a big stock of mortgage products including deferred principal repayment vehicles. In such products, capital is accumulated over time (in a tax-friendly manner) in a linked account in order to take care of a bullet principal repayment at maturity of the loan. The principal repayment vehicle is either an insurance product or a bank savings account. The latter structure has been allowed from 2008 and was very popular until 2013. Mortgage loan products with insurance-linked principal repayment vehicles used to be the norm prior to 2008 and there is a wide range of products present in this segment of the market. Most structures combine a life-insurance product with capital accumulation and can be relatively complex. In general, however, the capital accumulation either occurs through a savings-like product (with guaranteed returns), or an investment-based product (with non-guaranteed returns).

A typical Dutch mortgage loan consists of multiple loan parts, e.g. a bank savings loan part that is combined with an interest-only loan part. Newer mortgage loans, in particular those for first-time buyers after 2013, are full annuity and often consists of only one loan part. Nonetheless, tax grandfathering of older mortgage loan product structures still results in the origination of mortgage loans including multiple loan parts.

Most interest rates on Dutch mortgage loans are not fixed for the full duration of the loan, but they are typically fixed for a period between 5 and 15 years. Rate term fixings differ by vintage, however. More recently, there has been a bias to longer term fixings (10-20 years). Most borrowers remain subject to interest rate risk, but compared to countries in which floating rates are the norm, Dutch mortgage borrowers are relatively well-insulated against interest rate fluctuations.

### **Underwriting criteria**

Most of the Dutch underwriting standards follow from special underwriting legislation (“*Tijdelijke regeling hypothecair krediet*”). This law has been present since 2013 and strictly regulates maximum LTV and Loan-to-Income (LTI) ratios. The current maximum LTV is 100% (including all costs such as stamp duties). The new government coalition has indicated not to lower the maximum LTV further beyond 2018. LTI limits are set according to a fixed table including references to gross income of the borrower and mortgage interest rates. This table is updated annually by the consumer budget advisory organisation “NIBUD” and ensures that income after (gross) mortgage servicing costs is still sufficient to cover normal costs of living.

Prior to the underwriting legislation, the underwriting criteria followed from the Code of Conduct for Mortgage Lending, which is the industry standard. This code, which limits the risk of over crediting, has been tightened several times in the past decade. The 2007 version of the code included a major overhaul and resulted in tighter lending standards, but deviation in this version was still possible under the “explain” clause<sup>2</sup>. In 2011, another revised and stricter version of the Code of Conduct was introduced. Moreover, adherence to the “comply” option was increasingly mandated by the Financial Markets Authority (AFM). Although the Code of Conduct is currently largely overruled by the underwriting legislation, it is still in force. The major restriction it currently regulates, in addition to the criteria in the underwriting legislation, is the cap of interest-only loan parts to 50% of the market value of the residence. This cap was introduced in 2011 and is in principle applicable to all new mortgage contracts. A mortgage lender may however diverge from the cap limitation if certain conditions have been met.

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<sup>2</sup> Under the “explain” clause it is in exceptional cases possible to deviate from the loan-to-income and loan-to-value rules set forth in the Code of Conduct.

### **Recent developments in the Dutch housing market**

The Dutch housing market has shown clear signs of recovery since the second half of 2013. Important factors are among others the economic recovery, high consumer confidence and low mortgage rates.

Existing house prices (PBK-index) in Q1 2018 rose by 2.7% compared to Q4 2017. Compared to Q1 2017 this increase was 8.9%. By comparison with the peak in 2008, the average price drop only amounted to 0.7%. The continued increase in house prices is mostly caused by an increasing supply scarcity in the market. Indeed, existing homes sales are trending down. Compared to a year ago, sales numbers declined by 6.8% in Q1 2018. The twelve month total of existing home sales now stands at 238,054, which is still well above pre-crisis levels.

### **Forced sales**

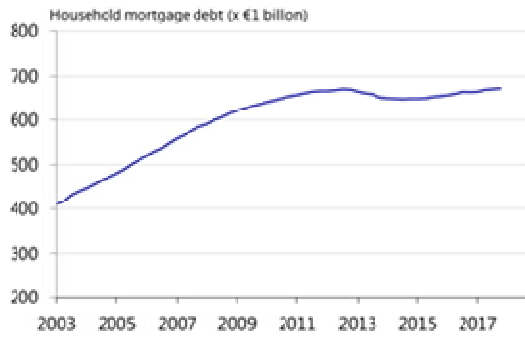
Compared to other jurisdictions, performance statistics of Dutch mortgage loans show relatively low arrears and loss rates<sup>3</sup>. The most important reason for default is relationship termination, although the increase in unemployment following the economic downturn in recent years is increasingly also a reason for payment problems. The ultimate attempt to loss recovery to a defaulted mortgage borrower is the forced sale of the underlying property.

For a long time, mortgage servicers opted to perform this forced sale by an auction process. The advantage of this auction process is the high speed of execution, but the drawback is a discount on the selling price. In Q1 2018, only 265 sales were forced, which is 0.51% of the total number of sales in this period.

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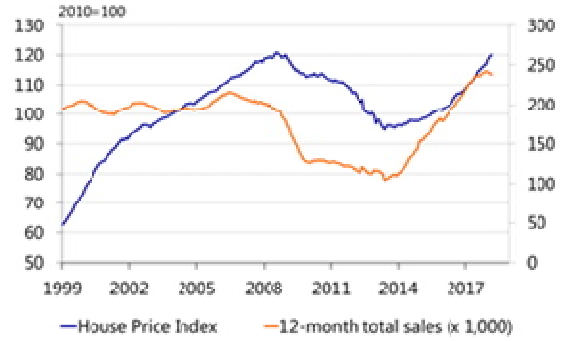
<sup>3</sup> Comparison of S&P RMBS index delinquency data.

Chart 1: Total mortgage debt



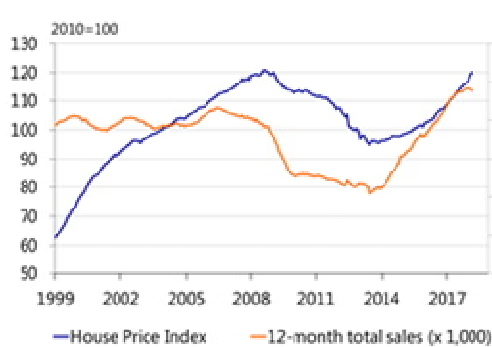
Source: Statistics Netherlands, Rabobank

Chart 2: Sales and prices



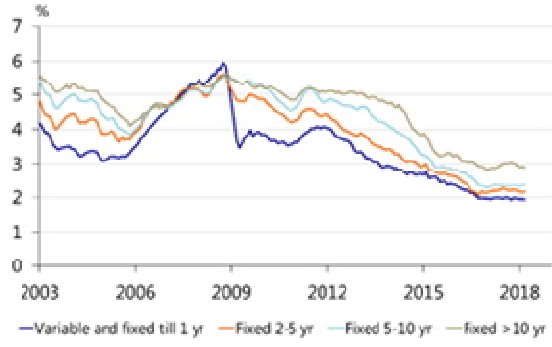
Source: Statistics Netherlands, Rabobank

Chart 3: Price index development



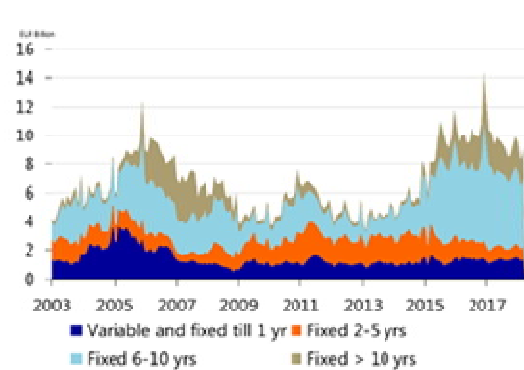
Source: Statistics Netherlands, Rabobank

Chart 4: Interest rate on new mortgage loans



Source: Dutch Central Bank

Chart 5: New mortgage loans by interest type



Source: Dutch Central Bank

Chart 6: Confidence



Source: Delft University OTB, Rabobank

## 11. NHG GUARANTEE PROGRAMME

### NHG Guarantee

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

Since 1 January 1995 Stichting WEW (a central privatised entity) is responsible for the administration and granting of the NHG Guarantee under a set of uniform rules. The NHG Guarantee covers the outstanding principal, accrued unpaid interest and disposal costs. Irrespective of scheduled repayments or prepayments made on the mortgage loans, the NHG Guarantee is reduced on a monthly basis by an amount which is equal to principal repayment part of the monthly instalment as if the mortgage loan were to be repaid on a thirty year annuity basis. In respect of each mortgage loan, the NHG Guarantee decreases further to take account of scheduled repayments and prepayments under such mortgage loan. Also, amounts paid as savings or investment premium under savings insurance policies or life insurance policies, respectively, are deducted from the amount outstanding on such mortgage loans for purposes of the calculation of the amount guaranteed under the NHG Guarantee (see section 2 '*Risk Factors*').

### Financing of Stichting WEW

Stichting WEW finances itself, *inter alia*, by a one-off charge to the borrower of 1.00 per cent. of the principal amount of the mortgage loan. Besides this, the scheme provides for liquidity support to Stichting WEW from the Dutch State and the participating municipalities. Should Stichting WEW not be able to meet its obligations under guarantees issued, (i) in respect of all loans issued before 1 January 2011, the Dutch State will provide subordinated interest free loans to Stichting WEW of up to 50 per cent of the difference between Stichting WEW's own funds and a pre-determined average loss level and municipalities participating in the NHG Guarantee scheme will provide subordinated interest free loans to Stichting WEW of the other 50 per cent. of the difference, and (ii) in respect of all loans issued on or after 1 January 2011, the Dutch State will provide subordinated interest free loans to Stichting WEW of up to 100 per cent of the difference between Stichting WEW's own funds and a pre-determined average loss level. Both the keep well agreement between the Dutch State and Stichting WEW and the keep well agreements between the municipalities and Stichting WEW contain general 'keep well' undertakings of the Dutch State and the municipalities to enable Stichting WEW at all times (including in the event of bankruptcy (*faillissement*), suspension of payments (*surseance van betaling*) or liquidation (*ontbinding*) of Stichting WEW) to meet its obligations under guarantees issued.

### Terms and conditions of the NHG Guarantee

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

The specific terms and conditions for the granting of NHG Guarantees, such as eligible income, purchasing or building costs etc., are set forth in published documents by Stichting WEW.

The NHG has specific rules for the level of credit risk that will be accepted. The credit worthiness of the applicant must be verified with the BKR, a central credit agency used by all financial institutions in the Netherlands. All financial commitments over the past five (5) years that prospective borrowers have entered into with financial institutions are recorded in this register. In addition, as of 1 January 2008 the applicant itself must be verified with the Foundation for Fraud Prevention of Mortgages (*Stichting Fraudepreventie*

*Hypotheeken*, "SFH"). If the applicant has been recorded in the SFH system, no NHG Guarantee will be granted.

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

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

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

When a borrower is in arrears with payments under the mortgage loan for a period of three (3) months, a lender informs Stichting WEW. When the borrower is in arrears Stichting WEW may approach the lender and/or the borrower to attempt to solve the problem and make the borrower aware of the consequences. If an agreement cannot be reached, Stichting WEW reviews the situation with the lender to endeavour to generate the highest possible proceeds from the property. The situation is reviewed to see whether a private sale of the property, rather than a public auction, would generate proceeds sufficient to cover the outstanding mortgage loan. In case of a private sale permission of Stichting WEW is required, unless the property is sold for an amount higher than 95 per cent. of the market value. In case of a forced private sale and an execution sale permission of Stichting WEW is in any case required.

Within one month after receipt of the proceeds of the private or forced sale of the mortgaged property, the lender must make a formal request to Stichting WEW for payment, using standard forms, which request must include all of the necessary documents relating to the original mortgage loan and the NHG Guarantee. After receipt of the claim and all the supporting details, Stichting WEW must make payment within two (2) months. If the payment is late, provided the request is valid, Stichting WEW must pay interest for the late payment period.

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

For mortgage loans originated after 1 January 2014, the mortgage lender will participate for 10 per cent. in any loss claims made under the NHG Guarantee. The lender is not entitled to recover this amount from the borrower.

#### **Additional loans**

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

mortgage loan. The relevant borrower needs to meet certain conditions, including, *inter alia*, the fact that the financial difficulties are caused by a divorce, unemployment, disability or death of the partner.



## Main NHG underwriting criteria (*Normen*) as of 1 January 2018 (*Normen 2018-1*)

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

- The lender has to perform a BKR check. Only under certain circumstances are registrations allowed.
- As a valid source of income the following qualifies: indefinite contract of employment, temporary contract of employment if the employer states that the employee will be provided an indefinite contract of employment in case of equal performance of the employee and equal business circumstances, a three year history of income statements for workers with flexible working arrangements or during a probational period (*proeftijd*), or three year (annual) statements for self-employed.
- The maximum loan based on the income of the borrowers is based on the '*financieringslast acceptatiecriteria*' tables and an annuity style redemption (even if the actual loan is (partially) interest only). The mortgage lender shall calculate the borrowing capacity of a borrower of a mortgage loan with a fixed interest term of less than 10 years on the basis of a percentage determined and published by the AFM or, if higher or if the mortgage loan is redeemed within the fixed interest term of less than 10 years, on the basis of the binding offer.

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

- As of 1 January 2013, for new borrowers the redemption types are limited to annuity mortgage loans and linear mortgage loans with a maximum term of 30 years.
- As of 1 January 2018, the maximum amount of the mortgage loan is dependent on the average house price level in the Netherlands (based on the information available from the Land Registry (*Kadaster*)) multiplied with the statutory loan to value, which is 100 per cent. if there are no energy saving improvements and 106 per cent. if there are energy saving improvements. As a consequence, there are two maximum loan amounts:
  - (i) EUR 265,000 for loans without energy saving improvements; and
  - (ii) EUR 280,900 for loans with energy saving improvements.

The loan amount is also limited by the amount of income and the market value of the property. With respect to the latter:

- For the purchase of existing properties, the loan amount is broadly based on the sum of (i) the lower of the purchase price and the market value based on a valuation report, (ii) the costs of improvements and (iii) an amount up to 6 per cent. of the amount under (i) plus (ii). In case an existing property can be bought without paying transfer taxes (*vrij op naam*), the purchase amount under (i) is multiplied by 97 per cent.
- For the purchase of new-build properties, the maximum loan amount is broadly based on the purchase price or amount contracted for, increased with a number of costs such as the cost of construction interest or loss of interest during the construction period (to the extent not already included in the purchase or construction cost).

## 12. ORIGINATION & SERVICING OF THE MORTGAGE LOANS

### Origination

#### *General*

Mortgage Loans have been originated, until 1 July 2013, by NN Leven (including former RVS (which entity merged with NN Leven on 28 December 2011)) and, as of 1 July 2013, by NN Bank. The Mortgage Loans are serviced – both regular and special servicing – by NN Bank.

#### *Introduction*

The Mortgage Loans are distributed through independent intermediaries. This distribution process is managed by NN Bank.

New mortgage loans are accepted on the basis of standard underwriting procedures. The principal items in the underwriting protocol are:

#### *Code of Conduct (Gedragscode Hypothecaire Financieringen)*

The Code of Conduct has been a guideline since January 2007 for all Dutch financial institutions offering mortgage loans for the purchase, construction, refurbishment or refinancing of the borrower's property. Since 2011 the Code of Conduct has become obligatory. The Code of Conduct stipulates how to determine the maximum loan capacity of the borrower, and operates on a 'comply or explain' basis. This means that each mortgage loan provided needs to comply with the Code of Conduct or an appropriate explanation needs to be provided. The calculation of the maximum loan capacity is based on an annuity calculation (assuming an amortising notional schedule), an interest rate determined quarterly by the 'Contactorgaan Hypothecair Financiers' (Dutch Association of Banks, NVB) and the maximum debt-to-income ratios (housing ratios), which depends on the income of the borrower. Currently, a minimum interest rate of 5 per cent applies to mortgage loans with a fixed rate of interest of up to a term of (ten) 10 years. For mortgage loans with longer fixed rate terms, the actual mortgage loan rates are to be used, with a minimum of 4.5 per cent. Based on this interest rate and the duration of the loan a monthly payment is calculated. The total payments per year should be less than the maximum housing ratio.

#### *Income*

A vast majority of borrowers receives income from paid employment. For most other borrowers the income is generated from self-employed activity, pensions, social benefits or alimony. A check on the income is conducted by the relevant underwriter by requesting salary statements and a recent employer's declaration. Self-employed persons have to comply with predefined ratings from an internal rating model set forth in the standard underwriting procedures. The internal rating model is based on an assessment of the annual accounts over the past three (3) years and forecast and orders for the current year (including an auditor's report or sign-off and definitive tax assessments).

#### *National Credit Register (BKR)*

A check is completed on every borrower with the BKR. A negative credit registration on the borrower's name will, in principle, lead to a rejection of the mortgage loan request. Deviations from this policy have to be studied and prepared by dedicated specialists within the teams and finally approved by the team manager.

#### *Collateral*

To determine the foreclosure / market value of the property securing the mortgage loan either a valuation report by an independent registered valuer or a WOZ value statement is used.

The independent registered valuer has to be known to the relevant intermediary of NN Bank and has to be a member of a selected organisation, being either the Dutch Association of Real Estate Brokers (*Nederlandse Vereniging van Makelaars*), "VastgoedPro" the Dutch association for real estate professionals, the "*Vereniging Bemiddeling Onroerend Goed*" and the "NVR" the Dutch association for land agents and is registered with either "*Stichting VastgoedCert, kamer Wonen*" or with "*Stichting Certificering VBO-Makelaars*". As of 1 January 2010 all valuation reports must be validated and as of 1 July 2011 all validating institutes must be certified by *Stichting Taxaties en Validaties*. As of 1 July 2013 all validation institutes must also have an agreement with *Stichting Taxaties en Validaties*.

The independent registered valuer must be independent and may therefore not take part in the purchase or sale of the relevant property and must operate in the area in which the property is located. In general, the market value of a property is usually the purchase price (see below for market values derived from WOZ valuations). NN Leven and NN Bank do not grant a mortgage loan when the purchase price is lower than EUR 90,000. In 2018, the maximum principal amount outstanding under a mortgage loan is 100 per cent. of the market value of the property. The applicable percentage will depend on the type of a borrower's employment, the type of property, the use of the property and the type of the mortgage loan. In case of refinancing or in case of substantial lower loan costs exceptions are possible until 112.5 per cent of the market value of the property. A ratio above 112.5 per cent. may only be accepted in case of a residual debt on an existing NN Bank mortgage loan. In such a case the borrower has to comply with the affordability criteria at all times. Deviations from the debt-to-income housing ratios are not allowed.

Valuations are always subject to approval by an approved validating institute, for example the NWWI (*Nederlands Woning Waarde Instituut*).

Note that (i) before January 2008, NN Leven did not accept the WOZ value statement and always requested a valuation report, (ii) since January 2008, NN Leven accepts the WOZ value statement with a market value being 100 per cent. of the WOZ, (iii) as of 11 November 2013 only a valuation report is accepted by NN Bank for new loans and (iv) since January 2013, NN Leven and NN Bank accept the WOZ value statement with a market value being 90 per cent. of the WOZ. The WOZ value statement has to meet the above mentioned criteria and is supplemented by a marketability declaration signed by the borrower. The WOZ value statement is only accepted in case of increases, conversions or divorces.

#### *Mortgage Analysis Program*

First checks are performed by the relevant underwriters against the BKR and the SFH (*Stichting Fraudebestrijding Hypotheken*) database verifying the amount of other outstanding credit lines in the name of the borrower and whether the borrower has been registered on a fraud list (including '*Externe Verwijzings Applicatie*' (EVA) and '*Verificatie Informatie Systeem*' (VIS)). The mortgage loan calculations are processed through a proprietary software mortgage analysis tool, which also calculates the maximum mortgage loan amounts that can be advanced. Once the mortgage loans have been approved, the software programme 'House' will generate the approved mortgage loan offer. Certain mortgage loans that are not approved in first instance (e.g. due to the loan amount requested or applications that do not comply with the standard protocols) can be approved manually by the team manager after preparation by dedicated specialists, depending, among other things, on the amount of the mortgage loan requested. Periodically, internal audit checks are conducted to determine whether the mortgage loans are granted in conformity with the relevant underwriters' origination criteria. Approved and accepted mortgage loans are administered in the mortgage loan administration system Homes.

#### *Acceptance*

Before final acceptance of a mortgage loan by a borrower, a check is performed by the underwriter on whether or not the borrower has met all the pre-conditions stated in the mortgage loan offer. After acceptance, the final terms of the mortgage deed are sent to the civil law notary. The civil law notary can only make the relevant advances to the borrower after the mortgage deed has been signed.

#### *Insurance*

Depending on the mortgage loan type, the full mortgage loan amount or the mortgage loan amount above 80 per cent of the market value has to be covered by a life insurance of the borrower whose income was taken into account for the loan acceptance.

A borrower is required to take out insurance in respect of the property securing the mortgage loan against risk of fire and other accidental damage for the full restitution of the value thereof.

#### *Security*

Each mortgage loan is secured by a first priority right (*eerste in rang*) or a first and sequentially lower priority right of mortgage in the form of a notarial deed, which is duly registered at the land register (*Kadaster*). When a mortgage deed is first presented for registration an entry to this effect is made in the land register. The first entry in the land register establishes priority over any subsequent claims, encumbrances and attachments, in

respect of the relevant property. Each of NN Leven and NN Bank accepts in principle a second mortgage right if the first entry of a mortgage right is made in its name.

### **Servicing**

As of 1 July 2013, NN Bank has taken over the role of servicing and arrears management from the former WestlandUtrecht Bank N.V. With this transfer, all servicing and special servicing related systems, staff and policies have moved to NN Bank.

#### *Mortgage loan administration*

Following the granting of the loan and the creation of the mortgage loan, the regular administration of the mortgage loan in Homes commences. The portfolio administrative control is divided into collection procedure, administration, administrative control of early & late stage arrears, technical administrative control, interest rate reviews and file creation.

#### *Interest collection*

Interest is collected mainly by direct debit. Each month the collection (*incasso*) system in Homes automatically calculates the amount of interest (and redemption) due. The interest on mortgage loans originated by the relevant Originator is collected in arrears on the first business day of each month. The interest received is recorded in each borrower's ledger account, held by NN Insurance Eurasia at ING Bank N.V. From then on, all payments per borrower are automatically recorded under each operating entity. Failure can be caused by a change in bank account of the borrower (i.e. return of payments) without NN Leven and NN Bank being notified or an insufficient balance on the bank account to satisfy the payment. The Originators have recollection facilities, i.e. the capability to retry to collect the amounts due with the borrower. In case of an insufficient balance on the bank account there will be a retrial of the automatic collection after the fifth business day. In all other cases the borrower will receive a first reminder on the ninth day following an unsuccessful automatic collection.

#### *Special Servicing*

The Special Servicing department of NN Bank consists of three teams: Short Term recovery, Long Term recovery and Damage Control.

### **Short Term Recovery**

In the event of a failure on automatic debiting from the borrower's bank account the file is immediately transferred to the Short Term Special Servicing department of NN Bank. The special servicing activities on average consist of three phases. In the first phase the goal is to re-instate the normal payment pattern and to retain the borrower within the limited period of one (1) month after the arrears have occurred. First, an automatically generated letter is immediately sent to the borrower announcing a second attempt to collect the payment. If this attempt fails another automatically generated letter is sent to the borrower announcing NN Bank's wish for personal contact. During this contact the aim is to establish if this is an incident or a more structural problem. The borrower receives personal attention by an experienced team. When the arrears are deemed an incident the process allows a repayment scheme of maximum three (3) months.

When the arrears are deemed a structural problem the file is transferred to the Long Term recovery team.

### **Long Term Recovery**

The Long Term recovery team sends an e-mail to the borrower requesting a fully filled out budget form with amongst others, proof of income and debts as these arrears are deemed to be caused by structural problems. The borrower is also checked for other debts with the National Credit Register (BKR). The Long Term recovery team performs a debt analysis and – if deemed necessary and possible restructures borrower's contract, with a goal for a long time solution where the borrower is retained. In order to establish the possibilities, in addition to the budget form, options are investigated to reduce expenses and increase income. If required, borrowers are visited by specialised field agents to clarify a situation and/or discuss the various options available, repayment schemes (if required with additional security rights such a transfer of rights on a legally allowed part of income), restructuring and related matters. Restructuring agreements and repayment schemes are confirmed in writing and files are monitored monthly. If deemed necessary and/or useful to all parties concerned a budget coach or job coach can be engaged.

Meanwhile a valuation is made by an independent estate agent to establish the Originator's risk. Furthermore, NN Bank is obliged to register an outstanding debt of more than 120 calendar days (i.e. four (4) monthly instalments) with the BKR.

If a borrower does not comply with agreed or suggested solutions, NN Bank has the option to take legal action such as attachments on income and/or other assets, which may reduce the outstanding arrears, either in full or partially.

In that case, or if it is clear that there is no prospect of the interest to be paid in the (near) future, the borrower's file is handed over to the Damage Control team with specialised personnel to initiate the sale of the real estate property. This conclusion is sent to borrowers by e-mail in order to inform them on the next steps/phase.

### **Damage control**

The aim is to sell the real estate property on the open market through the intermediation of an estate agent. A new contact is made with a borrower and if the borrower is motivated to come to a solution, NN Bank can allow the borrower to sell the property itself where NN Bank monitors the asking price and actual value. Furthermore, the borrower is invited to pay it arrears as much as possible in order to "buy time".

If a borrower is not motivated or for example in case of a divorce or departure abroad or at the borrower's request, NN Bank requests a power of attorney (drawn up by solicitors) allowing it to sell the real estate property on the open market. Depending on the property's value, (partial) payments by the borrower and/or interest in the property, the period to sell may vary.

Only if a borrower does not cooperate in the above described manner NN Bank, on behalf of the relevant Originator, forecloses on the mortgaged property by means of a public auction.

Each of the Originators has the right to publicly sell (auction) the mortgaged property if the borrower remains in breach of its obligations and no other arrangements are made. As a first ranking mortgagee, the relevant Originator does not have to obtain court permission prior to foreclosing on the mortgaged property. However, after giving such notification, Dutch law requires that before a lender can foreclose on a borrower's mortgaged property, the borrower must be notified in writing that he is in default and must be given reasonable time to comply with the lender's claims. If the proceeds from the foreclosure (auction) of the mortgaged property do not fully cover the claim of the relevant lender, this deficit will be handled as described below under "Outstanding amounts/deficit after sale of property". In case of a borrower's bankruptcy, the relevant Originator may foreclose on the borrower's property as if there was no bankruptcy. Nevertheless, foreclosure must take place within a reasonable time to be decided upon by the court.

If an Originator decides to sell the mortgaged property, it is required to notify the parties directly involved, including the borrower as well as the person owning the mortgaged property securing the mortgage loan (in the event that these are not the same parties). The notification must include the amount outstanding and the expenses incurred to date as well as the name of the civil notary responsible for the foreclosure sale. Prior to foreclosure, the relevant Originator will request a new valuation report (or will index the most recent one when it is less than three (3) months old). Based on calculation, the relevant Originator may decide that the property should be sold either in a private sale through the courts or by public auction in order to maximise the sale value of the mortgaged property. A "private court" sale can be conducted in preference to a public auction depending on offers made. However, this private sale is undertaken under similar rules as a public auction. In the event of a public auction, when notification of foreclosure is made by the relevant Originator, formal instructions are given to a civil law notary. The date of the sale will be set by the civil law notary. Such procedure takes three to a maximum of four (4) months on average (depending on the region and the number of other foreclosures being undertaken). During the auction, personnel of the Damage Control team are present. Their goal is to ensure that the minimum price determined beforehand is achieved. The distribution of the foreclosure proceeds depends on whether there is only one mortgagee or whether there are more than one. If there is only one, the proceeds will be distributed to that party after deducting the costs of foreclosure. If there is more than one mortgagee, the distribution of proceeds takes place according to the priority of the mortgage rights under the proviso that the proceeds of the sale exceed the first mortgagees claim. Throughout the foreclosure process, the relevant Originator follows the requirements set forth in Dutch law and its procedures.

**Outstanding amounts/deficit after sale of property**

If a residual debt remains after foreclosure, the borrower(s) concerned remain(s) liable for this residual debt. For all cooperating borrowers contact is made by the Damage Control team with the aim to come to an acceptable repayment scheme through which (part of) the remaining debt is repaid. Maintenance and checks on this scheme is handled by a collecting agency. In the event that a borrower is not willing to comply with a scheme, a collection agency is consulted to determine whether the claim can be collected. If the borrower still does not wish to agree to a payment scheme, other measures can also be taken, including attachment on the borrower's income or other assets.

**Fraud desk**

All banks in the Netherlands have a mortgage loan fraud detection arrangement through the Dutch Association of Banks (*Nederlandse Vereniging voor Banken*). A national fraud desk (*Counter Hypotheken Fraude*) has been established through which all the banks notify each other of possible fraud cases. Within NN Bank a fraud desk has been established for all mortgage loan originated by NN Leven and NN Bank. All known fraud cases are registered in an internal and external verification system that identifies fraudulent borrowers. Each new mortgage loan application is automatically run through this register. Additionally, new names added to the register are automatically cross checked against the existing mortgage loans.

The fraud desk actively manages mortgage fraud by giving anti-fraud presentations to all parties involved in the origination process. In addition, a fraud site has been created on the intranet within each of NN Leven and NN Bank. Personnel is trained on the different aspects of possible fraud. All suspicious applications are screened and if necessary sent to the special fraud desk.

In case of the detection of fraud in respect of an existing mortgage loan, the policy of NN Leven and NN Bank is to accelerate the mortgage loan concerned and report the borrower to the police.

### 13. SERVICING AND ADMINISTRATION

#### Servicing

In the Servicing Agreement NN Bank agrees to act as the Servicer in respect of the relevant Mortgage Receivables. The Servicer will agree (i) to provide management services to the CBC on a day-to-day basis in relation to the relevant Mortgage Loans and the relevant Mortgage Receivables, including, without limitation, the collection and recording of payments of principal, interest and other amounts in respect of the relevant Mortgage Receivables and the implementation of arrears procedures including the enforcement of relevant Mortgages; (ii) to communicate with the Borrowers and (iii) to investigate payment delinquencies.

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

#### Administration

In the Administration Agreement the Administrator will agree to provide certain administration, calculation and cash management services to the CBC, including (i) all calculations to be made in respect of the Covered Bonds and the Transaction Documents and (ii) to prepare monthly asset cover reports for the CBC including the relevant calculations in respect of the Asset Cover Test.

#### Termination

The Servicing Agreement and the Administration Agreement may be terminated by the Security Trustee or the CBC (with the consent of the Security Trustee) in certain circumstances (in respect of the relevant party only), including (a) a default by the Servicer and/or the Administrator in the payment on the due date of any payment due and payable by it under the Servicing Agreement or, as the case may be, Administration Agreement, (b) a default is made by the Servicer and/or the Administrator in the performance or observance of any of its other covenants and obligations under the Servicing Agreement or, as the case may be, Administration Agreement, (c) the Servicer and/or the Administrator has taken any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against it for its entering into emergency regulations (*noodregeling*) as referred to in section 3 of the Wft) or suspension of payments, as applicable, or for any analogous insolvency proceedings under any applicable law or for bankruptcy or for the appointment of a receiver or a similar officer of its or any or all of its assets or (d) the Servicer is no longer licensed to act as intermediary (*bemiddelaar*) or offeror (*aanbieder*) under the Wft.

Upon termination of the Servicing Agreement or, as the case may be, the Administration Agreement in respect of the Administrator or the Servicer, the Security Trustee and the CBC undertake to appoint a substitute servicer and/or substitute administrator, as the case may be, and such substitute servicer and/or substitute administrator, as the case may be, shall enter into an agreement with the CBC and the Security Trustee substantially on the terms of the Servicing Agreement or, as the case may be, Administration Agreement, provided that such substitute servicer and/or substitute administrator shall have the benefit of a servicing fee and an administration fee at a level to be then determined. Any such substitute servicer must (i) have experience of administering mortgage loans and mortgages of residential property in the Netherlands and (ii) hold a licence under the Wft. The CBC shall, promptly following the execution of such agreement, pledge its interest in such agreement in favour of the Security Trustee on the terms of the Security Trustee Rights Pledge Agreement, *mutatis mutandis*, to the satisfaction of the Security Trustee.

The Servicing Agreement and the Administration Agreement may be terminated by the CBC or the Servicer or, as the case may be, the Administrator upon the expiry of not less than twelve (12) months' notice of termination given by the Servicer or, as the case may be, the Administrator to each of the CBC and the Security Trustee or by the CBC to the Servicer or Administrator and the Security Trustee provided that – *inter alia* – (a) the Security Trustee consents in writing to such termination and (b) a substitute servicer or administrator, as the case may be, shall be appointed, such appointment to be effective not later than the date of termination of the Servicing Agreement or, as the case may be, the Administration Agreement and the Servicer or Administrator shall not be released from its obligations under the relevant Servicing Agreement or, as the case may be, the Administration Agreement until such substitute servicer or administrator has entered into such new agreement.

## 14. PARTICIPATION AGREEMENTS

### A. Insurance Savings Participation

Under the Insurance Savings Participation Agreement entered into between the CBC, the Insurance Savings Participant and the Security Trustee, the CBC grants the Insurance Savings Participant a sub-participation in the Savings Mortgage Receivables and the Switch Mortgage Receivables with a Savings Alternative.

#### Participations

In an Insurance Savings Participation Agreement the Insurance Savings Participant has undertaken to pay to the CBC:

- (i) (a) in respect of Savings Mortgage Receivables and Switch Mortgage Receivables with a Savings Alternative on the Transfer Date on which a Savings Mortgage Receivable or a Savings Mortgage Receivable is transferred to the CBC or (b) in respect of a switch from any type of Mortgage Loan into a Savings Mortgage Loan or Switch Mortgage Loan with a Savings Alternative, on the CBC Payment Date succeeding such switch, an amount equal to the sum of the Savings Premiums received by the Insurance Savings Participant in relation to such Savings Mortgage Loan or Switch Mortgage Loan with a Savings Alternative with accrued interest up to the first day of the month in which such Transfer Date or CBC Payment Date, as applicable, falls (the **"Initial Insurance Savings Participation"**) in relation to each of the Savings Mortgage Receivables and each of the Switch Mortgage Receivables with a Savings Alternative; and
- (ii) on each CBC Payment Date thereafter an amount equal to the amount received by the Insurance Savings Participant as Savings Premium during the previous month in respect of the relevant Savings Insurance Policies and the Savings Investment Insurance Policy, respectively,

provided that in respect of the relevant Savings Mortgage Receivable and the relevant Switch Mortgage Receivable with a Savings Alternative which is subject to an Insurance Savings Participation, no amounts will be paid to the extent that, as a result thereof, the Insurance Savings Participation in the relevant Savings Mortgage Receivable and the relevant Switch Mortgage Receivable with a Savings Alternative would exceed the Outstanding Principal Amount of the relevant Savings Mortgage Receivable or the relevant Switch Mortgage Receivable with a Savings Alternative, respectively.

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

$(P/H \times R) + S$ , whereby:

- P = the Insurance Savings Participation on the first day of the relevant month in the relevant Savings Mortgage Receivable or the relevant Switch Mortgage Receivable with a Savings Alternative;
- S = the amount received by the CBC from or on behalf of the Insurance Savings Participant in such month in respect of the relevant Savings Mortgage Receivable or the relevant Switch Mortgage Receivable with a Savings Alternative pursuant to the Insurance Savings Participation Agreement;
- H = the Outstanding Principal Amount of the relevant Savings Mortgage Receivable or the relevant Switch Mortgage Receivable with a Savings Alternative on the first day of the relevant month;
- R = the amount of interest, due by the Borrower on the relevant Savings Mortgage Receivable or the relevant Switch Mortgage Receivable with a Savings Alternative and actually received by the CBC in such month.

In consideration for the undertakings of the Insurance Savings Participant described above, the CBC has undertaken to pay to the Insurance Savings Participant on each CBC Payment Date, in respect of each Savings Mortgage Receivable and each Switch Mortgage Receivable with a Savings Alternative, which is



subject to an Insurance Savings Participation for an amount equal to the amounts received during the relevant month or, in the case of a transfer during a month, the period which commences on the Transfer Date or the date the Switch Mortgage Loans are switched from the Investment Alternative to a Savings Alternative and ends on the last day of such month up to the amount received (i) by means of repayment and prepayment under the relevant Savings Mortgage Receivable or the relevant Switch Mortgage Receivable with a Savings Alternative which is subject to an Insurance Savings Participation but excluding any prepayment penalties and interest penalties, if any, and, furthermore, excluding amounts paid as partial prepayments on the relevant Savings Mortgage Receivable or the relevant Switch Mortgage Receivable with a Savings Alternative which is subject to an Insurance Savings Participation, (ii) in connection with the retransfer of a Savings Mortgage Receivable or a Switch Mortgage Receivable with a Savings Alternative which is subject to an Insurance Savings Participation pursuant to the Guarantee Support Agreement to the extent such amounts relate to principal, (iii) in connection with the transfer of a Savings Mortgage Receivable or a Switch Mortgage Receivable with a Savings Alternative which is subject to an Insurance Savings Participation to the extent such amounts relate to principal and (iv) as Net Proceeds on any Savings Mortgage Receivable or any Switch Mortgage Receivable with a Savings Alternative which is subject to an Insurance Savings Participation to the extent such amounts relate to principal, in each case with a maximum of the Insurance Savings Participation (the "**Insurance Savings Participation Redemption Available Amount**").

#### **Reduction of Insurance Savings Participation**

If a Borrower invokes a defence, including but not limited to a right of set-off or counterclaim against any person, in respect of a Savings Mortgage Receivable or a Switch Mortgage Receivable with a Savings Alternative, which is subject to an Insurance Savings Participation or if, for whatever reason, the Insurance Savings Participant does not pay the insurance proceeds when due and payable, whether in full or in part, under the relevant Savings Insurance Policy or the relevant Savings Investment Insurance Policy, and, as a consequence thereof, the CBC will not have received any amount outstanding prior to such event in respect of such Savings Mortgage Receivable or such Switch Mortgage Receivable with a Savings Alternative, the Insurance Savings Participation of the Insurance Savings Participant in respect of such Savings Mortgage Receivable or Switch Mortgage Receivable with a Savings Alternative will be reduced by an amount equal to the amount which the CBC has failed to so receive. The calculation of the Insurance Savings Participation Redemption Available Amount shall be adjusted accordingly.

#### **Enforcement**

If a CBC Acceleration Notice is served by the Security Trustee to the CBC, then and at any time thereafter the Security Trustee on behalf of the Insurance Savings Participant may, and if so directed by the Insurance Savings Participant shall, by notice to the CBC:

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

#### **Termination**

If one or more of the Savings Mortgage Receivables or the Switch Mortgage Receivables with a Savings Alternative which are subject to an Insurance Savings Participation are sold by the CBC to a third party or the Transferor pursuant to the Asset Monitoring Agreement or are retransferred to the Transferor, the Insurance Savings Participation in such Savings Mortgage Receivables or such Switch Mortgage Receivables with a Savings Alternative will terminate and the Insurance Savings Participation Redemption Available Amount in respect of such Savings Mortgage Receivables or such Switch Mortgage Receivables with a Savings Alternative will be paid by the CBC to the Insurance Savings Participant. If so requested by the Insurance Savings Participant, the CBC will use its best efforts to ensure that the acquirer of the Savings Mortgage Receivables and/or the Switch Mortgage Receivables with a Savings Alternative which are subject to an Insurance Savings Participation will enter into an insurance savings participation agreement with the Insurance Savings Participant in a form similar to the Insurance Savings Participation Agreement. Furthermore, the Insurance Savings Participation envisaged in the Insurance Savings Participation Agreement shall terminate if at the close of business of any CBC Payment Date the Insurance Savings Participant has

received the Insurance Savings Participation in respect of the relevant Savings Mortgage Receivable and/or the relevant Switch Mortgage Receivable with a Savings Alternative.

If, in case of a Switch Mortgage Loan with a Savings Alternative, all or part of the premia accumulated in the relevant Savings Investment Insurance Policy are switched to the Investment Alternative, the sub-participation envisaged in the Insurance Savings Participation Agreement shall terminate, in whole or in part, and the Insurance Savings Participation Redemption Available Amount (or part thereof, if applicable) in respect of such such Switch Mortgage Receivable with a Savings Alternative will be paid by the CBC to the Insurance Savings Participant, but only if and to the extent that on the relevant CBC Payment Date or any later CBC Payment Date the amounts received by the CBC under the Insurance Savings Participation Agreement are sufficient for this purpose on such date.

#### **B. Bank Savings Participation**

Under the Bank Savings Participation Agreement the CBC will grant to each Bank Savings Participant a Bank Savings Participation and a Bank Savings Bonus Amount Participation in the relevant Bank Savings Mortgage Receivables.

##### **Bank Savings Accounts**

The conditions applicable to the Bank Savings Mortgage Loans stipulate that amounts paid by the Borrowers will be deposited by the Bank Savings Participant on the relevant Bank Savings Account held with NN Bank.

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

In the Bank Savings Participation Agreement the Bank Savings Participant has undertaken to pay to the CBC:

- (i) on the Transfer Date on which a Bank Savings Mortgage Receivable is transferred to the CBC, an amount equal to the sum of the Bank Savings Deposits received by the Bank Savings Participant in relation to such Bank Savings Mortgage Receivable with accrued interest up to the first day of the month in which such Transfer Date falls (the "**Initial Bank Savings Participation**");
- (ii) on each CBC Payment Date thereafter an amount equal to the amount received by the Bank Savings Participant on the relevant Bank Savings Account in relation to the relevant Bank Savings Mortgage Receivables during the Calculation Period immediately preceding such CBC Payment Date; and
- (iii) any Bank Savings Bonus Amount accrued during the Calculation Period immediately preceding such CBC Payment Date;

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

If and when such payment has been made, as a consequence of such payments the Bank Savings Participant will acquire (i) a Bank Savings Bonus Amount Participation in each of the Bank Savings Mortgage Receivables, which is equal to the Bank Savings Bonus Amount, if applicable and (ii) the Bank Savings Participation in each of the relevant Bank Savings Mortgage Receivables, which is equal to the Initial Bank Savings Participation in respect of the relevant Bank Savings Mortgage Receivables increased during each month on the basis of the following formula (the "**Bank Savings Participation Increase**"):

$(P/H \times R) + S$ , whereby:

P = Bank Savings Participation on the first day of the relevant month;

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

H = the Outstanding Principal Amount of the relevant Bank Savings Mortgage Receivable on the first day of the relevant month;

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

In consideration for the undertakings of the Bank Savings Participant described above, the CBC has undertaken to pay to the Bank Savings Participant on each CBC Payment Date in respect of a Bank Savings Mortgage Receivable an amount equal to the amounts received during the relevant month preceding such CBC Payment Date, or if later, the Transfer Date and ends on the last day of such month (i) by means of repayment and prepayment under the relevant Bank Savings Mortgage Receivable, but excluding any prepayment penalties and interest penalties, if any, and, furthermore, excluding amounts paid as partial prepayments on the relevant Bank Savings Mortgage Receivable, (ii) in connection with the retransfer of a Bank Savings Mortgage Receivable pursuant to the Guarantee Support Agreement to the extent such amounts relate to principal, (iii) in connection with the transfer of a Bank Savings Mortgage Receivable to the extent such amounts relate to principal and (iv) as Net Proceeds on any Bank Savings Mortgage Receivable to the extent such amounts relate to principal, in each case with a maximum of the relevant Bank Savings Participation, plus the Bank Savings Bonus Amount Participation, if any, (the "**Bank Savings Participation Redemption Available Amount**").

#### **Reduction of Bank Savings Participation**

If a Bank Savings Deposit is automatically set-off with the relevant Bank Savings Mortgage to which it is connected, or a Borrower invokes a defence, including but not limited to a right of set-off or counterclaim against any person in respect of a relevant Bank Savings Mortgage Receivable and if, for whatever reason, the Bank Savings Participant does not pay the amounts due under the relevant Bank Savings Mortgage Receivable, whether in full or in part, and, as a consequence thereof, the CBC will not have received any amount outstanding prior to such event in respect of such relevant Bank Savings Mortgage Receivable, the Bank Savings Participation and the Bank Savings Bonus Amount Participation of the Bank Savings Participant in respect of such relevant Bank Savings Mortgage Receivable, will be reduced by an amount equal to the amount which the CBC has failed to so receive and the calculation of the Bank Savings Participation Redemption Available Amount shall be adjusted accordingly.

#### **Enforcement Notice**

If a CBC Acceleration Notice is served by the Security Trustee to the CBC, then and at any time thereafter the Security Trustee on behalf of any Bank Savings Participant may, and if so directed by the Bank Savings Participant shall, by notice to the CBC:

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

#### **Termination**

If one or more of the relevant Bank Savings Mortgage Receivables are sold by the CBC to a third party or the Transferor pursuant to the Asset Monitoring Agreement or are retransferred to the Transferor, the Bank Savings Participation and the Bank Savings Bonus Amount Participation in such relevant Bank Savings Mortgage Receivables will terminate and the Bank Savings Participation Redemption Available Amount in respect of the relevant Bank Savings Mortgage Receivables will be paid by the CBC to the Bank Savings Participant. If so requested by the Bank Savings Participant, the CBC will use its best efforts to ensure that the acquirer of the relevant Bank Savings Mortgage Receivables will enter into a bank savings participation agreement with the Bank Savings Participant in a form similar to the Bank Savings Participation Agreement. Furthermore, the Bank Savings Participation and the Bank Savings Bonus Amount Participation envisaged in the Bank Savings Participation Agreement shall terminate if at the close of business of any CBC Payment Date the Bank Savings Participant has received the Bank Savings Participation and the Bank Savings Bonus Amount Participation in respect of the relevant Bank Savings Mortgage Receivables.

## 15. ASSET MONITORING

### ASSET COVER TEST

Under the Asset Monitoring Agreement and the Guarantee Support Agreement, the CBC and the Issuer, respectively, have undertaken on a reasonable efforts and best efforts basis, that as at the end of each calendar month *until* the service of a Notice to Pay or CBC Acceleration Notice, that:

- (i) the Adjusted Aggregate Asset Amount shall be an amount at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds at the end of such calendar month (or with respect to item B as defined below, up to the date specified in item (B)), all as calculated on the immediately succeeding Calculation Date;
- (ii) the Net Outstanding Principal Amount of all Mortgage Receivables, excluding any Defaulted Receivables, plus (a) the Collateral Market Value of all Transferred Collateral in the form of Substitution Assets plus (b) all amounts standing to the balance of the CBC Transaction Accounts, excluding Swap Collateral Amounts, shall be at least equal to 110 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds at the end of such calendar month (or with respect to item B as defined below, up to the date specified in item (B)) all as calculated on the immediately succeeding Calculation Date;
- (iii) the First Regulatory Current Balance Amount shall be at least equal to 105 per cent., or such other percentage as may be required from time to time under the CB Regulations, of the aggregate Principal Amount Outstanding of the Covered Bonds at the end of such calendar month (or with respect to item B as defined below, up to the date specified in item (B)) all as calculated on the immediately succeeding Calculation Date; and
- (iv) the Second Regulatory Current Balance Amount shall be at least equal to 100 per cent., or such other percentage as may be required from time to time under the CB Regulations, of the aggregate Principal Amount Outstanding of the Covered Bonds at the end of such calendar month (or with respect to item B as defined below, up to the date specified in item (B)) all as calculated on the immediately succeeding Calculation Date, (item (i) up to and including item (iv), the "**Asset Cover Test**").

Pursuant to the Administration Agreement the Administrator will calculate the Asset Cover Test on each Calculation Date. If at the end of a calendar month (or with respect to item (B) as defined below, up to the date specified in item B) the Asset Cover Test has not been met, then the Administrator will notify the CBC thereof under the Asset Monitoring Agreement, and the CBC will notify the Issuer thereof under the Guarantee Support Agreement, and the Issuer will undertake its best efforts to transfer or procure the transfer of sufficient further Eligible Assets to the CBC in accordance with the Guarantee Support Agreement to ensure that the Asset Cover Test is met at the end of the next succeeding calendar month.

Such a breach of the Asset Cover Test will not constitute an Issuer Event of Default. However, it will prevent the Issuer from issuing any further Series after such Calculation Date, until remedied and, if it is not remedied on the next Calculation Date (such failure to remedy the Asset Cover Test as calculated on the next succeeding Calculation Date being a "**Breach of Asset Cover Test**") the Security Trustee will be entitled to serve a Breach of Asset Cover Test Notice on the Issuer and the CBC. Upon receipt of such a Breach of Asset Cover Test Notice, the Issuer will (continue to) use its best efforts to transfer or procure the transfer of sufficient Eligible Assets to the CBC, either directly or indirectly by it. A Breach of Asset Cover Test may be remedied and after being remedied the Issuer may issue new Series subject to other conditions being met. After the service of a Breach of Asset Cover Test Notice and provided that the Breach of Asset Cover Test has not been remedied, the CBC shall be allowed to retain the proceeds received on the Transferred Assets until the Breach of Asset Cover test is remedied.

As at the date of this Base Prospectus, the Asset Percentage is 93 per cent. The Issuer may request the CBC to increase or decrease the Asset Percentage. The CBC will accept any request for a decrease of the Asset Percentage and the Asset Percentage will be adjusted accordingly. The CBC will only accept any request for an increase of the Asset Percentage and the Asset Percentage will only be adjusted accordingly if each of the Rating Agencies has been notified thereof and by the third Business Day after such notification, none of the Rating Agencies has communicated that any such increase of the Asset Percentage will have a negative effect on the then current ratings assigned by it on the Covered Bonds.

The Asset Percentage will be included in the Investor Report.

In the Administration Agreement, the Administrator agrees to prepare the Asset Cover Reports and to provide certain administration, calculation and cash management services for the CBC on a day-to-day basis, including without limitation, all calculations to be made pursuant to the Conditions in connection with the Covered Bonds, subject to and in accordance with the Administration Agreement. Each Asset Cover Report will be included in the Investor Report. In the Trust Deed, the Security Trustee agrees to, upon receipt of each Asset Cover Report, verify whether such Asset Cover Report states that the Asset Cover Test has been passed or failed and, if failed, whether the following Asset Cover Report states that the Asset Cover Test has been failed for the second time, meaning that a Breach of Asset Cover Test shall have occurred.

For the purposes hereof:

**"Adjusted Aggregate Asset Amount"** means  $A + B + C - Z$ .

**"A"** means the lower of:

- (a) the sum of all Adjusted Current Balances of all Mortgage Receivables. The **"Adjusted Current Balance"** of a Mortgage Receivable is the lower of:
  - (i) the Current Balance of such Mortgage Receivable minus  $\alpha$ ; and
  - (ii) the LTV Cut-Off Percentage of the Indexed Valuation relating to such Mortgage Receivable, minus  $\beta$ ; and
- (b) the Asset Percentage of the Current Balance minus  $\alpha$  of all Mortgage Receivables.

**" $\alpha$ "** means for each Mortgage Receivable the lower of its Current Balance and the sum of the following elements, to the extent applicable to it:

- (i) if it is a Savings Mortgage Receivable, a Switch Mortgage Receivable with a Savings Alternative or a Bank Savings Mortgage Receivable an amount calculated on the basis of a method proposed to the Rating Agencies, related to the built-up of savings in connection with such Savings Mortgage Receivable, Switch Mortgage Receivable with a Savings Alternative or Bank Savings Mortgage Receivable, provided that no amount will be deducted for as long as the Insurance Savings Participation Agreement or the Bank Savings Participation Agreement, respectively, is in place in relation to the Savings Mortgage Receivable, the Switch Mortgage Receivable with a Savings Alternative or Bank Savings Mortgage Receivable, respectively;
- (ii) if it was in breach of the Mortgage Receivables Warranties as of the relevant Transfer Date: such amount as is necessary to reduce its Adjusted Current Balance or Current Balance, as the case may be, to zero;
- (iii) if it is three (3) months or more in arrears or it is a Defaulted Receivable: such amount as is necessary to reduce its Adjusted Current Balance or Current Balance, as the case may be, to zero;
- (iv) if the Issuer's rating from S&P falls below 'BBB' (long term) or 'A-2' (short term), an additional amount in connection with the possible set-off risk pertaining to deposits maintained by Borrowers with the Issuer for mortgage loans issued by the Issuer being equal to (i) the amount deposited with the Issuer by the relevant Borrower minus any amounts which are guaranteed under the Deposit Guarantee Scheme (*depositogarantiestelsel*) from time to time or (ii) such lower amount as long as this will not adversely affect the rating of any Series;
- (v) if it corresponds to a Construction Deposit: the amount of the Construction Deposit;
- (vi) if it is a Long Term Mortgage Loan: an amount equal to the outcome of (i) the Current Balance of such Long Term Mortgage Loan multiplied by (ii) the Excess Long Term Mortgage Loans Ratio, provided that the Current Balance shall not be lower than zero;
- (vii) if the relevant Originator has an Other Claim (excluding, for the avoidance of doubt, a Further Advance): an amount equal to the Deductible Other Claim;
- (viii) if the related Mortgage Loan (or a relevant loan part thereof) has a fixed interest rate or a floating interest rate which is lower than the Minimum Mortgage Interest Rate, an amount equal to: the product of (i) the difference between the Minimum Mortgage Interest Rate and the actual interest rate of such Mortgage Loan (or the relevant loan part thereof); and (ii) the Current Balance of such Mortgage Loan (or the relevant loan part thereof); and (iii) the remaining (fixed) interest period in years (unless such period is less than five (5) years, in which case such period is set to five (5) years) (rounded if necessary to the first decimal, with 0.05 being rounded upwards).

**"Deductible Other Claim"** means, in respect of a Mortgage Receivable, zero, in case the sum of the outstanding balance of the Other Claim and Outstanding Principal Amount of such Mortgage Receivable is lower than the Indexed Valuation of the Mortgaged Asset times (1- MVD Assumption) and in all other cases, an amount equal to the lower of (i) the amount by which the sum of the outstanding balance of the Other Claim and the Outstanding Principal Amount of such Mortgage Receivable exceeds the Indexed Valuation of the Mortgaged Asset times (1- MVD Assumption) or (ii) the lower of (a) the outstanding balance of the Other Claim or (b) the Outstanding Principal Amount of such Mortgage Receivable.

**"Excess Long Term Mortgage Loans Ratio"** means a ratio equal to (i) the aggregate Current Balance of the Long Term Mortgage Loans that exceeds 10 per cent. of the aggregate Current Balance of the Mortgage Loans, divided by (ii) the aggregate Current Balance of the Long Term Mortgage Loans.

**"MVD Assumption"** means the most conservative market value decline assumption as applied by S&P in order to achieve a rating (i) of "AAA" or 'AAA' in relation to the first issue of Covered Bonds or (ii) in relation to any subsequent issue of Covered Bonds, equal to the current rating assigned to the outstanding Series of Covered Bonds.

**" $\beta$ "** means for each Mortgage Receivable the lower of (i) the LTV Cut-Off Percentage of its Indexed Valuation and (ii)  $\alpha$  minus L.

**"L"** means for each Mortgage Receivable its Current Balance minus the LTV Cut-Off Percentage of its Indexed Valuation provided that if the result is negative, L shall be zero and if the result exceeds  $\alpha$ , L shall equal  $\alpha$ .

**"Asset Percentage"** means 93 per cent. or such other percentage figure as is determined from time to time in accordance with the Asset Monitoring Agreement as described above.

**"LTV Cut-Off Percentage"** means 80 per cent. for all Mortgage Receivables or such other percentage as may be notified to the Rating Agencies from time to time in respect of the relevant Mortgage Receivables, or such lower percentage as is (a) required from time to time for Covered Bonds to qualify as 'covered bonds' as defined in the CRD IV or (b) otherwise determined from time to time in accordance with the Asset Monitoring Agreement.

**"B"** means the amount of any cash standing to the credit of the CBC Transaction Accounts (other than any collateral provided in the form of cash by a Swap Counterparty but including any amounts on the Reserve Account) including on the relevant Calculation Date on which the Asset Cover Test is calculated any Principal Receipts and Interest Receipts related to the calendar month preceding such Calculation Date paid by the relevant Borrowers and received by the CBC on its CBC Accounts up to the Business Day immediately preceding such Calculation Date.

**"C"** means the aggregate outstanding principal amount of all Transferred Collateral in Substitution Assets and accrued interest thereon which has not been applied in accordance with the Trust Deed (to the extent not included in B). Substitution Assets will be valued on a monthly basis and be taken into account for their mark-to-market value at a discount based on a methodology notified to the Rating Agencies.

**"Z"** means an amount equal to the Interest Reserve Required Amount.

**"Interest Reserve Required Amount"** means on the date with respect to which the Asset Cover Test is calculated (i.e. the end of each calendar month), the higher of zero and (i) U plus V minus W on such date; or (ii) such lower amount as long as this will not adversely affect the rating of any Series; whereas

**"U"** means the sum of the aggregate amount of interest payable in respect of all Series of Covered Bonds from the relevant date up to and including the relevant Maturity Date minus any amount of interest to be received under a Portfolio Swap Agreement in connection with a Series of Covered Bonds.

**"V"** means the product of:

- (i) the higher of (a) zero; and (b) the difference between (i) the Portfolio Weighted Average Life and (ii) the Series Weighted Average Life,

- (ii) the aggregate Principal Amount Outstanding of all Series on the last day of the previous calendar month multiplied by (1 minus the Portfolio Swap Fraction, if applicable), and
- (iii) the Weighted Average Series Post Maturity Interest Rate.

"W" means the Estimated Portfolio Interest Income.

**"Series Weighted Average Life"** means the weighted average remaining life (expressed in years) remaining from the relevant date until the relevant Maturity Dates in respect of all outstanding Series.

**"Portfolio Weighted Average Life"** means the expected remaining weighted average life (expressed in years) of all Mortgage Receivables and Substitution Assets.

**"Weighted Average Series Post Maturity Interest Rate"** means the weighted average (expressed as a percentage) of the interest due on all outstanding Series of Covered Bonds, after the Maturity Date.

**"Estimated Portfolio Interest Income"** means on the date with respect to which the Asset Cover Test is determined (i.e. the end of each calendar month), the aggregate amount, as determined by the CBC (or the Administrator on its behalf) (and such estimation, absent manifest error, being final and binding), of future interest receipts on the Mortgage Receivables and future interest income derived from Substitution Assets on such date, and such estimation to be calculated as the sum of:

- (i) all Fixed Interest Loan Payment Amounts;
- (ii) all Variable Interest Loan Payment Amounts; and
- (iii) all Substitution Assets Payment Amounts.

**"Fixed Interest Loan Payment Amount"** means (as determined by the CBC (or the Administrator on its behalf) and such determination, absent manifest error, being final and binding), with respect to each outstanding Mortgage Receivable with a fixed interest rate, the product of (x) the expected weighted average life (expressed in years) of all Mortgage Receivables with a fixed interest rate; and (y) the weighted average interest rate (expressed as a percentage) of all Mortgage Receivables (where upon the interest reset date of such Mortgage Receivable the interest rate is assumed to be reset at the Assumed Mortgage Interest Rate); and (z) the aggregate Outstanding Principal Amount of such Mortgage Receivable.

**"Variable Interest Loan Payment Amount"** means (as determined by the CBC (or the Administrator on its behalf) and such determination, absent manifest error, being final and binding), with respect to each outstanding Mortgage Receivable with a variable interest rate, the product of (x) the expected weighted average life (expressed in years) of all Mortgage Loans with a variable interest rate, (y) the Assumed Mortgage Interest Rate; and (z) the aggregate Outstanding Principal Amount of such outstanding Mortgage Receivable.

**"Substitution Assets Payment Amount"** means (as determined by the CBC (or the Administrator on its behalf) and such determination, absent manifest error, being final and binding), with respect to each Substitution Asset the sum of the aggregate interest expected to be received up to and including the maturity date of the respective Substitution Asset.

**"Indexed Valuation"** in relation to any Mortgaged Asset at any date means:

- (a) where the Original Market Value of that Mortgaged Asset is equal to or greater than the Price Indexed Valuation as at that date, the Price Indexed Valuation; or
- (b) where the Original Market Value of that Mortgaged Asset is less than the Price Indexed Valuation as at that date, the Original Market Value plus 90 per cent. (or, if a different percentage is required or sufficient from time to time for the Covered Bonds to qualify as "covered bonds" as defined in the CRR and the Issuer wishes to apply such different percentage, then such different percentage) of the difference between the Price Indexed Valuation and the Original Market Value.

**"Price Indexed Valuation"** in relation to any property at any date means the Original Market Value of that property increased or decreased as appropriate by the increase or decrease in the Index since the date of the Original Market Value.

**"Index"** means the index of increases or decreases, as the case may be, of house prices issued by the Dutch land registry (*kadaster*) in relation to residential properties in the Netherlands.

**"Selected Mortgage Receivables"** means Mortgage Receivables to be sold or refinanced by the CBC pursuant to the terms of the Asset Monitoring Agreement.

**"Assumed Mortgage Interest Rate"** means the expected mortgage interest rate to be offered by the Servicer (acting on behalf of the CBC) in relation to Mortgage Loans which have an interest rate reset, which interest rate will be notified by the Servicer to the CBC and the Rating Agencies from time to time.

**"First Regulatory Current Balance Amount"** means an amount equal to sum of (i) the aggregate amount of the Current Balance of the Mortgage Receivables, excluding any Defaulted Receivables, and (ii) the Substitution Assets Amount, or in each case such other amount as must be calculated in accordance with the CB Regulations.

**"Substitution Assets Amount"** means an amount equal to the sum of (i) B (as defined above) and (ii) C (as defined above), less any cash standing to the credit of the CBC Transaction Accounts held with an entity within NN Group, which amount will be limited to a maximum of 20 per cent., or such other percentage as required under the Wft, of the aggregate Principal Amount Outstanding of the Covered Bonds.

**"Second Regulatory Current Balance Amount"** means an amount equal to the sum of (A) the aggregate balance of all Mortgage Receivables, excluding any Defaulted Receivables, whereby the balance is determined for each such Mortgage Receivable as the lower of (i) the Current Balance of the Mortgage Receivable and (ii) the Regulatory Cut-Off Percentage of the Indexed Valuation relating to such Mortgage Receivable and (B) the Substitution Assets Amount, or in each case such other amount as must be calculated in accordance with the CB Regulations.

**"Regulatory Cut-Off Percentage"** means 80 per cent. for all Mortgage Receivables, or such other percentage as may be required from time to time under the CB Regulations.



### **AMORTISATION TEST**

Under the Asset Monitoring Agreement and the Guarantee Support Agreement, the CBC must ensure that as at the end of each calendar month *following* service of a Notice to Pay (but prior to service of a CBC Acceleration Notice),

- (i) the Amortisation Test Aggregate Asset Amount shall be an amount at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds as at the end of such calendar month (or with respect to item B as defined below, up to the date specified in item B), all as calculated on the immediately succeeding Calculation Date;
- (ii) the Net Outstanding Principal Amount of all Mortgage Receivables, excluding any Defaulted Receivables, plus (a) the Collateral Market Value of all Transferred Collateral in the form of Substitution Assets plus (b) all amounts standing to the balance of the CBC Transaction Accounts, excluding Swap Collateral Amounts, shall be at least equal to 110 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds at the end of such calendar month (or with respect to item B as defined below, up to the date specified in item (B)) all as calculated on the immediately succeeding Calculation Date;
- (iii) the First Regulatory Current Balance Amount shall be at least equal to 105 per cent., or such other percentage as may be required from time to time under the CB Regulations, of the aggregate Principal Amount Outstanding of the Covered Bonds at the end of such calendar month (or with respect to item B as defined below, up to the date specified in item B) all as calculated on the immediately succeeding Calculation Date; and
- (iv) the Second Regulatory Current Balance Amount shall be at least equal to 100 per cent., or such other percentage as may be required from time to time under the CB Regulations, of the aggregate Principal Amount Outstanding of the Covered Bonds at the end of such calendar month (or with respect to item B as defined below, up to the date specified in item B) all as calculated on the immediately succeeding Calculation Date, (item (i) up to and including item (iv), the "**Amortisation Test**").

If on any Calculation Date following the service of a Notice to Pay the Amortisation Test is not met per the end of the previous month, then that shall constitute a "**Breach of the Amortisation Test**" and the CBC (or the Administrator on its behalf) shall immediately notify the Security Trustee thereof, and the Security Trustee shall be entitled to serve a Breach of Amortisation Test Notice on the Issuer and the CBC.

For this purpose:

"**Amortisation Test Aggregate Asset Amount**" means  $A + B + C - Z$ .

"**A**" means the sum of all Amortisation Test Current Balances of all Mortgage Receivables. The "**Amortisation Test Current Balance**" of a Mortgage Receivable is the lower of:

- (i) the Current Balance of such Mortgage Receivable minus  $\alpha$ ; and
- (ii) the LTV Cut-Off Percentage (relating to such Mortgage Receivable) times the Indexed Valuation, minus  $\beta$ .

" $\alpha$ " means for each Mortgage Receivable the lower of its Current Balance and the sum of the following elements, to the extent applicable to it:

- (i) if it is a Savings Mortgage Receivable, Switch Mortgage Receivable with a Savings Alternative or a Bank Savings Mortgage Receivable an amount calculated on the basis of a method proposed to the Rating Agencies, related to the built-up of savings in connection with such Savings Mortgage Receivable, Switch Mortgage Receivable with a Savings Alternative or Bank Savings Mortgage Receivable, provided that no amount will be deducted for as long as the Insurance Savings Participation Agreement or the Bank Savings Participation Agreement, respectively, is in place in relation to the Savings Mortgage Receivable, Switch Mortgage Receivable with a Savings Alternative or Bank Savings Mortgage Receivable, respectively;
- (ii) if it was in breach of the Mortgage Receivables Warranties as of the relevant Transfer Date: such amount as is necessary to reduce its Adjusted Current Balance or Current Balance, as the case may be, to zero;

- (iii) if it is 3 months or more in arrears or it is a Defaulted Receivable: such amount as is necessary to reduce its Adjusted Current Balance or Current Balance, as the case may be, to zero;
- (iv) if it is a Long Term Mortgage Loan: an amount equal to the outcome of (i) the Current Balance of such Long Term Mortgage Loan multiplied by (ii) the Excess Long Term Mortgage Loans Ratio, provided that the Current Balance shall not be lower than zero.

**"Excess Long Term Mortgage Loans Ratio"** means a ratio equal to (i) the aggregate Current Balance of the Long Term Mortgage Loans that exceeds 10 per cent. of the aggregate Current Balance of the Mortgage Loans, divided by (ii) the aggregate Current Balance of the Long Term Mortgage Loans.

**"B"** means for each Mortgage Receivable the lower of (i) the LTV Cut-Off Percentage of its Indexed Valuation and (ii)  $\alpha$  minus L.

**"L"** means for each Mortgage Receivable its Current Balance minus the LTV Cut-Off Percentage of its Indexed Valuation provided that if the result is negative, L shall be zero and if the result exceeds  $\alpha$ , L shall equal  $\alpha$ .

**"B"** means the amount of any cash standing to the credit of the CBC Transaction Accounts (other than any collateral provided in the form of cash by a Swap Counterparty but including any amounts on the Reserve Account) including on the relevant Calculation Date on which the Amortisation Test is calculated any Principal Receipts and Interest Receipts related to the calendar month preceding such Calculation Date paid by the relevant Borrowers and received by the CBC on its CBC Accounts up to the Business Day immediately preceding such Calculation Date.

**"C"** means the aggregate outstanding principal amount of all Transferred Collateral in Substitution Assets and accrued interest thereon which has not been applied in accordance with the Trust Deed (to the extent not included in B). Substitution Assets will be valued on a monthly basis and be taken into account for their mark-to-market value at a discount based on a methodology notified to the Rating Agencies.

**"Z"** means an amount equal to the Interest Reserve Required Amount.

**"Interest Reserve Required Amount"** means on the date on which the Amortisation Test is calculated, the higher of zero and (i) U plus V minus W; or (ii) such lower amount as long as this will not adversely affect the rating of any Series; whereas

**"U"** means the sum of the aggregate amount of interest payable in respect of all Series of Covered Bonds from the date of the relevant calculation up to and including the relevant Maturity Date.

**"V"** means the product of:

the higher of (a) zero; and (b) the difference between (i) the Portfolio Weighted Average Life and (ii) the Series Weighted Average Life, the aggregate Principal Amount Outstanding of all Series on the last day of the previous calendar month, and the Weighted Average Series of Post Maturity Interest Rate.

**"W"** means the Estimated Portfolio Interest Income.

**"First Regulatory Current Balance Amount"** means an amount equal to sum of (i) the aggregate amount of the Current Balance of the Mortgage Receivables, excluding any Defaulted Receivables, and (ii) the Substitution Assets Amount, or in each case such other amount as must be calculated in accordance with the CB Regulations.

**"Substitution Assets Amount"** means an amount equal to the sum of (i) B (as defined above) and (ii) C (as defined above), less any cash standing to the credit of the CBC Transaction Accounts held with an entity within NN Group, which amount will be limited to a maximum of 20 per cent., or such other percentage as required under the Wft, of the aggregate Principal Amount Outstanding of the Covered Bonds.

**"Second Regulatory Current Balance Amount"** means an amount equal to the sum of (A) the aggregate balance of all Mortgage Receivables, excluding any Defaulted Receivables, whereby the balance is determined for each such Mortgage Receivable as the lower of (i) the Current Balance of the Mortgage

Receivable and (ii) the Regulatory Cut-Off Percentage of the Indexed Valuation relating to such Mortgage Receivable and (B) the Substitution Assets Amount, or in each case such other amount as must be calculated in accordance with the CB Regulations.

**"Regulatory Cut-Off Percentage"** means 80 per cent. for all Mortgage Receivables, or such other percentage as may be required from time to time under the CB Regulations.

### **SALE OR REFINANCING OF SELECTED ASSETS**

The Asset Monitoring Agreement provides that, if an Issuer Event of Default occurs, the CBC shall undertake its best efforts to sell or refinance Selected Transferred Assets as soon as possible upon the earliest to occur on or after such Issuer Event of Default of (i) any amount remaining unpaid in respect of a Series on the Maturity Date, (ii) any Maturity Date of a Series of Covered Bonds falling within a period of six (6) calendar months of such date and (iii) a Breach of Amortisation Test Notice. If an Issuer Event of Default has occurred and a Notice to Pay and a Breach of Amortisation Test Notice have been served, all Covered Bonds become Pass-Through Covered Bonds.

The CBC shall first offer all the Selected Transferred Assets for sale to the Transferor after the occurrence of an Issuer Event of Default. If, for whatever reason, the Transferor informs or fails to inform the CBC, within a period of twenty (20) Business Days after such event has occurred, that it will not repurchase the Selected Transferred Assets, the CBC shall offer the Selected Transferred Assets to a third party or third parties.

If the CBC receives, after the non-exercise of the right of first refusal of the Transferor, an offer from a third party to purchase the Selected Transferred Assets, the CBC will notify the Transferor of such offer and, within five (5) business days after such notice, the Transferor has the right to match the offer to purchase the Selected Transferred Assets on the same terms and conditions as the offer of such third party and, if the Transferor offers to purchase the Selected Transferred Assets on the same terms and conditions as the offer of such third party, the CBC shall accept such offer of the Transferor.

The CBC will undertake its best efforts to sell or refinance Selected Mortgage Receivables in the portfolio in accordance with the Asset Monitoring Agreement (as described below) on (or directly after) every sixth (6<sup>th</sup>) CBC Payment Date after the first Refinance Date, subject to the rights of first refusal and the right to match enjoyed by the Transferor to purchase the Selected Transferred Assets pursuant to the Guarantee Support Agreement. Failure by the CBC to sell or refinance Selected Mortgage Receivables in the portfolio in accordance with the Asset Monitoring Agreement (as described below) will not constitute a CBC Event of Default. The proceeds from any such sale or refinancing will, in the case of each Mortgage Receivable, and in respect of a Savings Mortgage Receivable or a Switch Mortgage Receivable with a Savings Alternative to which an Insurance Savings Participation applies or a Bank Savings Mortgage Receivable to which a Bank Savings Participation and, if applicable, a Bank Savings Bonus Amount Participation applies, after deduction of an amount equal to such Insurance Savings Participation or Bank Savings Participation and Bank Savings Bonus Amount Participation, respectively, form part of the Available Principal Funds.

If the CBC undertakes to sell or refinance Selected Mortgage Receivables as abovementioned, the Asset Monitoring Agreement provides that the CBC shall ensure that Selected Mortgage Receivables will be selected on a random basis as described in the Asset Monitoring Agreement, provided that no more Selected Mortgage Receivables will be selected than are necessary for the estimated sale or refinancing proceeds to equal the Adjusted Required Redemption Amount as reduced by or increased with, as the case may be, any swap termination payment due by the CBC to the relevant Swap Counterparty, or by the relevant Swap Counterparty to the CBC, in connection with the termination of the Swap Agreement related to the relevant Series or a relevant part thereof (if any) (and increased with an Insurance Savings Participation, Bank Savings Participation and/or the Bank Savings Bonus Amount Participation), and the aggregate Current Balance of such Selected Mortgage Receivables shall never exceed the Adjusted Required Redemption Amount multiplied by A/B,

where:

**"Adjusted Required Redemption Amount"** means an amount equal to the Required Redemption Amount of all Pass-Through Covered Bonds less amounts standing to the credit of the CBC Account and the principal amount of any Substitution Assets (excluding all amounts to be applied on the following CBC Payment Date to repay higher ranking amounts in the CBC Priority of Payments).

**"Required Redemption Amount"** means in respect of a Series, the aggregate Principal Amount Outstanding of such Series.

**"A"** means an amount equal to the aggregate of the Current Balance of all Mortgage Receivables and the market value of all other Transferred Assets.

"B" means the euro equivalent of the Required Redemption Amount in respect of all Series then outstanding less the euro equivalent of the Required Redemption Amount in respect of all Series outstanding which has been provided for in cash.

Such sale or refinancing and subsequent redemption of the respective Covered Bonds must not result in a deterioration of the quotient of (i) the Amortisation Test Aggregate Asset Amount; and (ii) the Principal Amount Outstanding of all Series outstanding.

If the CBC undertakes to sell or refinance Selected Mortgage Receivables, the CBC will offer the Selected Mortgage Receivables for sale to purchasers for the best terms reasonably available but in any event for an amount not less than the Adjusted Required Redemption Amount as reduced by or increased with, as the case may be, any swap termination payment due by the CBC to the relevant Swap Counterparty, or by the relevant Swap Counterparty to the CBC, in connection with the termination of the Swap Agreement related to the relevant Series or a relevant part thereof (if any), plus, in the case of Savings Mortgage Receivables, Switch Mortgage Receivables with a Savings Alternative and Bank Savings Mortgage Receivables which are subject to an Insurance Savings Participation or a Bank Savings Participation or a Bank Savings Bonus Amount Participation, respectively, an amount equal to the aggregate Insurance Savings Participations and the Bank Savings Participations and the Bank Savings Bonus Amount Participations.

If, up to and including the Refinance Date immediately preceding the first Extended Due for Payment Date of any Series outstanding, the Selected Mortgage Receivables have not been sold or refinanced (in whole or in part) for an amount equal to the Adjusted Required Redemption Amount (as reduced by or increased with, as the case may be, any swap termination payment due by the CBC to the relevant Swap Counterparty, or by the relevant Swap Counterparty to the CBC, in connection with the termination of the Swap Agreement related to the relevant Series or a relevant part thereof (if any)), plus, in the case of Savings Mortgage Receivables, Switch Mortgage Receivables with a Savings Alternative and Bank Savings Mortgage Receivables which are subject to an Insurance Savings Participation or a Bank Savings Participation or a Bank Savings Bonus Amount Participation, respectively, an amount equal to the aggregate Insurance Savings Participations and the Bank Savings Participations and the Bank Savings Bonus Amount Participation, the CBC will undertake its best efforts to sell or refinance Selected Mortgage Receivables on the next Refinance Date.

If, on the Refinance Date immediately preceding to the first Extended Due for Payment Date of any Series outstanding, the Selected Mortgage Receivables have not been sold or refinanced (in whole or in part) for an amount equal to the Adjusted Required Redemption Amount (as reduced by or increased with, as the case may be, any swap termination payment due by the CBC to the relevant Swap Counterparty, or by the relevant Swap Counterparty to the CBC, in connection with the termination of the Swap Agreement related to the relevant Series or a relevant part thereof (if any)), plus, in the case of Savings Mortgage Receivables, Switch Mortgage Receivables with a Savings Alternative and Bank Savings Mortgage Receivables which are subject to an Insurance Savings Participation or a Bank Savings Participation or a Bank Savings Bonus Amount Participation, respectively, an amount equal to the aggregate Insurance Savings Participations and the Bank Savings Participations and the Bank Savings Bonus Amount Participations, then each month up to and including such Extended Due for Payment Date the CBC will (i) offer the Selected Mortgage Receivables for sale for the best terms reasonably available, including but not limited to the best price reasonably available, or (ii) seek to refinance the Selected Mortgage Receivables on the best terms reasonably available, both (i) and (ii) subject to the consent of the Security Trustee, notwithstanding that such amount may be less than the Adjusted Required Redemption Amount (plus, in the case of (a) each Savings Mortgage Receivable or Switch Mortgage Receivable with a Savings Alternative to which an Insurance Savings Participation applies, an amount equal to the relevant Insurance Savings Participation and (b) each Bank Savings Mortgage Receivable to which a Bank Savings Participation and/or a Bank Savings Bonus Amount Participation applies, an amount equal to the relevant Bank Savings Participation and/or the relevant Bank Savings Bonus Amount Participation).

If the CBC intends to sell Selected Mortgage Receivables to a third party, it may appoint a Portfolio Manager. The CBC shall pay to the Portfolio Manager a success fee, which may consist of a percentage of the portfolio as agreed between the CBC and the Portfolio Manager and which shall only be payable upon sale of such portfolio which fee may be deducted from the proceeds of the sale of the Selected Mortgage Receivables.

In respect of any sale or refinancing of Selected Mortgage Receivables following the service of an Issuer Acceleration Notice, but prior to the service of a CBC Acceleration Notice, or upon the service of a Breach of Amortisation Test Notice, the CBC will instruct the Portfolio Manager to use all best efforts to procure that Selected Mortgage Receivables are sold as quickly as reasonably practicable (in accordance with the recommendations of the Portfolio Manager) taking into account the market conditions at that time and the scheduled repayment dates of the Covered Bonds and the terms of the Guarantee Support Agreement and the Asset Monitoring Agreement.

#### **General Sales Requirements**

The CBC shall ensure that the purchaser to which it sells the Selected Mortgage Receivables shall on or before the date of such purchase represent that it has not been granted a suspension of payments (*surseance van betaling verleend*), been declared bankrupt (*failliet verklaard*) or become subject to analogous insolvency proceedings under applicable law or otherwise be limited in its rights to dispose of its assets.

The terms of any sale and purchase agreement with respect to the sale of Selected Mortgage Receivables or the terms of any refinancing will be subject to the prior written approval of the Security Trustee.

If purchasers accept the offer or offers from the CBC, the CBC will, subject to the foregoing paragraph, enter into a sale and purchase agreement with the relevant purchasers which will require, amongst other things, a cash payment from the relevant purchasers.

Any such sale or any refinancing will not include any representations or warranties from the CBC in respect of the Selected Mortgage Receivables unless expressly agreed by the Security Trustee.

After a CBC Acceleration Notice has been served on the CBC, the Security Trustee may institute such proceedings or take such action as it thinks fit against the Issuer and the CBC to enforce its rights under the Trust Deed and the Security in accordance with the terms of the Trust Deed.

#### **Sale of Substitution Assets**

The Asset Monitoring Agreement provides that the CBC (or the Administrator on its behalf) shall sell all Substitution Assets as quickly as reasonably practicable, subject to the pre-emption rights enjoyed by the Transferor pursuant to the Guarantee Support Agreement, following service of an Issuer Acceleration Notice, a Notice to Pay or a Breach of Amortisation Test Notice.

Such sale or refinancing of Substitution Assets and subsequent redemption of the respective bonds shall not result in a deterioration of the quotient of (i) the Amortisation Test Aggregate Asset Amount; and (ii) the Principal Amount Outstanding of all Series outstanding.

### **ASSET MONITOR**

Under the terms of the Asset Monitor Appointment Agreement, the Asset Monitor has been appointed to perform the role as Asset Monitor. The Asset Monitor has agreed, subject to due receipt of the information to be provided by the Administrator to the Asset Monitor, to conduct tests on the arithmetic accuracy of certain calculations performed by the Administrator in respect of the Asset Cover Test, the Amortisation Test and the Liquidity Reserve Required Amount with a view to confirmation of the accuracy of such calculations as required by and in accordance with the Wft.

The Asset Monitor will conduct such tests (i) in respect of the Asset Cover Test conducted by the Administrator on or before the Calculation Date immediately preceding each anniversary of the Programme Date; (ii) in respect of the Amortisation Test conducted by the Administrator on or before each Calculation Date; and (iii) in respect of the Liquidity Reserve Required Amount calculated by the Administrator on or before the Calculation Date immediately preceding each anniversary of the Programme Date.

Following a determination by the Asset Monitor of any material errors in the arithmetic accuracy of the calculations performed by the Administrator such that (a) the Asset Cover Test has been failed on the applicable Calculation Date (in respect of the previous month's end) (where the Administrator had recorded it as being satisfied) or (b) the Adjusted Aggregate Asset Amount or the Amortisation Test Aggregate Asset Amount is misstated by an amount exceeding 1 per cent. of the Adjusted Aggregate Asset Amount or the Amortisation Test Aggregate Asset Amount, as applicable, the Asset Monitor will be required to conduct such tests for each of the four consecutive Calculation Dates thereafter. If the test in relation to the Liquidity Reserve Required Amount reveals errors in the relevant calculations and consequently, such test has failed, then the Asset Monitor shall promptly notify the CBC, the Administrator, the Security Trustee and the Issuer thereof.

The Asset Monitor is entitled, in the absence of manifest error, to assume that all information provided to it by the Administrator for the purpose of conducting such tests is true and correct and is complete and not misleading, and is not required to conduct a test or otherwise take steps to verify the accuracy of any such information. The Asset Monitor Report will be delivered by the Asset Monitor to, *inter alia*, the Administrator, the CBC, the Issuer and the Security Trustee in accordance with the Asset Monitor Appointment Agreement. If the calculations performed by the Administrator have not been performed correctly, the Asset Monitor Report shall set out the correct calculation of the Asset Cover Test, the Amortisation Test or the Liquidity Reserve Required Amount, as applicable.

Under the terms of the Asset Monitor Appointment Agreement the CBC will pay to the Asset Monitor a fee per test for the tests to be performed by the Asset Monitor.

The Asset Monitor may, at any time, resign from its appointment under the Asset Monitor Appointment Agreement upon providing the CBC and the Security Trustee (copied to the Rating Agencies) with sixty (60) calendar days' prior written notice. If a replacement asset monitor has not been found by the CBC within sixty (60) calendar days of notice of resignation by the Asset Monitor, the Asset Monitor shall immediately undertake to seek a replacement (such replacement to be approved by the Security Trustee) which agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Appointment Agreement.

The CBC may, at any time, but subject to the prior written consent of the Security Trustee, terminate the appointment of the Asset Monitor by providing at least thirty (30) calendar days' prior written notice to the Asset Monitor, provided that such termination may not be effected unless and until a replacement asset monitor has been found by the CBC (such replacement to be approved by the Security Trustee) which agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Appointment Agreement.

If a replacement asset monitor has not been found by the CBC within thirty (30) calendar days of the giving of notice of termination by the CBC, the Asset Monitor may identify a replacement (such replacement to be approved by the Security Trustee) which agrees to perform the duties of the Asset Monitor set out in the Asset Monitor Appointment Agreement.

In the Trust Deed the Security Trustee agrees to, upon receipt of each Asset Cover Report, verify whether it states that the Asset Cover Test or Amortisation Test, as the case may be, has been passed or failed.

**Pool Audit (agreed upon procedures)**

Under the terms of the Trust Deed and pursuant to the Wft, the Issuer shall undertake to request, at least once a year, an external auditor to perform agreed upon procedures on a sample of randomly selected mortgage files relating to Mortgage Receivables.



## 16. SWAPS

### *General*

The CBC is only permitted to enter into swap agreements with (a) NN Bank (with appropriate collateralisation requirements if at such time NN Bank is no longer an Eligible Swap Counterparty) or (b) third party Eligible Swap Counterparties, as the case may be. The Security Trustee shall be a party to such Swap Agreements only for the purposes of taking certain benefits and assuming certain obligations with respect to making determinations on behalf of the CBC. An Issuer Event of Default will not constitute an event of default or a termination event under any Swap Agreement.

Rating downgrade language acceptable to the Rating Agencies will be included in the Swap Agreements in relation to the Swap Counterparties.

Upon the termination of a Swap Agreement, the CBC or any Swap Counterparty may be liable to make a termination payment to the other party in accordance with the provisions of the relevant Swap Agreement. The amount of this early termination payment will be calculated and made in euro or such other currency as may be agreed. In the event that such a termination payment is payable by the CBC following the service of an Issuer Acceleration Notice, such amount will in most cases (see the applicable priority of payments below) rank ahead of any principal amounts in respect of Swap Agreements due on the Covered Bonds except where default by, or downgrade of, the relevant Swap Counterparty has caused the relevant Swap Agreement to terminate.

### *Portfolio Swap Agreements*

There may be differences between the amounts of interest (i) received in respect of the Mortgage Receivables (the rates applicable to which may, for instance, include variable rates of interest, discounted rates of interest, fixed rates of interest or rates of interest which track a base rate), the other Transferred Assets and the CBC Transaction Accounts and (ii) payable in respect of the outstanding Covered Bonds. The CBC may at the instruction of the Issuer elect to enter into Portfolio Swap Agreements in order to hedge certain mismatches in respect of one or more Series or all Series of Covered Bonds, whereby the revenue scheduled to be received on all Transferred Assets multiplied by the Portfolio Swap Fraction is exchanged for a fixed or floating rate of interest on the relevant Series of Covered Bonds.

### *Interest Swap Agreements*

There may be differences between the amounts of interest (i) received in respect of the Mortgage Receivables (the rates applicable to which may, for instance, include variable rates of interest, discounted rates of interest, fixed rates of interest or rates of interest which track a base rate), the other Transferred Assets and the CBC Transaction Accounts and (ii) payable in respect of the outstanding Covered Bonds. The CBC may at the instruction of the Issuer elect to enter into Interest Swap Agreements in order to hedge certain mismatches in respect of one or more Series.

### *Swap Cash Collateral Account*

The CBC shall open a Swap Cash Collateral Account with the CBC Account Bank in accordance with and subject to the CBC Account Agreement if it envisages to enter into a Swap Agreement.

## 17. CASHFLOWS

- A. For as long as no Assignment Notification Event has occurred or a Breach of Asset Cover Test Notice is served (which is not remedied) and no Notice to Pay or CBC Acceleration Notice has been served, pursuant to the Guarantee Support Agreement, the CBC is not entitled to receive or retain any proceeds from the Transferred Assets; such proceeds will all be received and retained by the Transferor for its own benefit. Pursuant to the Trust Deed, the following will then apply:
- (i) all costs and expenses of the CBC, including but not limited to any costs and expenses of the Security Trustee and the Stichting Holding and other amounts due listed under item (a) up to and including (d) of the CBC Priority of Payments, but excluding any negative interest amounts and expenses already paid in accordance with the CBC Account Agreement, will be paid on behalf of the CBC by the Issuer for its own account as consideration for the CBC issuing the Guarantee;
  - (ii) all amounts to be paid and received, respectively by the CBC under the Insurance Savings Participation Agreement, the Bank Savings Participation Agreement and/or any Swap Agreement will be paid and received, respectively on behalf of the CBC by the Issuer for its own account, except that any Swap Collateral Amounts will be delivered directly by the relevant Swap Counterparty to the CBC irrespective of whether any Assignment Notification Event has occurred or any Breach of Asset Cover Test Notice is served (which is not remedied) or Notice to Pay or CBC Acceleration Notice has been served at such time and, accordingly, any payments or deliveries to be made in respect of the Collateral Return Payments shall be made directly by the CBC to the relevant Swap Counterparty;
  - (iii) on each CBC Payment Date the CBC (or the Administrator on its behalf) will distribute all amounts (if any) then standing to the credit of the CBC Transaction Accounts (except for any collateral provided by a Swap Counterparty and the balance standing to the credit of the Reserve Account) to the Issuer to the extent such will not result in a breach of the Asset Cover Test.
- B. If an Assignment Notification Event occurs or a Breach of Asset Cover Test Notice (which is not remedied) or a Notice to Pay or CBC Acceleration Notice is served on the CBC, pursuant to the Guarantee Support Agreement, the CBC shall, subject to the rights of the Security Trustee as pledgee, be entitled to receive for its own benefit all proceeds of the Transferred Assets to the extent relating to the period following such Assignment Notification Event or service of a Breach of Asset Cover Test Notice (which is not remedied) or a Notice to Pay or a CBC Acceleration Notice. Pursuant to the Trust Deed, the following will apply:
- (i) if an Assignment Notification Event has occurred or a Breach of Asset Cover Test Notice has been served (which is not remedied) (but no Notice to Pay or Issuer Acceleration Notice or CBC Acceleration Notice has been served), all costs, expenses and all amounts to be paid and received under the Swap Agreements, the Insurance Savings Participation Agreements and/or the Bank Savings Participation Agreement will continue to be settled on behalf of the CBC by the Issuer (except that Collateral Return Payments shall be made directly to the relevant Swap Provider) and all amounts standing to the credit of the CBC Transaction Accounts (except for Swap Collateral Amounts and the Reserve Account) will after payment of costs be distributed as set out abovementioned, provided that after a Breach of Asset Cover Test Notice is served no amounts will be distributed until such breach is remedied;
  - (ii) if an Issuer Acceleration Notice and a Notice to Pay have, but no CBC Acceleration Notice has, been served, the CBC (or the Administrator on its behalf) will apply the Available Revenue Funds and the Available Principal Funds in accordance with the CBC Priority of Payments and pay the Insurance Savings Participation Redemption Available Amounts to the Insurance Savings Participant and the Bank Savings Participation Redemption Available Amount to the Bank Savings Participant; and
  - (iii) if a CBC Acceleration Notice has been served, all moneys received or recovered by the Security Trustee or any other Secured Creditor and all moneys held by or on behalf of the CBC will be applied in accordance with the Post CBC Acceleration Notice Priority of Payments except for any Insurance Participation Redemption Available Amounts which will be paid to the Savings Participant and except for any Bank Savings Participation Available Amount which will be paid to the Bank Savings Participant and except for any collateral to be provided by a Swap

Counterparty following its downgrade which shall first be subject to the provisions set out in the relevant Swap Agreement.

**Reserve Account Required Amount and Liquidity Reserve Required Amount**

Pursuant to the Trust Deed, on the Programme Date and on each date thereafter the Issuer will be required to credit to the Reserve Account an amount equal to the higher of (i) the Reserve Account Required Amount and (ii) the Liquidity Reserve Required Amount. (see further sub-section 'CBC Transaction Accounts, Swap Replacement Ledger and Custody' below).

**Payments with respect to Covered Bonds and Swap Agreements during a CBC Payment Period (other than on the CBC Payment Date on which the CBC Payment Period commences)**

Following the service of an Issuer Acceleration Notice and a Notice to Pay, pursuant to the Trust Deed, the Available Revenue Funds and the Available Principal Funds (less any amounts payable to third parties incurred by the CBC in its ordinary course of its business, which may be paid on each day by the CBC) will be applied in accordance with the CBC Priority of Payments on each CBC Payment Date, which dates will occur monthly. Payments in respect of interest and principal on a Series of Covered Bonds and, in respect of Swap Agreements, may however become due and payable on other days than on the relevant CBC Payment Date during a CBC Payment Period. Such amounts will be payable by the CBC on the date on which such payments become due and payable as follows:

- (i) in respect of a Series of Covered Bonds to the extent that the CBC has entered into a Swap Agreement with respect to such Series of Covered Bonds, from the amounts received under the relevant Swap Agreement connected to such Series after the CBC Payment Date on which the relevant CBC Payment Period commenced;
- (ii) from the amounts reserved for such Series of Covered Bonds or such Swap Agreement pursuant to item (e) or (f) of the CBC Priority of Payments (as applicable) on the CBC Payment Date on which the relevant CBC Payment Period commenced; and
- (iii) in respect of a Series of Covered Bonds to the extent not so paid in full following application of the funds available in accordance with (i) and (ii) above, from the amounts as were credited to the CBC Transaction Accounts in accordance with item (i) of the CBC Priority of Payments on the CBC Payment Date on which the relevant CBC Payment Period commenced.

**Cash Collection Arrangements**

Payments by the Borrowers of interest and scheduled principal under the Mortgage Loans are due on the last calendar day of each month (or the next Business Day if such day is not a Business Day), interest being payable in arrear. All payments made by Borrowers will be paid to the Collection Accounts maintained by NN Insurance Eurasia N.V. (on behalf of (*inter alia*) the Transferor) with ING Bank N.V. These accounts will also be used for the collection of moneys paid in respect of mortgage loans other than Mortgage Loans sold to the Issuer and in respect of any other moneys belonging to, *inter alia*, the Transferor.

In the Trust Deed the Issuer has undertaken to, if the rating of the long-term unsecured, unsubordinated and unguaranteed debt obligations of ING Bank N.V. falls below BBB with S&P, and no Trigger Event has occurred, the Issuer will, within thirty (30) calendar days:

- (A) open an escrow account in the name of the CBC, at the cost of the Issuer, with a bank of which the long-term unsecured, unsubordinated and unguaranteed debt obligations have at least a BBB rating with S&P; and
- (B) transfer to such escrow account an amount equal to the expected amount of principal (including prepayments) and interest to be received on the next Calculation Date.

After the occurrence of a Trigger Event the above arrangement with NN Insurance Eurasia N.V. will terminate. Pursuant to the Receivables Proceeds Distribution Agreement the Collection Accounts will be transferred by way of contract transfer to the Collection Foundation under the condition precedent (*opschortende voorwaarde*) of the occurrence of a Trigger Event. Therefore, after the occurrence of a Trigger Event and the transfer of the Collection Accounts to the Collection Foundation, the Collection Foundation shall instead be required to pay or transfer the amounts to which the Issuer or the Security Trustee, as the case may be, is entitled to the Issuer or the Security Trustee, respectively, in accordance with the terms and subject to the

conditions of the Receivables Proceeds Distribution Agreement. The Collection Accounts are pledged to the Collection Foundation pursuant to a collection accounts pledge agreement.

For the purposes hereof:

**"Available Principal Funds"** means on a Calculation Date an amount equal to the aggregate of (without double counting):

- (i) the amount of Principal Receipts received during the previous calendar month;
- (ii) any amounts of principal received from any Substitution Asset (not forming part of the Available Revenue Funds);
- (iii) the principal amount of any Transferred Collateral in the form of cash (other than pursuant to a Swap Agreement) received during the previous calendar month;
- (iv) any amount required to be transferred to the CBC Account in accordance with item (i) of the CBC Priority of Payments (for the purpose of determining such amount this item (iv) will not be included in the Available Principal Funds for determining the amount available for application to such item (i));
- (v) all amounts in respect of principal (if any) received or to be received by the CBC under the Transaction Documents (other than the Savings Participation Agreements and other than any Swap Collateral Amounts posted under the Swap Agreements) on the relevant CBC Payment Date (or in the CBC Payment Period immediately preceding the relevant CBC Payment Date but excluding the preceding CBC Payment Date);
- (vi) any amounts received in the preceding calendar month as Excess Proceeds to the extent such proceeds do not relate to interest; and
- (vii) any amounts reserved on the immediately preceding CBC Payment Date to the extent not applied towards payment of the relevant Series of Covered Bonds or the relevant Swap Agreement or a higher ranking item than payment of the relevant Series of Covered Bonds or the relevant Swap Agreement in the CBC Priority of Payments prior to the relevant CBC Payment Date to the extent relating to principal.

**"Available Revenue Funds"** means on a Calculation Date an amount equal to the aggregate of (without double counting):

- (i) the amount of Interest Receipts received during the previous calendar month;
- (ii) other net income of the CBC including all amounts of interest received on the CBC Transaction Accounts (excluding the Swap Cash Collateral Account (if any)) and the Substitution Assets in the preceding calendar month;
- (iii) all amounts in respect of interest received or to be received by the CBC under the Swap Agreements on the relevant CBC Payment Date (or in the CBC Payment Period immediately preceding the relevant CBC Payment Date but excluding the preceding CBC Payment Date) except for any payments in respect of interest received under the Swap Agreements (other than the Portfolio Swap Agreements) that have been applied towards payment of a Series of Covered Bonds (and, for the avoidance of doubt, excluding Swap Collateral Amounts);
- (iv) any amounts on the Reserve Account released in accordance with the Trust Deed;
- (v) any amounts received as Excess Proceeds in the CBC Payment Period immediately preceding the relevant CBC Payment Date to the extent such proceeds do not relate to principal;
- (vi) any amounts to the extent not relating to principal, reserved on the immediately preceding CBC Payment Date to the extent not applied towards payment of the relevant Series of Covered Bonds or the relevant Swap Agreement or a higher ranking item than payment of the relevant Series of Covered Bonds or the relevant Swap Agreement in the CBC Priority of Payments prior to the relevant CBC Payment Date;
- (vii) any Excess Swap Replacement Amounts as shall be standing to the credit of the Swap Replacement Ledger on the relevant CBC Payment Date; and
- (viii) any other amounts standing to the credit of the CBC Account, to the extent not relating to principal, not excluded by virtue of (i) to (vii) above;

less

- (ix) on the first CBC Payment Date of each year, an amount equal to 10 per cent. of the annual fixed operational expenses of the CBC, with a minimum of euro 2,500.

**"Liquidity Reserve Required Amount"** means, on any date, such amount as required for registered covered bonds pursuant to the CB Regulations to meet the interest payment obligations under the Covered Bonds for the following six (6) months or such other amount as required as liquidity pursuant to the CB Regulations.

**"Reserve Account Required Amount"** means the sum of:

- (i) the higher of:
  - (a) the aggregate of the expected interest payments for each Series for the immediately succeeding three (3) months, as calculated as:
    - (A) if no Swap Agreement has been entered into or if such Swap Agreement has been terminated in relation to a Series (or part thereof), the aggregate amount of the Scheduled Interest due falling in the next following three CBC Payment Periods, or
    - (B) if a Swap Agreement has been entered into in relation to a Series or a part of such Series (which has not been terminated) with a party other than the Issuer, the amount payable by the CBC (or the Issuer on its behalf) pursuant to such Swap Agreement in the three following CBC Payment Periods for such Series prior to netting of any payments thereunder (excluding any Collateral Return Payments as may fall due thereunder), plus, in the case of a partial hedge, any amount described in (A) not covered by such hedge; and
  - (b) the aggregate of the accrued interest for all Series since the last Interest Payment Date of each respective Series (or in case of the first interest period for a Series, the Issue Date);as calculated on the later to occur of each Calculation Date and the last issue date; and
- (ii) 0.04 per cent. of the Principal Amount Outstanding of the Covered Bonds on such Calculation Date (or, as applicable, such last issue date); and
- (iii) EUR 30,000.

### **CBC PRIORITY OF PAYMENTS**

On each CBC Payment Date following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice and a Notice to Pay, but prior to the service of a CBC Acceleration Notice, the Available Revenue Funds and the Available Principal Funds (less any amounts payable to third parties incurred by the CBC in the ordinary course of its business, which may be paid on each day by the CBC) will pursuant to the Trust Deed be applied or reserved (in respect of the immediately following CBC Payment Period (which, for the avoidance of doubt, in this priority of payments commences on such CBC Payment Date)), as the case may be, in the following order of priority (the "**CBC Priority of Payments**"), in each case only if and to the extent that payments or provisions of a higher priority have been made in full:

- (a) *first*, in or towards satisfaction of all amounts due and payable or to become due and payable to the Security Trustee in the immediately following CBC Payment Period under the provisions of the Trust Deed;
- (b) *second*, in or towards satisfaction of taxes owing by the CBC to any tax authority accrued and unpaid (to the extent such amounts cannot be paid out of item (ix) of the Available Revenue Funds);
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts owing *thereto* of any remuneration and any costs, charges, liabilities and expenses then due and payable to the Paying Agents or the Registrar under or pursuant to the Agency Agreement and to any Calculation Agent under any Calculation Agency Agreement or Agency Agreement;
- (d) *fourth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts owing *thereto* of:
  - (i) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicer in the immediately following CBC Payment Period under the provisions of the Servicing Agreement;
  - (ii) any remuneration then due and payable to the Administrator and any costs, charges, liabilities and expenses then due or to become due and payable to the Administrator in the immediately following CBC Payment Period under the provisions of the Administration Agreement;
  - (iii) any amounts (if any) due and payable to the CBC Account Bank (including any costs and negative interest) pursuant to the terms of the CBC Account Agreement;
  - (iv) any amounts (including costs and expenses) due and payable to the Directors; and
  - (v) any amounts due and payable to the Asset Monitor (other than the amounts referred to in paragraph (k) below) pursuant to the terms of the Asset Monitor Appointment Agreement;
- (e) *fifth*, to each Portfolio Swap Counterparty in or towards satisfaction or to be reserved for payment *pro rata* and *pari passu* in accordance with the respective amounts owing *thereto* of all amounts (including any termination payment due and payable by the CBC under the relevant Portfolio Swap Agreement to the extent *not* paid from any Swap Replacement Amounts, but excluding any Excluded Portfolio Swap Termination Amount) then due to it or as will become due and payable to it in the immediately following CBC Payment Period under the relevant Portfolio Swap Agreement;
- (f) *sixth*, in or towards satisfaction or to be reserved for payment *pro rata* and *pari passu* in accordance with the respective amounts owing *thereto* of:
  - (i) all amounts (including any termination payment due and payable by the CBC under the relevant Swap Agreement to the extent not paid from any Swap Replacement Amounts but excluding any Excluded Swap Termination Amount) then due to each Swap Counterparty (other than under to a Portfolio Swap Counterparty, which is paid under item (e) above) or as will become due and payable to it in the immediately following CBC Payment Period under the relevant Interest Swap Agreement; and
  - (ii) all Scheduled Interest that is Due for Payment or will become Due for Payment in the immediately succeeding CBC Payment Period under the Guarantee in respect of any Series of Covered Bonds to the extent that such amounts (i) are not scheduled to be paid in the relevant CBC Payment Period from amounts received (or to be received) under any Swap Agreement connected to such Series or (ii) are scheduled to be paid in the immediately succeeding CBC Payment Period from amounts received (or to be received) under any Swap Agreement connected to such Series but the Administrator determines in its sole discretion that such amounts may not be available as scheduled due to the potential non-performance by a Swap Counterparty of its obligations pursuant to the relevant Swap Agreement;
- (g) *seventh*, in or towards satisfaction of any sums required to replenish the Reserve Account up to the amount of the higher of the Reserve Account Required Amount and the Liquidity Reserve Required Amount;

- (h) *eighth*, in or towards satisfaction or to be reserved for payment, *pro rata* and *pari passu* according to the respective amounts owing thereto, of all Scheduled Principal that is Due for Payment or will become Due for Payment in the immediately succeeding CBC Payment Period under the Guarantee in respect of any Series of Covered Bonds;
- (i) *ninth*, to deposit the remaining moneys in the CBC Account for application on the next following CBC Payment Date in accordance with this priority of payments, until the Covered Bonds have been fully repaid or provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series);
- (j) *tenth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts owing thereto of any Excluded Swap Termination Amount due and payable by the CBC to the relevant Swap Counterparty under the relevant Swap Agreement;
- (k) *eleventh*, in or towards satisfaction of any indemnity amount due to the Transferor pursuant to the Guarantee Support Agreement and certain costs, expenses and indemnity amounts due by the CBC to the Asset Monitor pursuant to the Asset Monitor Appointment Agreement; and
- (l) *twelfth*, thereafter any remaining moneys will be paid to the Issuer.



### **POST CBC ACCELERATION NOTICE PRIORITY OF PAYMENTS**

Under the terms of the Trust Deed, each of the Secured Creditors agrees that all moneys received or recovered by the Security Trustee or any other Secured Creditor (whether in the administration, liquidation of the CBC or otherwise) following the occurrence of a CBC Event of Default and service of a CBC Acceleration Notice and after delivery of such CBC Acceleration Notice, the Security shall become enforceable, less an amount to which the Insurance Savings Participant and the Bank Savings Participant shall be entitled (which shall be equal to (A) the Insurance Savings Participation in each of the Savings Mortgage Receivables and each of the Switch Mortgage Receivables with a Savings Alternative to which the Insurance Savings Participation Agreement apply or, if the amount recovered in respect of such Savings Mortgage Receivable or Switch Mortgage Receivable with a Savings Alternative is less than the Insurance Savings Participation, an amount equal to the amount actually recovered, or (B) the Bank Savings Participation and, if applicable, the Bank Savings Bonus Amount Participation in each of the Bank Savings Mortgage Receivables to which the Bank Savings Participation Agreements apply or, if the amount recovered in respect of such Bank Savings Mortgage Receivable is less than the Bank Savings Participation and, if applicable, the Bank Savings Bonus Amount Participation, an amount equal to the amount actually recovered) and except for Swap Collateral Amounts (which shall first be subject to the provisions set out in the relevant Swap Agreement) will be applied following the enforcement of the security rights in the following order of priority (the "**Post CBC Acceleration Notice Priority of Payments**"), in each case only if and to the extent that payments or provisions of a higher priority have been made in full:

- (a) *first*, in or towards satisfaction of all amounts due and payable or to become due and payable to the Security Trustee under the provisions of the Trust Deed;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts owing thereto, of any remuneration and any costs, charges, liabilities and expenses then due and payable to the Paying Agents or the Registrar under or pursuant to the Agency Agreement and to any Calculation Agent under any Calculation Agency Agreement or Agency Agreement;
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts owing thereto, of:
  - (i) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicer under the provisions of the Servicing Agreement;
  - (ii) any remuneration then due and payable to the Administrator and any costs, charges, liabilities and expenses then due or to become due and payable to the Administrator under the provisions of the Administration Agreement;
  - (iii) any amounts (if any) due and payable to the CBC Account Bank (including any costs and negative interest) pursuant to the terms of the CBC Account Agreement; and
  - (iv) amounts (including costs and expenses) due to the Directors;
- (d) *fourth*, to each Portfolio Swap Counterparty in or towards satisfaction, *pro rata* and *pari passu* in accordance with the respective amounts owing thereto, of any amounts due under the relevant Portfolio Swap Agreement (including any termination payment due and payable by the CBC under the relevant Portfolio Swap Agreement to the extent not paid from any Swap Replacement Amounts but excluding any Excluded Portfolio Swap Termination Amount);
- (e) *fifth*, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts owing thereto, of any amounts due and payable:
  - (i) to the Swap Counterparties under the relevant Swap Agreements (other than under a Portfolio Swap Agreement, which is paid under item (d) above) (including, but not limited to, any termination payment due and payable by the CBC under the relevant Interest Swap Agreement to the extent not paid from any Swap Replacement Amounts but excluding any Excluded Swap Termination Amounts); and
  - (ii) to the Covered Bondholders *pro rata* and *pari passu* in respect of interest due and payable on each Series in accordance with the Guarantee;
- (f) *sixth*, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts thereof, of any amounts due and payable to the Covered Bondholders *pro rata* and *pari passu* in respect of principal due and payable on each Series in accordance with the Guarantee;
- (g) *seventh*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts owing thereto, of any Excluded Swap Termination Amounts due and payable by the CBC to the relevant Swap Counterparty under the relevant Swap Agreement;

- (h) *eighth*, in or towards satisfaction of certain costs, expenses and indemnity amounts due by the CBC to the Asset Monitor pursuant to the Asset Monitor Appointment Agreement; and
- (i) *ninth*, thereafter any remaining moneys will be paid to the Issuer.

The Security Trustee shall give notice to the Covered Bondholders in accordance with Condition 14 (*Notices*) of the date fixed for any payment under the Priorities of Payments. Any payment to be made in respect of the Covered Bonds or Coupons of any Series by the Issuer, the CBC or the Security Trustee may be made in the manner provided in the Conditions, the Agency Agreement and the Trust Deed and any payment so made shall discharge (*kwijten*) the Security Trustee to the extent made.

## **CBC TRANSACTION ACCOUNTS, SWAP REPLACEMENT LEDGER AND CUSTODY**

### **CBC Account**

Pursuant to the terms of the CBC Account Agreement entered into on the Programme Date between the CBC, N.V. Bank Nederlandse Gemeenten as CBC Account Bank and the Security Trustee, the CBC will maintain, with the CBC Account Bank, the CBC Account:

- into which are paid all amounts received by the CBC in respect of Transferred Assets; and
- moneys standing to the credit of which will on each CBC Payment Date be applied by the Administrator in accordance with the relevant Priority of Payments as described above in more detail.

### **CBC Account Bank Rating**

If the unsecured, unsubordinated and unguaranteed debt obligations of the CBC Account Bank cease to be rated the relevant ratings (as required at the date of this Base Prospectus being at least the Requisite Credit Rating) then within the Relevant Remedy Period of such occurrence either (unless no financial institution is available that has the Requisite Credit Rating):

- the CBC Account will be closed and new accounts opened under the terms of a new CBC Account Agreement substantially on the same terms as the CBC Account Agreement with a financial institution whose short term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least the Requisite Credit Rating; or
- the CBC Account Bank will obtain a guarantee of its obligations under the CBC Account Agreement on terms acceptable to the Security Trustee, acting reasonably, from a financial institution whose short term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least the Requisite Credit Rating.

### **Interest Rate**

Pursuant to the CBC Account Agreement, the CBC Account Bank has agreed to pay interest on the CBC Transaction Accounts Funds at the rate determined in accordance with the CBC Account Agreement. In the event that the interest rate in respect of any of the CBC Transaction Accounts is less than zero, such amount will be payable by the CBC or the Issuer on behalf of the CBC to the CBC Account Bank.

### **Reserve Account**

Pursuant to the Trust Deed, the CBC will be required to open the Reserve Account which will be credited by the Issuer with an amount equal to the higher of (i) the Reserve Account Required Amount and (ii) the Liquidity Reserve Required Amount.

After the earlier of (i) the date falling three (3) months after the occurrence of an Assignment Notification Event pursuant to which the relevant Borrowers have been notified and have been instructed to direct any payments under such Mortgage Receivables to the CBC or (ii) the date on which the CBC demonstrates that the relevant Borrowers pay the required amounts under the Mortgage Receivables to the CBC, the Reserve Account Required Amount will be reduced to zero. Any amounts which may be released from the Reserve Account will be added to certain other income of the CBC in calculating the Available Revenue Funds and applied in accordance with the relevant Priority of Payments.

In case the Available Revenue Funds and the Available Principal Funds are, on a CBC Payment Date, insufficient to meet items (a) to (f) inclusive of the CBC Priority of Payments, all amounts credited to the Reserve Account will be available on such CBC Payment Date to meet items (a) to (f) inclusive of the CBC Priority of Payments and will be released accordingly and form part of the Available Revenue Funds.

In the Interim Period all amounts credited to the Reserve Account will be available to meet any amount of interest due on any Series of Covered Bonds in such Interim Period and will be released accordingly to pay directly, outside any Priority of Payments, any amount of Scheduled Interest due on the Covered Bonds. If the amount credited to the Reserve Account exceeds the higher of (i) the Reserve Account Required Amount and (ii) the Liquidity Reserve Required Amount, such excess will be released and will form part of the Available Revenue Funds.

### **Additional Accounts**

The CBC and the CBC Account Bank may from time to time agree to create additional accounts, including a swap cash collateral account, for the purpose of making deposits with a different interest rate in the name of

the CBC with the CBC Account Bank (provided that the Security Trustee has consented in writing). Any such additional accounts will be kept separate from the relevant CBC Transaction Account to which it is connected. The CBC may only transfer amounts from such additional accounts to the relevant CBC Transaction Account to which it is connected and any amount to be transferred to such additional accounts may only be transferred from the relevant CBC Transaction Account.

In the event the CBC is obliged to open any other accounts than the CBC Transaction Accounts, the CBC Account Bank will, on the instructions of the CBC, open such new accounts under the terms of this CBC Account Agreement in the name of the CBC.

**Swap Cash Collateral Account**

The CBC shall open a Swap Cash Collateral Account if it enters into a Swap Agreement. If the CBC has opened a Swap Cash Collateral Account, the CBC shall maintain the Swap Replacement Ledger to which it shall credit the Swap Replacement Amounts.

**Custody**

The CBC shall appoint a custodian to provide custody services in relation to certain securities which qualify as Substitution Assets or other collateral transferred to the CBC if such securities are transferred to the CBC or other collateral transferred to the CBC. Such securities and any other collateral will be serviced in accordance with a custody agreement.

## 18. DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published or are published simultaneously with this Base Prospectus and have been approved by the AFM or filed with it, shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

- (a) the articles of association (*statuten*) of the Issuer (the official Dutch version and an English translation thereof);
- (b) the overview of the financial developments of the Issuer which appears on page 10 of the Issuer's Annual Report 2017;
- (c) the overview of the financial developments of the Issuer which appears on page 10 of the Issuer's Annual Report 2016;
- (d) the audited consolidated financial statements of the Issuer for the financial year ended 31 December 2017 which appear on pages 18 to 76 of the Issuer's Annual Report 2017 together with the independent auditor's report dated 24 April 2018, which appears on pages 87 to 93 of the Issuer's Annual Report 2017, which have been previously published and which have been filed with the AFM
- (e) the audited consolidated financial statements of the Issuer for the financial year ended 31 December 2016 which appear on pages 17 to 67 of the Issuer's Annual Report 2016 together with the independent auditor's report dated 9 May 2017, which appears on pages 78 to 83 of the Issuer's Annual Report 2016, which have been previously published and which have been filed with the AFM; and
- (f) the Annual Report 2017 of Delta Lloyd Bank.

Such documents shall be incorporated in and form part of this Base Prospectus.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus may be obtained (without charge) from the Issuer's website at [www.nn.nl/over-NationaleNederlanden/wie-zijn-wij/jaarverslagen.htm](http://www.nn.nl/over-NationaleNederlanden/wie-zijn-wij/jaarverslagen.htm).

## 19. GENERAL INFORMATION

1. The (i) establishment of the Programme and the issue of Covered Bonds under the Programme from time to time and (ii) the update of the Programme have been duly authorised by resolutions of the Board of Managing Directors of the Issuer dated 19 September 2017 and 28 May 2018, respectively. All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under Dutch law have been given for the issue of Covered Bonds and for the Issuer to undertake and perform its obligations under the Transaction Documents.
2. The issuing of the Guarantee has been duly authorised by resolutions of the Board of Managing Directors of the CBC dated 15 September 2017 and 29 May 2018, respectively.
3. Application may be made for Covered Bonds issued under the Programme to be listed on the official list of Euronext Amsterdam during the period of twelve (12) months from the date of this Base Prospectus. Notice of any terms and conditions not contained herein which are applicable to the Covered Bonds will be set out in the Final Terms which, with respect to such Covered Bonds to be listed on Euronext Amsterdam, will be delivered to Euronext Amsterdam on or before the date of issue. Covered Bonds issued under the Programme may also be listed on any other stock exchange specified in the applicable Final Terms or be unlisted.
4. Ernst & Young Accountants LLP and KPMG Accountants N.V. have given and have not withdrawn its written consent to the issue of this Base Prospectus with their report incorporated by reference herein in the form and context in which it appears. Partners employed by Ernst & Young Accountants LLP and KPMG Accountants N.V. are members of the NBA (*Nederlandse Beroepsorganisatie van Accountants*), the Netherlands Institute of Chartered Accountants.
5. Copies of the following documents may for the life of the Base Prospectus be inspected at the specified offices of the Security Trustee and the Principal Paying Agent during normal business hours:
  - (i) the Deed of Incorporation, including the articles of association of the Issuer, the Security Trustee and the CBC;
  - (ii) the Pledge Agreements;
  - (iii) the Administration Agreement;
  - (iv) the Servicing Agreement;
  - (v) the CBC Account Agreement;
  - (vi) the Trust Deed;
  - (vii) the Parallel Debt Agreement;
  - (viii) the Agency Agreement;
  - (ix) the Guarantee Support Agreement;
  - (x) the Asset Monitoring Agreement;
  - (xi) the Asset Monitor Appointment Agreement;
  - (xii) the Master Definitions Agreement;
  - (xiii) the Savings Participation Agreements; and
  - (xiv) the Management Agreements.
6. The audited annual financial statements of the Issuer prepared annually will be made available, free of charge, at the specified offices of the Issuer.
7. A copy of the Issuer's articles of association is available, free of charge, at the office of the Issuer.
8. The audited annual financial statements of the CBC prepared annually will be made available, free of charge, at the specified offices of the CBC.
9. A copy of the CBC's articles of association is available, free of charge, at the office of the CBC.
10. Application will be made for the Covered Bonds to be accepted for clearance through Euroclear and Clearstream, Luxembourg or Euroclear Nederland, or any other agreed clearing system, as the case

may be. The appropriate common code, ISIN and security code allocated by Euroclear and Clearstream, Luxembourg or Euroclear Nederland, or any other agreed clearing system, as the case may be, will be specified in the applicable Final Terms.

11. A monthly report on the Covered Bonds under this Programme will be published on and can be obtained at: [www.nn-group.com](http://www.nn-group.com).
12. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or, as far as the Issuer is aware, threatened) which may have or have had in the twelve (12) months preceding the date of this Base Prospectus a significant effect on the financial position or profitability of the Issuer.
13. There has been no significant change in the financial or trading position of the Issuer, which has occurred since the end of the financial year ending 31 December 2017. Neither has there been a material adverse change in the financial position or prospects of the Issuer since 31 December 2017, for which period audited financial information has been published by the Issuer.

## 20. GLOSSARY OF DEFINED TERMS

<b>ABN AMRO</b>	ABN AMRO Bank N.V.
<b>Accrued Interest</b>	means in relation to any Mortgage Receivable and as at any date interest on such Mortgage Receivable (not being interest which is currently payable on such date) which has accrued from and including the scheduled interest payment date under the associated Mortgage Loan immediately prior to the relevant date up to and including that date.
<b>Adjusted Aggregate Asset Amount</b>	has the meaning ascribed thereto in section 15 ' <i>Asset Monitoring</i> ' under <i>Asset Cover Test</i> of this Base Prospectus.
<b>Adjusted Current Balance</b>	has the meaning ascribed thereto in section 15 ' <i>Asset Monitoring</i> ' under <i>Asset Cover Test</i> of this Base Prospectus.
<b>Adjusted Required Redemption Amount</b>	has the meaning ascribed thereto in section 15 ' <i>Asset Monitoring</i> ' section <i>Sale or Refinancing of Selected Assets</i> of this Base Prospectus.
<b>Administration Agreement</b>	means the administration agreement dated the Programme Date entered into between the Administrator, the CBC and the Security Trustee as the same may be amended and/or supplemented and/or restated and/or novated or otherwise modified from time to time.
<b>Administrator</b>	means NN Bank in its capacity as administrator under the Administration Agreement or its successor or successors.
<b>AFM</b>	means the Dutch Authority for the Financial Markets ( <i>Stichting Autoriteit Financiële Markten</i> ).
<b>Agency Agreement</b>	means the agency agreement dated the Programme Date entered into between the Issuer, the CBC, the Security Trustee and the Principal Paying Agents and the Registrar and any other agents named therein as the same may be amended and/or supplemented and/or restated and/or novated or otherwise modified from time to time.
<b>All Moneys Mortgage</b>	means any mortgage right ( <i>hypotheekrecht</i> ) which secures not only the loan granted to the Borrower to purchase the mortgaged property, but also any other liabilities and any moneys that the Borrower, now or in the future, may owe to the relevant Originator and/or Transferor either (i) regardless of the basis of such liability or (ii) under or in connection with the credit relationship ( <i>kredietrelatie</i> ) of the Borrower and the relevant Originator and/or Transferor.
<b>All Moneys Pledge</b>	means any pledge ( <i>pandrecht</i> ) which secures (i) not only the loan granted to the Borrower to purchase the mortgaged property, but also any other liabilities and moneys that the Borrower, now or in the future, may owe to the relevant Originator and/or Transferor either (i) regardless of the basis of such liability or (ii) under or in connection with the credit relationship ( <i>kredietrelatie</i> ) of the Borrower and the relevant Originator and/or Transferor.
<b>All Moneys Security Rights</b>	means any and all Moneys Mortgages and All Moneys Pledges jointly.
<b>Amortisation Test</b>	has the meaning ascribed thereto in section 15 ' <i>Asset Monitoring</i> ' under <i>Amortisation Test</i> of this Base Prospectus.



<b>Amortisation Test Aggregate Asset Amount</b>	has the meaning ascribed thereto in section 15 ' <i>Asset Monitoring</i> ' under <i>Amortisation Test</i> of this Base Prospectus.
<b>Amortisation Test Current Balance</b>	has the meaning ascribed thereto in section 15 ' <i>Asset Monitoring</i> ' under <i>Amortisation Test</i> of this Base Prospectus.
<b>Annuity Mortgage Loan</b>	means a mortgage loan or part thereof in respect of which the Borrower pays a fixed monthly instalment, made up of an initially high and thereafter decreasing interest portion and an initially low and thereafter increasing principal portion, and calculated in such manner that such mortgage loan will be fully redeemed at its maturity.
<b>Arranger</b>	means ABN AMRO.
<b>Arrears of Interest</b>	means in relation to any Mortgage Receivable and as at any date, interest which is due and payable and unpaid up to and including that date.
<b>Asset Cover Report</b>	means the asset cover report prepared each month by the Administrator for the CBC which include the relevant calculations in respect of the Asset Cover Test.
<b>Asset Cover Test</b>	has the meaning ascribed thereto in section 15 ' <i>Asset Monitoring</i> ' under <i>Asset Cover Test</i> of this Base Prospectus.
<b>Asset Monitor</b>	means KPMG Accountants N.V.
<b>Asset Monitor Appointment Agreement</b>	means the asset monitor appointment agreement dated the Programme Date entered into between the Asset Monitor, the Issuer, the Administrator, the CBC and the Security Trustee as the same may be amended and/or supplemented and/or restated and/or novated or otherwise modified from time to time.
<b>Asset Monitor Report</b>	means the asset monitor report prepared by the Asset Monitor for the CBC which includes the results of the tests of arithmetical accuracy conducted by the Asset Monitor in accordance with the Asset Monitor Appointment Agreement.
<b>Asset Monitoring Agreement</b>	means the asset monitoring agreement dated the Programme Date entered into between the Administrator, the Issuer, the CBC and the Security Trustee as the same may be amended and/or supplemented and/or restated and/or novated or otherwise modified from time to time.
<b>Asset Percentage</b>	means 93 per cent. or such other percentage figure as is determined from time to time in accordance with the Asset Monitoring Agreement as described above.
<b>Assignment I</b>	has the meaning ascribed thereto in section 3 ' <i>Risk Factors</i> ' in the risk factor <i>Risk related to payments received by the Transferor or the Originators prior to notification of the assignment to the CBC</i> and section 9 ' <i>Guarantee Support</i> ' of this Base Prospectus.
<b>Assignment II</b>	has the meaning ascribed thereto in section 3 ' <i>Risk Factors</i> ' in the risk factor <i>Risk related to payments received by the Transferor or the Originators prior to notification of the assignment to the CBC</i> and section 9 ' <i>Guarantee Support</i> ' of this Base Prospectus.
<b>Assignment</b>	means any of the events specified as such in section 9 ' <i>Guarantee</i>

<b>Notification Event</b>	<i>Support</i> of this Base Prospectus.
<b>Assumed Mortgage Interest Rate</b>	has the meaning ascribed thereto in section 15 ' <i>Asset Monitoring</i> ' under Asset Cover Test of this Base Prospectus.
<b>Available Principal Funds</b>	has the meaning ascribed thereto in section 17 ' <i>Cashflows</i> ' of this Base Prospectus.
<b>Available Revenue Funds</b>	has the meaning ascribed thereto in section 17 ' <i>Cashflows</i> ' of this Base Prospectus.
<b>Bank Savings Account</b>	means, in respect of a Bank Savings Mortgage Loan, a blocked savings account in the name of a Borrower held with the Bank Savings Participant.
<b>Bank Savings Bonus Amount</b>	means each bonus amount in respect of a Bank Savings Mortgage Loan to which the Borrower becomes entitled on a <i>Drempeldatum</i> (the relevant threshold dates as defined and set out in the terms and conditions of the Bank Savings Mortgage Loans), during the Calculation Period immediately preceding the CBC Payment Date.
<b>Bank Savings Bonus Amount Participation</b>	means, on any Calculation Date, in respect of each Bank Savings Mortgage Receivable an amount equal to aggregate Bank Savings Bonus Amount, but not exceeding an amount equal to the Outstanding Principal Amount of such Bank Savings Mortgage Receivable minus the Bank Savings Participation of such Bank Savings Mortgage Receivable.
<b>Bank Savings Deposit</b>	means, in relation to a Bank Savings Mortgage Loan, the balance standing to the credit of the relevant Bank Savings Account.
<b>Bank Savings Mortgage Loan</b>	means a mortgage loan or part thereof in respect of which the Borrower is not required to repay the principal until maturity but instead makes a deposit into the relevant Bank Savings Account.
<b>Bank Savings Mortgage Receivable</b>	means the Mortgage Receivable resulting from a Bank Savings Mortgage Loan.
<b>Bank Savings Participant</b>	means NN Bank.
<b>Bank Savings Participation</b>	means, on any CBC Payment Date, in respect of each Bank Savings Mortgage Receivable an amount equal to the Initial Bank Savings Participation in respect of such Bank Savings Mortgage Receivable increased with each Bank Savings Participation Increase up to (and including) the Calculation Period immediately preceding such CBC Payment Date, but not exceeding an amount equal to the Outstanding Principal Amount of such Bank Savings Mortgage Receivable minus the Bank Savings Bonus Amount Participation in such Bank Savings Mortgage Receivable.
<b>Bank Savings Participation Agreement</b>	means the bank savings participation agreement dated the Programme Date entered into between the CBC, the Security Trustee and the Bank Savings Participant as the same may be amended and/or supplemented and/or restated and/or novated or otherwise modified from time to time.
<b>Bank Savings Participation Fraction</b>	means an amount equal to the net amount received or recovered multiplied by the Bank Savings Participation divided by the Outstanding Principal Amount of such Bank Savings Mortgage Receivable.

<b>Bank Savings Participation Increase</b>	has the meaning ascribed thereto in section 14 ' <i>Participation Agreements</i> ' of this Base Prospectus.
<b>Bank Savings Participation Redemption Available Amount</b>	has the meaning ascribed thereto in section 14 ' <i>Participation Agreements</i> ' of this Base Prospectus.
<b>Base Prospectus</b>	means this base prospectus dated 29 May 2018.
<b>Bearer Covered Bonds</b>	means the Covered Bonds in bearer form.
<b>Benchmark Regulation</b>	means Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014.
<b>Beneficiary Rights</b>	means all rights and/or claims which the relevant Originator (and after the assignment thereof to the Transferor, the Transferor) has <i>vis-à-vis</i> the Insurance Company in respect of an Insurance Policy, under which the relevant Originator has been appointed by the Borrower as beneficiary ( <i>begunstigde</i> ) in connection with the relevant Mortgage Receivable.
<b>Borrower</b>	means the debtor or debtors, including any jointly and severally liable co-debtor or co-debtors, of a Mortgage Loan.
<b>Borrower Bank Savings Deposit Pledge</b>	means a pledge ( <i>pandrecht</i> ) originally created in favour of the relevant Originator on the rights of the relevant pledgor against NN Bank in relation to the Bank Savings Account to secure the relevant Mortgage Receivable.
<b>Borrower Insurance Pledge</b>	means a pledge ( <i>pandrecht</i> ) originally created in favour of the relevant Originator on the rights of the relevant pledgor against the Insurance Company under the relevant Insurance Policy securing the relevant Mortgage Receivable.
<b>Borrower Insurance Proceeds Instruction</b>	means an instruction ( <i>opdracht</i> ) and power of attorney ( <i>volmacht</i> ) by a beneficiary under an Insurance Policy to the Insurance Company to apply the insurance proceeds towards repayment of the same debt for which the relevant Borrower Insurance Pledge was created.
<b>Borrower Investment Account</b>	means, in respect of an Investment Mortgage Loan, an investment account in the name of the relevant Borrower.
<b>Borrower Investment Pledge</b>	means a right of pledge ( <i>pandrecht</i> ) on the rights of the relevant Borrower in connection with the Borrower Investment Account in relation to Investment Mortgage Loans.
<b>Borrower Pledge</b>	means a right of pledge ( <i>pandrecht</i> ) securing the relevant Mortgage Receivable, including a Borrower Bank Savings Deposit Pledge, a Borrower Insurance Pledge and a Borrower Investment Pledge.
<b>Breach of Amortisation Test</b>	has the meaning ascribed thereto in section 15 ' <i>Asset Monitoring</i> ' under <i>Amortisation Test</i> of this Base Prospectus.
<b>Breach of Amortisation Test Notice</b>	means the notice from the Security Trustee to the CBC and the Issuer in writing stating that a Breach of Amortisation Test has occurred and that all Covered Bonds become Pass-Through Covered Bonds.

<b>Breach of Asset Cover Test</b>	has the meaning ascribed thereto in section 15 ' <i>Asset Monitoring</i> ' under <i>Asset Cover Test</i> of this Base Prospectus.
<b>Breach of Asset Cover Test Notice</b>	means a notice served by the Security Trustee addressed to the Issuer and the CBC informing them that a Breach of Asset Cover Test has occurred (i.e. the Asset Cover Test is breached for the second time in a row) and that, until remedied, no new Covered Bonds may be issued and that certain payments will not be made to the Issuer.
<b>BRRD</b>	means Directive 2014/59/EU of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms.
<b>Business Day</b>	means (i) a day on which banks are generally open for business in Amsterdam and London, provided that such day is also a day on which TARGET 2 or any successor thereto is operating credit or transfer instructions in respect of payments in euro, or (ii), if used in or by reference to Condition 5 ( <i>Interest</i> ), such day as determined in accordance with Condition 5 ( <i>Interest</i> ) and the applicable Final Terms.
<b>Calculation Agent</b>	has the meaning ascribed thereto in Condition 5 (B) ( <i>Interest</i> ).
<b>Calculation Amount</b>	has the meaning ascribed thereto in the applicable Final Terms or, if no such amount is specified in the applicable Final Terms, the Specified Denomination.
<b>Calculation Date</b>	has the meaning ascribed thereto in Condition 10(b) ( <i>Events of Default and Enforcement</i> ).
<b>Calculation Period</b>	has the meaning ascribed thereto in Condition 10(b) ( <i>Events of Default and Enforcement</i> ).
<b>Cap</b>	means the maximum interest rate that may apply to a Floating Rate Covered Bond.
<b>CB Regulations</b>	means the applicable Dutch covered bond law and regulations relating to the legal requirements for registered covered bonds ( <i>geregistreeerde gedekte obligaties</i> ) as amended from time to time and as currently included in the Wft and regulations relating thereto.
<b>CBC</b>	means NN Conditional Pass-Through Covered Bond Company B.V.
<b>CBC Acceleration Notice</b>	means a notice from the Security Trustee in writing to the CBC, copied to the Issuer, that each Covered Bond of each Series is, and each Covered Bond of each Series shall as against the Issuer (if not already due and repayable against it following an Issuer Event of Default) and, through the Guarantee, as against the CBC, thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed.
<b>CBC Account</b>	means the bank account of the CBC designated as such in the CBC Account Agreement.
<b>CBC Account Agreement</b>	means the CBC account agreement dated the Programme Date entered into between the CBC, the CBC Account Bank and the Security Trustee as the same may be amended and/or supplemented and/or restated and/or novated or otherwise modified from time to time.

<b>CBC Account Bank</b>	means N.V. Bank Nederlandse Gemeenten.
<b>CBC Event of Default</b>	means any of the events specified as such in Condition 10(b) ( <i>Events of Default and Enforcement</i> ).
<b>CBC Payment Date</b>	has the meaning ascribed thereto in Condition 10(b) ( <i>Events of Default and Enforcement</i> ).
<b>CBC Payment Period</b>	means each period from (and including) a CBC Payment Date to (but excluding) the next CBC Payment Date.
<b>CBC Priority of Payments</b>	has the meaning ascribed thereto in section 17 ' <i>Cashflows</i> ' of this Base Prospectus.
<b>CBC Transaction Account Funds</b>	means the balance standing to the credit of each CBC Transaction Account from time to time.
<b>CBC Transaction Accounts</b>	means the CBC Account, the Reserve Account and the Swap Cash Collateral Account (if any) and additional or replacement accounts opened in the name of the CBC with the CBC Account Bank.
<b>CBC Transaction Documents</b>	means (i) the Guarantee Support Agreement, (ii) the Servicing Agreement, (iii) the Administration Agreement, (iv) any Swap Agreement, (v) the Asset Monitor Appointment Agreement; (vi) the Agency Agreement; and (vii) the CBC Account Agreement.
<b>Clearstream, Luxembourg</b>	means Clearstream Banking, société anonyme, Luxembourg.
<b>Collar</b>	means the structure in which both a Cap and a Floor apply to a Floating Rate Covered Bond.
<b>Collateral Market Value</b>	means the market value of the relevant Transferred Collateral on any date.
<b>Collateral Return Payments</b>	means any payments or deliveries to be made in respect of the return of any Swap Collateral Amounts by the CBC to the relevant Swap Counterparty pursuant to the relevant Swap Agreement.
<b>Collection Accounts</b>	means the bank accounts maintained by (i) NN Insurance Eurasia N.V. prior to the occurrence of a Trigger Event or (ii) the Collection Foundation after the occurrence of a Trigger Event, into which payments made by the relevant Borrowers under or in connection with the Mortgage Receivables will be paid.
<b>Collection Foundation</b>	means Stichting Nationale-Nederlanden Hypotheek Incasso, a foundation ( <i>stichting</i> ) organised under the laws of the Netherlands and with its statutory seat in Amsterdam, the Netherlands or its successor or successors.
<b>Compensation Schemes</b>	means the Netherlands and other jurisdictions deposit guarantee schemes and similar funds.
<b>Conditions</b>	means in respect of a Series or Tranche the Terms and Conditions as supplemented, amended and/or disappplied by the relevant Final Terms.
<b>Construction Deposit</b>	means in relation to a Mortgage Loan, that part of the Mortgage Loan which the relevant Borrower requested to be disbursed into a blocked

account held in his name with the relevant Originator, the proceeds of which can only be applied towards construction of, or improvements to, the relevant Mortgaged Asset.

<b>Convertibility Event</b>	means the (indirect or direct) determination by government of the Netherlands, that the euro is substituted by another currency.
<b>Couponholders</b>	means the holders of the Coupons.
<b>Coupons</b>	means the interest coupons appertaining to the Covered Bonds.
<b>Covered Bondholders</b>	means the holders for the time being of the Covered Bonds.
<b>Covered Bonds</b>	means the conditional pass-through covered bonds issued or to be issued under the Programme.
<b>CRA Regulation</b>	means Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (as amended).
<b>CRD IV</b>	means the CRD IV Directive and the CRR together.
<b>CRD IV Directive</b>	means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.
<b>CRR</b>	means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, as amended from time to time, and includes any regulatory technical standards and any implementing technical standards issued by the European Banking Authority or any successor body, from time to time.
<b>CRR Status</b>	means that the Programme and/or the Covered Bonds issued thereunder, as applicable, comply with the requirements set out in article 129 of the CRR and its relevant implementing measures or its successor regulations.
<b>Current Balance</b>	means in relation to an Eligible Receivable at any date, the aggregate (without double counting) of the Net Outstanding Principal Amount, Accrued Interest (unless it concerns calculations for either the Asset Cover Test or the Amortisation Test Aggregate Asset Amount, in which case Accrued Interest will not be included) and Arrears of Interest as at that date.
<b>Cut-Off Date</b>	means the first day of the month immediately preceding the date on which Mortgage Receivables are transferred or, in respect of other Transferred Assets, the date of transfer.
<b>Day Count Fraction</b>	has the meaning ascribed thereto in the applicable Final Terms.
<b>Dealers</b>	means ABN AMRO and any other dealer appointed to the Programme or a particular Tranche of Covered Bonds pursuant to the Programme Agreement, which appointment may be for a specific issue or on an ongoing basis.
<b>Deductible Other Claim</b>	has the meaning ascribed thereto in section 15 ' <i>Asset Monitoring</i> ' under

*Asset Cover Test* of this Base Prospectus.

**Deed of Assignment and Pledge**

means a deed of assignment and pledge in the form set out in the Guarantee Support Agreement.

**Defaulted Receivable**

means any Mortgage Receivable (other than any Mortgage Receivable in respect of which payment is disputed (in whole or in part, with or without justification) by the Borrower owing such Mortgage Receivable or any Mortgage Receivable which has been written off by the Transferor or the relevant Originator as irrecoverable for accounting purposes in accordance with the Transferor's or the relevant Originator's general accounting practices) in respect of which:

- (i) a declaration has been made by the Transferor or the relevant Originator that such Mortgage Receivable is irrecoverable;
- (ii) legal proceedings have been commenced for its recovery;
- (iii) the related Borrower is declared bankrupt (*failliet verklaard*) or has been granted a suspension of payments (*surseance van betaling*) or debt rescheduling arrangement (*schuldsaneringsregeling*) or equivalent or analogous events or proceedings have occurred in relation to the relevant Borrower; or
- (iv) the relevant Borrower has not paid (including, without limitation, payments made by third parties on behalf of the Borrower) by the end of the calendar month during which such Mortgage Receivable becomes more than ninety (90) calendar days overdue for payment from the original date on which such Mortgage Receivable is due and payable.

**Definitive Covered Bonds**

means Covered Bonds in definitive form in respect of any Series of Covered Bonds.

**Delivery Event**

means the event that Euroclear Nederland has been closed for business for a continuous period of fourteen (14) calendar days (other than by reason of holiday, statutory or otherwise) or has announced an intention to cease business permanently or has in fact done so and no successor clearing system is available, provided always that in such case Definitive Covered Bonds may be delivered (*uitgeleverd*) pursuant to the Dutch Securities Giro Transfer Act (*Wet giraal effectenverkeer*).

**Delta Lloyd**

means Delta Lloyd N.V.

**Delta Lloyd Bank**

means Delta Lloyd Bank N.V.

**Deposit Agreement**

means the deposit agreement dated the Programme Date entered into between the CBC, the Security Trustee, the Issuer, the Transferor, the Servicer and NautaDutilh N.V. as the same may be amended and/or supplemented and/or restated and/or novated or otherwise modified from time to time.

**Deposit Guarantee Scheme**

means the Dutch Deposit Guarantee Scheme (*depositogarantiestelsel*).

**Determination Period**

has the meaning ascribed thereto in Condition 4 (*Redenomination*).

**Directors**

means Intertrust Management B.V., the sole director of the CBC and the sole director of the Stichting Holding and SGG Securitisation Services B.V., the sole director of the Security Trustee.

<b>Distribution Compliance Period</b>	has the meaning given to that term in Regulation S under the Securities Act.
<b>DNB</b>	means the Dutch Central Bank ( <i>De Nederlandsche Bank N.V.</i> ).
<b>DNB-registered covered bonds</b>	means covered bonds registered with DNB.
<b>Draft RTS</b>	means the draft regulatory technical standards on the central clearing obligation of certain interest rate OTC derivative contracts as submitted by ESMA to the European Commission on 29 January 2015.
<b>Due for Payment</b>	means, with respect to a Guaranteed Amount, (i) prior to the service of a CBC Acceleration Notice, the Scheduled Payment Date in respect of such Guaranteed Amount or, if later, the day which is two (2) Business Days after service of an Issuer Acceleration Notice and a Notice to Pay on the CBC or (ii) after the service of a CBC Acceleration Notice, the date on which the CBC Acceleration Notice is served (or, in either case, if such day is not a Business Day, the first following Business Day).
<b>Dutch Civil Code</b>	means the Dutch Civil Code ( <i>Burgerlijk Wetboek</i> ) as amended from time to time.
<b>Early Redemption Amount</b>	has the meaning ascribed thereto in Condition 7(e) ( <i>Redemption and Purchase</i> ).
<b>EC</b>	means the European Commission.
<b>Eligibility Criteria</b>	means the eligibility criteria set out in section 9 ' <i>Guarantee Support</i> ' of this Base Prospectus.
<b>Eligible Assets</b>	means the Eligible Receivables and the Eligible Collateral.
<b>Eligible Collateral</b>	means euro denominated cash and/or Substitution Assets.
<b>Eligible Receivable</b>	means a mortgage receivable or a mortgage loan to which it relates which complies with the Eligibility Criteria as at the relevant Transfer Date.
<b>Eligible Swap Counterparty</b>	means a financial institution which is permitted to enter into derivative contracts with Dutch entities and whose unsecured, unsubordinated and unguaranteed debt obligations are rated not lower than the minimum ratings as amended from time to time, as at the date of this Base Prospectus being A (long-term) and A-1 (short term) by S&P, or such other rating as the Rating Agencies may be comfortable with to maintain the then current rating of the Covered Bonds.
<b>EMIR</b>	means EU Regulation 648/2012 on OTC derivatives, central counterparties and trade repositories (commonly known as the European Market Infrastructure Regulation).
<b>EONIA</b>	means the Euro Overnight Index Average as published jointly by the European Banking Federation and ACI/The Financial Market Association.
<b>ESMA</b>	means the European Securities and Markets Authority.
<b>EU Treaty</b>	means the treaty on the functioning of the European Union, as amended.
<b>EURIBOR</b>	means the Euro-zone inter-bank offered rate or its successor rate.



<b>euro</b>	means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the EU Treaty.
<b>Euroclear</b>	means Euroclear Bank S.A./N.V. or its successor or successors as operator of the Euroclear System.
<b>Euroclear Nederland</b>	means <i>Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V</i> or its successor or successors.
<b>Euronext Amsterdam</b>	means Euronext in Amsterdam, the regulated market of Euronext Amsterdam N.V.
<b>Eurosystem</b>	means the central banking system for the euro.
<b>Excess Long Term Mortgage Loans Ratio</b>	has the meaning ascribed thereto in section 15 ' <i>Asset Monitoring</i> ' of this Base Prospectus.
<b>Excess Proceeds</b>	means all moneys (including Swap Collateral) received by the Security Trustee from the Issuer or any administrator, liquidator, trustee or other similar official appointed in relation to the Issuer following the service of an Issuer Acceleration Notice and a Notice to Pay but prior to a CBC Acceleration Notice.
<b>Excess Swap Replacement Amounts</b>	means, in case of replacement of a Swap Agreement, the amount by which (i) the Swap Replacement Amount received by the CBC in connection with the Swap Agreement that is replaced exceeds (ii) the amounts debited to the Swap Replacement Ledger pursuant to the Administration Agreement in respect of the replacement of such transaction (or the relevant Series will be redeemed or have been redeemed with the proceeds of a sale of Transferred Assets and the Swap Agreement has been terminated in connection with such redemption).
<b>Exchange Date</b>	means the date, not earlier than forty (40) calendar days (nor (if the Temporary Global Covered Bond has been deposited with Euroclear Nederland) more than ninety (90) calendar days) after the issue date of the Covered Bonds (or the "restricted period" within the meaning of U.S. Treasury Regulations section 1.163-5(c)(2)(i)(D)(7)) on which interest in the Temporary Global Covered Bonds will be exchangeable for interests in the Permanent Global Covered Bonds.
<b>Exchange Event</b>	means that (i) the Covered Bonds become immediately due and repayable by reason of a CBC Event of Default or (ii) the Issuer has been notified that Euroclear and Clearstream, Luxembourg or, if applicable in respect of the relevant Series, Euroclear Nederland have been closed for business for a continuous period of fourteen (14) days (other than by reason of holiday, statutory or otherwise) or have announced an intention to cease business permanently or have in fact done so and no successor clearing system is available or (iii) the Issuer or the CBC has or will become subject to adverse tax consequences which would not be suffered if the Covered Bonds represented by the Permanent Global Covered Bond, were in definitive form.
<b>Excluded Swap Termination Amount</b>	means, in relation to a Swap Agreement, an amount equal to the amount of any termination payment due and payable to the relevant Swap Counterparty as a result of (a) an Event of Default or Termination Event (each as defined in such Swap Agreements) where the relevant Swap Counterparty is the Defaulting Party or the sole Affected Party or (b) a

downgrade with respect to such Swap Counterparty.

<b>Extended Due for Payment Date</b>	means, subject to Condition 7(c) ( <i>Redemption at the option of the Issuer (Issuer Call)</i> ), the date falling thirty-two (32) years after the Maturity Date, as specified as such in the applicable Final Terms.
<b>Extraordinary Resolution</b>	has the meaning ascribed thereto in Condition 15 ( <i>Meeting of Covered Bondholders, modification and waiver</i> ).
<b>FATCA</b>	means sections 1471 through 1474 of the US IR Code.
<b>FATCA Withholding</b>	means any withholding under FATCA or otherwise imposed pursuant to any regulations or agreements thereunder, official interpretation thereof, or any law implementing an intergovernmental agreement thereto.
<b>FFI</b>	means the relevant non-U.S. financial institution pursuant to FATCA.
<b>Final Redemption Amount</b>	means the final redemption amount specified in, or determined in the manner specified in, the applicable Final Terms in euro on the Maturity Date.
<b>Final Terms</b>	means any duly completed final terms in the form as set out in section 6 ' <i>Conditional Pass-Through Covered Bonds</i> ' of this Base Prospectus.
<b>First Regulatory Current Balance Amount</b>	has the meaning ascribed thereto in section 15 ' <i>Asset Monitoring</i> ' of this Base Prospectus.
<b>Fiscal Treaty</b>	means the Treaty of Stability, Coordination and Governance signed by 25 EU member states on 2 March 2012.
<b>Fixed Rate Covered Bonds</b>	means Covered Bonds which will bear interest at a fixed rate, payable on such date or dates, as set forth in the applicable Final Terms.
<b>Floating Interest Amount</b>	means the amount of interest payable on the Floating Rate Covered Bonds, in respect of each Calculation Amount for the relevant Interest Period.
<b>Floating Rate Covered Bonds</b>	means Covered Bonds which will bear a floating rate of interest and payable on such date or dates, as set forth in the applicable Final Terms.
<b>Floor</b>	means a minimum interest rate that may apply to Floating Rate Covered Bonds.
<b>FSB</b>	means the Financial Stability Board.
<b>FSMA</b>	means the United Kingdom Financial Services and Markets Act 2000.
<b>FTT</b>	means a common financial transaction tax.
<b>Further Advance</b>	means either (i) further advances made under a Mortgage Loan which will be secured by the same Mortgage as the loan previously disbursed under such Mortgage Loan ( <i>verhoogde inschrijving</i> ) or (ii) further advances made under a Mortgage Loan which will also be secured by a second or sequentially lower ranking Mortgage as the loan previously disbursed under such Mortgage Loan ( <i>verhoging</i> ) or (iii) a withdrawal of moneys which were previously repaid to redeem the Mortgage Loan ( <i>heropname</i> ).

<b>Further Advance Receivable</b>	means any and all rights of the Transferor or an Originator under or in connection with a Further Advance.
<b>Global Covered Bonds</b>	means any Temporary Global Covered Bond or Permanent Global Covered Bond.
<b>Guarantee</b>	means the irrevocable and independent undertaking issued pursuant to the Trust Deed by the CBC to pay the Guaranteed Amounts when the same becomes Due for Payment.
<b>Guarantee Support Agreement</b>	means the guarantee support agreement dated the Programme Date entered into between the CBC, the Transferor, the Originators and the Security Trustee as the same may be amended and/or supplemented and/or restated and/or novated or otherwise modified from time to time.
<b>Guaranteed Amounts</b>	means, in respect of a Series: <ul style="list-style-type: none"> <li>(a) with respect to any Scheduled Payment Date falling prior to the service of a CBC Acceleration Notice, the sum of the Scheduled Interest and Scheduled Principal payable on such Scheduled Payment Date; or</li> <li>(b) with respect to any date after the service of a CBC Acceleration Notice, an amount equal to the aggregate of (i) the relevant Early Redemption Amount specified in the Terms and Conditions as being payable on that date and (ii) all accrued and unpaid interest and all other amounts due and payable in respect of the Covered Bonds and all amounts payable by the CBC under the Trust Deed, provided that any Guaranteed Amounts representing interest paid after the Maturity Date shall be paid on such dates and at such rates as specified in the applicable Final Terms.</li> </ul>
<b>Guaranteed Final Redemption Amount</b>	means the Guaranteed Amount relating to Scheduled Principal payable on the Maturity Date or, if earlier, after service of a Breach of Amortisation Test Notice.
<b>ICSDs</b>	means one of the International Central Securities Depositories.
<b>IFRS</b>	means the relevant International Financial Reporting Standards set by the IFRS Foundation and the International Accounting Standards Board as adopted by the European Union.
<b>IGA</b>	means an intergovernmental agreement.
<b>Indexed Valuation</b>	has the meaning ascribed thereto in section 15 ' <i>Asset Monitoring</i> ' under <i>Asset Cover Test</i> of this Base Prospectus.
<b>Initial Bank Savings Participation</b>	has the meaning ascribed thereto in section 14 ' <i>Participation Agreements</i> ' of this Base Prospectus.
<b>Initial Insurance Savings Participation</b>	has the meaning ascribed thereto in section 14 ' <i>Participation Agreements</i> ' of this Base Prospectus.
<b>Insurance Company</b>	means NN Leven or any insurance company established in the Netherlands.
<b>Insurance Policy</b>	means a Life Insurance Policy, a Savings Insurance Policy or a Savings Investment Insurance Policy or another insurance policy entered into as security for the Mortgage Loan.

<b>Insurance Savings Participant</b>	means NN Leven.
<b>Insurance Savings Participation</b>	means, on any CBC Payment Date, in respect of each Savings Mortgage Receivables or each Switch Mortgage Receivable with a Savings Alternative an amount equal to the Initial Insurance Savings Participation in respect of such Savings Mortgage Receivable or Switch Mortgage Receivable with a Savings Alternative, respectively, increased with each Insurance Savings Participation Increase up to (and including) the Calculation Period immediately preceding such CBC Payment Date, but not exceeding the Outstanding Principal Amount of such Savings Mortgage Receivable or Switch Mortgage Receivable with a Savings Alternative, respectively.
<b>Insurance Savings Participation Fraction</b>	means an amount equal to the net amount received or recovered multiplied by the Insurance Savings Participation divided by the Outstanding Principal Amount of such Savings Mortgage Receivable or such Switch Mortgage Receivable with a Savings Alternative.
<b>Insurance Savings Participation Increase</b>	has the meaning ascribed thereto in section 14 ' <i>Participation Agreements</i> ' of this Base Prospectus.
<b>Insurance Savings Participation Redemption Available Amount</b>	has the meaning ascribed thereto in section 14 ' <i>Participation Agreements</i> ' of this Base Prospectus.
<b>Interest Calculation Period</b>	means, in relation to the calculation of interest, a period starting or ending other than on an Interest Payment Date.
<b>Interest Commencement Date</b>	means the interest commencement date as specified in the applicable Final Terms.
<b>Interest Determination Date</b>	means, in relation to a Covered Bond, such date or dates as are indicated in the applicable Final Terms as Interest Determination Date.
<b>Interest Payment Date</b>	means, in relation to any Fixed Rate Covered Bond, such date or dates as are indicated as such in the applicable Final Terms and, in relation to any Floating Rate Covered Bond, either: (a) the date which falls the number of months or other period specified as the 'Specified Period' in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date; or (b) such date or dates as are indicated in the applicable Final Terms.
<b>Interest Receipts</b>	means: (i) interest and fees and other amounts received by the CBC in respect of the Mortgage Receivables (including any penalties for late payments), other than Principal Receipts, less (A) in respect of each Savings Mortgage Receivable or Switch Mortgage Receivable with a Savings Alternative which is subject to an Insurance Savings Participation, an amount equal to the net amount so received or recovered multiplied by the Insurance Savings Participation Fraction and (B) in respect of each Bank Savings Mortgage Receivable which is subject to a Bank Savings Participation, an amount equal to the net amount so received or recovered multiplied by the Bank Savings Participation Fraction;

- (ii) prepayment penalties received or recovered by the CBC in respect of the Mortgage Receivables; and
- (iii) any amounts received as Net Proceeds to the extent such proceeds do not relate to principal less (A) in respect of each Savings Mortgage Receivable or Switch Mortgage Receivable with a Savings Alternative which is subject to an Insurance Savings Participation, an amount equal to the net amount so received or recovered multiplied by the Insurance Savings Participation Fraction and (B) in respect of each Bank Savings Mortgage Receivable which is subject to a Bank Savings Participation, an amount equal to the net amount so received or recovered multiplied by the Bank Savings Participation Fraction.

<b>Interest Swap Agreement</b>	means a 1992 (Multicurrency Cross Border) or 2002 ISDA Master Agreement together with the relevant schedule, confirmation(s) and, if applicable, credit support annex entered into between an interest swap counterparty, the CBC and the Security Trustee.
<b>Interest Swap Counterparty</b>	means any interest swap counterparty under any Interest Swap Agreement.
<b>Interim Period</b>	means the period from the day of the service of a Notice to Pay up to the immediately succeeding CBC Payment Date.
<b>Investment Alternative</b>	means the alternative whereby the premiums paid are invested in certain investment funds selected by the Borrower.
<b>Investment Mortgage Loan</b>	means a Mortgage Loan or part thereof in respect of which the Borrower is not required to repay principal until maturity, but undertakes to invest defined amounts through a Borrower Investment Account.
<b>Investor Report</b>	means the investor report, drawn up by the Administrator following the end of each calendar month in the form set out in a Schedule to the Administration Agreement and delivered to, <i>inter alia</i> , the CBC and the Security Trustee two (2) Business Days prior to the immediately succeeding CBC Payment Date.
<b>Investor's Currency</b>	means the principal denominated currency or currency unit of an investor's financial activities.
<b>IRS</b>	means the U.S. Internal Revenue Service.
<b>Issue Date</b>	means, in respect of a Series or Tranche, the date on which such Covered Bonds have been or will be issued as set out in the relevant Final Terms.
<b>Issuer</b>	means NN Bank.
<b>Issuer Acceleration Notice</b>	means a notice from the Security Trustee in writing to the Issuer that each Covered Bond of each Series is, and each such Covered Bond shall thereupon immediately become, due and repayable as against the Issuer (but not against the CBC) at its Early Redemption Amount together with accrued interest as provided in the Trust Deed.
<b>Issuer Event of Default</b>	means any of the events specified as such in Condition 10(a) ( <i>Events of Default and Enforcement</i> ).
<b>Italian Banking Act</b>	means the Italian Legislative Decree No. 385 of 1 September 1993, as

amended.

<b>Italian Financial Services Act</b>	means the Italian Legislative Decree No. 58 of 24 February 1998, as amended.
<b>KiFID</b>	means the Financial Services Complaints Tribunal ( <i>Klachteninstituut Financiële Dienstverlening</i> ).
<b>LIBOR</b>	means the London inter-bank offered rate or its successor rate.
<b>Life Insurance Policy</b>	means an insurance policy taken out by any Borrower comprised of a risk insurance element and a capital insurance element which pays out a certain amount on an agreed date or, if earlier, upon the death of the insured life.
<b>Life Mortgage Loan</b>	means a mortgage loan or part thereof in respect of which the Borrower is not required to repay principal until maturity, but instead pays on a monthly basis a premium to the relevant Insurance Company.
<b>Life Mortgage Receivable</b>	means the Mortgage Receivable resulting from a Life Mortgage Loan.
<b>Linear Mortgage Loan</b>	means a mortgage loan or part thereof in respect of which the Borrower each month pays a fixed amount of principal towards redemption of such mortgage loan (or relevant part thereof) until maturity.
<b>Liquidity Reserve Required Amount</b>	has the meaning ascribed thereto in section 17 ' <i>Cashflows</i> ' of this Base Prospectus.
<b>Loan Part</b>	means one or more loan parts ( <i>leningdelen</i> ) of which a Mortgage Loan consists.
<b>Long Term Mortgage Loan</b>	means a Mortgage Loan (or one or more loan part ( <i>leningdelen</i> ) thereof) which does not provide for a maturity date in its conditions or has a remaining maturity beyond thirty (30) years.
<b>LTV Cut-Off Percentage</b>	has the meaning ascribed thereto in section 15 ' <i>Asset Monitoring</i> ' of this Base Prospectus.
<b>Management Agreement</b>	means the management agreement dated the Programme Date entered into by each of the CBC, the Security Trustee and Stichting Holding with the relevant Director as the same may be amended and/or supplemented and/or restated and/or novated or otherwise modified from time to time.
<b>Margin</b>	means, in relation to any Covered Bond, the relevant margin (if any) relating to a floating rate as specified in the applicable Final Terms as being the Margin.
<b>Master Definitions Agreement</b>	means the master definitions agreement dated the Programme Date entered into between, amongst others, the Issuer, the Transferor, the CBC, the Security Trustee and the Arranger dated the Programme Date as the same may be amended and/or supplemented and/or restated and/or novated or otherwise modified from time to time.
<b>Maturity Date</b>	has the meaning ascribed thereto in Condition 5 ( <i>Interest</i> ).
<b>Maximum Redemption Amount</b>	means the maximum redemption amount as specified in the applicable Final Terms.

<b>Member States</b>	means the Member States of the European Union from time to time.
<b>Minimum Mortgage Interest Rate</b>	means the minimum mortgage interest rate of 1.00 per cent. which the relevant Originator and/or the Servicer will offer to the relevant Borrowers in respect of Mortgage Loans for the next succeeding interest rate period ( <i>rente vastperiode</i> ) which rate may be amended by the CBC and the Issuer, subject to Rating Agency Confirmation and with the consent of the Security Trustee, subject to the Mortgage Conditions and to applicable law (including, without limitation, principles of reasonableness and fairness).
<b>Minimum Redemption Amount</b>	means the minimum redemption amount as specified in the applicable Final Terms.
<b>Mortgage</b>	means a mortgage right ( <i>hypotheekrecht</i> ) securing the relevant Mortgage Receivable.
<b>Mortgage Conditions</b>	means, in relation to a Mortgage Loan, the terms and conditions applicable to such Mortgage Loan, as set forth in the relevant Mortgage Deed and/or in any loan document, offer document or any other document and/or in any applicable general terms and conditions for mortgages of the relevant Originator as from time to time in effect.
<b>Mortgage Loans</b>	means the mortgage loans granted by the relevant Originator to the relevant Borrower which may consist of one or more loan parts ( <i>leningdelen</i> ) as set forth in the relevant list of mortgage loans attached to the relevant deed of assignment and pledge, to the extent the relating mortgage receivable is not redeemed, retransferred, sold or otherwise disposed of by the CBC.
<b>Mortgage Receivable</b>	means any and all rights of the Transferor (and after assignment of such rights to the CBC, the CBC) against the Borrower under or in connection with a Mortgage Loan, including but not limited to any and all claims of the Transferor (or the CBC after assignment) on the Borrower as a result of the Mortgage Loan being terminated, dissolved or declared null and void.
<b>Mortgage Receivables Warranties</b>	has the meaning ascribed thereto in section 9 ' <i>Guarantee Support</i> ' of this Base Prospectus.
<b>Mortgaged Asset</b>	means (i) a real property ( <i>onroerende zaak</i> ), (ii) an apartment right ( <i>appartementsrecht</i> ) or (iii) a long lease ( <i>erfpachtsrecht</i> ) situated in the Netherlands on which a Mortgage is vested.
<b>MVD Assumption</b>	has the meaning ascribed thereto in section 15 ' <i>Asset Monitoring</i> ' under <i>Asset Cover Test</i> of this Base Prospectus.
<b>Nationale-Nederlanden</b>	means NN Group, or any entity within NN Group.
<b>Net Outstanding Principal Amount</b>	means in relation to a Mortgage Receivable, at any date, the Outstanding Principal Amount of the relevant Mortgage Loan less (A) if it is a Savings Mortgage Loan or a Switch Mortgage Loan with a Savings Alternative subject to an Insurance Savings Participation, an amount equal to the Insurance Savings Participation on such date and (B) if it is a Bank Savings Mortgage Loan subject to a Bank Savings Participation, an amount equal to the Bank Savings Participation and, if applicable, the Bank Savings Bonus Amount Participation on such date.
<b>Net Proceeds</b>	means in respect of a Mortgage Receivable the sum of (a) the proceeds of

a foreclosure on the Mortgage, (b) the proceeds of foreclosure on any other collateral securing the Mortgage Receivable, (c) the proceeds, if any, of collection of any insurance policies in connection with the Mortgage Receivable, including but not limited to life insurance and fire insurance, (d) the proceeds of any guarantees or sureties in relation to the relevant Mortgage Receivables, and (e) the proceeds of foreclosure on any other assets of the relevant debtor, after deduction of foreclosure costs.

<b>New Mortgage Loan</b>	means a mortgage loan granted by the relevant Originator to the relevant Borrower, which may consist of one or more loan parts ( <i>leningdelen</i> ) as set forth in the relevant list of mortgage loans attached to any deed of assignment and pledge.
<b>New Mortgage Receivable</b>	means the Mortgage Receivable resulting from a New Mortgage Loan.
<b>New Transferor</b>	means any member of NN Group which at the option of the Issuer accedes to the Programme and the Transaction Documents as new transferor.
<b>NGN form</b>	means the new global note form.
<b>NGN Temporary Global Covered Bond</b>	means each Temporary Global Covered Bond which is intended to be issued in NGN form.
<b>NN Bank</b>	means Nationale-Nederlanden Bank N.V. and any of its successor or successors.
<b>NN Group</b>	means the group formed by NN Group N.V. and its affiliates ( <i>groepsmaatschappijen</i> ) within the meaning of Article 2:24b of the Dutch Civil Code.
<b>NN Leven</b>	means Nationale-Nederlanden Levensverzekering Maatschappij N.V. and any of its successor or successors.
<b>Notice to Pay</b>	means the notice from the Security Trustee in writing to the CBC to pay pursuant to the Guarantee.
<b>OECD</b>	means the Organisation for Economic Co-operation and Development.
<b>Optional Redemption Amount</b>	means the optional redemption amount(s) (if any) of the Covered Bonds as specified in the applicable Final Terms.
<b>Optional Redemption Date</b>	means the optional redemption date as specified in the applicable Final Terms.
<b>Original Market Value</b>	means in relation to any Mortgaged Asset the foreclosure value ( <i>executiewaarde</i> ) given to that Mortgaged Asset by the most recent valuation addressed to the Transferor or the relevant Originator, divided by 0.90 or such other factor as required from time to time by the applicable rules and regulations or any internal requirement of the Transferor or the relevant Originator in relation thereto or, as applicable, the market value ( <i>marktwaarde</i> ) given to that Mortgaged Asset by the most recent valuation addressed to the Transferor or the relevant Originator.
<b>Originator</b>	means NN Bank and/or NN Leven.
<b>Originator Assignment</b>	has the meaning ascribed thereto in section 9 'Guarantee Support' of this



<b>Notification Event</b>	Base Prospectus.
<b>Other Claims</b>	means any claim the Transferor and/or an Originator has against the Borrower, other than a Mortgage Receivable, which is secured by the same Mortgage and/or Borrower Pledge.
<b>Outstanding Principal Amount</b>	means in respect of a Mortgage Receivable, on any date the (then remaining) aggregate principal sum ( <i>hoofdsom</i> ) due by the relevant Borrower under the relevant Mortgage Loan, including any Further Advance Receivable transferred to the CBC, and after the foreclosure of the relevant Mortgage Receivable resulting in a loss being realised, zero.
<b>Parallel Debt</b>	has the meaning ascribed thereto in section 7 ' <i>Asset Backed Guarantee</i> ', sub section ' <i>Security</i> ' of this Base Prospectus.
<b>Parallel Debt Agreement</b>	means the parallel debt agreement dated the Programme Date entered into between, <i>inter alios</i> , the CBC and the Security Trustee as the same may be amended and/or supplemented and/or restated and/or novated or otherwise modified from time to time.
<b>Pass-Through Covered Bonds</b>	means (i) each Covered Bond of a Series in respect of which any amount has remained unpaid on the relevant Maturity Date or (ii) after the service of a Notice to Pay on the CBC and a Breach of Amortisation Test Notice, all Series of Covered Bonds.
<b>Paying Agents</b>	means the Principal Paying Agent and any paying agent appointed under the Agency Agreement.
<b>Permanent Global Covered Bonds</b>	means a permanent global covered bond in respect of a Series without interest coupons attached.
<b>Pledge Agreements</b>	means the Security Trustee Rights Pledge Agreement, the Security Trustee Receivables Pledge Agreement and any other agreement pursuant to which security is granted to the Security Trustee on any Transferred Asset other than the Mortgage Receivables and the Beneficiary Rights relating thereto entered into with the Security Trustee.
<b>Portfolio Manager</b>	means a portfolio manager appointed by the CBC to arrange the sale of Selected Mortgage Receivables to a third party.
<b>Portfolio Swap Agreement</b>	means any portfolio swap agreement entered into by the CBC and the relevant Portfolio Swap Counterparty.
<b>Portfolio Swap Counterparty</b>	means any swap counterparty under any Portfolio Swap Agreement.
<b>Portfolio Swap Fraction</b>	means the fraction to be calculated in relation to the relevant Portfolio Swap Agreement by dividing (i) the Principal Amount Outstanding of the relevant Series of Covered Bonds by (ii) the Principal Amount Outstanding of all outstanding Covered Bonds.
<b>Post CBC Acceleration Notice Priority of Payments</b>	has the meaning ascribed thereto in section 17 ' <i>Cashflows</i> ' of this Base Prospectus.
<b>Price Indexed Valuation</b>	has the meaning ascribed thereto in section 15 ' <i>Asset Monitoring</i> ' under <i>Asset Cover Test</i> of this Base Prospectus.

<b>Principal Amount Outstanding</b>	has the meaning ascribed thereto in Condition 5 ( <i>Interest</i> ).
<b>Principal Paying Agent</b>	means ABN AMRO.
<b>Principal Receipts</b>	means: <ul style="list-style-type: none"> <li>(i) any amount received as principal under the Mortgage Receivables (as repayment, prepayment, sale, refinancing, including payments of arrears, Accrued Interest and Arrears of Interest as at the relevant Transfer Date of a Receivable, but excluding prepayment penalties) less (a) in respect of each Savings Mortgage Receivable and each Switch Mortgage Receivable with a Savings Alternative which is subject to an Insurance Savings Participation, the Insurance Savings Participation in such Savings Mortgage Receivable or such Switch Mortgage Receivable with a Savings Alternative and (b) in respect of each Bank Savings Mortgage Receivable which is subject to a Bank Savings Participation, the Bank Savings Participation and, if applicable, the Bank Savings Bonus Amount Participation in such Bank Savings Mortgage Receivable;</li> <li>(ii) any amounts received or recovered as Net Proceeds to the extent relating to principal less (a) in respect of each Savings Mortgage Receivable and each Switch Mortgage Receivable with a Savings Alternative which is subject to an Insurance Savings Participation, the Insurance Savings Participation in such Savings Mortgage Receivable or such Switch Mortgage Receivable with a Savings Alternative and (b) in respect of each Bank Savings Mortgage Receivable which is subject to a Bank Savings Participation, the Bank Savings Participation and, if applicable, a Bank Savings Bonus Amount Participation in such Bank Savings Mortgage Receivable;</li> <li>(iii) any amounts received as Bank Savings Participation Increase and Insurance Savings Participation Increase and Initial Bank Savings Participation and the Initial Insurance Savings Participation; and</li> <li>(iv) any amounts received as Bank Savings Bonus Amount Participation.</li> </ul>
<b>Priority of Payments</b>	means the CBC Priority of Payments and the Post CBC Acceleration Notice Priority of Payments.
<b>Programme</b>	means the EUR 5,000,000,000 Conditional Pass-Through Covered Bond Programme of the Issuer.
<b>Programme Agreement</b>	means the programme agreement dated the Programme Date entered into between the Issuer, the Arranger, the Dealers and the CBC as the same may be amended and/or supplemented and/or restated and/or novated or otherwise modified from time to time.
<b>Programme Date</b>	means 20 September 2017.
<b>Programme Resolution</b>	has the meaning ascribed thereto in Condition 15 ( <i>Meeting of Covered Bondholders, modification and waiver</i> ).
<b>Prospectus Directive</b>	means Directive 2003/71/EC and any amendments thereto, including Directive 2010/73/EU.
<b>Rate of Interest</b>	means the rate of interest payable from time to time in respect of the Floating Rate Covered Bonds.

<b>Rating Agency</b>	means any rating agency (or its successor) who, at the request of the Issuer assigns, and for as long as it assigns, one or more ratings to the Covered Bonds under the Programme from time to time, which at the date of this Base Prospectus includes S&P.
<b>Rating Agency Confirmation</b>	<p>means, with respect to a matter which requires Rating Agency Confirmation under the Transaction Documents and which has been notified to each Rating Agency with a request to provide a confirmation, receipt by the Security Trustee, in form and substance satisfactory to the Security Trustee, of:</p> <ul style="list-style-type: none"> <li>(a) a confirmation from each Rating Agency that its then current ratings of the Covered Bonds will not be adversely affected by or withdrawn as a result of the relevant matter (a "confirmation");</li> <li>(b) if no confirmation is forthcoming from any Rating Agency, a written indication, by whatever means of communication, from such Rating Agency that it does not have any (or any further) comments in respect of the relevant matter (an "indication"); or</li> <li>(c) if no confirmation and no indication is forthcoming from any Rating Agency and such Rating Agency has not communicated that the then current ratings of the Covered Bonds will be adversely affected by or withdrawn as a result of the relevant matter or that it has comments in respect of the relevant matter: <ul style="list-style-type: none"> <li>(i) a written communication, by whatever means, from such Rating Agency that it has completed its review of the relevant matter and that in the circumstances (x) it does not consider a confirmation required or (y) it is not in line with its policies to provide a confirmation; or</li> <li>(ii) if such Rating Agency has not communicated that it requires more time or information to analyse the relevant matter, evidence that thirty (30) calendar days have passed since such Rating Agency was notified of the relevant matter and that reasonable efforts were made to obtain a confirmation or an indication from such Rating Agency.</li> </ul> </li> </ul>
<b>Recalcitrant Holders</b>	means investors that do not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "reportable account" in relation to FATCA.
<b>Recast Deposit Guarantee Directive</b>	means the (recast) EU Directive on deposit guarantee schemes (2014/49/EU).
<b>Receivables Proceeds Distribution Agreement</b>	means the receivables proceeds distribution agreement between, amongst others, NN Bank, NN Insurance Eurasia N.V. and the Collection Foundation dated 31 August 2016, to which the CBC and the Security Trustee acceded on 20 September 2017.
<b>Record Date</b>	means, in relation to Registered Covered Bonds, the close of business of the Business Day prior to the due date on which payments of principal, interest (if any) and other amounts will be made to the person shown on the Register as being entitled to the relevant amount of principal or interest or other amount.
<b>Redeemed Covered Bonds</b>	means, in case of a partial redemption, the Covered Bonds to be redeemed.
<b>Refinance Date</b>	means the date on which the CBC shall sell or refinance the Selected Transferred Asset after the occurrence of an Issuer Event of Default.

<b>Register</b>	means the register kept by the Registrar and in which the details, transfers and amendments in relation to the Registered Covered Bonds are registered by the Registrar in accordance with the Agency Agreement.
<b>Registered Covered Bonds</b>	means the Covered Bonds in registered form.
<b>Registrar</b>	means NN Bank.
<b>Regulated Status</b>	means the status of the Programme and/or the Covered Bonds issued thereunder of being compliant with the requirements for the legal covered bonds as set out in the CB Regulations.
<b>Regulation No. 11971</b>	means the Italian CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time.
<b>Regulation S</b>	means the Regulation S under the Securities Act.
<b>Regulatory Cut-Off Percentage</b>	has the meaning ascribed thereto in section 15 ' <i>Asset Monitoring</i> ' under <i>Asset Cover Test</i> of this Base Prospectus.
<b>Relevant Date</b>	has the meaning ascribed thereto in Condition 8 ( <i>Taxation</i> ).
<b>Relevant Remedy Period</b>	means the maximum remedy period from time to time, as required to sustain the then current rating of the Covered Bonds, as of the date of the Programme Date being in case of a loss of the Requisite Credit Rating by S&P, the later of (i) sixty (60) calendar days of any such event and (ii) if, on or before the 60th calendar day following the relevant event, the responsible party has submitted a written proposal for a remedy to S&P and S&P has confirmed in writing to the responsible party, the CBC and/or the Security Trustee that the implementation of that proposal will not cause it to downgrade the Covered Bonds, ninety (90) calendar days following such event.
<b>Relevant Screen Page</b>	means the screen page specified in the applicable Final Terms.
<b>Required Redemption Amount</b>	means in respect of a Series, the aggregate Principal Amount Outstanding of such Series.
<b>Requisite Credit Rating</b>	means in respect of the ratings other than the ratings of an Eligible Swap Counterparty, the minimum ratings from time to time, as at the Programme Date being equal (i) the long-term, unsecured, unsubordinated and unguaranteed debt obligations of at least 'A' (long-term) by S&P or (ii) such other lower rating or ratings as may be agreed by the Security Trustee, the CBC and the Issuer and which is based on the criteria of the relevant Rating Agency as would be sufficient to maintain the then current ratings of the Covered Bonds.
<b>Reserve Account</b>	means the bank account of the CBC designated as such in the CBC Account Agreement and held with the CBC Account Bank.
<b>Reserve Account Required Amount</b>	has the meaning ascribed thereto in section 17 ' <i>Cashflows</i> ' of this Base Prospectus.
<b>RTS</b>	means the regulatory technical standards in relation to EMIR.
<b>S&amp;P</b>	means S&P Global Ratings.

<b>Savings Insurance Policy</b>	means an insurance policy taken out by any Borrower, in connection with a Savings Mortgage Loan, comprised of a risk insurance element and a capital insurance element which pays out a certain amount on an agreed date or, if earlier, upon the death of the insured life.
<b>Savings Investment Insurance Policy</b>	means an insurance policy taken out by any Borrower, in connection with a Switch Mortgage Loan, comprised of a risk insurance element and a capital insurance element which pays out a certain amount on an agreed date or, if earlier, upon the death of the insured life.
<b>Savings Mortgage Loan</b>	means a Mortgage Loan or part thereof in respect of which the Borrower is not required to repay principal until maturity, but instead pays on a monthly basis a premium to the Insurance Savings Participant under a Savings Insurance Policy.
<b>Savings Mortgage Receivable</b>	means a Mortgage Receivable resulting from a Savings Mortgage Loan.
<b>Savings Premium</b>	means the savings part of the premium due and any extra saving amounts paid by the relevant Borrower, if any, to the Insurance Company on the basis of the Savings Insurance Policy or the Savings Investment Insurance Policy.
<b>Scheduled Interest</b>	means, in respect of a Series, any amount of scheduled interest payable (i) under the Covered Bonds as specified in Condition 5 ( <i>Interest</i> ) (but excluding (a) any additional amounts relating to premiums, default interest or interest upon interest payable by the Issuer following an Issuer Event of Default and (b) any additional amounts the Issuer would be obliged to pay as a result of any gross-up in respect of any withholding or deduction made under the circumstances set out in Condition 8 ( <i>Taxation</i> )), for this purpose disregarding any Excess Proceeds received by the Security Trustee on account of scheduled interest and on-paid to the CBC in accordance with the Trust Deed, or (ii) under the Guarantee as specified in Condition 3(b) ( <i>The Guarantee</i> ).
<b>Scheduled Payment Dates</b>	means, in respect of a Series, each Interest Payment Date and the Maturity Date as specified in (i) in the case of Scheduled Interest, Condition 5 ( <i>Interest</i> ) or Condition 3(b) ( <i>The Guarantee</i> ), as the case may be, or (ii) in the case of Scheduled Principal, Condition 7(a) ( <i>Redemption at Maturity</i> ).
<b>Scheduled Principal</b>	means, in respect of a Series, any amount of scheduled principal payable under the Covered Bonds as specified in Condition 7(a) ( <i>Redemption at Maturity</i> ) (but excluding (a) any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, premiums or default interest payable by the Issuer following an Issuer Event of Default and (b) any additional amounts the Issuer would be obliged to pay as a result of any gross-up in respect of any withholding or deduction made under the circumstances set out in Condition 8 ( <i>Taxation</i> )), for this purpose disregarding any Excess Proceeds received by the Security Trustee on account of scheduled principal and on-paid to the CBC in accordance with the Trust Deed.
<b>Screen Rate Determination</b>	has the meaning ascribed thereto in the applicable Final Terms.
<b>Second Regulatory Current Balance</b>	has the meaning ascribed thereto in section 15 ' <i>Asset Monitoring</i> ' of this Base Prospectus.

**Amount**

<b>Secured Creditors</b>	means (i) the Covered Bondholders, (ii) the Directors, (iii) the Servicer, (iv) the Originators, (v) the Administrator, (vi) the Paying Agents, (vii) the Registrar, (viii) the Calculation Agent, (ix) the Swap Counterparties (if any), (x) the Asset Monitor, (xi) the CBC Account Bank, (xii) the Transferor, (xiii) the Insurance Savings Participant, (xiv) the Bank Savings Participant and (xv) such other party designated by the Security Trustee to become a secured creditor.
<b>Securities Act</b>	means the U.S. Securities Act of 1933, as amended.
<b>Security</b>	means the Transferred Assets and the rights of the CBC under or in connection with the Transaction Documents relating to the CBC.
<b>Security Documents</b>	means all deeds and/or other documents under which the CBC creates first ranking security in favour of the Security Trustee over the Transferred Assets and certain other assets of the CBC.
<b>Security Trustee</b>	means Stichting Security Trustee NN Conditional Pass-Through Covered Bond Company.
<b>Security Trustee Receivables Pledge Agreement</b>	means the security trustee receivables pledge agreement dated the Programme Date entered into between the CBC and the Security Trustee as the same may be amended and/or supplemented and/or restated and/or novated or otherwise modified from time to time.
<b>Security Trustee Rights Pledge Agreement</b>	means the security trustee rights pledge agreement dated the Programme Date entered into between the CBC, the Security Trustee, the Transferor, the Servicer, the Administrator, CBC Account Bank, the Asset Monitor, the Registrar and the Paying Agent as the same may be amended and/or supplemented and/or restated and/or novated or otherwise modified from time to time.
<b>Security Trustee's Director</b>	means SGG Securitisation Services B.V. and/or such other person(s) who may be appointed as director(s) ( <i>bestuurder</i> ) of the Security Trustee from time to time.
<b>Selected Transferred Assets</b>	means Mortgage Receivables and other Transferred Assets, if applicable, that are randomly selected by the CBC to be sold or refinanced pursuant to the terms of the Asset Monitoring Agreement on a Refinance Date.
<b>Series</b>	means a Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds expressed to be consolidated and form a single series with the Covered Bonds of the original Tranche and the terms of which are identical (save for the Issue Date, the Interest Commencement Date and/or Issue Prices but including as to whether or not the Covered Bonds are listed).
<b>Servicer</b>	means NN Bank in its capacity as servicer, in respect of the relevant Mortgage Receivables transferred to the CBC or its successor or successors and any other servicer which has acceded to the Programme as servicer.
<b>Servicing Agreement</b>	means the servicing agreement dated the Programme Date entered into between the CBC, the Servicer and the Security Trustee as the same may be amended and/or supplemented and/or restated and/or novated or otherwise modified from time to time.

<b>Solvency II</b>	means European Parliament legislative resolution of 22 April 2009 on the amended proposal for a directive of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance.
<b>Specified Denomination</b>	has the meaning ascribed thereto in the applicable Final Terms.
<b>Specified Interest Payment Date</b>	means the specified interest payment date as specified in the applicable Final Terms.
<b>SRM</b>	means the single resolution mechanism established by the SRM Regulation.
<b>SRM Regulation</b>	means Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (Single Resolution Mechanism).
<b>Stabilising Manager</b>	means the stabilising manager appointed in connection with the relevant issuance of Covered Bonds.
<b>Standardised Approach</b>	means Chapter 2 (Standardised Approach) of the CRR (as amended, varied and/or supplemented from time to time), as applicable.
<b>Stichting Holding</b>	means Stichting Holding NN Conditional Pass-Through Covered Bond Company.
<b>Stichting WEW</b>	means Stichting Waarborgfonds Eigen Woningen (WEW).
<b>Substituted Debtor</b>	means any directly or indirectly wholly owned subsidiary of the Issuer which replaces or substitutes the Issuer as principal debtor in respect of the Covered Bonds and the relative Coupons subject to and in accordance with Condition 17 ( <i>Substitution of the Issuer</i> ).
<b>Substitution Assets</b>	<p>means the classes of assets denominated in euro from time to time eligible under the CRR and/or the Wft to collateralise covered bonds including (on the date of this Base Prospectus) and subject to certain limitations:</p> <ul style="list-style-type: none"> <li>(a) exposures to or guaranteed by central governments, central banks or international organisations in accordance with article 129(1)(a) CRR;</li> <li>(b) exposures to or guaranteed by public sector entities, regional governments or local authorities in accordance with article 129(1)(b) CRR;</li> <li>(c) exposures to institutions in accordance with article 129(1)(c) CRR; and</li> <li>(d) exposures for which DNB has waived the application of article 129(1)(c) CRR in accordance with article 129(1) CRR third paragraph,</li> </ul> <p>which assets on an aggregate basis are subject to a limit of 20 per cent., or such other percentage as required under the Wft, of the aggregate Principal Amount Outstanding of the Covered Bonds.</p>
<b>Substitution Assets</b>	has the meaning ascribed thereto in section 15 ' <i>Asset Monitoring</i> ' under

<b>Amount</b>	<i>Asset Cover Test</i> of this Base Prospectus.
<b>Supplemental Prospectus</b>	means a supplement to this Base Prospectus pursuant to Article 16 of the Prospective Directive.
<b>Swap Agreements</b>	means any Portfolio Swap Agreement and any Interest Swap Agreement.
<b>Swap Cash Collateral Account</b>	means the bank account which may be opened at the option of the CBC, subject to the prior consent of the Security Trustee in the name of the CBC pursuant to the CBC Account Agreement with the CBC Account Bank and any further account opened to hold Swap Collateral in the form of cash.
<b>Swap Collateral</b>	means, at any time, any asset (including cash and/or securities) which is paid or transferred by the relevant Swap Counterparty to the CBC as collateral to secure the performance by such Swap Counterparty of its obligations under any Swap Agreement together with any income or distributions received in respect of such asset and any equivalent of such asset into which such asset is transformed.
<b>Swap Collateral Amounts</b>	means all amounts to be provided by a Swap Counterparty as collateral pursuant to the relevant Swap Agreement as a result of a downgrade or otherwise.
<b>Swap Counterparty</b>	means the Portfolio Swap Counterparty or Portfolio Swap Counterparties and/or the Interest Swap Counterparty or Interest Swap Counterparties.
<b>Swap Replacement Amounts</b>	means (a) those amounts received from any replacement Swap Counterparty in consideration of the entry into between the CBC and such replacement Swap Counterparty of a swap transaction to replace any Swap Agreement and (b) those amounts received from any Swap Counterparty in respect of any Swap Agreement which has terminated for any reason.
<b>Swap Replacement Ledger</b>	means the swap replacement ledger held by the CBC in relation to the Swap Replacements Amounts.
<b>Switch Mortgage Loan</b>	means any Mortgage Loan or part thereof that is in the form of a switch mortgage loan offered by the relevant Originator, under which loan the Borrower does not pay principal towards redemption of the principal amount outstanding prior to the maturity but instead takes out a Savings Investment Insurance Policy.
<b>Talons</b>	means, if indicated in the Final Terms, talons for further Coupons.
<b>TARGET 2</b>	means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007 or any successor thereof.
<b>Tax Event</b>	means any (i) action taken by a relevant taxing authority or brought in a court of competent jurisdiction, or (ii) change in tax law, in both cases after the date of the relevant Swap Agreement, due to which the relevant Swap Counterparty will, or there is a substantial likelihood that it will, be required to pay to the CBC additional amounts for or on account of tax.
<b>Tax Jurisdiction</b>	has the meaning ascribed thereto in Condition 8 ( <i>Taxation</i> ).
<b>Temporary Global Covered Bond</b>	means a temporary global covered bond in respect of a Series of Covered Bonds without interest coupons attached.



<b>Terms and Conditions</b>	means the terms and conditions set forth in section 6 ' <i>Conditional Pass-Through Covered Bonds</i> ' of the Base Prospectus.
<b>Tranche</b>	means a tranche of a Series.
<b>Transaction Documents</b>	means the Pledge Agreements, the Administration Agreement, the Servicing Agreement, the CBC Account Agreement, the Trust Deed, the Parallel Debt Agreement, the Agency Agreement, the Guarantee Support Agreement, each Deed of Assignment and Pledge, the Asset Monitoring Agreement, the Asset Monitor Appointment Agreement, the Master Definitions Agreement, the Programme Agreement, the Deposit Agreement, the Swap Agreements (if any), any Calculation Agency Agreement (if any), the Savings Participation Agreements and the Management Agreements.
<b>Transfer Date</b>	means the date of transfer of any Eligible Assets to the CBC in accordance with the Guarantee Support Agreement.
<b>Transferor</b>	means NN Bank.
<b>Transferor Warranties</b>	means the representations and warranties given by the Transferor with respect to it as set out in the Guarantee Support Agreement including the Mortgage Receivables Warranties.
<b>Transferred Assets</b>	means the Mortgage Receivables and the Beneficiary Rights relating thereto to the extent the same have been assigned to the CBC and the Transferred Collateral.
<b>Transferred Collateral</b>	means any Eligible Collateral transferred or purported to be transferred to the CBC pursuant to the Guarantee Support Agreement, to the extent not redeemed, retransferred, sold or otherwise disposed, or agreed to be disposed, of by the CBC.
<b>Trigger Event</b>	means any event in which corporate action or any steps have been taken or legal proceedings have been instituted against NN Insurance Eurasia N.V. for its entering into a suspension of payments ( <i>surseance van betaling</i> ) or for bankruptcy ( <i>faillissement</i> ) 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.
<b>Trust Deed</b>	means the trust deed entered into by the Issuer, the CBC, the Stichting Holding and the Security Trustee dated the Programme Date.
<b>U.S.-Netherlands IGA</b>	means the intergovernmental agreement entered into on 18 December 2013 between the Netherlands and the United States in relation to FATCA
<b>UCITS Directive</b>	means Directive 2009/65/EC (as amended by Directive 2014/91/EU) on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities.
<b>US IR Code</b>	U.S. Internal Revenue Code of 1986 (as amended).
<b>VAT and Value Added Tax</b>	means value added tax as levied in accordance with the Sixth Council Directive of 17 May 1977 on the harmonisation of the laws of Member States relating to turnover taxes (77/388/EEC) as implemented in the Member States of the European Union under their respective value added tax legislation and legislation supplemental thereto; and (b) any other tax

of a similar fiscal nature (including but not limited to goods and services tax), whether imposed in a Member State of the European Union in substitution for, or levied in addition to, such tax, or in any other jurisdiction.

**Wft** means the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) as amended from time to time.

**Wge** means the Dutch Securities Giro Transfer Act (*Wet giraal effectenverkeer*) as amended from time to time.

## **REGISTERED OFFICES**

### **ISSUER, SERVICER, ADMINISTRATOR AND REGISTRAR**

#### **Nationale-Nederlanden Bank N.V.**

Prinses Beatrixlaan 35-37  
2595 AK 's Gravenhage  
the Netherlands

### **ARRANGER AND DEALER**

#### **ABN AMRO Bank N.V.**

Gustav Mahlerlaan 10  
1082 PP Amsterdam  
the Netherlands

### **CBC**

#### **NN Conditional Pass-Through Covered Bond Company B.V.**

Prins Bernhardplein 200  
1097 JB Amsterdam  
the Netherlands

### **SECURITY TRUSTEE**

#### **Stichting Security Trustee NN Conditional Pass-Through Covered Bond Company**

Hoogoorddreef 15  
1101 BA Amsterdam  
the Netherlands

### **LEGAL ADVISER AND TAX ADVISER**

#### **to the Issuer:**

NautaDutilh N.V.  
Beethovenstraat 400  
1082 PR Amsterdam  
the Netherlands

#### **to the Dealers:**

Simmons & Simmons LLP  
Claude Debussylaan 247  
1082 MC Amsterdam  
the Netherlands

### **PRINCIPAL PAYING AGENT**

#### **ABN AMRO Bank N.V.**

Gustav Mahlerlaan 10  
1082 PP Amsterdam  
the Netherlands

### **CBC ACCOUNT BANK**

#### **N.V. Bank Nederlandse Gemeenten**

Koninginnegracht 2  
2514 AA 's-Gravenhage  
the Netherlands

### **AUDITORS TO THE CBC AND ASSET MONITOR**

#### **KPMG Accountants N.V.**

Laan van Langerhuize 1  
1186 DS Amstelveen  
the Netherlands

**AUDITORS TO THE ISSUER**  
**KPMG Accountants N.V.**  
Laan van Langerhuize 1  
1186 DS Amstelveen  
the Netherlands