



## ING BANK N.V.

*(incorporated with limited liability under the laws of The Netherlands with its corporate seat in Amsterdam)*

**€35,000,000,000**

### **Hard Bullet Covered Bonds Programme guaranteed as to payments of interest and principal by ING Covered Bond Company B.V.**

*(incorporated with limited liability under the laws of The Netherlands with its corporate seat in Amsterdam)*

Under this covered bonds programme (the "**Programme**"), ING Bank N.V. (the "**Issuer**" or the "**Bank**") may from time to time issue bonds in global or definitive and in bearer or registered form (the "**Covered Bonds**") guaranteed as to payment of interest and principal by ING Covered Bond Company B.V. (the "**CBC**").

This Base Prospectus constitutes, when read together with the Registration Document (as defined below), a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, as amended from time to time, which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant member state (the "**Prospectus Directive**"). This Base Prospectus is issued in replacement of a base prospectus dated 24 February 2014 in respect of a €35,000,000,000 Covered Bonds Programme as subsequently supplemented by the first supplement dated 9 May 2014, the second supplement dated 11 August 2014, the third supplement dated 6 November 2014 and the fourth supplement dated 12 February 2015 and, accordingly, supersedes that earlier base prospectus (as so supplemented).

The CBC has as an independent obligation irrevocably undertaken to pay interest and principal payable under the Covered Bonds to the Covered Bondholders pursuant to the Guarantee issued under the Trust Deed and has pledged and will pledge to the Trustee the Transferred Assets (all as defined herein) and certain other assets as security therefor. Recourse against the CBC under the Guarantee will be limited to the Transferred Assets and such other assets. Neither the Covered Bonds nor the Guarantee of the CBC will contain any provision that would oblige the Issuer or the CBC to gross up any amounts payable thereunder in the event of any withholding or deduction for or on account of taxes levied in any jurisdiction.

Subject as set out herein, the Covered Bonds will be subject to such minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank (or regulatory authority) or any laws or regulations applicable to the Issuer or the relevant Specified Currency (as defined herein), provided that the maximum maturity for any Tranche of Covered Bonds will be 45 years. The aggregate nominal amount of all Covered Bonds from time to time outstanding will not exceed €35,000,000,000 (or its equivalent in other currencies calculated as described herein).

The Covered Bonds will be issued on a continuing basis by the Issuer to purchasers thereof, which may include any Dealers appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a "**Dealer**" and together the "**Dealers**"). The Dealer or Dealers with whom the Issuer agrees or proposes to agree on the issue of any Covered Bonds is or are referred to as the "**relevant Dealer**" in respect of those Covered Bonds.

The minimum denomination of Covered Bonds offered by the Issuer will be (i) such denomination as may be allowed or required from time to time by the relevant central bank (or regulatory authority) or any laws or regulations applicable to the relevant Specified Currency (as defined below) and (ii) in respect of Covered Bonds which will be offered to the public within a member state of the European Economic Area ("**EEA**") or for which the Issuer will seek their admission to trading on a regulated market situated or operating within such a member state, in each case in circumstances which would require the approval of a prospectus under the Prospectus Directive (as defined below), €100,000 (or its equivalent in any other currency at the date of issue of the Covered Bonds). Covered Bonds may be denominated in any currency determined by the Issuer and the relevant Dealer.

This Base Prospectus was approved in respect of its English language content on 20 March 2015 by the Stichting Autoriteit Financiële Markten (the Authority for the Financial Markets) (the "**AFM**") as competent authority under the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*), implementing the Prospectus Directive. The AFM has been requested to provide the Commission de Surveillance du Secteur Financier as competent authority under the Luxembourg Law dated 10 July 2005 as amended with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.

Application has been made for the Covered Bonds to be issued by the Issuer under the Programme during the period of 12 months from the date of this Base Prospectus (the "**March 2015 Update**") to be listed on Euronext Amsterdam, a regulated market of Euronext Amsterdam N.V. ("**Euronext Amsterdam**") and to be admitted to the official list of the Luxembourg Stock Exchange (the "**Official List**") and to be admitted to trading on the regulated market of the Luxembourg Stock Exchange (the "**Luxembourg Stock Exchange**"). Covered Bonds issued by the Issuer may be listed on such other or further stock exchange or stock exchanges as may be determined by the Issuer, the CBC, the Trustee and the relevant Dealer (as the case may be), and may be offered to the public in other jurisdictions also. The Issuer may also issue unlisted and/or privately placed Covered Bonds. References in this Programme to Covered Bonds being "listed" (and all related references) shall mean that such Covered Bonds have been admitted to trading and have been listed on Euronext Amsterdam and/or the Official List and the Luxembourg Stock Exchange (as the case may be) and/or such other or future stock exchange(s) which may be agreed and which are specified in the applicable final terms (the "Final Terms") in the form, or substantially in the form, set out herein.

The Issuer has a senior debt rating from Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**" or "**S&P**") of A (outlook negative), from Moody's Investor Service Ltd. ("**Moody's**") of A2 (outlook negative), and from Fitch Ratings Ltd. ("**Fitch**") of 'A+/F1+' (outlook negative). Standard & Poor's, Moody's and Fitch are established in the European Union and are registered under the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended from time to time (the "**CRA Regulation**").

The Covered Bonds are expected on issue to be assigned a rating from Fitch of 'AAA', a rating from Standard & Poor's of AAA and a rating from Moody's of Aaa, respectively, to the extent each such agency is a Rating Agency (as defined below) at the time of the issue of the Covered Bonds. Other Tranches of Covered Bonds issued under the Programme may be rated or unrated. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

This Base Prospectus is to be read in conjunction with any supplement hereto and any Final Terms hereto and with all documents which are deemed to be incorporated in it by reference (see Section D.1 (*Documents incorporated by reference*) below). This Base Prospectus shall be read and construed on the basis that such documents are incorporated into, and form part of, this Base Prospectus.

Investing in Covered Bonds issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer and the CBC to fulfil their respective obligations under the Covered Bonds are discussed in the section entitled "*Risk Factors*".

**Arranger**

**ING**

**BASE PROSPECTUS DATED 20 MARCH 2015**

The Issuer accepts responsibility for the information contained in this Base Prospectus and the CBC accepts responsibility for the information contained in this Base Prospectus in the Sections B.1 (*Overview*) under "*Guarantor*", 2.3 (*CBC*), 8 (*General Information*) under "*Authorisation*" (as far as it relates to authorisation by the CBC of the giving of the Guarantee), "*No significant or material adverse change*", "*Litigation*", "*Auditor of the CBC*" and under "*Limited action since incorporation of CBC*" below. To the best of the knowledge of the Issuer and the CBC (which have each taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus (in the case of the CBC, the sections relating to the CBC referred to above) is in accordance with the facts and does not omit anything likely to affect the import of such information.

In relation to each separate issue of Covered Bonds, the issue price and the amount of such Covered Bonds will be determined before filing of the relevant Final Terms of each issue, based on then prevailing market conditions at the time of the issue of the Covered Bonds, and will be set out in the relevant Final Terms. The Final Terms will be provided to investors and filed with the competent authority for the purposes of the Prospectus Directive when any public offer of Covered Bonds is made in the EEA as soon as practicable and if possible in advance of the beginning of the offer. 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 each Tranche of Covered Bonds will be set forth in the Final Terms for the particular issue.

The Covered Bonds issued under the Programme will include (i) fixed rate Covered Bonds ("**Fixed Rate Covered Bonds**"), (ii) floating rate Covered Bonds ("**Floating Rate Covered Bonds**") and (iii) zero coupon Covered Bonds ("**Zero Coupon Covered Bonds**"). The Issuer, with the agreement of the CBC, the Trustee and the relevant Dealer, may decide to issue Covered Bonds in a form not contemplated by the various terms and conditions of the Covered Bonds herein. In any such case, or in any other relevant case, either a supplement to this Base Prospectus, if appropriate, will be made available which will describe the form of such Covered Bonds or such Covered Bonds will not be issued under this Base Prospectus.

To the fullest extent permitted by law, none of the Dealers or the Arranger (which terms, for the avoidance of doubt, exclude ING Bank N.V. in its capacity as Issuer) accept any responsibility for the contents of this Base Prospectus or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Issuer, the CBC, the Trustee or the issue and offering of the Covered Bonds. The Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement.

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 and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the CBC and the Trustee or any of the Dealers appointed by the Issuer.

Neither this Base Prospectus nor any other information supplied in connection with the Programme should be considered as a recommendation by the Issuer, the CBC and the Trustee or any of the Dealers or the Arranger that any recipient of this Base Prospectus or any other information supplied in connection with the Programme should purchase any Covered Bonds. Each investor contemplating purchasing any Covered Bonds shall be taken to have made 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, the CBC or the Trustee or any of the Dealers or the Arranger to any person to subscribe for or to purchase any Covered Bonds.

Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Covered Bonds shall in any circumstances imply that the information contained in it concerning the Issuer, the CBC, the Bank in its capacity as initial originator (in such capacity, the "**Initial Originator**") or concerning any member of the Group other than the Initial Originator which at the option of the Issuer accedes to, amongst other things, the Programme Agreement as an Originator in accordance with the Programme Agreement (a "**New Originator**" and together with the Initial Originator, the "**Originators**" and each an "**Originator**") is correct at any time subsequent to the date hereof or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer or the CBC since the date thereof or, if later, the date upon

which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee do not undertake to review the financial condition or affairs of the Issuer, the CBC and the Originators during the life of the Programme. Investors should carefully review and evaluate, *inter alia*, the most recent financial statements of the Issuer when deciding whether or not to purchase any Covered Bonds. Neither the Issuer nor the CBC has any obligation to update this Base Prospectus, except when required by and in accordance with the Prospectus Directive.

None of the Issuer, the CBC, the Arranger or any Dealer represents that this Base Prospectus or any Final Terms may be lawfully distributed, or that Covered Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the CBC, the Arranger or any Dealer under the Programme which would permit a public offering of the Covered Bonds or distribution of this Base Prospectus or any Final Terms in any jurisdiction where action for that purpose is required, other than (if so indicated in the relevant Final Terms), with respect to the Issuer in certain Member States of the EEA, provided that the minimum denomination of Covered Bonds offered by the Issuer will be (i) such denomination as may be allowed or required from time to time by the relevant central bank (or regulatory authority) or any laws or regulations applicable to the relevant Specified Currency and (ii) in respect of Covered Bonds which will be offered to the public within a member state of the EEA or for which the Issuer will seek their admission to trading on a regulated market situated or operating within such a member state, in each case in circumstances which would require the approval of a prospectus under the Prospectus Directive, €100,000 (or its equivalent in any other currency at the date of issue of the Covered Bonds). Accordingly, the Covered Bonds may not be offered or sold, directly or indirectly, and neither this Base Prospectus nor any Final Terms nor any advertisement or other offering material may be distributed or published in any jurisdiction where such offer, sale, distribution and/or publication would be prohibited and each Dealer will be required to represent that all offers and sales by it of Covered Bonds will be made on these terms.

The distribution of this Base Prospectus and any Final Terms and the offer or sale of Covered Bonds may be restricted by law in certain jurisdictions. Persons into whose possession this Base Prospectus, any Final Terms or any Covered Bonds come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and any Final Terms and the offering and sale of Covered Bonds. In particular, there are selling restrictions in relation to the United States, the United Kingdom, Italy, The Netherlands, Japan and France and such other restrictions as may apply. See Section 1.5 (*Subscription and Sale*) below.

The Covered Bonds which may be issued under the Programme, are sophisticated instruments, can involve a high degree of risk and are intended for sale only to those investors capable of understanding the risk entailed in such instruments. Prospective purchasers of the Covered Bonds should ensure that they understand the nature of the Covered Bonds and the extent of their exposure to risk and that they understand the nature of the Covered Bonds as an investment in the light of their own circumstances and financial condition. Prospective purchasers of the Covered Bonds should conduct their own investigations and, in deciding whether or not to purchase Covered Bonds, should form their own views of the merits of an investment related to the Covered Bonds based upon such investigations and not in reliance upon any information given in this Base Prospectus and the applicable Final Terms. If in doubt potential investors are strongly recommended to consult with their independent financial advisers before making any investment decision.

#### **Notice to U.S. Investors**

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

Neither the Covered Bonds nor the Guarantee have been nor will they be registered under the Securities Act or with any securities regulatory authority of any State or other jurisdiction of the United States. Accordingly, the Covered Bonds may not be offered, sold, pledged or otherwise transferred within the

United States or to or for the account or benefit of U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act and any applicable state securities laws. Registered Covered Bonds (as defined herein) issued by the Issuer may be offered and sold in the United States exclusively to persons reasonably believed by the Issuer or the Dealers (if any), to be QIBs (as defined herein). Each U.S. purchaser of Registered Covered Bonds issued by the Issuer is hereby notified that the offer and sale of any Registered Covered Bonds to it may be made in reliance upon the exemption from the registration requirements of the United States Securities Act of 1933, as amended (the "**Securities Act**") provided by Rule 144A.

With respect to the issue and sale of the Covered Bonds in the United States, this Base Prospectus is confidential and has been prepared by the Issuer solely for use in connection with the issue of the Covered Bonds. In the United States, this Base Prospectus is personal to each person or entity to whom it has been delivered by the Issuer or a Dealer or an affiliate thereof. Distribution in the United States of this Base Prospectus to any person other than such persons or entities and those persons or entities, if any, retained to advise such persons or entities is unauthorized and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited. Each prospective purchaser in the United States, by accepting delivery of this Base Prospectus, agrees to the foregoing and agrees not to reproduce all or any part of this Base Prospectus. This Base Prospectus is not a prospectus for the purposes of Section 12(a)(2) or any other provision of or rule under the Securities Act.

Additionally, each purchaser of any of the Covered Bonds will be deemed to have made the representations, warranties and acknowledgements, which are intended to restrict the resale or other transfer of such Covered Bonds and which are described in this Base Prospectus (see Condition 19(j) (*Transfer and Exchange of Registered Global Covered Bonds*) and Section 1.5 (*Subscription and Sale*)) and the applicable Final Terms. The Covered Bonds have not been nor will be registered under the Securities Act, and such securities are subject to certain restrictions on transfer. If any Rule 144A Covered Bonds are issued, prospective investors are hereby notified that the seller of any Covered Bond may be relying upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain further restrictions on resale or transfer of the Covered Bonds, see Condition 19(j) (*Transfer and Exchange of Registered Global Covered Bonds*) and Section 1.5 (*Subscription and Sale*) below and, if applicable, the relevant Final Terms.

Offers and sales of the Covered Bonds in the United States will be made by those Dealer(s) or their affiliates that are registered broker-dealers under the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or in accordance with Rule 15a-6 thereunder.

#### **NOTICE TO NEW HAMPSHIRE RESIDENTS**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER RSA 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSONS, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

#### **Available Information**

To permit compliance with Rule 144A under the Securities Act in connection with the resales of Registered Covered Bonds issued by the Issuer, the Issuer is required to furnish, upon request of a holder of a Registered Covered Bond or a prospective purchaser designated by such holder, the information required to be delivered under Rule 144A(d)(4) under the Securities Act. Registered Covered Bonds issued by the Issuer are not transferable to other holders within the United States except upon satisfaction of certain conditions as described under Section 1.5 (*Subscription and Sale*) below.

This Base Prospectus includes general summaries of certain Dutch tax considerations and certain U.S. federal income tax considerations relating to an investment in the Covered Bonds (see Section 1.4 (*Taxation*) below). Such summaries may not apply to a particular Covered Bondholder (as defined in the terms and conditions of the Covered Bonds). Any potential investor should consult its own tax adviser for more information about the tax consequences of acquiring, owning and disposing of Covered Bonds in its particular circumstances.

All references in this document to "EUR", "euro" and "€" refer to the lawful currency introduced at the start of the third stage of European economic and monetary union, pursuant to the Treaty establishing the European Community as amended by the Treaty on European Union, those to "U.S. dollars" and "U.S.\$", refer to the lawful currency of the United States of America, those to "Japanese Yen" refer to the lawful currency of Japan and those to "Sterling" refer to the lawful currency of the United Kingdom.

**In connection with the issue of any Tranche of Covered Bonds, the Issuer or the Dealer(s) (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (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 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 30 days after the issue date of the relevant Tranche of Covered Bonds and 60 days after the date of the allotment of the relevant Tranche of Covered Bonds. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

The Issuer is a public company (*naamloze vennootschap*) incorporated under the laws of The Netherlands with its registered office in Amsterdam, The Netherlands. Substantially all the officers and directors of the Issuer reside in The Netherlands or in other jurisdictions outside of the United States. Most of the Issuer's assets and substantially all of the assets of its executive officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process in the United States upon the Issuer, or upon the Issuer's executive officers and directors, or to enforce against the Issuer, or them, judgments obtained in U.S. courts predicated upon civil liability provisions of the federal securities law or other laws of the United States.

The United States and The Netherlands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments rendered in connection with civil and commercial disputes. As a result, a final judgment for the payment of damages based on civil liability rendered by a U.S. court, whether or not predicated solely upon the federal securities laws of the United States, would not be enforceable in The Netherlands. If the party in whose favour the final judgment is rendered brings a new suit in a competent Dutch court, the party may submit to the Dutch court the final judgment that has been rendered by the U.S. court. Such judgment will only be regarded by a Dutch court as evidence of the outcome of the dispute to which the judgment relates, and a Dutch court may choose to rehear the dispute *ab initio*.

This Base Prospectus includes "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements other than statements of historical fact included in this Base Prospectus, including, without limitation, those regarding the Issuer's financial position, business strategy, plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Issuer, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Issuer's present and future business strategies and the environment in which the Issuer will operate in the future. These forward-looking statements speak only as of the date of this Base Prospectus or as of such earlier date at which such statements are expressed to be given. Subject to any continuing disclosure obligation under applicable law (including, without limitation, the obligation to prepare a supplement to this Base Prospectus pursuant to Article 16 of the Prospectus Directive), the Issuer and the CBC expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's or the CBC's expectations with regard thereto or any change in events, conditions or circumstances on which

any such statement is based. The reader should, however, take into account any further disclosures of a forward-looking nature the Issuer may make in future publications.

## CONTENTS

	Page
A. RISK FACTORS .....	1
B. KEY FEATURES OF THE PROGRAMME .....	44
C. STRUCTURE DIAGRAM; PRINCIPAL TRANSACTION PARTIES; RATING TRIGGER OVERVIEW .....	54
D. DOCUMENTS INCORPORATED BY REFERENCE; DEFINITIONS & INTERPRETATION .....	57
1 COVERED BONDS .....	60
1.1 FORM OF THE COVERED BONDS AND DTC INFORMATION .....	60
1.2 FORM OF FINAL TERMS .....	66
1.3 TERMS AND CONDITIONS OF THE COVERED BONDS .....	79
1.4 TAXATION .....	115
1.5 SUBSCRIPTION AND SALE .....	132
1.6 TRUSTEE .....	141
1.7 USE OF PROCEEDS .....	142
1.8 DESCRIPTION OF THE DUTCH COVERED BOND LEGISLATION .....	143
2 ASSET-BACKED GUARANTEE .....	145
2.1 GUARANTEE .....	145
2.2 SECURITY .....	147
2.3 CBC .....	150
3 GUARANTEE SUPPORT .....	153
3.1 TRANSFERS .....	153
3.2 RETRANSFERS .....	159
3.3 ELIGIBLE ASSETS .....	161
3.4 OVERVIEW OF THE DUTCH RESIDENTIAL MORTGAGE MARKET .....	172
3.5 MUNICIPALITY/NHG GUARANTEE PROGRAMME .....	177
3.6 ORIGINATION AND SERVICING BY INITIAL ORIGINATOR .....	182
3.7 SUB-PARTICIPATION .....	188
4 ASSET MONITORING .....	191
4.1 ASSET COVER TEST .....	191
4.2 PRE-MATURITY TEST .....	195
4.3 PORTFOLIO TESTS .....	197
4.4 AMORTISATION TEST .....	198
4.5 SALE OR REFINANCING OF SELECTED ASSETS .....	200
4.6 ASSET MONITOR .....	203
5 SERVICING AND CUSTODY .....	205
5.1 SERVICING .....	205
5.2 SERVICERS .....	207
5.3 CUSTODY .....	208
6 SWAPS .....	209
6.1 TOTAL RETURN SWAP .....	211
6.2 INTEREST RATE SWAPS .....	213
6.3 STRUCTURED SWAPS .....	214
7 CASHFLOWS .....	215
7.1 LEDGERS .....	219
7.2 POST-NOTICE-TO-PAY PRIORITY OF PAYMENTS .....	224



7.3	POST-CBC-ACCELERATION-NOTICE PRIORITY OF PAYMENTS .....	227
7.4	CBC ACCOUNTS .....	229
8	GENERAL INFORMATION .....	231
	INDEX OF DEFINED TERMS .....	235

## **A. RISK FACTORS**

*The Issuer believes that the following factors, and the risk factors relating to the Issuer contained in the Registration Document, may affect its ability to fulfil its obligations under Covered Bonds issued under the Programme and/or the CBC's ability to fulfil its obligations under the Guarantee. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme are also described below.*

*The Issuer believes that the factors described below, and the risk factors relating to the Issuer contained in the Registration Document, represent the risks material to investing in Covered Bonds issued under the Programme, but the inability of the Issuer and the CBC to pay interest, principal or other amounts on or in connection with any Covered Bonds or the Guarantee, as applicable, may occur for other reasons and the Issuer does not represent that the statements below, and the risk factors relating to the Issuer contained in the Registration Document, regarding the risks of holding any Covered Bonds are exhaustive. Additional risks not currently known to the Issuer or that the Issuer now views as immaterial may also have a material adverse effect on the Issuer's future business, operating results or financial condition and affect an investment in Covered Bonds issued under the Programme. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus, and the risk factors relating to the Issuer contained in the Registration Document, and reach their own views prior to making any investment decision.*

*Before making an investment decision with respect to any Covered Bonds, prospective investors should form their own opinion, 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 subsequent numbers and capital headings used in the below text, correspond to the numbers and headings of the subsequent chapters as contained in this Base Prospectus after this section, where additional and more detailed information on the same heading can be found. Words and expressions defined elsewhere in this Base Prospectus shall have the same meaning in the below risk factors description. An index of certain defined terms is contained at the end of this Base Prospectus.*

### **A.1 Covered Bonds**

#### ***Introduction***

Each prospective investor in the Covered Bonds must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Covered Bonds (i) is fully consistent with its (or if it is acquiring the Covered Bonds in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition, (ii) complies and is fully consistent with any investment policies, guidelines and restrictions applicable to it (whether acquiring the Covered Bonds as principal or in a fiduciary capacity) and (iii) is a fit, proper and suitable investment for it (or, if it is acquiring the Covered Bonds in a fiduciary capacity, for the beneficiary). In particular, investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each prospective investor should therefore consult its legal advisers to determine whether and to what extent (i) the Covered Bonds are legal investments for it, (ii) the Covered Bonds can be used as underlying securities for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Covered Bonds.

*The Covered Bonds may not be a suitable investment for all investors*

Each potential investor in the Covered Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds, the merits and risks of investing in the Covered Bonds and the information contained or incorporated by reference in this Base Prospectus, any applicable supplement or Final Terms;

- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Covered Bonds and the impact the Covered Bonds will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Covered Bonds and be familiar with the behaviour of any relevant assets and/or financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Covered Bonds are generally complex financial instruments. A potential investor should not invest in Covered Bonds unless it has 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 potential investor's overall investment portfolio.

#### *Possible delay in delivery of underlying securities*

An issue of Covered Bonds may include provisions for the delivery of underlying securities to holders of those Covered Bonds. If such delivery is to take place, it may be delayed by factors outside the Issuer's control, for example disruption on relevant clearing systems. The Issuer will not be responsible for any such delay and shall not be obliged to compensate holders of Covered Bonds therefor. Covered Bondholders will be solely responsible for determining whether they are permitted to hold any underlying securities, including under applicable securities laws.

#### *Limited liquidity of the Covered Bonds*

Even if application is made to list Covered Bonds on a stock exchange, there can be no assurance that a secondary market for any of the Covered Bonds will develop, or, if a secondary market does develop, that it will provide the holders of the Covered Bonds with liquidity or that it will continue for the life of the Covered Bonds. A decrease in the liquidity of an issue of Covered Bonds may cause, in turn, an increase in the volatility associated with the price of such issue of Covered Bonds. Any investor in the Covered Bonds must be prepared to hold such Covered Bonds for an indefinite period of time or until redemption of the Covered Bonds. If any person begins making a market for the Covered Bonds, it is under no obligation to continue to do so and may stop making a market at any time. Illiquidity may have a severely adverse effect on the market value of Covered Bonds.

#### *Limited liquidity in the secondary market in mortgage loans and mortgage backed securities*

Despite recent improved market conditions in Dutch residential mortgage-backed securities, the secondary mortgage markets are still experiencing disruptions resulting from reduced investor demand for mortgage loans and mortgage-backed securities and increased investor yield requirements for those loans and securities. As a result, the secondary market for mortgage loans and mortgage-backed securities is experiencing limited liquidity. These conditions may improve, continue or worsen in the future. This may, amongst other things, affect the ability of the CBC to obtain timely funding to fully redeem maturing Series with the sale proceeds of Transferred Receivables subject to and in accordance with the Asset Monitor Agreement, the Trust Deed and the Guarantee Support Agreement.

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

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

#### *Counterparty risk exposure*

The ability of the Issuer or the CBC to make payments under the Covered Bonds or the Guarantee, as the case may be, is subject to general credit risks, including credit risks of borrowers. Third parties that owe the Issuer or the CBC money, securities or other assets may not pay or perform under their obligations. These parties include borrowers under loans granted, trading counterparties, counterparties under swap agreements and credit and other derivative contracts, agents and other financial intermediaries. These parties may default on their obligations to the Issuer or the CBC due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other reasons.

#### *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 Covered Bondholders. It is possible that the Issuer will itself be the Calculation Agent for certain issues 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.

#### *The return on an investment in Covered Bonds will be affected by charges incurred by investors*

An investor's total return on an investment in Covered Bonds will be affected by the level of fees charged to the investor, including fees charged to the investor as a result of the Covered Bonds being held in a clearing system. Such fees may include charges for opening accounts, transfers of securities, custody services and fees for payment of principal, interest or other sums due under the terms of the Covered Bonds. Investors should carefully investigate these fees before making their investment decision.

#### *Tax risk*

This Base Prospectus includes general summaries of certain Dutch tax considerations relating to an investment in the Covered Bonds and of certain U.S. federal income tax considerations relating to an investment in the Covered Bonds (see Section 1.4 (*Taxation*) below). Such summaries may not apply to a particular Covered Bondholder or to a particular issue and do not cover all possible tax considerations. In addition, the tax treatment may change before the maturity, exercise or termination date of Covered Bonds. Any potential investor should consult its own independent tax adviser for more information about the tax consequences of acquiring, owning and disposing of Covered Bonds in its particular circumstances.

#### *Risk relating to FATCA*

In certain circumstances the Issuer and certain other non-U.S. financial institutions through which payments on the Covered Bonds are made may be required to withhold U.S. tax at a rate of 30 per cent. pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code and the regulations and other guidance promulgated thereunder ("**FATCA**") on all, or a portion of, payments made after 31 December 2016 in respect of (i) Covered Bonds that are treated as debt for U.S. federal tax purposes and are issued or materially modified on or after the date that is six months after the date on which the final regulations applicable to "foreign passthru payments" are filed and (ii) Covered Bonds that are treated as equity for U.S. federal tax purposes and issued at any time.

If an amount in respect of FATCA were required to be withheld from any payment on the Covered Bonds, there will be no "gross up" (or any other additional amount) payable by way of compensation to the investor for the withheld amount. An investor that is able to claim the benefits of an income tax treaty between its own jurisdiction and the United States may be entitled to a refund of amounts withheld pursuant to the FATCA rules, though the investor would have to file a U.S. tax return to claim this refund and would not be entitled to interest from the IRS for the period prior to the refund.

Whilst the Covered Bonds are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the clearing systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligations under the Covered Bonds are discharged once it has made payment to, or to the order of, the clearing systems and the Issuer has therefore no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States ("IGA") are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

See also "*United States Taxation*" under Section 1.4 (*Taxation*) below.

**FATCA is particularly complex and its application to the Issuer, the Covered Bonds issued by it or the CBC is uncertain at this time. Each holder of Covered Bonds should consult its own tax advisor to obtain a more detailed explanation of FATCA and to learn how it might affect such holder in its specific circumstance, in particular if it may be, or hold its interest through an entity that is, classified as a financial institution under FATCA.**

#### *Financial transaction tax*

On 14 February 2013, the EU Commission adopted a proposal for a Council Directive (the "**Draft Directive**") on a common financial transaction tax ("**FTT**"). According to the Draft Directive, the FTT shall be implemented and enter into effect in eleven EU Member States (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Spain, Slovakia and Slovenia; the "**Participating Member States**" and each a "**Participating Member State**").

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

Under current proposals the FTT could apply in certain circumstances to persons both within and outside the Participating Member States. Generally, it would apply to certain dealings in the 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.

Joint statements issued by the Participating Member States indicate an intention to implement the FTT by 1 January 2016. However, the FTT proposal remains subject to negotiation between the Participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Covered Bonds are advised to seek their own professional advice in relation to the FTT.

#### *Risk of difference in insolvency laws*

In the event that the Issuer or the CBC becomes insolvent, insolvency proceedings will be generally governed by the insolvency laws of the Issuer's or CBC's place of incorporation, respectively. The insolvency laws of the Issuer's or CBC's place of incorporation may be different from the insolvency laws of an investor's home jurisdiction and the treatment and ranking of Covered Bondholders in respect of Covered Bonds issued by the Issuer and the Issuer's or CBC's other creditors and shareholders under the insolvency laws of the Issuer's or CBC's place of incorporation may be different from the treatment and

ranking of those Covered Bondholders and the Issuer's or CBC's other creditors and shareholders if the Issuer or CBC, as the case may be, was subject to the insolvency laws of the investor's home jurisdiction.

#### *Risks relating to regulatory actions in the event of a bank failure*

On 13 June 2012 the Dutch Special Measures Financial Institutions Act (*Wet bijzondere maatregelen financiële ondernemingen*) came into force, amending the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, "**Wft**") with retroactive application as from 20 January 2012 and giving the Dutch Central Bank (*De Nederlandsche Bank N.V.*, "**DNB**") and the Dutch Minister of Finance additional powers to deal with ailing financial institutions.

Pursuant to the Wft, substantial powers are granted to DNB and the Dutch Minister of Finance enabling them to take certain measures in respect of struggling Dutch financial institutions prior to or in insolvency. These powers will allow them to take measures in respect of such a financial institution which may result in: (i) the transfer of all or part of the business (including, in the case of a bank, deposits) of the bank or insurance company to a private sector purchaser, (ii) the transfer of all or part of the business of the bank or insurance company to a "bridge entity", (iii) the transfer of shares in the bank or insurance company to a private sector purchaser or a "bridge entity", (iv) immediate interventions by the Minister of Finance with regard to the financial institution, and (v) public ownership (nationalisation) of all or part of the business of the financial institution or of all or part of the shares or other securities issued by that financial institution.

The Wft also contains provisions prohibiting counterparties of banks and insurance companies from invoking or enforcing without the consent of DNB certain contractual rights (for example, contractual rights to terminate a contract or to demand payment, performance or security) pursuant to (contemplated or actual) action undertaken by DNB or the Minister of Finance under the Wft or by authorities under similar foreign intervention laws. However, subject to applicable insolvency laws, the CBC's right to invoke or enforce provisions of the relevant Transaction Documents or the Covered Bondholders' rights under the Covered Bonds, respectively, against such contracting parties would in principle not be affected by the Wft if the exercise of those CBC's rights is based on grounds other than the intervention by DNB or the Minister of Finance under the Wft (for example, on the basis of a payment default or a ratings downgrade not related to or resulting from intervention pursuant to the Wft).

In particular, within the context of the resolution tools provided in the Wft, holders of debt securities of a bank (including, if relevant to the Issuer, Covered Bondholders) subject to resolution could be affected by issuer substitution or replacement, transfer of debt, expropriation, modification of terms and/or suspension or termination of listings.

On 6 June 2012, the European Commission proposed a new Directive on a comprehensive framework for dealing with ailing credit institutions and investment firms which contains a number of legislative proposals similar to those implemented in the Wft. Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council (the "**BRRD**") has been adopted by the Council on 6 May 2014. Member States had to transpose the BRRD into national law by 1 January 2015 (except for the bail-in tool which may be implemented by 1 January 2016). On 21 November 2014 a draft legislative proposal to amend, amongst other things, the Wft was published for consultation, which purports to implement the BRRD and SRM (as defined below). This consultation ended on 19 December 2014. It is, however, at this stage unclear how the BRRD will be implemented in The Netherlands and it remains to be seen if and to what extent the implementation of the BRRD in The Netherlands will set aside the current provisions of the Wft.

The BRRD gives regulators resolution powers to, amongst other things, write down debt of a failing bank (or to convert such debt into equity). Pursuant to article 44 paragraph 2 of the BRRD, covered bonds are in principle excluded from the applicability of the write-down and conversion powers laid down in the BRRD. This means that, in principle, Covered Bonds cannot be written down following a bail-in intervention of the national authorities in relation to the Issuer. However, such write down resolution powers could be used in relation to the Covered Bonds if and to the extent the aggregate Principal Amount Outstanding of the Covered Bonds would exceed the value of the collateral against which they are secured through the Guarantee and the Security.

After having reached an agreement with the Council of the European Union, the European Parliament adopted 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 ("**SRM**"). The SRM implements the BRRD in the eurozone and any other participating Member State. The BRRD is the single rulebook for the resolution of banks and large investment firms in all EU Member States. It harmonises and upgrades the tools for dealing with bank crises across the EU. The SRM will complement the Single Supervisory Mechanism ("**SSM**") and will ensure that, if a bank subject to the SSM faces serious difficulties, its resolution can be managed efficiently with minimal costs to taxpayers and the real economy. The SRM will, amongst others, apply to all banks in the eurozone and other Member States that choose to participate.

If at any time any resolution powers would be used by DNB or, as applicable, the Minister of Finance, the Single Resolution Board or any other relevant authority in relation to the Issuer or the Covered Bonds pursuant to the Wft, the BRRD, the SRM or otherwise, this could result in losses to, or otherwise affect the rights of, Covered Bondholders and/or could affect the credit ratings assigned to the Covered Bonds.

See also the risk factor "*Bank Recovery and Resolution Regimes*" in the Registration Document.

#### *Changes in law*

The structure of the issue of the Covered Bonds and the ratings which may be assigned to them are based on the law of the jurisdiction governing such Covered Bonds in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible change to the law in such jurisdiction or administrative practice in such jurisdiction after the date of this Base Prospectus.

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

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 potential investors. Set out below is a description of the most common risks related to such features:

##### *Covered Bonds subject to optional redemption by the Issuer*

An optional redemption feature in any Covered Bonds may negatively impact 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 true prior to any 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.

##### *Floating Rate Covered Bonds with Caps, Floors or Collars may lead to volatile market values of the Covered Bonds*

Covered Bonds with variable interest rates can be volatile investments. If they are structured to include Caps, Floors or Collars (or any combination of those features or other similar related features), their market values may be even more volatile than those for securities that do not include those features.

##### *Fixed/Floating Rate Covered Bonds*

The Issuer may issue Fixed/Floating Rate Covered Bonds. Such Covered Bonds may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Covered Bonds since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Covered Bonds may be less favourable than then prevailing spreads on comparable Floating Rate Covered Bonds tied to the same reference rate. In addition, the new floating

rate at any time may be lower than the rates on other Covered Bonds. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Covered Bonds.

#### *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 do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

#### *Exchange rates and exchange controls*

The Issuer will pay principal and interest on the Covered Bonds in a specified currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the specified currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the specified currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the specified currency would decrease (1) the Investor's Currency-equivalent yield on the Covered Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Covered Bonds and (3) 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 and/or restrict the convertibility or transferability of currencies within and/or outside of a particular jurisdiction. As a result, investors may receive less interest or principal than expected, or receive it later than expected or not at all.

#### *No gross-up*

All payments made by the Issuer in respect of the Covered Bonds and by the CBC in respect of the Guarantee shall be made subject to any tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted or which is withheld or deducted pursuant to an agreement between the Issuer or the CBC and any taxing authority. Covered Bondholders will not be entitled to receive grossed-up amounts to compensate for any such tax, duty, withholding or other payment and no Issuer Event of Default or CBC Event of Default shall occur as a result of any such withholding or deduction. As a result, investors may receive less interest than expected and the return on their Covered Bonds could be significantly adversely affected. In addition, the Issuer shall have the right to redeem Covered Bonds issued if, on the occasion of the next payment due in respect of such Covered Bonds, the Issuer would be required to withhold or account for tax in respect of such Covered Bonds.

#### *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.

#### *Covered Bonds in New Global Note form*

The New Global Note 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 central banking system for the euro (the "**Eurosystem**") and intra-day credit operations by the Eurosystem either upon issue or at any or all items during their life. However in any particular case such recognition will depend upon satisfaction of the Eurosystem eligibility criteria at the relevant time. Investors should make their own assessment as to whether the Covered Bonds meet such Eurosystem eligibility criteria.

#### *Specified Denomination of €100,000 (or its equivalent) plus higher integral multiple*

In relation to any issue of Covered Bonds which have a denomination consisting of €100,000 (or its equivalent) plus a higher integral multiple of another smaller amount, it is possible that the Covered Bonds may be traded in amounts in excess of €100,000 (or its equivalent) that are not integral



multiples of €100,000 (or its equivalent). In such a case a Covered Bondholder who, as a result of trading such amounts, holds a principal amount of less than €100,000 (or its equivalent) 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 aggregate holding amounts to €100,000 (or its equivalent) in order to receive such a definitive Covered Bond.

#### *Implementation of and/or changes to Basel II and implementation of Basel III*

The regulatory capital framework published by the Basel Committee on Banking Supervision (the "**Basel Committee**") in 2006 (the "**Basel II Framework**") has not been fully implemented in all participating countries. The implementation of the framework in relevant jurisdictions may affect the risk-weighting of the Covered Bonds for investors who are or may become subject to capital adequacy requirements that follow the framework. The Basel II Framework is implemented in the European Union by the Capital Requirements Directive (as defined below). Certain amendments have been made to the Capital Requirements Directive, including by Directive 2010/76/EU (the so-called CRD III), which was required to be implemented by Member States by the end of 2011 and which introduced (amongst other things) higher capital requirements for certain trading book positions and re-securitisation positions.

It should also be noted that the Basel Committee has approved significant changes to the Basel II Framework (such changes being commonly referred to as "**Basel III**") and on 1 June 2011 issued its final capital guidance. The accompanying liquidity standards have subsequently revised and a further version was issued on 7 January 2013. The final standards envisages a substantial strengthening of existing capital rules, including new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards and minimum leverage ratio for financial institutions. In particular the changes include, amongst other things, new requirements for the capital base, measures to strengthen the capital requirements for counterparty credit exposures arising from certain transactions and the introduction of a short-term and longer-term standards for funding liquidity (referred to as the "**Liquidity Coverage Ratio**" and the "**Net Stable Funding Ratio**"). The changes approved by the Basel Committee may have an impact on the capital requirements in respect of the Covered Bonds and/or on incentives to hold the Covered Bonds for investors that are subject to requirements that follow the revised framework and, as a result they may affect the liquidity and/or value of the Covered Bonds.

The European authorities support the work of the Basel Committee on the approved changes in general and, on 26 June 2013, a legislative package of proposals implemented the changes through the replacement of the existing Capital Requirements Directive with a new Directive (Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013, as amended, "**CRD IV**") and Regulation (Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013, as amended, the "**CRR**"). Both CRD IV and CRR entered into force as of 1 January 2014, with full implementation by January 2019; however, CRD IV allows individual Member States to implement a stricter definition and/or level of capital more quickly than is envisaged under Basel III. CRD IV was implemented into Dutch legislation on 1 August 2014, except for certain liquidity requirements relating to investment firms which were implemented on 1 January 2015. The Net Stable Funding Ratio will apply from 1 January 2018 while the Liquidity Coverage Ratio will be phased in between 2015 and 2018.

In general, investors should consult their own advisers as to the regulatory capital and liquidity requirements in respect of the Covered Bonds and as to the consequences for and effect on them of any changes to the Basel II framework (including the Basel III changes described above) and the relevant implementing measures. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

#### *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 Euroclear, Clearstream, Luxembourg, Euroclear Netherlands, or in either case by any other agreed clearing system or a common depositary therefor, 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 Section 1.1 (*Form of the Covered Bonds and DTC Information*) below. For as long as a Covered Bond is represented by a Global Covered Bond held by the common safekeeper on behalf of Euroclear and/or Clearstream, Luxembourg or by Euroclear, Clearstream, Luxembourg, Euroclear

Netherlands, 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 Netherlands (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 safekeeper for Euroclear and/or Clearstream, Luxembourg or Euroclear, Clearstream, Luxembourg, Euroclear Netherlands or any other agreed clearing system or a common depositary therefor, shall be treated by the Issuer, any Paying Agent, the CBC and the Trustee, as the case may be, 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 Netherlands, or DTC as the case may be.

*Base Prospectus to be read together with applicable Final Terms and Registration Document*

The terms and conditions of the Covered Bonds included in this Base Prospectus apply to the different types of Covered Bonds that may be issued under the Programme under this Base Prospectus. The full terms and conditions applicable to each Tranche of Covered Bonds that may be issued under this Base Prospectus can be reviewed by reading the Conditions as set out in full or incorporated, as applicable, in this Base Prospectus, which constitute the basis of all Covered Bonds to be offered under the Programme, 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 (or Tranche thereof). A detailed description of the Issuer can be found in the Registration Document.

***Factors that may affect the Issuer's ability to fulfil its obligations under Covered Bonds issued under the Programme***

Each potential investor in the Covered Bonds should refer to the Risk Factors section of the Registration Document for a description of those factors which may affect the Issuer's ability to fulfil its obligations under Covered Bonds issued under the Programme. See Section D.1 (*Documents incorporated by reference*) below.

***Factors which are material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme***

*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 (and form part thereof) or have different terms to an existing Series (in which case they will constitute a new Series) of Covered Bonds. All Covered Bonds issued from time to time will rank *pari passu* with each other in all respects and will be guaranteed by the Guarantee. 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 provided in the Security Documents. If an Issuer Event of Default or a CBC Event of Default occurs and results in acceleration, all Covered Bonds of all Series will accelerate at the same time.

*Credit ratings may not reflect all risks and credit rating downgrades or withdrawals may reduce the market value of the Covered Bonds*

The Issuer has a senior debt rating from S&P of A (outlook negative), from Moody's of A2 (outlook negative) and from Fitch of 'A+/'F1+' (outlook negative). The Covered Bonds are expected on issue to be assigned a credit rating from Fitch of 'AAA', a credit rating from S&P of AAA and a credit rating from Moody's of Aaa, respectively, to the extent each such agency is a Rating Agency (as defined below) at the time of the issue of the Covered Bonds.

Other Tranches of Covered Bonds issued under the Programme may be rated or unrated and one or more independent credit rating agencies may assign additional credit ratings to the Covered Bonds or the Issuer.

If and to the extent credit ratings would be assigned to the Covered Bonds by either Fitch and/or S&P, any such credit ratings assigned to the Covered Bonds by S&P and/or Fitch, would reflect S&P and/or Fitch's assessment of the likelihood of full and timely payment to Covered Bondholders of all payments of interest on each Interest Payment Date. Any credit ratings that would be assigned by S&P and/or Fitch would also reflect S&P's and/or Fitch's assessment of the likelihood of timely payment of principal in relation to the Covered Bonds on the Final Maturity Date thereof. If and to the extent credit ratings are assigned to the Covered Bonds, such credit ratings assigned by Fitch take into consideration the probability of default and the loss given default and the credit ratings assigned by Moody's address the expected loss posed to investors. Moody's credit ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have significant effect on yield to investors. The expected credit ratings of the Covered Bonds are set out in the applicable Final Terms for each Tranche.

Other Rating Agencies that, at the request of the Issuer, assign credit ratings to the Covered Bonds from time to time may make assessments of risks involved in respect of the Covered Bonds that are similar to, or differ from, any assessments made by Moody's, Fitch and/or S&P (if and to the extent any of them is a Rating Agency). Any such credit ratings assigned by Rating Agencies to the Covered Bonds from time to time may (therefore) not reflect all risks involved in an investment in Covered Bonds.

A credit rating is not a recommendation to buy, sell or hold securities. There is no assurance that a credit rating will remain for any given period of time or that a credit rating will not be suspended, lowered or withdrawn by the relevant Rating Agency if, in its judgement, circumstances in the future so warrant.

In the event that a credit rating assigned to the Covered Bonds or the Issuer is subsequently suspended, lowered or withdrawn for any reason, no person or entity is obliged to provide any additional support or credit enhancement with respect to the Covered Bonds, the Issuer or the CBC, the market value of the Covered Bonds is likely to be adversely affected and the ability of the Issuer or the CBC to make payments under the Covered Bonds may be adversely affected.

In general European regulated investors are restricted under Regulation (EC) No. 1060/2009 (the "**CRA Regulation**") from using credit ratings for regulatory purposes, unless such credit ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

#### *Risk related to unsolicited credit ratings on the Covered Bonds*

Other credit rating agencies that have not been requested by the Issuer to rate the Covered Bonds may issue unsolicited credit ratings on the Covered Bonds at any time. Any unsolicited credit ratings in respect of the Covered Bonds may differ from the credit ratings expected to be assigned by S&P, Fitch and Moody's and may not be reflected in this Base Prospectus. Issuance of an unsolicited credit rating which is lower than the credit ratings assigned by a Rating Agency in respect of the Covered Bonds may adversely affect the market value and/or the liquidity of the Covered Bonds.

#### *Certain decisions of Covered Bondholders taken at Programme level (including in relation to acceleration)*

Any Extraordinary Resolution to direct the Trustee (i) to accelerate the Covered Bonds, (ii) to take any enforcement action or (iii) to remove or replace the Trustee's Director, must be passed at a single meeting of the holders of all Covered Bonds of all Series then outstanding (i.e. a Programme Resolution) as set out in more detail in Condition 14 (*Meetings of Covered Bondholders, modification and waiver*) and cannot be decided upon at a meeting of Covered Bondholders of a single Series.

#### *Valid resolutions bind all Covered Bondholders and Couponholders*

A validly adopted Programme Resolution and Extraordinary Resolution will be binding on all Covered Bondholders and Couponholders of all Series (in the case of a Programme Resolution) or the relevant

Series (in the case of an Extraordinary Resolution), including Covered Bondholders and Couponholders who did not attend or vote at the relevant meeting and Covered Bondholders who voted against such Programme Resolution or Extraordinary Resolution, as applicable.

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

Pursuant to the terms of the Trust Deed, the Trustee may, without the consent of any of the Covered Bondholders or any of the other Secured Creditors (other than the Trustee (where applicable)), agree to the waiver or authorisation of any breach or proposed breach of any of the provisions of the Covered Bonds of any Series or any Transaction Document, or determine, that any Issuer Event of Default or CBC Event of Default or Potential Issuer Event of Default or Potential CBC Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of any of the Secured Creditors (in which respect the 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 the 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 provided further that the Trustee shall not exercise any powers conferred upon it in contravention of any express direction by a Programme Resolution (but so that no such direction or request shall affect any authorisation, waiver or determination previously given or made) or so as to authorise or waive any such breach or proposed breach relating to any of the matters the subject of the Series Reserved Matters.

Pursuant to the terms of the Trust Deed, the Trustee may from time to time and at any time without any consent or sanction of the Covered Bondholders of any Series and without the consent of the other Secured Creditors concur with the Issuer and the CBC (and for this purpose the Trustee may disregard whether any such modification relates to a Series Reserved Matter) and agree to (a) any modifications to the Covered Bonds of any Series, the related Coupons or any Transaction Documents and/or designate further creditors as Secured Creditors, provided that (i) in the opinion of the Trustee such modification is not materially prejudicial to the interests of any of the Covered Bondholders of any Series or any of the other Secured Creditors (other than the CBC) (in which respect the 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) and (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 his/her written consent as aforesaid); or (b) any modifications to the Covered Bonds of any Series, the related Coupons or any Transaction Documents which are of a formal, minor or technical nature or are made to correct a manifest error or an error established as such to the satisfaction of the Trustee or to comply with mandatory provisions of law.

Pursuant to the terms of the Trust Deed, the Trustee is obliged, without the consent of the holders of any of the Covered Bonds issued after 17 July 2013 or any other Secured Creditor, (other than any Secured Creditor party to the relevant Transaction Document to be amended) to concur with the Issuer and/or the CBC in making any modifications to the Transaction Documents and/or the Covered Bonds of one or more Series that are requested in writing by the Issuer and/or the CBC in order to enable the Issuer and/or the CBC to comply with any requirements which apply to it under Regulation (EU) 648/2012 (the "**EMIR**") irrespective of whether or not such modifications might otherwise constitute a Series Reserved Matter (which the Trustee shall not be required to investigate), subject to receipt by the Trustee of a certificate of the Issuer, or of the CBC, if applicable, (which certificate the Trustee shall be entitled to rely on without further investigation) certifying to the Trustee that the requested amendments are to be made solely for the purpose of enabling the Issuer and/or the CBC to satisfy any requirements which apply to either of them under EMIR. For the avoidance of doubt, in relation to any Series issued prior to 17 July 2013, such modifications must be made pursuant to other provisions of the Trust Deed, as applicable. The Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Trustee would have the effect of (a) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (b) increasing the obligations or duties, or decreasing the protections, of the Trustee in the Transaction Documents and/or the Covered Bonds.

Accordingly, in relation to the matters set out above, the Covered Bondholders will not be in a position to give instructions to the Trustee, have to rely on the assessments made by the Trustee and not be able to prevent the Trustee from making certain modifications to the Covered Bonds and the Transaction Documents as described above.

### *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 opening of business on the second Business Day falling prior to the due date of such payments. If any Registered Covered Bondholder transfers any Registered Covered Bonds in accordance with Condition 19(c) and the Trust Deed and such transfer is notified to the Issuer, the CBC and the Registrar prior to the close of business on the Record Date, the Issuer, the CBC and the 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 the close of business on the Record 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 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 19 (*Terms and Conditions of Registered Covered Bonds*) and the Issuer, the CBC and the Trustee will be discharged from their respective payment obligations.

To the extent that Dutch law is applicable to a transfer of a Covered Bond, one of the requirements for a valid transfer of a Covered Bond, is a valid delivery (*levering*). Also, to the extent that Dutch law is applicable to a transfer of a Covered Bond, 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 and the CBC, if it concerns a notified assignment. Condition 19(c) and the Trust Deed also provide that a valid transfer requires notification thereof by the assignor or the assignee to the Registrar.

### ***Risk of Covered Bonds ceasing to comply with Article 52(4) UCITS and/or Article 129 CRR***

On 12 September 2008, DNB admitted the Issuer and the Covered Bonds to the DNB-register in accordance with the 2008 CB Regulations, and the Issuer opted for compliance with the requirements set out in Annex VI, Part I, points 68-72 of the then so-called Capital Requirements Directive (since 1 January 2014 replaced with Article 129 CRR). On the March 2015 Update, the Covered Bonds comply with article 52(4) UCITS and are in the DNB-register registered as being compliant with Article 129 CRR.

The 2015 CB Legislation came into force on 1 January 2015 and replaces the 2008 CB Regulations. The 2015 CB Legislation grants issuers of covered bonds registered (including the Issuer), and issuers which applied for registration, under the 2008 CB Regulations a transitional period of twelve months from 1 January 2015 for its covered bonds to comply with the new requirements prescribed by the 2015 CB Legislation (the "**Transitional Period**"). During such Transitional Period the Covered Bonds must continue to meet the requirements prescribed by the 2008 CB Regulations. As from 1 January 2016 the Covered Bonds must comply with the requirements prescribed by the 2015 CB Legislation. The Issuer intends the Covered Bonds to be compliant with the 2015 CB Legislation by no later than 1 January 2016 which would result in the continued compliance of the Covered Bonds with Article 52(4) UCITS and the continued registered compliance of the Covered Bonds with Article 129 CRR.

The 2015 CB Legislation imposes ongoing obligations, including ongoing administration and reporting obligations towards DNB, on an issuer of DNB-registered covered bonds and includes newly introduced ongoing obligations to comply with asset quality and quantity requirements (including statutory minimum overcollateralisation and liquidity buffer requirements) and ongoing audit and stress-testing obligations. DNB will perform certain supervision and enforcement related tasks in respect of covered bonds admitted to its register, including monitoring compliance with ongoing requirements.

If a covered bond no longer meets such requirements, or if the relevant issuer no longer complies with its ongoing obligations towards DNB, DNB can take several measures, which include, without limitation, cancelling an issuer's registration, imposing an issuance-stop and/or fines and penalties on the issuer. However, other than under the 2008 CB Regulations, DNB cannot cancel the registration of outstanding covered bonds registered under the 2015 CB Legislation. Therefore, cancellation of registration of an issuer itself should not result in loss of the preferential treatment under Article 52(4) UCITS for outstanding covered bonds registered in accordance with the 2015 CB Legislation. Consequently, as from 1 January 2016, and to the extent the Covered Bonds would not have lost the preferential treatment under Article 52(4) UCITS as a result of any non-compliance with the requirements or for other reasons prior to

that date, the Covered Bonds could not lose the preferential treatment under Article 52(4) UCITS if on or after that date the Covered Bonds would not meet the requirements prescribed by the 2015 CB Legislation.

DNB also registers in the DNB-register whether the Covered Bonds comply with Article 129 CRR. Pursuant to the 2015 CB Legislation, DNB may cancel such registered compliance with Article 129 CRR, if the Issuer or the CBC would not provide the required information to DNB to monitor compliance with Article 129 CRR or if the Covered Bonds would no longer comply with Article 129 CRR.

To date there is no example and/or clarity as to how DNB will apply the discretionary powers that it has been given. There is a risk that the exercise of any such powers by DNB may reduce the amounts available to pay Covered Bondholders. In addition, if at any time the Issuer's registration would be cancelled or the Covered Bonds would no longer comply with Article 52(4) UCITS and/or Article 129 CRR, a Covered Bondholder may, depending on its reasons for investing in the relevant Covered Bonds, experience adverse consequences, including an adverse effect on the market value of its Covered Bonds as a result of other Covered Bondholders disposing of their Covered Bonds.

No Transaction Document grants any right to any party or imposes any obligation on the Issuer or any other party in connection with any Covered Bond no longer complying with Article 52(4) UCITS and/or Article 129 CRR.

In particular, none of the Transaction Documents prescribes an Issuer Event of Default, or imposes an obligation on the Issuer to notify any Covered Bondholder in the event that Covered Bonds would no longer comply with Article 52(4) and/or Article 129 CRR.

Depending on their reasons for investing in Covered Bonds, Covered Bondholders should, among other things, conduct their own thorough analysis, and consult their own 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, Article 52(4) UCITS and Article 129 CRR and any technical standards relating thereto. Non-compliance by the Covered Bonds with any such rules might adversely affect the Covered Bondholders.

See also Section 1.8 (*Description of the Dutch Covered Bond Legislation*) below.

## **A.2 Asset-backed Guarantee**

### ***CBC 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 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.

A Notice to Pay shall only be served if (a) an Issuer Event of Default occurs and results in service by the Trustee of an Issuer Acceleration Notice on the Issuer or (b) a Breach of the Asset Cover Test or (c) a Breach of the Pre-Maturity Test or (d) a Breach of any Portfolio Test (if implemented) occurs. A CBC Acceleration Notice can only be served if a CBC Event of Default occurs.

Following service of an Issuer Acceleration Notice on the Issuer, a Notice to Pay shall be served by the 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 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 Notice to Pay is served by the Trustee on the CBC following (i) a Breach of the Asset Cover Test or (ii) a Breach of the Pre-Maturity Test or (iii) a Breach of any Portfolio Test (if implemented), the CBC will not be obliged to make payments under the Guarantee until (a) an Issuer Event of Default has occurred and an Issuer Acceleration Notice 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 (a) an Issuer Event of Default has occurred and an Issuer Acceleration Notice has been served and (b) no CBC Acceleration Notice has been served) (i) under the terms of the Trust Deed any Excess Proceeds received by the Trustee from the Issuer (or any liquidator or other official appointed in relation to the Issuer) (x) will discharge *pro tanto* the obligation of the Issuer in respect of the Covered Bonds and Coupons for an amount equal to such Excess Proceeds, (y) will not reduce or discharge any obligations of the CBC under the Guarantee and (z) will be paid to the CBC and shall be used by the CBC in the same manner as all other monies from time to time standing to the credit of the AIC Account, and (ii) 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 Post-Notice-to-Pay 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 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 Trustee may enforce the Security over the Secured Property. The proceeds of enforcement of the Security shall be applied by the 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.

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

The CBC's ability to meet its obligations under the Guarantee will depend on the realisable value of Transferred Assets (net of, without limitation, amounts due to the Participants in the case of Participation Receivables), the amount of principal and interest (or other revenue) proceeds generated by the Transferred Assets (net of, without limitation, amounts due to the Participants in the case of Participation Receivables) and Authorised Investments and the timing thereof and amounts received from the Swap Providers, the Participants and the Account Bank and prior to a CBC Event of Default and following a Breach of the Pre-Maturity Test only, any amounts available under a CBT Facility. The CBC will not have any other source of funds available to meet its obligations under the Guarantee.

If a CBC Event of Default occurs and the Security created by or pursuant to the Security Documents is enforced, the Secured Property may not be sufficient to meet the claims of all the Secured Creditors, including the Covered Bondholders. Upon the occurrence of any Issuer Event of Default or a CBC Event of Default (and in other circumstances), the CBC or the Trustee, as the case may be, could experience difficulty with any sale of the relevant Transferred Receivables, particularly with respect to the price achievable and the timing of such sale. If, following enforcement of the Security constituted by or pursuant to the Security Documents, the Secured Creditors have not received the full amount due to them pursuant to the terms of the Transaction Documents, then they may still have an unsecured claim against the Issuer for the shortfall. There is no guarantee that the Issuer will have sufficient funds to pay that shortfall.

Covered Bondholders should note that the Asset Cover Test has been structured to ensure that the Adjusted Aggregate Asset Amount is greater than the aggregate Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding, which should reduce the risk of there ever being a shortfall. Also, under the 2015 CB Legislation the Issuer will be required to ensure that as from 1 January 2016 (i) a statutory minimum level of overcollateralisation of eligible cover assets is maintained, (ii) the value of the Transferred Assets is at all times at least equal to the Principal Amount Outstanding of the Covered Bonds and (iii) at all times sufficient liquidity is maintained or generated by the CBC to cover for the following 6 month-period interest and principal payments on the Covered Bonds and certain higher and *pari passu* ranking payments, in each case as calculated and determined in accordance with the 2015 CB Legislation. However there is no assurance that there will not be a shortfall.

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

The CBC has entered into agreements with a number of third parties, which have agreed to perform services for the CBC. In particular, but without limitation, the Initial Servicer has been (and New Servicers may be) appointed to service the Transferred Receivables and the Administrator has been appointed to monitor compliance with the Asset Cover Test, the Pre-Maturity Test, the Amortisation Test and the Portfolio Test (if implemented) and to provide administration services to the CBC and the Asset Monitor has been appointed to conduct tests on the arithmetic accuracy of the calculations performed by the Administrator annually and in certain circumstances more frequently in respect of the Asset Cover Test and monthly in respect of the Amortisation Test with a view to confirming the accuracy of such calculations. In the event that any of those parties fails to perform its obligations under the relevant agreement to which it is a party, the realisable value of the Transferred Assets or any part thereof may be affected, or, pending such realisation (if the Transferred Assets or any part thereof cannot be sold), the ability of the CBC to make payments under the Guarantee may be affected. For instance, if a Servicer has failed to adequately administer the Transferred Receivables, this may lead to higher incidences of non-payment or default by Borrowers. The CBC is also reliant on the Swap Providers to provide it with the funds matching its obligations under the Guarantee.

If a Servicer Event of Default occurs pursuant to the terms of a Servicing Agreement, then the CBC and/or the Trustee will be entitled to terminate the appointment of the relevant Servicer and appoint a new servicer in its place. There can be no assurance that a substitute servicer with sufficient experience of administering mortgages of residential properties would be found who would be willing and able to service the Transferred Receivables on the terms of the Servicing Agreement. The ability of a substitute servicer to perform fully the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute servicer may affect the realisable value of the Transferred Receivables or any part thereof, and/or the ability of the CBC to make payments under the Guarantee. If a Servicer ceases to be assigned a long term unsecured, unguaranteed and unsubordinated debt obligation rating by a Rating Agency of at least the Minimum Servicer Ratings, then the Servicer will use reasonable efforts to procure that the parties to the Servicing Agreement enter into a master servicing agreement with a third party in such form as the CBC and the Trustee shall reasonably require.

None of the Servicers have (or will have, as applicable) 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 a Servicer under a Servicing Agreement.

The Trustee is not obliged in any circumstances to act as a Servicer or to monitor the performance by any Servicer of its obligations.

### ***Pledges to Trustee***

#### ***General***

Under or pursuant to the Security Documents, various Dutch law pledges are granted by the CBC to the Trustee. A Dutch pledge can serve as security for monetary claims (*geldvorderingen*) only and can only be enforced upon default (*verzuim*) of the obligations secured thereby. Foreclosure on pledged property is to be carried out in accordance with the applicable provisions and limitations of the Dutch Civil Code (*Burgerlijk Wetboek*) and the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*).

The CBC is a special purpose entity. It has been set up as a bankruptcy remote entity, principally in two ways. First, non-petition wording has been included in the relevant Transaction Documents. Notwithstanding such wording, it is possible that a Dutch court would deal with a petition for bankruptcy (*faillissement*) initiated by third party creditors (e.g. tax authorities) or Transaction Parties even if such petition was presented in breach of a non-petition covenant applying to the relevant Transaction Party. Secondly, recourse by the Transaction Parties to the CBC has been limited to the Transferred Assets and any other assets the CBC may have (excluding for the avoidance of doubt amounts standing to the credit of the Capital Account). It is therefore unlikely that the CBC becomes subject to an Insolvency Proceeding. Should the CBC be subjected to a Dutch Insolvency Proceeding nevertheless, the Trustee as pledgee can exercise the rights afforded by Dutch law to pledgees as if there were no Dutch Insolvency Proceedings. However, Dutch Insolvency Proceedings involving the CBC would affect the position of the Trustee as pledgee in some respects under Dutch law.



### *Future assets*

First, if and to the extent that assets purported to be pledged by the CBC to the Trustee are future assets (i.e. assets that have not yet been acquired by the CBC or that have not yet come into existence) at the moment Dutch Insolvency Proceedings take effect (i.e. at 0:00 hours on the date Dutch Insolvency Proceedings are declared), such assets are no longer capable of being pledged by the CBC (unless the liquidator agrees). This would for example apply with respect to amounts that are paid to the CBC Accounts following the CBC's Dutch Insolvency Proceedings taking effect. As such crediting of the relevant CBC Account would not yet have occurred when the Dutch Insolvency Proceedings take effect, the resulting receivable of the CBC *vis-à-vis* the Account Bank would qualify as a future asset as abovementioned. However, if following the Dutch Insolvency Proceedings taking effect, amounts are due to be paid under receivables that have been pledged to the Trustee prior to such Dutch Insolvency Proceedings taking effect, the Trustee as pledgee could through notification to the relevant debtors prevent that such pledged receivables are further discharged through payments to the CBC Accounts by ordering the relevant debtors to pay to a different account. The reason for this is that as pledgee it is entitled to collect such receivables itself, i.e. in its own bank account, following notification of the pledge (and, where applicable, the assignment preceding the pledge) to the relevant debtor. Notification of the pledge may occur following the occurrence of a Notification Event (which includes without limitation Dutch Insolvency Proceedings being declared in respect of an Originator or the CBC). As long as no notification of the assignment has taken place in respect of pledged Transferred Receivables, the relevant debtor must continue to pay to the relevant Originator. Under Section A.3 (*Guarantee Support*) under "*No Notification of Assignment of Eligible Receivables to CBC*" below, the position of the CBC is described in respect of payments so made to the relevant Originator prior to or after such Originator's possible Dutch Insolvency Proceedings taking effect. In respect of payments under pledged Transferred Receivables made to the CBC following notification of the assignment but prior to notification of the pledge and prior to Dutch Insolvency Proceedings of the CBC taking effect and not on-paid to the Trustee, the Trustee will be an ordinary, non-preferred creditor, having an insolvency claim (*voor verificatie vatbare vordering*). In respect of post-insolvency payments, the Trustee will be a preferred creditor having an insolvency claim. Creditors of insolvency claims have to share in the general insolvency costs and have to await finalisation of a (provisional) distribution list (*voorlopige uitdelingslijst*).

### *Mandatory insolvency rules*

Secondly, the following mandatory rules of Dutch insolvency law may affect the enforcement of the Trustee's pledges:

- a statutory stay of execution ('cooling-off period') of up to two months — with a possible extension by up to two more months — may be imposed during each type of Dutch Insolvency Proceedings by court order. Such stay of execution does not prevent the Trustee from giving notice to the debtors of any pledged receivables and collecting the proceeds thereof. However, where applicable, it will prevent the Trustee from (i) taking recourse against any amounts so collected during such stay of execution and (ii) selling pledged assets to third parties;
- the liquidator in bankruptcy can force the Trustee to enforce its security right within a reasonable period of time, failing which the liquidator in bankruptcy will be entitled to sell the pledged assets and distribute the proceeds. In such case, the Trustee will receive payment prior to ordinary, non-preferred creditors having an insolvency claim but after creditors of the estate (*boedelschuldeisers*). It should be noted, however, that said authority of the liquidator in bankruptcy only aims to prevent a secured creditor from delaying the enforcement of the security without good reason; and
- excess proceeds of enforcement must be returned to the CBC in its Dutch Insolvency Proceedings; they may not be set off against an unsecured claim (if any) of the Trustee on the CBC. Such set-off is in principle allowed prior to the Dutch Insolvency Proceedings.

Similar or different restrictions may apply in case of Insolvency Proceedings other than Dutch Insolvency Proceedings.

### ***Parallel Debt***

It is intended that the CBC grants pledges to the Trustee for the benefit of the Secured Creditors. However, under Dutch law there is no concept of trust and it is uncertain whether a pledge can be granted to a party other than the creditors of the receivables purported to be secured by such pledge. The Issuer has been advised that under Dutch law a 'parallel debt' structure can be used to give a trustee its own, separate, independent right of claim on identical terms as the relevant creditors. For this purpose, the Trust Deed creates a parallel debt of the CBC to the Trustee equal to the corresponding principal obligations, so that the Security can be granted to the Trustee in its own capacity as creditor of the parallel debt. In the Trust Deed it is agreed that obligations of the CBC to the Trustee under the parallel debt shall be decreased to the extent that the corresponding principal obligations to the Secured Creditors are reduced (and *vice versa*). In the Trust Deed the Trustee agrees to act as trustee as abovementioned and agrees:

- to act for the benefit of the Secured Creditors in administering and enforcing the Security; and
- to distribute the proceeds of the Security in accordance with the provisions set out in the Trust Deed.

Any payments in respect of the parallel debt and any proceeds of the enforcement of the Security (in each case to the extent received by the Trustee) are, in the event that the Trustee becomes subject to Dutch Insolvency Proceedings, not separated from the Trustee's other assets, so the Secured Creditors accept a credit risk on the Trustee. However, the Trustee is a special purpose entity and is therefore unlikely to become subject to an Insolvency Proceeding.

### ***Transfer of Guarantee***

Under Dutch law an independent guarantee like the Guarantee in general is 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 has been advised that under Dutch law, in the case of Bearer Covered Bonds, such an 'automatic' 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 has been advised that as a result, in case of a physical transfer of a Bearer Covered Bond to a transferee, such transfer includes the corresponding rights under the Guarantee. The Issuer has been advised that under Dutch law, in the case of a transfer of a beneficial interest in a Global Covered Bond to a transferee by way of a book-entry transfer (*girale overboeking*), such transfer includes the corresponding rights under the Guarantee subject to and in accordance with any applicable laws, rules and regulations of the relevant clearing system. 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.

### **A.3 Guarantee Support**

#### ***No Notification of Assignment of Eligible Receivables to CBC***

The Guarantee Support Agreement provides that the transfer of the Eligible Receivables will be effected through a silent assignment (*stille cessie*) by the relevant Originator to the CBC. This means that legal ownership of the Eligible Receivables will be transferred to the CBC by registration of a duly executed deed of assignment with the tax authorities (*Belastingdienst*), without notifying the debtors of such Eligible Receivables. The assignment will only be notified to the debtors if a Notification Event occurs. Notification is only necessary to achieve that the debtors can no longer discharge their obligations by paying to the relevant Originator.

As long as no notification of the assignment has taken place, any payments made by the debtors under the Transferred Receivables must continue to be made to the relevant Originator. In respect of payments which are made to an Originator prior to a Dutch Insolvency Proceeding of the relevant Originator and which are not on-paid to the CBC, the CBC will in the relevant Originator's Dutch Insolvency Proceedings be an ordinary, non-preferred creditor, having an insolvency claim. In respect of

post-insolvency payments made by debtors to an insolvent Originator, the CBC will be a creditor of the estate (*boedelschuldeiser*), and will receive payment prior to creditors with insolvency claims, but after preferred creditors of the estate.

### ***Transfer to CBC of Eligible Receivables Secured by All-monies Security***

Under Dutch law mortgages and pledges are in principle accessory rights (*afhankelijke rechten*) which pursuant to articles 3:7, 3:82 and 6:142 of the Dutch Civil Code automatically follow the receivables they secure, for example if such receivables are transferred to a third party. The rights of mortgage and pledge securing the Eligible Receivables qualify as either:

- 'fixed' security, securing only (i) one or more specified receivables of the relevant initial pledgee or mortgagee against the relevant debtor or (ii) receivables arising from one or more specified contractual relationships (*rechtsverhoudingen*) between the relevant initial pledgee or mortgagee and the relevant debtor ("**Fixed Security**"); or
- 'all-monies' security, securing all present and future receivables of the relevant initial pledgee or mortgagee against the relevant debtor, whether in general (*bankzekerheidsrecht*) or under any and all present and future credit agreements (*kredietzekerheidsrecht*) ("**All-monies Security**").

In the past a considerable degree of uncertainty existed in Dutch legal writing as to whether a transfer of a receivable secured by All-monies Security, results in a transfer of the All-monies Security, or a share therein, to the transferee.

The Issuer has been advised that like any other right of mortgage or pledge, a right of mortgage or pledge constituting All-monies Security under Dutch law is in principle an accessory right (*afhankelijk recht*) and that, therefore, upon a transfer of a receivable secured by All-monies Security, the transferee will in principle become entitled to a share in the All-monies Security by operation of law. The Issuer has been advised that the above is confirmed by the *Onderdrecht v. FGH and PHP* decision of the Dutch Supreme Court (HR 16 September 1988, NJ 1989, 10). In this decision, the Supreme Court ruled that the main rule is that a right of mortgage as an accessory right transfers together with the receivable it secures. The Dutch Supreme Court also held that it is a question of interpreting the relevant clause in the mortgage deed whether the definition of the secured receivables entails that the right of mortgage exclusively vests in the original mortgagee, in deviation of said main rule. The Issuer has been advised that where the interpretation of the mortgage or pledge deed does not reveal a specific intention regarding the transfer of the mortgage or pledge, the abovementioned main rule applies, so that following a transfer of a secured receivable, the relevant receivable will continue to be secured by the right of mortgage or pledge.

Under or pursuant to the Guarantee Support Agreement the Originators warrant and represent that the relevant mortgage and pledge deeds contain either (i) no specific wording regarding the transfer of any right of mortgage or pledge securing the Eligible Receivables or (ii) an express confirmation to the effect that upon a transfer of the relevant Eligible Receivable, the Eligible Receivable will following the transfer continue to be secured by the right of mortgage or pledge.

### ***Joint Security of CBC and Originators***

As a consequence of the transfer to the CBC of Eligible Receivables secured by All-monies Security (or Fixed Security if not all receivables which are secured by the relevant security right are, or if not the entire contractual relationship (*rechtsverhouding*) from which receivables may arise which will be secured by the relevant security right is, transferred to the CBC), the relevant All-monies Security (or where applicable Fixed Security) will become part of a joint estate (*gemeenschap*) of the CBC and of any other transferee of receivables secured by such All-monies Security (or where applicable Fixed Security) and the original mortgagee or pledgee, governed by articles 3:166 et seq. of the Dutch Civil Code. This means, among other things, that in the case of foreclosure of the All-monies Security (or where applicable, Fixed Security), the relevant original mortgagee or pledgee, the CBC and any other transferee of secured receivables in principle need to act jointly and share the proceeds *pro rata* on the basis of their respective shares in the joint estate.

For this purpose the Guarantee Support Agreement contains an intercreditor arrangement granting the CBC and/or the Trustee (as applicable) the right to (i) foreclose on the All-monies Security (or where applicable Fixed Security) without involvement of the relevant Originator and (ii) take recourse to the

foreclosure proceeds prior to the relevant Originator. The Issuer has been advised that it is uncertain whether said arrangement is binding on the relevant Originator's liquidator or administrator in Dutch Insolvency Proceedings. However, the Issuer has also been advised that on the basis of articles 3:166, 168, 170 and 172 of the Dutch Civil Code there are good arguments to state that such arrangement is binding, although the position is not certain. Moreover, generally the above only becomes relevant in the event that each of the following conditions is met:

- the Borrower does not meet his secured obligations in full to either the Originator or the CBC, in particular because he is insolvent;
- the Originator is subject to an Insolvency Proceeding; and
- the proceeds of the Secured Property are insufficient to fully satisfy the secured receivables of the relevant Originator and the CBC.

The abovementioned intercreditor arrangement will be supported by an undertaking of each relevant Originator to pledge to the CBC its Residual Claims forthwith, and in any event within 10 business days after the occurrence of a downgrade or withdrawal (as referred to under (A) and/or (B) below), *vis-à-vis* the relevant Borrowers which are secured by the relevant All-monies Security (or where applicable Fixed Security), unless an appropriate remedy to the satisfaction of the Trustee is found after having notified the Rating Agencies, (A) in case any of the Issuer's credit ratings ceases to be at least the Minimum Required Ratings, and the Issuer does not regain such Minimum Required Ratings on the date falling twelve months (or such other period as may be determined by or agreed with the relevant Rating Agency from time to time) after the date of such downgrade or (B) in case any of the Issuer's credit ratings ceases to be at least the Minimum Trigger Ratings or any such rating is withdrawn.

The pledge (if implemented) will secure a special indemnity created in the Guarantee Support Agreement for this purpose, under which each relevant Originator undertakes to pay to the CBC an amount equal to its share in the foreclosure proceeds. Recourse in respect of the indemnity is limited to the relevant Originator's share in the foreclosure proceeds. The indemnity will be immediately due and payable in case the relevant Borrower defaults (*in verzuim is*) in respect of the relevant Transferred Receivable or the receivable(s) he owes to the relevant Originator. If and to the extent the pledge is implemented and any foreclosure proceeds are applied in discharge of the indemnity, the relevant Originator's pledged receivables *vis-à-vis* the relevant Borrower would be discharged. For this reason, the CBC undertakes in the Guarantee Support Agreement to in that case retransfer to the relevant Originator a part of the unsatisfied part of the relevant Transferred Receivable for a principal amount corresponding to the principal amount of the Residual Claims so applied.

The Guarantee Support Agreement provides that:

- (i) the Originators warrant and represent that:
  - (A) the relevant Receivable was originated by the relevant Originator (which includes origination by an originator (i) which has Merged into the relevant Originator or (ii) whose Relevant Assets and Liabilities have been acquired by the relevant Originator pursuant to a Demerger) and the relevant Originator has not (nor has any such relevant Merged Originator or Demerged Originator (as the case may be)) transferred any receivable (including but not limited to any Residual Claim) secured by the Related Security to any party other than (a) the CBC (or in the case of a Merged Originator or Demerged Originator (as the case may be), other than the relevant Originator) and/or (b) an insurer pursuant to a Master Transfer Agreement in relation to an MTA Receivable; or
  - (B) the relevant Receivable is secured by Related Security which does not include All-monies Security and any and all present and future receivables which are secured by the Fixed Security forming part of the Related Security, together with any and all contractual relationships (*rechtsverhoudingen*) from which receivables have arisen or may arise which are or will be secured by such Fixed Security, have, together with all Related Security, been transferred to (i) such Originator or (ii) an insurer pursuant to a Master Transfer Agreement in relation to an MTA Receivable; and

- (ii) if (a) the relevant Originator will transfer any Residual Claims *vis-à-vis* the relevant Borrowers which are secured by the relevant All-monies Security (or where applicable Fixed Security), it will simultaneously transfer its corresponding obligations and rights under the intercreditor arrangement to the relevant transferee (other than an insurer pursuant to a Master Transfer Agreement in relation to an MTA Receivable) and (b) the CBC transfers a Transferred Receivable to any transferee other than the relevant Originator or insurer, it is entitled to transfer its corresponding rights and obligations under the intercreditor arrangement to the relevant transferee. In addition, the relevant Originator will ensure that upon a transfer as referred to in (a), the relevant transferee (other than any transferee that is a member of the ING Group) shall immediately pledge to the CBC such Residual Claims if such transferee's credit ratings are less than the Minimum Required Ratings or Minimum Trigger Ratings or if such transferee does not have the relevant credit rating assigned to it.

If, after the pledge of the Residual Claims, the Issuer regains a rating from each of the Rating Agencies of at least the Minimum Required Ratings and retains such Minimum Required Ratings for a consecutive period of at least twelve months (or such other period as may be determined by or agreed with the relevant Rating Agency from time to time), the CBC and the Trustee will be obliged to release the rights of pledge vested on the Residual Claims. In addition, each of the CBC and the Trustee undertakes to release such right of pledge on any Residual Claims if (i) the principal amount outstanding in respect of the relevant Transferred Receivable secured by the same Related Security has been repaid in full together with all accrued interest and other secured amounts due under or in connection with the related Loan or (ii) all Transferred Receivables that are secured by the same Related Security as such Residual Claims have been retransferred to the relevant Originator in accordance with the terms of the Guarantee Support Agreement.

In the Guarantee Support Agreement each Originator furthermore (i) represents and warrants that it has not transferred any Residual Claims to any party (other than an insurer pursuant to a Master Transfer Agreement in relation to an MTA Receivable) prior to the relevant Transfer Date on which a Transferred Receivable that is secured by the same Related Security is transferred to the CBC in accordance with the terms of the Guarantee Support Agreement and (ii) covenants, among other things, that if (a) it makes any Further Advance under any Loan Agreement relating to a Transferred Receivable, (b) such Further Advance is secured by the same Related Security and (c) such Further Advance results in an Eligible Receivable, then it will transfer such further Eligible Receivable to the CBC as soon as reasonably practicable and, if possible, prior to the following Calculation Date.

#### ***Set-Off by Borrowers***

Notwithstanding the assignment and pledge of the Eligible Receivables to the CBC and Trustee, respectively, the Borrowers may be entitled to set off the relevant Eligible Receivable against a claim (if any) they may have against the relevant Originator (if any), such as (i) counterclaims resulting from a current account relationship, (ii) counterclaims resulting from securities issued by the relevant Originator (e.g. *ING Garantiebiljetten*), (iii) counterclaims resulting from damages incurred by a Borrower as a result of acts performed by the relevant Originator, and (iv) other counterclaims such as counterclaims (a) relating to a Construction Deposit, (b) resulting from deposits that pursuant to the terms of a relevant Investment Loan have been made by the Borrower in a savings account maintained in his name with the relevant Originator which is connected to his securities account, deposits that pursuant to the terms of a relevant Bank Savings Loan have been made by the Borrower in the related Bank Savings Account or deposits that have been made by the Borrower in any other account maintained in his name with the relevant Originator (see, for example, also under 2 of the paragraph named "*Non-payment by Insurer/Deduction Risk*" below), (c) relating to an employment agreement with the Borrower as employee, and (d) resulting from a Loan Agreement pertaining to a Revolving Credit Loan (for example because of non-compliance by the relevant Originator with its obligations under the relevant Loan Agreement).

In the absence of contractual provisions expanding statutory set-off possibilities, mutuality of claims is one of the requirements for set-off to be allowed: the parties, mutually, have to be each other's creditor and debtor. Following an assignment of an Eligible Receivable by an Originator to the CBC, the relevant Originator would no longer be the creditor of the Eligible Receivable. However, for as long as the assignment has not been notified to the relevant Borrower, the Borrower remains entitled to set off the Eligible Receivable as if no assignment had taken place. After notification of the assignment or pledge, the relevant Borrower can still invoke set-off pursuant to article 6:130 of the Dutch Civil Code. On the

basis of such article a Borrower can invoke set-off against the CBC (and the Trustee as pledgee) if the Borrower's claim *vis-à-vis* the relevant Originator (if any) stems from the same legal relationship as the Eligible Receivable (such as the Borrower's right to receive payments from the Bank Savings Account stemming from the same legal relationship as the related Bank Savings Receivable) or became due and payable before the notification. In addition, the possibility cannot be excluded that on the basis of an analogous interpretation of article 6:130 of the Dutch Civil Code, a Borrower will be entitled to invoke set-off against the CBC (or the Trustee) if prior to the notification, the Borrower was either entitled to invoke set-off against the relevant Originator (e.g. on the basis of article 53 of the Dutch Bankruptcy Act) or had a justified expectation that he would be entitled to such set-off against the relevant Originator.

Some of the standard form mortgage documentation provide for a waiver by the Borrower of his rights of set-off *vis-à-vis* the relevant Originator. However, the waiver of set-off by a Borrower could be voided pursuant to Dutch contract law and may therefore not be enforceable. Some of the standard form mortgage documentation provide for a right for the Borrower to, subject to certain conditions, set off claims it may have *vis-à-vis* the relevant Originator with claims that relevant Originator has *vis-à-vis* the Borrower pursuant to the relevant Loan. The Guarantee Support Agreement provides that if a Borrower sets off amounts due to it by an Originator against the relevant Transferred Receivable, the relevant Originator will pay to the CBC an amount equal to the amount so set-off. In addition, an amount calculated on the basis of a method notified to the Rating Agencies in connection with the possible set-off pertaining to Deposit Amounts will be deducted for the purpose of the Asset Cover Test if the Issuer's credit rating from a relevant Rating Agency falls below the relevant minimum ratings. In relation to each Transferred Receivable to which a Construction Deposit applies, an amount equal to the amount of the Construction Deposit will be deducted for the purpose of the Asset Cover Test and the Amortisation Test. Likewise, in relation to each Bank Savings Receivable, amounts standing to the credit of the related Bank Savings Account will be deducted for the purpose of the Asset Cover Test and the Amortisation Test (unless it concerns a Relevant Receivable, in which case an amount equal to the relevant Participation is already deducted as part of the definition of Net Outstanding Principal Balance). Such deductions in principle mean that the outcome of the Asset Cover Test and the Amortisation Test will be lowered each time further deposits are made by the relevant Borrower (save to the extent further Eligible Assets are transferred to the CBC under or pursuant to the Guarantee Support Agreement).

In respect of Bank Savings Loans, amounts standing to a Bank Savings Account will if the deposit guarantee scheme is activated in respect of the Bank by DNB or the Bank is subjected to emergency regulations (*noodregeling*) or declared bankrupt (*failliet*), by operation of law, be set-off against the related Bank Savings Loan, irrespective of whether the Bank Savings Loan is owed to the Bank or a third party, such as an Originator or the CBC.

To mitigate the set-off risk relating to Bank Savings Receivables the Bank will enter into a Master Sub-Participation Agreement prior to the first transfer of Bank Savings Receivables to the CBC in accordance with the Guarantee Support Agreement.

Pursuant to a Master Sub-Participation Agreement relating to any Bank Savings Receivable, an Initial Settlement Amount and Further Settlement Amounts will be payable by the Bank as Participant to the CBC in return for a Participation. If the relevant Borrower invokes set-off, or set-off is applied by operation of law, in relation to any amount standing to the credit of the relevant Bank Savings Account as against any Transferred Receivable (such amount for which set-off is invoked or applied, the "**Bank Savings Set-Off Amount**"), and, as a consequence thereof, the CBC will not have received such amount in respect of such Participation Receivable, the relevant Participation of the Bank will be reduced by an amount equal to such Bank Savings Set-Off Amount. Unless and until (i) both an Issuer Acceleration Notice and a Notice to Pay are served or (ii) a CBC Acceleration Notice is served, all amounts expressed to be payable by or to the CBC under the relevant Master Sub-Participation Agreement, shall instead be payable by or to the Issuer for its own account in accordance with the Pre-Notice-to-Pay Priority of Payments. However, if (i) an Issuer Acceleration Notice and a Notice to Pay are served or (ii) a CBC Acceleration Notice is served, all Initial Settlement Amounts and Further Settlement Amounts will be collected by or on behalf of the CBC and be applied in accordance with the Post-Notice-to-Pay Priority of Payments or Post-CBC-Acceleration-Notice Priority of Payments, as the case may be. For the purpose of the Asset Cover Test and the Amortisation Test, and, if implemented, the Portfolio Test, the Net Outstanding Principal Balance of the relevant Transferred Receivable will be taken into account, meaning in relation to Bank Savings Receivables that an amount equal to the relevant Participation will be deducted.

### ***Non-payment by insurer and Deduction Risk***

Some of the Eligible Receivables relate to a Loan Agreement which is connected to a Mixed Insurance Policy. The insurance agreement relates to a combined risk and capital insurance product. The Borrower of such an Eligible Receivable does not repay principal during the term of the relevant Loan, but instead, apart from paying a risk premium, invests capital premium under the Mixed Insurance Policy which consists of a savings part and/or an investment part, as the case may be. The intention is that at maturity, the principal proceeds of the savings or investments (the "**Proceeds**") can be used to repay the Loan, in whole or in part, following pay-out of the Proceeds by the insurer. However, it is possible that the relevant insurer becomes subject to an Insolvency Proceeding or for any other reason does not (fully) pay out the Proceeds. In cases where the Proceeds are so lost and a Borrower is requested to repay the full principal amount of the relevant Loan, the Borrower may invoke defences purporting to establish that an amount equal to the lost Proceeds is deducted from the Transferred Receivable he owes to the CBC (the risk that such a defence is successfully invoked is hereinafter referred to as the "**Deduction Risk**").

The Issuer has been advised that a Borrower's relationships with the relevant Originator and insurer, are in principle two separate relationships. The Issuer has been advised that under Dutch law generally a range of defences is available to the Borrower, but that in cases as described above, the Borrower's defence is likely to focus on information provided by or on behalf of an Originator which may have led the relevant Borrower to believe that he was not entering into two separate relationships. In this respect, a general factor which to a certain extent increases the Deduction Risk, is that all Borrowers are consumers, many of whom may have limited or no legal knowledge. On this basis the Issuer has been advised that insofar as the Deduction Risk is concerned, the products to which the Eligible Receivables relate can generally be divided into five categories:

1. *Products with no investment part and no Mixed Insurance Policy*

Certain Eligible Receivables do not relate to any investment product or Mixed Insurance Policy. The Issuer has been advised that, as a result, the Deduction Risk does not play a role for such Eligible Receivables. Under or pursuant to the Guarantee Support Agreement, each Originator warrants and represents in relation to any of its Eligible Receivables which is related to an Interest-Only Loan, an Annuity Loan, a Linear Loan, a Revolving Credit Loan or a Bank Savings Loan, that the relevant Receivable does not relate to any investment product or Mixed Insurance Policy.

2. *Products with investment part (and no Mixed Insurance Policy)*

Certain Eligible Receivables do not relate to any Mixed Insurance Policy but relate to a securities account agreement between the relevant Borrower and:

- an investment firm (*beleggingsonderneming*) in the meaning ascribed thereto in the Wft being either a broker (*bemiddelaar*) or an asset manager (*vermogensbeheerder*); or
- a bank in the meaning ascribed thereto in the Wft.

The securities account agreement provides for a securities account maintained in the name of the relevant Borrower with the relevant investment firm or bank. The Issuer has been advised that by law:

- the investment firm is obliged to administer the securities through a bank (see the next paragraph) or a separate securities giro (*beleggersgiro*); and
- the bank is obliged to administer the securities through a separate depository vehicle unless the transfer of any such securities is subject to the Dutch Securities Giro Transfer Act (*Wet giraal effectenverkeer*), in which case the bank can administer such securities itself.

The Issuer has been advised that this means that the relevant Borrower is expected to be investing through a bankruptcy remote securities account, in which case the Deduction Risk does not play a role in relation to such investments (assuming that any relevant investment firm and/or bank complies with the relevant statutory and contractual obligations). However, please see also the paragraph named "*Investment Products*" below. Under or pursuant to the Guarantee Support

Agreement, each Originator warrants and represents in relation to any of its Eligible Receivables which is related to an Investment Loan, that (i) the relevant Receivable does not relate to any Mixed Insurance Policy and (ii) the relevant securities account is maintained in the relevant Borrower's name with an investment firm or bank as abovementioned.

The Issuer has been advised that for Eligible Receivables of this category in respect of which deposits have been made by the Borrower in (i) a savings account maintained in his name with the Bank which is connected to his securities account or (ii) any other account maintained in his name with the Bank, such Borrower may be entitled to set off the relevant Eligible Receivable against the claims he may have against the Bank in respect of such deposits made into his accounts even in circumstances where the Eligible Receivable is transferred to the CBC (see also the paragraph named "*Set-Off by Borrowers*" above).

The Guarantee Support Agreement provides that if a Borrower sets off amounts due to him by an Originator against the relevant Transferred Receivable, the relevant Originator will pay to the CBC an amount equal to the amount so set-off.

3. *Products with Mixed Insurance Policy where Borrower selects insurer*

Certain Eligible Receivables relate to a Mixed Insurance Policy between the relevant Borrower and an insurer chosen by the Borrower (and approved by the relevant Originator). The Mixed Insurance Policy provides for (a) a risk element for which risk premium is paid and (b) a capital element for which capital premium is paid and which consists of a savings part and/or an investment part, as the case may be. The insurer keeps the savings and/or investments in its own name. The Issuer has been advised that for Eligible Receivables of this category, the Deduction Risk cannot be excluded, as there may be specific circumstances which justify an erroneous impression with the relevant Borrower that he was not entering into two separate relationships. For example, (i) sales people or sales materials may have created an impression (or sales people may have allowed to subsist an apparent impression) with the Borrower that his payments of capital premium were 'as good as' repayments of the relevant loan or that the Borrower could not himself choose the relevant insurer and/or (ii) the insurance conditions may have been printed on the letterhead of, or otherwise contain eye catching references to, the relevant Originator (or *vice versa*). However, the Issuer has been advised that absent such specific circumstances, it is unlikely for the Deduction Risk to apply to Eligible Receivables of this category. As the Borrower selects an insurer of his own choice (subject to prior approval by the relevant Originator), this emphasises that it concerns two separate relationships.

Under or pursuant to the Guarantee Support Agreement, each Originator warrants and represents in relation to any of its Eligible Receivables which is related to a Life Loan falling under this category 3 that (i) the relevant Mixed Insurance Policy and the relevant Life Loan (other than a Life Loan in respect of which the related Mixed Insurance Policy is entered into by the Borrower with a Relevant Insurer) are not offered as one product and (ii) the relevant Borrowers are not obliged to enter into a Mixed Insurance Policy with an insurer which is a group company of the relevant Originator and are free to choose the insurer (subject to prior approval by the relevant Originator).

The Deduction Risk for Eligible Receivables relating to a Life Loan in respect of which the related Mixed Insurance Policy falls under this category 3 and is entered into by the Borrower with a Relevant Insurer will in relation to the CBC be catered for through the Asset Cover Test and the Amortisation Test. The outcome of the Asset Cover Test and the Amortisation Test will be negatively influenced each time when further capital/investment premiums are paid to the insurer by the relevant Borrower (save to the extent further Eligible Assets are transferred to the CBC under or pursuant to the Guarantee Support Agreement).

4. *Products with Mixed Insurance Policy (but no switch element) where Originator pre-selects insurer*

Certain Eligible Receivables relate to a Mixed Insurance Policy between the relevant Borrower and an insurer pre-selected by the relevant Originator. The Mixed Insurance Policy provides for (a) a risk element for which risk premium is paid and (b) a capital element for which capital premium is paid and which consists of a savings part and/or an investment part, as the case may



be. The insurer keeps the savings and/or investments in its own name. The Issuer has been advised that for Eligible Receivables of this category, the Deduction Risk cannot be excluded, as there may be specific circumstances which justify an erroneous impression with the relevant Borrower that he was not entering into two separate relationships. For example, sales people or sales materials may have created an impression (or sales people may have allowed to subsist an apparent impression) with the Borrower that his payments of capital premium were 'as good as' repayments of the relevant loan. The Issuer has been advised that, although such specific circumstances may be absent, in general there may still be a certain Deduction Risk for Eligible Receivables of this category. As the Borrower has no option to choose an insurer, this could, possibly with other circumstances, have led the Borrower to believe that he was not entering into two separate relationships. Other relevant circumstances include whether:

- the Loan Agreement and the Mixed Insurance Policy, respectively, or documents or general terms and conditions pertaining thereto, have been printed on the letterhead of, or otherwise contain eye catching references to, the insurer or the relevant Originator, respectively;
- the representative of the relevant Originator also represents the insurer (or *vice versa*), for example in taking care of the medical acceptance of the Borrower or otherwise in entering into, executing or carrying out the Mixed Insurance Policy or the Loan Agreement;
- the insurer is, or was when entering into the agreements, an affiliate of or otherwise associated with the relevant Originator; and/or
- as is the case in respect of Savings Loans, the interest base applicable to the savings is linked to the interest base applicable to the relevant Loan.

Under or pursuant to the Guarantee Support Agreement, each Originator warrants and represents in relation to any of its Eligible Receivables which is related to a Life Loan and a Mixed Insurance Policy where an insurer is pre-selected by the relevant Originator that (i) the relevant Mixed Insurance Policy and the relevant Life Loan (other than a Life Loan in respect of which the related Mixed Insurance Policy is entered into by the Borrower with a Relevant Insurer) are not offered as one product and (ii) the guaranteed yield of the capital/investment element under the Mixed Insurance Policy is not linked to the interest base applicable to the relevant Loan.

The Deduction Risk for Eligible Receivables relating to a Life Loan in respect of which the related Mixed Insurance Policy falls under this category 4 and is entered into by the Borrower with a Relevant Insurer will in relation to the CBC be catered for through the Asset Cover Test and the Amortisation Test. The outcome of the Asset Cover Test and the Amortisation Test will be negatively influenced each time when further capital/investment premiums are paid to the insurer by the relevant Borrower (save to the extent further Eligible Assets are transferred to the CBC under or pursuant to the Guarantee Support Agreement). The Deduction Risk will be catered for as follows in relation to Savings Loans.

#### 4.1 *Deduction from Asset Cover Test and Amortisation Test*

Unless and until a Master Sub-Participation Agreement is in effect in relation to the relevant Savings Receivable, an amount calculated on the basis of a method notified to the Rating Agencies related to the relevant paid-in savings premium amounts will be deducted for the purposes of the Asset Cover Test and the Amortisation Test. Such a deduction in principle means that the outcome of the Asset Cover Test and the Amortisation Test will be negatively influenced each time when further savings premiums are paid to the insurer by the relevant Borrower (save to the extent further Eligible Assets are transferred to the CBC under or pursuant to the Guarantee Support Agreement).

#### 4.2 *Master Sub-Participation Agreement*

Each Originator undertakes in the Guarantee Support Agreement to use reasonable endeavours to procure that upon the occurrence of a Notification Event, a Master Sub-Participation Agreement is, or is put, in place between the relevant insurer and the CBC and signed for acknowledgement

by the relevant Originator in relation to Savings Receivables. For as long as no Notification Event has occurred, a Master Sub-Participation Agreement may, if it concerns an MTA Receivable, be combined with a Further Master Transfer Agreement (see Section 4.3 (*Master Transfer Agreement*) below).

Pursuant to a Master Sub-Participation Agreement relating to any Savings Receivable, an Initial Settlement Amount and Further Settlement Amounts will be payable by the relevant Participant to the CBC in return for a Participation. If the relevant Borrower invokes against the CBC that he may deduct lost Proceeds from the relevant Transferred Receivable, the relevant Participation of the relevant Participant (who would be in default under the relevant insurance policy) will be reduced with an amount equal to such lost Proceeds. Unless and until (i) both an Issuer Acceleration Notice and a Notice to Pay are served or (ii) a CBC Acceleration Notice is served, all amounts expressed to be payable by or to the CBC under the relevant Master Sub-Participation Agreement, shall instead be payable by or to the Issuer for its own account in accordance with the Pre-Notice-to-Pay Priority of Payments. However, if (i) an Issuer Acceleration Notice and a Notice to Pay are served or (ii) a CBC Acceleration Notice is served, all Initial Settlement Amounts and Further Settlement Amounts will be collected by or on behalf of the CBC and be applied in accordance with the Post-Notice-to-Pay Priority of Payments or Post-CBC-Acceleration-Notice Priority of Payments, as the case may be. For the purpose of the Asset Cover Test and the Amortisation Test, and, if implemented, the Portfolio Test, the Net Outstanding Principal Balance of the relevant Transferred Receivable will be taken into account, meaning in relation to Savings Receivables in respect of which a Master Sub-Participation Agreement is in effect, that an amount equal to the relevant Participation will be deducted.

#### 4.3 *Master Transfer Agreement*

Certain Savings Receivables of the category described in this paragraph 4 (each a "**MTA Receivable**") are subject to an existing master transfer agreement between the relevant insurer and the relevant Originator (a "**Master Transfer Agreement**"). On the basis of such Master Transfer Agreement a part of the relevant Eligible Receivable is on a monthly basis transferred to the insurer against on-payment of the relevant savings premium. The Deduction Risk for MTA Receivables will be catered for as set out in this paragraph 4.3 only.

The existing Master Transfer Agreements fit into the Programme as follows: the part of the loan owed to the relevant Originator constitutes the Eligible Receivable to be transferred to the CBC, whereas the CBC will on a monthly basis retransfer part of the relevant Transferred Receivable back to the relevant Originator, for on-transfer to the relevant insurer. The Guarantee Support Agreement and the Trust Deed provide that on-payments of savings premium received by the CBC as purchase price from the relevant Originator or the relevant insurer (on behalf of the relevant Originator), as the case may be, in connection with such retransfers under the Guarantee Support Agreement and any such Master Transfer Agreement will constitute principal proceeds in relation to, and for the purpose of, the relevant part of the Transferred Receivable and will on that basis be applied in accordance with the relevant Priority of Payments. Furthermore, the Guarantee Support Agreement provides that upon the occurrence of a Notification Event no further retransfers of MTA Receivables by the CBC to the relevant Originator for the purpose of on-transfer of such MTA Receivables by the relevant Originator pursuant to a Master Transfer Agreement will take place.

As a consequence of such indirect or, following the occurrence of a Notification Event, direct (re-)transfers to the insurer of Eligible Receivables secured by All-monies Security (or where applicable Fixed Security), the relevant All-monies Security (or where applicable Fixed Security) will become part of a joint estate (*gemeenschap*) of the insurer and the relevant Originator, or, as the case may be, CBC. As set out above (see further the paragraph above named Joint Security of CBC and Originators), this means, among other things, that in the case of foreclosure of the All-monies Security (or where applicable Fixed Security), the insurer and the relevant Originator or, as the case may be, CBC in principle need to act jointly and share the proceeds *pro rata* on the basis of their respective shares in the joint estate whereas no intercreditor arrangements will be in place between the insurer and the relevant Originator or, as the case may be, CBC. The requirement to act jointly may cause delays, deadlocks and other difficulties in any such foreclosure proceedings.

The intention of a Master Transfer Agreement could be that if and to the extent that the relevant Borrower purports to deduct lost Proceeds from the aggregate principal outstanding amount of the loan, he would do so *vis-à-vis* the insurer by way of set-off. After all, the insurer would at that time be in default to pay out the Proceeds under the relevant insurance policy and would for an amount equal to the lost Proceeds be creditor of part of the loan. However, the Issuer has been advised that under Dutch law it may not be possible for the Borrower to invoke set-off *vis-à-vis* the relevant insurer, as the CBC would be the beneficiary of, and/or the holder of a notified right of pledge on, the right to receive the Proceeds under the relevant insurance policy. Even if this barrier to set-off is removed (e.g. by the CBC waiving such beneficiary rights and/or granting its consent as pledgee), the Borrower may still have the alternative to instead of invoking set-off *vis-à-vis* the insurer, invoke defences *vis-à-vis* the CBC purporting to establish that an amount equal to the lost Proceeds is deducted from the Transferred Receivable he owes to the CBC. In that sense there may still be a certain Deduction Risk for a Transferred Receivable of this category for which a Master Transfer Agreement is in place (whilst such Receivables would already have reduced as a result of the monthly retransfers in connection with the relevant Master Transfer Agreement).

This can be catered for by a combination of a further master transfer agreement (a "**Further Master Transfer Agreement**") and a Master Sub-Participation Agreement between the relevant insurer, the CBC and the relevant Originator, which would leave the existing Master Transfer Agreement in place and which would in addition provide as follows in relation to the relevant MTA Receivable:

- in respect of savings premium already paid: the insurer sells and by way of silent assignment on-transfers to the CBC such MTA Receivable already transferred to it by the relevant Originator for a purchase price equal to the relevant Initial Settlement Amount. Such MTA Receivable will as a result be reunited with the relevant Transferred Receivable from which it was previously separated. In addition, the CBC will pursuant to the Master Sub-Participation Agreement grant a Participation to such insurer against payment by such insurer to the CBC of the relevant Initial Settlement Amount, which payment will where reasonably possible and without prejudice to the provisions of the Trust Deed be effected by way of set-off against the purchase price as abovementioned. Further details of the Master Sub-Participation Agreement are summarised in paragraph 4.2 (*Master Sub-Participation Agreement*) above; and
- in respect of future payments of savings premium: the CBC will agree to on a monthly basis retransfer part of the relevant MTA Receivables back to the relevant Originator by way of silent assignment, for on-transfer by that relevant Originator to the relevant insurer by way of notified assignment, for subsequent on-transfer to the CBC by way of silent assignment. Each abovementioned series of three subsequent assignments takes place on a monthly basis. The Guarantee Support Agreement provides that upon the occurrence of a Notification Event no further retransfers of MTA Receivables by the CBC to the relevant Originator for the purpose of on-transfer of such MTA Receivables by the relevant Originator pursuant to a Master Transfer Agreement will take place. In addition to such Further Master Transfer Agreement, the CBC will pursuant to the related Master Sub-Participation Agreement grant a Participation to such insurer against payment by such insurer to the CBC of the relevant Further Settlement Amount. Further details of the Master Sub-Participation Agreement are summarised in paragraph 4.2 (*Master Sub-Participation Agreement*) above.

No such combination of a Further Master Transfer Agreement and a Master Sub-Participation Agreement as abovementioned is in place as yet. For as long as this is the case, said Deduction Risk will be treated as follows in relation to MTA Receivables:

- as retransfers are carried out by the CBC in connection with the relevant Master Transfer Agreement, the principal amount of the relevant Transferred Receivable will gradually reduce. In addition, in relation to the abovementioned Deduction Risk pertaining to the so reduced Transferred Receivable, a deduction as described in paragraph 4.1 (*Deduction from Asset Cover Test and Amortisation Test*) above will take place for the purpose of the Asset Cover Test or the Amortisation Test; and

- each Originator undertakes in the Guarantee Support Agreement to use reasonable endeavours to procure that upon the occurrence of a Notification Event the relevant Master Transfer Agreement is terminated and replaced by a Master Sub-Participation Agreement in relation to the relevant Savings Receivables between the CBC and the relevant insurer.

5. *Products with Mixed Insurance Policy and switch element, where Originator pre-selects insurer*

Certain Eligible Receivables relate to a Mixed Insurance Policy between the relevant Borrower and an insurer pre-selected by the relevant Originator. The Mixed Insurance Policy provides for (a) a risk element for which risk premium is paid and (b) a capital element for which capital premium is paid and which consists of a savings part and/or an investment part, as the case may be. The Mixed Insurance Policies have a hybrid nature and allow the Borrowers to choose how the insurer should invest the investment part (from a list of approved investments, whether or not in baskets or combinations) and to request the insurer to switch between investments, in whole or in part. The Borrowers are allowed to choose whether they prefer a savings and/or investment part and to switch between the savings and/or investment part, in whole or in part. The relevant insurer keeps savings and/or investments in its own name. The Issuer has been advised that for Eligible Receivables of this category, the Deduction Risk cannot be excluded, as there may be specific circumstances which justify an erroneous impression with the relevant Borrower that he was not entering into two separate relationships. For example, sales people or sales materials may have created an impression (or sales people may have allowed to subsist an apparent impression) with the Borrower that his payments of capital premium were 'as good as' repayments of the relevant loan. The Issuer has been advised that, although such specific circumstances may be absent, in general there may still be a certain Deduction Risk for Eligible Receivables of this category. As the Borrower has no option to choose an insurer, this could, possibly with other circumstances, have led the Borrower to believe that he was not entering into two separate relationships. Other relevant circumstances include whether:

- the Loan Agreement and the Mixed Insurance Policy, respectively, or documents or general terms and conditions pertaining thereto, have been printed on the letterhead of, or otherwise contain eye catching references to, the insurer or the relevant Originator, respectively;
- the representative of the relevant Originator also represents the insurer (or *vice versa*), for example in taking care of the medical acceptance of the Borrower or otherwise in entering into, executing or carrying out the Mixed Insurance Policy or the Loan Agreement;
- the insurer is, or was when entering into the agreements, an affiliate of or otherwise associated with the relevant Originator; and/or
- to the extent premium consists of a savings element, the interest base applicable to the savings is linked to the interest base applicable to the relevant Loan.

This Deduction Risk can be catered for as follows in relation to Hybrid Loans, subject to compliance with applicable regulatory and other restrictions, by the transfer by the insurer of:

- both the relevant insurance agreements and the underlying savings, capital and investments to a bankruptcy-remote special purpose subsidiary, which would then reinsure the risk element of the insurance policy with the relevant insurer; or
- only the underlying savings, capital and investments to a bankruptcy-remote special purpose subsidiary, which would then as surety (*borg*) accept liability for the insurer's obligations to pay out the Proceeds to the Borrower.

For as long as none of the solutions as described above are implemented to the satisfaction of the Rating Agencies, the Deduction Risk for this category of Eligible Receivables will in relation to the CBC be catered for through the Asset Cover Test and the Amortisation Test. The outcome of the Asset Cover Test and the Amortisation Test will be negatively influenced each time when

further capital/investment premiums are paid to the insurer by the relevant Borrower (save to the extent further Eligible Assets are transferred to the CBC under or pursuant to the Guarantee Support Agreement).

### ***Investment products***

Some of the Eligible Receivables relate to a Loan Agreement which is connected to an investment product, i.e. Investment Loans, Life Loans and Hybrid Loans. The Borrower of such an Eligible Receivable does not repay principal during the term of the relevant Loan, but instead invests in the investment product (where applicable combined with a Mixed Insurance Policy). The intention is that at maturity, the principal proceeds of the investment can be used to repay the loan, in whole or in part. However, it is possible that the value of the investment will have reduced considerably and will be insufficient to repay the loan in full (such shortfall the "**Investment Loss**"). In addition to this general risk, there might in such circumstances be a risk that the Borrower successfully claims that he was not properly informed of the risks involved in making the investment and, for example, that therefore he may deduct an amount equal to the Investment Loss from the Transferred Receivable he owes to the CBC or he may claim a breach of contract (*wanprestatie*) or tort (*onrechtmatige daad*) or he may dissolve (*ontbinden*) or nullify (*vernietigen*) the relevant contract.

Some of the Eligible Receivables are linked to Mixed Insurance Policies with an investment element (*beleggingsverzekeringen*), i.e. Life Loans and Hybrid Loans. The Dutch insurance industry sold mixed insurance policies (such as the Mixed Insurance Policies) with an investment element to customers either directly or through intermediaries. Many Borrowers of Eligible Receivables took out Mixed Insurance Policies with an investment element from Relevant Insurers, some of which include (former) ING's affiliates. There may in certain circumstances be a risk that a Borrower successfully claims that he was not properly informed of the cost element applied by the insurer to the investment premiums paid by such Borrower and/or that the insurer did not properly perform the related insurance agreement in applying the cost element and in either case, for example, that therefore he may terminate the Mixed Insurance Policy (which in turn could affect the collateral granted to the Originator (e.g. Beneficiary Rights and rights of pledge in respect of such Mixed Insurance Policy) and trigger early termination of the related Loan) and/or deduct from, or set-off against, the Transferred Receivable he owes to the CBC an amount equal to any (additional) amount owed to him under or in respect of such Mixed Insurance Policy as a result of or in connection with such claim. Any such deduction or set-off risk may likely become more relevant in a scenario where the insurer and/or, depending on any involvement of the Initial Originator in the marketing and sale of the relevant Mixed Insurance Policy, the Initial Originator would be liable in connection with any successful claim of the Borrower, and the insurer and/or the Initial Originator would not indemnify the Borrower. Please see also the paragraphs named "*Set Off by Borrowers*" and "*Non payment by insurer and Deduction Risk*" above.

Since the end of 2006, unit-linked products have received negative attention in the Dutch media, and 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. ING's (former) Dutch affiliates have issued, sold or advised on approximately one million individual unit-linked policies. There has been for some time, and there continues to be political, regulatory and public attention focused on the unit-linked issue in general. Elements of unit-linked policies are being challenged or may be challenged on multiple legal grounds in current and future legal proceedings. There is a risk that one or more of those legal challenges will succeed.

The Issuer has been advised that the above risks largely depend on which specific information has been provided to the relevant Borrower through sales people and/or sales materials and that in this respect it is also relevant whether applicable statutory and contractual duties, including statutory duties to provide information to prospective investors, have been complied with. The risks described in this risk factor "*Investment products*" will not be catered for through the Asset Cover Test or the Amortisation Test. Under or pursuant to the Guarantee Support Agreement, the Initial Originator warrants and represents in relation to an Investment Loan where the related investment product is offered by the Initial Originator itself (and not by a third party securities institution or bank) that such investment product has been offered in accordance with all applicable laws and legal requirements prevailing at the time of origination, including those on the information that is to be provided to prospective investors.

In view of the potential inability of Borrowers to repay Loans where investment proceeds are insufficient for such repayment or the potentially successful claims by Borrowers that they were not properly informed of the risks involved in making the investments in question, as well as the potential for other actions against the Initial Originator in relation to the Loans described above, there is a risk that the CBC would not be able to recover fully on Transferred Receivables based on Loans arranged as part of an investment product. Consequently, the CBC may be unable to meet fully and/or timely its obligations to Covered Bondholders under the Guarantee.

### ***Security rights by Borrowers***

Some of the Eligible Receivables relate to a Loan Agreement which is connected to (i) an insurance policy with a risk, savings and/or investment element (ii) a securities account, or (iii) a Bank Savings Account, as the case may be. All rights of such a Borrower in respect of such an insurance policy, a securities account or a Bank Savings Account, as the case may be, have been pledged to the relevant Originator. The above considerations on pledge and insolvency, made in the context of pledges to the Trustee (see Section A.2 (*Asset Backed Guarantee*), under "*Pledges to Trustee*" above), apply *mutatis mutandis* to pledges and mortgages by the Borrowers.

In particular, the Issuer has been advised that under Dutch law it is possible that the receivables purported to be pledged by the Borrowers in respect of insurance policies, qualify as future receivables. As mentioned above, if an asset is a future asset at the moment a bankruptcy, suspension of payments or debt restructuring arrangement (*schuldsaneringsregeling*) takes effect in relation to the relevant pledgor, such assets are no longer capable of being pledged (unless the liquidator would agree). The Issuer has been advised that under Dutch law there is no general rule that is readily applicable to determine whether a claim arising from an insurance policy is an existing or a future claim. As a result, it is uncertain whether and to what extent the pledges of receivables under said insurance policies by the Borrowers are effective. The Issuer has been advised that, in respect of capital insurances (*sommenverzekeringen*) it is likely that the beneficiary's claims against the insurer corresponding with premiums which have already been paid to the insurer are existing claims, while claims relating to periods for which no premiums have yet been paid may very well be future claims. The Issuer has been advised that in respect of risk insurances (*schadeverzekeringen*) it is uncertain whether the beneficiary's claim can be characterised as an existing claim before the insured event occurs.

### ***Beneficiary Rights under insurance policies***

Some of the Eligible Receivables result from a Loan Agreement which is connected to an insurance policy with a risk, savings and/or investment element. In addition to being granted a pledge of rights under insurance policies, as abovementioned, either:

- the relevant Originator has been appointed as beneficiary under the relevant insurance policy (the rights of the relevant Originator as a beneficiary under an insurance policy: the "**Beneficiary Rights**"); or
- if another person (the "**Partner**") has been appointed as beneficiary, the Partner has irrevocably authorised the relevant insurer to pay out the insurance proceeds to the relevant Originator (a "**Partner Instruction**").

#### ***1. Beneficiary Rights***

With respect to the first alternative, the Issuer has been advised that under Dutch law it is uncertain whether Beneficiary Rights will follow the relevant Eligible Receivable upon assignment thereof to the CBC (and subsequent pledge thereof to the Trustee). For this purpose the Beneficiary Rights will, insofar as they will not follow the relevant Eligible Receivable upon assignment, themselves be assigned by the relevant Originator to the CBC by way of silent assignment and be pledged by the CBC to the Trustee by way of silent pledge. In the Guarantee Support Agreement the relevant Originator undertakes to, upon the occurrence of a Notification Event, notify the relevant insurer of the (purported) transfer and pledge (save that those insurers which would execute any Beneficiary Waiver Agreement prior to a Notification Event, will be notified through the Beneficiary Waiver Agreement and, thereafter, through each Deed of Assignment and Pledge). However, the Issuer has been advised that under Dutch law it is uncertain whether such assignment (and subsequent pledge) will be effective.

Insofar as the transfer of the Beneficiary Rights as abovementioned is not effective each Originator will:

- in each deed of assignment to be executed with the CBC pursuant to the Guarantee Support Agreement to the extent possible, under the condition precedent (*opschortende voorwaarde*) that a Notification Event occurs (unless by such time a Notification Event has already occurred) and under the condition subsequent (*ontbindende voorwaarde*) that the relevant Receivable is retransferred to the relevant Originator, (a) appoint the CBC as beneficiary in its place and (b) to the extent such appointment is ineffective, waive its Beneficiary Rights. The Issuer has been advised that it is uncertain whether such appointment and/or waiver is effective. If such conditional appointment is ineffective and such conditional waiver is effective, either the relevant Borrower, or any other person ranking behind the relevant Originator as beneficiary (a "**Second Beneficiary**"), will become the beneficiary under the relevant insurance policy. Under or pursuant to the Guarantee Support Agreement each Originator warrants and represents that if the relevant Receivable results from a Life Loan, Savings Loan or Hybrid Loan, all receivables under the relevant Mixed Insurance Policy have been validly pledged by the relevant Borrower to the relevant Originator, which pledge has been notified to the relevant insurer. As mentioned above, a pledge is in principle an accessory right, so that upon a transfer of the relevant Receivable to the CBC, the CBC will in principle become entitled to (a share in) the pledge, provided that following the waiver of the Beneficiary Rights by the relevant Originator, the Borrower will have become the beneficiary. If, however, following a waiver of Beneficiary Rights by the relevant Originator, a Second Beneficiary will have become the beneficiary, the pledge by the Borrower will not be effective; and
- in the Guarantee Support Agreement undertake to use its reasonable endeavours to procure that, upon the occurrence of a Notification Event, a beneficiary waiver agreement is, or is put, in effect between itself, the CBC, the Trustee and the relevant insurer (each a "**Beneficiary Waiver Agreement**"), in which it is, among other things, agreed that to the extent necessary:
  - (i) the insurer (a) accepts the (purported) (conditional) appointment of the CBC as beneficiary in the relevant Originator's place and (b) to the extent such appointment is ineffective, accepts the (conditional) waiver by such Originator of its Beneficiary Rights; and
  - (ii) the Originator and insurer will use their reasonable endeavours to obtain the co-operation from all relevant Borrowers and, where applicable, Second Beneficiaries to change the Beneficiary Rights in favour of the CBC.

The Originator may not be able to enter into a Beneficiary Waiver Agreement without the co-operation of the liquidator, if and to the extent such Notification Event has occurred as a result of any such Originator having become subject to any Dutch Insolvency Proceedings.

## 2. *Partner Instruction*

With respect to the second alternative, the Issuer has been advised that it is uncertain whether the Partner Instruction entails that the insurer should pay the insurance proceeds to the relevant Originator or, following assignment of the relevant Eligible Receivable, to the CBC, and that this depends on the interpretation of the Partner Instruction. Insofar as the Partner Instructions do not entail that the relevant insurer should, following assignment of the relevant Eligible Receivable, pay the insurance proceeds to the CBC, the CBC, the Trustee, the relevant Originator and the relevant insurer will furthermore agree in each Beneficiary Waiver Agreement that the relevant Originator and the insurer will use their reasonable endeavours to obtain the co-operation from all relevant Borrowers and Partners to change the Partner Instructions in favour of the CBC.

If:

- in the case of the first alternative (a) the transfer of the Beneficiary Rights is not effective, (b) the (conditional) appointment of the CBC as beneficiary in the place of the

relevant Originator is not effective and (c) the (conditional) waiver of Beneficiary Rights by the relevant Originator is ineffective or, if it is effective, results in a Second Beneficiary having become the beneficiary; or

- in the case of the second alternative, the Partner Instructions do not entail that insurance proceeds should be paid to the CBC,
- and, in either case, (i) no Beneficiary Waiver Agreements will be entered into with each relevant insurer and/or (ii) the relevant Borrowers, Second Beneficiaries and/or Partners do not co-operate as described above, then the proceeds under the relevant insurance policies could, as the case may be, either be paid to:
- the relevant Originator, in which case such Originator will be obliged to on-pay the proceeds to the CBC or the Trustee, as the case may be. If an Originator breaches such payment obligation, for example because the Originator is subject to an Insolvency Proceeding, this may result in the proceeds not being applied in reduction of the relevant Eligible Receivable and in a Deduction Risk; or
- the Second Beneficiary or the Partner, which may result in the proceeds not being applied in reduction of the relevant Eligible Receivable.

### ***Interest reset rights***

The Issuer has been advised that it is uncertain whether any interest reset right will transfer to the CBC with the assignment of the relevant Receivable. If such interest reset right remains with the relevant Originator despite the assignment, this means that in case the relevant Originator becomes subject to a Dutch Insolvency Proceeding, the co-operation of the liquidator in insolvency would be required to reset the interest rates (unless such right is transferred to the CBC prior to the Dutch Insolvency Proceeding taking effect, but this may require the co-operation of the Borrower).

### ***Construction Deposits***

Certain Eligible Receivables result from a mortgage loan agreement under which the relevant Borrower has requested part of the loan to be disbursed into a blocked deposit account, specifically opened in his name for such purpose, in anticipation of construction or improvement costs to be incurred by him at a later stage in connection with the Property (a "**Construction Deposit**"; *bouwdepot*). The intention is that when the applicable conditions are met, the Construction Deposit is applied towards the relevant construction or improvement costs of the Borrower and/or in repayment of the relevant part of the loan. In the Guarantee Support Agreement it is agreed that in cases as abovementioned, the full Eligible Receivable will be transferred to the CBC. The Construction Deposits are held with the relevant Originator. There is a risk that the relevant Originator becomes subject to an Insolvency Proceeding and that the relevant Originator cannot pay out the Construction Deposits. If this happens a Borrower may be allowed to set off his receivable in respect of the Construction Deposit against the related Transferred Receivable. To address this risk, it has been agreed in the Asset Monitor Agreement that an amount equal to the Construction Deposit will be deducted from the Current Balance of the Transferred Receivables for the purpose of the Asset Cover Test and the Amortisation Test.

### ***Mortgage on long lease***

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

In cases where a mortgage is vested on long lease, a paragraph is added to the relevant mortgage deed, providing that the relevant loan becomes immediately due and payable in the event the long lease is



terminated or the leaseholder has not paid the remuneration or seriously breaches other obligations under the long lease. When underwriting a loan to be secured by a mortgage on a long lease, the relevant Originator has taken into consideration the conditions of the long lease, including the term thereof in comparison to the proposed term of the loan.

#### ***Limited description of the Transferred Assets***

Covered Bondholders will receive only limited statistics and other information in relation to the Transferred Assets, as set out in the Monthly Investor Reports which shall be prepared by the Administrator with assistance of the Servicer. Such information will not reflect any subsequent changes to the Portfolio between the relevant cut-off date for the preparation of such information and the relevant Issue Date. It is expected that the constitution of the Transferred Assets may constantly change due to, for instance:

- the Originators transferring additional and/or new types of Eligible Assets to the CBC;
- New Originators acceding to the Transaction and transferring Eligible Assets to the CBC;
- Originators re-acquiring Transferred Assets pursuant to their obligations, or right of pre-emption, under the Guarantee Support Agreement; and
- payments made by the debtors on the relevant Transferred Assets.

There is no assurance that the characteristics of new Eligible Assets will be the same as, or similar to, those of the Eligible Assets in the Portfolio as at the relevant Transfer Date. Nevertheless, on each Transfer Date, each Transferred Receivable and Substitution Asset will be required to meet the applicable eligibility criteria and the Representations and Warranties set out in the Guarantee Support Agreement (although such eligibility criteria and Representations and Warranties may change in certain circumstances).

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

Currently in The Netherlands, subject to a number of conditions, mortgage loan interest payments are deductible from the income of the borrower for income tax purposes. The period for allowed deductibility is restricted to a term of 30 years and the mortgage loans must be secured by owner occupied property. 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 on 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 newly originated mortgage loans is only available in respect of mortgage loans which amortize over 30 years or less and are repaid on at least an annuity basis.

In addition to these changes further restrictions on the interest deductibility has 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 previously deducting mortgage interest at the 52 per cent. rate (highest income tax rate) the interest deductibility will decrease for the highest (fourth) tax bracket annually at a rate of 0.5 per cent., from of 52 per cent. to 38 per cent. eventually.

These changes and any other or further changes in the tax treatment could have an effect on, amongst other things, house prices and the rate of recovery on mortgage loans for mortgage loan providers (including the Initial Originators) and may result in an increase of defaults, prepayments and repayments of mortgage loans (including Loans).

Accordingly, defaults on Loans in relation to Transferred Receivables due to changes in Dutch laws on tax deductibility may decrease the CBC's proceeds from such Transferred Receivables, thereby adversely affecting the CBC's ability to meet fully and/or in a timely manner its obligations under the Guarantee.

***The CBC's ability to meet its obligations under the Guarantee may be adversely affected by the relatively slow rate of principal repayment of Borrowers***

Currently in The Netherlands, subject to a number of conditions, mortgage loan interest payments are deductible from the income of the borrower for income tax purposes. This fiscal benefit has incentivised certain borrowers to opt for products that do not directly require principal repayment until the maturity of the mortgage loan. The most common mortgage loan types in The Netherlands are interest-only, savings, life and investment mortgage loans or a combination of these types. Under the interest-only, savings, life and investment types of mortgage loans no principal is required to be repaid during the term of the contract. Instead, except for interest-only mortgage loans, the borrower makes payments into a savings account, towards capital insurance or into an investment fund. Upon maturity, amounts available pursuant to the savings accounts, the insurance contract or the investment funds are applied to repay the mortgage loans. In addition, prepayment penalties are often incorporated into mortgage loan contracts, which in turn tends to lower prepayment rates in The Netherlands. Penalties are generally calculated as the net present value of the interest loss to the lender upon prepayment. Although the deductibility of mortgage interest is increasingly subject to restriction, there can be no assurance whether and to what extent those restrictions will increase rates of prepayment and/or repayment by Borrowers.

In The Netherlands, lower rates of prepayment and repayment of the principal amount outstanding on mortgage loans throughout the term of those loans means that the exposure of the Originators to the Borrowers of the Loans tends to remain high over time and that in the event of a default in payment by a Borrower, the Originator would be likely to suffer higher losses than on a mortgage loan subject to a higher rate of prepayment and/or repayment. The value of Transferred Receivables underlying the Covered Bonds is designed to reflect the risks associated with this exposure. Nonetheless, if and to the extent that the CBC must rely on the cashflow of the Loans to fund its obligation under the Guarantee, the relatively low rate of principal repayment may adversely impact the Transferred Assets' value realisation, and, consequently, the CBC's ability to meet fully and/or in a timely manner its obligations under the Guarantee.

***Weak economic conditions and declining property values may result in losses***

To the extent that The Netherlands continues to experience, or may experience in the future, weak economic conditions and housing markets, either generally or in specific housing regions or segments, the risks relating to repayment by Borrowers under the Loans may increase. The economy of The Netherlands is dependent on a mixture of industries. Any downturn in the economy generally or in a particular industry may adversely affect Dutch employment levels and consequently the repayment ability of Dutch borrowers. In addition, declining property values associated with weak economic conditions and housing markets will result in a decline in the value of those properties subject to the Mortgages securing the Transferred Receivables. No assurance can be given that values of those properties have remained or will remain at the level at which they were on the date of origination of the related Loans. A decline in value may result in losses to Covered Bondholders if such security underlying those mortgage rights is required to be enforced, particularly in respect of Loans not requiring principal repayment until maturity of those Loans.

***Property valuations may not accurately reflect the value or condition of the mortgaged property and actual foreclosure proceeds may be lower than the estimated foreclosure value***

In general, valuations relating to mortgaged property 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 of that mortgaged property. 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. For a description of the valuation criteria applied as of January 2015 to Loans originated by the Initial Originator, see "Valuation" under paragraph 3.3 (*Eligible Assets*) below.

Valuations (including those based on the WOZ valuation applied by the Dutch tax authorities) are obtained in connection with the origination of the Loans and are sought to establish the amount a typically motivated buyer would pay a typically motivated seller at the time they were prepared. Such amount could, however, be significantly higher than the amount actually obtained from the sale of the mortgaged property underlying the Loan under a distressed or liquidation sale. In addition, property values may have declined since the time the valuations were obtained, and therefore the valuations may no longer be an

accurate reflection of the current market value of the Property securing the relevant Loan. Furthermore, differences may 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 purpose of the Asset Cover Test, the value of underlying properties is estimated in accordance with the Automated Valuation Model. Estimations on the basis of the Automated Valuation Model are made no more than 18 months before the date of each calculation of the Asset Cover Test. Despite the age of the estimation on the basis of the Automated Valuation Model being less than 18 months, realisable property values may be different from the values estimated and therefore the valuations may not be an accurate reflection of the current market value of the Property securing the relevant Loan.

As a result, both in relation to the valuation obtained at origination and the valuation on the basis of the Automated Valuation Model, there can be no assurance that, upon enforcement, all amounts owed by a Borrower under a Loan can be recovered from the proceeds of a forced sale of the Property securing the relevant Loan or that the proceeds upon foreclosure will be at least equal to the estimated appraisal foreclosure value of such Property, which in turn may result in losses to Covered Bondholders.

***Underwriting guidelines may not identify or appropriately assess repayment risks***

The Loans have been originated by the Originators pursuant to certain established underwriting guidelines. In accordance with the Code of Conduct on mortgage financing (*gedragscode hypothecaire financieringen*) and the regulatory restrictions in effect at the time of origination of a Loan, these underwriting guidelines allow for exceptions subject to further credit analysis. Although these underwriting guidelines and any further credit analysis have been designed to identify and appropriately assess the repayment risks associated with the origination of the Loans, there can be no assurance that the interest and principal payments due on a Loan will be repaid when due, or at all, or whether the value of the Property securing the relevant Loan will be sufficient to otherwise provide for recovery of such amounts. To the extent exceptions were made to the Originator's underwriting guidelines in originating a Loan, despite the performance of a further credit analysis as required for an exception to be made, those exceptions may increase the risk that principal and interest amounts may not be received or recovered and compensating factors, if any, which may have been the premise for making an exception to the underwriting guidelines, may not in fact compensate for any additional risk. Any increased risk that principal and interest amounts may not be received or recovered in respect of the Loans in turn increases the risk of losses for Covered Bondholders.

***Defaulted Receivables***

Upon service of a Notice to Pay on the CBC (provided (a) an Issuer Event of Default has occurred and an Issuer Acceleration Notice has been served and (b) no CBC Acceleration Notice has been served), the CBC is expected to make payments under the Guarantee. The ability of the CBC to meet its obligations under the Guarantee will depend solely on the proceeds of the Transferred Assets. In this respect it should be noted that Borrowers may default on their obligations due under the Transferred Receivables. Defaults may occur for a variety of reasons. The Transferred Receivables are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Other factors in Borrowers' individual, personal or financial circumstances may affect the ability of Borrowers to make the required payments under the Transferred Receivables. Loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by and bankruptcies (*faillissementen*) of Borrowers or the Borrowers becoming subject to the debt rescheduling arrangements (*schuldsaneringsregelingen*), and could ultimately have an adverse impact on the ability of Borrowers to make the required payments under the Transferred Receivables. In addition, the ability of a Borrower to sell a Property at a price sufficient to repay the amounts outstanding under that Transferred Receivable will depend upon a number of factors, including the availability of buyers for that Property, the value of that Property and property values in general at the time. As set forth herein, however, in the calculation of the Asset Cover Test and the Amortisation Test, Defaulted Receivables will be excluded and Transferred Receivables which are 3 months or more in arrears and which are not a Defaulted Receivable will be excluded for 70 per cent. of the Current Balance of such Transferred Receivable.

### ***Prepayment***

The rate of prepayment of 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 Loans granted pursuant to the Loan Agreements may experience, and variation in the rate of prepayments of principal on the Loans granted pursuant to the Loan Agreements may affect the ability of the CBC to realise sufficient funds to make payments under the Guarantee.

### ***Changes to the Lending Criteria of the Originators***

Each of the Receivables originated by each Originator will have been originated in accordance with its Lending Criteria at the time of origination. It is expected that each Originator's Lending Criteria will generally consider the type of Property, term of loan, age of applicant, the loan-to-value ratio, loan-to-income ratio, mortgage indemnity guarantee policies, high loan-to-value fees, status of applicants and credit history. In the event of a transfer of Receivables by an Originator to the CBC, each Originator will warrant only that such Receivables were originated in accordance with such Originator's Lending Criteria applicable at the time of origination. Each Originator retains the right to revise its Lending Criteria from time to time, provided that it acts as a Reasonable Prudent Lender. If the Lending Criteria change in a manner that affects the creditworthiness of the Receivables, that may lead to increased defaults by Borrowers and may affect the realisable value of the Transferred Receivables, or part thereof, and the ability of the CBC to make payments under the Guarantee. As set forth herein, however, Defaulted Receivables will be excluded from the calculation of the Asset Cover Test and the Amortisation Test.

However, some of the Receivables may have been acquired by an Originator in the course of its business (i.e. Receivables that were originated by an originator (i) which has Merged into the relevant Originator or (ii) whose Relevant Assets and Liabilities have been acquired by the relevant Originator pursuant to a Demerger). Such Receivables may not have been originated in accordance with the existing Lending Criteria of any of the Originators, but will as at the relevant Transfer Date qualify as an Eligible Receivable as long as such Receivables meet the Eligibility Criteria.

### ***New Originators***

The Issuer may propose that any subsidiary (*dochtermaatschappij*) of ING Groep N.V. (ING Groep N.V. together with all its subsidiaries from time to time, the "**ING Group**") will become a New Originator and be allowed to transfer Eligible Assets to the CBC. However, this would only be permitted if the conditions precedent relating to New Originators acceding to the Programme are met in accordance with the Programme Agreement, including Rating Agency Confirmation.

Any Receivables originated by a New Originator will have been originated in accordance with the Lending Criteria of the New Originator, which may differ from the Lending Criteria of Receivables originated by the Initial Originator. If the Lending Criteria differ in a way that affects the creditworthiness of the Receivables, that may lead to increased defaults by Borrowers and may affect the realisable value of the Transferred Receivables or any part thereof or the ability of the CBC to make payments under the Guarantee. As set forth herein, however, Defaulted Receivables will be excluded from the calculation of the Asset Cover Test and the Amortisation Test.

### ***Limited recourse to the Originators***

The CBC and the Trustee have not undertaken and will not undertake any investigations, searches or other actions on any Receivable and have relied and will rely instead on the Representations and Warranties given in the Guarantee Support Agreement by the relevant Originators in respect of the Transferred Receivables.

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

There is no further recourse to the relevant Originator in respect of a breach of a Representation or Warranty. There is no other recourse to the assets of the Originators if an Issuer Event of Default occurs

or a CBC Event of Default occurs (save as is generally the case insofar as the assets of the Issuer for its obligations under the Covered Bonds are concerned).

### ***EU directive on credit agreements for consumers relating to residential property***

On 31 March 2011, the European Commission published a proposal for a directive on credit agreements relating to residential immovable property for consumers, which was adopted on 4 February 2014 by the European Parliament (Directive 2014/17/EU). The directive applies to: (a) credit agreements secured by a mortgage or comparable security commonly used in a Member State on residential immovable property, or secured by a right relating to residential immovable property; and (b) credit agreements the purpose of which is to purchase or retain rights in land or in an existing or proposed residential building. The directive does not apply to credit granted free of interest or other charges and to certain credit granted by an employer to its employees.

The directive requires (among other things): standard information in advertising; standard pre-contractual information; adequate explanations to the borrower on the proposed credit agreement and any ancillary service; calculation of the annual percentage rate of charge in accordance with a prescribed formula; assessment of creditworthiness of the borrower; and a right of the borrower to make early repayment of the credit agreement. The directive also imposes prudential and supervisory requirements for credit intermediaries and non-bank lenders. Member States shall be allowed to impose or maintain more stringent consumer protection laws.

Member States will be required to implement the directive into national law before 21 March 2016. Until the directive is implemented into Dutch law, it is not possible to tell what effect the implementation of the directive into Dutch law would have on the Loans, the Originators, the CBC and/or the Initial Servicer and their respective businesses and operations.

### ***NHG Guarantees and Municipality Guarantee***

Certain Eligible Receivables have the benefit of an NHG Guarantee or a Municipality Guarantee. Pursuant to the terms and conditions of the NHG Guarantee and the Municipality Guarantee, the "Stichting Waarborgfonds Eigen Woningen" ("WEW") or the relevant municipality, respectively, 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 or the Municipality Guarantee, as the case may be. Under or pursuant to the Guarantee Support Agreement, each Originator warrants and represents in relation to any of its Eligible Receivables which is secured by an NHG Guarantee or a Municipality Guarantee that:

- (i) the Municipality or NHG Guarantee, as the case may be, is granted for the full amount of the relevant Receivable outstanding at origination, and constitutes legal, valid and binding obligations of the WEW or the relevant municipality (*gemeente*), enforceable in accordance with such NHG Guarantee's terms or Municipality Guarantee's terms;
- (ii) (a) in the case of an NHG Guarantee, all terms and conditions (*Voorwaarden en Normen*) applicable to the "Nationale Hypotheek Garantie" at the time of origination of the related Loans were complied with or (b) in the case of a Municipality Guarantee, all conditions (*voorwaarden*) set forth in any laws, rules or regulations applicable to the Municipality Guarantee have been fulfilled; and
- (iii) the relevant Originator is not aware of any reason why any claim under any NHG Guarantee or Municipality Guarantee, if applicable, in respect of the relevant Receivable should not be met in full and in a timely manner.

Furthermore, if an Eligible Receivable transferred by an Originator to the CBC no longer has the benefit of a Municipality Guarantee or an NHG Guarantee as a result of any action taken or omitted to be taken by the relevant Originator, the Administrator or the Servicer, and, as a consequence thereof, such Transferred Receivable would not qualify as an Eligible Receivable if it were tested against the Eligibility Criteria at that time, then the relevant Originator is obliged under the Guarantee Support Agreement to request a retransfer of the relevant Transferred Receivable in accordance with the Guarantee Support Agreement.

The terms and conditions of a Municipality Guarantee and an NHG Guarantee (irrespective of the type of redemption of the mortgage loan) stipulate that the guaranteed amount is reduced on a monthly basis by an amount which is equal to the amount of the monthly repayments plus interest as if the mortgage loan were to be repaid on a thirty year annuity basis. The actual redemption structure of an Eligible Receivable can be different. Furthermore, for mortgage loans originated after 1 January 2014, the mortgage lender is obliged to 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. The foregoing may result in the lender not being able to fully recover any loss incurred from the WEW or the relevant municipality under the Municipality or NHG Guarantee and consequently, in the CBC having insufficient funds to meet its obligations under the Guarantee. See Section 3.5 (*Municipality / NHG Guarantee Programme*) below for further information on the WEW, the NHG Guarantee and the Municipality Guarantee.

#### **A.4 Asset Monitoring**

##### ***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.

Prior to the service of a Notice to Pay, the Asset Monitor will, no later than five Business Days following receipt of the relevant information, test the arithmetic of the calculations performed by the Administrator in respect of the Asset Cover Test on the Calculation Date immediately preceding each anniversary of the Programme Date, i.e. once a year and will carry out such tests more frequently in certain circumstances. Following the service of a Notice to Pay, the Asset Monitor will no later than five Business Days following receipt of the relevant information be required to test the calculations performed by the Administrator on each Calculation Date in respect of each Amortisation Test.

The Trustee shall not be responsible for monitoring compliance with, nor the monitoring of, the Asset Cover Test, any Pre-Maturity Test, the Amortisation Test or any Portfolio Test (if implemented) or any other test, or supervising the performance by any other party of its obligations under any Transaction Document.

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

If the Pre-Maturity Test in relation to any Series is failed or if an Issuer Event of Default has occurred and results in, among other things, a Notice to Pay being served on the CBC, the CBC may be obliged to sell or refinance Selected 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 to acquire Selected Receivables at the times required and there can be no guarantee or assurance as to the price which may be able to be obtained, which may affect payments under the Guarantee.

If the CBC sells or refinances Selected Receivables in relation to the Earliest Maturing Covered Bonds or any other Series, it is not required to ensure that following such sale or refinancing the same proportion of the Transferred Assets related to the Covered Bonds is maintained as prior to such sale or refinancing, provided that (i) no more Selected Receivables will be sold or refinanced than are necessary for the estimated sale or refinancing proceeds to equal the relevant Adjusted Required Redemption Amount and (ii) the Asset Cover Test or, following service of a Notice to Pay, the Amortisation Test is not breached following the sale or refinancing of the relevant Selected Receivables. Although the intention of the Asset Cover Test and the Amortisation Test, as applicable, is to ensure that the proportion of the Transferred Assets related to the Covered Bonds does not fall below a certain level, there can be no guarantee or assurance that, following any such sale or refinancing of Selected Receivables in relation to Earliest Maturing Covered Bonds or any other Series, there are sufficient Transferred Assets available to the CBC to make payments under, amongst other things, the Guarantee in respect of later maturing Covered Bonds.

## ***No Warranties***

Following a failure of the Pre-Maturity Test in relation to any Series and/or the service of an Issuer Acceleration Notice and a Notice to Pay on the CBC, but prior to the service of a CBC Acceleration Notice, the CBC may be obliged to sell Selected Receivables to third party purchasers, subject to a right of pre-emption enjoyed by the Originators pursuant to the terms of the Guarantee Support Agreement. In respect of any sale or refinancing of Selected Receivables to third parties, however, the CBC will not be permitted to give warranties or indemnities in respect of those Selected Receivables (unless expressly permitted to do so by the Trustee). There is no assurance that the Originators would give any warranties or representations in respect of the Selected Receivables. Any Representations or Warranties previously given by the Originators in respect of the Transferred Receivables may not have value for a third party purchaser if the Originators are then subject to an Insolvency Proceeding. Accordingly, there is a risk that the realisable value of the Selected 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 obligations under the Guarantee.

## **A.5 Servicing and Custody**

Each Servicer will be permitted to sub-contract its servicing role to a third party servicer subject to any applicable conditions in the relevant Servicing Agreement.

By acquiring the Eligible Receivables, the CBC is deemed to provide consumer credit, which is a licensable activity under the Wft. The CBC can rely on an exemption from this licence requirement, if the CBC outsources the servicing of the Eligible Receivables and the administration thereof to an entity which is adequately licensed under the Wft to act as consumer credit provider or intermediary and which complies with certain information duties towards the Borrowers. Pursuant to the Initial Servicing Agreement, the CBC outsources the servicing and administration of the Eligible Receivables to the Initial Servicer. In the Initial Servicing Agreement, the Initial Servicer represents and warrants that it is, and covenants that it shall remain, adequately licensed under the Wft to act as consumer credit provider or intermediary and undertakes to comply with the information duties towards the Borrowers under or pursuant to the Wft. Furthermore, the Initial Servicer has covenanted that it shall only engage any sub-contractor with due observance of the applicable rules under the Wft. If the Initial Servicing Agreement is terminated, the CBC will need to appoint a New Servicer which must be adequately licensed in order for the CBC to keep the benefit of exemptive relief. Alternatively, the CBC would, in theory, need to obtain a licence itself, although it is not certain that it would be able to do so. The Initial Servicing Agreement stipulates that the Initial Servicer may only terminate the Initial Servicing Agreement if a New Servicer is appointed prior to such termination which holds the requisite licences, including being duly licensed under the Wft to act as consumer credit provider or intermediary.

If the CBC does not appoint such a licensed Servicer or alternatively does not manage to obtain a license itself, the servicing and custody of the Transferred Receivables may be interrupted or otherwise adversely affected, which, in turn, may adversely affect the rights of the Covered Bondholders.

## **A.6 Swaps**

### ***Hedging***

Mismatches are possible in the rates of interest received on the Transferred Receivables (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) or the rates of interest or revenue payable on the other Transferred Assets, the Authorised Investments, the Substitution Assets and the balance of the AIC Account and the rate of interest and principal payable on the outstanding Covered Bonds. In addition, there may be certain mismatches between the currency in which interest and principal are received on the Transferred Assets, the Authorised Investments, the Substitution Assets and the balance of the AIC Account and in which interest and principal are payable under the Covered Bonds.

The CBC will provide, to a certain extent, a hedge against these mismatches by entering into the Total Return Swap Agreement and, where applicable, Interest Rate Swap Agreements and/or Structured Swap Agreements. If the CBC or the Issuer elects to implement Portfolio Tests or an alternative hedging methodology is proposed and Rating Agency Confirmation is obtained in respect of such Portfolio Tests or alternative hedging methodology, as the case may be, then the Total Return Swap Agreement will be

terminated and, in the case of such an alternative hedging methodology, the CBC will be required to enter into such derivative transactions as are required to comply with such alternative hedging methodology.

Pursuant to the Swap Undertaking Letter, the Bank undertakes to, or to procure an Eligible Swap Provider to, enter into one or more Interest Rate Swap Agreements and/or Structured Swap Agreements (as applicable) with the CBC in respect of each relevant Series if (i) a Notification Event occurs, (ii) a Notice to Pay or CBC Acceleration Notice is served or (iii) the rating(s) of the Bank are, or fall, below the minimum rating(s) set for an Eligible Swap Provider for Interest Rate Swap Agreements (in which case Interest Rate Swap Agreements will be required) or Structured Swap Agreements (in which case Structured Swap Agreements will be required).

The Interest Rate Swap Agreements are entered into to hedge the risk of any possible mismatch between EURIBOR for one month deposits and the rate of interest payable under any euro denominated Series.

The Structured Swap Agreements are entered into to hedge certain interest rate, principal and/or currency risk of any possible mismatch between (i) EURIBOR for one month deposits and the rate of interest payable under any Series and/or (ii) euro denominated Principal Receipts and amounts of principal payable under any non-euro denominated Series as at the relevant issue date of such Series and the amounts of principal payable under any such Series as at the relevant repayment date of such Series.

#### ***Default under Swap Agreements***

If the CBC (or the Issuer on its behalf) fails to make timely payments of amounts due under any Swap Agreement, then it will have defaulted under that Swap Agreement and the relevant Swap Agreement may be terminated. If a Swap Agreement terminates or a Swap Provider defaults in its obligations to make payments of amounts equal to the full amount to be paid to the CBC on the payment date under the relevant Swap Agreement, the CBC will be exposed to changes in the relevant currency exchange rates to euro and/or to any changes in the relevant rates of interest. As a result, unless a replacement Swap Agreement is timely entered into, the CBC may have insufficient funds to make payments under the Guarantee.

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

Transactions evidenced by Interest Rate Swap Agreements, Structured Swap Agreements and/or the Total Return Swap Agreement may be governed by the same ISDA Master Agreement, including the ING ISDA Master Agreement. A default or termination event under a Swap Agreement could result in early termination of all Swap Agreements based on the same ISDA Master Agreement.

If a Swap Agreement terminates, then the CBC may be obliged to make a termination payment to the relevant Swap Provider. 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 Provider 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 the ISDA Master Agreement governing the Total Return Swap Agreement, such termination payment (which, if such ISDA Master Agreement is a Combined ISDA Master Agreement, will be in an amount equal to the portion of such termination payment which is attributable to such Total Return Swap Agreement) will rank ahead of amounts due under the Guarantee in respect of each Series except where default by, or downgrade of, the relevant Swap Provider has caused the Total Return Swap Agreement to terminate.

If the CBC is obliged to make a termination payment under any ISDA Master Agreement governing any Interest Rate Swap Agreement and/or Structured Swap Agreement, such termination payment (which, if such ISDA Master Agreement is a Combined ISDA Master Agreement which also governs the Total Return Swap Agreement, will be (i) in an amount equal to the portion of such termination payment which is attributable to such Interest Rate Swap Agreement and/or Structured Swap Agreement, but (ii) limited to the amount of the termination payment under such Combined ISDA Master Agreement remaining after any termination payment which is attributable to the Total Return Swap Agreement) will rank *pari passu* with interest or principal amounts, as applicable, due under the Guarantee in respect of each Series except where default by, or downgrade of, the relevant Swap Provider 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 Provider, may adversely affect the ability of the CBC to meet its obligations under the Guarantee.

If the relevant Interest Rate Swap Agreements and/or Structured Swap Agreements are governed by the same ISDA Master Agreement as the Total Return Swap Agreement, any termination payment due following termination of such Swap Agreements will be calculated on a net basis across all transactions governed by such ISDA Master Agreement. This could result in a lesser amount being available to the CBC to meet its obligations under the Guarantee than if such Swap Agreements were governed by separate ISDA Master Agreements.

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

With respect to the Interest Rate Swap Agreements and the Structured Swap Agreements, the CBC (or the Issuer on its behalf) may be obliged to make monthly payments to the relevant Swap Provider, whereas the relevant Swap Provider may not be obliged to make corresponding swap payments for up to twelve months. If the relevant Swap Provider 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 Provider's payment obligations had coincided with CBC's payment obligations under the relevant Swap Agreement. Hence, the difference in timing between the obligations of the CBC and the relevant Swap Provider may affect the CBC's ability to make payments under the Guarantee.

#### ***Consequence for hedged Series of unexpected default by relevant Swap Provider when Post-Notice-to-Pay Priority of Payments applies***

If the Post-Notice-to-Pay Priority of Payments applies, it is funded on each CBC Payment Date by the Available Revenue Receipts and the Available Principal Receipts, which are amounts actually received by the CBC prior to such CBC Payment Date. In respect of Series whose Interest Payment Date falls during a CBC Payment Period, in order to avoid that amounts received by the CBC in respect of interest or principal under any Interest Rate Swap Agreement or Structured Swap Agreement need to be retained for application until the next CBC Payment Date, such amounts (for the avoidance of doubt excluding Swap Collateral Excluded Amounts and Swap Replacement Excluded Amounts) are credited to the Swap Interest Ledger or the Swap Principal Ledger, as the case may be. Amounts which are credited to the Swap Interest Ledger or the Swap Principal Ledger in a CBC Payment Period in respect of a particular Series, are (a) on-paid to the Trustee or the Principal Paying Agent to cover Scheduled Interest or Scheduled Principal that is Due for Payment in such CBC Payment Period (other than on the day on which the CBC Payment Period commenced) under the Guarantee in respect of such Series or (b) in the event that there is an excess over such Scheduled Interest or Scheduled Principal that is Due for Payment, for credit to the Revenue Ledger or the Principal Ledger, as the case may be.

When the Post-Notice-to-Pay Priority of Payments applies, there is a risk that, should a Swap Provider default in the performance of its obligation to pay to the CBC an amount of interest or principal under any Interest Rate Swap Agreement or Structured Swap Agreement, the corresponding Scheduled Interest or Scheduled Principal that is Due for Payment in such CBC Payment Period under the Guarantee in respect of such Series cannot be paid from the Swap Interest Ledger or the Swap Principal Ledger, as the case may be. This risk is mitigated in two ways in the manner described below (focusing on Scheduled Interest hedged pursuant to Interest Rate Swap Agreements below by way of example, similar mitigants apply to Scheduled Interest and Scheduled Principal hedged pursuant to Structured Swap Agreements, *mutatis mutandis*, provided that in respect of Scheduled Principal references below to the Swap Interest Ledger shall be construed to refer to the Swap Principal Ledger).

First, if on or before a CBC Payment Date it is expected that a Swap Provider will default in the performance of its obligation to pay to the CBC an amount of interest under any Interest Rate Swap Agreement in the immediately succeeding CBC Payment Period which commences on such CBC Payment Date, then, subject to any higher or *pari passu* ranking items under the Post-Notice-to-Pay Priority of Payments, a payment or provision, as the case may be, will be made as of such CBC Payment Date for the corresponding amount of Scheduled Interest that is Due for Payment on such CBC Payment Date or in the CBC Payment Period starting on such CBC Payment Date and the Available Revenue Receipts and/or the Available Principal Receipts will be applied accordingly. However, this first mitigant will only be effective if as at the CBC Payment Date on which the CBC Payment Period started in which the Swap Provider defaults, (i) it was expected by or on behalf of the CBC that the relevant Swap

Provider would so default and (ii) there were sufficient Available Revenue Receipts and/or Available Principal Receipts to pay or provide for all higher and *pari passu* ranking items in the Post-Notice-to-Pay Priority of Payments.

Second, if during a CBC Payment Period (i) there is an unexpected default by a Swap Provider in the performance of its obligation to pay to the CBC an amount of interest under any Interest Rate Swap Agreement and (ii) on the CBC Payment Date on which such CBC Payment Period starts, remaining moneys have been deposited in the AIC Account for application on the next CBC Payment Date, then those remaining monies may be credited to the Swap Interest Ledger (a) for on-payment to the Trustee or the Principal Paying Agent to cover Scheduled Interest that (i) is Due for Payment in such CBC Payment Period under the Guarantee in respect of the relevant Series and (ii) could otherwise not be funded from amounts credited to the Swap Interest Ledger in respect of such Series or (b) in the event there is an excess over such Scheduled Interest that is Due for Payment, for credit to the Revenue Ledger. However, this second mitigant will only be effective to the extent that as at the CBC Payment Date on which the CBC Payment Period started in which there is an unexpected default by a Swap Provider, remaining moneys were deposited in the AIC Account for application on the next CBC Payment Date.

As a result of the foregoing, in a given CBC Payment Period the Hedged Series Amounts in respect of one or more Series may not be paid, or not be paid in full, from the Swap Interest Ledger, whereas the Hedged Series Amounts in respect of one or more other Series may be fully paid in that same CBC Payment Period if each of the following conditions is met: (i) the Post-Notice-to-Pay Priority of Payments applies, (ii) a Swap Provider defaults in its obligation to pay to the CBC an amount (other than a termination amount) of interest under the Interest Rate Swap Agreement in such CBC Payment Period in respect of such Series and (iii) as of the CBC Payment Date on which such CBC Payment Period starts the CBC (or the Administrator on its behalf) either (a) expected the Swap Provider to default but there were insufficient Available Revenue Receipts and/or Available Principal Receipts to pay or provide for all higher and *pari passu* ranking items in the Post-Notice-to-Pay Priority of Payments or (b) did not expect the Swap Provider to default and no, or insufficient, remaining moneys were deposited in the AIC Account for application on the next CBC Payment Date.

The mitigants and consequences described in the previous three paragraphs in respect of Scheduled Interest and Interest Rate Swap Agreements, apply *mutatis mutandis* to Scheduled Interest and Scheduled Principal hedged pursuant to Structured Swap Agreements, provided that in respect of Scheduled Principal references above to the Swap Interest Ledger shall be construed to refer to the Swap Principal Ledger.

### ***European Market Infrastructure Regulation***

EMIR introduced requirements to improve transparency and reduce the risks associated with the derivatives market. EMIR requires entities that enter into any form of derivative contract to: report every derivative contract entered into to a trade repository; implement new risk management standards for all bilateral over-the-counter derivative trades that are not cleared by a central counterparty; clear, through a central counterparty, over-the-counter derivatives that are subject to a mandatory clearing obligation or, for any over-the-counter derivatives that are not subject to such mandatory clearing obligation, a requirement for counterparties to post mandatory margin. The CRR aims to complement EMIR by applying higher capital requirements for bilateral, over-the-counter derivative trades. Lower capital requirements for cleared trades are only available if the central counterparty is recognised as a 'qualifying central counterparty', which has been authorised or recognised under EMIR (in accordance with related binding technical standards). Further significant market infrastructure reforms will be introduced by amendments to the EU Markets in Financial Instruments Directive that are being finalised by the EU legislative institutions and are expected to be implemented in 2016.

Aspects of EMIR in relation to the mandatory clearing obligation and the mandatory margining requirement and its application to covered bond vehicles remain unclear. Under draft regulatory technical standards ("**RTS**") published on 1 October 2014 (which, when approved by the European Commission, European Parliament and Council of the European Union, will implement the mandatory clearing obligation as regards interest rate swaps) and a consultation paper on draft RTS published on 14 April 2014 (which, when published in final form and approved by the European Commission, European Parliament and Council of the European Union, will implement the mandatory margining requirement), covered bond vehicles are exempt from such clearing and margining requirements provided certain conditions are met, including that the transactions are for hedging purposes and collateralisation through

certain eligible assets. However, as at the date of this Base Prospectus, the RTS applicable to clearing and margining are currently in draft form only, and no assurance can be given that the exemptions from the clearing and margining requirements for covered bond vehicles will remain in the final approved RTS or that the CBC will qualify for any such exemptions. Further no draft RTS have been published which would relate to mandatory clearing of any of the cross currency swaps entered into by the CBC and therefore it is unclear whether any exemption for covered bond vehicles will be included in any such RTS.

If the exemptions discussed above do not apply to covered bond vehicles and the CBC is required to comply with the clearing and/or margining requirements under EMIR, this may give rise to additional costs and expenses for the CBC, which may in turn reduce amounts available to the CBC to make payments under the Guarantee. In addition, compliance by the CBC may also require certain amendments to be made to the Programme and/or the entry into new agreements by the CBC. Further, based on the draft RTS, the exemption from margining discussed above would not be available to any swap counterparty to the CBC, meaning that any such counterparty would be required to comply with margining requirements. The potential impact of margining requirements on the swap counterparties to the CBC is unclear but it is possible that the CBC may find it more difficult or costly to replace any existing swap counterparty following the introduction of mandatory margining.

#### **A.7 Cashflows**

For as long as no Notification Event has occurred and no Notice to Pay or CBC Acceleration Notice has been served on the CBC, no cashflows will run through the CBC. In those circumstances the Originators will be entitled to receive and retain the proceeds from the Transferred Assets for their own benefit. In addition, the Issuer will, as consideration for the CBC assuming 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. Upon the earlier to occur of a Notification Event and service of a Notice to Pay or CBC Acceleration Notice on the CBC, cashflows will run through the CBC and will be applied in accordance with the relevant Priority of Payments (except that any collateral to be provided by a Swap Provider following its downgrade will be delivered to the CBC irrespective of whether any Notification Event has occurred or any Notice to Pay or CBC Acceleration Notice has been served at such time).

#### **A.8 General Information**

##### ***Obligations under the Covered Bonds and Guarantee***

The Covered Bonds and the Guarantee will not represent an obligation or be the responsibility of the Arranger, the Dealers, the Originators, the Trustee or any other party to the Programme, their officers, members, directors, employees, security holders or incorporators, other than the Issuer and the CBC, respectively. The Issuer and the CBC will be liable solely in their corporate capacity for their obligations in respect of the Covered Bonds and the Guarantee, respectively, and such obligations will not be the obligations of their respective officers, members, directors, employees, security holders or incorporators.

##### ***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 result might differ from the projections and such differences might be significant.

##### ***License requirement***

The Wft imposes, amongst other things, a license requirement on entities that extend (consumer) mortgage credit. This applies to the Originators, who are under the Guarantee Support Agreement required as of each Transfer Date to warrant and represent that they have all required licenses. The CBC is exempt from this requirement for so long as it fulfils certain criteria (including, that the Transferred Receivables be serviced by a regulated entity).

##### ***Different capacities***

The Bank acts in different capacities under the Transaction Documents, including as Issuer, Originator, Servicer, Administrator, Interest Rate Swap Provider, Structured Swap Provider and Total Return Swap

Provider. The Issuer 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 Bank) is acting with other parties (such as the Trustee and the CBC).

## **B. KEY FEATURES OF THE PROGRAMME**

*The following description of the key features of the Programme does not purport to be complete and is taken from, and is qualified in all respects by, the remainder of this Base Prospectus and the Registration Document and the information incorporated by reference herein (as defined in Section D.1 Documents incorporated by reference below) and, in relation to the terms and conditions of any particular Tranche of Covered Bonds, the applicable Final Terms and in relation to the terms and conditions of any particular Transaction Document, the applicable Transaction Document.*

*Any decision to invest in the Covered Bonds should be based on a consideration of this Base Prospectus and the Registration Document as a whole, including any amendment and supplement hereto and the documents incorporated herein by reference.*

*Words and expressions defined elsewhere in this Base Prospectus shall have the same meaning in this description. An index of certain defined terms is contained at the end of this Base Prospectus.*

### **B.1 Overview**

**Issuer:** ING Bank N.V.

ING Bank N.V. is part of ING Group. ING Groep N.V. is the holding company of a broad spectrum of companies (together called "**ING**") offering banking, investments, life insurance and retirement services to meet the needs of a broad customer base. ING Bank N.V. is a wholly-owned, non-listed subsidiary of ING Groep N.V. and is a large international player with over 65,000 employees and an extensive global network in over 40 countries. Since 2011, ING Bank N.V. has been operating as a stand-alone business under the umbrella of ING Group. ING Bank N.V. is active through the following business lines: Retail Banking, including ING Direct, and Commercial Banking.

**Guarantor:** ING Covered Bond Company B.V.

The CBC has as an independent obligation irrevocably undertaken to pay interest and principal payable under the Covered Bonds and has pledged and will pledge to the Trustee the Transferred Assets and certain other assets as security therefor. Recourse against CBC under its guarantee in this respect will be limited to the Transferred Assets and such other assets. CBC's obligations in respect of this guarantee are contained in the Guarantee issued pursuant to the Trust Deed.

**Risk Factors:** There are certain factors that may affect the Issuer's and/or the CBC's ability to fulfil its obligations under the Covered Bonds or the Guarantee, as the case may be. These include the fact that the Issuer's results can be adversely affected by (i) general economic and other business conditions, (ii) competition, (iii) regulatory change and (iv) standard banking risks including changes in interest and foreign exchange rates and operational, credit, market, liquidity and legal risk. See Section A (*Risk Factors*) above and the risk factors in the Registration Document (see Section D.1 (*Documents incorporated by reference*) below).

There are certain factors which are material for the purpose of assessing the market risks and other risks associated with the Covered Bonds issued under the Programme. These include, amongst other things, risks related to (a) suitability for investors, (b) the structure of a particular issue of Covered Bonds, (c) the Guarantee, (d) the CBC, (e) the Covered Bonds generally, (f) the market generally, (g) asset monitoring, (h) servicing and custody

of assets, (i) underlying swap agreements and (j) the Transferred Assets (See Section A (*Risk Factors*) above).

**Programme Description:** Under its €35,000,000,000 Hard Bullet Covered Bonds Programme, the Issuer may from time to time issue Covered Bonds guaranteed by the CBC. The Covered Bonds may or may not be listed on a stock exchange.

The applicable terms of any Covered Bonds will be determined by the Issuer and, with respect to issues of Covered Bonds for which one or more Dealers are appointed, the relevant Dealer(s) prior to the issue of the Covered Bonds. Such terms will be set out in the terms and conditions of the Covered Bonds (the "**Conditions**") endorsed on, or incorporated by reference into, the Covered Bonds or Registered Covered Bonds Deed, as the case may be, as modified and supplemented by the applicable Final Terms attached to, or endorsed on, or applicable to Covered Bonds.

**Programme Date:** 10 March 2008.

**Programme Size:** Up to €35,000,000,000 (or its equivalent in other currencies calculated as described herein) of Covered Bonds outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.

**Arranger:** ING Bank N.V.

**Dealers:** On the Programme Date, ING Bank N.V. (in various capacities) and, among others, the CBC signed a Programme Agreement (as defined in Section 1.5 (*Subscription and Sale*) below). ING Bank N.V. is a Dealer under the Programme.

One or more other Dealers may be appointed under the Programme in the future. The Issuer may also issue Covered Bonds directly to purchasers thereof.

**Distribution:** Covered Bonds issued by the Issuer may be distributed by way of private or public placement, provided that the minimum denomination of Covered Bonds will be as set out under "*Denominations*" in the next paragraph. Covered Bonds may be issued directly by the Issuer or through one or more Dealers on a syndicated or non-syndicated basis. The method of distribution of each Tranche will be stated in the applicable Final Terms.

**Denominations:** Covered Bonds will be issued in such denominations as may be determined by the Issuer and the relevant Dealer (if any) and as specified in the applicable Final Terms, save that the minimum denomination of Covered Bonds will be (i) such denomination as may be allowed or required from time to time by the relevant central bank (or regulatory authority) or any laws or regulations applicable to the relevant Specified Currency and (ii) in respect of Covered Bonds which will be offered to the public within a member state of the EEA or for which the Issuer will seek their admission to trading on a regulated market situated or operating within such a member state, in each case in circumstances which would require the approval of a prospectus under the Prospectus Directive, €100,000 (or its equivalent in any other currency at the date of issue of the Covered Bonds).

**Currencies:** Subject to any applicable legal or regulatory restrictions, any

currency determined by the Issuer and the relevant Dealer (if any).

<b>Maturities:</b>	Such maturities as may be determined by the Issuer and the relevant Dealer (if any), subject to such minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank (or regulatory authority) or any laws or regulations applicable to the Issuer or the relevant Specified Currency, provided that the maximum maturity for any Tranche of Covered Bonds will be 45 years.
<b>Amortisation:</b>	All Covered Bonds from time to time issued under the Programme (including but not limited to all Covered Bonds outstanding as at the March 2015 Update) have hard bullet maturities.
<b>Interest Payment Dates:</b>	Interest (in respect of Covered Bonds other than Zero Coupon Covered Bonds) shall be payable on the Covered Bonds of each Series on the Interest Payment Dates agreed by the Issuer and the relevant Dealers and specified in the applicable Final Terms up to the Final Maturity Date. The Issuer and the Dealers may agree that interest shall be payable monthly, bi-monthly, quarterly, semi-annually, annually or upon redemption of the relevant Covered Bonds, unless provided for otherwise in the applicable Final Terms.
<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 of Covered Bonds:</b>	The Covered Bonds will be issued in bearer or registered form. Registered Covered Bonds will not be exchangeable for Bearer Covered Bonds. If the TEFRA D Rules (as defined in " <i>Form of the Covered Bonds and DTC Information</i> ") are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Covered Bond or receipt of any payment of interest relating to a Temporary Global Covered Bond. The forms of the Covered Bonds are described in further detail in " <i>Form of the Covered Bonds and DTC Information</i> " below.
<b>Initial Delivery of Covered Bonds:</b>	On or before the issue date for each Tranche of Bearer Covered Bonds (as defined in the Conditions) by the Issuer, if the relevant global Covered Bond is intended to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations, the global Covered Bond will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche of Bearer Covered Bonds, if the relevant global Covered Bond is not intended to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations, the global Covered Bond may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg, Euroclear Netherlands, or may also be deposited with or any other clearing system or common depositary therefor or may be delivered outside any clearing system. Registered Covered Bonds that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems. Registered Covered Bonds will be issued to each holder (unless otherwise specified in the applicable Final Terms)

pursuant to a Registered Covered Bonds Deed.

<b>Regulatory Matters:</b>	Each issue of Covered Bonds denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see Section 1.5 ( <i>Subscription and Sale</i> ) below).
<b>Fixed Rate Covered Bonds:</b>	Fixed interest will be payable on such date or dates as may be determined by the Issuer and the relevant Dealer (if any) and on redemption, and will be calculated on the basis of such Day Count Fraction as may be determined by the Issuer and the relevant Dealer (if any) (as indicated in the applicable Final Terms).
<b>Floating Rate Covered Bonds:</b>	<p>Floating Rate Covered Bonds will bear interest either at a rate determined:</p> <ul style="list-style-type: none"><li>(i) on the same basis as the floating rate under a notional interest-rate swap transaction in the relevant Specified Currency 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 at the Issue Date of the first Tranche of the Covered Bonds of the relevant Series); or</li><li>(ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or</li><li>(iii) on such other basis as may be determined by the Issuer and the relevant Dealer (if any).</li></ul> <p>The margin (if any) relating to such floating rate will be determined by the Issuer and the relevant Dealer (if any) for each Series of Floating Rate Covered Bonds.</p>
<b>Other provisions in relation to interest-bearing Covered Bonds:</b>	<p>Covered Bonds may have a maximum interest rate ("<b>Cap</b>"), a minimum interest rate ("<b>Floor</b>") or both ("<b>Collar</b>"). Interest on Covered Bonds in respect of each Interest Period, as determined prior to issue by the Issuer and the relevant Dealer (if any), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be determined by the Issuer and the relevant Dealer (if any).</p> <p>In addition, unless specified otherwise in the applicable Final Terms, the rate of interest payable in respect of the Covered Bonds shall never be less than zero. If the method for determining a rate of interest applicable to the Covered Bonds would result in a negative figure, the applicable rate of interest will be deemed to be zero.</p>
<b>Zero Coupon Covered Bonds:</b>	Zero Coupon Covered Bonds will be offered and sold at a discount to their nominal amount or at par and will not bear interest.
<b>Redemption of Covered Bonds:</b>	The applicable Final Terms will indicate either (a) that the relevant Covered Bonds cannot be redeemed prior to their stated maturity (other than following specified events or for taxation reasons or following an Issuer Event of Default or a CBC Event of Default) or (b) that 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 may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms). See Condition 6.

**No Tax Gross-up:**

The Covered Bonds issued by the Issuer will not contain any provision that would oblige the Issuer or the CBC to gross-up any amounts payable in respect of interest or principal in the event of any withholding or deduction for or on account of taxes levied in any jurisdiction. The Issuer may also elect to redeem Covered Bonds if it would be required, on the occasion of the next payment due in respect of the Covered Bonds, to withhold or account for tax in respect of the Covered Bonds.

**Cross Default:**

None of the Covered Bonds will accelerate automatically on an Issuer Event of Default or a CBC Event of Default. All Covered Bonds will accelerate following a failure to pay (subject to applicable grace periods) by the Issuer or the CBC relating to a particular Series (or any other Issuer Event of Default or CBC Event of Default) if (a) the Trustee exercises its discretion to accelerate or (b) the Trustee is instructed to accelerate by a Programme Resolution.

**Status of the Covered Bonds:**

The Covered Bonds issued from time to time in accordance with the Programme will constitute unsecured and unsubordinated obligations of the Issuer, guaranteed by the Guarantee (see Condition 3), and will rank *pari passu* without any preference among 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.

**Taxation:**

This Base Prospectus includes general summaries of certain Dutch tax considerations and certain U.S. federal income tax considerations relating to an investment in the Covered Bonds. Such summaries may not apply to a particular Covered Bondholder or to a particular issue and do not cover all possible tax considerations. In addition, the tax treatment may change before the maturity, exercise or termination date of Covered Bonds. Any potential investor should consult its own independent tax adviser for more information about the tax consequences of acquiring, owning and disposing of Covered Bonds in its particular circumstances.

**ERISA Considerations:**

Unless otherwise stated in the relevant Final Terms, the Covered Bonds may be acquired by employee benefit plans that are subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), by plans subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended, (the "**Code**") and by any entities whose assets are treated as assets of any such plans; provided that, such acquisition, holding and disposition of the Covered Bonds will not result in a non-exempt prohibited transaction under ERISA or the Code. Each purchaser and transferee of a Covered Bond will be deemed to have made certain representations as to its status under ERISA and the Code. See Section 1.4 (*Taxation*) under "*Certain ERISA and certain other U.S. considerations*" below.

**Selling and Transfer Restrictions:**

There are selling and transfer restrictions in relation to issues of Covered Bonds as described in Section 1.5 (*Subscription and Sale*) below. Further restrictions may be specified in the

applicable Final Terms.

**Ratings:**

As at the March 2015 Update, the Issuer has a senior debt rating from Standard & Poor's of A (outlook negative), from Moody's of A2 (outlook negative) and from Fitch of 'A+/'F1+' (outlook negative). The Covered Bonds are expected to be assigned a rating from Fitch of 'AAA', a rating from Standard & Poor's of AAA and a rating from Moody's of Aaa, respectively, to the extent each such agency is a Rating Agency at the time of the issue of the Covered Bonds. Other Tranches of Covered Bonds issued under the Programme may be rated or unrated. Where a Tranche of Covered Bonds is rated, such rating will be specified in the relevant Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Listing:**

Application has been made for the Covered Bonds to be issued by the Issuer under the Programme, during the period of 12 months from the March 2015 Update, to be listed on Euronext Amsterdam, to be admitted to the Official List and to be admitted to trading on the Luxembourg Stock Exchange. The Covered Bonds may also be listed or admitted to trading on such other or further stock exchange or stock exchanges as may be determined by the Issuer, the CBC, the Trustee and the relevant Dealer.

Unlisted Covered Bonds may also be issued by the Issuer.

The Final Terms relating to each issue of Covered Bonds will state whether or not the Covered Bonds are to be listed or admitted to trading, as the case may be and, if so, on which exchange(s) and/or market(s).

**Clearing:**

Euroclear and/or Clearstream, Luxembourg and/or Euroclear Netherlands and/or The Depository Trust Company ("DTC") and/or any other agreed clearing system.

**Governing Law:**

Unless provided otherwise in the applicable Final Terms, the Covered Bonds will be governed by, and construed in accordance with the laws of, The Netherlands.

**B.2 Asset Backed Guarantee**

**Guarantee, Security, CBC:**

Pursuant to the Guarantee issued under the Trust Deed, the CBC has as an independent obligation irrevocably undertaken to pay scheduled 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 a parallel debt) by a pledge of the CBC's Secured Property to the Trustee. Recourse under the Guarantee will be limited to the Secured Property from time to time. Payments made by the CBC under the Guarantee will be made subject to, and in accordance with, the Post-Notice-to-Pay Priority of Payments or the Post-CBC-Acceleration-Notice Priority of Payments, as applicable.

**B.3 Guarantee Support**

**Transfers, Retransfers,  
Eligible Assets,  
Originators:**

As consideration for the CBC assuming the Guarantee, and so as to enable the CBC to meet its obligations under the Guarantee, the Initial Originator has transferred and will 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 Originators may accede to the Guarantee Support Agreement. The Originators are obliged, and the CBC will use reasonable endeavours, to ensure, among other things, that the Asset Cover Test is satisfied on each Calculation Date.

Principal Transaction Document: Guarantee Support Agreement.

#### **B.4 Asset Monitoring**

##### **Tests, Sale of Selected Receivables, Asset Monitor:**

Up to four different types of tests will be carried out under the Programme so as to monitor the CBC's assets from time to time. The Pre-Maturity Test is intended to provide liquidity for the Covered Bonds only in the event that the ratings of the Issuer fall below the relevant Pre-Maturity Minimum Ratings. The Asset Cover Test is intended to ensure that the ratio of the Transferred Assets to the Covered Bonds is maintained at a certain level. The Portfolio Tests (if implemented) are intended to replace the Total Return Swap Agreement at the option of (i) the Issuer at any time or (ii) the CBC following a downgrade of the Total Return Swap Provider. A Breach of the Pre-Maturity Test, the Asset Cover Test or any Portfolio Test will entitle the Trustee to serve a Notice to Pay on the CBC. The Amortisation Test is only carried out following service of a Notice to Pay, and is as with the Asset Cover Test intended to ensure that the ratio of the Transferred Assets to the Covered Bonds is maintained at a certain level. A Breach of the Amortisation Test will entitle the Trustee to serve a CBC Acceleration Notice.

Principal Transaction Documents: Asset Monitor Agreement and Administration Agreement.

In addition, under the 2015 CB Legislation the Issuer will be required to ensure that as from 1 January 2016 (i) a statutory minimum level of overcollateralisation of eligible cover assets is maintained, (ii) the value of the Transferred Assets is at all times at least equal to the Principal Amount Outstanding of the Covered Bonds and (iii) at all times sufficient liquidity is maintained or generated by the CBC to cover for the following 6 month-period interest and principal payments on the Covered Bonds and certain higher and *pari passu* ranking payments, in each case as calculated and determined in accordance with the 2015 CB Legislation.

#### **B.5 Servicing and Custody**

##### **Servicing, Servicers, Custody:**

The Initial Servicer has entered into the Initial Servicing Agreement with the CBC and the Trustee, pursuant to which it provides administrative services in respect of the Portfolio. The Initial Servicer also services any New Receivables, unless it is agreed between the CBC, the Trustee and the Initial Servicer that the Originator transferring such New Receivables (or an eligible third party servicer) shall act as Servicer in relation to such New Receivables. The Initial Servicer is, and each New Servicer will be, permitted to sub-contract its servicing role to a third party servicer subject to any applicable conditions in the relevant Servicing Agreement. If Substitution Assets are transferred to the CBC, the CBC will appoint a custodian to provide custody

services in relation to such Substitution Assets.

Principal Transaction Document: Initial Servicing Agreement.

## **B.6 Swaps**

### **Total Return, Interest Rate, Structured Swaps:**

Mismatches are possible in the rates of interest payable on the Transferred Receivables (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) or the rates of interest or revenue payable on the other Transferred Assets, the Authorised Investments, the Substitution Assets and the balance of the AIC Account and the rate of interest and principal payable on the outstanding Covered Bonds. In addition, there may be certain mismatches between the currency in which interest and principal are received on the Transferred Assets, the Authorised Investments, the Substitution Assets and the balance of the AIC Account and in which interest and principal are payable under the Covered Bonds. In order to address these mismatches, the CBC will be required to enter into appropriate hedging arrangements.

The CBC will, to a certain extent, hedge the interest received on the Transferred Assets, the Authorised Investments, the Substitution Assets and the balance of the AIC Account to EURIBOR for one month deposits under the Total Return Swap Agreement. In the event that the CBC or the Issuer elects to implement Portfolio Tests or an alternative hedging methodology is proposed and Rating Agency Confirmation is obtained in respect of such Portfolio Tests or alternative hedging methodology, as the case may be, then the Total Return Swap Agreement will be terminated and, in the case of such an alternative hedging methodology, the CBC will be required to enter into such derivative transactions as are required to comply with such alternative hedging methodology.

Pursuant to the Swap Undertaking Letter, the Bank undertakes to, or to procure an Eligible Swap Provider to, enter into one or more Interest Rate Swap Agreements and/or Structured Swap Agreements (as applicable) with the CBC in respect of each relevant Series if (i) a Notification Event occurs, (ii) a Notice to Pay or CBC Acceleration Notice is served or (iii) the rating(s) of the Bank are, or fall, below the minimum rating(s) set for an Eligible Swap Provider for Interest Rate Swap Agreements (in which case Interest Rate Swap Agreements will be required) or Structured Swaps (in which case Structured Swap Agreements will be required).

The Interest Rate Swap Agreements are entered into to hedge the risk of any possible mismatch between EURIBOR for one month deposits and the rate of interest payable under any euro denominated Series.

The Structured Swap Agreements are entered into to hedge certain interest rate, principal and/or currency risk of any possible mismatch between (i) EURIBOR for one month deposits and the rate of interest and currency denomination of any non-euro interest payments payable under any Series and/or (ii) euro denominated Principal Receipts and amounts of principal payable under any non-euro denominated Series as at the relevant issue date of such Series and the amounts of

principal payable under any such Series as at the relevant repayment date of such Series.

Principal Transaction Documents: ING ISDA Master Agreement, Total Return Swap Agreement, Interest Rate Swap Agreements, Structured Swap Agreements and Swap Undertaking Letter.

## **B.7 Cashflows**

### **Ledgers, Priority of Payments, CBC Accounts:**

For as long as no Notification Event has occurred and no Notice to Pay or CBC Acceleration Notice has been served on the CBC, no cashflows will run through the CBC. In those circumstances the Originators will be entitled to receive and retain the proceeds from the Transferred Assets for their own benefit. In addition, the Issuer will, as consideration for the CBC assuming 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 (except that any collateral to be provided by a Swap Provider following its downgrade will be delivered to the CBC irrespective of whether any Notification Event has occurred or any Notice to Pay or CBC Acceleration Notice has been served at such time). Upon the earlier to occur of a Notification Event and service of a Notice to Pay or CBC Acceleration Notice on the CBC, cashflows will run through the CBC and will be applied in accordance with the relevant Priority of Payments.

Principal Transaction Documents: Trust Deed, Guarantee Support Agreement, Administration Agreement and AIC Account Agreement.

## **B.8 General Information**

### **General Information:**

Copies of the principal Transaction Documents and various other documents are available free of charge during usual business hours on any weekday (public holidays excepted) from the Issuer and from the specified office of the Paying Agents.

## **B.9 Dutch Covered Bond Legislation**

### **Regulated Covered Bonds:**

On 12 September 2008, the Issuer and the Covered Bonds (including those Covered Bonds issued prior to the date of admission) were admitted to the register maintained by DNB (which register is maintained by DNB after 1 January 2015 in accordance with the 2015 CB Legislation) (the "**DNB-register**"). On the March 2015 Update, the Covered Bonds comply with article 52(4) UCITS.

### **Compliance with Article 129 CRR:**

On the March 2015 Update, the Covered Bonds are in the DNB-register registered as being compliant with Article 129 CRR.

### **Hard Bullet Maturities:**

Yes.

### **Extendable Maturities:**

No.

### **Primary Cover Assets:**

For the purpose of the 2015 CB Legislation, the primary cover assets (*primaire dekkingsactiva*) under the Programme solely comprise loans backed by residential real estate as referred to in Article 129 CRR, paragraph 1(d)(i).

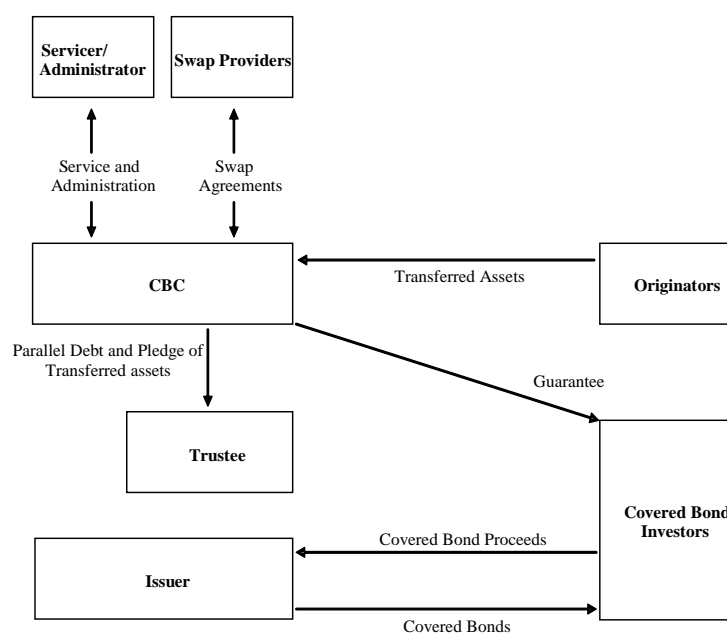
**Residence of Debtors of  
Transferred Receivables:** The Netherlands.

**Governing Law of  
Transferred Receivables:** Dutch law.

**Location of Mortgaged  
Properties:** The Netherlands.

## C. STRUCTURE DIAGRAM; PRINCIPAL TRANSACTION PARTIES; RATING TRIGGER OVERVIEW

### I STRUCTURE DIAGRAM



### II PRINCIPAL TRANSACTION PARTIES

*In addition to the Transaction Parties identified in this Base Prospectus, potential investors in Covered Bonds should consider the following list of (other) Transaction Parties involved in relation to Covered Bonds issuances as at the March 2015 Update.*

*The following list does not purport to be complete and is qualified in all respects by the remainder of this Base Prospectus.*

<b>Account Bank:</b>	ING Bank N.V., a public company ( <i>naamloze vennootschap</i> ) incorporated under the laws of The Netherlands, having its corporate seat ( <i>statutaire zetel</i> ) at Amsterdam, The Netherlands and its registered office at Bijlmerplein 888, 1102 MG Amsterdam, The Netherlands and registered with the Trade Register of the Chamber of Commerce under number 33031431
<b>Asset Monitor:</b>	Ernst & Young Accountants LLP
<b>Administrator:</b>	The Bank
<b>Dutch Paying Agent:</b>	The Bank
<b>Exchange Agent:</b>	The Bank of New York Mellon, New York Branch
<b>Listing Agent:</b>	The Bank

<b>Principal Paying Agent:</b>	The Bank of New York Mellon, London Branch
<b>Registrar:</b>	The Bank of New York Mellon (Luxembourg) S.A.
<b>Arranger:</b>	The Bank
<b>Transfer Agent:</b>	The Bank of New York Mellon, New York Branch
<b>Trustee:</b>	Stichting Trustee ING Covered Bond Company
<b>Trustee's Director:</b>	Orangefield (Netherlands) B.V.
<b>US Paying Agent:</b>	The Bank of New York Mellon, New York Branch
<b>CBC:</b>	ING Covered Bond Company B.V.
<b>CBC Managing Director:</b>	Intertrust Management B.V.
<b>Dealers:</b>	Any dealer appointed under the Programme from time to time by the Issuer
<b>Issuer:</b>	The Bank
<b>Guarantor:</b>	CBC
<b>Holding:</b>	Stichting Holding ING Covered Bond Company
<b>Initial Originator:</b>	The Bank
<b>Initial Servicer:</b>	The Bank
<b>Total Return Swap Provider:</b>	The Bank

### III RATING TRIGGER OVERVIEW

*The following rating trigger overview does not purport to be complete and is qualified in all respects by the remainder of this Base Prospectus and the Transaction Documents. Reference in this overview to "LT" means long term credit rating or, where applicable, the relevant rating is withdrawn and to "ST" means short term credit rating or, where applicable, the relevant rating is withdrawn.*

Transaction Party	S&P	Fitch	Moody's	Event/Action	Section in Base Prospectus
Account Bank	A-1 (ST) and A (LT)	'A' (LT) and F1 (ST)	P-1 (ST)	Replacement of Account Bank or other remedy	7.4 (CBC Accounts)
CBTF Provider	A-1 (ST) and A (LT)	'F1+' (ST)	P-1 (ST)	CBC to draw CBTF Standby Loan	4.2 (Pre-Maturity Test)
Interest Rate Swap Provider, Structured Swap Provider and Total Return Swap Provider	Minimum rating specified in the relevant Swap Agreement	Minimum rating specified in the relevant Swap Agreement	Minimum rating specified in the relevant Swap Agreement	Replacement of Swap Provider or other remedy	6 (Swaps)
Issuer	BBB+ (LT)	'BBB+' (LT)	Baa1 (LT)	Notification Event	3.1 (Transfers)
	A-1 (ST) and A (LT)	'A' (LT) and 'F1' (ST)	P-1 (ST)	Item "Y" of Asset Cover Test is activated	4.1 (Asset Cover Test)
			P-2 (ST)	Sale of Transferred Assets that consist of Substitution Assets	4.5 (Sale or Refinancing of Selected Assets)
	A-1 (ST) and A (LT)	'F1+' (ST)	P-1 (ST)	If below triggers on a Pre-Maturity Test Date, failure of the Pre-	4.2 (Pre-Maturity Test)



Transaction Party	S&P	Fitch	Moody's	Event/Action	Section in Base Prospectus
				Maturity Test	
	A- (LT)	'A' (LT) and 'F1' (ST)	A3 (LT)	Unless credit rating is regained within 12 months, Originators to pledge Residual Claims to the CBC	3.1 ( <i>Transfers</i> )
	BBB+ (LT)	'A' (LT) and 'F1' (ST)	Baa1 (LT)	Originators to pledge Residual Claims to the CBC	3.1 ( <i>Transfers</i> )
	A-1 (ST) and A (LT)	'A' (LT) and 'F1' (ST)	P-1 (ST)	CBC to maintain a Reserve Fund	7 ( <i>Cashflows</i> )
Issuer or Administrator	A- (LT)	'A' (LT) and 'F1' (ST)	A3 (LT)	Increase frequency of verification by Asset Monitor of Asset Cover Test or Amortisation Test calculations, as applicable	4.6 ( <i>Asset Monitor</i> )
Servicer	BBB+ (LT)	'BBB-' (LT)	Baa3 (LT)	Replacement of Initial Servicer	5.1 ( <i>Servicing</i> )
Transferee of Residual Claims secured by All-Monies Security	A- (LT) or no rating	'A' (LT) and 'F1' (ST) or no rating	A3 (LT) or no rating	Transferee to pledge Residual Claims to the CBC	A ( <i>Risk Factors</i> ) under " <i>Guarantee Support</i> "

## D. DOCUMENTS INCORPORATED BY REFERENCE; DEFINITIONS & INTERPRETATION

### D.1 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; this Base Prospectus should be read and construed in conjunction with such documents:

- (A) the registration document of the Issuer dated 9 May 2014 prepared in accordance with Article 5 of the Prospectus Directive and approved by the AFM (together with the first supplement thereto dated 11 August 2014, the second supplement thereto dated 6 November 2014 and the third supplement thereto dated 12 February 2015, the "**Registration Document**"), including, for the purpose of clarity, the following items incorporated by reference therein:
- (i) the articles of association (*statuten*) of the Issuer;
  - (ii) the publicly available annual reports of the Issuer in respect of the years ended 31 December 2011, 2012 and 2013, including the audited financial statements and independent auditor's reports in respect of such years;
  - (iii) pages 12 and 15 to 30 (inclusive) of the unaudited ING Group 2014 quarterly report for the first quarter of 2014, as published by ING Group on 7 May 2014 (the "**Q1 Report**"). The Q1 Report contains, among other things, the consolidated unaudited interim results of ING Group as at, and for the three month period ended, 31 March 2014, as well as information about recent developments during this period in the banking business of ING Group, which is conducted substantially through the Issuer and its consolidated group;
  - (iv) pages 11 and 15 to 31 (inclusive) of the unaudited ING Group 2014 quarterly report for the second quarter of 2014, as published by ING Group on 6 August 2014 (the "**Q2 Report**"). The Q2 Report contains, among other things, the consolidated unaudited interim results of ING Group as at, and for the three month period and the six month period ended, 30 June 2014, as well as information about recent developments during this period in the banking business of ING Group, which is conducted substantially through the Issuer and its consolidated group;
  - (v) the Interim Financial Report containing the Issuer's condensed consolidated unaudited results as at, and for the six month period ended, 30 June 2014, as published by the Issuer on 6 August 2014;
  - (vi) the press release published by ING on 6 August 2014 entitled "Eli Leenaars to step down from ING Management Board Banking as of 1 October 2014";
  - (vii) the press release published by ING on 16 September 2014 entitled "Hans van der Noordaa to leave ING to become CEO of Delta Lloyd";
  - (viii) the press release published by ING on 26 October 2014 entitled "ING comfortably passes AQR and stress test";
  - (ix) pages 5 to 21 (inclusive) of the press release published by ING Group on 5 November 2014 entitled "ING Bank records 3Q14 underlying net profit of EUR 1,123 million" (the "**Q3 Press Release**"). The Q3 Press Release contains, among other things, the consolidated unaudited interim results of ING Group as at, and for the three month period and the nine month period ended, 30 September 2014, as well as information about recent developments during this period in the banking business of ING Group, which is conducted substantially through the Issuer and its consolidated group;
  - (x) the press release published by ING on 7 November 2014 entitled "ING pays final EUR 1.025 billion to Dutch State";

- (xi) the press release published by ING on 20 November 2014 entitled "ING Vysya Bank to merge with Kotak Mahindra Bank"; and
  - (xii) pages 5 to 23 (inclusive) of the press release published by ING Group on 11 February 2015 entitled "ING Bank posts 2014 underlying net profit of EUR 3,424 million; Dividends reinstated with EUR 0.12 per ordinary share" (the "**Q4 Press Release**" and, together with the Q1 Report, the Q2 Report and the Q3 Press Release, the "**Quarterly Financial Information**"). The Q4 Press Release contains, among other things, the consolidated unaudited interim results of ING Group as at, and for the three month period and the twelve month period ended, 31 December 2014, as well as information about recent developments during this period in the banking business of ING Group, which is conducted substantially through the Issuer and its consolidated group;
- (B)
- (i) the articles of association (*statuten*) of the CBC; and
  - (ii) the publicly available audited financial statements of the CBC in respect of the periods ended 31 December 2012 and 31 December 2013, including the independent auditor's reports in respect of such periods;
- (C) the terms and conditions of the Covered Bonds set out in the following Base Prospectuses: the Base Prospectus dated 15 May 2009 (pages 77 – 111), the Base Prospectus dated 23 February 2010 (pages 77 – 111), the Base Prospectus dated 22 February 2011 (pages 89- 126), the Base Prospectus dated 15 February 2012 (pages 90 – 127), the Base Prospectus dated 19 February 2013 (pages 89 – 129) and the Base Prospectus dated 24 February 2014 (pages 94 – 134); and
- (D) save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

With respect to the Quarterly Financial Information, prospective investors should note that the Issuer's consolidated operations, while materially the same, are not identical with the reported financial and statistical information on a segment basis for the banking business of ING Group as described in the Quarterly Financial Information. ING Group is not responsible for the preparation of this Base Prospectus.

The Issuer will provide, without charge, to each person to whom a copy of this Base Prospectus has been delivered in accordance with applicable law, upon the oral or written request of such person, a copy of any or all of the documents which are incorporated herein by reference. Written or oral requests for such documents should be directed to the Issuer at Foppingadreef 7, 1102 BD Amsterdam, The Netherlands (Tel +31 (0)20 563 8007).

The Issuer and the CBC will, in the event of a significant new factor, material mistake or inaccuracy relating to the information contained in this Base Prospectus which is capable of affecting the assessment of any Covered Bonds issued by the Issuer prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue by the Issuer to be admitted to trading on an EU regulated market or to be offered to the public in the EU.

## **D.2 Definitions & interpretation**

Capitalised terms, which are used but not defined in a particular section of this Base Prospectus, will have the meaning attributed thereto in any other section of this Base Prospectus. An alphabetical index of certain definitions is contained at the end of this Base Prospectus, listing the page or pages where such definitions can be found.

Any reference to any Transaction Document or any other agreement or document in this Base Prospectus shall be construed as a reference to such Transaction Document or, as the case may be, such other agreement or document as the same may have been, or may from time to time be, amended, varied, novated, supplemented or replaced.

A reference to any transaction party in this Base Prospectus or in the Conditions shall be construed so as to include its successors and transferees and any subsequent successors and transferees in accordance with their respective interests.

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

Headings used in this Base Prospectus are for ease of reference only and shall not affect the interpretation thereof.

## 1 COVERED BONDS

### 1.1 FORM OF THE COVERED BONDS AND DTC INFORMATION

#### Form of the Covered Bonds

Unless otherwise provided in the applicable Final Terms with respect to a particular Series issued in registered form ("**Registered Covered Bonds**"), the Registered Covered Bonds of each Tranche of such Series offered and sold in reliance on Regulation S which will be sold to non-U.S. persons outside the United States, will initially be represented by a permanent global Covered Bond in registered form, without interest coupons (the "**Reg. S Global Covered Bond**"). A copy of the Registered Covered Bonds Deed pertaining to such Reg. S Global Covered Bond, will be deposited with a custodian for, and the Reg. S Global Covered Bond will be registered in the name of, DTC (or a nominee on its behalf, which may be Cede & Co or such other person or entity as may be requested by DTC) for the accounts of Euroclear and Clearstream, Luxembourg. Alternatively, if provided in the applicable Final Terms, Registered Covered Bonds of each Tranche of such Series offered and sold in reliance on Regulation S which will be sold to non-U.S. persons outside the United States, may be issued in definitive form ("**Definitive Registered Covered Bonds**") to each holder thereof. Each Registered Covered Bond, whether a Reg. S Global Covered Bond, a Restricted Global Covered Bond (as defined below) or a Definitive Registered Covered Bond, will be issued through a Registered Covered Bonds Deed. The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Covered Bonds or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Subject to the certification requirements discussed below, (i) if a holder of a beneficial interest in the Restricted Global Covered Bond (as defined herein) wishes at any time to exchange its interest in such Restricted Global Covered Bond for an interest in the Reg. S Global Covered Bond, or to transfer its interest in such Restricted Global Covered Bond to a person who wishes to take delivery thereof in the form of an interest in the Reg. S Global Covered Bond, or (ii) if a holder of a beneficial interest in the Reg. S Global Covered Bond a copy of whose Registered Covered Bonds Deed is deposited with the custodian in the United States, wishes at any time to exchange its interest in such Reg. S Global Covered Bond for an interest in the Restricted Global Covered Bond, or to transfer its interest in such Reg. S Global Covered Bond to a person who wishes to take delivery thereof in the form of an interest in the Restricted Global Covered Bond, in either such case such holder may, subject to the rules and procedures of the Registrar in the United States, exchange or cause the exchange, or transfer or cause the transfer of such interest for an equivalent beneficial interest in the Restricted Global Covered Bond or the Reg. S Global Covered Bond, as the case may be, upon compliance with the transfer requirements of the Registrar in the United States and certification to the effect that (a) in the case of the exchange of an interest in a Restricted Global Covered Bond for an interest in a Reg. S Global Covered Bond, the exchange or transfer of such interest has been made in compliance with the transfer restrictions applicable to the Registered Covered Bonds under U.S. law and pursuant to and in accordance with Regulation S, or (b) in the case of the exchange of an interest in a Reg. S Global Covered Bond for an interest in a Restricted Global Covered Bond, such exchange or transfer has been made to a person whom the transferor reasonably believes to be a qualified institutional buyer (as such term is defined in Rule 144A under the Securities Act) ("**QIB**") and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A and the other restrictions on transferring Reg. S Global Covered Bonds described herein. See Condition 19 (*Terms and Conditions of Registered Covered Bonds*) and Section 1.5 (*Subscription and Sale*).

In the event that an interest in a Registered Global Covered Bond (as defined below) is exchanged for Registered Covered Bonds in definitive form, such Registered Covered Bonds may be exchanged or transferred for one another only in accordance with such procedures as are substantially consistent with the provisions set out above, including, certification requirements intended to ensure that such exchanges or transfers comply with Rule 144A or Regulation S under the Securities Act, as the case may be (see Section 1.5 (*Subscription and Sale*)).

Registered Covered Bonds of each Tranche of such Series may be offered and sold by the Issuer in the United States and to U.S. persons; **provided, however, that** so long as such Covered Bonds remain "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, such Registered Covered Bonds may only be offered and sold in the United States or to or for the account or benefit of

U.S. persons, in transactions exempt from the registration requirements of the Securities Act. Registered Covered Bonds of each Tranche sold to U.S. persons in exempt transactions pursuant to Rule 144A will be represented by one or more permanent global Covered Bonds in registered form, without interest coupons (each a "**Restricted Global Covered Bond**" and, together with the Reg. S Global Covered Bond, the "**Registered Global Covered Bonds**"). A copy of the Registered Covered Bonds Deed pertaining to such Restricted Global Bond will be deposited with a custodian for, and the Restricted Global Covered Bond will be registered in the name of, DTC (or a nominee on its behalf). For more information about the restrictions on transferring Registered Covered Bonds, see Condition 19 (*Terms and Conditions of Registered Covered Bonds*).

Owners of beneficial interests in Registered Global Covered Bonds will be entitled or required, as the case may be, under the circumstances described under the Conditions, to exchange such beneficial interests for Registered Covered Bonds in definitive form. Such Registered Covered Bonds will not be in bearer form.

Investors may hold their interest in the Reg. S Global Covered Bond directly through Euroclear or Clearstream, Luxembourg, if they are participants in such systems, or indirectly through organisations which are participants in such systems. Euroclear and Clearstream, Luxembourg will hold interests in a Reg. S Global Covered Bond on behalf of their participants through customers' securities accounts in their respective names on the books of DTC (or a nominee on its behalf). Investors may hold their interests in the Restricted Global Covered Bond directly through DTC if they are participants in such system, or indirectly through organisations that are participants in such system.

Payments of the principal of, and interest (if any) on, the Registered Global Covered Bonds will be made to DTC (or a nominee on its behalf) as the registered holder of the Registered Global Covered Bonds. None of the Issuer, the Agent, any Transfer Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Each Tranche of Covered Bonds in bearer form may be initially represented by a temporary bearer global Covered Bond or a permanent bearer global Covered Bond as indicated in the applicable Final Terms, in each case without interest coupons or talons, which in either case (i) (if the global Covered Bond is stated in the applicable Final Terms to be issued in new global note ("**NGN**") form) will be delivered on or prior to the original issue date of the relevant Tranche to the Common Safekeeper for Euroclear and Clearstream, Luxembourg, or (ii) (if the global Covered Bond is not issued in NGN form ("**Classic Global Notes**" or "**CGNs**")) will be deposited on the issue date thereof with Euroclear, Clearstream, Luxembourg, Euroclear Netherlands and/or with any other agreed clearing system or a common depositary therefor.

If a Global Covered Bond is stated in the applicable Final Terms to be issued in NGN form, it is intended to be eligible collateral for Eurosystem monetary policy and the Global Covered Bond will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Global Covered Bond with the Common Safekeeper 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.

Global Covered Bonds which are issued in CGN form may be delivered on or prior to the original issue date of the Tranche to Euroclear, Clearstream, Luxembourg, Euroclear Netherlands and/or any other agreed clearing system or systems or a common depositary therefor (the "**Common Depositary**").

If a Global Covered Bond is an NGN, the nominal amount of the Covered Bonds shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Covered Bonds represented by the Global Covered Bond and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Covered Bonds that are initially deposited with a Common Depositary for Euroclear and Clearstream, Luxembourg may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream,

Luxembourg held by such other clearing systems. Conversely, Covered Bonds that are initially deposited with any other clearing system or a Common Depositary therefor may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

Whilst any Covered Bond is represented by a temporary bearer global Covered Bond, payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will be made (against presentation of the temporary bearer global Covered Bond if it is in CGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of 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 the relevant clearing system(s) and the relevant clearing system(s) have given a like certification (based on the certifications they have received) to the Principal Paying Agent. Any reference in this section to the relevant clearing system(s) shall mean the clearing and/or settlement system(s) specified in the applicable Final Terms. On and after the date (the "**Exchange Date**") which is 40 days after the temporary global Covered Bond is issued and in the case of Covered Bonds held through Euroclear Netherlands not more than 90 days after the date on which the temporary bearer global Covered Bond is issued, interests in the temporary bearer global Covered Bond will be exchangeable (free of charge), upon request as described therein, either for interests in a permanent bearer global Covered Bond without interest coupons or talons in each case against certification of beneficial ownership as described in the first sentence of this paragraph unless such certification has already been given. The holder of a temporary bearer global Covered Bond will not be entitled to collect any payment of interest or principal due on or after the Exchange Date. The Principal Paying Agent, shall arrange that, where a further Tranche of Covered Bonds in bearer form is issued, the Covered Bonds of such Tranche shall be assigned a common code and/or ISIN and/or other relevant code (as the case may be) which are different from the common code and/or ISIN and/or other relevant 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 the relevant Final Terms specifies the form of Covered Bonds as being "Temporary Global Covered Bond exchangeable for a Permanent Global Covered Bond which is exchangeable for Bearer Definitive Covered Bonds only upon an Exchange Event" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Covered Bonds will initially be in the form of a Temporary Global Covered Bond which will be exchangeable, in whole but not in part, for Permanent Global Covered Bonds not earlier than 40 days after the issue date of the relevant Tranche of the Covered Bonds. If the relevant Final Terms specifies the form of Covered Bonds as being "Temporary Global Covered Bond exchangeable for a Permanent Global Covered Bond which is exchangeable for Bearer Definitive Covered Bonds only upon an Exchange Event" and also specifies that the TEFRA D Rules are applicable, then the Covered Bonds will initially be in the form of a Temporary Global Covered Bond which will be exchangeable, in whole or in part, for Permanent Global Covered Bond not earlier than 40 days after the issue date of the relevant Tranche of the Covered Bonds upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Covered Bonds cannot be collected without such certification of non-U.S. beneficial ownership.

The applicable Final Terms will specify that a permanent bearer global Covered Bond will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Covered Bonds with, where applicable, interest coupons and talons attached only upon the occurrence of an Exchange Event, subject to mandatory provisions of applicable laws and regulations. If and for as long as a bearer global Covered Bond is deposited with Euroclear Netherlands, such laws include the Dutch Securities Giro Transfer Act (*Wet giraal effectenverkeer*) and delivery (*uitlevering*) will only be possible in the limited circumstances prescribed by the Dutch Securities Giro Transfer Act. For these purposes, "**Exchange Event**" means that (i) an Issuer Event of Default (as defined in Condition 9(a)) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg and/or Euroclear Netherlands have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the Issuer would suffer adverse tax consequences in respect of the Covered Bonds as a result of a change in the law or regulations (taxation or otherwise) of any jurisdiction which would not be suffered were the Covered Bonds in definitive form. The Issuer will promptly give notice to Covered Bondholders in accordance with Condition 13, if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear, Clearstream, Luxembourg and/or Euroclear Netherlands (acting on the instructions of any holder of an interest in such Permanent Bearer Global Covered Bond) may give notice to the Principal Paying Agent requesting exchange. Any such

exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

If any permanent bearer global Covered Bond or Registered Covered Bond is not duly exchanged, the terms of such permanent bearer global Covered Bond or Registered Covered Bond Deed, as the case may be, will provide a mechanism for relevant account holders with Euroclear, Clearstream, Luxembourg, Euroclear Netherlands, DTC and/or any other agreed clearing system(s) to whose securities account(s) with such clearing system(s) the beneficial interests in such permanent bearer global Covered Bond or Registered Covered Bond, are credited to be able to enforce rights directly against the Issuer.

Payments of principal and interest (if any) on a permanent bearer global Covered Bond will be made through the relevant clearing system(s) (in the case of a permanent bearer global Covered Bond in CGN form, payments will be made to its bearer against presentation or surrender (as the case may be) of the permanent bearer global Covered Bond, and in the case of a permanent bearer global Covered Bond in NGN form, payments will be made to or to the order of the Common Safekeeper) without any requirement for certification. If the permanent bearer global Covered Bond is in CGN form, a record of each payment so made will be endorsed on such global Covered Bond, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Covered Bonds. If the permanent bearer global Covered Bond is in NGN form, the Issuer shall procure that details of each payment made shall be entered *pro rata* in the records of the relevant clearing system and, in the case of payments of principal, the nominal amount of the Covered Bonds recorded in the records of the relevant clearing system and represented by the Global Covered Bond will be reduced accordingly. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge.

Global Covered Bonds in bearer form and definitive Covered Bonds in bearer form will be issued pursuant to the Agency Agreement and the Trust Deed.

The following legend will appear on all global Covered Bonds held in Euroclear Netherlands:

"Notice: This Covered Bond is issued for deposit with *Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.* ("**Euroclear Netherlands**") 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."

Any reference in this Section 1.1 (*Form of the Covered Bonds*) to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context permits, be deemed to include a reference to any additional or alternative clearance system approved by the Issuer and the relevant Dealer (if any) and specified in the applicable Final Terms but shall not include Euroclear Netherlands.

So long as DTC (or a nominee on its behalf) is the holder of a Registered Global Covered Bond, DTC (or a nominee on its behalf) will be considered the absolute owner or holder of the Covered Bonds represented by such Registered Global Covered Bond for all purposes under the Registered Covered Bonds and members of, or participants in, DTC (the "**Agent Members**") as well as any other persons on whose behalf such Agent Members may act will have no rights under a Registered Global Covered Bond. Owners of beneficial interests in such Registered Global Covered Bond will not be considered to be the owners or holders of any Covered Bonds represented by such Registered Global Covered Bond.

Covered Bonds which are represented by a bearer global Covered Bond held by a Common Depositary or Common Safekeeper for 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.

Where a global Covered Bond is an NGN, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Covered Bonds, as the case may be, shall be entered in the records of the relevant clearing systems and upon any such entry being made, the nominal amount of the Covered Bonds represented by such Global Covered Bond shall be adjusted accordingly.

No beneficial owner of an interest in a Registered Global Covered Bond will be able to exchange or transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and/or Clearstream, Luxembourg, in each case to the extent applicable.



In the case of a global Covered Bond deposited with Euroclear Netherlands the rights of Covered Bondholders will be exercised subject to and in accordance with the Dutch Securities Giro Transfer Act (*Wet giraal effectenverkeer*).

In case of Covered Bonds which have a denomination consisting of €100,000 (or its equivalent) plus a higher integral multiple of another smaller amount, it is possible that the Covered Bonds may be traded in amounts in excess of €100,000 (or its equivalent) that are not integral multiples of €100,000 (or its equivalent). So long as such Covered Bonds are represented by a global Covered Bond and the relevant clearing system(s) so permit, these Covered Bonds will be tradable only in the minimum authorised denomination of €100,000 increased with integral multiples of such a smaller amount, notwithstanding that Covered Bonds in definitive form shall only be issued up to but excluding twice the amount of €100,000 (or its equivalent).

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

### **DTC and Registered Global Covered Bonds**

DTC will act as securities depository for the Reg. S Global Covered Bonds and the Restricted Global Covered Bonds. The Reg. S Global Covered Bonds and the Restricted Global Covered Bonds will be issued as fully registered securities registered in the name of DTC (or a nominee on its behalf, which may be Cede & Co or such other person or entity as may be requested by DTC). The deposit of the Registered Covered Bonds Deeds (pursuant to which such Registered Covered Bonds are issued) with DTC and the registration of such Registered Covered Bonds in the name of DTC (or a nominee on its behalf) will effect no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Registered Covered Bonds; DTC's records reflect only the identity of the Agent Members to whose accounts such Registered Covered Bonds are credited, which may or may not be the beneficial owners of the Registered Covered Bonds.

DTC has advised the Issuer as follows: DTC is a limited-purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its Agent Members deposit with DTC. DTC also facilitates the settlement of securities transactions between Market Agents through electronic book-entry changes in accounts of its Agent Members, thereby eliminating the need for physical movement of certificates. Agent Members include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organisations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Market Agent, either directly or indirectly ("**indirect participants**"). The rules applicable to DTC and its Market Agents are on file with the U.S. Securities and Exchange Commission.

Neither DTC nor any nominee on its behalf will consent or vote with respect to the Registered Covered Bonds unless authorised by a direct participant in accordance with DTC's procedures. Under its usual procedures, DTC will mail an omnibus proxy to the Issuer as soon as possible after any applicable record date. The omnibus proxy assigns the consenting or voting rights of DTC (or a nominee on its behalf) to those Market Agents to whose accounts such Covered Bonds are credited on the record date.

Purchases of Registered Covered Bonds under the DTC system must be made by or through Agent Members, which will receive a credit for the Registered Covered Bonds on DTC's records. The beneficial interest of each actual purchaser of a Registered Covered Bond held through DTC is in turn recorded on the Agent Member's records. Covered Bondholders will not receive written confirmation from DTC of their purchase but it is anticipated that Covered Bondholders would receive written confirmations regarding details of the transaction, as well as periodic statements of their holdings, from the Agent Member through which the Covered Bondholder entered into the purchase transaction. Transfers of beneficial interests in Registered Covered Bonds held through DTC are accomplished by entries made on the books of Agent Members acting on behalf of Covered Bondholders. Covered Bondholders will not receive certificates representing their beneficial interests in Registered Covered Bonds held through DTC, except in the event that the use of the book-entry system for the Registered Covered Bonds is discontinued.

Principal and interest payments on Registered Covered Bonds held through DTC will be made to DTC (or a nominee on its behalf). DTC's practice is to credit Agent Members' accounts upon receipt of funds and corresponding detailed information from the Issuer on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Agent Members to Covered Bondholders will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Agent Members and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC (or a nominee on its behalf) is the responsibility of the Issuer or the Agent or Paying Agent, as the case may be. Disbursement of payments to Agent Members shall be the responsibility of DTC. Disbursement of such payments to Covered Bondholders shall be the responsibility of the Agent Members.

In addition, with respect to non U.S. dollar Registered Covered Bonds held through DTC the following is relevant: (a) if DTC does not notify the Principal Paying Agent, the Transfer Agent and the Exchange Agent of any payments to be made in the Specified Currency (other than U.S. dollars) only U.S. dollar payments are to be made in respect of the payment and (b) if DTC receives notification from DTC participants to receive payments in the Specified Currency (other than U.S. dollars), DTC will notify the Paying Agents, the Transfer Agent and the Exchange Agent on or prior to the fifth New York City business day after the record date for payment of interest and the tenth New York City business day prior to the payable date for the payment of principal, of the amount of such payment to be received in the Specified Currency (other than U.S. dollars) and the applicable wire transfer instructions, and the Paying Agents, the Transfer Agent, and the Exchange Agent shall use such instructions to pay DTC participants directly. The remainder of the payment due to Cede & Co., as nominee of DTC, in such Specified Currency shall be converted from such Specified Currency into U.S. dollars in accordance with the provisions of the Agency Agreement or other such document authorising and providing the terms of such currency conversions. The US Paying Agent shall then credit the U.S. dollar payment to Cede & Co., as nominee of DTC, in accordance with DTC procedures. In the event that the Exchange Agent is unable to convert the Specified Currency (other than U.S. dollars) into U.S. dollars, the US Paying Agent will notify DTC that the entire payment is to be made in such Specified Currency. DTC will thereafter ask its participants for payment instructions and will forward such instructions to the Principal Paying Agent, the Transfer Agent and the Exchange Agent, which shall use such instructions to pay DTC participants directly.

The conveyance of notices and other communications by DTC to Market Agents and by Market Agents to Covered Bondholders will be governed by arrangements between such parties, subject to any statutory or regulatory requirements as may be in effect from time to time.

DTC may discontinue providing its services as securities depository with respect to Registered Covered Bonds at any time by giving reasonable notice to the Issuer or the Agent. Under such circumstances, in the event that a successor securities depository satisfactory to the Issuer is not available, and under other limited circumstances, Registered Covered Bonds in definitive form would be delivered to individual Covered Bondholders.

## 1.2 FORM OF FINAL TERMS

*Set out below is the form of Final Terms which, subject to any necessary amendment, will be completed for each Tranche of Covered Bonds issued under this Base Prospectus.*

[Date]

### **ING Bank N.V.**

*(incorporated with limited liability under the laws of The Netherlands with its corporate seat in Amsterdam and registered with the Dutch Chamber of Commerce under number 33031431)*

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds]**

**Guaranteed as to payment of principal and interest by  
ING Covered Bond Company B.V.**

*(incorporated with limited liability under the laws of The Netherlands with its corporate seat in Amsterdam and registered with the Dutch Chamber of Commerce under number 34283089)  
under the EUR 35,000,000,000 Hard Bullet Covered Bond Programme*

*[The Covered Bonds will not be registered under the Securities Act and may not be sold except (i) in accordance with Rule 144A under the Securities Act, (ii) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (iii) pursuant to an effective registration statement under the Securities Act or (iv) in any other transaction that does not require registration under the Securities Act.]*<sup>1</sup>

The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Covered Bonds in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Covered Bonds. Accordingly any person making or intending to make an offer in that Relevant Member State of the Covered Bonds may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Covered Bonds in any other circumstances. The expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measures in the Relevant Member State.

### **Part A — Contractual Terms**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 20 March 2015 [as supplemented on [•]] which [together], with the Registration Document of the Issuer dated 9 May 2014 [(as supplemented on [•])], constitute a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive (as implemented by the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and its implementing regulations) and must be read in conjunction with such Base Prospectus. Full information on the Issuer, the CBC and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms, the Base Prospectus. The Base Prospectus is available for viewing at the Issuer's website ([www.ing.com/Investor-relations/Fixed-income-information.htm](http://www.ing.com/Investor-relations/Fixed-income-information.htm)) and copies may be obtained from ING Bank N.V., Foppingadreef 7, 1102 BD Amsterdam, The Netherlands (Tel.: +31 (0) 20 563 8007).

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date. In the case of fungible issues, consideration should be given as to the need for a drawdown prospectus.]*

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<sup>1</sup> Include for Covered Bonds issued pursuant to Rule 144A.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [*original date*] (the "**Original Base Prospectus**") [as supplemented on [•]], which are incorporated by reference in the Base Prospectus (as defined below) (as so supplemented). This document constitutes the Final Terms of the Covered Bonds described herein [for the purposes of Article 5.4 of the Prospectus Directive (as implemented by the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and its implementing regulations)] and must be read in conjunction with the Base Prospectus dated 20 March 2015 [(as supplemented on [•])] which [together], with the Registration Document of the Issuer dated [•] [(as supplemented on [•])] constitute a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Original Base Prospectus and are attached hereto. Full information on the Issuer, the CBC and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented] and, with respect to the Conditions set forth therein, the Original Base Prospectus [as so supplemented]. The Base Prospectus [as so supplemented], the Original Base Prospectus [as so supplemented] are available for viewing at the ING website <http://www.ing.com> and during normal business hours at ING Bank N.V., Foppingadreef 7, 1102 BD Amsterdam, The Netherlands (Tel.: +31 (0) 20 563 8007).

Prospective investors should carefully consider the section "*Risk Factors*" in 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 or subparagraphs. Italics denote guidance for completing the Final Terms.]*

*[When completing any final terms consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive (as implemented by the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and its implementing regulations).]*

#### **General description of the Covered Bonds**

- |    |  |   |
|----|--|---|
| 1. | (i) Issuer:  | ING Bank N.V.   |
|    | (ii) Guarantor   | ING Covered Bond Company B.V.   |
| 2. | [(i)] Series Number:                                     | [•]   |
|    | [(ii)] Tranche Number:                                   | [•]   |
|    | [[iii)] Date on which the Covered Bonds become fungible: | [Not Applicable/The Covered Bonds shall be consolidated, form a single series and be interchangeable for trading purposes with the [ <i>insert description of the Series</i> ] on [ <i>insert date</i> ]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [20] below [which is expected to occur on or about [ <i>insert date</i> ]]] |
| 3. | Specified Currency or Currencies:                        | [•]   |
| 4. | Aggregate Nominal Amount:                                |   |
|    | [(i)] Series:  | [•]   |
|    | [(ii)] Tranche:  | [•]   |
| 5. | Issue Price:   | [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ <i>insert date</i> ] ( <i>in the case of fungible issues only, if applicable</i> )]   |
| 6. | (i) Specified Denominations:                             | [•]   |

*(At least EUR 100,000 (or its equivalent in another currency) for public offers and/or admissions to trading on a regulated market within the EEA or, in the case of Registered Covered Bonds (initially) represented by a Restricted Global Covered Bond, at least U.S.\$ [200,000] (or any such other higher amounts as may be required), and in either case in integral multiples of EUR 1,000 (or its equivalent in another currency rounded upwards or downwards, as applicable) or U.S.\$ [2,000], as the case may be, in excess thereof.*

*Where multiple denominations above EUR 100,000 or U.S.\$[200,000], as the case may be, (or equivalent) are being used the following sample wording should be followed: [EUR 100,000] [U.S.\$200,000] (or the relevant higher denomination) and integral multiples of [EUR 1,000][U.S.\$1,000] in excess thereof up to and including [EUR 199,000] [U.S.\$399,000] (or twice the relevant higher denomination minus [EUR 1,000] [U.S.\$1,000]). No Covered Bonds in definitive form will be issued with a denomination above [EUR 99,000] [U.S.\$199,000] (or twice the relevant higher denomination minus [EUR 1,000]) [U.S.\$1,000].)*

- |                                   |  |
|-----------------------------------|--|
| (ii) Calculation Amount:          | [•] <i>(If only one Specified Denomination, the Specified Denomination. If more than one Specified Denomination insert the largest common factor)</i>  |
| 7. [(i) Issue Date:               | [•]  |
| [(ii) Interest Commencement Date: | <i>[specify / Issue Date / Not Applicable]</i>   |
| 8. Final Maturity Date:           | <i>(specify date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year)</i>  |
| 9. Interest Basis:                | <p>[•] per cent. Fixed Rate]</p> <p>[[LIBOR/EURIBOR /specify reference rate] +/- [•] per cent. Floating Rate]</p> <p>[Zero Coupon]</p> <p><i>(further particulars specified below)</i></p>   |
| 10. Redemption/Payment Basis:     | Subject to any purchase and cancellation or early redemption, the Covered Bonds will be redeemed on the Maturity Date at [100] per cent. of their nominal amount   |
| 11. Change of Interest Basis:     | [[•]/[in accordance with paragraphs [14] and [15] below]/[Not Applicable]] <i>(If applicable, specify the date when any fixed to floating or floating to fixed rate change occurs or refer to paragraphs [14] and [15] below and identify there)</i> |

12. Call Option: [Issuer Call] [Not Applicable]  
[(further particulars specified below)]
13. (i) Status of the Covered Bonds: Unsubordinated, unsecured, guaranteed
- (ii) Status of the Guarantee: Unsubordinated, secured (indirectly, through a parallel debt), unguaranteed

**Provisions Relating to Interest (if any) Payable**

14. **Fixed Rate Covered Bond Provisions:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (specify)] in arrear]
- (ii) Interest Payment Date(s): [•] in each year up to and including Final Maturity Date[, adjusted in accordance with the Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention], specified in sub-paragraph 14(vii)] [, unadjusted]
- (iii) Fixed Coupon Amount(s): [[•] per Calculation Amount] [For each Fixed Interest Period, as defined in Condition 4, the Fixed Coupon Amount will be an amount equal to the [Specified Denomination/Calculation Amount] multiplied by the Rate of Interest multiplied by the Day Count Fraction with the resultant figure being rounded to the nearest sub-unit of the Specified Currency, half of any such sub-unit being rounded [upwards/downwards]]
- (iv) Broken Amount(s): [Not Applicable]/[•] per Calculation Amount payable on the Interest Payment Date falling [in/on] [•]  
*(Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount)*
- (v) Day Count Fraction: [30/360 or Actual/Actual (ICMA)]
- (vi) Determination Date(s): [[•] in each year/Not Applicable]  
*(Insert regular Interest Payment Dates, ignoring issue date or maturity date in the case of a long or short first or last Coupon)*  
  
*NB: This will need to be amended in the case of regular Interest Payment Dates which are not of equal duration*  
  
*NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA))*
- (vii) Business Day Convention [Floating Rate Convention/FRN Convention/Eurodollar Convention/Following

		Business Day Convention (Adjusted)/ Following Business Day Convention (Unadjusted)/Modified Following Business Day Convention (Adjusted)/ Modified Following Business Day Convention (Unadjusted)/Preceding Business Day Convention (Adjusted)/ Preceding Business Day Convention (Unadjusted)] [Not Applicable]
(viii)	Interest Amount Adjustment:	[Applicable/Not Applicable]
(ix)	Additional Business Centre(s)	[No Additional Business Centre(s)/specify other]
(x)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent):	[•] shall be the Calculation Agent (NB: no need to specify if the Principal Paying Agent is to perform this function)
15.	<b>Floating Rate Covered Bond Provisions</b>	[Applicable/Not Applicable]
		(If not applicable, delete the remaining subparagraphs of this paragraph)
(i)	Interest Period(s):	[•]
(ii)	[Specified Interest Payment Dates / Specified Period:	[•]
		(NB: Specify the Specified Period(s) and Specified Interest Payment Dates up to and including Final Maturity Date, if applicable)] (Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, include Specified Period and not Specified Interest Payment Dates)
(iii)	[First Interest Payment Date:]	[•]
(iv)	Business Day Convention:	[Floating Rate Convention/FRN Convention/Eurodollar Convention/Following Business Day Convention (Adjusted)/ Following Business Day Convention (Unadjusted)/Modified Following Business Day Convention (Adjusted)/ Modified Following Business Day Convention (Unadjusted) /Preceding Business Day Convention (Adjusted)/Preceding Business Day Convention (Unadjusted)]
(v)	Additional Business Centre(s):	[No Additional Business Centre(s)/specify other]
(vi)	Manner in which the Rate(s) of Interest and Interest Amount(s) is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(vii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent):	[•] shall be the Calculation Agent (NB: no need to specify if the Principal Paying Agent is to perform this function)
(viii)	Screen Rate Determination:	[Applicable/Not Applicable]

- Reference Rate: [•] month [LIBOR/EURIBOR/specify other Reference Rate]
  - Interest Determination Date(s): [•]  
  
*(Second 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 TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*  
  
*NB: specify the Specified Period(s) and specified Interest Payment Dates up to and including Final Maturity Date, if applicable)*
  - Relevant Screen Page: [•]  
  
*(In the case of EURIBOR, if not Reuters Page EURIBOR01 ensure it is a page which shows a composite rate)*
- (ix) ISDA Determination: [Applicable/Not Applicable]
- Floating Rate Option: [•]
  - Designated Maturity: [•]
  - Reset Date: [•]
- (x) Margin(s): [+/-] [•] per cent. per annum
- (xi) Minimum Rate of Interest: [•] per cent. per annum
- (xii) Maximum Rate of Interest: [•] per cent. per annum
- (xiii) Day Count Fraction: [Actual/Actual (ISDA)  
Actual/365 (Fixed)  
Actual/365 (Euro)  
Actual/360  
30/360  
360/360  
Bond Basis  
30E/360  
Eurobond Basis  
Specify other from Condition 4]

16. **Zero Coupon Covered Bond Provisions**

[Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*



- |       |   |  |
|-------|---|--|
| (i)   | [Amortisation/Accrual] Yield:   | [•] per cent. per annum  |
| (ii)  | Reference Price:  | [•]  |
| (iii) | Day Count Fraction in relation to Early Redemption Amounts and late payments: | Condition [6(d)(iii)][(A)]/[(B)]/[(C)] applies and the redemption amount specified therein is [•]] and Condition 6(g) [apply]/[applies]] |

### Provisions Relating to Redemption

- |       |  |   |
|-------|--|---|
| 17.   | <b>Issuer Call</b>   | [Applicable/Not Applicable]<br><br><i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>   |
| (i)   | Optional Redemption Date(s):   | [•]   |
| (ii)  | Optional Redemption Amount(s) of each Covered Bond:  | [•] per Calculation Amount  |
| (iii) | If redeemable in part:   |   |
|       | (a) Minimum Redemption Amount:   | [•] per Calculation Amount  |
|       | (b) Maximum Redemption Amount:   | [•] per Calculation Amount  |
| (iv)  | Notice period (if other than as set out in the Conditions):  | [•]<br><br><i>(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer will consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)</i> |
| 18.   | <b>Final Redemption Amount of each Covered Bond</b>  | [•] per Calculation Amount<br><br><i>(N.B. If the Final Redemption Amount is less than 100 per cent. of the nominal amount, the Covered Bonds will be subject to Annex XII of the Prospectus Directive Regulations)</i>   |
| 19.   | <b>Early Redemption Amount of each Covered Bond</b>  |   |
|       | Early Redemption Amount(s) per Calculation Amount 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 6(d)][(i)/(ii)/(iii)]]  |

### General Provisions Applicable to the Covered Bonds

- |     |                        |  |
|-----|------------------------|--|
| 20. | Form of Covered Bonds: | [Bearer form / Registered form] <i>(Delete as appropriate)</i><br><br>[Temporary Global Covered Bond exchangeable] |
|-----|------------------------|--|

for a Permanent Global Covered Bond which is exchangeable for Definitive Covered Bonds only upon an Exchange Event, subject to mandatory provisions of applicable laws and regulations]

[Registered Covered Bonds, issued to each holder by a Registered Covered Bonds Deed.]  
[[Registered Global Covered Bonds: Reg.S. Global Covered Bond (U.S.\$[●] nominal amount/Restricted Global Covered Bond (U.S.\$[●] nominal amount)] (*Delete as appropriate*)

[Permanent Global Covered Bond exchangeable for Definitive Covered Bonds only upon an Exchange Event, subject to mandatory provisions of applicable laws and regulations]

[Registered Covered Bonds, issued to each holder by way of Registered Covered Bonds Deed

Specified office of Issuer for notification of transfers of Registered Covered Bonds: [Principal Paying Agent, [address]/other] (*Delete as appropriate*)]

21. New Global Note

[Yes/No]

*(If "No" is specified here ensure that "Not Applicable" is specified for Eurosystem eligibility in the relevant paragraph of section 8 of Part B of the Final Terms and if "Yes" is specified here ensure that the appropriate specification is made in respect of Eurosystem eligibility in the relevant paragraph of section 8 of Part B of the Final Terms)*

22. Exclusion of set-off

[Not applicable/Condition 5(g) applies]

23. For the purposes of Condition 13, notices to be published in a newspaper:

[Yes, in [the Financial Times / *specify other leading English language daily newspaper of general circulation in London*]] / No]

24. Additional Financial Centre(s):

[Not Applicable/give details]

*(Note that this item relates to the date and place of payment and not Interest Period end dates for the purpose of calculating the amount of interest to which items 14(ii) and 15(iv) relate)*

25. Talons for future Coupons to be attached to Bearer Definitive Covered Bonds (and dates on which such Talons mature):

[No/Yes] (*If the Covered Bonds have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left*)

26. Consolidation provisions:

[The provisions of Condition 16 apply / Not Applicable] (*Only "Not Applicable" if it is intended that there be no future fungible issues to this Series*)

## Responsibility

The Issuer and the CBC (as far as it concerns the CBC) accept responsibility for the information contained in these Final Terms. [(*Relevant third party information*)] has been extracted from [(*specify*

source)]. Each of the Issuer and the CBC confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [(specify source)], 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: ..... By: .....  
Duly authorised Duly authorised

By: ..... By: .....  
Duly authorised Duly authorised

## PART B — OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

(i) Listing [Euronext Amsterdam/Luxembourg Stock Exchange/[•]/None]

*(Note that Definitive Registered Covered Bonds are not intended to be listed)*

(ii) Admission to trading: [Application [has been made] [is expected to be made] by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on [specify relevant regulated market] with effect from [•]] / [Not Applicable]

*[The last trading day is expected to be [•]]*

*[The Covered Bonds will be consolidated and form a single Series with the existing Covered Bonds which are admitted to trading on [Euronext Amsterdam/the Luxembourg Stock Exchange/other]]*

*(Where documenting a fungible issue need to indicate that original securities are already admitted to trading)*

(iii) Estimate of total expenses related to admission to trading: [•]

### 2. RATINGS

Ratings: [The Covered Bonds to be issued will not be rated]

[The Covered Bonds to be issued [have been rated/are expected to be rated]]/[The following ratings reflect ratings assigned to the Covered Bonds of this type under the Programme generally]:

[Moody's: [•]]

[Standard & Poor's: [•]]

[Fitch: [•]]

[Other: [•]: [•]]

[and endorsed by [insert details including full legal name of credit rating agency/ies]]

*(The above disclosure should reflect the rating allocated to 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 full legal name of credit rating agency/ies] [is]/[are] established in the European*

Union and registered under Regulation (EC) No 1060/2009, as amended]

[[Insert full legal name of credit rating agency/ies] [is]/[are] established in the European Union and [has]/[have each] applied for registration under Regulation (EC) No 1060/2009, as amended, although the result of such application has not yet been determined]

[[Insert full legal name of credit rating agency/ies] [is]/[are] not established in the European Union and [has]/[have] not applied for registration under Regulation (EC) No 1060/2009, as amended]

3. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]**

*(Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the statement below):*

"Save as discussed in Section 1.5 (*Subscription and Sale*) of the Base Prospectus, 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.)]*

4. **[REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES]**

[(i) Reasons for the offer: [•]]

[(ii) Estimated net proceeds: [•]]

[(iii) Estimated total expenses: [•]]

5. **[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.]

6. **OPERATIONAL INFORMATION**

(i) ISIN Code: [•]

(ii) Common Code: [•]

(iii) [Other relevant code:] [•]/[Not Applicable]

(iv) New Global Note intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No]

*[Include this text if "Yes" selected: Note that the designation "Yes" simply means that the Covered Bonds are intended upon issue to be deposited with one of the International Central Securities*

Depositories as Common Safekeeper [(and registered in the name of a nominee of one of the ICSD's acting as common safekeeper)] *[include this text for registered bonds]* and 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 the ECB being satisfied that Eurosystem eligibility criteria have been met]

*[Include this text if "No" selected: Whilst the designation is set at "No", should the Eurosystem eligibility criteria be amended in the future the Covered Bonds may then be deposited with one of the International Central Securities Depositories as Common Safekeeper. Note that this does not necessarily mean that the Covered Bonds will ever 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] ["no" must be selected if the Covered Bonds are to be held in Euroclear Netherlands and/or if the Specified Currency is not ECB eligible]*

- |        |  |   |
|--------|--|---|
| (v)    | Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): | [Not Applicable/give name(s) and number(s)]<br>[Euroclear Netherlands] [The Depository Trust Company]   |
| (vii)  | Delivery:  | Delivery [against/free of] payment<br><br>[The delivery of Covered Bonds shall be made free of payment to the Issuer's account number [•] with [Euroclear]. Any subsequent delivery of Notes from the Issuer's account number [•] with [Euroclear] to the relevant Dealer(s) shall be made against payment] |
| (viii) | Names and addresses of additional Paying Agent(s) (if any):  | [•]   |
| (ix)   | Name and address of Calculation Agent (if other than Principal Paying Agent):  | [•]   |

## 7. DISTRIBUTION

- |      |                                     |                               |
|------|-------------------------------------|-------------------------------|
| (i)  | Method of distribution:             | [Syndicated/Non-syndicated]   |
| (ii) | If syndicated:                      |                               |
|      | (A) Names of Managers:              | [Not Applicable/give names]   |
|      | (B) Stabilising Manager(s) (if any) | [Not Applicable/give name(s)] |

- |       |                                   |  |
|-------|-----------------------------------|--|
| (iii) | If non-syndicated, name of Dealer | [Not Applicable/ <i>give name</i> ]  |
| (iv)  | Total commission and concession:  | [Not Applicable][[•] per cent. of the Aggregate Nominal Amount] ( <i>Normally included only for issues pursuant to Rule 144A</i> )     |
| (v)   | U.S. Selling Restrictions:        | [Reg. S Selling Restrictions/Rule 144A Selling Restrictions] [Reg S Compliance Category 2; TEFRA C/TEFRA D/TEFRA rules not applicable] |
| (vi)  | [ERISA                            | [Yes/No] ( <i>"Yes" meaning employee benefit plans subject to ERISA can buy</i> )]   |

### 1.3 TERMS AND CONDITIONS OF THE COVERED BONDS

*The following, other than this paragraph in italics, are the terms and conditions of the Covered Bonds which will be incorporated by reference into each Bearer Global Covered Bond, Registered Covered Bonds Deed and each Bearer Definitive Covered Bond, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer(s) at the time of issue but, if not so permitted and agreed, such Bearer Definitive Covered Bond will have endorsed thereon or attached thereto such terms and conditions. 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 Covered Bonds. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Bearer Global Covered Bond, Bearer Definitive Covered Bond and Registered Covered Bonds Deed. Any amendments to the terms and conditions of the Covered Bonds will be made by way of, and in accordance with the applicable requirements for, amendments to the Trust Deed.*

This Covered Bond is one of a Series (as defined below) of Covered Bonds issued by ING Bank N.V. (the "**Issuer**") pursuant to a trust deed dated 10 March 2008 (the "**Programme Date**") made between, among others, the Issuer, ING Covered Bond Company B.V. (the "**CBC**") and Stichting Trustee ING Covered Bond Company (the "**Trustee**") (as supplemented, amended and/or restated from time to time, the "**Trust Deed**").

Save as provided for in Conditions 9 (*Events of Default and Enforcement*) and 14 (*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:

- (i) in relation to any Covered Bonds represented by a global covered bond, units of the lowest Specified Denomination in the Specified Currency;
- (ii) any Temporary Global Covered Bonds, any Permanent Global Covered Bonds, any Registered Global Covered Bonds and any Registered Definitive Covered Bonds, as the case may be; and
- (iii) any Bearer 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 supplemented, amended and/or restated from time to time, the "**Agency Agreement**") entered into on the Programme Date between the Issuer, the CBC, the Trustee, The Bank of New York Mellon, London Branch as issuing and principal paying agent (the "**Principal Paying Agent**"), The Bank of New York Mellon (Luxembourg) S.A. as registrar (the "**Registrar**"), 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) and the other agents named therein (together with the Paying Agents, the "**Agents**", which expression shall include any additional or successor agent).

Interest bearing Bearer Definitive Covered Bonds have (unless otherwise indicated in the applicable Final Terms) interest coupons ("**Coupons**") and, if indicated in the applicable Final Terms, talons for further Coupons ("**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. Global Covered Bonds do not have Coupons or Talons attached on issue.

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 such 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 (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 such Covered Bond. References to the applicable Final Terms are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on such Bearer Covered Bond or the relevant Registered Covered Bonds Deed.



The Trustee acts for the benefit of the holders for the time being of the Covered Bonds (the "**Covered Bondholders**", which expression shall, in relation to (i) any Covered Bonds represented by a Temporary Global Covered Bond or a Permanent Global Covered Bond or a Registered Global Covered Bond and (ii) any Registered Covered Bond, be construed as provided below) and the holders of 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 Netherlands 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 Conditions include summaries of, and are subject to, the provisions of the Trust Deed, the Security Documents and the Agency Agreement.

Copies of the Trust Deed, the Security Documents, the Incorporated Terms Memorandum incorporating the Master Definitions Schedule, the Agency Agreement and each of the other Transaction Documents are available for inspection during normal business hours at the registered office for the time being of the Trustee being at Teleportboulevard 140, 1043 EJ 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 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 Security Documents, the Incorporated Terms Memorandum, 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 Conditions shall bear the meaning given to them in the applicable Final Terms and/or the master definitions schedule (as supplemented, amended and/or restated from time to time, the "**Master Definitions Schedule**") incorporated in the incorporated terms memorandum dated the Programme Date (as supplemented, amended and/or restated from time to time, the "**Incorporated Terms Memorandum**"), a copy of each of which may be obtained as described above.

#### 1. **Form, denomination and title**

The Covered Bonds are in bearer form ("**Bearer Covered Bonds**") or registered form ("**Registered Covered Bonds**"), the latter issued pursuant to the terms and conditions of a registered covered bonds deed ("**Registered Covered Bonds Deed**"), as set out in the applicable Final Terms, and, in definitive form ("**Definitive Covered Bonds**"), serially numbered, and in the case of Definitive Covered Bonds in registered form ("**Registered Definitive Covered Bonds**") in the Specified Currency 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, a Zero Coupon Covered Bond or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Definitive Covered Bonds in bearer form ("**Bearer Definitive Covered Bonds**") are issued with Coupons attached, unless they are Zero Coupon Covered Bonds in which case references to Coupons and Couponholders in these Conditions are not applicable.

Under Dutch law, the valid transfer of Covered Bonds requires, among other things, delivery (*levering*) thereof.

For Covered Bonds held by Euroclear Netherlands deliveries will be made in accordance with the Dutch Giro Securities Transfer Act (*Wet giraal effectenverkeer*).

The Issuer, the CBC, the Paying Agents and the 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 Bearer Covered Bonds are represented by a Global Covered Bond in bearer form (a "**Bearer Global Covered Bond**"; and "**Global Covered Bond**" means either a temporary Global Covered Bond or a permanent Global Covered Bond or a Registered Global Covered Bond) held by a common safekeeper on behalf of Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"), 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 Bearer Covered Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to such nominal amount of such Bearer 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 Trustee as the holder of such nominal amount of such Bearer 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 Bearer Covered Bonds, for which purpose the bearer of the relevant Bearer Global Covered Bond shall be treated by the Issuer, the CBC, any Paying Agent and the Trustee as the holder of such nominal amount of such Bearer Covered Bonds in accordance with and subject to the terms of the relevant Bearer Global Covered Bond and the expression "**Covered Bondholder**" and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Bearer Covered Bonds as aforesaid, the 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 Trustee, be conclusive and binding on all concerned. Bearer Covered Bonds which are represented by a Bearer Global Covered Bond will be transferable only in accordance with the rules and procedures for the time being of the relevant clearing system.

Where Covered Bonds represented by a Permanent Global Covered Bond are deposited with Euroclear Netherlands, a Covered Bondholder shall not have the right to request delivery (*uitlevering*) of his Covered Bonds under the Dutch Securities Giro Transfer Act (*Wet giraal effectenverkeer*) other than as set out in the Global Covered Bond.

References to Euroclear, Clearstream, Luxembourg and/or DTC 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 Trustee but shall not include Euroclear Netherlands. Any amendments to the Conditions required in connection with such additional or alternative clearing system shall be specified in the applicable Final Terms.

## 2. **Status of the Covered Bonds**

The Covered Bonds and any related Coupons constitute unsubordinated and unsecured obligations of the Issuer, guaranteed by the Guarantee and rank *pari passu* without any preference among 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 a guarantee issued under the Trust Deed, the CBC has as an independent obligation irrevocably undertaken to pay the Guaranteed Amounts when the same shall become Due for Payment (the "**Guarantee**"). However, the CBC shall have no such obligation under the Guarantee until (i) the occurrence of an Issuer Event of Default, service by the Trustee on the Issuer of an Issuer Acceleration Notice and service by the Trustee on the CBC of a Notice to Pay or (ii) the occurrence of a CBC Event of Default and the service by the Trustee of a CBC Acceleration Notice on the Issuer and the CBC.

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 Trustee:

- (i) a first ranking right of pledge over the Transferred Assets;
- (ii) a first ranking right of pledge over the moneys standing to the credit of the CBC Accounts from time to time; and
- (iii) a first ranking right of pledge over the CBC's present and future rights (*vorderingen*) *vis-à-vis* any debtors of the CBC under any Transaction Document to which the CBC is a party, other than the Management Agreement (CBC).

The holders of the Covered Bonds of each Series will, through the Trustee, benefit from the Security and are deemed to have acknowledged, and are bound by, Clause 8 (*Parallel Debt*) of the Trust Deed.

For the purposes of these Conditions:

**"Guaranteed Final Redemption Amount"** means a Guaranteed Amount relating to Scheduled Principal payable on the Final Maturity Date in respect of any Series.

### 4. **Interest**

#### (a) ***Interest on Fixed Rate Covered Bonds***

Each Fixed Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date at the rate(s) per annum equal to the applicable Rate of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Final Maturity Date.

Except as provided in the applicable Final Terms, and subject to the immediately following paragraph, 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. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

If "**Interest Amount Adjustment**" is specified to be applicable in the applicable Final Terms, (a) any Interest Payment Date otherwise falling on a day which is not a Business Day (as defined) below) will be postponed or brought forward (as applicable) in accordance with the Business Day Convention set out in the applicable Final Terms (as described below) and (b) the amount of interest payable on such Interest Payment Date will be adjusted accordingly and the provisions of subparagraphs (iv) (excluding the determination and notification of the Rate of Interest) and (v) of Condition 4(b) below shall apply, *mutatis mutandis*, as though references to "**Floating Rate Covered Bonds**"

were to "**Fixed Rate Covered Bonds**" and references to "**Interest Amounts**" were to amounts of interest payable in respect of Fixed Rate Covered Bonds.

If "**Interest Amount Adjustment**" is specified as not to be applicable in the applicable Final Terms, and assuming a Business Day Convention has been specified, any Interest Payment Date otherwise falling on a day which is not a Business Day will be postponed or brought forward (as applicable) in accordance with the Business Day Convention set out in the applicable Final Terms (as described below) and there will be no corresponding adjustment of the amount of interest payable on such Interest Payment Date.

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the Fixed Rate Covered Bond, divided by the Calculation Amount.

In these Conditions:

"**Business Day**" means, save as otherwise specified in the applicable Final Terms, a day which is both:

- (A) either (1) in relation to any sum payable in a Specified Currency other than euro, 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 the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars shall be Sydney and if New Zealand dollars Auckland and Wellington) or (2) in relation to any sum payable in euro on a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto (the "**TARGET System**") is operating; and
- (B) 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.

"**Calculation Amount**" has the meaning given thereto in the applicable Final Terms;

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 4(a):

- (i) if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms:
  - (A) in the case of Covered Bonds where the actual number of days in the relevant period from (and including) the most recent Interest Payment Date (or, in the case of the first interest period, the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (B) in the case of Covered Bonds where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

- (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
  - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if "30/360" 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:

- "Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;
- "Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;
- "M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
- "M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;
- "D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and
- "D<sub>2</sub>" 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 D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

**"Determination Period"** means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

**"Final Maturity Date"** means in respect of a Series, the Interest Payment Date which falls no more than 45 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;

**"Fixed Interest Period"** means the period from (and including) an Interest Payment Date (or, in the case of the first interest period, the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

**"Principal Amount Outstanding"** means, on any date:

- (i) in respect of a Covered Bond outstanding, the principal amount of that 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 Paying Agent on or prior to that date; and
- (ii) in relation to the Covered Bonds outstanding at any time, the aggregate of the amount in (i) in respect of all Covered Bonds outstanding; and

"**sub-unit**" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

(b) ***Interest on Floating Rate Covered Bonds***

(i) ***Interest Payment Dates***

Each Floating Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, 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. In these Conditions, the expression "**Interest Period**" shall 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 specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B) above, the "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar 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 shall be postponed to the next day which is a Business Day; or
- (3) the "**Modified Following Business Day Convention**", such Interest Payment 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 shall be brought forward to the immediately preceding Business Day; or

- (4) the "**Preceding Business Day Convention**", such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

(ii) *Rate of Interest*

The Rate of Interest from time to time in respect of Floating Rate Covered Bonds will be determined in the manner described further in subparagraph (A) or subparagraph (B) below, as specified in the applicable Final Terms.

(A) ISDA Determination

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 published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds (the "**ISDA Definitions**") and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period as specified in the applicable Final Terms; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate ("**LIBOR**") or on the Euro-zone inter-bank offered rate ("**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 subparagraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination

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; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations, (expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question,

plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent.

If five or more of 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.

If the Relevant Screen Page is not available or if, in the case of (1) above, no offered quotation appears or if, in the case of (2) above, fewer than three offered quotations appear, in each case as at 11.00 a.m. (London time, in the case of a determination of LIBOR, or Amsterdam time, in the case of a determination of EURIBOR) the Principal Paying Agent shall request each of the Reference Banks to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the time specified two paragraphs above on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Principal Paying Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Principal Paying Agent determines as being (a) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Principal Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately 11.00 a.m. (London time, in the case of a determination of LIBOR, or Amsterdam time, in the case of a determination of EURIBOR) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR), as the case may be, plus or minus (as appropriate) the Margin (if any) or (b) if fewer than two of the Reference Banks provide the Principal Paying Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately 11.00 a.m. (London time, in the case of a determination of LIBOR, or Amsterdam time, in the case of a determination of EURIBOR) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Principal Paying Agent suitable for the purpose) informs the Principal Paying Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or Euro-zone inter-bank market (if the Reference Rate is EURIBOR), as the case may be, plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions, the Rate of Interest shall be determined as at the last preceding Interest



Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

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 follows:

- (1) if the Reference Rate is a composite quotation or customarily supplied by one entity, by the Principal Paying Agent as the Reference Rate which appears on the Relevant Screen Page as at 11.00 a.m. in the principal financial centre of the relevant currency (such as London, or Amsterdam in respect of the Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)) on the relevant Interest Determination Date; or
- (2) in any other case, by the Principal Paying Agent as the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as at the time specified in the preceding paragraph on the relevant Interest Determination Date.

For the purpose of this paragraph (B), "**Reference Bank**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal office of four major banks in the Eurozone inter-bank market selected by the Administrator.

(iii) *Minimum Rate of Interest 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 Interest Amounts*

The Calculation 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 Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same. The Calculation Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Covered Bonds in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half of any such sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the Floating Rate Covered Bond divided by the Calculation Amount.

**"Day Count Fraction"** means, in respect of the calculation of an amount of interest in accordance with this Condition 4(b):

- (a) if **"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);
- (b) if **"Actual/365 (Fixed)"** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (c) if **"Actual/365 (Euro)"** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (d) if **"Actual/360"** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (e) if **"30/360"**, **"360/360"** or **"Bond Basis"** is specified in the applicable Final Terms, the number of days in the Calculation Period in respect of which payment is being made 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:

**"Y<sub>1</sub>"** is the year, expressed as a number, in which the first day of the Interest Period falls;

**"Y<sub>2</sub>"** is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

**"M<sub>1</sub>"** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

**"M<sub>2</sub>"** is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

**"D<sub>1</sub>"** is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

**"D<sub>2</sub>"** 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 D<sub>2</sub> will be 30; and

- (f) 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:

- "Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;
- "Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;
- "M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
- "M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;
- "D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and
- "D<sub>2</sub>" 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 D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30.

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

The Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Principal Paying Agent, the Issuer, the Trustee and any competent listing authority, stock exchange and/or quotation system on or by which the relevant Floating Rate Covered Bonds are for the time being listed, quoted and/or traded and notice thereof to be published in accordance with Condition 13 (*Notices*) as soon as possible after their determination but in no event later than the fourth Amsterdam Business Day thereafter. Each 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 competent listing authority, stock exchange and/or quotation system on or by which the relevant Floating Rate Covered Bonds are for the time being listed, quoted and/or traded and to the Covered Bondholders in accordance with Condition 13 (*Notices*). For the purposes of this paragraph, the expression "**Amsterdam Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in Amsterdam. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Floating Rate Covered Bond having the minimum Specified Denomination.

(vi) *Determination or calculation by Trustee*

If for any reason at any relevant time the Principal Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph (ii)(A) or (B) above, as the case may be, and in each case in accordance with paragraph (iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem

fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent or the Calculation Agent, as applicable.

(vii) *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 4(b), whether by the Principal Paying Agent or, if applicable, the Calculation Agent, or the Trustee shall (in the absence of wilful default, bad faith or manifest error or an error established as such to the satisfaction of the Trustee) be binding on the Issuer, the CBC, the Principal Paying Agent, the Calculation Agent (if applicable), the other Paying Agents, the Trustee and all Covered Bondholders, and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the CBC, the Covered Bondholders, or the Couponholders shall attach to the Principal Paying Agent or, (if applicable), the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *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.

(d) *Interest rates zero or positive*

Unless specified otherwise in the applicable Final Terms, the rate of interest payable in respect of the Covered Bonds shall never be less than zero. If the method for determining a rate of interest applicable to the Covered Bonds would result in a negative figure, the applicable rate of interest will be deemed to be zero.

5. **Payments**

(a) *Method of payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro and U.S. dollars will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars shall be Sydney and if New Zealand dollars Auckland and Wellington);
- (ii) 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; and
- (iii) payments in U.S. dollars will be made by transfer to a U.S. dollar account, which in the case of any Covered Bond, other than a Registered Covered Bond, shall be maintained by the payee with a bank outside of the United States (which expression, as used in this Condition 5, means the United States of America, including the State and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction), or by cheque drawn on a United States bank.

In no event will payment be made in respect of any Covered Bond, other than a Registered Covered Bond, by a cheque mailed to an address in the United States. Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment in these Conditions, the Trust Deed, the Agency Agreement and the Final Terms, but without prejudice to the provisions of Condition 7 (*Taxation*). References to Specified Currency will include any successor currency under applicable law.

(b) ***Presentation of Bearer Definitive Covered Bonds and Coupons***

Payments of principal in respect of Bearer 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 Bearer Definitive Covered Bonds, and payments of interest in respect of Bearer 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.

Bearer Definitive Covered Bonds which are Fixed Rate Covered Bonds 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 10 years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8 (*Prescription*) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter. Upon any Bearer Definitive Covered Bonds which is a Fixed Rate Covered Bond becoming due and repayable prior to its Final 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 Bearer Definitive Covered Bond which is a Floating Rate Covered Bond 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.

If the due date for redemption of any Bearer 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 Bearer Definitive Covered Bond.

(c) ***Payments in respect of Global Covered Bonds***

Payments of principal and interest (if any) in respect of Covered Bonds represented by any Global Covered Bond not in new global note form will (subject as provided below) be made in the manner specified above in relation to Bearer Definitive Covered Bonds and otherwise in the manner specified in the relevant Bearer Global Covered Bond against presentation or surrender (as the case may be) of such Bearer Global Covered Bond at the specified office of any Paying Agent (which, in the case of any Bearer Global Covered Bond shall be located outside the United States). A record of each payment made against presentation or surrender of any Bearer Global Covered Bond, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer 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. If a Bearer Global Covered Bond is in the form of a new global note, the

Issuer shall procure that details of each payment of principal and interest (if any) made in respect of such Covered Bonds shall be entered *pro rata* in the records of the relevant clearing system and, in the case of payments of principal, the principal amount of such Covered Bonds recorded in the records of the relevant clearing system and represented by the Bearer Global Covered Bond in the form of a new global note will be reduced accordingly. Payments in respect of a Bearer Global Covered Bond in the form of a new global note will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge.

(d) ***General provisions applicable to payments***

The holder of a Bearer Global Covered Bond shall be the only person entitled to receive payments in respect of Bearer Covered Bonds represented by such Bearer Global Covered Bond and the Issuer or the CBC and the Trustee will be discharged by payment to, or to the order of, the holder of such Bearer Global Covered Bond in respect of each amount so paid.

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, Euroclear Netherlands or DTC 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, Euroclear Netherlands or DTC, as the case may be, for his share of each payment so made by the Issuer or the CBC or the Trustee to, or to the order of, the holder of such Global Covered Bond.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Covered Bonds, that are not Registered Covered Bonds, is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Covered Bonds will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Covered Bonds in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the CBC, adverse tax consequences to the Issuer or the CBC.

(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 8 (*Prescription*)) is:

- (i) either (1) in relation to any sum payable in a Specified Currency other than euro, 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 the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars shall be Sydney and if New Zealand dollars Auckland and

Wellington) or (2) in relation to any sum payable in euro, a day on which the TARGET System is operating; and

(ii) 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) in the case of Bearer Covered Bonds in definitive form only, the relevant place of presentation; and

(B) any Additional Financial Centre specified in the applicable Final Terms.

For the purpose of any payments made in respect of a Global Covered Bond, the relevant place of presentation shall be disregarded in the definition of "Payment Day".

(f) ***Interpretation of principal and interest***

Any reference in these 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 7 (*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(s) (if any) of the Covered Bonds;

(v) in relation to Zero Coupon Covered Bonds, the Amortised Face Amount (as defined in Condition 6(d) (*Redemption and purchase — Early Redemption Amounts*));

(vi) 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

(vii) any Excess Proceeds which may be payable by the Trustee under or in respect of the Covered Bonds.

Any reference in these 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 7 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

(g) ***Set-off***

If this Condition 5(g) is specified to apply in the applicable Final Terms (i) any payments under or pursuant to the Covered Bonds shall be made by the Issuer free of set-off and withholding; and (ii) for the purpose of Registered Definitive Covered Bonds to be issued to a German insurance company or pension fund under the German Insurance Supervisory Act, the Issuer and the CBC each hereby waive, for the benefit of all present and future holders of the Registered Definitive Covered Bonds, 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 Definitive Covered Bonds and any similar right which may adversely affect the rights under or in respect of the Registered Definitive Covered Bonds. This waiver (i) applies as far as and as long as and to the extent that the Registered Definitive Covered Bonds are part of the security funds

(*Sicherungsvermögen*) or the other restricted assets (*sonstiges gebundenes Vermögen*) within the meaning of section 54 of the German Insurance Supervisory Act (*Versicherungsaufsichtsgesetz*) or part of the security funds or the other restricted assets within the meaning of section 115 of the German Insurance Supervisory Act (*Versicherungsaufsichtsgesetz*) in connection with the German Regulation on the Investment of the Restricted Assets of Pension Funds (*Verordnung über die Anlage des gebundenen Vermögens von Pensionsfonds*) in connection with the German Regulation on the Investment of the Restricted Assets of Insurance Companies (*Verordnung über die Anlage des gebundenen Vermögens von Versicherungsunternehmen*), also in the event of an insolvency or in the event that insolvency proceedings or similar proceedings are instituted 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.

6. **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 the applicable Final Terms in the relevant Specified Currency on the Final 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 30 nor more than 60 days' notice to the Trustee, the Registrar and the Principal Paying Agent and, in accordance with Condition 13 (*Notices*), the Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the 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 withhold or account for tax in respect of Covered Bonds as referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7 (*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 90 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 6, the Issuer shall deliver to the 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 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 6(b) will be redeemed at their Early Redemption Amount referred to in Condition 6(d) 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 Issuer Call is specified in the applicable Final Terms, the Issuer may, having given:

- (i) not less than 15 days nor more than 30 days' notice to the Covered Bondholders in accordance with Condition 13 (*Notices*) or such other notice period as may be specified in the applicable Final Terms; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Trustee, the Principal Paying Agent 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** specified in the applicable Final Terms 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. Any such (partial) redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. 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 Netherlands and/or, as the case may be, DTC, in the case of Redeemed Covered Bonds represented by a Global Covered Bond, in each case, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called 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 13 (*Notices*) not less than 15 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 13 (*Notices*) at least five days prior to the Selection Date.

(d) ***Early Redemption Amounts***

For the purpose of paragraph (b) above and Condition 9 (*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;
- (ii) in the case of a Covered Bond (other than a Zero Coupon Covered Bond) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Covered Bond is denominated, at the amount 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;

(iii) in the case of a Zero Coupon Covered Bond, at the Amortised Face Amount (as defined below); or

(iv) such other redemption amount as may be specified in the applicable Final Terms.

The "**Amortised Face Amount**" =  $RP \times (1 + AY)^y$

where:

"**RP**" means the Reference Price specified in the applicable Final Terms;

"**AY**" means the Accrual Yield specified in the applicable Final Terms, expressed as a decimal; and

"**y**" is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Covered Bonds to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Covered Bond becomes due and repayable and the denominator of which is 360,

provided that where such calculation is to be made for a period which is not a whole number of years, it shall be made (A) in the case of a Zero Coupon Covered Bond payable in a specified currency other than euro, on the basis of a 360-day year consisting of 12 months of 30 days each or (B) in the case of a Zero Coupon Covered Bond payable in euro, on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed falls in a leap year, the sum of (x) the number of those days falling in a leap year divided by 366 and (y) the number of those days falling in a non-leap year divided by 365) or (C) such other redemption amount of a Zero Coupon Covered Bond as may be specified in the applicable Final Terms.

(e) ***Purchases***

The Issuer, the CBC and/or any member of the ING Group may at any time purchase Covered Bonds (provided that, in the case of Bearer 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. Such Covered Bonds may be held, reissued, resold or, at the option of the Issuer or the CBC and/or such member of the ING Group, surrendered to any Paying Agent for cancellation.

(f) ***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). All Bearer Covered Bonds so cancelled and any Bearer Covered Bonds purchased and cancelled pursuant to paragraph (e) above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

(g) ***Late payment on Zero Coupon Covered Bonds***

If the amount payable in respect of any Zero Coupon Covered Bond upon redemption of such Zero Coupon Covered Bond pursuant to paragraph (a), (b) or (c) above or upon its becoming due and repayable as provided in Condition 9 (*Events of Default and Enforcement*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Covered Bond shall be the amount calculated as provided in paragraph (d)(iii) above as though the references therein to the date fixed for the

redemption or the date upon which such Zero Coupon Covered Bond becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Covered Bond have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Covered Bonds has been received by the Principal Paying Agent or the Trustee and notice to that effect has been given to the Covered Bondholders in accordance with Condition 13 (*Notices*).

(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 30 nor more than 60 days' notice to the Trustee, the Registrar and the Principal Paying Agent and, in accordance with Condition 13 (*Notices*), all Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the 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 6(h) will be redeemed at their Early Redemption Amount referred to in Condition 6(d) (*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 6 (*Redemption and purchase*), the Issuer shall deliver to the 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 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.

7. **Taxation**

All payments of principal and interest in respect of the Covered Bonds and Coupons by the Issuer or the CBC, as the case may be, will be made without withholding or deduction of any present or future taxes or duties 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 made by it, the Issuer will not be obliged to pay any additional amounts as a consequence.

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 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 13 (*Notices*); and

**"Tax Jurisdiction"** means The Netherlands or any political subdivision or any authority thereof or therein having power to tax.

***Condition relating to FATCA***

Notwithstanding any other provision in these Conditions, the Issuer and the CBC shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions) ("**FATCA**") or pursuant to any agreement with the U.S. Internal Revenue Service or any law implementing an intergovernmental approach to FATCA ("**FATCA withholding**"). The Issuer and the CBC will have no obligation to pay additional amounts or otherwise indemnify a holder/an investor for any FATCA withholding deducted or withheld by the Issuer, the CBC, any the Paying Agent, the Registrar or any other party.

8. **Prescription**

The Covered Bonds and Coupons will become void unless presented for payment within a period of five years after the date on which the relevant payment first became due, subject in each case to the provisions of Condition 5(b) (*Payments — Presentation of Bearer Definitive Covered Bonds and Coupons*).

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 8 or Condition 5(b) (*Payments — Presentation of Bearer Definitive Covered Bonds and Coupons*) or any Talon which would be void pursuant to Condition 5(b) (*Payments — Presentation of Bearer Definitive Covered Bonds and Coupons*).

9. **Events of Default and Enforcement**

(a) ***Issuer Events of Default***

An "**Issuer Acceleration Notice**" means a notice from the Trustee in writing to the Issuer that as against the Issuer (but not against the CBC) each Covered Bond of each Series is, and each such Covered Bond shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed.

The Trustee at its discretion may, and:

- (1) in relation to the defaults set out in subparagraphs (i) and (v) below; or
- (2) 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 a "**Issuer Event of Default**") shall occur and be continuing:

- (i) default is made by the Issuer for a period of 7 calendar days or more in the payment of any principal or redemption amount, or for a period of 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 Trustee, in its opinion, to be incapable of remedy) shall continue for more than 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 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) a merger, reconstruction, amalgamation, or following the transfer of all or substantially all of the assets of the Issuer, for which Rating Agency Confirmation has been obtained or (b) a demerger or split-off (*splitsing of afsplitsing*) for which Rating Agency Confirmation has been obtained); 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 Chapter 3 of the Wft, or equivalent or analogous judgments or measures under any applicable law, are imposed on the Issuer,

provided that (1) in case an event described in paragraph (ii) above shall occur, the 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 and (2) failure by the Issuer to comply with the 2015 CB Legislation as from 1 January 2016 shall not in itself be an Issuer Event of Default, without prejudice to any Issuer Event of Default resulting from any other breach of the Issuer's obligations under the Covered Bonds or Coupons of any Series, the Trust Deed or any other Transaction Document to which the Issuer is a party in accordance with paragraph (ii) above.

Upon delivery of an Issuer Acceleration Notice pursuant to this Condition 9(a), the Trustee shall forthwith serve a notice to pay (the "**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 Trustee may or shall take such proceedings against the Issuer in accordance with the first paragraph of Condition 9(c) (*Enforcement*).

The Trust Deed provides that all moneys received by the Trustee from the Issuer or any administrator, liquidator, trustee or other similar official appointed in relation to the Issuer following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice and a Notice to Pay (the "**Excess Proceeds**"), shall, unless a CBC Event of Default has occurred which is continuing, be paid by the Trustee on behalf of the Covered Bondholders of the relevant Series to the CBC for its own account, as soon as practicable, and shall be held by the CBC in the AIC 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 AIC Account. Any Excess Proceeds received by the Trustee shall discharge *pro tanto* the obligations of the Issuer in respect of the Covered Bonds and Coupons for an amount equal to such Excess Proceeds. However, the receipt by the Trustee of any Excess Proceeds shall not reduce or discharge any of the obligations of the CBC under the Guarantee.

Each Covered Bondholder shall be deemed to have irrevocably directed the Trustee to pay the Excess Proceeds to the CBC in the manner as described above.

(b) ***CBC Events of Default***

A "**CBC Acceleration Notice**" means a notice 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 and after delivery of such CBC Acceleration Notice, the Security shall become enforceable.

The 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 7 calendar days or more in the payment of any principal or redemption amount, or for a period of 14 calendar days or more in the payment of any interest when due;
- (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 Security Documents or any other Transaction Document to which the CBC is a party which (unless certified by the Trustee, in its opinion, to be incapable of remedy) shall continue for more than 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 Trustee in accordance with the Trust Deed;
- (iii) an order is made or an effective resolution passed for the dissolution or winding up of the CBC;
- (iv) the CBC ceases to carry on its business or substantially all its business;
- (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;
- (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 Chapter 3 of the Wft, or equivalent or analogous judgments or measures under any applicable law, are imposed on the CBC;
- (vii) the Guarantee is not, or is claimed by the CBC not to be, in full force and effect; or
- (viii) the Amortisation Test (as set out in the Asset Monitor Agreement) is not satisfied on any Calculation Date following the service of a Notice to Pay on the CBC,

provided that in case an event described in paragraph (ii) above shall occur, the 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 Trustee may or shall take proceedings or steps against

the Issuer and the CBC in accordance with Condition 9(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 this Condition, and in other Conditions unless separately defined therein:

**"Calculation Date"** means the date falling two 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 the month succeeding the month in which the Programme Date falls and thereafter, each period from (and including) the first day of each month to the last day of that same month.

**"Calculation Agent"** means, in relation to the Covered Bonds of any Series, the Principal Paying Agent, or such other person appointed as calculation agent in relation to such Covered Bonds pursuant to any relevant Calculation Agency Agreement and as specified in the applicable Final Terms as the party responsible for calculating the interest rate(s) and interest amount(s) and/or such other rate(s) and/or amount(s) as may be specified in the relevant Final Terms.

**"CBC Payment Date"** means the 28<sup>th</sup> 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.

(c) ***Enforcement***

The 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 against the Issuer and/or the CBC, as the case may be, to enforce the provisions of the Trust Deed, the Covered Bonds and the Coupons, but it shall not be bound to take any such enforcement proceedings in relation to the Trust Deed, the Covered Bonds or the Coupons or any other Transaction Document unless it shall have been so directed by a Programme Resolution and it shall have been indemnified and/or secured to its satisfaction.

The Trustee may at any time, at its discretion and without further notice, take such proceedings against the CBC and/or any other person as it may think fit to enforce the provisions of the Security Documents and may, at any time after the Security has become enforceable, take such steps as it may think fit to enforce the Security, but it shall not be bound to take any such steps unless (i) (a) it shall have been so directed by a Programme Resolution or (b) it shall have been directed in writing to do so by each of the other Secured Creditors (other than the Issuer) 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 Trustee may pursue the remedies available under the applicable law or under the relevant Transaction Documents to enforce the Security and no Covered Bondholder or Couponholder shall be entitled to proceed directly against the CBC. In particular, none of the Covered Bondholders or Couponholders (nor any person on its or their behalf, other than the Trustee where appropriate) are entitled:

- (i) otherwise than as permitted by these Conditions and the Trust Deed, to direct the Trustee to enforce the performance of any provision of the Covered Bonds

or the Security or take any proceedings against the CBC to enforce the Security;  
or

- (ii) to take or join any person in taking any steps against the CBC for the purpose of obtaining payment of any amount due by the CBC to such Covered Bondholders and Couponholders; or
- (iii) until the date falling two years and a day after the date on which the Trustee has certified that no further Covered Bonds are outstanding and all of the CBC's obligations under the Transaction Documents to all Transaction Parties have been satisfied in full, to initiate or join any person in initiating any Insolvency Proceeding in relation to the CBC; or
- (iv) to take or join in the taking of any steps or proceedings which would result in the relevant Priorities of Payments not being observed.

(e) **Limited recourse**

The recourse of the Covered Bondholders and the Couponholders against the CBC pursuant to the Guarantee is limited as follows:

- (i) a Covered Bondholder will have a right of recourse (*verhaalsrecht*) (indirectly) only in respect of the Secured Property and will not have any claim, by operation of law or otherwise, against, or recourse to any of the CBC's other assets; and
- (ii) sums payable to each Covered Bondholder in respect of the CBC's obligations to such Covered Bondholder shall be limited to the lesser of (a) the aggregate amount of all sums due and payable to such Covered Bondholder and (b) the aggregate amounts received, realised or otherwise recovered by or for the account of the Trustee in respect of the Secured Property whether pursuant to enforcement of the Security or otherwise, net of any sums which are (1) excluded from application in accordance with the relevant Priority of Payments or (2) payable by the CBC in accordance with the relevant Priority of Payments in priority to or *pari passu* with sums payable to such Covered Bondholder; and
- (iii) if following final enforcement of the Security the Trustee certifies, in its sole discretion, that the CBC has insufficient funds to pay in full all of the CBC's obligations to such Covered Bondholder, then such Covered Bondholder shall have no further claim against the CBC in respect of any such unpaid amounts and such unpaid amounts shall be discharged in full.

10. **Replacement of Bearer Covered Bonds Coupons and Talons; copies of Registered Covered Bonds Deeds**

Should any (i) Bearer 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 or (ii) person in whose name a Registered Covered Bond is registered in the Register require a copy of the relevant Registered Covered Bonds Deed, it may be requested at the specified office of the Registrar in either case 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 Bearer Covered Bonds Coupons or Talons must be surrendered before replacements will be issued.

11. **Paying Agents, Transfer Agents and Registrar**

The names of the initial Paying Agents, the initial Transfer Agents and the initial Registrar and their initial specified offices are set out in the Base Prospectus.

The Issuer is entitled, with the prior written approval of the Trustee (such approval not to be unreasonably withheld or delayed), to vary or terminate the appointment of any Paying Agent,



any Transfer Agent and the Registrar and/or appoint additional or other Paying Agents, Transfer Agents or Registrars and/or approve any change in the specified office through which any Paying Agent, any Transfer Agent or Registrar acts, provided that:

- (a) there will at all times be a Principal Paying Agent and, as long as any Registered Covered Bonds are outstanding, a Registrar;
- (b) so long as any of the Registered Global Covered Bonds are held through DTC (or a nominee on its behalf), there will at all times be a Transfer Agent with a specified office in New York City;
- (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; and
- (d) it will ensure that it maintains a Paying Agent in an EU Member State that will not be obliged to withhold or deduct tax.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5(d) (*Payments — General provisions applicable to payments*). 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 30 nor more than 45 days' prior notice thereof shall have been given to the Covered Bondholders in accordance with Condition 13 (*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 Trustee and do not assume any obligation to, or relationship of agency or trust with, any Covered Bondholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent, any Transfer 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.

## 12. **Exchange of Talons**

On and after the Interest Payment Date 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 8 (*Prescription*).

## 13. **Notices**

All notices regarding the Bearer Covered Bonds will be deemed to be validly given if published in (i) at least one daily newspaper of wide circulation in The Netherlands, which is expected to be *Het Financieele Dagblad*, (ii) if and for so long as the Bearer Covered Bonds are admitted to trading on the market of the Luxembourg Stock Exchange appearing on the list of regulated markets issued by the European Commission and the rules of such exchange so require, in a daily newspaper of general circulation in Luxembourg, which is expected to be the *Luxemburger Wort* or on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and (iii) if so specified in the applicable Final Terms, a leading English language daily newspaper of general circulation in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any competent listing authority, stock exchange or quotation system on or by which the Covered Bonds are for the time being listed, quoted and/or traded or by which they have been admitted to listing, quotation and/or trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as

provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any Bearer Definitive Covered Bonds are issued, there may, so long as the Bearer Covered Bond(s) is or are held in its or their entirety on behalf of Euroclear, Clearstream, Luxembourg and/or Euroclear Netherlands, be substituted for such publication in any newspaper or website the delivery of the relevant notice to Euroclear, Clearstream, Luxembourg and/or Euroclear Netherlands (as the case may be) for communication by them to the holders of beneficial interests in the Bearer Covered Bonds, except for Covered Bonds listed on the Luxembourg Stock Exchange. Any such notice delivered on or prior to 4.00 p.m. (local time) on a business day in the city in which it is delivered will be deemed to have been given to the holders of the Bearer Covered Bonds on such business day. A notice delivered after 4.00 p.m. (local time) on a business day in the city in which it is delivered will be deemed to have been given to the holders of the Bearer Covered Bonds on the next following business day in such city.

Notices to be given by any Covered Bondholder shall be in writing and given by lodging the same, together (in the case of any Bearer Definitive Covered Bonds) with the relative Covered Bond or Covered Bonds, with the Principal Paying Agent or (in the case of Registered Definitive Covered Bonds) the 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 and/or the Registrar through Euroclear, Clearstream, Luxembourg, Euroclear Netherlands and/or DTC, as the case may be, in such manner as the Principal Paying Agent or the Registrar, as the case may be, and Euroclear, Clearstream, Luxembourg, Euroclear Netherlands and/or DTC, as the case may be, may approve for this purpose.

A copy of each notice given in accordance with this Condition 13 shall be provided to the relevant stock exchange if the relevant Covered Bonds are listed on such relevant stock exchange and the rules of such relevant stock exchange so require.

#### 14. **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 and the CBC (acting together) or the Trustee and shall be convened by the Issuer if required in writing by Covered Bondholders of a Series holding not less than fifteen 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 is: (i) at least two persons holding or representing not less than fifty 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 at least two persons holding or representing Covered Bondholders of such Series whatever the nominal amount of the Covered Bonds of such Series so held or represented; (ii) at any meeting the business of which includes the modification of certain provisions of the Covered Bonds of a Series, the related Coupons or the Trust Deed (including a reduction or cancellation of the amount payable in respect of such Covered Bonds, the alteration of the currency in which payments under such Covered Bonds are to be made, the alteration of the majority required to pass an Extraordinary Resolution, any amendment to the Guarantee or the Security Documents (except in a manner determined by the Trustee not to be materially prejudicial to the interests of the Covered Bondholders of any Series) or the sanction of any scheme or proposal for the exchange of such Covered Bonds in respect of such Series (each, a "**Series Reserved Matter**" all as more particularly set out in the Trust Deed)): at least two persons holding or representing not less than two thirds of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned meeting at least two persons holding or representing not less than one-third of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding. So long as at least the relevant percentage of the aggregate Principal Amount Outstanding of the outstanding Covered Bonds is represented by the Temporary Global Covered Bond, the Permanent Global Covered Bond or the Registered Covered Bond, a person appointed in relation thereto or being the holder of the

Covered Bonds represented thereby shall be deemed to be two persons holding or representing the relevant percentage for the purpose of forming a quorum.

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 Trustee may convene a single meeting of the Covered Bondholders of more than one Series if in the opinion of the 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*.

Notwithstanding the preceding paragraphs of this Condition 14 (*Meetings of Covered Bondholders, modification and waiver*), any resolution to direct the Trustee (i) to accelerate the Covered Bonds pursuant to Condition 9 (*Events of Default and Enforcement*); (ii) to take any enforcement action, or (iii) to remove or replace the 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 Trustee or by Covered Bondholders of any Series. The quorum at any such meeting for passing a Programme Resolution is at least two persons holding or representing not less than two thirds 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 nominal amount of the Covered Bonds of any Series so held or represented. So long as at least the relevant percentage of the aggregate Principal Amount Outstanding of the outstanding Covered Bonds is represented by the Temporary Global Covered Bond, the Permanent Global Covered Bond or the Registered Covered Bond, a person appointed in relation thereto or being the holder of the Covered Bonds represented thereby shall be deemed to be two persons holding or representing the relevant percentage for the purpose of forming a quorum. A Programme Resolution passed at any meeting of the Covered Bondholders of all Series shall be binding on all Covered Bondholders and Couponholders, whether or not present at such meeting, and each of the Covered Bondholders and Couponholders shall be bound to give effect to it accordingly.

An Extraordinary Resolution and a Programme Resolution may also be taken in writing (whether contained in one document or several documents in the same form, each signed by or on behalf of one or more Covered Bondholders) or through the electronic communications systems of the relevant clearing system(s) (in accordance with their operating rules and procedures) by or on behalf of (i) all holders who are for the time being entitled to receive notice of a meeting of Covered Bondholders in accordance with the Provisions for Meetings of Covered Bondholders (in the case of an Extraordinary Resolution) or (ii) not less than twenty five per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding as if they were a single Series (in the case of a Programme Resolution).

In connection with any meeting or resolution of Covered Bondholders of more than one Series where such Covered Bonds are not denominated in euro, the nominal amount of the Covered Bonds of any Series not denominated in euro shall be converted into euro at the relevant Structured Swap Rate.

The Trustee and the Issuer may also agree (or, in the case of the Trustee where such modification arises in respect of the matters set out in (c) below, is obliged to agree (subject as provided in the Trust Deed)), without the consent of the Covered Bondholders or Couponholders of any Series and without the consent of the other Secured Creditors (save in relation to (c) below where the consent of any Secured Creditor (other than the CBC and the Covered Bondholders) party to the relevant Transaction Document to be amended shall be required) (and for this purpose the Trustee may disregard whether any such modification relates to a Series Reserved Matter), to:

- (a) any modification of the Covered Bonds of one or more Series, the related Coupons or any Transaction Document provided that (i) in the opinion of the Trustee such modification is not materially prejudicial to the interests of any of the Covered Bondholders of any Series or any of the other Secured Creditors (other than the CBC) (in which respect the 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) and (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 his/her written consent as aforesaid); 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 Trustee or to comply with mandatory provisions of law; or
- (c) any modification of the Covered Bonds of one or more Series, the related Coupons or any Transaction Document as requested by the Issuer and/or the CBC in order to enable the Issuer and/or the CBC to comply with any requirements which apply to it under Regulation (EU) 648/2012 ("**EMIR**") subject as provided further pursuant to the terms of the Trust Deed,

provided that any modification pursuant to paragraph (a) is notified to the Rating Agencies.

The 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 potential breach of any of the provisions of the Covered Bonds of any Series or any Transaction Document, or determine, without any such consent as aforesaid, that any Issuer Event of Default or CBC Event of Default or Potential Issuer Event of Default or Potential CBC Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of any of the Secured Creditors (in which respect the 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 the 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 provided further that the Trustee shall not exercise any such powers conferred upon it in contravention of any express direction by a Programme Resolution (but so that no such direction or request shall affect any authorisation, waiver or determination previously given or made) or so as to authorise or waive any such breach or proposed breach relating to any of the matters the subject of the Series Reserved Matters.

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 Trustee otherwise agrees, any such modification shall 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 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 subdivision thereof and the Trustee shall not be entitled to require, nor shall any Covered Bondholder or Couponholder be entitled to claim, from the Issuer, the CBC, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Covered Bondholders, Couponholders, except to the extent already provided for in Condition 7 (*Taxation*) and/or in any undertaking or covenant given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Trust Deed.

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 all its assets or substantially all of its assets as an entirety to (whether pursuant to a demerger, split-off or otherwise) any corporation organised under the laws of The Netherlands,

or any political subdivision thereof, provided that (i) a certificate of two authorised signatories of the Issuer and the CBC is delivered to the Trustee to the effect that immediately after giving effect to such transaction no Issuer Event of Default and no CBC Event of Default, respectively, and no Potential Issuer Event of Default and no Potential 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 relevant 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:

**"Programme Resolution"** means either:

- (a) a written resolution of the holders of not less than twenty-five 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),

in each case with the nominal amount of Covered Bonds not denominated in euro being converted into euro at the relevant Structured Swap Rate.

**"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.

**"Potential CBC Event of Default"** means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute a CBC Event of Default.

**"Potential Issuer Event of Default"** means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute an Issuer Event of Default.

**"Rating Agency Confirmation"** 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 Trustee, in form and substance satisfactory to the Trustee, of:

- (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");
- (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
- (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:

- (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
- (ii) if such Rating Agency has not communicated that it requires more time or information to analyse the relevant matter, evidence that 30 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.

**"Trustee's Director"** means Orangefield (Netherlands) B.V. and/or such other person(s) who may be appointed as director(s) (*bestuurder*) of the Trustee from time to time.

15. **Trustee**

If, in connection with the exercise of its powers, authorities or discretions, the Trustee is of the opinion that the interests of the holders of the Covered Bonds of any one or more Series would be materially prejudiced thereby, the Trustee shall not exercise such power, authority or discretion without the approval of such Covered Bondholders by Extraordinary Resolution or by a written resolution of such Covered Bondholders of not less than fifty per cent. of the aggregate Principal Amount Outstanding of Covered Bonds of the relevant Series then outstanding.

The Trust Deed contains provisions for the indemnification of the Trustee and for the Trustee's relief from responsibility, including provisions relieving it from taking any action unless indemnified and/or secured to its satisfaction.

The 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 Trustee. The 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, any Pre-Maturity Test, any Portfolio Test or the Amortisation Test; or (iv) monitoring whether Transferred Receivables satisfy the applicable Eligibility Criteria or such other criteria as may be agreed with the Rating Agencies in relation to other Transferred Assets. The 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 pledgee in relation to the Security and have no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents.

The power of appointing a new director of the Trustee shall be vested in the board of directors of the Trustee. In case no Trustee director is in office, a director shall be appointed by the Covered Bondholders and Couponholders of any Series then outstanding, by adopting a Programme Resolution to this effect. Any appointment of a new director of the Trustee shall as soon as practicable thereafter be notified by the Issuer to the Principal Paying Agent, the Rating Agencies and the holders of the Covered Bonds then outstanding. A Trustee director may resign (*vrijwillig aftreden*) at any time, provided that in case the resigning Trustee director was the sole director of the Trustee, such resignation will not become effective until a successor Trustee director has been appointed. The Covered Bondholders and Couponholders of any Series then outstanding may, by adopting a Programme Resolution to this effect, remove any Trustee director, provided that (i) the other Secured Creditors have been notified and (ii) neither the Trustee nor the Trustee

director so removed shall be responsible for any costs or expenses arising from any such removal.

16. **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.

17. **Governing Law and submission to jurisdiction**

(a) ***Governing law***

The Covered Bonds and the Transaction Documents, and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, Dutch law unless specifically stated to the contrary.

(b) ***Submission to jurisdiction***

In relation to any legal action or proceedings arising out of or in connection with the Covered Bonds and the Coupons, the Issuer irrevocably submits to the jurisdiction of the court of first instance (*rechtbank*) in Amsterdam, The Netherlands. This submission is made for the exclusive benefit of the Covered Bondholders and the Trustee and shall not affect their right to take such action or bring such proceedings in any other courts of competent jurisdiction.

18. **Additional obligations**

For as long as the Covered Bonds are listed and/or admitted to trading on Euronext Amsterdam and the Luxembourg Stock Exchange, the Issuer will comply with all rules and regulations of each stock exchange. If listed and/or admitted to trading on further stock exchanges or markets, it will comply with all rules and regulations of such stock exchanges or markets.

19. **Terms and Conditions of Registered Covered Bonds**

(a) ***Applicability of this Condition***

If in the applicable Final Terms it is specified 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 (*Form, denomination and title*) to and including 18 (*Additional obligations*) above. In the event of any inconsistency between Conditions 1 to and including 18 and this Condition 19, this Condition 19 will prevail with regard to Registered Covered Bonds.

(b) ***Nature of Registered Covered Bonds***

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 19(c) (*Transfer of Registered Covered Bonds*) 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 19(e) (*Discharge of payment obligations*).

(c) ***Transfer of Registered Covered Bonds***

Under Dutch law, the valid transfer of Covered Bonds requires, among 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 van cessie*) between the transferor and the transferee and, in the case of a notified assignment, notification (*mededeling*) thereof to the Issuer and the CBC. A valid transfer also requires notification thereof by the assignor or the assignee to 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 in the case of an exchange of an interest in a Registered Global Covered Bond for a Registered Definitive Covered Bond, such part of the relevant Registered Global Covered Bond shall be transferred as corresponds to the relevant Registered Definitive Covered Bond.

(d) ***Register of holders of Registered Covered Bonds***

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.

(e) ***Discharge of payment obligations***

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 opening of business on the second Business Day falling prior to the due date of such payments. If any Registered Covered Bond holder transfers any Registered Covered Bond in accordance with Condition 19(c) (*Transfer of Registered Covered Bonds*) and the Trust Deed and such transfer is notified to the Issuer and the CBC prior to the close of business on the fifteenth Business Day before the due date for payment (the "**Record Date**"), the Issuer, the CBC and the 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. All payments in respect of Covered Bonds represented by a Registered Global Covered Bond will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January. If the notification of transfer of the relevant Registered Covered Bond is made after the close of business on the Record 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 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. Registered Covered Bonds will become void unless demand for payment is made within a period of five years after the Relevant Date (as defined in Condition 7 (*Taxation*)) therefor.

(f) ***Notices to holders of Registered Covered Bonds***

Notices to holders of Registered Definitive 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) after the date of mailing.

Until such time as any Registered Definitive Covered Bonds are issued, there may, so long as the Registered Covered Bond(s) is or are held in its or their entirety through DTC (or a nominee on its behalf), be substituted for such publication in any newspaper or website the delivery of the relevant notice to DTC (or a nominee on its behalf) for communication by them to the holders of the beneficial interests in Registered Covered Bonds, except for Registered Covered Bonds listed on the Luxembourg Stock Exchange. Any such notice delivered on or prior to 4.00 p.m. (local time) on a business day in the city in which it is delivered will be deemed to have been given to the holders of the Registered Covered Bonds on such business day. A notice delivered after 4.00 p.m. (local time) on a business day in the city in which it is delivered will be deemed to have



been given to the holders of the Registered Covered Bonds on the next following business day in such city.

(g) ***DTC***

For so long as any of the Registered Covered Bonds are represented by a Registered Global Covered Bond registered in the name of DTC (or a nominee on its behalf), each person (other than DTC (or a nominee on its behalf)) who is for the time being shown in the records of DTC as the holder of a particular nominal amount of such Registered Covered Bonds (in which regard any certificate or other document issued by DTC, as to such nominal amount of such Registered 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 Trustee as the holder of such nominal amount of such Registered 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 Registered Covered Bonds and voting rights, giving consents and making requests, for which purpose the registered holder of the relevant Registered Global Covered Bond shall be treated by the Issuer, the CBC, any Paying Agent and the Trustee as the holder of such nominal amount of such Registered Covered Bonds in accordance with and subject to the terms of the relevant Registered Covered Bonds Deed 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 Registered Covered Bonds as aforesaid, the 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 Trustee, be conclusive and binding on all concerned. Registered Covered Bonds which are represented by a Registered Global Covered Bond will be transferable only in accordance with the rules and procedures for the time being of DTC.

(h) ***Payments in respect of Registered Global Covered Bonds***

All amounts payable to DTC (or a nominee on its behalf) as holder of a Registered Global Covered Bond in respect of Covered Bonds denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Principal Paying Agent to an account in the relevant Specified Currency of one or more of the transfer agents (the "**Transfer Agents**") on behalf of DTC (or a nominee on its behalf) for payment in such Specified Currency or conversion into U.S. dollars in accordance with the provisions of the Agency Agreement.

(i) ***Payment Days***

For the purpose of Condition 5(e) (*Payment Day*), "**Payment Day**" means any day which (subject to Condition 8 (*Prescription*)) is in the case of any payment in respect of a Restricted Global Covered Bond denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC (or a nominee on its behalf) and, in respect of which an accountholder of DTC (with an interest in such Restricted Global Covered Bond) has elected to receive any part of such payment in U.S. dollars, not a day on which banking institutions are authorised or required by law or regulation to be closed in New York City.

(j) ***Transfer and Exchange of Registered Global Covered Bonds***

Registered Covered Bonds of each Tranche sold outside the United States to non-U.S. persons in accordance with Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**") will be represented by a permanent global Covered Bond in registered form (the "**Reg. S Global Covered Bond**") issued pursuant to a Registered Covered Bonds Deed and Registered Covered Bonds of each Tranche sold to qualified institutional buyers ("**QIBs**") (within the meaning of Rule 144A under the Securities Act ("**Rule 144A**")) in reliance on Rule 144A or to other U.S.

persons in transactions exempt from the registration requirements of the Securities Act will be represented by a permanent restricted global Covered Bond in registered form (the "**Restricted Global Covered Bond**" and, together with the "**Reg. S Global Covered Bond**", the "**Registered Global Covered Bonds**") issued pursuant to a Registered Covered Bonds Deed. Only Covered Bonds sold in reliance on Rule 144A can be sold in the United States or to U.S. persons. Beneficial interests in a Registered Global Covered Bond will be exchangeable and transferable only in accordance with the rules and operating procedures for the time being of DTC (the "**Applicable Procedures**").

Holders of beneficial interests in the Reg. S Global Covered Bond may transfer such interests, or may exchange such interests for beneficial interests in the Restricted Global Covered Bond, and owners of beneficial interests in the Restricted Global Covered Bond may transfer such interests, or may exchange such interests for beneficial interests in the Reg. S Global Covered Bond, in each case subject as provided below, to the provisions of the relevant Registered Covered Bonds Deed and to the Applicable Procedures.

In the case of Registered Definitive Covered Bonds issued in exchange for interests in the Registered Global Covered Bond, the deed of assignment pertaining to such exchange shall in relation to the relevant Registered Definitive Covered Bonds bear the legend set forth on the Registered Covered Bonds Deed pertaining to such Registered Global Covered Bond (the "**Legend**"). Upon the transfer or exchange of Registered Definitive Covered Bonds whose Registered Covered Bonds Deed or deed of assignment, as the case may be, bears the Legend or upon specific request for removal of the Legend, the Legend shall be maintained unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Interests in a Registered Global Covered Bond will be exchangeable, in whole but not in part, for Registered Definitive Covered Bonds if (i) DTC notifies the Issuer that it is unwilling or unable to continue as depositary with respect to such Registered Global Covered Bond, (ii) DTC ceases to be a "Clearing Agency" registered under the Exchange Act, or announces its intention permanently to cease business, and a successor depositary or alternative clearing system satisfactory to the Issuer and the Principal Paying Agent is not available or (iii) an Issuer Event of Default has occurred and is continuing with respect to such Covered Bonds. Upon the occurrence of any of the events described in the preceding sentence, the Issuer will cause the appropriate interests in the relevant Registered Global Covered Bond to be exchanged for Registered Definitive Covered Bonds in accordance with the Agency Agreement, the Trust Deed and the relevant Registered Covered Bonds Deed.

If a holder of a beneficial interest in a Reg. S Global Covered Bond wishes at any time to exchange its interest in such Reg. S Global Covered Bond for an equivalent interest in a Restricted Global Covered Bond, or to transfer its interest, in whole or in part, such holder may, subject to the rules and procedures of the Registrar and in accordance with the Agency Agreement, the Trust Deed and the relevant Registered Covered Bonds Deed, exchange or transfer, as the case may be, such interest upon certification to the effect that (i) the exchange or transfer of such interest has been made in compliance with the transfer restrictions applicable to the Registered Covered Bond under U.S. law and pursuant to and in accordance with Regulation S, where applicable, and (ii) if applicable, such exchange has been made in compliance with the requirements of Rule 144A.

Transfers between participants in DTC will be effected in the ordinary way in accordance with the Applicable Procedures and will be settled in same-day funds.

Transfers by the holder of a beneficial interest in a Restricted Global Covered Bond to a transferee who takes delivery of such interest through the Reg. S Global Covered Bond will be made only upon receipt by the Registrar of a written certification from the transferor to the effect that such transfer is being made in accordance with Regulation S or, if applicable, that the interest in the Covered Bond being transferred is not a

"restricted security" within the meaning of Rule 144A. Investors holding a beneficial interest in a Restricted Global Covered Bond who propose any such transfer must notify the Registrar and, subject to compliance with the provisions of the Agency Agreement, the Trust Deed and the relevant Registered Covered Bonds Deed, the Registrar shall take such action as appropriate to register the transfer of such beneficial interest in the Covered Bonds to or for the account of the purchaser. The Issuer shall not permit any such transfers unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel that such transfer is in compliance with the Securities Act; provided however, that the restriction in this sentence shall not apply to any transfers of an interest in a Covered Bond pursuant to Regulation S or of an interest in a Covered Bond which does not constitute a restricted security, within the meaning of Rule 144A.

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Definitive Covered Bond initially represented by a Registered Global Covered Bond may be transferred in whole or in part upon the Registrar, after due and careful enquiry, being satisfied with the documents of title and the identity of the person making the request and subject to such reasonable regulations as the Issuer and the Registrar may prescribe, including any restrictions imposed by the Issuer on transfers of Registered Covered Bonds originally sold to a U.S. person. In addition, if the Registered Definitive Covered Bond being transferred is the object of a Registered Covered Bonds Deed or a deed of assignment, as the case may be, containing a Legend, additional certificates, to the effect that such exchange or transfer is in compliance with the restrictions contained in such Legend, may be required.

The costs and expenses of effecting any exchange or registration of transfer pursuant to the foregoing provisions (except for the expenses of delivery by other than regular mail (if any) and, if the Issuer shall so require, for the payment of a sum sufficient to cover any tax or other governmental charge or insurance charges that may be imposed in relation thereto which will be borne by the Covered Bondholder) will be borne by the Issuer.

(k) **Purchases**

All Registered Covered Bonds which are purchased by the Issuer and transferred to the Issuer will extinguish by operation of law (*tenietgaan door vermenging*). Therefore such repurchased Registered Covered Bonds cannot be held, reissued or resold. The Issuer shall send a notification of such repurchase to the Principal Paying Agent and the Registrar.

## 1.4 TAXATION

*The following is a general description of certain Dutch tax considerations relating to the Covered Bonds and certain U.S. federal income tax considerations relating to an investment in the Covered Bonds. It does not purport to be a complete analysis of all tax considerations relating to the Covered Bonds, whether in those countries or elsewhere. Prospective purchasers of Covered Bonds should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Covered Bonds and receiving payments of interest, principal and/or other amounts under the Covered Bonds and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.*

### **Dutch taxation**

*The following summary of certain Dutch taxation matters is based on the laws, published case law and practice in force as of the date of this Covered Bonds Programme Base Prospectus and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of a Covered Bond, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules.*

*For the purpose of this summary it is assumed that no holder of a Covered Bond has or will have (or is treated as having) a substantial interest in the Issuer.*

*Generally speaking, a holder of a Covered Bond has a substantial interest in the Issuer if one has, directly or indirectly (and, in the case of an individual, alone or together with certain relatives) (I) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5 per cent. or more of either the total issued and outstanding capital of the Issuer or the issued and outstanding capital of any class of shares of the Issuer, or (II) the ownership of, or certain rights over, profit participating certificates (winstbewijzen) that relate to 5 per cent. or more of either the annual profit or the liquidation proceeds of the Issuer.*

*For the purpose of this summary, the term "**entity**" means a corporation as well as any other person that is taxable as a corporation for Dutch corporate tax purposes.*

*For the purpose of this summary, the term "**holder**" means an individual or an entity that is, by the tax authorities of the relevant jurisdiction, considered the beneficial owner (uiteindelijk gerechtigde) of the Covered Bond and/or of the benefits derived from the Covered Bond.*

*With the exception of the section on withholding tax below, this summary does not address the Netherlands tax consequences for:*

- (i) *Covered Bondholders that are corporate entities and resident of Aruba, Curaçao or Sint Maarten; and*
- (ii) *persons to whom the Covered Bonds and the income from the Covered Bonds are attributed based on the separated private assets (afgezonderd particulier vermogen) provisions of the Netherlands Income Tax Act 2001 (Wet inkomstenbelasting 2001) and the Netherlands Gift and Inheritance Tax Act (Successiewet 1956).*

***Investors should consult their professional advisers on the tax consequences of their acquiring, holding and disposing of a Covered Bond.***

### **1. Withholding tax**

All payments made by the Issuer of interest and principal under the Covered Bonds can be made free of withholding or deduction of any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.

## 2. Taxes on income and capital gains

### *Residents*

#### *Resident entities*

An entity holding a Covered Bond which is, or is deemed to be, resident in The Netherlands for corporate tax purposes and which is not tax exempt, will generally be subject to corporate tax in respect of income or a capital gain derived from a Covered Bond at rates up to 25 per cent.

#### *Resident individuals*

An individual holding a Covered Bond who is, or is deemed to be, resident in The Netherlands for income tax purposes will be subject to income tax in respect of income or a capital gain derived from a Covered Bond at rates up to 52 per cent. if:

- (i) the income or capital gain is attributable to an enterprise from which the holder derives profits (other than as a shareholder); or
- (ii) the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) as defined in the Income Tax Act (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor (ii) applies, an individual holding a Covered Bond will be subject to income tax on the basis of a deemed return, regardless of any actual income or capital gain derived from a Covered Bond. The deemed return amounts to 4 per cent. of the value of the individual's net assets at the start of the relevant fiscal year (including the Covered Bond). Subject to application of personal allowances, the deemed return will be taxed at a rate of 30 per cent.

#### *Non-residents*

A holder of a Covered Bond which is not, and is not deemed to be, resident in The Netherlands for the relevant tax purposes will not be subject to taxation on income or a capital gain derived from a Covered Bond unless:

- (i) the income or capital gain is attributable to an enterprise or part thereof which is either effectively managed in The Netherlands or carried on through a permanent establishment (*vaste inrichting*) or permanent representative (*vaste vertegenwoordiger*) in The Netherlands; or
- (ii) the holder is an individual and the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in The Netherlands as defined in the Income Tax Act (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

## 3. Gift and inheritance taxes

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of a Covered Bond by way of gift by, or on the death of, a holder of a Covered Bond, unless:

- (i) the holder of a Covered Bond is, or is deemed to be, resident in The Netherlands for the purpose of the relevant provisions; or
- (ii) the transfer is construed as an inheritance or gift 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 the purpose of the relevant provisions.

4. **Value added tax**

The issuance or transfer of a Covered Bond, and payments of interest and principal under a Covered Bond, will not be subject to value added tax in The Netherlands.

5. **Other taxes and duties**

The subscription, issue, placement, allotment, delivery or transfer of a Covered Bond will not be subject to registration tax, stamp duty or any other similar tax or duty payable in The Netherlands.

6. **Residence**

A holder of a Covered Bond will not be, or deemed to be, resident in The Netherlands for tax purposes and, subject to the exceptions set out above, will not otherwise be subject to Dutch taxation, by reason only of acquiring, holding or disposing of a Covered Bond or the execution, performance, delivery and/or enforcement of a Covered Bond.

7. **EU Council Directive on Taxation of Savings Income**

The EU has adopted a Directive regarding the taxation of savings income. The Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual or to certain other persons in another Member State, except that Austria may instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

A number of third countries and territories have adopted similar measures to the EU Directive.

**United States taxation**

*Unless otherwise specified, the following discussion applies only to Covered Bonds issued in registered form pursuant to Rule 144A.*

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Covered Bonds by U.S. Holders. This summary does not address the material U.S. federal income tax consequences of every type of Covered Bond which may be issued under the Programme, and the relevant Final Terms may contain additional or modified disclosure concerning the U.S. federal income tax consequences relevant to such type of Covered Bond as appropriate.

Bearer Covered Bonds are not being offered to U.S. Holders. A U.S. Holder, with certain exceptions, that comes to hold a Bearer Covered Bond will not be entitled to deduct any loss on Covered Bonds issued in bearer form, receipts or interest coupons and will not be entitled to capital gains treatment with respect to any gain on any sale, disposition, redemption or payment of principal in respect of such Covered Bonds issued in bearer form, receipts or interest coupons. U.S. holders should consult their tax advisors regarding the U.S. federal income and other tax consequences of the acquisition, ownership and disposition of Covered Bonds issued in bearer form.

This summary deals only with purchasers of Covered Bonds that will hold the Covered Bonds as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Covered Bonds by particular investors, and does not address state, local, foreign or other tax laws. In particular, this summary does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax or the net investment income tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers

in securities or currencies, investors that will hold the Covered Bonds as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. dollar). Moreover, the summary deals only with Covered Bonds with a term of 30 years or less. The U.S. federal income tax consequences of owning Covered Bonds with a longer term may be discussed in the relevant Final Terms.

As used herein, the term "**U.S. Holder**" means a beneficial owner of Covered Bonds that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust, if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

For purposes of this discussion, "**Non-U.S. Holder**" means any beneficial owner of Covered Bonds that is not a U.S. Holder and that for U.S. federal income tax purposes is (i) a foreign corporation, (ii) a non-resident alien individual or (iii) a foreign estate or trust all of whose beneficiaries are Non-U.S. Holders.

The U.S. federal income tax treatment of a partner in an entity treated as a partnership for U.S. federal income tax purposes that holds Covered Bonds will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities treated as partnerships should for U.S. federal income tax purposes consult their tax adviser concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of Covered Bonds by the partnership.

This summary is based on the tax laws of the United States including the Internal Revenue Code of 1986 (the "**Code**"), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions all as in effect at the date of the Base Prospectus and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE COVERED BONDS, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

The following discussion assumes that the Covered Bonds will be treated as debt for U.S. federal income tax purposes. Depending on the restrictions that may apply to payments of interest on and principal of Covered Bonds in a particular Series, it is possible that those Covered Bonds may be treated as equity or as some other form of instrument such as a forward contract or option. The tax treatment of Covered Bonds that have a significant likelihood of being characterised as other than debt may be discussed in the relevant Final Terms. Even if Covered Bonds in a Series are treated as debt, restrictions on payments may cause the Covered Bonds to be treated as Contingent Covered Bonds, which are subject to special rules described below under "*Original Issue Discount — Contingent Payment Debt Instruments*."

## **U.S. Holders**

### ***Payments of interest***

Interest on a Covered Bond, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars (a "**foreign currency**"), other than interest on a "Discount Covered Bond" that is not "qualified stated interest" (each as defined below under "*Original issue discount — General*"), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for tax purposes. Interest on the Covered Bonds and OID, if any, accrued with respect to the Covered Bonds (as described below under "*Original issue discount*") generally will constitute income from sources outside the United States if paid on Covered Bonds issued by the Issuer.

## ***Original issue discount***

### ***General***

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Covered Bonds issued with original issue discount ("**OID**").

A Covered Bond, other than a Covered Bond with a term of one year or less (a "**Short-Term Covered Bond**"), will be treated as issued with OID (a "**Discount Covered Bond**") if the excess of the Covered Bond's "stated redemption price at maturity" over its issue price is equal to or more than a *de minimis* amount (0.25 per cent. of the Covered Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an "**instalment obligation**") will be treated as a Discount Covered Bond if the excess of the Covered Bond's stated redemption price at maturity over its issue price is equal to or greater than 0.25 per cent. of the Covered Bond's stated redemption price at maturity multiplied by the weighted average maturity of the Covered Bond. A Covered Bond's weighted average maturity is the sum of the following amounts determined for each payment on a Covered Bond (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Covered Bond's stated redemption price at maturity. Generally, the issue price of a Covered Bond will be the first price at which a substantial amount of Covered Bonds included in the issue of which the Covered Bond is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Covered Bond is the total of all payments provided by the Covered Bond that are not payments of "qualified stated interest". A qualified stated interest payment generally is any one of a series of stated interest payments on a Covered Bond that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under "*Variable Interest Rate Covered Bonds*"), applied to the outstanding principal amount of the Covered Bond. Solely for the purposes of determining whether a Covered Bond has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Covered Bond, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Covered Bond.

U.S. Holders of Discount Covered Bonds must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Covered Bonds. The amount of OID includable in income by a U.S. Holder of a Discount Covered Bond is the sum of the daily portions of OID with respect to the Discount Covered Bond for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Covered Bond ("**Accrued OID**"). The daily portion is determined by allocating to each day in any "accrual period" a *pro rata* portion of the OID allocable to that accrual period. Accrual periods with respect to a Covered Bond may be of any length selected by the U.S. Holder and may vary in length over the term of the Covered Bond as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Covered Bond occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Covered Bond's adjusted issue price at the beginning of the accrual period and the Discount Covered Bond's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Covered Bond allocable to the accrual period. The "adjusted issue price" of a Discount Covered Bond at the beginning of any accrual period is the issue price of the Covered Bond increased by (x) the amount of Accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Covered Bond that were not qualified stated interest payments.

### ***Acquisition premium***

A U.S. Holder that purchases a Discount Covered Bond for an amount less than or equal to the sum of all amounts payable on the Covered Bond after the purchase date, other than payments of



qualified stated interest, but in excess of its adjusted issue price (any such excess being "acquisition premium") and that does not make the election described below under "*Election to treat all interest as original issue discount*", is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Covered Bond immediately after its purchase over the Covered Bond's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Covered Bond after the purchase date, other than payments of qualified stated interest, over the Covered Bond's adjusted issue price.

#### *Market Discount*

A Covered Bond, other than a Short-Term Covered Bond, generally will be treated as purchased at a market discount (a "**Market Discount Covered Bond**") if the Covered Bond's stated redemption price at maturity or, in the case of a Discount Covered Bond, the Covered Bond's "revised issue price", exceeds the amount for which the U.S. Holder purchased the Covered Bond by at least 0.25 per cent. of the Covered Bond's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Covered Bond's maturity. If this excess is not sufficient to cause the Covered Bond to be a Market Discount Covered Bond, then the excess constitutes "*de minimis* market discount". For this purpose, the "revised issue price" of a Covered Bond generally equals its issue price, increased by the amount of any OID that has accrued on the Covered Bond and decreased by the amount of any payments previously made on the Covered Bond that were not qualified stated interest payments.

Under current law, any gain recognised on the maturity or disposition of a Market Discount Covered Bond (including any payment on a Covered Bond that is not qualified stated interest) will be treated as ordinary income to the extent that the gain does not exceed the accrued market discount on the Covered Bond. Alternatively, a U.S. Holder of a Market Discount Covered Bond may elect to include market discount in income currently over the life of the Covered Bond. This election shall apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the Internal Revenue Service (the "**IRS**"). A U.S. Holder of a Market Discount Covered Bond that does not elect to include market discount in income currently generally will be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Covered Bond that is in excess of the interest and OID on the Covered Bond includable in the U.S. Holder's income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Covered Bond was held by the U.S. Holder.

Under current law, market discount will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. This election applies only to the Market Discount Covered Bond with respect to which it is made and is irrevocable.

#### *Election to treat all interest as original issue document*

A U.S. Holder may elect to include in gross income all interest that accrues on a Covered Bond using the constant-yield method described above under "*Original issue discount — General*", with certain modifications. For purposes of this election, interest includes stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium (described below under "*Covered Bonds Purchased at a Premium*") or acquisition premium. This election generally will apply only to the Covered Bond with respect to which it is made and may not be revoked without the consent of the IRS. If the election to apply the constant-yield method to all interest on a Covered Bond is made with respect to a Market Discount Covered Bond, the electing U.S. Holder will be treated as having made the election discussed above under "*Market Discount*" to include market discount in income currently over the life of all debt instruments with market discount that are acquired on or after the first day of the taxable year to which the election applies. Holders should consult their tax advisers concerning the propriety and consequences of this election.

#### *Variable Interest Rate Covered Bonds*

Covered Bonds that provide for interest at variable rates ("**Variable Interest Rate Covered Bonds**") generally will bear interest at a "qualified floating rate" and thus will be treated as "variable rate debt instruments" under Treasury regulations governing accrual of OID. A Variable Interest Rate Covered Bond will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total noncontingent principal payments due under the Variable Interest Rate Covered Bond by more than a specified *de minimis* amount, (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A "**qualified floating rate**" is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Covered Bond is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Covered Bond (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Covered Bond's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate unless the cap or floor is fixed throughout the term of the Covered Bond.

An "**objective rate**" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), such as dividends, profits or the value of the Issuer's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Covered Bond will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Covered Bond's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Covered Bond's term. A "**qualified inverse floating rate**" is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Covered Bond provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Covered Bond's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A "current value" of a rate is the value of the rate on any day that is no earlier than 3 months prior to the first day on which that value is in effect and no later than 1 year following that first day.

If a Variable Interest Rate Covered Bond that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument", then any stated interest on the Covered Bond which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least

annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Covered Bond that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a "variable rate debt instrument" generally will not be treated as having been issued with OID unless the Variable Interest Rate Covered Bond is issued at a "true" discount (i.e., at a price below the Covered Bond's stated principal amount) in excess of a specified *de minimis* amount. OID on a Variable Interest Rate Covered Bond arising from "true" discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Covered Bond.

In general, any other Variable Interest Rate Covered Bond that qualifies as a "variable rate debt instrument" will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Covered Bond. Such a Variable Interest Rate Covered Bond must be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Covered Bond with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Covered Bond's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Covered Bond is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Covered Bond. In the case of a Variable Interest Rate Covered Bond that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate initially is converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Covered Bond provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Covered Bond as of the Variable Interest Rate Covered Bond's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Covered Bond is converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Covered Bond is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general OID rules to the "equivalent" fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Covered Bond will account for the OID and qualified stated interest as if the U.S. Holder held the "equivalent" fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Covered Bond during the accrual period.

If a Variable Interest Rate Covered Bond, such as a Covered Bond the payments on which are determined by reference to an index, does not qualify as a "variable rate debt instrument", then the Variable Interest Rate Covered Bond will be treated as a contingent payment debt obligation, subject to the treatment described below.

#### *Contingent payment debt instruments*

Certain Series or Tranches of Covered Bonds may be treated as "contingent payment debt instruments" for U.S. federal income tax purposes ("**Contingent Covered Bonds**"). Under applicable U.S. Treasury regulations interest on Contingent Covered Bonds will be treated as OID, and must be accrued on a constant-yield basis based on a yield to maturity that reflects the rate at which the Issuer would issue a comparable fixed-rate non-exchangeable instrument (the "**comparable yield**"), in accordance with a projected payment schedule. This projected payment

schedule must include each non-contingent payment on the Covered Bond and an estimated amount for each contingent payment, and must produce the comparable yield.

The Issuer is required to provide to holders, solely for U.S. federal income tax purposes, a schedule of the projected amounts of payments on Contingent Covered Bonds. This schedule must produce the comparable yield.

THE COMPARABLE YIELD AND PROJECTED PAYMENT SCHEDULE WILL NOT BE DETERMINED FOR ANY PURPOSE OTHER THAN FOR THE DETERMINATION OF INTEREST ACCRUALS AND ADJUSTMENTS THEREOF IN RESPECT OF CONTINGENT COVERED BONDS FOR UNITED STATES FEDERAL INCOME TAX PURPOSES AND WILL NOT *CONSTITUTE* A PROJECTION OR REPRESENTATION REGARDING THE ACTUAL AMOUNTS PAYABLE TO THE HOLDERS OF THE COVERED BONDS.

A U.S. Holder of a Contingent Covered Bond generally will be required to include OID in income pursuant to the rules discussed in the third paragraph under "*Original issue discount – General*" above, applied to the projected payment schedule. The "adjusted issue price" of a Covered Bond at the beginning of any accrual period is the issue price of the Covered Bond increased by the amount of Accrued OID for each prior accrual period, and decreased by the projected amount of any payments made on the Covered Bond. No additional income will be recognised upon the receipt of payments of stated interest in amounts equal to the annual payments included in the projected payment schedule described above. Any differences between actual payments received by the U.S. Holder on the Covered Bonds in a taxable year and the projected amount of those payments will be accounted for as additional interest (in the case of a positive adjustment) or as an offset to interest income in respect of the Covered Bond (in the case of a negative adjustment), for the taxable year in which the actual payment is made. If the negative adjustment for any taxable year exceeds the amount of OID on the Contingent Covered Bond for that year, the excess will be treated as an ordinary loss, but only to the extent the U.S. Holder's total OID inclusions on the Contingent Covered Bond exceed the total amount of any ordinary loss in respect of the Contingent Covered Bond claimed by the U.S. Holder under this rule in prior taxable years. Any negative adjustment that is not allowed as an ordinary loss for the taxable year is carried forward to the next taxable year, and is taken into account in determining whether the U.S. Holder has a net positive or negative adjustment for that year. However, any negative adjustment that is carried forward to a taxable year in which the Contingent Covered Bond is sold, exchanged or retired reduces the U.S. Holder's amount realised on the sale, exchange or retirement.

If a Series is subject to the contingent payment debt instrument rules, the Issuer will provide information regarding the comparable yield and the projected payment schedule for the Series. The use of the comparable yield and the calculation of the projected payment schedule is based upon a number of assumptions and estimates and is not a prediction, representation or guarantee of the actual amounts of interest that may be paid to a U.S. Holder or the actual yield of the Covered Bonds. A U.S. Holder generally will be bound by the comparable yield and the projected payment schedule determined by the Issuer, unless the U.S. Holder determines its own comparable yield and projected payment schedule and explicitly discloses such schedule to the IRS, and explains to the IRS the reason for preparing its own schedule. The Issuer's determination, however, is not binding on the IRS, and it is possible that the IRS could conclude that some other comparable yield or projected payment schedule should be used instead.

#### *Short-Term Covered Bonds*

In general, an *individual* or other cash basis U.S. Holder of a Short-Term Covered Bond is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Covered Bonds on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the Short-Term Covered Bond will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. Holders who are not

required and do not elect to accrue OID on Short-Term Covered Bonds will be required to defer deductions for interest on borrowings allocable to Short-Term Covered Bonds in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Covered Bond are included in the Short-Term Covered Bond's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Covered Bond as if the Short-Term Covered Bond had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Covered Bond. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

#### *Fungible Issue*

The Issuer may, without the consent of the Holders of outstanding Covered Bonds, issue additional Covered Bonds with identical terms. These additional Covered Bonds, even if they are treated for non-tax purposes as part of the same series as the original Covered Bonds, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional Covered Bonds may be considered to have been issued with OID even if the original Covered Bonds had no OID, or the additional Covered Bonds may have a greater amount of OID than the original Covered Bonds. These differences may affect the market value of the original Covered Bonds if the additional Covered Bonds are not otherwise distinguishable from the original Covered Bonds.

#### *Covered Bonds purchased at a premium*

A U.S. Holder that purchases a Covered Bond for an amount in excess of its principal amount, or for a Discount Covered Bond, its stated redemption price at maturity, may elect to treat the excess as "amortisable bond premium", in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Covered Bond will be reduced by the amount of amortisable bond premium allocable (based on the Covered Bond's yield to maturity) to that year. Any election to amortise bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also "*Original issue discount — Election to treat all interest as original issue discount*".

#### *Substitution of Issuer*

The terms of the Covered Bonds provide that, in certain circumstances, the obligations of the Issuer under the Covered Bonds may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of Covered Bonds by a U.S. Holder in exchange for new Covered Bonds issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new covered bonds (as determined for U.S. federal income tax purposes), and the U.S. Holder's tax basis in the Covered Bonds. U.S. Holders should consult their tax advisers concerning the U.S. federal income tax consequences to them of a change in obligor with respect to the Covered Bonds.

#### *Purchase, sale and retirement of Covered Bonds*

##### *Covered Bonds other than Contingent Covered Bonds*

A U.S. Holder's tax basis in a Covered Bond generally will be its cost, increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Covered Bond and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder's income with respect to the Covered Bond, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the Covered Bond.

A U.S. Holder generally will recognise gain or loss on the sale or retirement of a Covered Bond equal to the difference between the amount realised on the sale or retirement and the tax basis of the Covered Bond. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent described above under "*Original issue discount — Market Discount*" or "*Original issue discount — Short Term Covered Bonds*" or attributable to changes in exchange rates (as discussed below), gain or loss recognised on the sale or retirement of a Covered Bond will be capital gain or loss and will be long term capital gain or loss if the U.S. Holder's holding period in the Covered Bonds exceeds one year. Gain or loss realised by a U.S. Holder on the sale or retirement of a Covered Bond generally will be U.S. source.

#### *Contingent Covered Bonds*

Gain from the sale or retirement of a Contingent Covered Bond will be treated as interest income taxable at ordinary income (rather than capital gains) rates. Any loss will be ordinary loss to the extent that the U.S. Holder's total interest inclusions to the date of sale or retirement exceed the total net negative adjustments that the U.S. Holder took into account as ordinary loss, and any further loss will be capital loss. Gain or loss realised by a U.S. Holder on the sale or retirement of a Contingent Covered Bond issued by the Issuer generally will be foreign source.

A U.S. Holder's tax basis in a Contingent Covered Bond generally will be equal to its cost, increased by the amount of interest previously accrued with respect to the Covered Bond (determined without regard to any positive or negative adjustments reflecting the difference between actual payments and projected payments), increased or decreased by the amount of any positive or negative adjustment that the Holder is required to make to account for the difference between the Holder's purchase price for the Covered Bond and the adjusted issue price of the Covered Bond at the time of the purchase, and decreased by the amount of any projected payments scheduled to be made on the Covered Bond to the U.S. Holder through such date (without regard to the actual amount paid).

#### *Foreign Currency Covered Bonds*

##### *Interest*

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Covered Bond) denominated in, or determined by reference to, a foreign currency, the U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received

(translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

#### *OID*

OID for each accrual period on a Discount Covered Bond that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Covered Bond or a sale of the Covered Bond), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

#### *Market Discount*

Market Discount on a Covered Bond that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognise U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognise, upon the disposition or maturity of the Covered Bond, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

#### *Bond premium*

Bond premium (including acquisition premium) on a Covered Bond that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency. On the date bond premium offsets interest income, a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the amount offset by the difference between the spot rate in effect on the date of the offset, and the spot rate in effect on the date the Covered Bonds were acquired by the U.S. Holder. A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognise a market loss when the Covered Bond matures.

#### *Foreign Currency Contingent Covered Bonds*

Special rules apply to determine the accrual of OID, and the amount, timing, source and character of any gain or loss on a Contingent Covered Bond that is denominated in, or determined by reference to, a foreign currency (a "**Foreign Currency Contingent Covered Bond**"). The rules applicable to Foreign Currency Contingent Covered Bonds are complex, and U.S. Holders are urged to consult their tax advisers concerning the application of these rules.

Under these rules, a U.S. Holder of a Foreign Currency Contingent Covered Bond generally will be required to accrue OID in the foreign currency in which the Foreign Currency Contingent Covered Bond is denominated (i) at a yield at which the Issuer would issue a fixed rate debt instrument denominated in the same foreign currency with terms and conditions similar to those of the Foreign Currency Contingent Covered Bond, and (ii) in accordance with a projected payment schedule determined by the Issuer, under rules similar to those described above under "*Contingent payment debt instruments*". The amount of OID on a Foreign Currency Contingent Covered Bond that accrues in any accrual period will be the product of the comparable yield of the Foreign Currency Contingent Covered Bond (adjusted to reflect the length of the accrual period) and the adjusted issue price of the Foreign Currency Contingent Covered Bond. The adjusted issue price of a Foreign Currency Contingent Covered Bond generally will be

determined under the rules described above, and will be denominated in the foreign currency of the Foreign Currency Contingent Covered Bond.

OID on a Foreign Currency Contingent Covered Bond will be translated into U.S. dollars under translation rules similar to those described above under "*Foreign Currency Covered Bonds — Interest*". Any positive adjustment (i.e. the excess of actual payments over projected payments) in respect of a Foreign Currency Contingent Covered Bond for a taxable year will be translated into U.S. dollars at the spot rate on the last day of the taxable year in which the adjustment is taken into account, or if earlier, the date on which the Foreign Currency Contingent Covered Bonds is disposed of. The amount of any negative adjustment on a Foreign Currency Contingent Covered Bond (i.e. the excess of projected payments over actual payments) that is offset against accrued but unpaid OID will be translated into U.S. dollars at the same rate as which such OID was accrued. To the extent a net negative adjustment exceeds the amount of accrued but unpaid OID, the negative adjustment will be treated as offsetting OID that has accrued and been paid on the Foreign Currency Contingent Covered Bond, and will be translated into U.S. dollars at the spot rate on the date the Foreign Currency Contingent Covered Bond was issued. Any net negative adjustment carry forward will be carried forward in the relevant foreign currency.

#### *Sale or retirement*

- Covered Bonds other than Foreign Currency Contingent Covered Bonds

As discussed above under "*Purchase, sale and retirement of Covered Bonds*", a U.S. Holder generally will recognise gain or loss on the sale or retirement of a Covered Bond equal to the difference between the amount realised on the sale or retirement and its tax basis in the Covered Bond. A U.S. Holder's tax basis in a Covered Bond that is denominated in a foreign currency will be determined by reference to the U.S. dollar cost of the Covered Bond. The U.S. dollar cost of a Covered Bond purchased with foreign currency generally will be the U.S. dollar value of the purchase price on the date of purchase or, the settlement date for purchase in the case of Covered Bonds traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects).

The amount realised on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement or, the settlement date for purchase in the case of Covered Bonds traded on an established securities market, as defined in the applicable Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognise U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Covered Bond equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Covered Bond (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Covered Bond. Any such exchange rate gain or loss will be realised only to the extent of total gain or loss realised on the sale or retirement (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest).

- Foreign Currency Contingent Covered Bonds

Upon a sale, exchange or retirement of a Foreign Currency Contingent Covered Bond, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement and the U.S. Holder's tax basis in the Foreign Currency Contingent Covered Bond, both translated into U.S. dollars as described below. A U.S. Holder's tax basis in a Foreign Currency Contingent Covered Bond will equal (i) the cost thereof (translated into U.S. dollars at the spot rate on the issue date), (ii) increased by the amount of OID previously accrued on the Foreign Currency Contingent Covered Bond (disregarding any positive or negative adjustments and translated into U.S. dollars using the exchange rate applicable to such OID) and (iii) decreased by the projected amount of all prior payments in respect of the Foreign



Currency Contingent Covered Bond. The U.S. dollar amount of the projected payments described in clause (iii) of the preceding sentence is determined by (i) first allocating the payments to the most recently Accrued OID to which prior amounts have not already been allocated and translating those amounts into U.S. dollars at the rate at which the OID was accrued and (ii) then allocating any remaining amount to principal and translating such amount into U.S. dollars at the spot rate on the date the Foreign Currency Contingent Covered Bond was acquired by the U.S. Holder. For this purpose, any Accrued OID reduced by a negative adjustment carry forward will be treated as principal.

The amount realized by a U.S. Holder upon the sale, exchange or retirement of a Foreign Currency Contingent Covered Bond will equal the amount of cash and the fair market value (determined in foreign currency) of any property received. If a U.S. Holder holds a Foreign Currency Contingent Covered Bond until its scheduled maturity, the U.S. dollar equivalent of the amount realized will be determined by separating such amount realized into principal and one or more OID components, based on the principal and OID comprising the U.S. Holder's basis, with the amount realized first allocated to OID (and allocated to the most recently accrued amounts first) and any remaining amounts allocated to principal. The U.S. dollar equivalent of the amount realized upon a sale, exchange or unscheduled retirement of a Foreign Currency Contingent Covered Bond will be determined in a similar manner, but first will be allocated to principal and then any Accrued OID (and will be allocated to the earliest accrued amounts first). Each component of the amount realized will be translated into U.S. dollars using the exchange rate used with respect to the corresponding principal or Accrued OID. The amount of any gain realized upon a sale, exchange or unscheduled retirement of a Foreign Currency Contingent Covered Bond will be equal to the excess of the amount realized over the holder's tax basis, both expressed in foreign currency, and will be translated into U.S. dollars using the spot rate on the payment date. Gain from the sale or retirement of a Foreign Currency Contingent Covered Bond generally will be treated as interest income taxable at ordinary income (rather than capital gains) rates. Any loss will be ordinary loss to the extent that the U.S. Holder's total OID inclusions to the date of sale or retirement exceed the total net negative adjustments that the U.S. Holder took into account as ordinary loss, and any further loss will be capital loss. Gain or loss realized by a U.S. Holder on the sale or retirement of a Foreign Currency Contingent Covered Bond issued by the Issuer generally will be foreign source.

A U.S. Holder also will recognize U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the receipt of foreign currency in respect of a Foreign Currency Contingent Covered Bond if the exchange rate in effect on the date the payment is received differs from the rate applicable to the principal or Accrued OID to which such payment relates.

### ***Disposition of Foreign Currency***

Foreign currency received as interest on a Covered Bond or on the sale or retirement of a Covered Bond will have a tax basis equal to its U.S. dollar value at the time the interest is received or at the time of the sale or retirement. Foreign currency that is purchased generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a foreign currency (including its use to purchase Covered Bonds or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

### ***Backup withholding and information reporting***

In general, payments of interest and accruals of OID on, and the proceeds of a sale, redemption or other disposition of, the Covered Bonds, payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments, including accruals of OID, if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders are not subject to backup withholding.

U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

### ***Reportable transactions***

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. Holder may be required to treat a foreign currency exchange loss from the Covered Bonds as a reportable transaction if the loss exceeds U.S.\$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders. In the event the acquisition, holding or disposition of Covered Bonds constitutes participation in a "reportable transaction" for purposes of these rules, a U.S. Holder will be required to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of U.S.\$10,000 in the case of a natural person and U.S.\$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. In addition, the Issuer and its advisers may also be required to disclose the transaction to the IRS, and to maintain a list of U.S. Holders, and to furnish this list and certain other information to the IRS upon written request. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules to the acquisition, holding or disposition of Covered Bonds.

### ***Foreign financial asset reporting***

Certain U.S. Holders may be subject to reporting requirements on their ownership of certain foreign financial assets, including debt of foreign entities, if the aggregate value of all of these assets exceeds U.S.\$50,000 at the end of the taxable year or U.S.\$75,000 at any time during a taxable year (or, for certain individuals living outside the United States and married individuals filing joint returns, certain higher thresholds). The Covered Bonds are expected to constitute foreign financial assets subject to these requirements unless the Covered Bonds are held in an account at a financial institution (in which case the account may be reportable if maintained by a foreign financial institution). U.S. Holders should consult their tax advisors regarding the application of this legislation.

### ***U.S. Foreign Account Tax Compliance Withholding***

The foreign account tax compliance provisions of the Hiring Incentives to Restore Employment Act of 2010 ("**FATCA**") impose a withholding tax of 30 per cent. on (i) certain U.S. source payments and (ii) payments of gross proceeds from the disposition of assets that produce U.S. source interest or dividends made to persons that fail to meet certain certification or reporting requirements. In order to avoid becoming subject to this withholding tax, non-U.S. financial institutions generally must enter into agreements with the IRS ("**IRS Agreements**") (as described below) or comply with the terms of an applicable intergovernmental agreement entered into pursuant to FATCA.

The United States has entered into an intergovernmental agreement regarding the implementation of FATCA with the Netherlands (the "**Netherlands IGA**"). Under the Netherlands IGA, as currently drafted, the Issuer does not expect non-U.S. source payments made on or with respect to the Covered Bonds to be subject to withholding under FATCA. However, significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments made on or with respect to the Covered Bonds in the future.

If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Covered Bonds as a result of FATCA, none of the Issuer, the Guarantor, any paying agent or any other person would, pursuant to the Terms and Conditions of the Covered Bonds, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

Whilst the Covered Bonds are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Covered Bonds by the Issuer, the Guarantor, any paying agent and the Common Safekeeper,

given that each of the entities in the payment chain between the Issuer and the participants in the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Covered Bonds. The documentation expressly contemplates the possibility that the Covered Bonds may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Covered Bonds will only be printed in remote circumstances.

**FATCA is particularly complex and its application to the Issuer, the CBC, the Covered Bonds and the Covered Bondholders is subject to change. Each Covered Bondholder should consult its own tax adviser to obtain a more detailed explanation of FATCA and to learn how FATCA might affect each Covered Bondholder in its particular circumstance.**

#### **ERISA and certain other U.S. considerations**

The U.S. Employee Retirement Income Security Act of 1974, as amended (ERISA), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "**ERISA Plans**") and on those persons who are fiduciaries with respect to ERISA Plans.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "**Plans**")) and certain persons (referred to as "**parties in interest**" or "**disqualified persons**") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. In particular, a sale or exchange of property or an extension of credit between a Plan and a "**party in interest**" or "**disqualified person**" may constitute a prohibited transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes or other liabilities under ERISA and the Code. Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any Covered Bonds are acquired by a Plan with respect to which the Issuer, the CBC, the Arranger or the Dealers or any of their respective affiliates are a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire Covered Bonds and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to certain transactions between a plan and a non-fiduciary service provider), Prohibited Transaction Class Exemption ("**PTCE**") 95-60 (relating to investments by insurance company general accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by an in-house asset manager). There can be no assurance that any exception or exemption from the prohibited transaction rules will be available with respect to any particular transaction involving the Covered Bonds, or that, if an exemption is available, it will cover all aspects of any particular transaction. Governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA), non-U.S. plans (as described in Section 4(b)(4) of ERISA) and other employee benefit plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to other federal, state, local or non-U.S. laws that are substantially similar to Section 406 of ERISA and Section 4975 of the Code ("**Similar Laws**"). Fiduciaries of any such plans should consult with their counsel before purchasing any Covered Bonds.

Unless otherwise stated in the Final Terms, each purchaser and transferee of any Covered Bonds will be deemed to have represented and agreed that (A) either (i) it is not and for so long as it holds a Covered Bond (or any interest therein) will not be an ERISA Plan or other Plan (including an entity whose underlying assets include the assets of any such ERISA Plan or other Plan) or a governmental, church, non-U.S. or other employee benefit plan which is subject to any

Similar Laws and/or laws or regulations that provide that the assets of the Issuer could be deemed to include "plan assets" of such plan (each, an "**Other Plan Investor**"), or (ii) its acquisition, holding and disposition of the Covered Bonds will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental, church, non-U.S. or other employee benefit plan, any Similar Law) for which an exemption is not available, (B) neither the Issuer, the CBC, the Arranger or the Dealers, nor any of their respective affiliates is a "fiduciary" (within the meaning of ERISA Section 3(21) or, with respect to an Other Plan Investor, any Similar Laws) with respect to the purchaser or holder in connection with such person's purchase or holding of the Covered Bonds (or any interest therein), or as a result of any exercise by the Issuer, the CBC, the Arranger or the Dealers, or any of their respective affiliates of any rights in connection with the Covered Bonds, and (C) it will not sell or otherwise transfer any such Covered Bonds or interest therein to any person without first obtaining these same foregoing deemed representations, warranties and covenants from that person.

The foregoing discussion is general in nature and not intended to be all-inclusive. Any Plan fiduciary who proposes to cause a Plan to purchase any Covered Bonds should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA or the Code.

The sale of Covered Bonds to a Plan is in no respect a representation by the Issuer, the CBC, the Arranger or the Dealers that such an investment meets all relevant requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

## 1.5 SUBSCRIPTION AND SALE

*The relevant Dealers have, in a programme agreement (as the same may be amended and/or supplemented and/or restated from time to time, the "**Programme Agreement**") dated the Programme Date, agreed with the Issuer, the CBC and the Initial Originators a basis upon which such Dealers or any of them may from time to time agree to purchase Covered Bonds. Any such agreement will extend to those matters stated under "Form of the Covered Bonds" and "Terms and Conditions of the 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 update of the Programme and the issue of Covered Bonds under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.*

### United States

#### **Transfer restrictions**

*As a result of the following restrictions, purchasers of Covered Bonds in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of Covered Bonds.*

Each purchaser of Registered Covered Bonds or person wishing to transfer an interest from one Registered Global Covered Bond to another or from global to definitive form or *vice versa*, will be deemed to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (a) that either: (a) it is a QIB, purchasing (or holding) the Covered Bonds for its own account or for the account of one or more QIBs and it is aware, and each beneficial owner of such Covered Bonds has been advised that any sale to it is being made in reliance on Rule 144A or (b) it is located outside the United States and is not a U.S. person and it is not purchasing (or holding) the Covered Bonds for the account or benefit of a U.S. person;
- (b) that the Covered Bonds are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Covered Bonds and the Guarantee have not been and will not be registered under the Securities Act or any applicable U.S. state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (c) that, unless it holds an interest in a Reg. S Global Covered Bond and is a person located outside the United States and is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Covered Bonds or any beneficial interests in the Covered Bonds, it will do so only (a) to the Issuer or any affiliate thereof, (b) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. state securities laws;
- (d) it will, and will require each subsequent holder to, notify any purchaser of the Covered Bonds from it of the resale restrictions referred to in paragraph (c) above, if then applicable;
- (e) that Covered Bonds initially offered in the United States to QIBs will be represented by one or more Restricted Global Covered Bonds and that Covered Bonds offered outside the United States in reliance on Regulation S will be represented by one or more Reg. S Global Covered Bonds;
- (f) unless otherwise stated in the Final Terms, that (A) either (i) it is not and for so long as it holds a Covered Bond (or any interest therein) will not be (a) an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (b) a "plan" as defined in and subject to Section 4975 of the Code, (c) an entity whose underlying assets include the assets of any such employee benefit plan subject to ERISA or other plan subject to Section 4975 of the Code, or (d) a governmental, church, non-U.S. or other employee benefit plan which is subject to any U.S. federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406

of ERISA or Section 4975 of the Code and/or laws or regulations that provide that the assets of the Issuer could be deemed to include "plan assets" of such plan, or (ii) its acquisition, holding and disposition of the Covered Bonds will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or, in the case of such a governmental, church, non-U.S. or other employee benefit plan, any such substantially similar U.S. federal, state, local or non-U.S. law, for which an exemption is not available, (B) neither the Issuer, the CBC, the Arranger or the Dealers, nor any of their respective affiliates is a "fiduciary" (within the meaning of ERISA Section 3(21) or, with respect to a governmental, church, non-U.S. or other employee benefit plan which is subject to any U.S. federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, any such similar laws) with respect to the purchaser or holder in connection with such person's purchase or holding of the Covered Bonds (or any interest therein), or as a result of any exercise by the Issuer, the CBC, the Arranger or the Dealers, or any of their respective affiliates of any rights in connection with the Covered Bonds, and (C) it will not sell or otherwise transfer any such Covered Bonds or interest therein to any person without first obtaining these same foregoing deemed representations, warranties and covenants from that person;

- (g) unless otherwise stated in the Final Terms, that the Registered Covered Bonds Deeds pertaining to Restricted Global Covered Bonds will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THE COVERED BONDS ISSUED PURSUANT TO THIS DEED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT. THE TRANSFER OF THE COVERED BONDS ISSUED PURSUANT TO THIS DEED IS SUBJECT TO CERTAIN CONDITIONS AS SET OUT IN THE AGENCY AGREEMENT (THE "**AGENCY AGREEMENT**") AVAILABLE UPON REQUEST FROM THE REGISTRAR (THE BANK OF NEW YORK MELLON (LUXEMBOURG) S.A.) (THE "**REGISTRAR**"). THE HOLDER, BY ITS ACQUISITION OF COVERED BONDS ISSUED PURSUANT TO THIS DEED, AGREES FOR THE BENEFIT OF THE ISSUER AND THE DEALERS (IF ANY) THAT (A) THE COVERED BONDS ISSUED PURSUANT TO THIS DEED MAY BE RESOLD ONLY (1) TO THE ISSUER OR ANY AFFILIATE THEREOF OR ANY DEALER, (2) INSIDE THE UNITED STATES TO A PERSON THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER ("**QIB**") (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) ACTING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION; AND (B) THE HOLDER OF COVERED BONDS ISSUED PURSUANT TO THIS DEED WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF COVERED BONDS ISSUED PURSUANT TO THIS DEED OF THE TRANSFER RESTRICTIONS REFERRED TO IN (A) ABOVE. NO REPRESENTATION CAN BE MADE AS TO AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THE COVERED BONDS ISSUED PURSUANT TO THIS DEED. ANY REALE OR OTHER TRANSFER, OR ATTEMPTED REALE OR OTHER TRANSFER, OF COVERED BONDS ISSUED PURSUANT TO THIS DEED MADE OTHER THAN IN COMPLIANCE WITH THE FOREGOING RESTRICTIONS SHALL NOT BE RECOGNISED BY THE ISSUER, THE REGISTRAR OR ANY OTHER AGENT OF THE ISSUER.

THE COVERED BONDS AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF,

BUT UPON NOTICE TO, A HOLDER OF COVERED BONDS SENT TO ITS REGISTERED ADDRESS, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THE COVERED BONDS TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. A HOLDER OF THE COVERED BONDS SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THE COVERED BONDS AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).

BY ITS PURCHASE AND HOLDING OF COVERED BONDS ISSUED PURSUANT TO THIS DEED (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT (A) EITHER (i) IT IS NOT AND FOR SO LONG AS IT HOLDS A COVERED BOND (OR ANY INTEREST THEREIN) WILL NOT BE (a) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") THAT IS SUBJECT TO TITLE I OF ERISA, (b) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (c) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (d) A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER EMPLOYEE BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE AND/OR LAWS OR REGULATIONS THAT PROVIDE THAT THE ASSETS OF THE ISSUER COULD BE DEEMED TO INCLUDE "PLAN ASSETS" OF SUCH PLAN, OR (ii) ITS ACQUISITION, HOLDING AND DISPOSITION OF THE COVERED BONDS WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER EMPLOYEE BENEFIT PLAN, ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW, FOR WHICH AN EXEMPTION IS NOT AVAILABLE, (B) NEITHER THE ISSUER, THE CBC, THE ARRANGER OR THE DEALERS, NOR ANY OF THEIR RESPECTIVE AFFILIATES IS A "FIDUCIARY" (WITHIN THE MEANING OF ERISA SECTION 3(21) OR, WITH RESPECT TO A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER EMPLOYEE BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, ANY SUCH SIMILAR LAWS) WITH RESPECT TO THE PURCHASER OR HOLDER IN CONNECTION WITH SUCH PERSON'S PURCHASE OR HOLDING OF THE COVERED BONDS (OR ANY INTEREST THEREIN), OR AS A RESULT OF ANY EXERCISE BY THE ISSUER, THE CBC, THE ARRANGER OR THE DEALERS, OR ANY OF THEIR RESPECTIVE AFFILIATES OF ANY RIGHTS IN CONNECTION WITH THE COVERED BONDS, AND (C) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY SUCH COVERED BONDS OR INTEREST THEREIN TO ANY PERSON WITHOUT FIRST OBTAINING THESE SAME FOREGOING DEEMED REPRESENTATIONS, WARRANTIES AND COVENANTS FROM THAT PERSON.

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT";

- (h) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Covered Bonds prior to the expiration of the first Business Day that is 40 calendar days after the later of the commencement of the offering and the relevant Issue Date (such period, the "**Distribution Compliance Period**") it will do so only (a)(i) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (ii) to a QIB in compliance with Rule 144A and (b) in accordance with all applicable U.S. state securities laws; and regardless of the foregoing it acknowledges that the Registered Covered bonds Deeds pertaining to Reg. S

Global Covered Bonds, unless otherwise stated in the Final Terms, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THE COVERED BONDS ISSUED PURSUANT TO THIS DEED HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (1) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (2) OTHERWISE UNTIL 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF AN IDENTIFIABLE TRANCHE OF WHICH SUCH COVERED BONDS ARE A PART, EXCEPT IN EITHER CASE IN ACCORDANCE WITH REGULATIONS OR TO QUALIFIED INSTITUTIONAL BUYERS AS DEFINED IN, AND IN TRANSACTIONS PURSUANT TO RULE 144A UNDER THE SECURITIES ACT UNLESS OTHERWISE SPECIFIED. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM BY REGULATIONS OF THE SECURITIES ACT.

BY ITS PURCHASE AND HOLDING OF COVERED BONDS ISSUED PURSUANT TO THIS DEED (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT (A) EITHER (i) IT IS NOT AND FOR SO LONG AS IT HOLDS A COVERED BOND (OR ANY INTEREST THEREIN) WILL NOT BE (a) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") THAT IS SUBJECT TO TITLE I OF ERISA, (b) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (c) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (d) A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER EMPLOYEE BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE AND/OR LAWS OR REGULATIONS THAT PROVIDE THAT THE ASSETS OF THE ISSUER COULD BE DEEMED TO INCLUDE "PLAN ASSETS" OF SUCH PLAN, OR (ii) ITS ACQUISITION, HOLDING AND DISPOSITION OF THE COVERED BONDS WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER EMPLOYEE BENEFIT PLAN, ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW, FOR WHICH AN EXEMPTION IS NOT AVAILABLE, (B) NEITHER THE ISSUER, THE CBC, THE ARRANGER OR THE DEALERS, NOR ANY OF THEIR RESPECTIVE AFFILIATES IS A "FIDUCIARY" (WITHIN THE MEANING OF ERISA SECTION 3(21) OR, WITH RESPECT TO A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER EMPLOYEE BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, ANY SUCH SIMILAR LAWS) WITH RESPECT TO THE PURCHASER OR HOLDER IN CONNECTION WITH SUCH PERSON'S PURCHASE OR HOLDING OF THE COVERED BONDS (OR ANY INTEREST THEREIN), OR AS A RESULT OF ANY EXERCISE BY THE ISSUER, THE CBC, THE ARRANGER OR THE DEALERS, OR ANY OF THEIR RESPECTIVE AFFILIATES OF ANY RIGHTS IN CONNECTION WITH THE COVERED BONDS, AND (C) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY SUCH COVERED BONDS OR INTEREST THEREIN TO ANY PERSON WITHOUT FIRST OBTAINING THESE SAME FOREGOING DEEMED REPRESENTATIONS, WARRANTIES AND COVENANTS FROM THAT PERSON.";

- (i) that the Covered Bonds issued in bearer form where TEFRA D is specified in the applicable Final Terms and on all interest coupons and talons relating to such Covered Bonds issued in bearer form will bear a legend to the following effect unless otherwise agreed to by the Issuer:

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 OF 1986, AS AMENDED.

- (j) that sections 165(J) and 1278(a) of the Internal Revenue Code of 1986, as amended, to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Covered Bonds issued in bearer form, 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 issued in bearer form, interest coupons and
- (k) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it will promptly notify the Issuer; and if it is acquiring any Covered Bonds as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

No sales of Reg. S Global Covered Bonds or Restricted Covered Bonds in the United States to any one purchaser will be for less than the minimum purchase price set forth in the applicable Final Terms in respect of the relevant Reg. S Global Covered Bonds or Restricted Covered Bonds. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least an amount equal to the applicable minimum purchase price set forth in the applicable Final Terms in respect of the relevant Reg. S Global Covered Bonds or Restricted Covered Bonds.

Dealers may arrange for the resale of Covered Bonds to QIBs pursuant to Rule 144A and each such purchaser of Covered Bonds is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Covered Bonds which may be purchased by a QIB pursuant to Rule 144A will be specified in the applicable Final Terms (or the approximate equivalent in another foreign currency).

***Selling restrictions***

The Covered Bonds have not been, and will not be, registered under the Securities Act or the securities laws of any state of the United States or other relevant jurisdiction and may not be offered or sold within the United States or to or for the account or benefit of a U.S. person (as defined in Regulation S under the Securities Act), except to qualified institutional buyers (within the meaning of Rule 144A under the Securities Act). The Covered Bonds may be sold to non-U.S. persons in transactions outside the United States in reliance on Regulation S under the Securities Act.

The Covered Bonds in bearer form 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 United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

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

To the extent that the Issuer is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the Issuer has agreed to furnish to holders of Covered Bonds and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

In connection with sales of the Covered Bonds, each Dealer will represent and agree pursuant to the Programme Agreement, that:

- (a) it understands that the Covered Bonds have not been and will not be registered under the Securities Act and may only be offered or sold by such Dealer (1) within the United States in

reliance on Rule 144A under the Securities Act to QIBs and (2) in offshore transactions (as defined in Regulation S under the Securities Act) to non-U.S. persons in reliance on Regulation S;

- (b) it agrees (1) not to solicit offers for, or offer or sell, any Covered Bonds by any form of general solicitation or general advertising or in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act and Regulation D thereunder; (2) with respect to offers and sales in the United States, to solicit offers for the Covered Bonds only from, and to offer the Covered Bonds only to, investors that each Dealer reasonably believes are QIBs; and (3) with respect to offshore transactions, not to engage, and not to permit any of its affiliates (as defined in Rule 501(b) of Regulation D under the Securities Act) or any person acting on its behalf to engage, in any directed selling efforts (as such term is defined in Regulation S) with respect to the Covered Bonds and to comply, and cause its Affiliates and each person acting on its behalf to comply, with the offering restriction requirements of Rule 903 of Regulation S;
- (c) The minimum aggregate principal amount of Covered Bonds which may be purchased by a QIB pursuant to Rule 144A will be specified in the applicable Final Terms (or the approximate equivalent thereof in any other currency).
- (d) it will offer and sell the Covered Bonds in the United States only through a U.S. registered broker dealer;
- (e) in connection with offers, sales and other transactions outside the United States (except for sales to QIBs) it will not offer, sell or deliver the Covered Bonds to, or for the account or benefit of, U.S. persons:
  - (i) as part of such Dealer's distribution at any time; or
  - (ii) otherwise until 40 days after the completion of the distribution of the Covered Bonds comprising the relevant Tranche, as certified to the Principal Paying Agent or the relevant Issuer by such Dealer (or, in the case of a sale of a Tranche of Covered Bonds to or through more than one Dealer, by each of such Dealers as to the Covered Bonds of such Tranche purchased by or through it, in which case the Principal Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) (the "**Distribution Compliance Period**");
- (f) at or prior to confirmation of sale of Restricted Global Covered Bonds, it will have sent to each distributor, dealer or other person receiving a selling concession, fee or other remuneration that purchases such Restricted Global Covered Bonds during the Distribution Compliance Period a written confirmation or notice to substantially the following effect:

"The Covered Bonds covered hereby have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered, sold, resold, delivered or transferred (A) within the United States or to, or for the account or benefit of, U.S. persons as such term is defined in Regulation S under the Securities Act, except in accordance with Rule 144A under the Securities Act, if available, and, if pursuant to Rule 144A under the Securities Act, to persons purchasing for their own account or for the account of qualified institutional buyers (as defined in Rule 144A) ("**QIBs**") and for which the purchaser is acting as fiduciary or agent. Unless otherwise specified, terms used above have the meanings given to them by Regulation S or Rule 144A"; and
- (g) at or prior to confirmation of sale of the Reg. S Global Covered Bonds, it will have sent to each distributor, dealer or other person to which it sells such Regulation S Global Covered Bonds during the Distribution Compliance Period a written confirmation or notice to substantially the following effect:

"The Covered Bonds covered hereby have not been and will not be registered under the Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered, sold, resold, delivered or transferred within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the relevant Issue Date, except in accordance with

Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S under the Securities Act."

### **Public offer selling restriction under the Prospectus Directive**

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Covered Bonds issued by the Issuer which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Covered Bonds to the public in that Relevant Member State:

- (a) at any time to any person or entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers (if any) nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

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

### **Republic of 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. Each Dealer has represented and agreed that any 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 will be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

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 Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993, Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 16190 of 29 October 2007 (in each case as amended from time to time) and any other applicable laws and regulations; and
- (b) in compliance with any other applicable laws and regulations or requirements imposed by CONSOB or other Italian authorities.

### **Japan**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that the Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the "**FIEA**") and each Dealer has represented and

agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered and will not offer or sell any Covered Bonds, directly or indirectly, 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), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws and regulations of Japan.

#### **The Netherlands/global**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) as long as it does not have the benefit of a licence or exemption as investment firm of the relevant type pursuant to the Wft shall not offer any Covered Bonds or distribute the Base Prospectus or any circulars, offer documents or information relating to the Issuer or the Covered Bonds in The Netherlands;
- (b) Zero Coupon Covered Bonds (as defined below) in definitive form of the Issuer may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member firm of Euronext Amsterdam in full compliance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations, provided that no such mediation is required: (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Covered Bond in global form, or (b) in respect of the initial issue of Zero Coupon Covered Bonds in definitive form to the first holders thereof, or (c) in respect of the transfer and acceptance of Zero Coupon Covered Bonds in definitive form between individuals not acting in the conduct of a business or profession or (d) in respect of the transfer and acceptance of such Zero Coupon Covered Bonds within, from or into The Netherlands if all Zero Coupon Covered Bonds (either in definitive form or as rights representing an interest in a Zero Coupon Covered Bond in global form) of any particular Series are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter. As used herein "**Zero Coupon Covered Bonds**" are Bearer Covered Bonds that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor but only at maturity or on which no interest is due whatsoever; and
- (c) it will not make an offer of Covered Bonds that are not to be admitted to trading on a regulated market within the European Economic Area, to the public in The Netherlands in reliance on Article 3(2) of the Prospectus Directive (as defined under "*Public offer selling restriction under the Prospectus Directive*" above) unless (i) such offer is made exclusively to persons or entities which are qualified investors as defined in the Prospectus Directive or (ii) standard exemption wording is disclosed as required by article 5:20(5) of the Wft, provided that no such offer of Covered Bonds shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

#### **United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (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 or, in the case of the Issuer, would not, if it was not an authorised person, apply to the Issuer or the CBC; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA, with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

## France

Each Dealer 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, any Covered Bonds to the public in France and that offers and sales of Covered Bonds have been and will be made in France only to (a) persons providing 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*), as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

In addition, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France this Base Prospectus, the relevant Final Terms or any other offering material relating to the Covered Bonds other than to investors to whom offers and sales of Covered Bonds in France may be made as described above.

## General

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or possesses or distributes the 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 none of the Issuer, the CBC, the Trustee and any other Dealer shall have any responsibility therefor.

None of the Issuer, the CBC, the Trustee and any of the Dealers has represented 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 any such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with any additional restrictions agreed between the Issuer and the relevant Dealer and set out in the applicable Final Terms.

Each Dealer has furthermore represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not purchase, offer, sell or deliver Covered Bonds issued by the Issuer unless such Covered Bonds have (i) such denomination as may be allowed or required from time to time by the relevant central bank (or regulatory authority) or any laws or regulations applicable to the relevant Specified Currency and (ii) in respect of Covered Bonds which will be offered to the public within a member state of the European Economic Area or for which the Issuer will seek their admission to trading on a regulated market situated or operating within such a member state, in each case in circumstances which would require the approval of a prospectus under the Prospectus Directive, a minimum denomination of €100,000 (or its equivalent in any other currency at the date of issue of such Covered Bonds).

## 1.6 TRUSTEE

The Trustee under the Trust Deed is Stichting Trustee ING Covered Bond Company, a foundation (*stichting*) established under the laws of The Netherlands on 28 August 2007. It has its registered office at Teleportboulevard 140, 1043 EJ Amsterdam, The Netherlands and is registered with the Commercial Register of the Dutch Chamber of Commerce under number 34281572.

The objects of the Trustee are (a) to act as agent and/or trustee in favour of holders of Covered Bonds to be issued by ING Bank N.V. and the other Secured Creditors; (b) to obtain security rights as agent and/or trustee and/or for itself; (c) to perform (legal) acts including accepting the parallel debt of the CBC in order to hold the security rights referred to under (b); (d) to manage, hold, administer and enforce the security rights mentioned under (b); (e) to borrow or raise money and (f) to perform any and all acts which are related, incidental or which may be conducive to the above.

The sole director of the Trustee is Orangefield (Netherlands) B.V. having its registered office at Teleportboulevard 140, 1043 EJ Amsterdam, The Netherlands. The managing directors of Orangefield (Netherlands) B.V. are Mr. J.J. Bruins, Mrs. E. Jongsma and Mr. M.J.E. Leenaers.

The Trust Deed provides that until all amounts payable by the Issuer and/or the CBC under the Secured Obligations have been paid in full, the Trustee will not retire or be removed from its duties. The sole director of the Trustee is capable of being replaced or may resign in accordance with Condition 15 (*Trustee*).

The Trust Deed is expressed to be governed by Dutch law, a copy of the Trust Deed is available for inspection during normal business hours at the registered office of the Trustee and at the specified office of each of the Paying Agents.

## **1.7 USE OF PROCEEDS**

Unless specified otherwise in the applicable Final Terms, the net proceeds from each issue of Covered Bonds will be applied by the Issuer for its general corporate purposes. If in respect of any particular issue there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## 1.8 DESCRIPTION OF THE DUTCH COVERED BOND LEGISLATION

The Dutch regulatory framework for the issuance of covered bonds (the "**2008 CB Regulations**") came into force in The Netherlands on 1 July 2008.

The 2008 CB Regulations implemented Article 52, paragraph 4 of Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS IV) (as such paragraph may be amended, replaced and/or supplemented from time to time, "**Article 52(4) UCITS**") and were a collection of rules forming part of two layers of secondary legislation implementing the Wft: the Wft Prudential Rules Decree (*Besluit prudentiële regels Wft*) and the Wft Implementing Regulation (*Uitvoeringsregeling Wft*). The 2008 CB Regulations regarded compliance of covered bonds with 129 CRR as an option instead of a requirement.

On 1 January 2015 a revised legislative framework for the issuance of covered bonds came into force in The Netherlands, which is incorporated in the Wft and further laid down in the Wft Prudential Rules Decree (*Besluit prudentiële regels Wft*) and the Wft Implementing Regulation (*Uitvoeringsregeling Wft*) (together the "**2015 CB Legislation**"), thereby receiving a firmer statutory basis compared to the 2008 CB Regulations.

The 2015 CB Legislation contains a Transitional Period for issuers of covered bonds registered, and issuers which applied for registration, under the 2008 CB Regulations. During such Transitional Period issuers of covered bonds registered under the 2008 CB Regulations must continue to meet the requirements prescribed by the 2008 CB Regulations. As from 1 January 2016 such covered bonds must comply with the requirements prescribed by the 2015 CB Legislation.

Although the 2015 CB Legislation contains a number of additional continuing registration requirements focussing on, amongst other things, transparency, cover asset quantity and quality, investor reporting, audits and stress testing, the 2015 CB Legislation does not substantially amend the requirements under the 2008 CB Regulations relating to issuers, owners of cover assets, asset segregation, risk management, asset encumbrance safeguards and reporting to DNB (including, without limitation, informing DNB of significant changes contemplated to be made to the terms of the covered bonds and related transaction documents). Also under the 2015 CB Legislation the issuer must be a licensed bank with its registered address in The Netherlands.

Like any other issuance of debt instruments and legal transfers of assets made in accordance with Dutch law, the issuance of a 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 2015 CB Legislation implements Article 52(4) UCITS and incorporates the conditions of Article 129 CRR. Consequently covered bonds admitted to the DNB-register in accordance with the 2015 CB Legislation, as at their admission date should comply with both Article 52(4) UCITS and Article 129 CRR. In addition, the 2015 CB Legislation takes into account the best practices identified by the European Banking Authority (EBA) in its report "*EBA Report on EU Covered Bond Frameworks and Capital Treatment*" of 1 July 2014.

The 2015 CB Legislation also contains two newly introduced mandatory asset quantity tests. Firstly, the total value of the cover assets must be at least 105 per cent. of the nominal value of the outstanding covered bonds of the relevant category. In addition to this statutory minimum overcollateralisation requirement, the total value of the cover assets, so determined in accordance with the restrictions applicable to the relevant type of assets as set out in Article 129 CRR, paragraph 1 should at least be equal to the nominal value of the outstanding covered bonds of the relevant category. Furthermore, the 2015 CB Legislation requires the owner of the cover assets to have (or generate) sufficient eligible liquid assets to cover in the following six-month period the payment by it of interest and principal of the outstanding covered bonds, and certain equal or higher ranking amounts.

In respect of an application made for registration of a covered bond and the issuer thereof by DNB pursuant to the 2015 CB Legislation, the issuer is required amongst other things:

- (i) to disclosure to DNB certain key conditions applicable to the relevant category of covered bonds, which include:



- (a) whether the covered bond has one of the following maturity structures: (i) its maturity date cannot be extended (hard bullet maturity) or its maturity date can only be extended for a maximum of 24 months (soft bullet maturity) or (ii) its maturity date can be extended with more than 24 months (including (conditional) pass through);
- (b) which type or types of cover assets can unlimitedly be included in the cover pool (primary cover assets) and if more than one type is included, the ratio between them; and
- (c) the jurisdiction in which the debtors of the cover assets are located or resided and the governing law of the cover assets.

Such conditions cannot be changed after the date of application for registration of the relevant category of covered bonds. An issuer has the possibility to combine hard bullet covered bonds and soft bullet covered bonds in one category of registered covered bonds (i.e., under one issuance programme), provided that the soft bullet covered bonds have a maximum maturity extension of 24 months;

- (ii) to ensure a healthy ratio to exist between the total outstanding covered bonds of the relevant category and the total consolidated balance sheet of the issuer, thereby taking into account (whereby DNB can upon registration and thereafter impose a discretionary issuance limit to safeguard such healthy ratio); and
- (iii) to have reliable and effective strategies and procedures for verifying and procuring the sufficiency of eligible cover assets and liquid assets, taking into account the composition of the cover assets, the statutory overcollateralisation, other asset cover and liquidity buffer requirements.

A minimum credit rating for registered covered bonds as required under the 2008 CB Regulations is no longer required under the 2015 CB Legislation.

DNB will perform certain supervision and enforcement related tasks in respect of DNB-registered covered bonds, including admitting issuers and categories of covered bonds to the relevant register and monitoring compliance with the ongoing requirements referred to above. If a covered bond no longer meets such requirements, or if the relevant issuer no longer complies with its ongoing obligations towards DNB, DNB can take several measures, which include, without limitation, cancelling the issuer's registration, imposing an issuance-stop and/or imposing fines and penalties on the issuer. However, other than under the 2008 CB Regulations, DNB cannot cancel the registration of outstanding covered bonds registered under the 2015 CB Legislation. In addition, pursuant to the 2015 CB Legislation, DNB may cancel the registered compliance with Article 129 CRR, if the relevant issuer or the owner of the cover assets would not provide the required information to DNB to monitor compliance with Article 129 CRR or if the relevant covered bonds would no longer comply with Article 129 CRR.

On 12 September 2008, DNB admitted the Issuer and the Covered Bonds to the DNB-register and the Issuer opted for compliance with the requirements set out in Annex VI, Part I, points 68-72 of the then so-called Capital Requirements Directive (since 1 January 2014 replaced with Article 129 CRR). The Issuer intends the Covered Bonds to be compliant with the 2015 CB Legislation by no later than 1 January 2016 which would result in the continued compliance of the Covered Bonds with Article 52(4) UCITS and the continued recorded compliance of the Covered Bonds with Article 129 CRR. See also Section A.1 (Covered Bonds) under "*Risk of Covered Bonds ceasing to comply with Article 52(4) UCITS and/or Article 129 CRR*" above.

## 2 ASSET-BACKED GUARANTEE

### 2.1 GUARANTEE

The Trust Deed provides for the following guarantee:

*"The CBC irrevocably undertakes as its independent obligation that it shall pay the Guaranteed Amounts to the holders of the Covered Bonds when the same become Due for Payment, provided that the CBC shall have no such obligation until (i) the occurrence of an Issuer Event of Default, service by the Trustee on the Issuer of an Issuer Acceleration Notice and service by the Trustee on the CBC of a Notice to Pay or (ii) the occurrence of a CBC Event of Default and the service by the Trustee of a CBC Acceleration Notice on the Issuer and the CBC. As long as the Guaranteed Amounts have not been fully discharged, the CBC shall not exercise vis-à-vis the Issuer any right of set-off, defence or counterclaim or exercise any rights acquired by subrogation."*

All payments of Guaranteed Amounts by or on behalf of the CBC will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature, unless the withholding or deduction of such taxes, assessments or other governmental charges are required by law or regulation or administrative practice of any jurisdiction. If any such withholding or deduction is required, 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 amount to the Trustee or any Covered Bondholder in respect of the amount of such withholding or deduction.

Failure by the CBC to pay Guaranteed Final Redemption Amounts on the Final Maturity Date and/or pay Guaranteed Amounts constituting Scheduled Interest on any Scheduled Payment Date or Final Maturity Date will (subject to any applicable grace period) be a CBC Event of Default.

For the purposes hereof:

**"Due for Payment"** 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 Business Days after service of an Issuer Acceleration Notice and a Notice to Pay 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).

**"Guaranteed Amounts"** means, in respect of a Series:

- (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
- (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 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 Final Maturity Date shall be paid on such dates and at such rates as specified in the applicable Final Terms.

**"Rating Agency"** means any rating agency (or its successor) who, at the request of the Issuer, assigns, and for as long it assigns, one or more ratings to the Covered Bonds under the Programme from time to time, which may include Moody's, Fitch and/or S&P.

**"Scheduled Interest"** means, in respect of a Series, any amount of scheduled interest payable under the Covered Bonds as specified in Condition 4 (*Interest*) of the Conditions (but excluding any additional amounts relating to premiums, default interest or interest upon interest payable by the Issuer following an Issuer Event of Default), for this purpose disregarding any Excess Proceeds received by the Trustee on account of scheduled interest and on paid to the CBC in accordance with the CBC Trust Deed.

**"Scheduled Payment Dates"** means, in respect of a Series, each Interest Payment Date and the Final Maturity Date as specified in (i) in the case of Scheduled Interest, Condition 4 (*Interest*) of the Conditions

or Condition 3(b) (*The Guarantee*) of the Conditions, as the case may be, or (ii) in the case of Scheduled Principal, Condition 6(a) (*Redemption at Maturity*) of the Conditions.

**"Scheduled Principal"** means, in respect of a Series, any amount of scheduled principal payable under the Covered Bonds as specified in Condition 6(a) (*Redemption at Maturity*) of the Conditions (but excluding 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), for this purpose disregarding any Excess Proceeds received by the Trustee on account of scheduled principal and on-paid to the CBC in accordance with the Trust Deed.

## 2.2 SECURITY

In the Trust Deed, the CBC undertakes to pay to the Trustee amounts equal to and in the currency of the amounts it owes (i) to the Covered Bondholders under or pursuant to the Guarantee, the Trust Deed and the other Transaction Documents and (ii) the other Secured Creditors under or pursuant to the Transaction Documents, (the "**Principal Obligations**") (such payment undertaking and the obligations and liabilities which are the result thereof the "**Parallel Debt**"). The Principal Obligations do not include the CBC's obligations pursuant to the Parallel Debt. In this respect the CBC and the Trustee acknowledge that (i) the Parallel Debt constitutes undertakings, obligations and liabilities of the CBC to the Trustee which are separate and independent from and without prejudice to the Principal Obligations of the CBC to any Secured Creditor and (ii) the Parallel Debt represents the Trustee's own claim (*vordering*) to receive payment of the Parallel Debt from the CBC, provided that the aggregate amount that may become due under the Parallel Debt will never exceed the aggregate amount that may become due under all of the Principal Obligations to the Secured Creditors. The total amount due and payable by the CBC under the Parallel Debt shall be decreased to the extent that the CBC shall have paid any amounts to the Covered Bondholders or any other Secured Creditor to reduce the Principal Obligations and the total amount due and payable by the CBC under the Principal Obligations shall be decreased to the extent that the CBC shall have paid any amounts to the Trustee under the Parallel Debt. Pursuant to the Common Terms (set out in Schedule 2 to the Incorporated Terms Memorandum), the Secured Creditors accept that the Security created by the Security Documents is granted by the CBC to the Trustee to secure its obligations pursuant to the Parallel Debt.

The Parallel Debt of the CBC owed to the Trustee will be secured by the following security rights granted by the CBC to the Trustee:

- (a) pursuant to a master pledge of receivables agreement (the "**Master Receivables Pledge Agreement**"), a first ranking non-disclosed right of pledge (*stil pandrecht*) over the Transferred Receivables. The right of pledge created pursuant to the Master Receivables Pledge Agreement will not be notified to the Borrowers except under the conditions of the Master Receivables Pledge Agreement;
- (b) if Substitution Assets are transferred to the CBC, pursuant to a pledge of substitution assets agreement (the "**Substitution Assets Pledge**"), a first ranking disclosed right of pledge (*openbaar pandrecht*) (or, if applicable, any equivalent foreign security interest) over such Substitution Assets;
- (c) pursuant to a pledge of accounts agreement (the "**Accounts Pledge**"), a first ranking disclosed right of pledge (*openbaar pandrecht*) (or, if applicable, any equivalent foreign security interest) over all current and future monetary claims of the CBC *vis-à-vis* the Account Bank in respect of the CBC Accounts. The right of pledge created pursuant to the Accounts Pledge will be notified to the Account Bank. The Trustee has authorised the CBC to collect the pledged rights, which authorisation can be revoked in the circumstances set out in the deed of pledge; and
- (d) pursuant to a pledge of CBC rights agreement (the "**CBC Rights Pledge**"), a first ranking disclosed right of pledge (*openbaar pandrecht*) (or, if applicable, any foreign security interest) over the CBC's present and future rights (*vorderingen*) *vis-à-vis* any debtors of the CBC under any Transaction Document to which the CBC is a party, other than the Management Agreement (CBC) whether due and payable and whether actual or contingent. The right of pledge created pursuant to the CBC Rights Pledge will be notified to the relevant debtors. The Trustee has authorised the CBC to collect the pledged rights, which authorisation can be revoked in the circumstances set out in the pledge agreement.

If an Enforcement Event occurs, the Trustee will be entitled to enforce the Security (including selling the Transferred Assets) and/or take such steps as it shall deem necessary, subject in each case to being indemnified and/or secured to its satisfaction.

For the purposes hereof:

"**Enforcement Event**" means any default (*verzuim*) in the proper performance of the Secured Obligations or any part thereof provided that a CBC Acceleration Notice has been served.

**"Secured Creditors"** means the Trustee (in its own capacity and on behalf of the Covered Bondholders), the Originators, the Servicers, the Account Bank, the Administrator, the Swap Providers, the Asset Monitor, the CBC Managing Director, the Paying Agents, any Participant, the Transfer Agent, the Exchange Agent, the Listing Agent, the Registrar and all other creditors for whom the Security is expressed to be granted subject to and in accordance with the Trust Deed.

**"Secured Property"** means all the CBC's assets, rights and receivables including the CBC's rights in respect of the Transferred Assets, its rights in relation to the CBC Accounts and its rights under the Transaction Documents over which security is created pursuant to the Security Documents.

**"Security"** means the security for the obligations of the CBC in favour of the Trustee for the benefit of the Secured Creditors created pursuant to, and on the terms set out in, the Trust Deed and the Security Documents.

**"Security Documents"** means the Master Receivables Pledge Agreement, the Substitution Assets Pledge, the Accounts Pledge and the CBC Rights Pledge.

**"Transaction Documents"** means:

- (i) the Administration Agreement;
- (ii) the Agency Agreement;
- (iii) the AIC Account Agreement;
- (iv) the Asset Monitor Agreement;
- (v) the Asset Monitor Appointment Agreement;
- (vi) each Beneficiary Waiver Agreement;
- (vii) each Deed of Assignment and Pledge (as defined in the Incorporated Terms Memorandum);
- (viii) each Deed of Re-Assignment and Release (as defined in the Incorporated Terms Memorandum);
- (ix) each Further Master Transfer Agreement;
- (x) the Guarantee Support Agreement;
- (xi) the Incorporated Terms Memorandum;
- (xii) the ING ISDA Master Agreement;
- (xiii) the Initial Servicing Agreement;
- (xiv) the Issuer-ICSD Agreement (as defined in the Incorporated Terms Memorandum);
- (xv) each Management Agreement (as defined in the Incorporated Terms Memorandum);
- (xvi) each Master Sub-Participation Agreement;
- (xvii) the Programme Agreement;
- (xviii) each Security Document;
- (xix) each Subscription Agreement (as applicable in the case of an issue of Covered Bonds subscribed pursuant to a subscription agreement);
- (xx) each Swap Agreement;
- (xxi) the Swap Amendment and Restatement Deed (as defined in the Incorporated Terms Memorandum);
- (xxii) the Swap Undertaking Letter;

(xxiii) the Total Return Swap Confirmation Amendment and Restatement Agreement (as defined in the Incorporated Terms Memorandum); and

(xxiv) the Trust Deed;

and any agreements entered into in connection therewith from time to time.

## 2.3 CBC

### Introduction

The issuer of the Guarantee is ING Covered Bond Company B.V., incorporated on 19 September 2007 as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of The Netherlands, having its corporate seat (*statutaire zetel*) in Amsterdam, The Netherlands and its registered office at Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands and registered with the Trade Register (*Handelsregister*) of the Dutch Chamber of Commerce (*Kamer van Koophandel*) since 19 September 2007 under number 34283089. The telephone number of the CBC is +31 20 521 4777 and the fax number of the CBC is +31 20 521 4888. The articles of association of the CBC have not been amended since the date of its incorporation.

### Principal activities

The CBC's articles of association, in article 2, have a restrictive objects clause allowing the CBC the following activities: (i) to obtain, to hold in possession, to alienate, to encumber and to otherwise manage goods, including claims on private persons, enterprises and authorities, whether or not embodied in value papers, as well as to exercise the rights attached to such claims, (ii) to raise funds through, among other things, borrowing under loan agreements, the use of financial derivatives or otherwise and to invest and put out funds obtained by the company in, among other things, (interests in) loans, bonds, debt instruments and other evidences of indebtedness, shares, warrants and other similar securities and also financial derivatives, (iii) to issue guarantees and to grant security for the obligations and debts of the CBC and of third parties, including ING Bank N.V., (iv) to enter into agreements, including, but not limited to, financial derivatives such as interest and/or currency exchange agreements, in connection with the objects mentioned under (i), (ii) and (iii), and (v) to enter into agreements including, but not limited to, bank, securities and cash administration agreements, asset management agreements and agreements creating security in connection with the objects mentioned under (i), (ii), (iii) and (iv) all for the purpose of covered bonds programmes, established by ING Bank N.V.

The CBC has not engaged since its incorporation, and will not engage whilst the Covered Bonds remain outstanding, in any material activities other than activities which are incidental or ancillary to the foregoing. The CBC has no subsidiaries.

The ability of the CBC to engage in any activities other than relating to the Programme and the transactions contemplated pursuant thereto is restricted in the Trust Deed and the other relevant Transaction Documents.

### Shareholders

The entire issued share capital is owned by Stichting Holding ING Covered Bond Company (the "**Holding**"), a foundation (*stichting*) established under the laws of The Netherlands. The Stichting was established on 28 August 2007 and has its registered office at Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands.

The CBC has no employees.

### Directors of the CBC

The CBC has entered into a management agreement with Intertrust Management B.V. (the "**CBC Managing Director**") on the Programme Date (the "**Management Agreement (CBC)**"), pursuant to which the CBC Managing Director has agreed to provide corporate services to the CBC, with due observance of the requirements of the Act on the Supervision of Trust Offices (*Wet toezicht trustkantoren*). The following table sets out the managing director (*bestuurder*) of the CBC and its respective business address and occupation.

Name	Business Address	Business Occupation
Intertrust Management B.V. ....	Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands	Corporate Services Provider

Name	Business Address	Business Occupation
		There is no potential conflict of interests between any duties to the CBC of the CBC Managing Director and its private interests or other duties.

### Capitalisation and indebtedness

The audited capitalisation, indebtedness and assets of the CBC as at the date indicated below are as follows:

	As at 31 December 2013 (in €)
<b>Assets</b>	
<b>Current assets</b>	
Reimbursed expenses.....	0
Accounts receivable.....	298,109
<b>Cash and cash equivalents</b>	
Capital Account.....	50,993
AIC Account.....	2,282,301,834
<b>Total assets</b> .....	<b>2,282,650,936</b>
<b>Liabilities</b>	
<b>Shareholder's Equity</b>	
Share capital .....	20,000
Retained earnings.....	(12,000)
Results for the period.....	12,000
<b>Current liabilities</b>	
Accrued expenses and other liabilities .....	2,282,615,449
Issuer Facility Advance.....	15,424
Corporate income tax payable.....	63
<b>Total liabilities</b> .....	<b>2,282,650,936</b>

### Indebtedness

The CBC has no indebtedness and/or liabilities under guarantees as at the date of this Base Prospectus, other than that which the CBC has incurred or shall incur in relation to the transactions contemplated pursuant to the Programme.

In the Trust Deed the CBC has covenanted that it will not:

- (a) save with the prior written consent of the Trustee, or as envisaged by the Transaction Documents:
  - (i) create or permit to subsist any security interest over the whole or any part of its assets or undertakings, present or future;
  - (ii) dispose of, deal with or grant any option or present or future right to acquire any of its assets or undertakings or any interest therein or thereto;
  - (iii) have an interest in a bank account other than as set out in the Transaction Documents;
  - (iv) incur any indebtedness or give any guarantee or indemnity in respect of any such indebtedness;
  - (v) consolidate or merge with or transfer any of its property or assets to another person;
  - (vi) issue any further shares (*aandelen*) in its capital;
  - (vii) have any employees (for the avoidance of doubt, the CBC Managing Director will not be regarded as an employee), premises or subsidiaries;



- (viii) acquire assets other than pursuant to the Guarantee Support Agreement;
  - (ix) engage in any activities or derive income from any activities within the United States or hold any property if doing so would cause it to be engaged or deemed to be engaged in a trade or business within the United States;
  - (x) enter into any contracts, agreements or other undertakings;
  - (xi) compromise, compound or release any debt due to it; or
  - (xii) commence, defend, settle or compromise any litigation or other claims relating to it or any of its assets; and
- (b) incur any obligation or liability in respect of, or acquire any asset for the purpose of, or otherwise facilitate, any category of covered bonds issued by the Issuer or any other person, other than in relation to Programme, the Covered Bonds from time to time issued thereunder and any other transactions contemplated pursuant to the Programme.

### **Dividend payments**

The CBC has made the following dividend payments in the past 5 years:

2010:.....	€12,000
2011:.....	€12,000
2012:.....	€12,000
2013:.....	€12,000
2014:.....	€12,000
<b>Total:.....</b>	<b>€60,000</b>

### 3 GUARANTEE SUPPORT

#### 3.1 TRANSFERS

As consideration for the CBC assuming the Guarantee, and so as to enable the CBC to meet its obligations under the Guarantee, the Originators have agreed in the guarantee support agreement (as supplemented, amended and/or restated from time to time) between the Issuer, the Initial Originator, the CBC and the Trustee (the "**Guarantee Support Agreement**") to transfer Eligible Assets 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 relevant Originator 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*). Notification (*mededeling*) of the assignment to the Borrowers will only take place if a Notification Event occurs. Following receipt of notification by the Borrowers, in principle, only payment to the CBC will discharge a Borrower's obligations under the relevant Transferred Receivable;
- (b) in the case of Eligible Collateral, subject to paragraph (c) below, by way of book-entry transfer (*girale overboeking*) to a bank or securities account, as the case may be, designated for such purpose by the CBC; and/or
- (c) in the case of Eligible Collateral comprising Substitution Assets which do not satisfy the requirement set out in paragraph (d) of such definition:
  - (i) if and to the extent possible and desirable in the opinion of the CBC and the Trustee and only upon Rating Agency Confirmation, in the manner as described above under (b); and
  - (ii) if and to the extent not so possible or desirable, in such manner as may be required by the CBC and the Trustee and provided that:
    - (A) Rating Agency Confirmation has been obtained; and
    - (B) the Trustee is satisfied that pursuant to such transfer the CBC will receive assets of equivalent credit and security status and ranking as the other Eligible Collateral (supported by a legal opinion of internationally recognised counsel in form and substance satisfactory to the Trustee).

If, in the opinion of the Issuer, amendments are necessary to the Transaction Documents or if additional Transaction Documents are required in relation to such transfer of Eligible Collateral comprising Substitution Assets which do not satisfy the requirement set out in paragraph (d) of such definition, and Rating Agency Confirmation is obtained for such amendments or additional Transaction Documents, the Trustee will consent thereto without consultation of the Covered Bondholders.

On the First Transfer Date, the Initial Originator transferred to the CBC the respective Eligible Receivables comprising the Initial Portfolio. Each Originator:

- (a) may at any time offer to transfer further Eligible Assets to the CBC; and
- (b) jointly and severally with all other Originators undertakes to upon request of the CBC offer to transfer 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, any Pre-Maturity Test or any Portfolio Test (if implemented) has been breached under the Asset Monitor Agreement.

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 transfer of Receivables receipt of a confirmation that the Receivables Warranties are true and correct in all material respects and not misleading in any material respect as at the relevant Transfer Date.

In the Guarantee Support Agreement the CBC has agreed with the Issuer that if the Issuer and the CBC (or the Administrator on its behalf) at any time conclude (acting reasonably) that the value of (i) any Eligible Collateral (offered to be) transferred by an Originator in accordance with the terms of the

Guarantee Support Agreement and/or (ii) any Authorised Investments from time to time held by the CBC, is necessary to be included in any calculation for the purpose of compliance with article 40f and/or 40g of the Decree on Prudential Rules Wft (*Besluit prudentiele regels Wft*) (as amended, restated and/or re-enacted from time to time) the (the "**Decree**"), the CBC (or the Administrator on its behalf) shall procure that any such Transferred Collateral and/or Authorised Investments (or any substitute Authorised Investments) necessary for such purpose shall satisfy the requirements for eligible assets that may collateralise covered bonds in accordance with article 40f, paragraph 3 or, if agreed by the Issuer, the eligibility criteria for liquid assets in accordance with article 40g of the Decree.

In addition, in the Guarantee Support Agreement each Originator covenants, among other things, that if (i) it makes any Further Advance under any Loan Agreement relating to a Transferred Receivable, (ii) such Further Advance is secured by the same Related Security and (iii) such Further Advance results in an Eligible Receivable, then it will transfer such further Eligible Receivable to the CBC as soon as reasonably practicable and, if possible, prior to the following Calculation Date.

In the Guarantee Support Agreement, the following intercreditor arrangement is agreed between each of the Originators, the CBC and the Trustee in relation to the Transferred Receivables. If:

- (i) and to the extent that any Related Security secures both a Transferred Receivable and any receivable which is owned by an Originator (and which has not been transferred to the CBC) (a "**Residual Claim**"), the relevant Originator and the CBC agreed that the CBC shall have, and each Originator granted the CBC, exclusive authority to perform all acts of management (*beheer*) and/or of disposal (*beschikking*) pertaining to such Related Security and in any event, without prejudice to the generality of the foregoing, to:

- (a) foreclose (*uitwinnen*) on such Related Security without any involvement of the relevant Originator; and
- (b) apply the foreclosure proceeds in payment of the Transferred Receivable such that only the remaining proceeds (if any) will be available for application in payment of the Residual Claim,

provided that (i) for as long as no Notification Event has occurred and no Notice to Pay or CBC Acceleration Notice has been served, the CBC agreed to delegate such authority to the relevant Originator and (ii) such authority shall not be vested in the CBC but in the relevant Originator if the relevant Originator can prove that such Related Security was specifically created to secure the Residual Claim and was not intended to secure the Transferred Receivable;

- (ii) paragraph (i) above is not effective to procure compliance therewith by the relevant Originator (or its liquidator in any Insolvency Proceedings), such Originator owes the CBC an amount equal to its share in the foreclosure proceeds of each relevant Related Security, which amount shall be immediately due and payable in case the relevant Borrower defaults (*in verzuim is*) in respect of the relevant Transferred Receivable or the Residual Claim(s) such Borrower owes to the relevant Originator, provided that the CBC's recourse to any Originator in relation to any Related Security is limited to such Originator's share in the foreclosure proceeds of such Related Security;
- (iii) (A) any of the Issuer's credit ratings ceases to be at least the Minimum Required Ratings and the Issuer does not regain such Minimum Required Ratings on the date falling twelve months (or such other period as may be determined by or agreed with the relevant Rating Agency from time to time) after the date of such downgrade, or (B) the Issuer's credit ratings ceases to be at least the Minimum Trigger Ratings or any such rating is withdrawn, unless in both cases an appropriate remedy to the satisfaction of the Trustee is found after having received Rating Agency Confirmation, then each of the Originators have agreed to forthwith, and in any event within ten (10) Business Days after the occurrence of such downgrade or withdrawal, grant to the CBC a right of pledge on its Residual Claims as security for the payment of the relevant amount it owes to the CBC pursuant to paragraph (ii) above;
- (iv) after the pledge of the Residual Claims, the Issuer regains ratings from each of the Rating Agencies of at least the Minimum Required Ratings and retains such Minimum Required Ratings for a consecutive period of at least twelve months (or such other period as may be determined by or agreed with the relevant Rating Agency from time to time), the CBC and the Trustee will be

obliged to release the rights of pledge vested on the Residual Claims. In addition, each of the CBC and the Trustee undertakes to release such right of pledge on any Residual Claims of a Borrower if (i) the principal amount outstanding in respect of the relevant Transferred Receivable has been repaid in full together with all accrued interest and other secured amounts due under or in connection with the related Loan or (ii) if all Transferred Receivables that are secured by the same Related Security as such Residual Claims have been retransferred to the relevant Originator in accordance with the terms of the Guarantee Support Agreement;

- (v) the pledge pursuant to paragraph (iii) above is implemented, any foreclosure proceeds are applied in discharge of amounts due pursuant to paragraph (ii) above and the Related Security is no longer in place or, as reasonably determined by the CBC and the Trustee, no longer expected to generate any proceeds, the CBC will retransfer to the relevant Originator a part of (the unsatisfied part of) the relevant Transferred Receivable for a principal amount corresponding to the principal amount of the pledged Residual Claims so applied;
- (vi) the CBC transfers a Transferred Receivable in accordance with the Guarantee Support Agreement and the Asset Monitor Agreement to any transferee other than the relevant Originator or insurer, it is entitled to transfer its corresponding rights and obligations pursuant to Clause 9.4 (Intercreditor Arrangements) of the Guarantee Support Agreement to such transferee and each Originator in advance irrevocably granted its cooperation to any such transfer (within the meaning of article 6:159 of the Dutch Civil Code); and
- (vii) an Originator transfers a Residual Claim to any transferee (other than an insurer pursuant to a Master Transfer Agreement in relation to an MTA Receivable), it will simultaneously transfer its corresponding rights and obligations pursuant to Clause 9.4 (Intercreditor Arrangements) of the Guarantee Support Agreement to such transferee and the CBC in advance irrevocably agreed to co-operate with any such transfer (within the meaning of article 6:159 of the Dutch Civil Code). In addition, the relevant Originator will ensure that upon such transfer, the relevant transferee (other than any transferee that is a member of the ING Group) shall immediately pledge to the CBC such Residual Claims if such transferee's credit ratings are less than the Minimum Required Ratings or Minimum Trigger Ratings or if such transferee does not have the relevant credit rating assigned to it. Each Originator warrants and represents that it has not transferred any Residual Claims to any party (other than an insurer pursuant to a Master Transfer Agreement in relation to an MTA Receivable) prior to the relevant Transfer Date on which the Transferred Receivable that is secured by the same Related Security is transferred to the CBC in accordance with the terms of the Guarantee Support Agreement.

None of the CBC, the Trustee or the Issuer 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 Representations and Warranties by the relevant Originator contained in the Guarantee Support Agreement. The parties to the Guarantee Support Agreement may, subject to the prior written consent of the Trustee and after having received Rating Agency Confirmation, amend the Representations and Warranties. The Receivables Warranties are as follows and are given on the relevant Transfer Date by the relevant Originator in respect of the Receivables to be transferred by it to the CBC:

- (i) each Receivable is an Eligible Receivable;
- (ii) the particulars of the Eligible Receivables set out in Annex 1 to the relevant deed of assignment, are true, complete and accurate in all material respects and the Gross Outstanding Principal Balance in respect of each Receivable in the Initial Portfolio as at the First Transfer Date or in a New Portfolio as at the relevant Transfer Date and the aggregate Gross Outstanding Principal Balance of the Receivables in the Initial Portfolio or in a New Portfolio is correctly stated in Annex 1 to the relevant deed of assignment;
- (iii) no Originator has created, agreed to create or permitted to subsist any limited right (*beperkt recht*) on, or right of set-off pertaining to, any of its Collection Accounts or rights or receivables pertaining thereto; and
- (iv) prior to (but not earlier than a Reasonable Prudent Lender would deem acceptable) making the Initial Advance under each Loan Agreement, the relevant Originator complied with its obligations under the Dutch Identification Act (*Wet Identificatie bij Dienstverlening*) and the

Dutch Act on the Notification of Unusual Transactions (*Wet Melding Ongebruikelijke Transacties*) (both as amended and supplemented from time to time and both currently incorporated into the Dutch Prevention of Money Laundering and the Financing of Terrorism Act (*Wet ter voorkoming van witwassen en financieren van terrorisme*)) together with any other ancillary regulatory requirements, including but not limited to any requirements of the AFM, in connection with the origination of each Receivable.

The Programme Agreement provides a mechanism for (i) at the option of the Issuer, members of the ING Group wishing to transfer Eligible Assets to the CBC, to accede to the relevant Transaction Documents as a New Originator, subject always to Rating Agency Confirmation and (ii) Originators that have not originated any of the CBC's Transferred Assets at such time, to withdraw from the relevant Transaction Documents as an Originator, provided that no Notification Event, has occurred and no Issuer Acceleration Notice, Notice to Pay or CBC Acceleration Notice has been served.

In the Trust Deed, the Trustee agrees to, upon receipt of each Monthly Investor Report, verify whether such Monthly Investor Report states that a Notification Event has occurred.

For the purpose hereof:

**"Collection Accounts"** means the bank accounts in the name of the relevant Originator on which payments under the Eligible Receivables are collected.

**"First Transfer Date"** means the date on which the Initial Portfolio is transferred to the CBC pursuant to the Guarantee Support Agreement.

**"Further Advance"** means, in relation to a Transferred Receivable, any advance of further money under the relevant Loan Agreement, which may include a new mortgage loan, to the relevant Borrower following the making of the Initial Advance and secured by the same Mortgage.

**"Gross Outstanding Principal Balance"** in relation to a Receivable at any date, means the aggregate principal balance of such Receivable at such date (but avoiding double counting) including the following:

- (i) the Initial Advance; and
- (ii) any increase in the principal amount due under that Receivable due to any Further Advance,

in each case relating to such Receivable less any prepayment, repayment or payment of the foregoing made on or prior to such date.

**"Initial Advance"** means, in respect of any Loan Agreement, the original principal amount advanced by the relevant Originator to the relevant Borrower.

**"Initial Portfolio"** means the Eligible Receivables particulars of which are set out in the deeds of assignment executed on the Programme Date.

**"Minimum Required Ratings"** means the minimum credit ratings as determined to be applicable or agreed by each relevant Rating Agency from time to time, being as at the March 2015 Update, A- (long term) by S&P, 'A' (long term) and 'F1' (short term) by Fitch and A3 (long term) by Moody's.

**"Minimum Trigger Ratings"** means the minimum credit ratings as determined to be applicable or agreed by each relevant Rating Agency from time to time, being as at the March 2015 Update, BBB+ (long term) by S&P, 'A' (long term) and 'F1' (short term) by Fitch and Baa1 (long term) by Moody's.

**"Net Outstanding Principal Balance"** means in relation to a Transferred Receivable, at any date, the Gross Outstanding Principal Balance of such Receivable less, if it is a Participation Receivable, an amount equal to the relevant Participation on such date.

**"New Portfolio"** means in each case the portfolio of New Receivables, particulars of which are set out in the relevant Deed of Assignment.

**"New Receivables"** means Eligible Receivables, other than the Eligible Receivables comprised in the Initial Portfolio, which an Originator may assign and transfer to the CBC on a Transfer Date following the First Transfer Date pursuant to the Guarantee Support Agreement.

**"Notification Event"** means the earliest to occur of the following unless the Trustee, having obtained Rating Agency Confirmation to that effect, has confirmed in writing to the relevant Originator(s) and the CBC that, subject to any condition imposed by the Trustee, any such event shall not (or not immediately) constitute a Notification Event:

- (i) a default is made by an Originator 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 Issuer or the Trustee to the relevant Originator;
- (ii) an Originator fails duly to perform or comply with any of its obligations under any Transaction Document to which it is a party or the Bank in its capacity as Servicer does not comply with any of the obligations under any Servicing Agreement and if such failure is capable of being remedied, such failure, is not remedied within ten (10) Business Days after notice thereof has been given by the Issuer or the Trustee to the relevant Originator or the Bank in its capacity as Servicer;
- (iii) an Originator takes any corporate action, or other steps are taken or legal proceedings are started or threatened against it, for (i) its dissolution (*ontbinding*), (ii) its liquidation (*vereffening*), (iii) a merger (*fusie*) involving such Originator as disappearing entity unless Rating Agency Confirmation has been obtained in respect of such merger, (iv) a demerger or split-off (*splitsing of afsplitsing*) involving such Originator unless Rating Agency Confirmation has been obtained in respect of such demerger or split-off, (v) its entering into emergency regulations (*noodregeling*) as referred to in Chapter 3 of the Wft, (vi) its bankruptcy, (vii) any analogous insolvency proceedings under any applicable law or (viii) the appointment of a liquidator (*curator*), administrator (*bewindvoerder*) or a similar officer of it or of any or all of its assets;
- (iv) an Originator's assets are placed under administration (*onder bewind gesteld*);
- (v) a Notice to Pay is served on the Issuer and the CBC;
- (vi) a CBC Event of Default occurs;
- (vii) any credit rating of the Issuer's unsecured, unsubordinated and unguaranteed debt obligations falls below any of the Notification Event Trigger Ratings or any such rating is withdrawn; or
- (viii) any Originator ceases to be a subsidiary (*dochtermaatschappij*) of ING Group before it withdraws as an Originator from the Transaction Documents in accordance with the Programme Agreement.

**"Notification Event Trigger Ratings"** means the minimum credit ratings as determined to be applicable or agreed by each relevant Rating Agency from time to time in respect of the Issuer, being as at the March 2015 Update, BBB+ (long term) by S&P, 'BBB+' (long term) by Fitch and Baa1 (long term) by Moody's.

**"Receivables Warranties"** means the representations and warranties given by each of the Originators in respect of the Receivables as set out in Part 3 of Schedule 1 (*Representations and Warranties*) to the Guarantee Support Agreement.

**"Representations and Warranties"** means the representations and warranties given by each of the Originators as set out in Schedule 1 (*Representations and Warranties*) to the Guarantee Support Agreement.

**"Transfer Date"** means the First Transfer Date or the date of transfer of any further Eligible Assets to the CBC in accordance with the Guarantee Support Agreement.

**"Transferred Assets"** means the Transferred Receivables and the Transferred Collateral.

**"Transferred Collateral"** means any Eligible Collateral transferred or purported to be transferred to the CBC pursuant to the Guarantee Support Agreement, to the extent not retransferred, sold or otherwise disposed, or agreed to be disposed, of by the CBC.

**"Transferred Receivables"** means any Eligible Receivables transferred to the CBC pursuant to the Guarantee Support Agreement, to the extent not (i) redeemed, (ii) retransferred, (iii) sold or refinanced pursuant to the Asset Monitor Agreement or (iv) otherwise disposed of, or agreed to be disposed of, by the CBC.

### 3.2 RETRANSFERS

Pursuant to the Guarantee Support Agreement:

- (a) Prior to the service of a Notice to Pay and provided that the Asset Cover Test shall not be breached upon such retransfer, the CBC will retransfer a Receivable or Defaulted Receivable to the relevant Originator if a material breach of the Receivables Warranties occurs as of the relevant Transfer Date in respect of such Receivable or if the Servicer identifies a Defaulted Receivable and sends a Defaulted Receivables Notice to the relevant Originator, subject to applicable grace periods.
- (b) Prior to:
  - (i) the occurrence of a Notification Event and service of a Notice to Pay or CBC Acceleration Notice, the Issuer shall request a retransfer of a Transferred Receivable from the CBC to an Originator if an Eligible Receivable transferred by such Originator to the CBC no longer has the benefit of a Municipality Guarantee or an NHG Guarantee as a result of any action taken or omitted to be taken by the relevant Originator, the Administrator or the Servicer and, as a consequence thereof, such Transferred Receivable would not qualify as an Eligible Receivable if it were tested against the Eligibility Criteria at that time; and/or
  - (ii) the service of a CBC Acceleration Notice, the Issuer (on behalf of a relevant Originator) may from time to time in accordance with the Guarantee Support Agreement request a retransfer from the CBC of certain Transferred Assets (other than MTA Receivables for the purpose of on-transfer of such MTA Receivables by the relevant Originator to a relevant insurer pursuant to a Master Transfer Agreement) designated for such purposes by the relevant Originator.

The CBC shall comply with a request referred to under (b)(i) so long as the Asset Cover Test is not breached upon such retransfer and no Notification Event has occurred and no Notice to Pay or CBC Acceleration Notice has been served. The CBC may comply with a request referred to under (b)(ii) at its discretion provided that the Asset Cover Test or the Amortisation Test, as applicable, is not breached upon such retransfer and no CBC Acceleration Notice has been served.

- (c) If the CBC intends to sell Selected Receivables on terms permitted or required by the Asset Monitor Agreement, it shall first offer such Selected Receivables for sale on the same terms to the Issuer or, if the Issuer is subject to an Insolvency Proceeding, to any Originator which is not subject to an Insolvency Proceeding, in the manner set out in the Guarantee Support Agreement.
- (d) For as long as no Notification Event has occurred, the Issuer (on behalf of the relevant Originator) may request a purchase and retransfer from the CBC of MTA Receivables designated by the relevant Originator for the purpose of on-transfer of such MTA Receivables by the relevant Originator to a relevant insurer pursuant to a Master Transfer Agreement. The CBC shall comply with such request provided that (i) no Notification Event has occurred, (ii) the principal amount of (the relevant part of) the MTA Receivable in respect of which the request for purchase and retransfer has been made shall not exceed an amount equal to the Savings received by the relevant insurer in the month immediately preceding the date on which the purchase and retransfer of such (part of the) MTA Receivable is completed, under the relevant savings insurance policy relating to the Savings Loan from which such MTA Receivable was originated and (iii) the purchase price of such (part of the) MTA Receivable shall be at least an amount equal to the Savings received by the relevant insurer in the month immediately preceding the date on which the purchase and retransfer of such (part of the) MTA Receivable is completed, under the relevant savings insurance policy relating to the Savings Loan from which such MTA Receivable was originated.

A retransfer by the CBC as abovementioned will take place in accordance with the Guarantee Support Agreement and be effectuated in substantially the same manner as the transfers to the CBC described above, *mutatis mutandis*. If the retransfer concerns Selected Receivables which are sold to an Originator



further to the relevant Originator's right of pre-emption (*voorkeursrecht*), the underlying sale and purchase will be concluded through execution of a Selected Receivables Offer Notice.

For the purposes hereof:

**"Accrued Interest"** means in relation to any Receivable and as at any date (the **"Receivable Interest Determination Date"**) on or after the relevant Transfer Date, interest on such 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 Loan Agreement immediately prior to the Receivable Interest Determination Date up to and including the Receivable Interest Determination Date.

**"Arrears of Interest"** means in relation to any Receivable and as at the Receivable Interest Determination Date, interest which is due and payable and unpaid up to and including the Receivable Interest Determination Date.

**"Current Balance"** means in relation to an Eligible Receivable at any date, the aggregate (without double counting) of the Net Outstanding Principal Balance, 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.

**"Defaulted Receivable"** means any Transferred Receivable (other than a Disputed Receivable or a Written-Off Receivable) in respect of which:

- (a) a declaration has been made by the Originator that such Transferred Receivable is irrecoverable;
- (b) legal proceedings have been commenced for its recovery;
- (c) 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
- (d) the relevant Borrower has not paid (including, without limitation, payments made by third parties on behalf of the Borrower) by the end of the Calculation Period during which such Transferred Receivable becomes more than 180 days overdue for payment from its Receivable Due Date.

**"Defaulted Receivables Notice"** means a notice served by the Servicer on the relevant Originator identifying Receivables in the Portfolio which are Defaulted Receivables.

**"Disputed Receivable"** means any Receivable in respect of which payment is disputed (in whole or in part, with or without justification) by the Borrower owing such Receivable.

**"Portfolio"** means the Initial Portfolio and each New Portfolio, to the extent not (i) redeemed, (ii) retransferred (iii) sold or refinanced pursuant to the Asset Monitor Agreement or (iv) otherwise disposed of by the CBC.

**"Receivable Due Date"** in relation to any Receivable means the original date on which such Receivable is due and payable.

**"Selected Receivables"** means Transferred Receivables to be sold or refinanced, or former Transferred Receivables (as defined in the Incorporated Terms Memorandum) following their sale or refinancing, as applicable, by the CBC pursuant to the terms of the Asset Monitor Agreement.

**"Written-Off Receivable"** means any Receivable which has been written off by the relevant Originator as irrecoverable for accounting purposes in accordance with that Originator's general accounting practices.

### 3.3 ELIGIBLE ASSETS

The following assets are eligible to be transferred to the CBC by the Originators pursuant to the Guarantee Support Agreement:

- Eligible Receivables; and
- Eligible Collateral (together with the Eligible Receivables: the "**Eligible Assets**").

The loan products or loan parts to which the Eligible Receivables of the Initial Originator relate can be categorised as follows (regardless of the different names used by the Initial Originator to refer to its loan products falling under the same category):

1. An interest-only loan (an "**Interest-Only Loan**") is a loan on which only interest is due until maturity. The full principal amount is repayable in one instalment at maturity. An Interest-Only Loan is not connected to a Mixed Insurance Policy and does not have an investment part;
2. An annuity loan (an "**Annuity Loan**") is characterised by equal periodical payments by the Borrower. These payments contain both an interest and a principal component. As with each principal payment part of the Loan is redeemed, the interest component declines after each successive payment. The principal component increases in such a way that the remaining balance of the Loan at maturity will be zero. An Annuity Loan is not connected to a Mixed Insurance Policy and does not have an investment part;
3. A linear loan (a "**Linear Loan**") is a loan on which the periodical payment consists of a constant principal component plus an interest component based on the remaining Loan balance. The balance of the Loan is thus being repaid in a straight-line fashion i.e. linear, and will be zero at maturity, while the interest payment declines after each successive payment. A Linear Loan is not connected to a Mixed Insurance Policy and does not have an investment part;
4. A revolving credit loan (a "**Revolving Credit Loan**") is a loan which may be repaid in whole or in part at any time. Under the relevant Loan Agreement the Borrower may at any time make drawings up to the agreed maximum amount and reborrow amounts which have been repaid;
5. An investment loan (an "**Investment Loan**") is, like an Interest-Only Loan, a loan on which only interest is due until maturity. The full principal amount is repayable in one instalment at maturity. To secure the Investment Loan, the Borrower pledges a securities account which it maintains with an investment firm or a bank established in The Netherlands. Under the related securities account agreement, the Borrower pays (upfront and/or on a regular basis) a sum which is invested in a variety of investment funds offered by the investment firm or bank. Upon maturity the investment proceeds are applied towards repayment of the Investment Loan. If the proceeds are insufficient, the relevant Borrower is obliged to make up any shortfall. An Investment Loan has an investment part, but is not connected to a Mixed Insurance Policy, except that with respect to certain Investment Loans, the Borrower has the possibility to open a savings account which is connected to his securities account. The savings account is maintained in the name of the Borrower with the Bank. Subject to the terms and conditions of the relevant Investment Loan, at the option of the Borrower, (part of) the sum which is to be paid by the Borrower (upfront and/or on a regular basis) is deposited in such savings account (rather than being invested). The Borrower will be allowed to switch from investments to savings and *vice versa* in accordance with the terms and conditions of the relevant Investment Loan. To secure such Investment Loan, the Borrower pledges the savings account;
6. A life loan or life insurance loan (a "**Life Loan**") is, like an Interest-Only Loan, a loan on which only interest is due until maturity. The full principal amount is repayable in one instalment at maturity. To secure the Life Loan, the Borrower pledges the rights under a life insurance policy to the relevant Originator, which is a combined risk and capital insurance policy, if and to the extent that the amount of the relevant Life Loan exceeds 100 per cent. of the foreclosure value (*executiewaarde*) of the relevant Property. Under the life insurance policy the Borrower pays premium consisting of (apart from a cost element) a risk and a capital/investment element. The Borrower has the choice between (i) the Traditional Alternative and (ii) the Unit-Linked Alternative. "**Traditional Alternative**" means the alternative under which the amount to be

received upon pay out of the life insurance policy depends on the performance of certain (bond) investments chosen by the relevant insurance company with a guaranteed minimum yield. "**Unit-Linked Alternative**" means the alternative under which the amount to be received upon pay out of the life insurance policy depends on the performance of certain investment funds chosen by the Borrower out of a selection of funds selected by the relevant Originator. The insurance proceeds of the life insurance policy are due by the insurer at the earlier of the maturity of the life insurance policy (which is generally thirty years) and the death of the Borrower, and are applied towards repayment of the Life Loan. If the proceeds are insufficient, the relevant Borrower is obliged to make up any shortfall. A Life Loan is connected to a Mixed Insurance Policy;

7. A savings loan (a "**Savings Loan**") is, like an Interest-Only Loan, a loan on which only interest is due until maturity. The full principal amount is repayable in one instalment at maturity. To secure the Savings Loan, the Borrower pledges the rights under a savings insurance policy to the relevant Originator, which is a combined risk and capital insurance policy. Under the savings insurance policy the Borrower pays premium consisting of (apart from a cost element) a risk and a savings element. The savings element is calculated in such a manner that, on an annuity basis, the proceeds of the savings insurance policy due by the insurer are equal to the principal amount due by the Borrower at maturity of the Savings Loan. The insurance proceeds of the savings insurance policy are due at the earlier of the maturity of the savings insurance policy (which is generally thirty years) and the death of the Borrower, and are applied towards repayment of the Savings Loan. If the proceeds are insufficient, the relevant Borrower is obliged to make up any shortfall. A Savings Loan is connected to a Mixed Insurance Policy, but does not have an investment part;
8. A hybrid loan, an asset growth loan or a life growth loan or any other loan with substantially the same or comparable characteristics (a "**Hybrid Loan**") is, like an Interest-Only Loan, a loan on which only interest is due until maturity. The full principal amount is repayable in one instalment at maturity. A Hybrid Loan is a combination of a Life Loan and a Savings Loan. To secure the Hybrid Loan, the Borrower pledges the rights under an insurance policy to the relevant Originator, which is a combined risk and capital insurance policy. Under the insurance policy the Borrower pays premium consisting of (apart from a cost element) a risk element and an investment part and, if applicable, a savings part. Due to the hybrid nature of the insurance policy, the Borrower has the right (subject to various conditions) (i) to choose to invest the life insurance premiums (a) in investment funds, as in the life insurance policy of the Unit-Linked Alternative as described above, or (b) in a savings part, as in the savings insurance policy as described under Savings Loan above, and (ii) to switch between the Unit-Linked Alternative and the savings insurance alternative of the insurance policy, in whole or in part. The insurance proceeds of the insurance policy are due at the earlier of the maturity of the insurance policy (which is generally thirty years) and the death of the Borrower, and are applied towards repayment of the Hybrid Loan. If the proceeds are insufficient, the relevant Borrower is obliged to make up any shortfall. A Hybrid Loan is connected to a Mixed Insurance Policy and has an investment part; and/or
9. A bank savings loan (a "**Bank Savings Loan**") is, like an Interest-Only Loan, a loan on which only interest is due until maturity. The full principal amount is repayable in one instalment at maturity. To secure the Bank Savings Loan, the Borrower pledges the rights in respect of a savings account (a "**Bank Savings Account**") to the relevant Originator, which is held in the name of the Borrower with the Bank and which is connected to the Bank Savings Loan. The Bank Savings Account is a blocked account and the amounts standing to the credit thereto shall in principle only be released at maturity of the Bank Savings Loan (which is generally thirty years), the death of the Borrower or, subject to the applicable general conditions, in certain other limited circumstances (e.g. a sale of the Property) and shall, subject to the applicable general conditions, in principle only be applied to repay the related Bank Savings Loan. The Borrower has the choice between (i) Alternative I and (ii) Alternative II. Under Alternative I the Borrower during the life of the Bank Savings Loan makes a monthly fixed payment into the Bank Savings Account, which will only be adjusted upon a prepayment being made in respect of the Bank Savings Loan. The monthly fixed payment is calculated in such a manner that, on an annuity basis, the aggregate amount (consisting of such monthly fixed payments and accrued interest thereon) credited to the Bank Savings Account at maturity of the Bank Savings Loan is equal to the principal amount due by the Borrower at maturity of the Bank Savings Loan. The interest rate payable by the Bank in respect of amounts standing to the credit of the Bank Savings Account is not linked to the interest rate payable by the Borrower under the Bank Savings Loan. In respect

of Alternative I, in the event that the Bank Savings Account is terminated within ten (10) years from the date on which the Bank Savings Account became effective, the Borrower is obliged to repay the Bank Savings Loan in full. Under Alternative II, the Borrower during the life of the Bank Savings Loan makes a monthly fixed payment into the Bank Savings Account whereby the interest rate payable by the Bank in respect of amounts standing to the credit of the Bank Savings Account is linked to the interest rate payable by the Borrower under the Bank Savings Loan. The monthly fixed payment will be adjusted each time that either a prepayment is made in respect of the Bank Savings Loan, an amendment is made to the maturity date of the Bank Savings Loan, the Borrower makes an additional payment into the Bank Savings Account or the interest rate payable by the Borrower under the Bank Savings Loan is reset (i.e. at the end of each fixed-interest period), to ensure that (similar to Alternative I) the aggregate amount credited to the Bank Savings Account (consisting of such payments and accrued interest thereon and calculated in such manner on an annuity basis) at maturity of the Bank Savings Loan is equal to the principal amount due by the Borrower at maturity of the Bank Savings Loan. If at maturity of the Bank Savings Loan, the amount standing to the credit of the related Bank Savings Account is insufficient to repay the Bank Savings Loan in full, the Borrower is obliged to make up the shortfall. A Bank Savings Loan has a savings part but not an investment part and is not connected to a Mixed Insurance Policy,

provided in each case that if and to the extent that the amount of the Loan exceeds 100 per cent. of the foreclosure value (*executiewaarde*) of the relevant property, the Borrower is advised (but not obliged) to enter into a risk life insurance policy under which the Borrower pays premium consisting of (apart from a cost element) a risk element only, and to pledge such risk life insurance policy to the relevant Originator as security for the Loan.

### **Interest types**

The Initial Originator offers a number of different types of interest which are up to the date of this Base Prospectus as summarised below.

#### ***Floating rate interest (Variabele rente)***

The floating interest rate is fixed for a period of one, three, six or twelve months. The interest rate can be changed on the first day of a subsequent period of one, three, six or twelve months in line with the prevailing interest rate on the last banking day previous to such subsequent period.

#### ***Fixed rate interest (Vaste rente)***

The Borrower pays the same interest rate throughout the fixed-interest period. The fixed-interest periods are available in terms of one year to twenty years. Subject to certain conditions it is possible to change the term (of the fixed-interest period) by means of either interest rate averaging or by paying up front the cash value of the interest difference.

The Borrower may opt for an interest consideration period (*rentebedenktijd*), in which case the Borrower can during the last year or -as the case may be- during the last two years of a fixed interest period choose a new fixed interest period.

#### ***Combination of interest periods (Renteknip)***

A Borrower may divide its Loan into two or more parts. Different interest periods may be applicable to the various parts of the Loan. The intention is to avoid a sudden interest rate increase that would otherwise apply to the entire amount of the Loan.

For the purpose hereof:

**"Adverse Claim"** means any encumbrance, attachment or other right or claim in, over or on any person's assets or properties in favour of any other person.

**"Article 129 CRR"** means article 129 (*Exposures in the form of covered bonds*) of the CRR (as such paragraph may be amended, replaced and/or supplemented from time to time).

"**Borrower**" means, in relation to an Eligible Receivable, the individual or individuals specified as such in the relevant Loan Agreement together with the individual or individuals (if any) from time to time assuming an obligation to discharge such Eligible Receivable or any part of it.

"**CRD IV**" means Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (as amended from time to time).

"**CRR**" means Regulation (EU) no. 575/2013 on prudential requirements for credit institutions and investment firms (as amended from time to time).

"**Eligible Collateral**" means euro denominated cash and/or Substitution Assets.

"**Eligible Receivable**" means a Receivable which complies with the following criteria, which are all subject to amendment from time to time, provided that Rating Agency Confirmation is obtained in respect of such amendment (as amended from time to time, the "**Eligibility Criteria**") as at the relevant Transfer Date:

(A) *General*

1. It is existing, is denominated in euro and is owed by Borrowers established or resident in The Netherlands who are not employed by any Originator or, if the Borrower is so employed by any Originator or any of its respective subsidiaries (*dochtermaatschappijen*) or participations (*deelnemingen*), the terms and conditions of such Receivable are on arm's length terms, except for the interest rate.
2. It is governed by Dutch law and the terms and conditions of such Receivable do not provide for the jurisdiction of any court or arbitration tribunal outside The Netherlands.
3. It is secured by Property located in The Netherlands which is not the subject of any residential letting and which is occupied by the relevant Borrower since origination (or shortly thereafter) and used mainly for residential purposes.
4. Unless it results from a Revolving Credit Loan, the Loan from which it results is has been fully disbursed.
5. Its nominal amount remains a debt, which has not been paid or discharged by set-off or otherwise, and includes all loan parts (*leningdelen*) granted to the relevant Borrower under the relevant Loan Agreement.
6. The Loan from which it results was in all material respects granted in accordance with all applicable laws, legal requirements and the "code of conduct on mortgage loans" (*Gedragscode Hypothecaire Financieringen*, the "**Code of Conduct**") prevailing at the time of origination and met in all material respects the relevant Originator's Lending Criteria which, where applicable, are generally based on the NHG requirements and prior to 1995 on the Municipality Guarantee requirements as applicable at that time and all required consents, approvals and authorisations have been obtained in respect of such Loan.
7. The relevant Originator has in all material respects performed all its obligations which have fallen due under or in connection with the relevant Loan Agreements connected to it and no Borrower has threatened in writing or, so far as the relevant Originator is aware, commenced any legal action which has not been resolved against the relevant Originator for any failure on the part of the relevant Originator to perform any such obligation.
8. It can be easily segregated and identified for ownership and Related Security purposes on any day.
9. It is not a Receivable in respect of which the CBC has notified the relevant Originator that the CBC has determined that such Receivable or class of Receivables is not reasonably acceptable to the CBC under the Programme and it is not due from a Borrower in respect of which the CBC has notified the relevant Originator that Receivables from such Borrower are not Eligible Receivables.

10. The loan files relating to it contain the relevant Borrower Files (as defined in the Incorporated Terms Memorandum), which include authentic copies of the notarial mortgage deeds.
11. The maximum outstanding principal amount of the Loan from which it results, or the aggregate maximum outstanding amount of all Receivables secured by the same Related Security together, does not exceed €1,000,000.
12. The outstanding principal amount of the Loan from which it results does not exceed:
  - (i) if it does not have the benefit of an NHG Guarantee (*Nationale Hypotheek Garantie*) or a Municipality Guarantee:
    - (a) 100 per cent. of the foreclosure value of the related Property at the time of origination of such Loan if it is an Interest-Only Loan; or
    - (b) 125 per cent. of the foreclosure value of the related Property at the time of origination of such Loan (other than an Interest-Only Loan); or
  - (ii) if it does have the benefit of an NHG Guarantee or a Municipality Guarantee, the maximum amount as may be set under the NHG requirements or Municipality Guarantee requirements, as the case may be, at the time of origination.

(B) *Borrowers*

13. It constitutes a legal, valid and enforceable obligation of the related Borrower and is enforceable against such Borrower in accordance with the terms of the relevant Loan Agreement without any right of rescission, withholding, suspension, counterclaim or other defence other than those provided for under mandatory rules of applicable law and subject to any limitations arising from bankruptcy, insolvency or any other laws of general application relating to or affecting the rights of creditors generally.
14. So far as the relevant Originator is aware:
  - (i) the related Borrower has not asserted and no circumstances exist as a result of which such Borrower would be entitled to assert any counterclaim, right of rescission or set-off, or any defence to payment of any amount due or to become due or to performance of any other obligation due under the related Loan Agreement;
  - (ii) the related Borrower is not in material breach, default or violation of any obligation under such Loan Agreement;
  - (iii) the related Borrower is not subject to bankruptcy or any other insolvency procedure within the meaning of any applicable insolvency law;
  - (iv) no proceedings have been taken in respect of it by the relevant Originator against the related Borrower; and
  - (v) no litigation, dispute or complaint is subsisting, threatened or pending which affects or might affect it or the related Borrower which may have an adverse effect on the ability of such Borrower to perform its related obligations.

(C) *Payments*

15. Payments of interest are scheduled to be made monthly.
16. It is not in arrears in relation to any payments and at least one payment in respect of such Receivable has been made.

(D) *Unencumbered Transfer*

17. The relevant Originator has full right and title to it and has power to transfer or encumber (*is beschikkingsbevoegd*) it and such Receivable is not subject to any agreement to transfer or encumber it, whether or not in advance, in whole or in part, in any way whatsoever.

18. It is owed to the relevant Originator and is free and clear of any Adverse Claims.
  19. It can be transferred by way of assignment (*cessie*) and is not subject to any contractual or legal restriction of transfer by way of assignment.
  20. Its transfer will not violate any law or any agreement by which the relevant Originator may be bound and upon such transfer it will not be available to the creditors of the relevant Originator on such Originator's liquidation.
- (E) *Security and previous transfers*
21. It is secured by mortgage rights and rights of pledge governed by Dutch law which:
    - (i) constitute valid mortgage rights (*hypotheekrechten*) and rights of pledge (*pandrechten*) respectively on the assets which are purported to be the subject of such mortgage rights and rights of pledge and, to the extent relating to mortgage rights, have been entered into the appropriate public register (Dutch land registry, *Dienst van het Kadaster en de Openbare Registers*);
    - (ii) have first priority (*eerste in rang*) or first and sequentially lower priority;
    - (iii) were vested for a principal amount outstanding which is at least equal to the principal amount of the related Loan when originated increased with interest, penalties, costs and/or insurance premiums together up to an amount equal to (at least) 140 per cent. of the principal amount of the related Loan when originated; and
    - (iv) were created pursuant to a mortgage or pledge deed which does not contain any specific wording regarding the transfer of such right of mortgage or pledge securing it, unless an express confirmation to the effect that upon a transfer of the relevant Receivable, the Receivable will following the transfer continue to be secured by the right of mortgage or pledge.
  22. The consent, licence, approval or authorisation of any person (other than the related Borrower) which was necessary to permit the creation of its Related Security were obtained including the consent of the spouse of such Borrower pursuant to Article 1:88 of the Dutch Civil Code.
  23. It:
    - (i) was originated by the relevant Originator (which includes origination by an originator (i) which has Merged into the relevant Originator or (ii) whose Relevant Assets and Liabilities have been acquired by the relevant Originator pursuant to a Demerger) and it has not (nor has any such Merged Originator or Demerged Originator (as the case may be)) transferred any receivable (including but not limited to any Residual Claim) secured by the Related Security to any party other than (a) the CBC (or in the case of a Merged Originator or Demerged Originator (as the case may be), other than the relevant Originator) and/or (b) an insurer pursuant to a Master Transfer Agreement in relation to an MTA Receivable; or
    - (ii) is secured by Related Security which does not include All-monies Security and any and all present and future receivables which are secured by the Fixed Security forming part of the Related Security, together with any and all contractual relationships (*rechtsverhoudingen*) from which receivables have arisen or may arise which are or will be secured by such Fixed Security, have, together with all Related Security, been transferred to (i) such Originator or (ii) an insurer pursuant to a Master Transfer Agreement in relation to an MTA Receivable.
- (F) *Valuation*
24. The related Borrower was obliged to obtain a building insurance (*opstalverzekering*) for the full reinstatement value (*herbouwwaarde*) of the Property at the time the related Loan was advanced.

25. Each Property concerned was valued in accordance with the then prevailing valuation criteria as applied by the relevant Originator. At 1 January 2015, the prevailing valuation criteria in relation to Loans originated by the Initial Originator were as follows: each Property was valued when application for the relevant Loan was made by (a) an independent qualified Dutch valuer or surveyor or (b) the Dutch tax authorities in the context of the Valuation of Immovable Property Act (*Wet Waardering Onroerende Zaken*, "**WOZ**"), except that a WOZ valuation cannot be used in the underwriting process:
- (i) if a mortgage loan is intended to have the benefit of an NHG Guarantee (except for newly built properties);
  - (ii) in case of a newly built property, provided that the principal amount of the mortgage loan exceeds €1,000,000;
  - (iii) in case of an owner-built property;
  - (iv) for all uncommon properties (e.g. monuments);
  - (v) for properties which are not fully used for permanent residential purposes; and
  - (vi) in all cases where the relevant Originator deems necessary.
- (G) *Long lease*
26. If it is secured by a right of mortgage on a long lease (*erfpacht*), the terms of the relevant Loan Agreement provide that the principal amount outstanding of the related Loan, including interest, will become immediately due and payable if (a) (i) the long lease terminates as a result of a breach by the leaseholder, (ii) the leaseholder materially breaches or ceases to perform its payment obligations under the long lease (*canon*) or (iii) the leaseholder in any other manner breaches the conditions of the long lease; and (b), if applicable, the associated right of the lender under the Loan Agreement to accelerate the Loan on that basis is exercised.
- (H) *No bridge Loans or Residential Subsidy Rights*
27. It does not arise from bridging mortgage loans (*overbruggingshypotheken*).
28. It is not related to a Loan in connection with which Residential Subsidy Rights were purportedly transferred to the relevant Originator.
- (I) *Specific products*
29. It is related to an Interest-Only Loan, an Annuity Loan, a Linear Loan, an Investment Loan, a Life Loan, a Savings Loan, a Hybrid Loan, a Revolving Credit Loan or any combination of the foregoing.
30. If it has an NHG Guarantee connected to it, (i) the NHG Guarantee is granted for its full amount outstanding at origination, and constitutes legal, valid and binding obligations of Stichting Waarborgfonds Eigen Woningen, enforceable in accordance with such NHG Guarantee's terms, (ii) all terms and conditions (*Voorwaarden en Normen*) applicable to the "**Nationale Hypotheek Garantie**" at the time of origination of the related Loans were complied with and (iii) the relevant Originator is not aware of any reason why any claim under any NHG Guarantee in respect of it should not be met in full and in a customary manner.
31. If it has a Municipality Guarantee connected to it, (i) the Municipality Guarantee is granted for its full amount outstanding at origination and constitutes legal, valid and binding obligations of the relevant municipality (*gemeente*), enforceable in accordance with such Municipality Guarantee's terms, (ii) all conditions (*voorwaarden*) set forth in any laws, rules or regulations applicable to the Municipality Guarantee have been fulfilled and (iii) the relevant Originator is not aware of any reason why any claim under any Municipality Guarantee in respect of it should not be met in full and in a customary manner.



32. If it relates to a Life Loan, a Savings Loan or a Hybrid Loan, then it has the benefit of the applicable Mixed Insurance Policy and (i) the relevant Originator (or an originator (i) which has Merged into the relevant Originator or (ii) whose Relevant Assets and Liabilities have been acquired by the relevant Originator pursuant to a Demerger) has either been validly appointed as beneficiary (*begunstigde*) under such Mixed Insurance Policy upon the terms of the relevant Loan Agreement and Mixed Insurance Policy (the resulting rights being the "**Beneficiary Rights**") or, if another person has been appointed as beneficiary, under an irrevocable payment instruction from such person to the relevant insurer, (ii) all receivables under such Mixed Insurance Policy have been validly pledged by the relevant Borrower to the relevant Originator (or an originator (i) which has Merged into the relevant Originator or (ii) whose Relevant Assets and Liabilities have been acquired by the relevant Originator pursuant to a Demerger), which pledge has been notified to the relevant insurer and (iii) none of the underlying policy, beneficiary clause, payment instruction or deed of pledge, as applicable, contains any provision restricting or prohibiting (a) said pledge to the relevant Originator, (b) a transfer of the Beneficiary Rights by the relevant Originator to the CBC, (c) an appointment by the relevant Originator of the CBC as new beneficiary under such Mixed Insurance Policy or (d) a waiver of the Beneficiary Rights by the relevant Originator.
33. The general conditions applicable to it and/or the relevant mortgage deed provide that its principal sum, increased with interest, reimbursements, costs and amounts paid by the relevant Originator on behalf of the related Borrowers and any other amounts due by such Borrowers to such Originator will become due and payable, amongst other things, if (a) a Mixed Insurance Policy attached to it is invalid and/or payment of premium under the Mixed Insurance Policy is suspended (*premievrij*); and (b), if applicable, the associated right of the lender under the Loan Agreement to accelerate the Loan on that basis is exercised.
34. If it is related to an Interest-Only Loan, an Annuity Loan, a Linear Loan, a Revolving Credit Loan or a Bank Savings Loan, it does not relate to any investment product or Mixed Insurance Policy.
35. If it is related to an Interest-Only Loan, it does not exceed the Original Foreclosure Value.
36. If it is related to an Investment Loan:
  - (a) the relevant securities account maintained in the name of the relevant Borrower has been validly pledged to the relevant Originator (or an originator (i) which has Merged into the relevant Originator or (ii) whose Relevant Assets and Liabilities have been acquired by the relevant Originator pursuant to a Demerger) and is maintained with:
    - (i) an investment firm (*beleggingsonderneming*) in the meaning ascribed thereto in the Wft, being either a broker (*bemiddelaar*) or an asset manager (*vermogensbeheerder*), which is by law obliged to administer the securities through a bank (see the next paragraph) or a separate securities giro (*beleggersgiro*); or
    - (ii) a bank (which is by law obliged to administer the securities through a separate depositary vehicle unless the transfer of any such securities is subject to the Dutch Securities Giro Transfer Act (*Wet giraal effectenverkeer*), in which case the bank can administer such securities itself; and
  - (b) any relevant savings account connected to the relevant securities account is maintained in the name of the relevant Borrower and has been validly pledged to the relevant Originator (or an originator (i) which has Merged into the relevant Originator or (ii) whose Relevant Assets and Liabilities have been acquired by the relevant Originator pursuant to a Demerger) and is maintained with the Bank.
37. If it is related to a Life Loan (i) the relevant Mixed Insurance Policy and the relevant Life Loan (other than a Life Loan in respect of which the related Mixed Insurance Policy is entered into by the Borrower with a Relevant Insurer) are in the relevant insurer's and Originator's promotional materials not offered as one product, and (ii) (a) if it falls under category 3 of the Deduction Risk description, the relevant Borrowers are not obliged to enter into a Mixed Insurance Policy with

an insurer which is a group company of the relevant Originator and are free to choose the relevant insurer (subject to prior approval of the relevant Originator) or (b) if it falls under category 4 of the Deduction Risk description, the guaranteed yield of the capital/investment under the Mixed Insurance Policy is not linked to the interest base applicable to the relevant Loan.

38. If it is related to an Investment Loan and the related investment product is offered by the relevant Originator itself (and not by a third party investment firm or bank), such investment product has been offered in accordance with all applicable laws and legal requirements prevailing at the time of origination, including those on the information that is to be provided to prospective investors.
39. If it is related to a Bank Savings Loan (A) the relevant Bank Savings Account maintained in the name of the relevant Borrower has been validly pledged to the relevant Originator (or an originator (i) which has Merged into the relevant Originator or (ii) whose Relevant Assets and Liabilities have been acquired by the relevant Originator pursuant to a Demerger), (B) at maturity of the Bank Savings Loan the amounts standing to the credit of the related Bank Savings Account can be applied to repay such Bank Savings Loan and (C) the general conditions applicable to it provide that its principal sum, increased with interest, reimbursements, costs and amounts paid by the relevant Originator on behalf of the related Borrower and any other amounts due by such to such Originator will become due and payable, amongst other things, if (a) such Borrower does not timely make the relevant monthly payments into the related Bank Savings Account; and (b), if applicable, the associated right of the lender under the Loan Agreement to accelerate the Loan on that basis is exercised.

**"Bank Savings Receivable"** means a Transferred Receivable resulting from a Bank Savings Loan.

**"Demerger"** means, in respect of a legal entity (a **"Demerged Originator"**), a legal act (*rechtshandeling*) between such entity and an Originator, pursuant to which all (or part thereof) assets and liabilities (*vermogen*) (the **"Relevant Assets and Liabilities"**) of such entity have been acquired by such Originator on a general legal basis (*algemene titel*) as referred to in article 2:334(a)(3) of the Dutch Civil Code.

**"Lending Criteria"** means such criteria applicable to the granting of a Loan to a Borrower as the relevant Originator may from time to time apply and which would be acceptable to a Reasonable Prudent Lender.

**"Loan"** means any loan (including the Initial Advance and any Further Advance) or loan part (*leningdeel*) granted by the relevant Originator to a Borrower pursuant to the terms of a Loan Agreement.

**"Loan Agreement"** means a mortgage loan agreement between an Originator and a Borrower secured by a right of mortgage (*recht van hypotheek*), including the corresponding notarial deed, pledge deed and set of general terms and conditions in such form as each Originator may from time to time introduce as would be acceptable to a Reasonable Prudent Lender.

**"Merged"** means, in respect of a legal entity (a **"Merged Originator"**), that as a result of a legal act (*rechtshandeling*) between such entity and an Originator, all assets and liabilities (*vermogen*) of such entity have transferred to such Originator on a general legal basis (*algemene titel*) as referred to in article 2:309 of the Dutch Civil Code, with such legal entity being the disappearing entity.

**"Mixed Insurance Policy"** means any insurance policy under which premium is paid consisting of a risk element and a capital element consisting of a savings part and/or an investment part, as the case may be.

**"Mortgage"** means a right of mortgage (*recht van hypotheek*) over a Property securing the related Receivable.

**"Municipality Guarantee"** means guarantees (*borgtochten*) issued by municipalities (*gemeenten*) in The Netherlands.

**"NHG" or "NHG Guarantee"** means guarantees (*borgtochten*) issued by Stichting Waarborgfonds Eigen Woningen under the terms and conditions of the National Mortgage Guarantee (*Nationale Hypotheek Garantie*), as from time to time amended.

**"Participation Receivable"** means a Savings Receivable or Bank Savings Receivable, as the case may be, to which a Participation applies.

**"Property"** means (i) a real property (*onroerende zaak*), (ii) an apartment right (*appartementenrecht*), or (iii) a long lease (*erfpacht*), which is subject to a Mortgage.

**"Rating Agency Confirmation"** 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 Trustee, in form and substance satisfactory to the Trustee, of:

- (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"**);
- (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
- (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:
  - (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
  - (ii) if such Rating Agency has not communicated that it requires more time or information to analyse the relevant matter, evidence that 30 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.

**"Reasonable Prudent Lender"** means the Originators and/or the Servicers, as applicable, acting in accordance with the standards of a reasonable lender of Dutch residential mortgage loans to Borrowers in The Netherlands which is acting as a reasonable creditor in protection of its own interests.

**"Receivable"** means a registered claim (*vordering op naam*) *vis-à-vis* a Borrower for repayment of a Loan and includes any Related Security.

**"Related Security"** means, with respect to any Receivable, all related accessory rights (*afhankelijke rechten*), ancillary rights (*nevenrechten*), connected rights (*kwalitatieve rechten*) and independently transferable claims (*zelfstandig overdraagbare vorderingsrechten*), including rights of mortgage (*hypotheekrechten*), rights of pledge (*pandrechten*), suretyships (*borgtochten*), guarantees, rights to receive interest and penalties and, to the extent transferable, Beneficiary Rights and interest reset rights.

**"Relevant Insurer"** means any of Nationale Nederlanden Levensverzekering Maatschappij N.V., Algemene Levensherv verzekering Maatschappij N.V., Allianz Nederland Levensverzekering N.V. and ING Levensverzekering Retail N.V. (formerly named Postbank Levensverzekering N.V.) and any of its predecessors (including, without limitation, in respect of Allianz Nederland Levensverzekering N.V., Royal Levensverzekering Maatschappij N.V. and Zwolsche Algemeene Hypotheken N.V.);

**"Residential Subsidy Right"** means the right to receive annual contributions with respect to residential Properties on the basis of the Resolution Monetary Support Own Residences (*Beschikking geldelijke steun eigen woningen*) of the Ministry of Housing, Spatial Planning and the Environment (currently known as the Ministry of Infrastructure and the Environment (*Ministerie van Infrastructuur en Milieu*) ("**VROM**") dated 1984 or the Resolution Residence Related Subsidies (*Besluit woninggebonden subsidies*) of VROM dated 1992 and 1995.

**"Standardised Approach"** means Chapter 2 (*Standardised Approach*) of Title II of Part Three of the CRR (as such chapter may be amended, replaced and/or supplemented from time to time).

**"Substitution Assets"** means the assets from time to time eligible under Article 129 CRR, paragraph 1(a), (b), (c) or credit quality step 2 exposures permitted by DNB as referred to in Article 129 CRR, paragraph 1, third sub-paragraph, to collateralise covered bonds, provided that:

- (a) such eligible assets are denominated in euros;
- (b) the aggregate exposure of such eligible assets shall not exceed a certain ceiling, being (i) for exposures to institutions that qualify for a 20 per cent. risk weighting under the Standardised Approach, (ii) a percentage of the (euro equivalent of the) aggregate Principal Amount Outstanding of the Covered Bonds then outstanding as determined to be applicable or agreed by each relevant Rating Agency from time to time, being as at the March 2015 Update and to the extent each of them is a Rating Agency, (A) insofar as Moody's is concerned: for all eligible assets generally, 20 per cent. and (B) insofar as S&P is concerned: for all eligible assets rated A-1, 20 per cent. and (iii) for all eligible assets listed under paragraph 1(c) of article 129 CRR and that are 0 per cent. risk weighted under the Standardised Approach, 10 per cent. of the total assets of the CBC;
- (c) such eligible assets will have certain minimum ratings, being for all eligible assets, long term and short term ratings as determined to be applicable or agreed by each relevant Rating Agency from time to time, being as at the March 2015 Update and to the extent each of them is a Rating Agency: (A) insofar as Moody's is concerned: A2 or P-1 for exposures maturing within one month, A1 and P-1 for exposures maturing within one to three months, Aa3 and P-1 for exposures maturing within three to six months and Aaa and P-1 for exposures maturing over six months, (B) insofar as S&P is concerned: A-1 for exposures maturing in sixty days or less and maturing on or before the next following CBC Payment Date, and AA- or A-1+, or AAAm (with respect to money market funds) for exposures maturing in sixty days to one year and maturing on or before the next following CBC Payment Date (save that, if the rating of the Issuer is higher than any of the ratings specified above for S&P, such higher rating shall apply as the minimum rating for such purposes) and (C) insofar as Fitch is concerned: 'A' and 'F1' for exposures maturing within thirty days and maturing on or before the next following CBC Payment Date and 'AA-' or 'F1+' for exposures maturing within thirty days to one year and maturing on or before the next following CBC Payment Date; and
- (d) such eligible asset consists of securities (i) which are either deposited with Euroclear or the transfer of which is subject to the Dutch Securities Giro Transfer Act (*Wet giraal effectenverkeer*) and (ii) which are credited to a securities account in the relevant Originator's name administered in The Netherlands or Belgium, as the case may be.

### 3.4 OVERVIEW OF THE DUTCH RESIDENTIAL MORTGAGE MARKET

*This paragraph 3.4 is substantially derived from the Dutch Residential Mortgage Market Overview over the period until February 2015, which overview is publicly available at the website of the Dutch Securitisation Authorisation.<sup>2</sup> The information has been accurately reproduced and the Issuer believes that this source (namely the Dutch Securitisation Authorisation) is reliable and as far as the Issuer is aware and is able to ascertain from the relevant source, no facts have been omitted which would render the reproduced information inaccurate or misleading.*

Compared to other mortgage markets in Europe, the Dutch residential mortgage market is typified by a range of relatively complex mortgage loan products<sup>3</sup>. Generous tax incentives have resulted in various loan structures. Most of these structures share the common characteristic of bullet repayment of principal at maturity. Historic practices and culture have also shaped the Dutch residential mortgage market in quite a unique way<sup>4</sup>.

Most mortgage loan products reflect the tax deductibility of mortgage loan interest and enable borrowers to defer repayment of principal so as to have maximum tax deductibility. This is evidenced by relatively high LTV values and the extensive use of interest-only mortgage loans (which only need to be redeemed at maturity)<sup>5</sup>. For borrowers who want to redeem their mortgage loan without losing tax deductibility, alternative products such as 'bank saving mortgage loans' were introduced. The main feature of a bank savings mortgage loan is that the borrower opens a deposit account which accrues interest at the same interest rate that the borrower pays on the associated mortgage loan. At maturity, the bank savings are used to redeem the mortgage loan.

In the period prior to the credit crisis increased competition and deregulation of the Dutch financial markets resulted in the development of tailor-made mortgage loans consisting of different loan parts and features, including mortgage loans involving investment risks for borrowers. More focus on transparency and financial predictability have resulted in simpler mortgage loan products in recent years.

Dutch mortgage loans predominantly carry fixed rates of interest that are typically set for a term between 5 and 15 years. Rate term fixings differ by vintage however. Historically low mortgage interest rates in the last decade provided an incentive for households to refinance their mortgage loans with a long-term fixed interest rate (up to as much as 30 years). Compared to countries where floating mortgage rates are the norm, Dutch mortgage borrowers are relatively well-insulated against interest rate fluctuations<sup>6</sup>.

Even though Dutch house prices have declined since 2008, the principal amount outstanding of Dutch mortgage loans has continued to increase until the fourth quarter of 2012. Since then the aggregate outstanding mortgage debt of Dutch households has slightly decreased. The Dutch mortgage market is still supported by a gradual increase in the levels of owner-occupation and an environment of low mortgage loan interest rates.

#### **Tax deductibility and regulation**

Prior to 2001, all interest payments on mortgage loans were deductible in full from taxable income. As from January 2001, tax deductibility was made conditional in three ways. Firstly, deductibility applies only to mortgage loans on the borrower's primary residence (and not to secondary homes such as holiday homes). Secondly, deductibility is only allowed for a period of up to 30 years. Lastly, the highest marginal tax rate was reduced from 60 per cent. to 52 per cent. in 2001. However, these tax changes did

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<sup>2</sup> See: <http://www.dutchsecuritisation.nl/dutch-residential-mortgage-market>.

<sup>3</sup> Due to new regulation, borrowers have been restricted to annuity or linear mortgage loans since January 2013 if they want to make use of tax deductibility. See paragraph "Recent regulatory changes" below.

<sup>4</sup> Rabo Credit Research, Dutch RMBS: a Primer (2013).

<sup>5</sup> Dutch Association of Insurers, Dutch Insurance Industry in Figures (2012).

<sup>6</sup> Maarten van der Molen en Hans Stegeman, "De ongekende stabiliteit van de Nederlandse woningmarkt" (2011).

not have a significant impact on the rate of mortgage loan origination, mainly because of the ongoing decrease of mortgage interest rates at that time.

On top of these limitations that came into force in 2001, tax deductibility of mortgage loan interest payments has been further restricted for borrowers that relocate to a new house and refinance their mortgage loan as from 1 January 2004. Under this new tax regulation (*Bijleenregeling*), tax deductibility in respect of interest on the mortgage loan pertaining to the new house is available only for that part of the mortgage loan that equals the purchase price of the new house less the realised net profit on the old house. Other housing related taxes partially unwind the benefits, but even despite restrictions implied in the past, tax relief on mortgage loans is still substantial. More meaningful restrictions to tax deductibility have been imposed per 1 January 2013 (see "*Recent regulatory changes*" below).

Underwriting standards follow from the Code of Conduct for Mortgage Lending, which is the industry standard. Since 1 August 2011, the requirements for mortgage lending have been tightened by the AFM. This has resulted in a revised Code of Conduct for Mortgage Lending (*Gedragscode Hypothecaire Financieringen*). It limits the risks of over-crediting. Under those tightened requirements, the principal amount of a mortgage loan may not exceed 103 per cent. of the market value of the mortgaged property plus transfer tax (2 per cent.). In addition, only a maximum of 50 per cent. of the market value of the mortgaged property may be financed by way of an interest-only mortgage loan. In addition, the revised Code of Conduct provides less leeway for exceptions using the 'explain' clause.<sup>7</sup> Consequence is that banks are less willing to deviate from the rules set by the revised Code of Conduct. This will make it more difficult for especially first-time buyers to raise financing as they used to be overrepresented as borrowers of mortgage loans subject to an explain clause. In practice, expected income rises of first-time buyers were frequently included, which led to additional borrowing capacity<sup>8</sup>.

### **Recent regulatory changes**

Mortgage loans taken out for houses purchased after 1 January 2013 have to be repaid in full in 30 years and at least on an annuity basis in order to be eligible for tax relief (the linear option is also possible). Tax benefits for mortgage loans, of which the underlying property was bought before 1 January 2013, have remained unchanged. Grandfathering of these tax benefits is possible in case of refinancing and/or relocation. However, any such mortgage loans will again be tested against the Code of Conduct for Mortgage Lending, with the most important condition being that no more than 50 per cent. of the mortgage loan may be repaid on an interest-only basis.

As from 2014, the maximum interest deductibility for mortgage loans for tax purposes will decrease annually at a rate of 0.5 percent-point from the main income tax rate of 52 per cent. down to 38 per cent. in 2042.

In addition, the maximum LTV will be gradually lowered to 100 per cent. in 2018, by 1 per cent. per annum (2015: max LTV: 103 per cent. including transfer tax). This guideline has been inserted in special underwriting legislation, which has become effective per 1 January 2013. This new legislation overrules the Code of Conduct for Mortgage Lending currently.

The transfer tax (stamp duty) was temporarily lowered from 6 per cent. to 2 per cent. on 1 July 2011. With effect from 15 June 2012, it will remain permanently at 2 per cent.

Finally, interest paid on any outstanding debt from a mortgage loan remaining after the sale of a home (negative equity financing) can be deducted for tax purposes for a period of up to 15 years. This measure will be in place for negative equity financings entered into before 2018.

### **Recent developments in the housing market<sup>9</sup>**

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<sup>7</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.

<sup>8</sup> M.T. van der Molen, "Aanschaffen woning is makkelijker" (2012).

<sup>9</sup> Rabobank Economic Research Department, Dutch Housing Market Quarterly, August 2014.

The Dutch housing market has shown clear signs of recovery since the second half of 2013. On a quarterly basis, existing house prices (PBK-index) stayed flat in the fourth quarter of 2014, though the annual price increase equalled 2.1%. Since the recovery on the housing market started in the third quarter of 2013, house prices have increased by 2.2%. Compared to the peak in the third quarter of 2008, house prices are still 18.8% lower.

In the fourth quarter of 2014, considerably more houses changed hands than in previous quarters. The Land Registry (Kadaster) registered a total of 51,314 transactions, which was the highest number since 2008. In particular December 2014 was good, but the number of sales in this month has been affected by the expiration of a temporary exemption in the gift tax framework. Forward looking indicators, such as the sales figures by the Dutch association of real estate agents (NVM), suggest an ongoing recovery of the Dutch housing market in 2015, though sales momentum is likely to decrease somewhat.

### **Forced sales**

The number of arrears and involuntary sales of residential property by public auction ("forced sale") in The Netherlands is traditionally very low compared to international standards<sup>10</sup>. Especially in the second half of the 1990s, when the demand for residential property was exceptionally strong, house sales by auction, even in the event of a forced sale, almost never occurred or were required. Moreover, the 1990s were characterised by very good employment conditions and a continuing reduction of mortgage interest rates. In the years before 2001, the total number of forced sales was therefore limited compared to the number of owner-occupied houses.

The relatively prolonged economic downturn from 2001 to 2005 led to a significant rise in the amount of mortgage loan payment arrears and correspondingly forced house sales. The number of forced sales in The Netherlands reported by the Land Registry (*Kadaster*) rose from 695 in 2002 to about 2,000 forced sales from 2005 onwards. This increase was mainly the result of a structural change in the Dutch mortgage loan market during the nineties: instead of selling single income mortgage loans only, lenders were allowed to issue double income mortgage loans. The subsequent credit crisis and the related upswing in unemployment led to a rise of the number of forced sales. The Land Registry (*Kadaster*) recorded 1,863 forced sales in 2013. In 2014 the number of forced sales amounted to 2,178. Recent numbers on forced sales could be distorted by the fact that originators increasingly attempt to circumvent such sales, for example by selling the property in the normal market using an estate agent.

Recent research confirms that the number of households in payment difficulties in The Netherlands is low from an international perspective and that problems mainly have 'external' causes such as divorce or unemployment as opposed to excessively high mortgage debt<sup>11</sup>.

The proportion of forced sales is of such size that it is unlikely to have a significant impact on house prices. The Dutch housing market is characterised by a large discrepancy between demand and supply, which mitigates the negative effect of the economic recession on house prices. In the unforeseen case that the number of forced sales were to increase significantly, this could have a negative effect on house prices. Decreasing house prices could in turn increase loss levels should a borrower default on his mortgage loan payment obligations.

Even though in a relative sense the increase over the last years is substantial, the absolute number of forced sales is obviously still small compared to the total number of residential mortgage loans outstanding. There is no precise data of the number of residential mortgage loans outstanding in The Netherlands. However, based on the published total amount of residential mortgage debt outstanding<sup>12</sup> and the current average mortgage loan principal amount it is estimated that the total number of residential mortgage loans outstanding in The Netherlands exceeds 3 million. A total of approximately 2,500 forced sales per year since 2005 therefore corresponds to approximately 0.1 per cent. of the total number of residential mortgage loans outstanding.

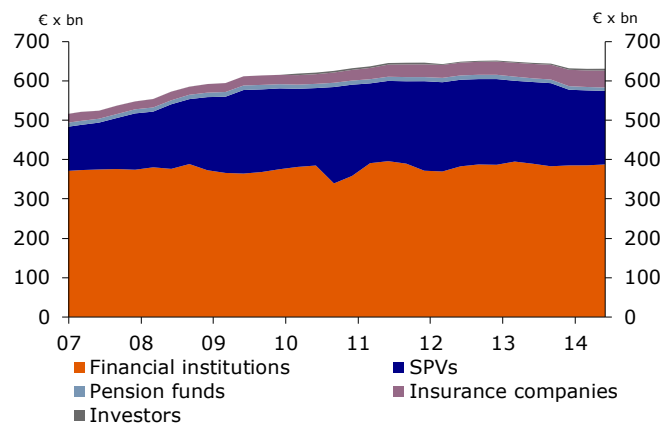
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<sup>10</sup> Comparison of S&P 90+ day delinquency data.

<sup>11</sup> Standard & Poor's, Mortgage lending business supports some European banking systems (2010).

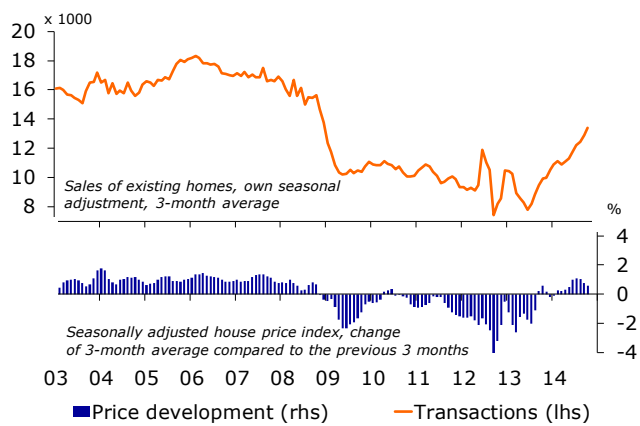
<sup>12</sup> Dutch Central Bank, statistics, households, table T11.1.

Chart 1: Total mortgage debt



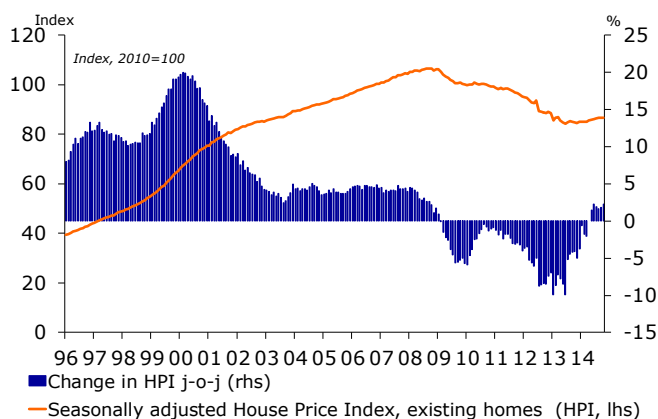
Source: Dutch Central Bank

Chart 2: Transactions and prices



Source: Statistics Netherlands

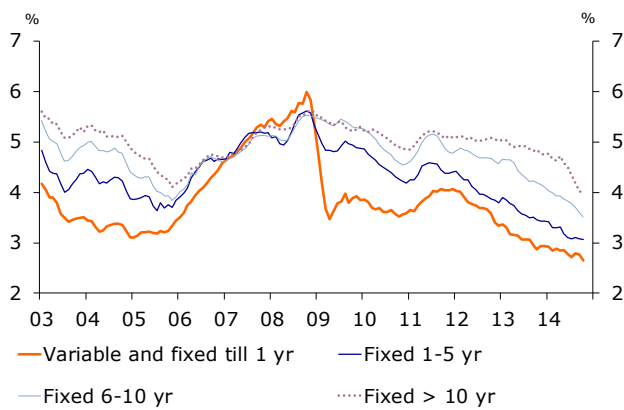
Chart 3: Price index development



Source: Statistics Netherlands

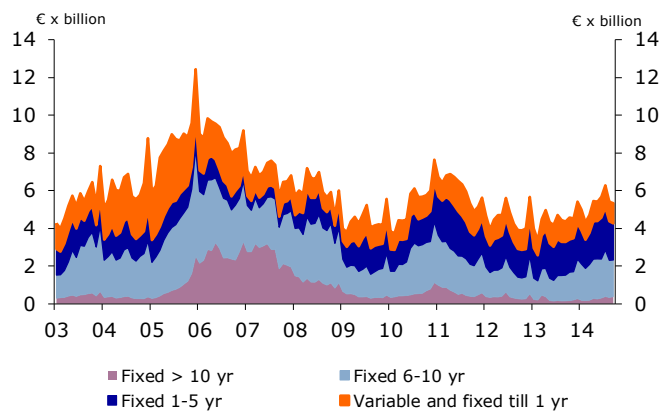


Chart 4: Interest rate on new mortgages



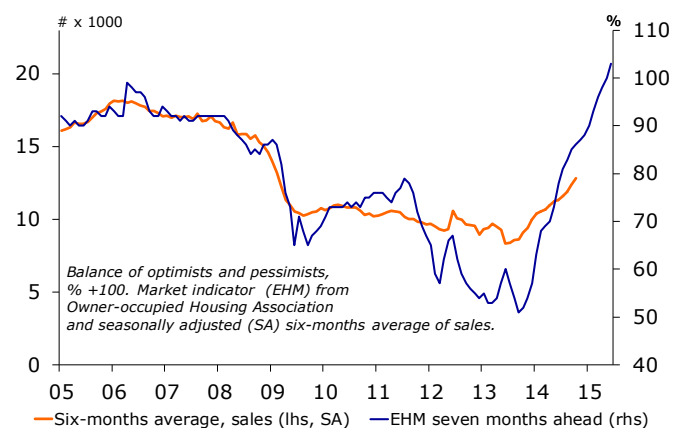
Source: Dutch Central Bank

Chart 5: Volume of new mortgages by term



Source: Dutch Central Bank

Chart 6: Confidence bodes for more sales



Source: Delft University OTB, Rabobank

### 3.5 MUNICIPALITY/NHG GUARANTEE PROGRAMME

#### Municipality Guarantee

In 1960, the Dutch government introduced the 'municipal government participation', an open ended scheme in which the municipalities give, according to a set of defined criteria, municipality guarantees to banks who grant mortgage loans to certain lower income groups (the "**Municipality Guarantees**"). 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 mortgage loan to cover its obligations. The aim was to promote house ownership among the lower income groups. The Municipality Guarantee covers the outstanding principal, accrued unpaid interest and disposal cost. To the extent that the mortgage loan is partially redeemed either through scheduled payments or prepayments, the Municipality Guarantee is reduced accordingly. Additional mortgage loans made under a mortgage loan agreement are not covered by the Municipality Guarantee to the extent that the outstanding amount of the mortgage loan is greater than the original amount less scheduled repayments.

#### NHG Guarantee

Since 1 January 1995 the WEW ("*Stichting Waarborgfonds Eigen Woning*"), a central, privatised entity, has been responsible for the administration and granting of the NHG Guarantee (*Nationale Hypotheek Garantie*), under a set of uniform rules which must be approved by the Minister of Finance. The NHG Guarantee covers the outstanding principal, accrued unpaid interest and disposal costs. Irrespective of scheduled repayments or prepayments made on a mortgage loan, the NHG Guarantee is reduced on a monthly basis by an amount which is equal to the principal repayment part of the monthly instalment as if such 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 loan for purposes of the calculation of the amount guaranteed under the NHG Guarantee (See Section A.3 (*Guarantee Support*) under "*NHG Guarantees and Municipality Guarantees*" above).

#### Transition from Municipality to NHG Guarantee

The Dutch State has effectively transferred its reimbursement obligations with respect to amounts guaranteed by a Municipality to the WEW. All municipalities have transferred their obligations under guarantees issued pursuant to the previous State terms and conditions to the WEW.

The transfer of obligations by the Dutch State and the municipalities to the WEW is set forth, respectively, in a 'buy-off' agreement (*afkoopovereenkomst*) dated 8 December 1994 between the Dutch State and the WEW and in standard buy-off agreements entered into between each participating municipality and the WEW. The buy-off agreements basically provide for WEW to assume all payment obligations of the Dutch State and the municipalities under guarantees issued (but not enforced) prior to 1 January 1995 against payment by the Dutch State and the participating municipalities of an up-front lump sum (and, if necessary, additional payments) to the WEW.

#### Financing of the WEW

The WEW finances itself, *inter alia*, by an annually reviewed one-off charge to the borrower at origination of 1.00 per cent. (as of 1 January 2014) of the principal amount of the mortgage loan. Besides this, the NHG scheme provides for liquidity support to the WEW from the Dutch State and, for mortgage loans, benefiting from the NHG Guarantee, originated before 1 January 2011, the participating municipalities. If the WEW is not able to meet its obligations under guarantees issued in respect of mortgage loans originated before 1 January 2011, the Dutch State will provide subordinated interest-free loans to the WEW of up to 50 per cent. of the difference between the WEW's own funds and a pre-determined average loss level, while municipalities participating in the NHG scheme will provide subordinated interest free loans to the WEW in respect of the other 50 per cent. of the difference. If the WEW is not able to meet its obligations under guarantees issued relating to mortgage loans originated after 1 January 2011, the Dutch State will provide subordinated interest free loans to the WEW for up to 100 per cent. of the difference between the WEW's own funds and the pre-determined average loss level. Both the 'keep well' agreement entered into between the Dutch State and the WEW and the 'keep well' agreements entered into between the municipalities and the WEW contain general undertakings of the

Dutch State and the municipalities to enable the WEW at all times (including in the event of bankruptcy (*faillissement*), suspension of payments (*surseance van betaling*) or liquidation (*ontbinding*) of the WEW) to meet its obligations under guarantees issued.

### **Terms and Conditions of the Municipality Guarantee**

The Dutch State established the terms and conditions for the Municipality Guarantees. These terms and conditions have been amended from time to time over the years. As of October 1992, to qualify for a Municipality Guarantee under the relevant State terms and conditions, *inter alia*, the following conditions had to be met: (1) a municipality guarantee must be applied for the purchase of an asset; (2) the applicant for whose benefit the guarantee is given must be the owner-occupier; (3) the purchase price (as defined in the relevant terms and conditions) must not exceed Dutch Guilders 250,000 (which amounts to €113,445); (4) the relevant mortgage loan granted for the purchase of the property must have a minimum maturity of five years and a maximum maturity of 30 years; (5) repayments have to be on a monthly basis and can be 'annuity' or 'linear'; (6) the relevant mortgage loan must be secured by a first priority mortgage right securing only the mortgage loan on the mortgaged asset, in favour of the lender; (7) the guarantee covers the lender's claims under the mortgage loan as of the date of sale of the property by the lender enforcing the mortgage; (8) if the mortgage right is combined with a life insurance policy, the rights under the policy must be pledged to the lender; (9) the lender must ensure that the property is adequately insured (by the borrower) against fire damage during the term of the mortgage loan. In addition, once the guarantee has been issued, the lender has certain ongoing obligations under the Municipality Guarantee *vis-à-vis* the municipality; (i) without the consent of the municipality the lender shall not agree to a suspension of payment under the mortgage loan; (ii) the lender must inform the municipality on a yearly basis as to the amount outstanding under the mortgage loan; (iii) if and when the borrower is in default under the mortgage loan, the lender must inform the municipality accordingly; (iv) if the default of the borrower under the mortgage loan is continuing, the lender may not sell the property, except with the consent of the municipality; (v) the lender may not claim under the guarantee, unless the mortgage has been enforced and the property has been sold.

### **Terms and Conditions of the NHG Guarantees**

Under the NHG scheme, the lender is responsible for ensuring that the guarantee application meets the NHG terms and conditions. If the application meets these terms and conditions, various reports are produced that are used in the processing of the application, including the form that will eventually be signed by the relevant lender and forwarded to the NHG to register the mortgage and establish the guarantee. The WEW has, however, no obligation to pay any loss (in whole or in part) incurred by a lender after a private or a forced sale of the relevant 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 the WEW.

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

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

The mortgage conditions applicable to each mortgage loan should include certain provisions such as 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.

An NHG Guarantee for new mortgage loans can be issued up to a maximum of €265,000 (two hundred sixty-five thousand euros) as of 1 July 2014 until 1 July 2015. The maximum amount of the NHG Guarantee will be reduced to €245,000 (two hundred forty-five thousand euros) as of 1 July 2015. The maximum amount of the NHG Guarantee previously was:

- from 1 January 2007 until 1 July 2009 €265,000 (two hundred sixty-five thousand euros); and
- from 1 July 2009 until 1 July 2012 €350,000 (three hundred fifty thousand euros);
- from 1 July 2012 until 1 July 2013 €320,000 (three hundred twenty thousand euros); and
- from 1 July 2013 until 1 July 2014 €290,000 (two hundred ninety thousand euros).

On 31 October 2013, the Dutch government announced various changes to the NHG Guarantee which have become effective as of 1 January 2014. One of the changes is the introduction of a loss-sharing mechanism for new originations under which lenders take 10 per cent. of losses if a mortgage defaults. According to the Dutch government, historically lenders in respect of NHG guaranteed loans bore some risk due to the amortizing nature of the NHG Guarantee given that mortgages were predominantly of an interest-only nature creating a gap between the guaranteed amount and the outstanding loan amount of the life of the mortgage. As a result of fiscal regulatory changes, mortgage loans taken out for houses purchased after 1 January 2013 are predominantly repaid on annuity basis and this risk has therefore disappeared. To maintain a lender risk, the Dutch government has now introduced a risk for lenders of 10 per cent. on the realised loss in case of a defaulted mortgage loan.

One of the other changes announced by the Dutch government in respect of the NHG Guarantee is that as of 1 January 2014 homeowners can, after they sold their house, finance an outstanding residual debt into a new mortgage subject to the NHG Guarantee, provided the residual debt arises from the sale of a property that is financed with an NHG Guarantee. One of the conditions is that the costs of the new property and the residual debt remain below the overall limit as mentioned above. Any exceeding outstanding debt must be financed alternatively.

### **Claiming under the Municipality Guarantee**

The claim must be made under the same conditions as for the NHG claim (see below). There are three possible situations for claiming under a Municipality Guarantee: (1) the municipality has joined the NHG scheme and has transferred its obligations to the NHG, (2) the municipality has joined the NHG scheme and has transferred its obligations to the NHG but the municipality has retained its old obligations, or (3) the municipality has not joined the NHG scheme. The claims procedure is as follows:

- (A) in relation to (1) above, the claim is made to the municipality that issued the guarantee, which checks the validity of the claim and forwards it to the WEW which makes the payment to the lender;
- (B) in relation to (2) above, the claim is made to the issuing municipality which checks the claim and makes the payment to the lender (the WEW will reimburse the municipality for 50 per cent. of the claim); and
- (C) in relation to (3) above, the claim is made to the issuing municipality which checks the claim and makes the payments to the lender.

In all cases the full file of relevant information must be submitted with the claim within the required time. Payment should be made within two months after receipt of the claim. If not, interest is payable for the delayed payment period.

In its letter dated 26 October 2000, the WEW confirmed that the starting point for its policies is that each financial institution with which it has a guarantee arrangement acts in good faith (*te goeder trouw*) and that breaches of the terms and conditions (*Voorwaarden en Normen*), which do not have a material

influence on the occurrence and the size of the loss, lead to payment under the claims. The WEW also confirmed that if a financial institution should transfer to a third party its rights under mortgage loans which have the benefit of a Guarantee and which are registered with the WEW in accordance with the provisions of such terms and conditions, pursuant to a sale by that financial institution of a mortgage loan portfolio to which the mortgage loans in question belong or in connection with a financial transaction, such third party transferee will become the beneficiary of the Guarantee as provided for in article 6:142 sub-section 1 of the Dutch Civil Code.

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

When a borrower is in payment arrears under a mortgage loan for a period of four months, a lender informs the WEW in writing within 30 days of the outstanding payments, including the guarantee number, the borrower's name and address, information about the underlying security, the date of the start of late payments and the total of outstanding payments. When the borrower is in arrears WEW may approach the lender and/or the borrower to attempt to solve the problem and make the borrower aware of the consequences. If an agreement cannot be reached, the WEW reviews the situation with the lender to endeavour to generate the highest possible proceeds from the property. The situation is reviewed to see whether a private sale of the property, rather than a public auction, would generate proceeds sufficient to cover the outstanding mortgage loan. Permission of the WEW is required in case of a private sale, unless the property is sold for an amount higher than 95% of the foreclosure value, as well as in case of a forced sale and execution sale.

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

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

### ***Additional loans***

Furthermore, on 1 July 2005 provisions were added to the NHG terms and conditions pursuant to which a borrower who is or threatens to be in arrears with payments under the existing mortgage loan may request that the WEW grants a second guarantee in respect of an additional mortgage loan to be granted by the relevant lender (*woonlastenfaciliteit*). The aim of the so called *woonlastenfaciliteit* is to avoid a forced sale of the property. The monies drawn down under the additional loan have to be placed on deposit with the relevant lender and may, up to a maximum period of two years, be used for, among other things, 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 granting of such an additional loan is subject to certain conditions, including, among other things, the fact that the financial difficulties are caused by a divorce, unemployment, disability or death of the partner of the borrower.

### **Main NHG underwriting criteria (*Normen*) as of 1 January 2015**

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

- (i) The lender must perform a BKR check.
- (ii) 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, for workers with flexible working arrangements or during a probational

period (*proeftijd*) a three year history of income statements, for self-employed three year (annual) statements.

- (iii) The maximum loan based on the income of the borrowers is based on the "*toetsinkomen toegestane financieringslasten*" tables and an annuity style redemption (even if the actual loan is (partially) interest only). The mortgage lender shall calculate the borrowing capacity of a borrower of a mortgage loan with a fixed interest terms of less than 10 years on the basis of a percentage determined and published by the AFM, which is based on a weighted average (according to market share) of the mortgage interest rate of at least five of the six large mortgage originators. According to law, the applicable interest rate is a minimum of five per cent.
- (iv) The mortgage lender may also apply a higher notional interest rate when calculating the borrowing capacity of the borrower. The mortgage lender shall calculate the borrowing capacity for a mortgage loan with a fixed interest term of 10 years or more on the basis of the interest rate actually charged by the mortgage lender during that fixed interest term.

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

- (i) 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.
- (ii) As of 1 July 2014, the maximum amount of the mortgage loan is €265,000. This amount will be reduced to €245,000 as of 1 July 2015 and €225,000 as of 1 July 2016. For borrowers with an existing NHG mortgage taking a further advance relating to the improvement of an existing property, the maximum loan amount is €265,000.

The loan amount is also limited by the amount of income and the market value of the property. With respect to the latter:

- (a) for the purchase of existing properties, the maximum 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) 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; or
- (b) for the purchase of a property to be built, the maximum loan amount is broadly based on the sum of (i) the purchase or construction cost increased with a number of costs such as the cost of construction interest, VAT and architects (to the extent not included already in the purchase or construction cost) and (ii) 6 per cent. of the amount under (i),

in each case subject to a maximum loan to market value of 103 per cent. or in case of (additional) investments in energy saving subject to a maximum loan to market value of 106 per cent.

A risk insurance policy should cover at least the amount by which the mortgage loan exceeds 80% of the market value of the property.

### 3.6 ORIGINATION AND SERVICING BY INITIAL ORIGINATOR

#### General

The Bank, a subsidiary of ING Group, which is supervised by DNB, has transferred and may transfer further Eligible Assets to the CBC under the Guarantee Support Agreement (in such capacity, the "**Initial Originator**"). At the option of the Issuer, subject always to Rating Agency Confirmation, any member of the ING Group may accede to, among other things, the Programme Agreement and the Guarantee Support Agreement as an originator (each a "**New Originator**" and together with the Initial Originator, the "**Originators**"). This section differentiates between (i) origination by the Initial Originator and, prior to being Merged into the Initial Originator, its relevant predecessors and (ii) servicing of Loans by the Bank as Initial Servicer.

#### Origination

##### *Introduction*

The mortgage loans are distributed through independent broker agents and ING Group broker agents or by telephone or internet in combination with regular mail. New mortgage loans are accepted on the basis of a fixed underwriting protocol.

The principal items in the underwriting protocol are:

##### *Ministerial Regulation and the Code of Conduct (Gedragscode Hypothecaire Financieringen)*

The Ministerial Regulation (*Tijdelijke regeling hypothecair krediet*) and the Code of Conduct on mortgage financing are applicable to all Dutch Financial Institutions offering mortgage loans for the purchase, reconstruction or refinancing of the borrower's property. The Ministerial Regulation dictates the income criteria for the borrower and the maximum loan to value, which are hence incorporated in Dutch law. The Code of Conduct dictates amongst others how to determine the maximum loan capacity of the borrower, and operates on a "comply or explain" basis. This means that each mortgage provided needs to comply with the Code of Conduct or appropriate explanation needs to be provided on a per mortgage basis. The calculation of the maximum loan capacity is based on an annuity test, an interest rate determined quarterly by the AFM and the maximum debt-to-income ratios (housing ratios). Currently, a minimum interest rate of 5.0 per cent. applies to mortgage loans with a floating or fixed rate of interest of up to a term of 10 years or the actual interest rate of the loan if it is higher. Based on this interest rate and the duration of the loan a monthly annuity is calculated. The total annuity payments per year should be less than the maximum housing ratio (i.e. compliant with the annuity test). The Code of Conduct also dictates when it is allowed to deviate from this annuity test in order to test with the real mortgage expenses. These cases being e.g. a loan to value below 100 per cent., or a fixed interest rate term of 10 years or more.

In case of a dual income household, the housing ratio is determined by the higher of the two incomes plus one third of the lower of the two incomes. The total of incomes is accounted to determine the maximum loan amount. In order to meet the underwriting criteria, the maximum acceptable housing ratio ranges between 10.0 per cent. and 33.5 per cent. and where the borrower is eligible for Old Age Pension, currently at the age of 65 years and three months, between 13.5 per cent. and 40.5 per cent., depending of the income of the borrower. The higher the income, the higher the maximum housing ratio.

Since 1 August 2011, the mortgage lending conditions set out in the Code of Conduct have become more strict. As of 1 January 2015, (i) mortgages may not exceed 103 per cent. of the market value (*marktwaaarde*) of the property, (ii) the interest-only element of a mortgage may not exceed 50 per cent. of the property's market value and (iii) the rules surrounding the approval of "explain" mortgages (i.e. mortgages that do not necessarily comply in full with the Code of Conduct) have been tightened.

##### *Income*

A vast majority of borrowers under mortgage loans receive income from paid employment. For most other borrowers under mortgage loans, the income is generated from self-employed activity, pensions, social benefits or alimony. The income components are stipulated in the protocol. A check on the income is conducted by requesting salary statements and a recent employer's declaration. Self-employed persons have to comply with predefined ratings from an internal rating model and/or have to submit full annual

accounts (including an independent auditor's report or sign-off) for the business over the past three years. A director/majority shareholder is regarded as self-employed.

### ***National Credit Register (Bureau Krediet Registratie – BKR)***

A check is completed on every borrower under a mortgage loan with the Bureau Krediet Registratie ("**BKR**"). A negative credit registration on the borrower's name will, in principle, lead to a rejection of the mortgage request.

### ***Collateral***

To determine the market value of the property either (i) a valuation report, (ii) a WOZ value statement (which is a value statement of the property by the Dutch Tax authorities), (iii) a purchase and construction agreement, or (iv) a purchase agreement may be used, depending on the type of property it concerns (existing property, existing property being partly reconstructed, a newly built property).

*If a valuation report is required, the valuation will have to be carried out by a registered valuer, that is known by the relevant local branch of the Initial Originator and that is a member of a selected organisation, being either the "Nederlandse Vereniging van Makelaars" (Netherlands Association of Real Estate Brokers), the "Landelijke Makelaars Vereniging" (National Real Estate Brokers' Association), the "Vereniging van Registrervastgoed Taxateurs", the "Vereniging Bemiddeling Onroerend Goed", and the "Registratie Makelaars-taxateurs", or which is registered with either "Stichting VastgoedCert, kamer Wonen" or with "Stichting Certificering VBO-Makelaars". The 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.*

A valuation report will be required:

- (i) if a mortgage loan is intended to have the benefit of a NHG Guarantee (except for newly built properties);
- (ii) in case of a newly built property, provided that the principal amount of the mortgage loan exceeds €1,000,000;
- (iii) in case of an owner-built property;
- (iv) for all uncommon properties (e.g. monuments);
- (v) for properties which are not fully used for permanent residential purposes; and
- (vi) in all cases where the relevant Originator deems necessary.

A valuation report dated within the last 6 months, or WOZ value statement dated within the last 12 months and that adheres to all other criteria set by the Initial Originator, is deemed acceptable.

Currently, newly originated mortgage loans have a maximum principal amount outstanding of 103 per cent. of the market value of the property at origination. In case of (additional) investments in energy saving the total maximum principal amount is 106 per cent. of the market value at origination.

### ***Other underwriting conditions***

Apart from the principal underwriting factors set out above, the following conditions apply: (i) mortgage loans are granted only to individuals, (ii) the relevant owners assume joint and several liability for the mortgage receivable and (iii) mortgage loans are granted on the borrower's own residential property only.

### ***Mortgage Analysis Programme***

First checks are performed against the BKR and the EVA (*Externe Verwijzings Applicatie*) 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. The mortgage 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 mortgage loan offer software 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 on three levels, 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 Initial Originator's origination criteria applying to mortgage loans. Approved and accepted mortgage loans are administered in 'HYPOS', the applicable mortgage loan administration system.

### ***Acceptance***

Before final acceptance of a mortgage loan by a borrower, a check is performed on whether the borrower has met all the pre-conditions stated in the mortgage 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 (paid to it by the relevant Originator) to the borrower after the mortgage deed has been signed.

### ***Insurance***

A borrower is required to take out insurance in respect of the property 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 Dutch land registry (*Dienst van het Kadaster en de Openbare Registers*). When a mortgage deed is first presented for submission 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. The Bank accepts no second ranking (or lower) mortgage right if the first entry of a mortgage right is made in name of third parties other than the Bank. Currently the Bank, only in the case of a bridge loan, accepts a second or lower ranking right of mortgage where a first ranking right of mortgage has already been registered in the name of a third party whereby additional conditions will apply to the relevant mortgage loan in relation to the outcome of the selling price:

- (i) if the property has already been sold, the bridge loan consists of the selling price minus selling costs and minus the current mortgage loan on the property;
- (ii) if the property has not yet been sold, the bridge loan consists of 80 per cent. of the current market value minus the current mortgage loan on the property.

A bridge loan is based on an expected increase in the value of the current property to finance a new property, before the current property is sold.

### ***Servicing***

#### ***Introduction***

The Servicer is responsible for the mortgage administration of the Dutch business units of the Initial Originator, including the non-commercial contacts with the clients. Currently, the Servicer provides mortgage administration services for approximately 700,000 mortgage loans (ING), amounting to approximately €109 billion. Most of the Servicer's mortgage administration and arrears management services are carried out in Amsterdam.

#### ***Mortgage administration***

Following the granting of the loan and the creation of the mortgage, the normal administration of the mortgage loan in 'HYPOS' commences. The Servicer's portfolio administrative control is divided into collection procedure, administration, administrative control of arrears, technical administrative control, interest rate reviews and file creation.

#### ***Interest collection***

For the vast majority of the mortgage loans, interest is collected by a direct debit account. Each month, the mainframe automatically calculates the amount of interest due. The interest on loans originated by the

Initial Originator is collected in arrears on the first business day of each month. The interest received is recorded in each borrower's ledger account. From then on, all payments per borrower are automatically recorded under each operating entity. This automated process has a very low fail rate. Failure can be caused by a change in bank account of the borrower without the Servicer being notified or an insufficient balance on the bank account to satisfy the payment. In case the first direct debit attempt has failed, new attempts will automatically be made every week. The borrower will receive a first reminder on the tenth day following the first unsuccessful automatic collection.

### ***Individual mortgage management***

The Bank has an additional policy with respect to individual changes in outstanding mortgage loans, entailing that the standard acceptance policy must be followed. Complementary policy rules also apply in specific situations, such as mortgage loan conversions, a discharge of a borrower, death, changes in relation to the property or to the maturity of a mortgage loan or in case of a(n) (expected) default under the mortgage loan.

### ***Arrears management***

The arrears management procedure starts on the first day that the borrower fails to meet its payment obligations. Borrowers are informed of arrears of payment after each direct debit failure. Moreover, the provision of information must be correct and comprehensive; the borrower must be aware of the possible means and measures that he may be entitled to receive. Attention is also paid to the consequences of observing/not observing arrangements made. In relation hereto, there are possible consequences of mortgage payment arrears, such as fiscal consequences, reporting to the BKR, attachment of the borrower's salary or sale of the property (private sale, sale based on a power of attorney, private foreclosure sale or foreclosure by auction). The communication with the borrower may be via telephone, digital, in writing (email or letter) or in person.

The arrears management control procedure globally consists of two phases. In the first phase, the goal is to re-instate the normal payment pattern and to retain the borrower. In this phase, contact is made with the borrower.

The second phase consists of preventing losses and liquidation where the intention is to control risk and to maximise collections. A final effort can be made to re-instate the payment pattern. Priority is given to urging customers to voluntarily sell the collateral (private sale), a process that is co-ordinated by the arrears management department and a real estate agent to maximise the collections. Foreclosure occurs if and when the borrower is unwilling or unable to sell the property voluntarily or the borrower cannot be located. In this case, particular attention is given to the foreclosure procedure in order to maximise revenues.

Although the arrears management control procedure can be adjusted to reflect risk considerations, in general the procedure is as follows:

- (a) the amount to be debited will be updated according to the payments due at that date (i.e. any premium, penalty, interest and repayments). In this direct debit procedure the outstanding amounts to be collected are debited in the following order: (i) premium (in relation to insurance, investment and/or savings), (ii) penalty payment, (iii) interest and (iv) repayment;
- (b) all borrowers who have become in arrears, are contacted by telephone within the first month in which the arrears have come into existence. Depending on the risk assessment made of the borrower's financial difficulties, the borrower is contacted at either the beginning of the month or later during that month;
- (c) if the borrower is repeatedly in arrears, i.e. more than once in arrears in six months, extrajudicial costs are charged if the payments due are not made within 14 days. The extrajudicial costs (€40 per invoice) are charged if the borrower still is in arrears after the final direct debit. This is collected at the moment of the first direct debit in the next month. The purpose of this policy to charge such a penalty is to give the borrower an incentive to contact the arrears department or to make its payments in a timely manner. Each administrator of the arrears department has the authority to decide not to charge the extrajudicial costs if, given the borrower's individual situation, such a charge would not contribute to reaching a solution;

- (d) at the moment of the first contact arrangements are made to repay the arrear based on the financial situation of the borrower. After a further (financial) analysis based on information about the borrower, either suitable means are implemented for the borrower (such as a payment arrangement, budget coaching or restructuring of the mortgage loan), a (substantiated) decision is made to terminate the client relationship;
- (e) the borrower is considered to be cured at the moment that all arrears are paid and the following regular payment is made on time. The payment arrangement ends at the moment the last installment is paid;
- (f) in the following cases the client relationship is terminated:
  - (i) there is no contact with the borrower despite of external research into retrieving client contact information and the measures taken have had no effect; and
  - (ii) the borrower no longer can be cured. All possible means to resolve this have been examined but have not been adequate to financially cure the borrower. There is also no prospect of a change in the financial situation of the borrower that could still result in recovery; and
- (g) until the actual moment of a forced sale, the borrower has the possibility to pay the amount due to prevent that forced sale.

### ***Foreclosure procedures***

If a borrower fails to comply with the agreed payment schemes, or if it is clear that there is no prospect of the interest, principal and/or premium arrears being paid in the near future, the borrower's file is handed over to the intensive arrears management department to initiate foreclosure. Foreclosure on the property is only undertaken if the intensive arrears management department determines that there is no foreseeable solution.

The Initial Originator 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 Initial Originator does not have to obtain court permission prior to foreclosing on the mortgaged property. If the proceeds from the sale (auction) of the mortgaged property do not fully cover the Initial Originator's claims, the Initial Originator may also sell any pledged insurance policy or deposit. 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 it is in default and must be given reasonable time to comply with the lender's claims.

In the case of a borrower's bankruptcy, the Initial Originator may foreclose on the borrower's property as if there was no bankruptcy. Nevertheless, foreclosure must take place within a reasonable time. Failing this deadline could cause the bankruptcy trustee to take over the foreclosure proceedings. If this occurs, the Initial Originator must contribute to the general bankruptcy costs.

If the Initial Originator decides to sell the property, it is required to notify the parties directly involved, including the borrower as well as the person owning the asset (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 Initial Originator will calculate the best method of maximizing the sale value of the mortgaged property. Based on this calculation, the Initial Originator may decide that the property should be sold either in a private sale or by public auction. A private sale can, and often does, replace a public auction, provided that the legal requirements are fulfilled (which include obtaining permission from the relevant district court for the private sale). When notification of foreclosure is made by the Initial Originator, formal instructions are given to a (dedicated) civil law notary. The date of the sale will be set by the civil law notary within, in principle, three weeks of this instruction and will usually be approximately six weeks after the decision to foreclose has been made (depending on the region and the number of other foreclosures being handled by the relevant district court at the time).

The distribution of the foreclosure proceeds depends on whether there is only one mortgage holder or whether there are several. If there is one mortgage holder, the proceeds will be distributed to the mortgage

holder after deducting the costs of foreclosure. In the case of more than one mortgage holder, the distribution of proceeds takes place according to the priority of the mortgages.

In general, it takes on average two to four months to foreclose on a property once the decision to foreclose has been made. Throughout the foreclosure process, the Initial Originator follows the requirements set forth in Dutch law and its so-called Intensive Arrears Management Manual.

In the auction the Initial Originator's employees from arrears management are present. Their goal is to ensure that the minimum price determined beforehand is achieved. That includes active bidding in the auction. If at the end of the auction the Initial Originator's employee is the highest bidder, then the Initial Originator is the owner of the property. For this purpose a purchase company is established. This full subsidiary of ING Bank N.V. called JUZA, aims to sell the property again on a cost-covering basis within a period of 6 months. This period of 6 months allows the JUZA to ask for a refund of the 2 per cent. transfer tax (*overdrachtsbelasting*).

### ***Outstanding amounts***

If a residual debt remains after foreclosure, the borrower concerned remains liable for this residual. A collection agency is brought in to determine whether the claim can be collected. In principle, a new payment scheme is arranged for the residual debt. If the borrower does not wish to agree to a payment scheme or does not comply with an agreed payment scheme, other measures can also be taken, including distraint of the borrower's salary. These measures also include the engagement of a bailiff.

### ***Fraud desk***

All banks in The Netherlands have a working relationship with respect to mortgage loan fraud 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 the Initial Originator, a Fraud Desk has been established for all mortgage loans. 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 crosschecked within the existing mortgage loans of ING. Besides the check on individual mortgage loans, intermediaries are checked periodically as well.

The Servicer actively manages mortgage fraud by giving anti-fraud presentations to all parties involved in the origination process (i.e. different departments of the Servicer and the different originating labels of ING). In addition, a fraud site has been created on the intranet within the Initial Originator, including a checklist of indicators for fraud. Employees are well 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 the Initial Originator is to accelerate the mortgage loan concerned and report the borrower to the police. The official reporting route of this procedure is undertaken in close cooperation with ING's Prevention and Security Team.

### 3.7 SUB-PARTICIPATION

Under each "Master Sub-Participation Agreement" entered into between the CBC, the relevant Participant, the relevant Originator and the Trustee, the CBC grants the relevant Participant a Participation in each relevant Savings Receivable or Bank Savings Receivable, as the case may be, in return for the on-payment by the Participant of the relevant Savings and Accrued Savings Interest, as follows.

#### Participation

First, the Participant undertakes to pay to the CBC for each Relevant Receivable:

- (a) on the Participation Date: an amount equal to the Initial Settlement Amount as at such Participation Date for such Relevant Receivable; and
- (b) on each subsequent CBC Payment Date an amount equal to: a Further Settlement Amount for such Relevant Receivable, unless as a result of such payment the Participation in respect of such Relevant Receivable would exceed the Gross Outstanding Principal Balance of such Relevant Receivable at such time or, if lower and if such Relevant Receivable is a Bank Savings Receivable, the amount standing to the credit of the related Bank Savings Account at such time, in which case only such amount shall be paid as is necessary for such Participation (which includes Accrued Increases) to reach such Gross Outstanding Principal Balance or amount standing to the credit of the related Bank Savings Account, as the case may be.

In return, in relation to each Relevant Receivable, the CBC undertakes to pay to the Participant on each CBC Payment Date, the Redemption Amount, if any, received by the CBC in respect of such Relevant Receivable since the preceding CBC Payment Date.

If a Borrower with respect to (i) a Savings Receivable invokes any defence purporting to establish that he may deduct an amount from the Relevant Receivable based on any default by the Participant in the performance of any of its obligations under the relevant insurance policy or (ii) a Bank Savings Receivable invokes a right of set-off, or set-off is applied by operation of law, in respect of any amount standing to the credit of the related Bank Savings Account against the Relevant Receivable and, in each case, as a consequence thereof, the CBC will not have received such amount in respect of such Relevant Receivable, then such amount will be deducted from the relevant Participation.

#### Enforcement notice

If a CBC Acceleration Notice is served by the Trustee on the CBC, then the Trustee may and, if so directed by the Participant, shall on behalf of the Participant by notice to the CBC:

- (a) terminate the obligations of the Participant under the Master Sub-Participation Agreement; and
- (b) declare the Participations to be immediately due and payable, provided that such payment obligations shall be limited to the aggregate Redemption Amount received by or on behalf of the CBC or the Trustee under the Relevant Receivables.

#### Sale of Relevant Receivable

If a Relevant Receivable is sold by or on behalf of the CBC to the relevant Originator or a third party pursuant to the Trust Deed or the Asset Monitor Agreement, then the CBC will (apart from, for the avoidance of doubt, paying the Redemption Amount in respect of such Relevant Receivable in accordance with the relevant Master Sub-Participation Agreement), if so requested by the Participant, use reasonable endeavours to ensure that the acquirer of the Relevant Receivable will (a) enter into a master sub-participation agreement with the Participant in a form similar to the relevant Master Sub-Participation Agreement or (b) by way of partial take-over of contract (*partiële contractsoverneming*) take over the contractual relationship (*rechtsverhouding*) under the relevant Sub-Participation Agreement to the extent relating to the Participation associated to the Relevant Receivable (in which case the Redemption Amount will be zero).

## Priorities of payments

Unless and until:

- (a) both an Issuer Acceleration Notice and a Notice to Pay are served; or
- (b) a CBC Acceleration Notice is served,

any amount expressed to be payable by or to the CBC under the relevant Master Sub-Participation Agreement shall instead be payable by or to the Issuer in accordance with the Pre-Notice-to-Pay Priority of Payments.

The Post-Notice-to-Pay Priority of Payments will be funded by Available Revenue Receipts and Available Principal Receipts. When calculating the relevant Principal Receipts, certain deductions will be made by reference to the relevant Redemption Amounts, which deducted amounts will not be applied in accordance with the Post-Notice-to-Pay Priority of Payments, but will be credited to the Participation Ledger and be paid to the relevant Participants in accordance with the Administration Agreement and the relevant Master Sub-Participation Agreement. When calculating the relevant Revenue Receipts, certain deductions will be made by reference to the relevant Participation Fractions, with a view to the relevant Increases in the relevant Participations. The equivalent of such Increases is in turn treated as a Principal Receipt, for application in accordance with the Post-Notice-to-Pay Priority of Payments.

Likewise, the Post-CBC-Acceleration-Notice Priority of Payments will not be funded by amounts which have been received by or on behalf of the CBC and which are required to be credited to the Participation Ledger and paid to Participants on account of Redemption Amounts.

## Further Master Transfer Agreement

As described in category 4 of the Deduction Risk description (see Section 4.3 (*Master Transfer Agreement*)), provided that no Notification Event has occurred, a Master Sub-Participation Agreement may, if it concerns an MTA Receivable, be combined with a Further Master Transfer Agreement.

The relevant Originator and the CBC shall use reasonable endeavours to procure that under a Master Sub-Participation Agreement, the CBC shall be entitled to effect, where reasonably possible and without prejudice to the provisions of the Trust Deed, any payments to the Participant under such Master Sub-Participation Agreement or any Further Master Transfer Agreement entered into between the Participant and the CBC by way of set-off, including, without limitation, the payment of any Redemption Amount under such Master Sub-Participation Agreement and any purchase price due by the CBC to the Participant under any such Further Master Transfer Agreement, which will be set-off against the obligation of the Participant to pay amounts due under such Master Sub-Participation Agreement or any Further Master Transfer Agreement to the CBC.

Each Originator undertakes in the Guarantee Support Agreement to use reasonable endeavours to procure that upon the occurrence of a Notification Event, a Master Sub-Participation Agreement is, or is put, in place between the relevant insurer and the CBC and signed for acknowledgement by the relevant Originator in relation to Savings Receivables, including MTA Receivables.

In relation to a Participation:

**"Accrued Increases"** means the sum of the Increases for all months from the Participation Date.

**"Accrued Savings Interest"** means the sum of the Monthly Interest for all months from the date on which the first Savings were received.

**"Bank Savings Interest Correction"** means for any month (i) one (1) in the case of a Savings Receivable and (ii) in the case of a Bank Savings Receivable the lower of (a) one (1) and (b) the interest rate applicable to the related Bank Savings Account *divided by* the interest rate applicable to such Bank Savings Receivable for such month, both expressed as a percentage per annum.

**"Further Settlement Amount"** means an amount equal to the Savings received by the Participant in the preceding month.

**"Increase"** means for any month:

(the Participation Fraction x I) + FSA,

where (i) **"I"** means the amount of interest actually received by or on behalf of the CBC from the relevant Borrower for such month and (ii) **"FSA"** means the Further Settlement Amount for such month actually received by or on behalf of the CBC.

**"Initial Settlement Amount"** means an amount equal to the sum of all Savings plus Accrued Savings Interest.

**"Monthly Interest"** means for any month:

MIR x (S + AI),

where (i) **"MIR"** means the monthly interest rate applicable in such month (a) in the case of a Savings Receivable, to the Relevant Receivable or (b) in the case of a Bank Savings Receivable, to the related Bank Savings Account, (ii) **"S"** means the Savings received up to the first day of such month and (iii) **"AI"** means the Accrued Savings Interest up to the first day of such month.

**"Participation"** means, in relation to a Relevant Receivable, an amount equal to the sum of (i) the Initial Settlement Amount as at the Participation Date plus (ii) Accrued Increases up to the Gross Outstanding Principal Balance or, if lower and if it concerns a Bank Savings Receivable, the amount standing to the credit of the related Bank Savings Account *minus* (iii) any Redemption Amount paid by the CBC to the Participant.

**"Participation Date"** means the later of the Transfer Date and the date of the relevant Master Sub-Participation Agreement.

**"Participation Fraction"** means, with respect to a Relevant Receivable, the Bank Savings Interest Correction *times* the outcome of the relevant Participation *divided* by the Gross Outstanding Principal Balance of such Relevant Receivable.

**"Redemption Amount"** means (i) if the full Gross Outstanding Principal Balance has been repaid or prepaid since the preceding CBC Payment Date: an amount equal to the Participation, (ii) in the case of partial (p)repayment of the Gross Outstanding Principal Balance since the preceding CBC Payment Date: the surplus, if any, of the amount received over the Net Outstanding Principal Balance up to the Participation or (iii) the amount up to the Participation received (a) pursuant to a sale or refinancing pursuant to Clause 6 (*Sale or Refinancing of Selected Assets*) of the Asset Monitor Agreement, unless the corresponding rights and obligations under or pursuant to the relevant Master Sub-Participation Agreement are transferred in connection therewith or (b) pursuant to a foreclosure on, or collection of, any Related Security, to the extent relating to the Gross Outstanding Principal Balance.

**"Relevant Receivable"** means the Savings Receivable or Bank Savings Receivable, as the case may be, to which the Participation applies.

**"Savings"** means with respect to (i) a Savings Receivable, the savings part of all premiums received by the Participant from the relevant Borrower under or pursuant to the relevant insurance policy, and (ii) a Bank Savings Receivable, all payments made by the relevant Borrower to the related Bank Savings Account.

## 4 ASSET MONITORING

### 4.1 ASSET COVER TEST

Under the asset monitor agreement entered into between the Issuer, the Administrator, the CBC and the Trustee (the "**Asset Monitor Agreement**") and the Guarantee Support Agreement, the CBC shall use reasonable endeavours to procure that for so long as any Covered Bonds remain outstanding, provided that no Notice to Pay, Issuer Acceleration Notice or CBC Acceleration Notice has been served, on the last day of each Calculation Period the Adjusted Aggregate Asset Amount is in an amount at least equal to the euro equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds, as tested on the Calculation Date that immediately follows such Calculation Period (the "**Asset Cover Test**").

If on a Calculation Date it is calculated that as at the last day of the Calculation Period immediately preceding such Calculation Date the Asset Cover Test is not met, then (i) that will not constitute an Issuer Event of Default, (ii) that will prevent the Issuer from issuing any further Series, until remedied, (iii) the CBC (or the Administrator on its behalf) will immediately notify the Trustee thereof in writing and (iv) the CBC will request the Originators to transfer sufficient further Eligible Assets to the CBC in accordance with the Guarantee Support Agreement to ensure that the Asset Cover Test is met on the last day of the Calculation Period that immediately follows such Calculation Date. If the Asset Cover Test is not met on the last day of such Calculation Period that immediately follows such Calculation Date, then that shall constitute a "**Breach of the Asset Cover Test**" entitling the Trustee to serve a Notice to Pay under the Guarantee.

Clause 3.2 of the Asset Monitor Agreement provides that on each Calculation Date falling in the last month of a relevant quarter, the CBC (or the Administrator on its behalf) will procure the required Asset Percentage from each Rating Agency, or calculate, or procure the calculation of, the Weighted Average Foreclosure Frequency ("**WAFF**") and the Weighted Average Loss Severity ("**WALS**") (and/or such figures calculated in accordance with alternative methodologies as a Rating Agency may prescribe and/or in compliance with methodologies agreed with any Rating Agency from time to time) for the Transferred Receivables as a whole or for a random sample of the Transferred Receivables, such calculations to be made throughout or as agreed otherwise by any Rating Agency. The WAFF and WALS (or other relevant figures) so calculated will be input by the CBC (or the Administrator on its behalf) in one or more cashflow models provided and/or reviewed by any Rating Agency. Such models, which test the credit enhancement required in various cashflow scenarios, will indicate, on the basis of the latest WAFF and WALS figures (or other relevant figures), the Asset Percentage needed in order to provide credit enhancement to cover all such cash flow scenarios. Save where otherwise agreed with any Rating Agency, the Asset Percentage will be adjusted in accordance with the various methodologies prescribed by any Rating Agency or will otherwise be in compliance with the relevant methodologies agreed with any Rating Agency from time to time. The Issuer may only apply (i) an LTV Cut-Off Percentage which is higher than the then applicable LTV Cut-Off Percentage, (ii) a Relevant OMV Percentage which is higher than the then applicable Relevant OMV Percentage, (iii) a Relevant OMV Fraction which is lower than the then applicable Relevant OMV Fraction, or (iv) a Relevant Market Value Percentage which is higher than the then applicable Relevant Market Value Percentage, if the then applicable Asset Percentage has been adjusted to take into account any such application of a different percentage figure or fraction.

In an administration agreement entered into between the CBC, the Bank as administrator (the "**Administrator**") and the Trustee (the "**Administration Agreement**"), the Administrator agrees to prepare monthly investor reports for the CBC including the relevant calculations in respect of the Asset Cover Test, in the form set out in Schedule 3 to the Administration Agreement (each a "**Monthly Investor Report**") and to deliver the same to the CBC and the Trustee two Business Days prior to each relevant CBC Payment Date. In the Trust Deed, the Trustee agrees to, upon receipt of each Monthly Investor Report, verify whether such Monthly Investor Report states that the Asset Cover Test has been passed or failed and, if failed, whether the following Monthly Investor Report states that the Asset Cover Test has been failed again, meaning that a Breach of the Asset Cover Test shall have occurred.

For the purposes hereof:

"**Adjusted Aggregate Asset Amount**" means  $A + B + C + D + E - Y - Z$ .



"A" means the lower of:

- (a) the sum of all Adjusted Current Balances of all Transferred Receivables. The "**Adjusted Current Balance**" of a Transferred Receivable is the lower of:
  - (i) the Current Balance of such Transferred Receivable minus  $\alpha$ ; or
  - (ii) the LTV Cut-Off Percentage of the Indexed Valuation relating to such Transferred Receivable, minus  $\beta$ ; and
- (b) the Asset Percentage of: the sum of the Current Balance minus  $\alpha$  of all Transferred Receivables.

" $\alpha$ " means for each Transferred Receivable the lower of its Current Balance and the sum of the following elements, to the extent applicable to it:

- (i) if it falls under category 3 or 4 of the above Deduction Risk description and it relates to a Life Loan in respect of which the related Mixed Insurance Policy is entered into by the Borrower with a Relevant Insurer: an amount calculated on the basis of a method notified to the Rating Agencies in connection with the possible Deduction Risk;
- (ii) if it falls under category 4 of the above Deduction Risk description and it relates to a Savings Loan: an amount calculated on the basis of a method notified to the Rating Agencies related to the Savings and Accrued Savings Interest in connection with such Transferred Receivable, unless it concerns a Participation Receivable, in which case an amount equal to the relevant Participation is already deducted as part of the definition of Net Outstanding Principal Balance;
- (iii) if it falls under category 5 of the above Deduction Risk description: an amount calculated on the basis of a method notified to the Rating Agencies in connection with the possible Deduction Risk;
- (iv) if it corresponds to a Construction Deposit: the amount of the Construction Deposit;
- (v) if it is owed by a Borrower who has entered into a Loan Agreement pertaining to a Revolving Credit Loan, an amount calculated on the basis of a method notified to the Rating Agencies with respect to the maximum amount that can be drawn by such Borrower from time to time under that Loan Agreement;
- (vi) if it was in breach of the Receivable 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;
- (vii) if it is 3 months or more in arrears and it is not a Defaulted Receivable: such amount as is necessary to arrive at 30 per cent. of its Current Balance;
- (viii) if it is a Defaulted Receivable: such amount as is necessary to reduce its Current Balance to zero; and/or
- (ix) if it is a Bank Savings Receivable: the amount standing to the credit of the related Bank Savings Account, unless it concerns a Relevant Receivable, in which case an amount equal to the relevant Participation is already deducted as part of the definition of Net Outstanding Principal Balance.

" $\beta$ " means for each Transferred Receivable the lower of (i) the LTV Cut-Off Percentage of its Indexed Valuation and (ii)  $\alpha$  minus L. "**L**" means for each Transferred 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 aggregate amount of all Principal Receipts on the Transferred Receivables up to the end of the immediately preceding Calculation Period which have not been applied in accordance with the Trust Deed.

"**C**" means the aggregate amount of all Transferred Collateral in cash which has not been applied in accordance with the Trust Deed.

"D" means the aggregate outstanding principal balance of all Transferred Collateral in Substitution Assets and accrued interest thereon which has not been applied in accordance with the Trust Deed. 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.

"E" means the aggregate amount standing to the credit of the Pre-Maturity Liquidity Ledger.

"Y" means, if any of the Issuer's credit ratings from any Rating Agency falls below any relevant minimum credit rating as determined to be applicable or agreed by the relevant Rating Agency from time to time (being as at the March 2015 Update, A-1 (short term) and A (long term) by S&P, P-1 (short term) by Moody's and 'F1' (short term) and 'A' (long term) by Fitch), an additional amount calculated on the basis of a method notified to the Rating Agencies in connection with the possible set-off risk pertaining to deposits, other than deposits on Bank Savings Accounts, maintained by Borrowers with ING or any New Originator that engages in the business of, *inter alia*, attracting or accepting deposits (the "**Deposit Amount**"). The Deposit Amount will be adjusted as follows. If the outcome of A(a) is lower than A(b) as described above, the Deposit Amount will be reduced with an amount equal to A(b) minus A(a) provided that the Deposit Amount will always be at least zero. If the outcome of A(a) is higher than A(b) as described above, the Deposit Amount will be reduced with the amount of the Excess Credit Enhancement. "**Excess Credit Enhancement**" means the amount (if any) by which the outcome of A(b) above undercuts the outcome that would have resulted from A(b) above if an Asset Percentage as notified to the Rating Agencies had been used.

"Z" means zero as long as the Total Return Swap Agreement is in place and, if a Portfolio Test is implemented or an alternative hedging methodology is put in place, is equal to the weighted average maturity in years of all outstanding Covered Bonds multiplied by the euro equivalent of the aggregate Principal Amount Outstanding of such Covered Bonds (and in respect of those Covered Bonds not denominated in euro, converted into euro at the respective Structured Swap Rate) multiplied by P per cent., where "P" means the weighted average margin of all outstanding Covered Bonds taken into consideration the remaining life of the relevant Series minus the AIC Margin.

"**Asset Percentage**" means 97 per cent. or such lower percentage figure as is determined from time to time in accordance with Clause 3.2 of the Asset Monitor Agreement as described above.

"**Automated Valuation Model**" is a valuation model provided by an independent external provider and is a statistically based computer programme that uses real estate information such as comparable sales, property characteristics, tax assessments, and price trends to provide an estimate of value for a specific property, the age of such estimate of value to be less than 18 months.

"**Index**" means the index of increases of house prices issued by the Land Registry in relation to residential properties in The Netherlands.

"**Indexed Valuation**" means in relation to any Transferred Receivable secured over any Property:

- (i) at any date on which the Market Value of that Property is available (which valuation the Issuer has in the Asset Monitor Agreement undertaken to endeavour to procure within four months of the relevant Transfer Date):
  - (a) when the Market Value of that Property is equal to or greater than the Price Indexed Valuation relating to the Market Value, the Price Indexed Valuation relating to the Market Value; or
  - (b) when the Market Value of that Property is less than the Price Indexed Valuation relating to the Market Value, the Market Value plus 90 per cent. (or, if a different percentage is required or sufficient from time to time for the Covered Bonds to comply with Article 129 CRR and the Issuer wishes to apply such different percentage, then such different percentage) (such percentage, the "**Relevant Market Value Percentage**") of the difference between such Price Indexed Valuation and the Market Value; or

- (ii) at any date on which the Market Value of that Property is not available,
  - (a) when the Original Market Value of that Property is equal to or greater than the Price Indexed Valuation relating to the Original Market Value, the Price Indexed Valuation relating to the Original Market Value; or
  - (b) when the Original Market Value of that Property is less than the Price Indexed Valuation relating to the Original Market Value, 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 comply with Article 129 CRR and the Issuer wishes to apply such different percentage, then such different percentage) (such percentage, the "**Relevant OMV Percentage**") of the difference between such Price Indexed Valuation and the Original Market Value.

**"Land Registry"** means the relevant Dutch land registry (*Dienst van het Kadaster en de Openbare Registers*) where the ownership of the relevant Properties together with the Mortgages and any other Adverse Claims thereon are registered.

**"LTV Cut-Off Percentage"** means such percentage as is required from time to time for the Covered Bonds to comply with Article 129 CRR, currently being 80 per cent. for all Transferred Receivables.

**"Market Value"** in relation to any Property means, on any date, the value given to that Property by the most recent valuation calculated in accordance with the Automated Valuation Model.

**"Original Foreclosure Value"** in relation to any Property means (i) the foreclosure value (*executiewaarde*) given to that Property by (a) if available, the most recent valuation addressed to the Originator that transferred the relevant Transferred Receivable to the CBC or (b) if no valuation is available, the assessment by the Dutch tax authorities on the basis of the WOZ at the time of application by the Borrower or (ii) in respect of Property to be constructed or in construction at the time of application by the Borrower, the foundation cost of the Property (whereby 'foundation cost' means the aggregate of the purchase price and building contract sum, compensation long lease, demonstrable supplemental work and all other costs (to be) made for acquiring the Property, up to a maximum of 125 per cent. of the aggregate of the purchase price and building contract sum of the Property).

**"Original Market Value"** in relation to any Property means the Original Foreclosure Value divided by 0.90 (or, if a different fraction is required or sufficient from time to time for the Covered Bonds to comply with Article 129 CRR and the Issuer wishes to apply such different fraction, then such different fraction) (such fraction, the "**Relevant OMV Fraction**").

**"Price Indexed Valuation"** in relation to any Property at any date means the Market Value of that Property increased or decreased as appropriate by the increase or decrease in the Index since the date of the valuation of such Market Value, or, as the case may be, 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.

## 4.2 PRE-MATURITY TEST

The Pre-Maturity Test is intended to provide liquidity for the Covered Bonds only when the Issuer's credit ratings fall below a certain level. The Pre-Maturity Test applies in addition to the Asset Cover Test. On each Business Day falling twelve months (or such other minimum period as may be required by a relevant Rating Agency from time to time) or less prior to the Final Maturity Date of any Series (each a "**Pre-Maturity Test Date**"), provided that no Notice to Pay, Issuer Acceleration Notice or CBC Acceleration Notice has been served, the CBC or the Administrator on its behalf will determine if the Pre-Maturity Test has been failed.

If the Issuer's credit rating from a Rating Agency falls below the relevant Pre-Maturity Minimum Ratings on a Pre-Maturity Test Date (the "**Pre-Maturity Test**"), then that will constitute a failure of the Pre-Maturity Test.

If on any Pre-Maturity Test Date the Pre-Maturity Test is failed, then (i) the CBC (or the Administrator on its behalf) shall immediately notify the Trustee and the Originators thereof in writing and (ii) the CBC shall use reasonable endeavours to procure:

- (a) a sale or refinancing of Selected Receivables in accordance with the Asset Monitor Agreement with an aggregate Net Outstanding Principal Balance up to at least the Required Redemption Amount of the Series to which such Pre-Maturity Test relates; or
- (b) a transfer of Eligible Collateral to the CBC in accordance with the Guarantee Support Agreement with an aggregate principal amount up to at least the Required Redemption Amount of the Series to which the Pre-Maturity Test relates, which shall be deemed to be the case without any such transfer if sufficient Eligible Collateral is owned by the CBC which qualifies as surplus under the Asset Cover Test; or
- (c) a guarantee in relation to the Issuer's obligations under the Series to which such Pre-Maturity Test relates, satisfactory to the Rating Agencies; or
- (d) a covered bond takeout credit facility agreement ("**CBTF Agreement**" with any person which is permitted under Dutch law to enter into the CBTF Agreement (the "**CBTF Provider**")), pursuant to which the CBTF Provider will provide a covered bond takeout credit facility (the "**CBT Facility**") in relation to the Issuer's obligations under the Series to which such Pre-Maturity Test relates, up to the Final Redemption Amount of such Series as set out in the Asset Monitor Agreement; or
- (e) a combination of the foregoing in aggregate adding up to an amount equal to the Required Redemption Amount of the Series to which such Pre-Maturity Test relates.

If (1) the relevant parties have not taken the required remedial action as described above within the earlier to occur of (i) 10 Business Days from the date of notification that the Pre-Maturity Test is failed and (ii) the Final Maturity Date of the Series to which such Pre-Maturity Test relates, such that by the end of such period, there shall be (a) an amount equal to the Required Redemption Amount of that Series standing to the credit of the Pre-Maturity Liquidity Ledger (after taking into account the Required Redemption Amount of all other Series which have their Final Maturity Date prior to or in the same CBC Payment Period as the Final Maturity Date of that Series) or (b) a guarantee or CBTF Agreement, in either case as described above, obtained or entered into, as the case may be, for an amount equal to the Required Redemption Amount of that Series or (c) a combination of (a) and (b) above and (2) at such time the Issuer's credit rating from a Rating Agency still falls below the relevant Pre-Maturity Minimum Ratings, then this will constitute a "**Breach of the Pre-Maturity Test**" entitling the Trustee to serve a Notice to Pay under the Guarantee.

If a CBT Facility is provided in respect of a Series further to subparagraph (d) above, and if the Issuer fails to repay any amount in respect of that Series on the scheduled redemption date thereof, the CBC, or the Administrator on its behalf, will be required to draw the CBT Facility and use the proceeds therefrom to repay any amounts due to the Covered Bondholders of that Series. Should the CBT Facility be so drawn (or should all or any portion of the CBTF Standby Loan be used to repay principal on any Series), the CBTF Provider will be deemed, for all purposes under the Transaction Documents, to be the holder of Covered Bonds having an aggregate Principal Amount Outstanding equal to the amounts drawn under the

CBT Facility or from the CBTF Standby Loan to repay the Covered Bondholders of that Series, provided that the maturity date of such deemed Covered Bonds shall be determined by the Issuer, the CBC, the Trustee, the CBTF Provider and notified to the Rating Agencies.

If the CBTF Provider ceases to have the Pre-Maturity Minimum Ratings at any time, the CBC (or the Administrator on its behalf) will be required to draw the full amount then available under the CBTF Agreement (the amount so drawn being the "**CBTF Standby Loan**") and deposit the same to the AIC Account which amount will be credited to the relevant CBTF Sub-Ledger of the Pre-Maturity Liquidity Ledger.

The CBTF Agreement will provide that recourse of the CBTF Provider against the CBC pursuant to the CBT Facility shall be limited to the Secured Property. If it is decided to implement a CBT Facility, the Transaction Documents will to the extent necessary be amended and the Base Prospectus will to the extent necessary be updated to reflect this, subject to prior consent in writing from the Trustee and prior notification to the Rating Agencies.

Failure by the Issuer to pay the full amount due in respect of a Series on the Final Maturity Date thereof will constitute an Issuer Event of Default.

For the purpose hereof:

**"Pre-Maturity Minimum Ratings"** means a credit rating as determined to be applicable or agreed by each relevant Rating Agency from time to time, being as at the March 2015 Update, P-1 (short term) by Moody's, A-1 (short term) and A (long term) by S&P and 'F1+' (short term) by Fitch; and

**"Required Redemption Amount"** means in respect of any relevant Series, the amount calculated as follows: the aggregate Principal Amount Outstanding of such Series x  $(1 + (0.005 \times (\text{days to the Final Maturity Date of such Series} / 365)))$ .

### 4.3 PORTFOLIO TESTS

As an alternative to the Total Return Swap Agreement, the Issuer will at any time be allowed to opt for (i) implementation of portfolio tests or (ii) an alternative hedging methodology if Rating Agency Confirmation is obtained. If as a result of a rating downgrade a Swap Provider ceases to be an Eligible Swap Provider, then the CBC will be allowed to, instead of collateralisation or Swap Provider substitution, opt for implementation of portfolio tests.

If implemented, such portfolio tests (the "**Portfolio Tests**") will be carried out by the Administrator and will be required to be met by the CBC and the Originators under the Asset Monitor Agreement on each Calculation Date. An example of a Portfolio Test is set out below, the final Portfolio Tests are subject to discussions with the Rating Agencies and may change:

- (a) the difference between the sum of  $A + B + C + D + E + F + G$  and the net present value ("**NPV**") of the Covered Bonds is a certain amount, where:
- A = the NPV of any future cash flows (interest, principal and any other payments such as prepayment penalties) resulting from the Net Outstanding Principal Balance of the Transferred Receivables;
  - B = the amount of any receipts (interest, principal and any other payments such as prepayment penalties) on the Net Outstanding Principal Balance of the Transferred Receivables up to the end of the immediately preceding Calculation Period which have not been applied as at the relevant Calculation Date in accordance with the Trust Deed;
  - C = the outstanding principal balance of any Transferred Collateral other than Substitution Assets;
  - D = the NPV of any future cash flows (interest, principal and any other payments) resulting from the Substitution Assets (and any interest accrued thereon);
  - E = without double counting, any other cash or deposits held by the CBC;
  - F = the mark-to-market value of any Structured Swap Agreements that are entered into by the CBC; and
  - G = the mark-to-market value of any Interest Rate Swap Agreements that are entered into by the CBC;
- (b) the difference in Basis Point Duration between the sum of  $A + B + C + D + E + F + G$  and the Covered Bonds is not more than a certain percentage; and
- (c) the difference in Basis Point Duration between the sum of  $A + B + C + D + E + F + G$  for that Term Point and the Covered Bonds is not more than a certain percentage, where the following Term Points can be defined:
- 1 to 3, 4 to 6, 7 to 9 and 10 to 12 months; and
  - 2, 3, 4, 5, 6, 7, 8, 9, 10, 12, 15, 20, 25 and 30 years.

A breach of a Portfolio Test will not constitute an Issuer Event of Default but will prevent the Issuer from issuing any further Series until remedied and, if not remedied by the immediately succeeding Calculation Date will constitute a "Breach of Portfolio Test" and will entitle the Trustee to serve a Notice to Pay on the CBC under the Guarantee.

For the purpose hereof:

"**Basis Point Duration**" means the percentage change in net present value of a financial asset due to the change of one basis point in the relevant interest rate.

#### 4.4 AMORTISATION TEST

Under the Asset Monitor Agreement and the Guarantee Support Agreement, the CBC shall use reasonable endeavours to procure that for so long as any Covered Bonds remain outstanding, on the last day of each Calculation Period following the service of a Notice to Pay (but prior to service of a CBC Acceleration Notice), the Amortisation Test Aggregate Asset Amount is in an amount at least equal to the euro equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as tested on the Calculation Date that immediately follows such Calculation Period (the "**Amortisation Test**").

If on a Calculation Date it is calculated that, following the service of a Notice to Pay, as at the last day of the Calculation Period immediately preceding such Calculation Date the Amortisation Test was not met, then that shall constitute a "**Breach of the Amortisation Test**" and the CBC (or the Administrator on its behalf) shall immediately notify the Trustee thereof, and the Trustee shall be entitled to serve a CBC Acceleration Notice under the Conditions.

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 Transferred Receivables. The "**Amortisation Test Current Balance**" of a Transferred Receivable is the lower of:

- (i) the Current Balance of such Transferred Receivable minus  $\alpha$ ; or
- (ii) the LTV Cut-Off Percentage of the Indexed Valuation relating to such Transferred Receivable, minus  $\beta$ .

" **$\alpha$** " means for each Transferred Receivable the lower of its Current Balance and the sum of the following elements, to the extent applicable to it:

- (i) if it falls under category 3 or 4 of the above Deduction Risk description and it relates to a Life Loan in respect of which the related Mixed Insurance Policy is entered into by the Borrower with a Relevant Insurer: an amount calculated on the basis of a method notified to the Rating Agencies in connection with the possible Deduction Risk;
- (ii) if it falls under category 4 of the above Deduction Risk description and it relates to a Savings Loan: an amount calculated on the basis of a method notified to the Rating Agencies related to the Savings and Accrued Savings Interest in connection with such Transferred Receivable, unless it concerns a Participation Receivable, in which case an amount equal to the relevant Participation is already deducted as part of the definition of Net Outstanding Principal Balance;
- (iii) if it falls under category 5 of the above Deduction Risk description: an amount calculated on the basis of a method notified to the Rating Agencies in connection with the possible Deduction Risk;
- (iv) if it corresponds to a Construction Deposit: the amount of the Construction Deposit;
- (v) if it is owed by a Borrower who has entered into a Loan Agreement pertaining to a Revolving Credit Loan, an amount calculated on the basis of a method notified to the Rating Agencies with respect to the maximum amount that can be drawn by such Borrower from time to time under that Loan Agreement;
- (vi) if it was in breach of the Receivable 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;
- (vii) if it is 3 months or more in arrears and it is not a Defaulted Receivable: such amount as is necessary to arrive at 30 per cent. of its Current Balance;
- (viii) if it is a Defaulted Receivable: such amount as is necessary to reduce its Current Balance to zero; and/or

- (ix) if it is a Bank Savings Receivable: the amount standing to the credit of the related Bank Savings Account, unless it concerns a Relevant Receivable, in which case an amount equal to the relevant Participation is already deducted as part of the definition of Net Outstanding Principal Balance.

"**β**" means for each Transferred Receivable the lower of (i) the LTV Cut-Off Percentage of its Indexed Valuation and (ii)  $\alpha$  minus L. "**L**" means for each Transferred 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 AIC Account and the principal amount of any Authorised Investments (excluding any Revenue Receipts received in the immediately preceding Calculation Period).

"**C**" means the outstanding principal balance of any Substitution Assets. 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 provided by the Rating Agencies.

"**Z**" means zero as long as the Total Return Swap Agreement is in place and, if a Portfolio Test is implemented or an alternative hedging methodology is put in place, is equal to the weighted average maturity in years of all outstanding Covered Bonds multiplied by the euro equivalent of the aggregate Principal Amount Outstanding of such Covered Bonds (and in respect of those Covered Bonds not denominated in euro, converted into euro at the Structured Swap Rate) multiplied by P per cent., where "**P**" means the weighted average margin of all outstanding Covered Bonds taken into consideration the remaining life of the relevant Series minus the AIC Margin.

"**Authorised Investments**" means:

- (i) euro denominated government securities, euro demand or time deposits, certificates of deposit and short term debt obligations (including commercial paper) provided that (a) in all cases such investments have a remaining maturity date of 30 days or less and mature on or before the next following CBC Payment Date and the unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made have minimum ratings as determined to be applicable or agreed by a relevant Rating Agency from time to time, being as at the March 2015 Update and to the extent each of them is a Rating Agency, A-1 (short term) by S&P (save that, if the rating of the Issuer is higher than any of the ratings specified above for S&P, such higher rating shall apply as the minimum rating for such purposes), 'F1' (short term) and 'A' (long term) by Fitch and P-1 (short term) by Moody's and (b) the total exposure to such investments shall not exceed 20 per cent. of the (euro equivalent of the) aggregate Principal Amount Outstanding of all Covered Bonds then outstanding; and
- (ii) euro denominated government securities, euro demand or time deposits, certificates of deposit and short term debt obligations (including commercial paper) provided that in all cases such investments have a remaining maturity date of 364 days or less and mature on or before the next following CBC Payment Date and the unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made have minimum ratings as determined to be applicable or agreed by a relevant Rating Agency from time to time, being as at the March 2015 Update and to the extent each of them is a Rating Agency, A-1+ (short term) or AA- (long term) or AAAm (with respect to money market funds) by S&P (save that, if the rating of the Issuer is higher than any of the ratings specified above for S&P, such higher rating shall apply as the minimum rating for such purposes), 'F1+' (short term) or 'AA-' (long term) by Fitch and P-1 (short term) by Moody's.

"**Structured Swap Rate**" means the currency exchange rate set out in the relevant Structured Swap Agreement.



## **4.5 SALE OR REFINANCING OF SELECTED ASSETS**

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

#### ***Required and permitted sales or refinancings***

The Asset Monitor Agreement provides that the CBC shall sell or refinance Selected Receivables in each of the following circumstances:

- (i) prior to the service of an Issuer Acceleration Notice and a CBC Acceleration Notice, in case of a failure of the Pre-Maturity Test in respect of any Series, if no other remedies are being taken to cure such failure. The proceeds from any such sale or refinancing will, in the case of each Participation Receivable after deduction of an amount equal to the relevant Redemption Amount, be credited to the Pre-Maturity Liquidity Ledger and will be applied to pay the Guaranteed Final Redemption Amount in respect of such Series; and
- (ii) following the service of a Notice to Pay and an Issuer Acceleration Notice, but prior to the service of a CBC Acceleration Notice, if on any date the Earliest Maturing Covered Bonds have a Final Maturity Date which falls within twelve months, or such other date as the Trustee may approve, of such date. In addition to selling or refinancing Selected Receivables in respect of the Earliest Maturing Covered Bonds, the CBC is also permitted to sell or refinance Selected Receivables, in respect of other Series following the service of a Notice to Pay and an Issuer Acceleration Notice, but prior to the service of a CBC Acceleration Notice.

The proceeds from any such sale or refinancing will, in the case of each Participation Receivable after deduction of an amount equal to the relevant Redemption Amount, be credited to the AIC Account Principal Ledger and applied as set out in the Post-Notice-to-Pay Priority of Payments.

#### ***Selection of Selected Receivables***

If the CBC is required or permitted to sell or refinance Selected Receivables as abovementioned, the Asset Monitor Agreement provides that the CBC shall ensure that (a) Selected Receivables will be selected on a random basis as described in the Asset Monitor Agreement, (b) no more Selected Receivables will be selected than are necessary for the estimated sale or refinancing proceeds to equal the Adjusted Required Redemption Amount and (c) the Asset Cover Test or, following service of a Notice to Pay, the Amortisation Test is not breached following the sale or refinancing of the relevant Selected Receivables.

#### ***Sale or refinancing price***

If the CBC is required or permitted to sell or refinance Selected Receivables as abovementioned, the CBC will offer the portfolio of Selected Receivables (or part of such portfolio) for sale to Purchasers for the best price reasonably available but in any event for an amount not less than the Adjusted Required Redemption Amount plus, in the case of Participation Receivables, an amount equal to the aggregate Participations (or, in the case of a partial portfolio, for an amount not less than that part of the relevant Adjusted Required Redemption Amount which bears the same proportion to such Adjusted Required Redemption Amount as the aggregate principal amount of the partial portfolio bears to the aggregate principal amount of the relevant entire portfolio of Selected Receivables (plus for each Participation Receivable included in such partial portfolio, an amount equal to the relevant Participation)).

If and to the extent the Selected Receivables have not been sold or refinanced in an amount equal to the Adjusted Required Redemption Amount plus, in the case of each Participation Receivable, an amount equal to the relevant Participation by the date which is six months prior to the Final Maturity Date of (in respect of a sale or refinancing in connection with a failure of the Pre-Maturity Test) the relevant Series or (in respect of a sale or refinancing following the service of a Notice to Pay for any other reason) the Final Maturity Date of the Earliest Maturing Covered Bonds (after taking into account all payments, provisions and credits to be made in priority thereto), then the CBC will (i) offer the Selected Receivables for sale for the best price reasonably available or (ii) seek to refinance the Selected Receivables on the best terms reasonably available, notwithstanding that such amount may be less than the Adjusted Required Redemption Amount plus, in the case of each Participation Receivable, an amount equal to the relevant Participation.

### *Sale or refinancing process*

In each case the CBC will be obliged to sell or refinance Selected Receivables in accordance with the Asset Monitor Agreement (as described below), subject to the rights of pre-emption enjoyed by the Originators to purchase the Selected Receivables pursuant to the Guarantee Support Agreement.

With respect to each contemplated sale or refinancing of Selected Receivables referred to above, the CBC will through a tender process appoint a portfolio manager of recognised standing on a basis intended to incentivise the portfolio manager to achieve the best price for the sale or refinancing of the Selected Receivables (if such terms are commercially available in the market) to advise it in relation to the sale or refinancing of the Selected Receivables to Purchasers (except where the Originators are buying the Selected Receivables in accordance with their right of pre-emption in the Guarantee Support Agreement). The terms of the agreement giving effect to the appointment in accordance with such tender shall be approved by the Trustee.

In respect of any sale or refinancing of Selected Receivables following the service of a Notice to Pay and an Issuer Acceleration Notice, but prior to the service of a CBC Acceleration Notice, the CBC will instruct the portfolio manager to use all reasonable endeavours to procure that Selected 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, the scheduled repayment dates of the Transferred Receivables, the scheduled repayment dates of the Covered Bonds and the terms of the Guarantee Support Agreement and the Asset Monitor Agreement.

The terms of any sale and purchase agreement with respect to the sale of Selected Receivables or the terms of any refinancing will be subject to the prior written approval of the Trustee.

If Purchasers accept the offer or offers from the CBC, then the CBC will, subject to the foregoing paragraph, enter into a sale and purchase agreement with the relevant Purchasers which will require, among 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 Receivables unless expressly agreed by the Trustee.

### *Sale of Substitution Assets*

The Asset Monitor 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 Originators pursuant to the Guarantee Support Agreement, in each of the following circumstances:

- (i) following service of an Issuer Acceleration Notice and a Notice to Pay; or
- (ii) upon a downgrade of the Issuer's short term credit rating below a minimum short term credit rating as determined to be applicable or agreed by a relevant Rating Agency from time to time, being as at the March 2015 Update and to the extent it is a Rating Agency, P-2 by Moody's.

For the purposes hereof:

**"Adjusted Required Redemption Amount"** means an amount equal to the euro equivalent of:

- (a) in respect of Selected Receivables being sold or refinanced pursuant to a failure of the Pre-Maturity Test in respect of any Series, the Required Redemption Amount of such Series less amounts standing to the credit of the Pre-Maturity Liquidity Ledger that are not otherwise required to provide liquidity for any Series which have their Final Maturity Date prior to or in the same CBC Payment Period as the Final Maturity Date of such Series; or
- (b) in respect of Selected Receivables being sold or refinanced following the service of a Notice to Pay and an Issuer Acceleration Notice, but prior to the service of a CBC Acceleration Notice, pursuant to paragraph (ii) above, the Required Redemption Amount of the Earliest Maturing Covered Bonds less amounts standing to the credit of the AIC Account and the principal amount of any Authorised Investments and Substitution Assets (excluding all amounts to be applied on the following CBC Payment Date to repay higher ranking amounts in the Post-Notice-to-Pay Priority of Payments and those amounts that are required to repay any Series which have their

Final Maturity Date prior to or in the same CBC Payment Period as the Final Maturity Date of the relevant Series).

**"Earliest Maturing Covered Bonds"** means at any time the relevant Series that has the earliest Final Maturity Date as specified in the applicable Final Terms (ignoring any acceleration of amounts due under the Covered Bonds prior to the occurrence of a CBC Event of Default).

**"Purchaser"** means any third party or any Originator to whom the CBC offers to sell Selected Receivables pursuant to the Asset Monitor Agreement.

#### 4.6 ASSET MONITOR

Under the terms of an asset monitor appointment agreement entered into on the Programme Date between Ernst & Young Accountants LLP (the "**Asset Monitor**"), the CBC, the Administrator, the Issuer and the Trustee (the "**Asset Monitor Appointment Agreement**"), 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 the calculations performed by the Administrator in respect of the Asset Cover Test and the Amortisation Test with a view to confirmation of the accuracy of such calculations.

The Asset Monitor will conduct such tests (i) in respect of the Asset Cover Test, on the Programme Date and the Calculation Date immediately preceding each anniversary of the Programme Date; and (ii) in respect of the Amortisation Test, on each Calculation Date following the service of a Notice to Pay. If the unsecured, unguaranteed and unsubordinated debt obligation ratings of the Issuer or the Administrator fall below any of the Minimum Required Ratings, the Asset Monitor will be required to conduct such tests in respect of the Asset Cover Test on each Calculation Date, unless and until the Administrator and/or the Issuer regains an unsecured, unguaranteed and unsubordinated debt obligation rating of the Minimum Required Rating, following which the relevant tests will be conducted by the Asset Monitor in accordance with (i) above.

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 last day of an applicable Calculation Period (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, (as at the last day of the applicable Calculation Period), the Asset Monitor will be required to conduct such tests for each of the four consecutive Calculation Dates thereafter.

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 results of the tests conducted by the Asset Monitor will be delivered to the Administrator, the CBC, the Issuer, the Trustee and the Rating Agencies (the "**Asset Monitor Report**") 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 (i) set out the correct calculation of the Asset Cover Test or Amortisation Test, as applicable, (ii) indicate whether the Asset Cover Test or Amortisation Test, as applicable, has been passed or failed and (iii) set out the result of such correct calculation together with the incorrect calculation and the result of such incorrect calculation as carried out by the CBC (or the Administrator on its behalf).

In addition, subject to the terms of the Asset Monitor Agreement, the Asset Monitor will perform mandatory annual audits (i) in respect of the calculations of the mandatory asset quantity tests and liquidity buffer and (ii) for so long as required pursuant to the 2015 CB Legislation, in respect of certain loan files relating to the Portfolio, each in accordance with the requirements of the 2015 CB Legislation.

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 CBC may, at any time, but subject to the prior written consent of the Trustee, terminate the appointment of the Asset Monitor by providing at least 30 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 Trustee provided the replacement is an accountancy firm of international standing) which agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Appointment Agreement.

The Asset Monitor may, at any time, resign from its appointment under the Asset Monitor Appointment Agreement upon providing the CBC and the Trustee (copied to the Rating Agencies) with 60 days' prior written notice. If a replacement asset monitor has not been found by the CBC within 60 days of notice of resignation by the Asset Monitor, the Asset Monitor shall immediately use its best endeavours to propose a replacement (such replacement to be approved by the Trustee provided the replacement is an

accountancy firm of international standing) 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 30 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 Trustee, provided the replacement is an accountancy firm of international standing) which agrees to perform the duties of the Asset Monitor set out in the Asset Monitor Appointment Agreement.

In the Trust Deed the Trustee agrees to, upon receipt of each Monthly Investor Report, verify whether it states that the Asset Cover Test has been passed or failed.

## 5 SERVICING AND CUSTODY

### 5.1 SERVICING

Pursuant to the terms of a servicing agreement entered into on the Programme Date between the CBC, the Initial Originator, the Bank (in its capacity as servicer, the "**Initial Servicer**") and the Trustee (the "**Initial Servicing Agreement**"), the Initial Servicer has agreed to service on behalf of the CBC the Initial Portfolio and the New Receivables, unless any New Originator and the Initial Servicer agree that such New Originator or a third party servicer shall act as servicer in relation to Eligible Receivables transferred by such New Originator to the CBC subject to fulfilling the Servicer Criteria (as described below).

If the Initial Servicer is to service the Eligible Receivables transferred by such New Originator, this will be provided for through an amendment to the Initial Servicing Agreement. If it is agreed that the New Originator or third party servicer will service, on behalf of the CBC, the New Receivables transferred by such New Originator to the CBC, then a servicing agreement will be entered into between such New Originator or third party servicer, as applicable, (in its capacity as servicer, the "**New Servicer**" and, together with the Initial Servicer and any other New Servicer, a "**Servicer**"), the CBC and the Trustee on substantially the same terms as the Initial Servicing Agreement so that each New Servicer has substantially the same rights and obligations as the Initial Servicer (each a "**New Servicing Agreement**" and, together with the Initial Servicing Agreement, a "**Servicing Agreement**").

Each Servicer will be required to:

- (i) administer the relevant Transferred Receivables in accordance with the relevant Originator's Servicing Manual and the relevant Servicing Agreement;
- (ii) collect on behalf of the CBC and, following the occurrence of a CBC Event of Default, for the Trustee, all amounts due under each Transferred Receivable; and
- (iii) use all reasonable endeavours to collect all payments due under or in connection with the Transferred Receivable and to enforce all covenants and obligations of each Borrower in accordance with the Enforcement Procedures and take such action as is not materially prejudicial to the interests of the CBC and in accordance with such actions that a Reasonable Prudent Lender would undertake.

Each Servicer will have the power to exercise the rights, powers and discretions and to perform the duties of the CBC in relation to the Receivables that it is servicing pursuant to the terms of the relevant Servicing Agreement, and to do anything which it reasonably considers necessary or convenient or incidental to the administration of those Receivables.

Each Servicer has undertaken or will undertake, as the case may be, to, among other things, perform the services listed below (the "**Services**") in relation to those Receivables that it is servicing, and to:

- assist the Administrator in the preparation of Monthly Investor Reports in accordance with the Administration Agreement and deliver, in respect of each Calculation Period, to the CBC and the Trustee as soon as such information becomes available (but in any event no later than five Business Days prior to the immediately following Calculation Date) all portfolio characteristics and other information relating to the Transferred Receivables reasonably required to complete the relevant Monthly Investor Report;
- keep records and books of account on behalf of the CBC in relation to the Transferred Receivables;
- notify relevant Borrowers of any change in their payments;
- assist the auditors of the CBC and provide information to them upon reasonable request;
- notify relevant Borrowers of any other matter or thing which the applicable Loan Agreement require them to be notified of in the manner and at the time so required;

- subject to the provisions of the relevant Servicing Agreement take all reasonable steps to recover all sums due to the CBC including without limitation by the institution of proceedings and/or the enforcement of any Transferred Receivable;
- to the extent permitted under applicable data protection and other laws, provide on a timely basis to the Rating Agencies all information which is reasonably required in order for the Rating Agencies to be able to establish their credit estimates at all reasonable times upon reasonable notice subject to the relevant Servicer being reasonably capable of providing such information without significant additional cost;
- make all calculations and render all other services required for compliance with any Further Master Transfer Agreements and Master Sub-Participation Agreements;
- take all other action and do all other things which it would be reasonable to expect a Reasonable Prudent Lender to do in administering the Transferred Receivables and the Related Security;
- act as collection agent on behalf of the CBC in accordance with the provisions of the Servicing Agreement; and
- make all preparations and recordings and ancillary activities necessary to effect any (re) transfer of Receivables to or by the CBC.

The Initial Servicer will represent and warrant that it is, and covenants that it shall remain, adequately licensed under the Wft to act as consumer credit provider or intermediary and covenants to comply with the information duties towards the Borrowers under or pursuant to the Wft. Furthermore, the Initial Servicer will covenant that it shall only engage any sub-contractor with due observance of the applicable rules under the Wft. The Initial Servicer may only terminate the Initial Servicing Agreement if a New Servicer has been appointed prior to such termination which holds the requisite licences, including being duly licensed under the Wft to act as consumer credit provider or intermediary.

The Initial Servicer also undertakes that within 60 days of the Initial Servicer ceasing to be assigned a long term unsecured, unguaranteed and unsubordinated debt obligation rating of at least the Minimum Servicer Ratings, it will use reasonable efforts to procure that the parties to the Servicing Agreement enter into a master servicing agreement with a third party in such form as the CBC and the Trustee shall reasonably require.

The CBC will pay to the Initial Servicer a servicing fee as agreed in the Initial Servicing Agreement. Fees payable to New Servicers and/or the Initial Servicer acting as Servicer in respect of Receivables transferred by New Originators to the CBC will be determined on the date that they accede to the Programme.

**"Enforcement Procedures"** means the procedures for the enforcement of the Receivables undertaken by a Servicer from time to time in accordance with the relevant Originator's Servicing Manual.

**"Minimum Servicer Ratings"** means the minimum long term credit ratings as determined to be applicable or agreed by each relevant Rating Agency from time to time in respect of the Servicer, being as at the March 2015 Update and to the extent each of them is a Rating Agency, BBB+ by S&P, 'BBB-' by Fitch and Baa3 by Moody's.

**"Servicing Manual"** means the servicing and administration manuals of the relevant Originator by reference to which the relevant Servicer will service and administer the relevant Loans, Receivables, Mortgages and other security interests relating thereto, which are currently known as "FDO Securitisation 2.1. Basis ontwerp securitisatie 1.1", "Handboek Hypotheken" and "Handboek Intensief Beheer", as amended, supplemented, restated or otherwise modified or replaced from time to time and which would be acceptable to a Reasonable Prudent Lender.

## 5.2 SERVICERS

The CBC and the Trustee may, upon written notice to the relevant Servicer, terminate the relevant Servicer's rights and obligations immediately if any of the following events (a "**Servicer Event of Default**") occurs:

- the relevant Servicer defaults in the payment of any amount due to the CBC under the relevant Servicing Agreement and fails to remedy that default for a period of 7 days after the earlier of the relevant Servicer becoming aware of the default and receipt by the relevant Servicer of written notice from the Trustee or the CBC requiring the same to be remedied;
- the relevant Servicer fails to comply with any of its other obligations under the Servicing Agreement which failure in the opinion of the Trustee is materially prejudicial to Covered Bondholders and does not remedy that failure within 14 days after the earlier of the relevant Servicer becoming aware of the failure and receipt by the relevant Servicer of written notice from the Trustee or the CBC requiring the same to be remedied;
- the relevant Servicer is subjected to a bankruptcy (*faillissement*), suspension of payments (*surseance van betaling*) or, if applicable, the imposition of emergency regulations (*noodregeling*) as referred to in chapter 3.5.5 of the Wft (the "**Dutch Insolvency Proceedings**") or any equivalent or analogous proceeding under the laws of any other jurisdiction (together with the Dutch Insolvency Proceedings, the "**Insolvency Proceedings**"); or
- at any time it becomes unlawful for the relevant Servicer to perform all or a material part of its obligations under the relevant Servicing Agreement or the relevant Servicer ceases to be duly licensed to act as consumer credit provider or intermediary pursuant to the Wft.

Subject to the fulfilment of a number of conditions, a Servicer may voluntarily resign by giving not less than 12 months' notice to the Trustee and the CBC provided that a substitute servicer who meets the Servicer Criteria has been appointed and enters into a servicing agreement with the CBC substantially on the same terms as the Initial Servicing Agreement, prior to such resignation becoming effective. The resignation of a Servicer is conditional on the resignation having no adverse effect on the then current ratings of the Covered Bonds unless the Covered Bondholders agree otherwise by a Programme Resolution.

If the appointment of a Servicer is terminated, the relevant Servicer must deliver the Borrower files and other documentation held by it relating to the Transferred Receivables administered by it to, or at the direction of, the CBC. The relevant Servicing Agreement will terminate at such time as the CBC has no further interest in any of the Transferred Receivables serviced under the relevant Servicing Agreement.

A Servicer may sub-contract the performance of its duties under the Servicing Agreement provided that it meets conditions as set out in the relevant Servicing Agreement.

Each new Servicer and any assignee or transferee of an existing Servicer will have to fulfil, among other things, the following criteria (the "**Servicer Criteria**"):

- (a) it has experience with and systems capable of administering portfolios of residential mortgage loans in The Netherlands, complies with Rating Agency servicer criteria and is approved by the CBC and the Trustee;
- (b) it enters into an agreement substantially on the same terms as the Initial Servicing Agreement;
- (c) it has all necessary consents, licences, authorities and approvals required under Dutch law (including the Wft) which may be necessary in connection with the performance of the Services; and
- (d) the then current ratings of the Covered Bonds are not adversely affected by the appointment of the new Servicer.



### 5.3 CUSTODY

If Substitution Assets are transferred to the CBC, the CBC will appoint a custodian to provide custody services in relation to such Substitution Assets. The Substitution Assets will be serviced in accordance with a custody agreement to be entered into between the CBC and an eligible custodian (the "**Custody Agreement**") the terms and conditions of which will be agreed with the Trustee.

## 6 SWAPS

In order to hedge certain interest rate, currency or other risks in respect of amounts received by the CBC under, on or in respect of the Transferred Receivables, the AIC Account, the Authorised Investments and the Substitution Assets and/or amounts payable by the CBC under the Guarantee to the Covered Bondholders in respect of the Covered Bonds, the CBC has entered into certain, and may enter into further, swap transactions with one or more Swap Providers, including a total return swap transaction, structured swap transactions and interest rate swap transactions.

The CBC is only permitted to enter into Swap Agreements and transactions thereunder with a counterparty which is permitted under Dutch law to enter into derivative contracts with Dutch residents and is either (a) the Bank or (b) a third party Eligible Swap Provider, as the case may be (each a "**Swap Provider**"). All such Swap Agreements will be required to be in the Approved Form.

On the Programme Date, the CBC entered into the Total Return Swap Agreement and the Swap Undertaking Letter.

In the Swap Undertaking Letter the Bank undertakes to, or to procure an Eligible Swap Provider to, enter into Interest Rate Swap Agreements and/or Structured Swap Agreements in the Approved Form with the CBC for each Series if (i) a Notification Event occurs, (ii) a Notice to Pay or CBC Acceleration Notice is served or (iii) the rating(s) of the Bank are, or fall, below the minimum rating(s) set for an Eligible Swap Provider for Interest Rate Swap Agreements (in which case Interest Rate Swap Agreements will be required) or Structured Swap Agreements (in which case Structured Swap Agreements will be required). Transactions evidenced by Interest Rate Swap Agreements, Structured Swap Agreements and/or the Total Return Swap Agreement may be governed by the same ISDA Master Agreement, including the ING ISDA Master Agreement.

Pursuant to the provisions of the Trust Deed and the relevant Swap Agreement, regardless of whether a Notification Event has occurred, unless and until (a) both an Issuer Acceleration Notice and a Notice to Pay are served or (b) a CBC Acceleration Notice is served, all amounts to be paid and received by the CBC under the relevant Swap Agreement will be paid and received on behalf of the CBC by the Issuer. However, any amounts of collateral payable by a relevant Swap Provider to the CBC (or, returned by the CBC to the relevant Swap Provider, as the case may be) will be paid directly by the relevant Swap Provider to the CBC (or by the CBC to the relevant Swap Provider, as the case may be), regardless of whether an Issuer Acceleration Notice, Notice to Pay or CBC Acceleration Notice is served or whether a Notification Event has occurred.

### Minimum Rating of Swap Provider

Under the terms of each Swap Agreement, in the event that the rating(s) of the Swap Provider is below, or is downgraded by a Rating Agency below, the minimum rating(s) specified in such Swap Agreement for that Swap Provider (in accordance with the requirements of the relevant Rating Agency), that Swap Provider will, in accordance with such Swap Agreement, be required to take certain remedial measures which may include:

- (a) providing collateral for its obligations under such Swap Agreement;
- (b) arranging for its obligations under such Swap Agreement to be transferred to an entity with the ratings required by the relevant Rating Agency;
- (c) procuring another entity with the ratings required by the relevant Rating Agency to become co-obligor or guarantor in respect of its obligations under such Swap Agreement; or
- (d) taking such other action or putting in place such alternative hedging as it may agree with the relevant Rating Agency (subject to Rating Agency Confirmation).

A failure to take such steps within the time periods specified in the relevant Swap Agreement will allow the CBC to terminate such Swap Agreement.

## Other Termination Events

A Swap Agreement may also be terminated early in certain other circumstances, including:

- (a) at the option of either party to such Swap Agreement, if there is a failure by the other party to pay any amounts due under such Swap Agreement and any applicable grace period has expired;
- (b) upon the occurrence of an insolvency of the Swap Provider, or any guarantor, or the merger of one of the parties without an assumption of the obligations under such Swap Agreement (except in respect of the security interests created by the CBC in favour of the Trustee in accordance with the Security Documents);
- (c) if there is a change of law or change in application of the relevant law which results in the CBC or the relevant Swap Provider (or both) being obliged to make a withholding or deduction on account of a tax on a payment to be made by such party to the other party under such Swap Agreement and the relevant Swap Provider thereby being required under the terms of such Swap Agreement to gross up payments made to the CBC, or to receive net payments from the CBC (which is not required under the terms of such Swap Agreement to gross up payments made to the Swap Provider); and
- (d) if there is a change in law which results in the illegality of the obligations to be performed by either party under such Swap Agreement.

Upon the termination of the relevant Swap Agreement, the CBC or the relevant Swap Provider may be liable to make a termination payment to the other party in accordance with the provisions of such Swap Agreement. The amount of this termination payment will be calculated and made in euro.

For the purpose hereof:

**"Approved Form"** means a 1992 Multicurrency – Cross Border or 2002 ISDA Master Agreement, Schedule and Credit Support Annex thereto and confirmation, in (i) the form attached to the Swap Undertaking Letter, as amended from time to time by agreement of the Trustee, the CBC and the Bank (subject to prior receipt of a Rating Agency Confirmation in respect of any such amendment) or (ii) such other form as may be acceptable to the CBC, the Trustee and the relevant Swap Provider, subject to Rating Agency Confirmation, including the ING ISDA Master Agreement and the Total Return Swap Agreement.

**"Eligible Swap Provider"** means a financial institution which is permitted under Dutch law to enter into derivative contracts with Dutch residents and whose unsecured, unsubordinated and unguaranteed debt obligations in relation to the Swap Agreements are rated not lower than the ratings as determined to be applicable or agreed by a relevant Rating Agency from time to time, being as at the March 2015 Update, (i) A (long term) by S&P, (ii) P-1 (short term) and A2 (long term) or (if such entity is not the subject of a short term rating by Moody's) A1 (long term) by Moody's, and (iii) 'F1' (short term) and 'A' (long term) by Fitch.

**"ING ISDA Master Agreement"** means the 1992 (Multicurrency - Cross Border) ISDA Master Agreement, Schedule and Credit Support Annex entered into between the Bank, the CBC and the Trustee dated as of 10 March 2008 (as amended, supplemented and/or restated from time to time).

**"ISDA Master Agreement"** means a 1992 (Multicurrency – Cross Border) ISDA Master Agreement, together with the relevant Schedule and Credit Support Annex entered into between the relevant Swap Provider, the CBC and the Trustee.

**"Swap Agreements"** means the Interest Rate Swap Agreements, the Structured Swap Agreements and the Total Return Swap Agreement.

**"Swap Provider Default"** means the occurrence of an Event of Default or Termination Event (each as defined in the relevant Swap Agreement) where the relevant Swap Provider is the Defaulting Party or the sole Affected Party (each as defined in such Swap Agreement).

## 6.1 TOTAL RETURN SWAP

In order to hedge the risk of possible mismatches on a monthly basis between:

- (a) the rates of interest or revenues on the Transferred Receivables, the Authorised Investments, the Substitution Assets and the balance of the AIC Account; and
- (b) EURIBOR for one month deposits,

on the Programme Date, the CBC, the Bank as Total Return Swap Provider and the Trustee (in respect of certain provisions) entered into a total return swap transaction evidenced by a confirmation and governed by the ING ISDA Master Agreement as supplemented by such confirmation (the "**Total Return Swap Agreement**").

In respect of all Transferred Receivables, Authorised Investments and Substitution Assets acquired by the CBC from time to time and the balance of the AIC Account from time to time, the Total Return Swap Agreement ensures that certain interest rate and revenue risks in respect of such Transferred Receivables, Authorised Investments, Substitution Assets and the balance of the AIC Account are hedged.

On each CBC Payment Date, the following payments will be made under the Total Return Swap Agreement:

- (a) the Total Return Swap Provider will pay to the CBC an amount equal to  $A \times B$ , where "A" equals the then Net Outstanding Principal Balance of all performing Transferred Receivables (including the Net Outstanding Principal Balance of any performing Selected Receivables disposed of by the CBC, subject to the relevant provisions of the Total Return Swap Agreement) plus the balance of the AIC Account and the aggregate principal balance of the Authorised Investments and Substitution Assets, in each case as at the last day of the Calculation Period immediately preceding the Calculation Period in which such CBC Payment Date falls and "B" equals EURIBOR for one month deposits; and
- (b) the CBC will pay to the Total Return Swap Provider an amount equal to (i) the aggregate sum of all Revenue Receipts received in respect of the Transferred Receivables (including all Revenue Receipts received in respect of any Selected Receivables disposed of by the CBC, subject to the relevant provisions of the Total Return Swap Agreement) during the Calculation Period immediately preceding the Calculation Period in which such CBC Payment Date falls, plus (ii) the accrued interest on the AIC Account and the revenue proceeds from the Authorised Investments and Substitution Assets received by the CBC during the Calculation Period immediately preceding the Calculation Period in which such CBC Payment Date falls, minus (iii) an amount equal to the product of the Swap Margin, the Net Outstanding Principal Balance of all performing Transferred Receivables (including the Net Outstanding Principal Balance of any performing Selected Receivables disposed of by the CBC, subject to the relevant provisions of the Total Return Swap Agreement), as at the last day of the Calculation Period immediately preceding the Calculation Period in which such CBC Payment Date falls, and the relevant day count fraction, minus (iv) an amount equal to the costs and fees paid by the CBC (or the Issuer on its behalf) to the Servicers during the Calculation Period immediately preceding the Calculation Period in which such CBC Payment Date falls, on the condition that if the above calculation produces a negative number, such amount shall be deemed to be zero.

The Total Return Swap Agreement will provide that if the amount payable under (a) on the relevant payment date is a negative number, then that amount will be deemed to be zero, and the CBC will not be required to pay to the Total Return Swap Provider the absolute value of that negative amount and will only be required to pay those amounts otherwise payable by it for the related Calculation Period.

The Total Return Swap Agreement provides that in case of a sale or refinancing of Selected Receivables, the prospective purchaser of such Selected Receivables (provided that such purchaser has been approved by the Total Return Swap Provider) has the option to elect for the rights and obligations of the CBC under the Total Return Swap Agreement (or part thereof) relating to such Selected Receivables to be transferred to it and the Total Return Swap Agreement permits the CBC to make such transfer subject to certain conditions, as specified in the Total Return Swap Agreement. If the prospective purchaser elects for the rights and obligations of the CBC under the Total Return Swap Agreement (or part thereof) relating to

such Selected Receivables not to be transferred to it (or does elect for such a transfer but such a transfer is not possible due to non-compliance with the relevant conditions specified in the Total Return Swap Agreement), the Total Return Swap Agreement (or part thereof) relating to such Selected Receivables will be terminated. If the CBC or the Issuer elects to implement Portfolio Tests, the Total Return Swap Agreement will be terminated. Further, if an alternative hedging methodology is proposed and Rating Agency Confirmation is obtained in respect of such alternative hedging methodology, then the Total Return Swap Agreement may be terminated and the CBC will be required to enter into such derivatives transactions as are required to comply with such alternative hedging methodology.

For the purposes of the foregoing:

- (i) a Transferred Receivable will be "performing" on any CBC Payment Date if it is not a Defaulted Receivable;
- (ii) "**Swap Margin**" means 70 basis points or such other margin as may be agreed by the CBC and the Total Return Swap Provider under the Total Return Swap Agreement from time to time, subject to Rating Agency Confirmation; and
- (iii) "**Total Return Swap Provider**" means the Bank or any other person acting as swap provider pursuant to the Total Return Swap Agreement.

## 6.2 INTEREST RATE SWAPS

In order to hedge the risk of any possible mismatches between:

- (a) EURIBOR for one month deposits; and
- (b) the rate of interest payable under any euro denominated Series,

the CBC, one or more Swap Providers (each in its capacity as an interest rate swap provider, an "**Interest Rate Swap Provider**") and the Trustee (in respect of certain provisions) will (if required by the Swap Undertaking Letter) or may (if not required by the Swap Undertaking Letter) enter into one or more interest rate swap transactions evidenced by a confirmation and governed by an ISDA Master Agreement as supplemented by such confirmation, all in the Approved Form (each an "**Interest Rate Swap Agreement**") in relation to the relevant Series. The following payments will be made under each Interest Rate Swap entered into in respect of a Series:

- (a) on or before each Interest Payment Date, the relevant Interest Rate Swap Provider will pay the CBC an amount equal to the product of (i) the aggregate Principal Amount Outstanding of such Series as at the preceding Interest Payment Date and (ii) the relevant swap rate corresponding to the interest rate payable on such Series; and
- (b) on each Floating Rate Payer Payment Date, the CBC will pay to the Interest Rate Swap Provider an amount equal to the product of (i) the aggregate Principal Amount Outstanding of such Series as at the preceding Interest Payment Date and (ii) the sum of EURIBOR for one month deposits and the Spread (as defined in the relevant Interest Rate Swap Agreement).

Each Interest Rate Swap Agreement will provide that if the amount payable under (b) on the relevant payment date is a negative number, then that amount will be deemed to be zero, and the relevant Interest Rate Swap Provider will not be required to pay to the CBC the absolute value of that negative amount and will only be required to pay those amounts otherwise payable by it for the related Calculation Period.

Each Interest Rate Swap Agreement will terminate on the Final Maturity Date in respect of the relevant Series (subject to the early termination provisions of such Interest Rate Swap Agreement as outlined above).

If Portfolio Tests are implemented and the Total Return Swap Agreement is terminated, Interest Rate Swap Agreements will be used to comply with the Portfolio Tests.

Pursuant to the Swap Undertaking Letter, the Bank shall (i) procure that any Spread (as defined in the relevant Interest Rate Swap Agreement) to be added to EURIBOR for one month deposits for the purposes of determining the payments to be made by the CBC under any Interest Rate Swap Agreement shall not exceed the then applicable Swap Margin under the Total Return Swap Agreement and (ii) bear the costs relating to the entering into of any such Interest Rate Swap Agreement.

For the purpose of this Section 6.2 "**Floating Rate Payer Payment Date**" means the floating rate payer payment date as defined in the relevant Interest Rate Swap Agreement, which is expected to be the CBC Payment Date.

### 6.3 STRUCTURED SWAPS

In order to hedge against certain interest rate, principal and/or currency risks in respect of mismatches between:

- (a) EURIBOR for one month deposits and the rate of interest payable and the currency in which it is payable under any Series; and/or
- (b) euro denominated Principal Receipts and amounts of principal payable under any non-euro denominated Series,

the CBC, one or more Swap Providers (each in its capacity as a structured swap provider, a "**Structured Swap Provider**") and the Trustee (in respect of certain provisions) will (if required by the Swap Undertaking Letter) or may (if not required by the Swap Undertaking Letter) enter into one or more cross currency swap transactions evidenced by a confirmation and governed by an ISDA Master Agreement as supplemented by such confirmation, all in the Approved Form (each a "**Structured Swap Agreement**") in relation to the relevant Series.

One or more of the following payments will be made under each Structured Swap Agreement entered into in respect of a Series (depending on whether any applicable interest, principal and/or currency risk is hedged):

- (a) on or before each Interest Payment Date, the Structured Swap Provider will pay the CBC an amount in the currency of such Series equal to the product of (i) the aggregate Principal Amount Outstanding of such Series as at the preceding Interest Payment Date and (ii) the relevant swap rate corresponding to the interest rate payable on or, interest basis applicable to such Series;
- (b) on each Floating Rate Payer Payment Date, the CBC will pay to the Structured Swap Provider an amount in euro equal to the product of (i) the aggregate Principal Amount Outstanding of such Series or, if such Series is denominated in a currency other than euro, an amount equal to the euro equivalent of the aggregate Principal Amount Outstanding of such Series and (ii) the sum of EURIBOR for one month deposits and the Spread (as defined in the relevant Structured Swap Agreement); and/or
- (c) on the Termination Date, if such Series is denominated in a currency other than euro, the CBC will pay to the Structured Swap Provider an amount equal to the euro equivalent of the aggregate Principal Amount Outstanding of such Series (as determined by the relevant Structured Swap Agreement) and the Structured Swap Provider will pay the CBC an amount equal to the aggregate Principal Amount Outstanding of such Series in the currency in which such Series is denominated.

Each Structured Swap Agreement will provide that if the amount payable under (b) on the relevant payment date is a negative number, then that amount will be deemed to be zero, and the relevant Structured Swap Provider will not be required to pay to the CBC the absolute value of that negative amount and will only be required to pay those amounts otherwise payable by it for the related Calculation Period.

Each Structured Swap Agreement will terminate on the Final Maturity Date in respect of the relevant Series (subject to the early termination provisions of the relevant Structured Swap Agreement as outlined above).

Pursuant to the Swap Undertaking Letter, the Bank shall (i) use all reasonable efforts to procure that any Spread (as defined in the relevant Structured Swap Agreement) to be added to EURIBOR for one month deposits for the purposes of determining the payments to be made by the CBC under the relevant Structured Swap, shall not exceed the then applicable Swap Margin under the Total Return Swap and (ii) bear the costs relating to the entering into of any such Structured Swap.

For the purpose of this Section 6.3:

"**Floating Rate Payer Payment Date**" means the floating rate payer payment date as defined in the relevant Structured Swap Agreement, which is expected to be the CBC Payment Date.

## 7 CASHFLOWS

- (A) For as long as no Notification Event has occurred and no Notice to Pay or CBC Acceleration Notice has been served:
- (a) pursuant to the Guarantee Support Agreement, any proceeds from the Transferred Assets will be received and retained by the Originators for their own benefit; and
  - (b) pursuant to the Trust Deed, the following will apply:
    - (i) all costs and expenses of the CBC (including for the avoidance of doubt the minimum taxable profit to be deposited in the Capital Account) will be paid on behalf of the CBC by the Issuer for its own account, as consideration for the CBC assuming the Guarantee;
    - (ii) all amounts to be paid and received, respectively, by the CBC under any Swap Agreement or, if applicable, Further Master Transfer Agreement and/or Master Sub-Participation Agreement will be paid and received, respectively, on behalf of the CBC by the Issuer for its own account (except that any collateral to be provided by a Swap Provider following its downgrade will be delivered to the CBC irrespective of whether any Notification Event has occurred or any 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 any such collateral arrangements shall be made directly between the CBC and the relevant Swap Provider); and
    - (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 Accounts, but excluding any amounts standing to the credit of the Swap Collateral Ledger and the Reserve Fund Ledger, to the Issuer or, if the Issuer is subject to an Insolvency Proceeding, any Originator which is not subject to an Insolvency Proceeding to the extent permitted by the Asset Cover Test. The CBC need not concern itself as to how such proceeds are allocated between the Issuer and the Originators; and
  - (c) pursuant to the Trust Deed, unless and until the Issuer has a minimum credit rating as determined to be applicable or agreed by each relevant Rating Agency from time to time, as at the March 2015 Update, from Fitch of at least 'F1' (short term) and 'A' (long term), from S&P of at least A-1 (short term) and A (long term) and from Moody's of at least P-1 (short term), the CBC will be required to maintain a reserve fund (the "**Reserve Fund**") on the AIC Account which will be credited by the Issuer with an amount equal to the Reserve Fund Required Amount and such further amounts as are necessary from time to time to ensure that an amount up to the Reserve Fund Required Amount is credited to the Reserve Fund for as long as the above rating trigger is breached. The Issuer will do so as consideration for the CBC assuming the Guarantee.
- (B) If a Notification Event occurs or a Notice to Pay or CBC Acceleration Notice is served on the CBC:
- (a) pursuant to the Guarantee Support Agreement, the CBC shall, subject to the rights of the 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 Notification Event or service of such Notice to Pay or CBC Acceleration Notice;
  - (b) pursuant to the Trust Deed, the following will apply:
    - (i) if a Notification Event has occurred but no Notice to Pay or CBC Acceleration Notice has been served, all costs, expenses, Swap Agreements, Further Master Transfer Agreements and Master Sub-Participation Agreements will continue to be settled on behalf of the CBC by the Issuer as abovementioned and all amounts standing to the credit of the CBC Accounts will continue to be distributed as abovementioned;



- (ii) if a Notice to Pay has been served, but no Issuer Acceleration Notice or CBC Acceleration Notice has been served, all costs, expenses, Swap Agreements, Further Master Transfer Agreements and Master Sub-Participation Agreements will continue to be settled on behalf of the CBC by the Issuer as abovementioned but no further amounts standing to the credit of the CBC Accounts will be distributed as mentioned under paragraph (A)(b)(iii) above;
  - (iii) if an Issuer Acceleration Notice and a Notice to Pay have been served, but no CBC Acceleration Notice has been served, the Administrator will apply all (1) Available Revenue Receipts and all Available Principal Receipts on behalf of the CBC in accordance with the Post-Notice-to-Pay Priority of Payments and (2) other monies standing to the credit of the CBC Accounts in accordance with the Administration Agreement, the AIC Account Agreement, the Trust Deed and any other Transaction Document; or
  - (iv) if a CBC Acceleration Notice has been served, all monies received or recovered by the Trustee or any other Secured Creditor and all monies held by or on behalf of the CBC will be applied in accordance with the Post-CBC-Acceleration-Notice Priority of Payments (other than amounts standing to the credit of the Participation Ledger or the Swap Collateral Ledger, or amounts required to be deducted pursuant to paragraph (a)(iii) of the definition of Principal Receipts, which will continue to be applied in accordance with the provisions of the Administration Agreement pertaining to the Participation Ledger and the Swap Collateral Ledger); and
- (c) pursuant to the Trust Deed, after (i) the date falling three months after the occurrence of a Notification Event pursuant to which the relevant Borrowers have been notified of the transfer of the related Transferred Receivables and have been instructed to direct any payments under such Transferred Receivables to the CBC or (ii) the date on which the CBC demonstrates that the relevant Borrowers pay the required amounts under the Transferred Receivables to the CBC, the CBC will no longer be required to maintain the Reserve Fund and any amounts standing to the credit of the Reserve Fund will be added to certain other income of the CBC in calculating the Available Revenue Receipts and applied in accordance with the relevant Priority of Payments.

For the purposes hereof:

**"Available Principal Receipts"** means on a Calculation Date an amount equal to the aggregate of (without double counting):

- (a) the amount of Principal Receipts received during the previous Calculation Period, less the equivalent of any Third Party Amounts due and payable or to become due and payable in the immediately following CBC Payment Period;
- (b) any other amount standing to the credit of the Principal Ledger;
- (c) all amounts in respect of principal (if any) to be received by the CBC under the Transaction Documents (other than the Master Sub-Participation Agreements) on the relevant CBC Payment Date (other than the Swap Principal Excluded Amounts and, for the avoidance of doubt, any Swap Collateral Excluded Amounts and Swap Replacement Excluded Amounts), whether as a result of netting (if permitted under the Transaction Documents) or otherwise; and
- (d) following repayment of any Series by the Issuer and/or the CBC on their Final Maturity Date any amounts standing to the credit of the Pre-Maturity Liquidity Ledger in respect of such Series.

**"Available Revenue Receipts"** means on a Calculation Date an amount equal to the aggregate of:

- (a) the amount of Revenue Receipts received during the previous Calculation Period;
- (b) other net income of the CBC including all amounts of interest received on the CBC Accounts, the Substitution Assets and Authorised Investments in the preceding Calculation Period and amounts received by the CBC under the Total Return Swap Agreement on the relevant CBC Payment

Date (for the avoidance of doubt excluding any Swap Collateral Excluded Amounts and Swap Replacement Excluded Amounts), whether as a result of netting (if permitted under the Transaction Documents) or otherwise;

- (c) any other amount standing to the credit of the Revenue Ledger; and
- (d) following the service on the CBC of a Notice to Pay, amounts standing to the credit of the Reserve Fund Ledger.

**"Participant"** means with respect to (i) a Savings Receivable, any insurer which enters into a Master Sub-Participation Agreement with the CBC and the Trustee, and which is acknowledged by the relevant Originator(s) and (ii) a Bank Savings Receivable, the Bank.

**"Pre-Notice-to-Pay Priority of Payments"** means the arrangement set out in paragraphs (A)(b)(i) through (iii) and (B)(b)(i) and (ii) of this Section 7 (*Cashflows*).

**"Principal Receipts"** means:

- (a) any amount, sales proceeds, refinancing proceeds, arrears and other amount relating to principal, and any Accrued Interest and Arrears of Interest as at the Transfer Date of the relevant Transferred Receivable, received or recovered by the CBC in respect of the Transferred Receivables (i) other than any prepayment penalties, (ii) net of any relevant foreclosure costs and (iii) less, with respect to each Participation Receivable, an amount equal to the relevant Redemption Amount;
- (b) any Initial Settlement Amount received from any Participant under the relevant Master Sub-Participation Agreement;
- (c) an amount equal to any Increase which applies to any Participation pursuant to the relevant Master Sub-Participation Agreement; and
- (d) any on-payments of savings premium received from the relevant Originator or the relevant insurer (as the case may be) as purchase price for the relevant (part of the) MTA Receivable pursuant to the Guarantee Support Agreement in connection with a Master Transfer Agreement between that relevant insurer and that relevant Originator.

**"Reserve Fund Required Amount"** means an amount equal to (i) the aggregate for all Series of (a) to the extent that no Interest Rate Swap Agreement or Structured Swap Agreement has been entered into in relation to any Series, the aggregate Scheduled Interest for each such Series due in the next three following CBC Payment Periods and (b) to the extent that an Interest Rate Swap Agreement or a Structured Swap Agreement has been entered into in relation to any Series and (x) a party other than the Bank is the Interest Rate Swap Provider or Structured Swap Provider, the aggregate interest component due by the CBC under such Interest Rate Swap Agreement or Structured Swap Agreement for each such Series in the next three following CBC Payment Periods or (y) the Bank is the Interest Rate Swap Provider or Structured Swap Provider, as applicable, the higher of the aggregate (A) Scheduled Interest due and (B) interest component due by the CBC under such Interest Rate Swap Agreement or Structured Swap Agreement for each such Series in the next three following CBC Payment Periods, all as calculated on each relevant Calculation Date, plus (ii) the anticipated aggregate amount payable in the next three following CBC Payment Periods in respect of the items referred to in paragraphs (a) up to and including (d) of the Post-Notice-to-Pay Priority of Payments, as calculated on each relevant Calculation Date.

**"Revenue Receipts"** means:

- (a) interest, fees and other amounts received or recovered by the CBC in respect of the Transferred Receivables (i) other than the Principal Receipts and any prepayment penalties, (ii) net of any relevant foreclosure costs and (iii) less, with respect to interest in respect of each Participation Receivable, an amount equal to the net amount received or recovered multiplied by the applicable Participation Fraction; and
- (b) prepayment penalties received or recovered by the CBC in respect of the Transferred Receivables.

**"Savings Receivable"** means a Transferred Receivable resulting from a Savings Loan.

**"Swap Collateral Excluded Amounts"** means amounts standing to the credit of the Swap Collateral Ledger.

**"Swap Interest Excluded Amounts"** means amounts standing to the credit of the Swap Interest Ledger.

**"Swap Principal Excluded Amounts"** means amounts standing to the credit of the Swap Principal Ledger.

**"Swap Replacement Excluded Amounts"** means amounts standing to the credit of the Swap Replacement Ledger.

## 7.1 LEDGERS

### (A) Credits to ledgers

Pursuant to the Administration Agreement, the CBC (or the Administrator on its behalf) agreed to open, administer and maintain the following ledgers and credit amounts thereto as follows:

1. A revenue ledger of the AIC Account (the "**AIC Account Revenue Ledger**"), to which the following euro amounts shall be credited upon deposit of the same into the AIC Account:
  - (a) all Revenue Receipts;
  - (b) all amounts of interest paid on the AIC Account;
  - (c) all amounts of interest paid in respect of any Substitution Assets or Authorised Investments;
  - (d) to the extent that any Substitution Asset or Authorised Investment is redeemed or sold, the difference (if positive) between the acquisition price thereof, on the one hand, and sale or redemption price thereof, on the other; if such difference is negative, it will be debited to the AIC Account Revenue Ledger upon completion of such redemption or sale;
  - (e) all euro amounts (other than Swap Collateral Excluded Amounts, Swap Interest Excluded Amounts, Swap Principal Excluded Amounts and Swap Replacement Excluded Amounts) received by the CBC under the Swap Agreements, whether as a result of netting (if permitted under the Transaction Documents) or otherwise; and
  - (f) all euro amounts otherwise required to be credited to the AIC Account Revenue Ledger in accordance with the relevant provisions of the Administration Agreement.

If pursuant to the Administration Agreement a bank account is opened in a currency other than euro, the Administrator shall maintain a revenue ledger in respect of such foreign currency account (the AIC Account Revenue Ledger and all such foreign currency revenue ledgers, the "**Revenue Ledger**"). Amounts shall be credited to such foreign currency revenue ledger in the same manner as amounts are credited to the AIC Account Revenue Ledger.

2. A principal ledger of the AIC Account (the "**AIC Account Principal Ledger**"), to which the following amounts shall be credited upon deposit of the same into the AIC Account:
  - (a) all Principal Receipts, other than to the extent required to be credited to the Pre-Maturity Liquidity Ledger pursuant to a sale or refinancing of Selected Receivables pursuant to Clause 7.1.1 of the Asset Monitor Agreement;
  - (b) any amount received (other than from redemption or sale) from any Substitution Asset or Authorised Investment which is not required to be credited to the Revenue Ledger;
  - (c) the principal amount of any Transferred Collateral in the form of cash, other than to the extent required to be credited to the Pre-Maturity Liquidity Ledger pursuant to Clause 4.2.2 of the Asset Monitor Agreement;
  - (d) 100 per cent. of the aggregate acquisition price paid by the relevant Originator for the Substitution Assets, to the extent not required to be credited to the Pre-Maturity Liquidity Ledger;
  - (e) any amount to be transferred to the Principal Ledger from the Pre-Maturity Liquidity Ledger in accordance with paragraph (B)3(a) or (B)3(c) below; and
  - (f) any amount required to be transferred to the AIC Account in accordance with item (h) of the Post-Notice-to-Pay Priority of Payments to the extent not required to be credited to the Pre-Maturity Liquidity Ledger, provided that if on a CBC Payment Date an amount is credited or to be credited to the AIC Account Principal Ledger pursuant to item (h) of

the Post-Notice-to-Pay Priority of Payments and on such CBC Payment Date or during the CBC Payment Period starting on such CBC Payment Date there is an unexpected default by a Swap Provider in the performance of its obligation to pay to the CBC an amount (for the avoidance of doubt excluding any Swap Collateral Excluded Amounts and Swap Replacement Excluded Amounts) of interest or principal under any Interest Rate Swap Agreement or Structured Swap Agreement, then an amount equal to the lower of (i) the amount so credited or to be credited to the AIC Account Principal Ledger and (ii) the amount by which the available proceeds in respect of such Series standing to the credit of the Swap Interest Ledger or Swap Principal Ledger falls short of the corresponding Scheduled Interest and/or Scheduled Principal that is Due for Payment in such CBC Payment Period under the Guarantee, shall on such CBC Payment Date or during such CBC Payment Period be credited to the Swap Interest Ledger or the Swap Principal Ledger, as the case may be.

If pursuant to the Administration Agreement a foreign currency CBC Account is opened, the Administrator shall maintain a principal ledger in respect of such foreign currency CBC Account (the AIC Account Principal Ledger and all such foreign currency principal ledgers, the "**Principal Ledger**"). Amounts shall be credited to such foreign currency principal ledger in the same manner as amounts are credited to the AIC Account Principal Ledger.

3. A ledger of the AIC Account (the "**Pre-Maturity Liquidity Ledger**"), to which shall be credited upon deposit of the same into the AIC Account:
  - (a) all Principal Receipts pursuant to a sale or refinancing of Selected Receivables pursuant to Clause 7.1.1 of the Asset Monitor Agreement, to the extent required to be credited to the Pre-Maturity Liquidity Ledger pursuant to Clause 4.2 of the Asset Monitor Agreement;
  - (b) 100 per cent. of the aggregate acquisition price paid by the relevant Originator for the Substitution Assets that qualify as surplus under the Asset Cover Test or have been transferred to the CBC pursuant to Clause 4.2.2 of the Asset Monitor Agreement, to the extent required to be credited to the Pre-Maturity Liquidity Ledger pursuant to Clause 4.2 of the Asset Monitor Agreement; and
  - (c) up to the relevant Pre-Maturity Maximum Required Amount, any amounts that are available on the basis of item (h) of the Post-Notice-to-Pay Priority of Payments, if:
    - (i) a failure of the Pre-Maturity Test has occurred in respect of any Series; and
    - (ii) on any subsequent Calculation Date falling prior to the Final Maturity Date of such Series, the amount standing to the credit of the Pre-Maturity Liquidity Ledger is less than the Required Redemption Amount of such Series (after taking into account the Required Redemption Amount of all other Series which have their Final Maturity Date prior to or in the same CBC Payment Period as the Final Maturity Date of that Series) (such amount) a "**Pre-Maturity Maximum Required Amount**").
4. For each CBTF Standby Loan drawn in respect of a Series, a separate sub-ledger of the Pre-Maturity Liquidity Ledger for such Series (a "**CBTF Sub-Ledger**"), to which the amount so drawn will be credited.
5. A ledger of the AIC Account (the "**Swap Collateral Ledger**") to which shall be credited any collateral provided by any Swap Provider not or no longer having the minimum ratings required for an Eligible Swap Provider, whether as a result of netting (if permitted under the Transaction Documents) or otherwise.
6. A ledger of the AIC Account (the "**Swap Replacement Ledger**") to which shall be credited (i) premiums received from any replacement Swap Provider upon entry by the CBC into a replacement Swap Agreement or (ii) termination payments received from any Swap Provider in respect of a Swap Agreement which has terminated, whether as a result of netting (if permitted under the Transaction Documents) or otherwise.

7. A ledger of the AIC Account (the "**Reserve Fund Ledger**") to which shall be credited all amounts received from the Issuer for the purpose of the Reserve Fund.
8. A ledger of the AIC Account (the "**Participation Ledger**") to which shall be credited all Redemption Amounts deducted pursuant to paragraph (a)(iii) of the definition of Principal Receipts.
9. A ledger of the AIC Account (the "**Swap Interest Ledger**") to which shall be credited (i) all amounts (for the avoidance of doubt excluding any Swap Collateral Excluded Amounts and Swap Replacement Excluded Amounts) in respect of interest received by the CBC under any Interest Rate Swap Agreement or Structured Swap Agreement, whether as a result of netting (if permitted under the Transaction Documents) or otherwise, and (ii) any amounts that may be credited to the Swap Interest Ledger pursuant to paragraph (A)(2)(f) above or (B)(2) below.
10. A ledger of the AIC Account (the "**Swap Principal Ledger**") to which shall be credited (i) all amounts (for the avoidance of doubt Excluding any Swap Collateral excluded Amounts and Swap Replacement Excluded Amounts) in respect of principal received by the CBC under any Structured Swap Agreement, whether as a result of netting (if permitted under the Transaction Documents) or otherwise, and (ii) any amounts that may be credited to the Swap Principal Ledger pursuant to paragraph (A)(2)(f) above or (B)(2) below.

**(B) Debits to ledgers**

Pursuant to the Administration Agreement, the CBC (or the Administrator on its behalf) agreed not to debit any amounts to any ledger, except as follows:

1. **The Revenue Ledger:** in accordance with the relevant Priority of Payments.
2. **The Principal Ledger:** in accordance with the relevant Priority of Payments provided that if on a CBC Payment Date an amount is credited or to be credited to the Principal Ledger pursuant to item (h) of the Post-Notice-to-Pay Priority of Payments and on such CBC Payment Date or during the CBC Payment Period starting on such CBC Payment Date there is an unexpected default by a Swap Provider in the performance of its obligation to pay to the CBC an amount (for the avoidance of doubt excluding any Swap Collateral Excluded Amounts and Swap Replacement Excluded Amounts) of interest or principal under any Interest Rate Swap Agreement or Structured Swap Agreement, then an amount equal to the lower of (i) the amount so credited or to be credited to the Principal Ledger and (ii) the amount by which the available proceeds in respect of such Series standing to the credit of the Swap Interest Ledger or Swap Principal Ledger falls short of the corresponding Scheduled Interest and/or Scheduled Principal that is Due for Payment in such CBC Payment Period under the Guarantee, shall on such CBC Payment Date or during such CBC Payment Period be credited to the Swap Interest Ledger or the Swap Principal Ledger, as the case may be.
3. **The Pre-Maturity Liquidity Ledger:** if amounts are standing to the credit of the Pre-Maturity Liquidity Ledger in respect of a Series and:
  - (a) no Notice to Pay, Issuer Acceleration Notice or CBC Acceleration Notice has been served and the Issuer fully repays such Series on the Final Maturity Date thereof and all other Series which have their Final Maturity Date prior to or in the same CBC Payment Period as the Final Maturity Date of that Series, then the amount standing to the credit of the Pre-Maturity Liquidity Ledger shall be transferred to the Principal Ledger unless:
    - (i) the Issuer is failing the Pre-Maturity Test in respect of any other Series, in which case the amount will continue to stand to the credit of the Pre-Maturity Liquidity Ledger in order to provide liquidity for that other Series; or
    - (ii) the Issuer is not failing the Pre-Maturity Test, but the Trustee decides to retain the amount on the Pre-Maturity Liquidity Ledger in order to provide liquidity for any future Series;
  - (b) a Notice to Pay and an Issuer Acceleration Notice have, but no CBC Acceleration Notice has, been served on the CBC, then on the Final Maturity Date of the Earliest Maturing

Covered Bonds of any Series, the Pre-Maturity Liquidity Ledger will be debited for an amount equal to the lower of:

- (i) the amount (in respect of principal) then due and payable on the relevant Series or, as applicable, the amount then due and payable (in respect of principal) under a Structured Swap Agreement (if applicable) in respect of the relevant Series (in both cases after taking account of any payment made by the Issuer in respect thereof); and
- (ii) funds standing to the credit of the Pre-Maturity Liquidity Ledger.

The funds so debited to the Pre-Maturity Liquidity Ledger shall be used by the CBC (or the Administrator on its behalf) on the relevant Final Maturity Date or Extended Due for Payment Date, as the case may be, to make a payment to the Trustee or (if so directed by the Trustee) to the Principal Paying Agent in and towards the amount due on the relevant Series or, as applicable, to the Structured Swap Provider in and towards the amount due (in respect of principal) under the relevant Structured Swap Agreement in respect of the relevant Series; or

- (c) there are no further Series outstanding, any amounts standing to the credit of the Pre-Maturity Liquidity Ledger shall be transferred to the Principal Ledger.
4. **The CBTF Sub-Ledger:** amounts standing to the credit of a CBTF Sub-Ledger in respect of a Series, shall be applied on the Final Maturity Date of such Series:
- (a) *first*, if and to the extent there are insufficient amounts standing to the credit of the Pre-Maturity Liquidity Ledger to repay the principal amount of such Series in full or, as applicable, to pay the amount then due and payable (in respect of principal) under a Structured Swap Agreement in respect of such Series in full: in repayment of the remaining principal amount of such Series or, as applicable, in payment of the remaining amount (in respect of principal) under a Structured Swap Agreement in respect of such Series; or
  - (b) *second*, if any amount remains: in repayment of the relevant CBTF Standby Loan.
5. **The Swap Collateral Ledger:** amounts may only be withdrawn (i) to return collateral to the relevant Swap Provider in accordance with the terms of the relevant ISDA Master Agreement and collateral arrangements and (ii) following termination of the relevant Swap Agreement to the extent not required to satisfy any termination payment due to the relevant Swap Provider, (a) if a replacement Swap Agreement is to be entered into, for credit to the Swap Replacement Ledger or (b) if no replacement Swap Agreement is to be entered into, for credit to the Revenue Ledger.
6. **The Swap Replacement Ledger:** amounts credited to the Swap Replacement Ledger will only be available to pay (i) any termination amount due to a Swap Provider in respect of a Swap Agreement which has terminated, (ii) any premium due to a replacement Swap Provider upon entry into a replacement Swap Agreement and (iii) to the extent in excess of amounts owed to Swap Providers in respect of (a) the relevant Swap Agreement which has terminated or (b) any premium payable to a replacement Swap Provider upon entry into a replacement Swap Agreement, for credit to the Revenue Ledger.
7. **The Reserve Fund Ledger:** in accordance with the relevant Priority of Payments or, if the rating trigger requiring the CBC to establish a Reserve Fund is no longer breached, to repay amounts to the Issuer.
8. **The Participation Ledger:** Redemption Amounts standing to the credit of the Participation Ledger will only be available to be on-paid to the relevant Participant under the relevant Participation on a CBC Payment Date.
9. **The Swap Interest Ledger:** amounts that are credited to the Swap Interest Ledger in a CBC Payment Period in respect of a particular Series will only be available (i) to be on-paid to the Trustee or (if so directed by the Trustee) the Principal Paying Agent on behalf of the Covered Bondholders of such Series as Scheduled Interest that is Due for Payment in such CBC Payment

Period under the Guarantee in respect of such Series and (ii) to the extent in excess of Scheduled Interest that is Due for Payment in such CBC Payment Period under the Guarantee in respect of such Series, for credit to the Revenue Ledger.

10. ***The Swap Principal Ledger:*** amounts that are credited to the Swap Principal Ledger in a CBC Payment Period in respect of a particular Series will only be available (i) to be on-paid to the Trustee or (if so directed by the Trustee) the Principal Paying Agent on behalf of the Covered Bondholders of such Series as Scheduled Principal that is Due for Payment under the Guarantee in respect of such Series and (ii) to the extent in excess of Scheduled Principal that is Due for Payment in such CBC Payment Period under the Guarantee in respect of such Series, for credit to the Principal Ledger.



## 7.2 POST-NOTICE-TO-PAY 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 Administrator will apply (1) all monies standing to the credit of the CBC Accounts other than Available Revenue Receipts and Available Principal Receipts in accordance with the Administration Agreement, the AIC Account Agreement, the Trust Deed and any other Transaction Document and (2) all Available Revenue Receipts and all Available Principal Receipts on behalf of the CBC to make the following payments and provisions in the following order of priority (the "**Post-Notice-to-Pay 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*, to the payment of all amounts due and payable or to become due and payable to the Trustee in the immediately following CBC Payment Period under the provisions of the Trust Deed (other than under the Parallel Debt), together with interest and plus any applicable VAT (or similar taxes) thereon as provided therein;
- (b) *second*, to the payment of (i) amounts equal to the minimum profit stated in the Dutch tax agreement obtained on behalf of the CBC to be deposited in the Capital Account from time to time and of (ii) taxes owing by the CBC to any tax authority accrued and unpaid (other than any Dutch corporate income tax in relation to the amounts equal to the minimum profit referred to under (i) above);
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) any remuneration then due and payable to the Agents or the Registrar under or pursuant to the Agency Agreement, plus any applicable VAT (or similar taxes) thereon as provided therein; and
  - (ii) any amounts then due and payable by the CBC to third parties and incurred without breach by the CBC of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and to provide for any such amounts expected to become due and payable by the CBC in the immediately following the CBC Payment Period and to pay or discharge any liability of the CBC for taxes;
- (d) *fourth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) any remuneration then due and payable to the Servicers and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicers in the immediately following CBC Payment Period under the provisions of the Servicing Agreements;
  - (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) amounts (if any) due and payable to the Account Bank (including costs) pursuant to the terms of the AIC Account Agreement, plus any applicable VAT (or similar taxes) thereon as provided therein;
  - (iv) any amounts (including costs and expenses) due and payable to the CBC Managing Director pursuant to the Management Agreement (CBC), plus any applicable VAT (or similar taxes) thereon as provided therein; and
  - (v) any amounts due and payable to the Asset Monitor (other than the amounts referred to in paragraph (j) below) pursuant to the terms of the Asset Monitor Appointment Agreement, plus any applicable VAT (or similar taxes) thereon as provided therein;
- (e) *fifth*, in or towards satisfaction of any amounts due and payable to the Total Return Swap Provider (including any termination payment due and payable by the CBC under the ISDA

Master Agreement governing the Total Return Swap Agreement (or, in the case of a Combined ISDA Master Agreement, the portion thereof that is attributable to the Total Return Swap Agreement), but excluding any Excluded Swap Termination Amount) pursuant to the terms of the Total Return Swap Agreement to the extent not paid from the Swap Replacement Ledger or the Swap Collateral Ledger;

- (f) *sixth*, to pay *pro rata* and *pari passu* according to the respective amounts owing thereto to the extent not paid or expected to be paid from the Swap Collateral Ledger, the Swap Interest Ledger or the Swap Replacement Ledger:
- (i) to each Interest Rate Swap Provider, all amounts (including any termination payment due and payable by the CBC under the ISDA Master Agreement governing the relevant Interest Rate Swap Agreement (or, in the case of a Combined ISDA Master Agreement which also governs the Total Return Swap Agreement, the remaining portion thereof that is attributable to such Interest Rate Swap Agreement), but excluding any Excluded Swap Termination Amount) due and payable on such CBC Payment Date or in the CBC Payment Period starting on such CBC Payment Date in accordance with the terms of the relevant Interest Rate Swap Agreement;
  - (ii) to each Structured Swap Provider, all amounts (including any termination payment due and payable by the CBC under the ISDA Master Agreement governing the relevant Structured Swap Agreement (or, in the case of a Combined ISDA Master Agreement which also governs the Total Return Swap Agreement, the remaining portion thereof that is attributable to such Structured Swap Agreement), but excluding any Excluded Swap Termination Amount), other than in relation to principal, due and payable on such CBC Payment Date or in the CBC Payment Period starting on such CBC Payment Date in accordance with the terms of the relevant Structured Swap Agreement; and
  - (iii) to the Trustee or (if so directed by the Trustee) the Principal Paying Agent, any Scheduled Interest that is Due for Payment under the Guarantee in respect of each Series on such CBC Payment Date or in the CBC Payment Period starting on such CBC Payment Date,

provided that if the amount available for distribution under this paragraph (f) is insufficient to pay all amounts listed in this paragraph (f), but would be sufficient to pay all amounts listed in this paragraph (f) other than the Hedged Series Amounts, then the amount available for distribution under this paragraph (f) will be applied first to pay or provide for all amounts listed in this paragraph (f) other than the Hedged Series Amounts and second, for the remainder, to pay or provide for the Hedged Series Amounts *pro rata* and *pari passu*;

- (g) *seventh*, to pay *pro rata* and *pari passu* according to the respective amounts owing thereto to the extent not paid or expected to be paid from the Swap Collateral Ledger, the Swap Principal Ledger, the Swap Replacement Ledger, the Pre-Maturity Liquidity Ledger and the CBTF Sub-Ledger:
- (i) to each Structured Swap Provider, all amounts (excluding any Excluded Swap Termination Amount) in relation to principal due and payable on such CBC Payment Date or in the CBC Payment Period starting on such CBC Payment Date in accordance with the terms of the relevant Structured Swap Agreement; and
  - (ii) to the Trustee or (if so directed by the Trustee) the Principal Paying Agent, any Scheduled Principal that is Due for Payment under the Guarantee in respect of each Series on such CBC Payment Date or in the CBC Payment Period starting on such CBC Payment Date,

provided that if the amount available for distribution under this paragraph (g) is insufficient to pay all amounts listed in this paragraph (g), but would be sufficient to pay all amounts listed in this paragraph (g) other than the Hedged Series Amounts, then the amount available for distribution under this paragraph (g) will be applied first to pay or provide for all amounts listed in this paragraph (g) other than the Hedged Series Amounts and second, for the remainder, to pay or provide for the Hedged Series Amounts *pro rata* and *pari passu*;

- (h) *eighth*, to deposit the remaining moneys in the AIC Account for application on the next following CBC Payment Date in accordance with the priority of payments described in paragraphs (a) to (g) (inclusive) above, 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);
- (i) *ninth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any Excluded Swap Termination Amount due and payable by the CBC to the relevant Swap Provider under the ISDA Master Agreement governing the relevant Swap Agreement (or, in the case of a Combined ISDA Master Agreement, the portion thereof that is attributable to such Swap Agreement), to the extent not paid from the Swap Replacement Ledger or the Swap Collateral Ledger;
- (j) *tenth*, towards payment of any indemnity amount due to the Originators 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
- (k) *eleventh*, thereafter any remaining monies will be paid to the Issuer or, if the Issuer is subject to an Insolvency Proceeding, any Originator which is not subject to an Insolvency Proceeding, provided that the CBC may assume that the Issuer and any Originator are not subject to an Insolvency Proceeding unless it has received at least five Business Days' prior written notice to the contrary from any Originator (and the CBC need not concern itself as to how such proceeds are allocated between the Originators).

For the purposes hereof:

**"CBC Payment Period"** means each period from (and including) a CBC Payment Date to (but excluding) the next CBC Payment Date.

**"Combined ISDA Master Agreement"** means an ISDA Master Agreement governing two or more Swap Agreements.

**"Excluded Swap Termination Amount"** means, in relation to a Swap Agreement, an amount equal to the amount of any termination payment due and payable to the relevant Swap Provider as a result of a Swap Provider Default or Swap Provider Downgrade Event with respect to such Swap Provider.

**"Hedged Series Amount"** means an amount listed in paragraph (f)(iii) or (g)(ii), as the case may be, of the Post-Notice-to-Pay Priority of Payments and relating to any outstanding Series which is the object of an Interest Rate Swap Agreement and/or a Structured Swap Agreement, as the case may be, and which is as of the relevant CBC Payment Date expected to be paid from the Swap Interest Ledger or the Swap Principal Ledger, as the case may be.

**"Swap Provider Downgrade Event"** means the occurrence of any Additional Termination Event pursuant to Part 1(h)(vii) (*First Rating Trigger Collateral*), Part 1(h)(viii) (*Second Rating Trigger Replacement*), Part 1(h)(ix) (*Fitch Additional Termination Event*) or Part 1(h)(x) (*S&P Downgrade*) of the Schedule forming part of the ING ISDA Master Agreement or Part 1(h)(iii) (*First Rating Trigger Collateral*), Part 1(h)(iv) (*Second Rating Trigger Replacement*), Part 1(h)(v) (*Fitch Additional Termination Event*) or Part 1(vi) (*S&P Downgrade*) of the Schedule forming part of any other relevant Swap Agreement.

**"Swap Undertaking Letter"** means the swap undertaking letter entered into on the Programme Date between the Bank, the Trustee and the CBC, as amended, supplemented and/or restated from time to time.

**"Third Party Amounts"** means any amounts due and payable by the CBC to third parties that are not provided for payment elsewhere in the relevant Priority of Payments and incurred by the CBC in the ordinary course of its business which amounts may be paid daily from moneys on deposit in the AIC Account.

### 7.3 POST-CBC-ACCELERATION-NOTICE PRIORITY OF PAYMENTS

Under the terms of the Trust Deed, each of the Secured Creditors agrees that all monies received or recovered by the 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 (other than amounts standing to the credit of the Participation Ledger or the Swap Collateral Ledger, or required to be deducted pursuant to paragraph (a)(iii) of the definition of Principal Receipts, which will continue to be applied in accordance with the provisions of the Administration Agreement pertaining to the Participation Ledger and the Swap Collateral Ledger (as the case may be)), will be applied following the enforcement of the Security 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 Trustee under the provisions of the Trust Deed (other than under the Parallel Debt) together with interest and any applicable VAT (or similar taxes) thereon;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof, of any remuneration then due and payable to the Agents or the Registrar under or pursuant to the Agency Agreement plus any applicable VAT (or similar taxes) thereon as provided therein;
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof, of:
  - (i) any remuneration then due and payable to the Servicers and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicers under the provisions of the Servicing Agreements;
  - (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) amounts (if any) due and payable to the Account Bank (including costs) pursuant to the terms of the AIC Account Agreement, plus any applicable VAT (or similar taxes) thereon as provided therein; and
  - (iv) amounts (including costs and expenses) due to the CBC Managing Director pursuant to the terms of the Management Agreement (CBC), plus any applicable VAT (or similar taxes) thereon as provided therein;
- (d) *fourth*, in or towards satisfaction of any amounts due and payable to the Total Return Swap Provider (including any termination payment due and payable by the CBC under the ISDA Master Agreement governing the Total Return Swap Agreement (or, in the case of a Combined ISDA Master Agreement, the portion thereof that is attributable to the Total Return Swap Agreement), but excluding any Excluded Swap Termination Amount) pursuant to the terms of the Total Return Swap Agreement to the extent not paid from the Swap Replacement Ledger or the Swap Collateral Ledger;
- (e) *fifth*, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts thereof, of any amounts due and payable to the Interest Rate Swap Providers (including any termination payment due and payable by the CBC under the ISDA Master Agreement governing the relevant Interest Rate Swap Agreement (or, in the case of a Combined ISDA Master Agreement which also governs the Total Return Swap Agreement, the remaining portion thereof that is attributable to such Interest Rate Swap Agreement), but excluding any Excluded Swap Termination Amounts) pursuant to the respective terms of the relevant Interest Rate Swap Agreement to the extent not paid from the Swap Replacement Ledger or the Swap Collateral Ledger;

- (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 extent not paid from the Swap Replacement Ledger or the Swap Collateral Ledger:
  - (i) to the Structured Swap Providers (including any termination payment due and payable by the CBC under the ISDA Master Agreement governing the relevant Structured Swap Agreement (or, in the case of a Combined ISDA Master Agreement which also governs the Total Return Swap Agreement, the remaining portion thereof that is attributable to such Structured Swap Agreement), but excluding any Excluded Swap Termination Amounts) pursuant to the respective terms of the relevant Structured Swap Agreement; and
  - (ii) to the Trustee or (if so directed by the Trustee) the Principal Paying Agent for payment of the Covered Bondholders *pro rata* and *pari passu* in respect of interest and 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 thereof, of any Excluded Swap Termination Amounts due and payable by the CBC to the relevant Swap Provider under the ISDA Master Agreement governing the relevant Swap Agreement (or, in the case of a Combined ISDA Master Agreement, the portion thereof that is attributable to such Swap Agreement), to the extent not paid from the Swap Replacement Ledger or the Swap Collateral Ledger; and
- (h) *eighth*, thereafter any remaining monies will be paid to the Issuer or, if the Issuer is subject to an Insolvency Proceeding and any Originator is not subject to an Insolvency Proceeding, to any such Originator, provided that the CBC may assume that the Issuer and any Originator are not subject to an Insolvency Proceeding unless it has received at least five Business Days' prior written notice to the contrary from any Originator (and the CBC need not concern itself as to how such proceeds are allocated between the Originators).

## 7.4 CBC ACCOUNTS

### AIC Account

Pursuant to the terms of an AIC account agreement entered into on the Programme Date between the CBC, the Bank as account bank (in such capacity, the "**Account Bank**"), and the Trustee (the "**AIC Account Agreement**"), the CBC will maintain, with the Account Bank, the AIC Account:

- (a) into which are paid all amounts received by the CBC in respect of Transferred Assets; and
- (b) 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.

If the unsecured, unsubordinated and unguaranteed debt obligations of the Account Bank are not rated at least the Minimum Account Bank Ratings then within 30 Business Days of such occurrence either:

- (i) the AIC Account will be closed and new accounts opened under the terms of a new AIC Account Agreement substantially on the same terms as the AIC Account Agreement opened with a financial institution (i) whose short term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least the Minimum Account Bank Ratings and (ii) having the regulatory capacity for offering such services as a matter of Dutch law;
- (ii) the Account Bank will obtain a guarantee of its obligations under the AIC Account Agreement on terms acceptable to the Trustee, acting reasonably, from a financial institution whose short term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least the Minimum Account Bank Ratings; or
- (iii) take any other action,

(in each case, provided that Rating Agency Confirmation has been obtained) unless each Rating Agency confirms that its then current rating of the Covered Bonds will not be adversely affected as a result of the credit ratings of the Account Bank falling below the Minimum Account Bank Ratings (or the reason for this having occurred) within 15 days of such downgrade. If the Rating Agency Confirmations are given as above, for this purpose only, reference to the "**Minimum Account Bank Ratings**" shall be deemed to be instead the relevant rating of the Account Bank at the time of such confirmations, but the original rating shall be reinstated if the relevant rating of the Account Bank is subsequently upgraded to the original level.

Pursuant to the AIC Account Agreement, the Account Bank has agreed to pay interest on the moneys standing to the credit of the AIC Account at specified rates determined in accordance with the AIC Account Agreement.

### Foreign Currency Accounts

If a Notification Event occurs or a Notice to Pay or CBC Acceleration Notice is served, and the Issuer has any Covered Bonds denominated in a currency other than euro outstanding or issues such Covered Bonds at any time thereafter, the Administrator shall, on behalf of the CBC, establish and maintain an account in that currency and, unless otherwise specified in the Transaction Documents, all amounts received by the CBC in that currency shall be promptly deposited into such account.

### Capital Account

The CBC also opened an account with the Account Bank into which its paid-up share capital (*gestort aandelenkapitaal*) has been deposited (the "**Capital Account**"). The minimum taxable profit will be deposited in such Capital Account. No security rights are granted over the amounts standing to the credit of such Capital Account.

For the purposes hereof:

"**AIC Account**" means the bank account of the CBC held pursuant to the AIC Account Agreement or such additional or replacement account as may for the time being be in place with the prior consent of the Trustee.

**"AIC Margin"** means a separate margin per annum as defined in the AIC Account Agreement.

**"AIC Rate"** means the rate of interest accruing on the balance standing to the credit of the AIC Account equal to the rate of EURIBOR for one month euro deposits less the AIC Margin.

**"CBC Accounts"** means the AIC Account, any foreign currency account and any additional or replacement accounts opened in the name of the CBC, excluding the Capital Account.

**"Minimum Account Bank Ratings"** means the minimum credit ratings as determined to be applicable or agreed by each relevant Rating Agency from time to time in respect of the Account Bank or other relevant financial institution or institutions, being as at the March 2015 Update in respect of the Account Bank, A-1 (short term) and A (long term) by S&P, 'F1' (short term) and 'A' (long term) by Fitch and P-1 (short term) by Moody's.

**"Priority of Payments"** means the Pre-Notice-to-Pay Priority of Payments, the Post-Notice-to-Pay Priority of Payments or the Post-CBC-Acceleration-Notice Priority of Payments, as the case may be.

## 8 GENERAL INFORMATION

### Authorisation

The establishment of the Programme has been duly authorised by a resolution of the Supervisory Board of the Issuer dated 21 February 2005 and by resolutions of the Executive Board of the Issuer dated 20 June 2005.

The update of the Programme and the issue of Covered Bonds by the Issuer thereunder have been duly authorised by a resolution of the Supervisory Board of the Issuer dated 10 February 2015 and by resolutions of the Management Board Banking of the Issuer dated 26 January 2015.

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under Dutch law have been given (a) for the issue of Covered Bonds by the Issuer, and (b) for the Issuer to undertake and perform its obligations under the Programme Agreement, the Agency Agreement, the Trust Deed and the Covered Bonds.

The giving of the Guarantee has been duly authorised by a resolution of the Board of Managing Directors of the CBC dated 27 September 2007, 10 March 2008, 13 May 2009, 14 February 2012, 6 February 2013, 21 February 2014 and 19 March 2015, respectively.

### Documents available

So long as this Base Prospectus is valid as described in Article 9 of the Prospectus Directive, copies of the following documents will, when published, be available free of charge from the Issuer and from the specified office of the Paying Agents. Written or oral requests for such documents should be directed to the Issuer at Dep. ING Legal Financial Markets & Equities, Foppingadreef 7, 1102 BD Amsterdam, The Netherlands (Tel +31 (0)20 563 8007):

- (i) the English translation of the Articles of Association of the CBC;
- (ii) the Registration Document of the Issuer dated 9 May 2014 and the supplements relating thereto dated 11 August 2014, 6 November 2014 and 12 February 2015;
- (iii) the independent auditor's reports dated 26 April 2013 and 24 April 2014 relating to the CBC, referred to in the Base Prospectus;
- (iv) a copy of the Base Prospectus;
- (v) each set of Final Terms relating to a Covered Bond issued by the Issuer (save that Final Terms relating to a Covered Bond for which a prospectus is not required to be published in accordance with the Prospectus Directive will only be available for inspection by a holder of such Covered Bond and such holder must produce evidence satisfactory to the Issuer or the Paying Agent, as the case may be, as to its holding of Covered Bonds and identity);
- (vi) any future supplements to this Base Prospectus and any other documents incorporated herein or therein by reference;
- (vii) in the case of a syndicated issue by the Issuer of Covered Bonds for which a prospectus is required to be published in accordance with the Prospectus Directive, the syndication agreement (or equivalent document); and
- (viii) each of the following transaction documents:
  - (a) the Administration Agreement;
  - (b) the Agency Agreement;
  - (c) the AIC Account Agreement;
  - (d) the Asset Monitor Agreement;
  - (e) the Asset Monitor Appointment Agreement;



- (f) each Beneficiary Waiver Agreement;
- (g) each Deed of Assignment and Pledge (as defined in the Incorporated Terms Memorandum);
- (h) each Deed of Re-Assignment and Release (as defined in the Incorporated Terms Memorandum);
- (i) the Guarantee Support Agreement;
- (j) the Incorporated Terms Memorandum;
- (k) the ING ISDA Master Agreement;
- (l) the Initial Servicing Agreement;
- (m) the Issuer-ICSD Agreement (as defined in the Incorporated Terms Memorandum);
- (n) each Management Agreement (as defined in the Incorporated Terms Memorandum);
- (o) each Master Sub-Participation Agreement;
- (p) each Security Document;
- (q) each Swap Agreement;
- (r) the Swap Amendment and Restatement Deed (as defined in the Incorporated Terms Memorandum);
- (s) the Swap Undertaking Letter; and
- (t) the Trust Deed.

### **Clearing systems**

The Covered Bonds may be cleared through Euroclear, Clearstream, Luxembourg and/or Euroclear Netherlands or such additional or alternative clearing and/or settlement system as specified in the relevant Final Terms. The appropriate identification code for each Tranche or Series allocated by Euroclear, Clearstream, Luxembourg and/or Euroclear Netherlands will be specified in the relevant Final Terms. In addition, the Registered Covered Bonds may, before issue, be designated as PORTAL securities and the Issuer may make an application for any Registered Covered Bonds and Registered Global Covered Bonds issued by it to be accepted for trading in book entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Covered Bonds and Registered Global Covered Bonds, together with the relevant ISIN, common code, will be specified in the relevant Final Terms. If the Covered Bonds are to clear through an additional or alternative clearing and/or settlement system, the appropriate information will be specified in the relevant Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium. The address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg. The address of Euroclear Netherlands is Herengracht 459-469, 1017 BS Amsterdam, The Netherlands. The address of DTC is 55 Water Street, New York, NY 10041 0099, USA.

### **No significant or material adverse change**

The Registration Document, which is incorporated by reference into this Base Prospectus, contains a statement of the Issuer concerning any material adverse change in its prospects or any significant change in its financial or trading position.

There has been no significant change in the financial or trading position of the CBC and no material adverse change in the prospects of the CBC since 31 December 2014. The Registration Document, which is incorporated by reference into this Base Prospectus, contains the statement of the Issuer addressing any significant change in its financial or trading position and any material adverse change in its prospects.

#### **Rule 144A(d)(4)**

For as long as any of the Covered Bonds remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will, during any period in which it is not subject to Section 13 or 15(d) under the U.S. Securities Exchange Act of 1934, nor exempt from reporting pursuant to Rule 12g3-2(b) under such Act, make available, upon request, to any person in whose name a Restricted Global Covered Bond representing Covered Bonds issued by the Issuer is registered, to any owner of a beneficial interest in a Restricted Global Covered Bond issued by the Issuer, to a prospective purchaser of a Covered Bond issued by the Issuer or beneficial interest therein who is a qualified institutional buyer within the meaning of Rule 144A, designated by any such person or beneficial owner, or to the Registrar for delivery to any such person, beneficial owner or prospective purchaser, as the case may be, in connection with the resale of a beneficial interest in such Restricted Global Covered Bond by such person or beneficial owner, the information specified in Rule 144A(d)(4).

#### **Litigation**

The CBC is not and has not been involved in, and is not and has not been affected by, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the CBC is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the financial position or profitability of the CBC. The Registration Document, which is incorporated by reference into this Base Prospectus, contains the statement of the Issuer addressing any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer.

#### **Auditor of the CBC**

The auditors of the CBC are Ernst & Young Accountants LLP, whose auditors are members of The Netherlands Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*), which is a member of International Federation of Accountants (IFAC).

#### **Listing**

Application has been made for Covered Bonds issued under the Programme to be admitted to Euronext Amsterdam and to be admitted to the Official List and to be admitted to trading on the Luxembourg Stock Exchange. The Bank has been appointed as initial paying agent in The Netherlands.

#### **Limited action since incorporation of CBC**

Save as disclosed in this Base Prospectus, since 19 September 2007 (being the date of incorporation of the CBC), the CBC has not entered into any contracts or arrangements not being in its ordinary course of business.

#### **Reports**

The Trust Deed provides that the Trustee may rely on reports or other information from professional advisers or other experts in accordance with the provisions of the Trust Deed, whether or not any such report or other information, or engagement letter or other document entered into by the Trustee and the relevant person in connection therewith, contains any monetary or other limit on the liability of the relevant person.

#### **Non-petition with respect to CBC**

For so long as any Covered Bonds are outstanding, each Originator has agreed that neither it nor any person on its behalf shall initiate or join any person in initiating any Insolvency Proceedings in relation to the CBC. Furthermore, each of the Originators have agreed, among other things, that it nor any person on its behalf shall have the right to take or join any person in taking steps against the CBC for the purpose of obtaining payment of any amount due from the CBC to it.

**Limited recourse against CBC**

Each Transaction Party (as defined in the Incorporated Terms Memorandum) has agreed with the CBC that notwithstanding any other provision of any Transaction Document, all obligations of the CBC to such Transaction Party are limited in recourse as set out in the limited recourse provisions of the Incorporated Terms Memorandum.

**Governing law transaction documents**

All Transaction Documents other than the Swap Agreements are governed by Dutch law. Each Swap Agreement is governed by English law.

**Responsibility statement**

The Issuer accepts responsibility for the information contained in this Base Prospectus and the CBC accepts responsibility for the information contained in this Base Prospectus in the Sections B.1 (*Overview*) under "*Guarantor*", 2.3 (*CBC*), 8 (*General Information*) under "*Authorisation*" (as far as it relates to authorisation by the CBC of the giving of the Guarantee), "*No significant or material adverse change*", "*Litigation*", "*Auditor of the CBC*" and under "*Limited action since incorporation of CBC*" above. To the best of the knowledge of the Issuer and the CBC (which have each taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus (in the case of the CBC, the sections relating to the CBC referred to above) is in accordance with the facts and does not omit anything likely to affect the import of such information.

## INDEX OF DEFINED TERMS

α 192	Bank..... 1
€ iv	Bank Savings Account..... 162
30/360..... 84, 89	Bank Savings Interest Correction..... 189
30E/360 ..... 89	Bank Savings Loan ..... 162
360/360..... 89	Bank Savings Receivable..... 169
A 192, 198	Bank Savings Set-Off Amount ..... 21
Account Bank..... 229	Base Prospectus ..... 66, 67
Accounts Pledge ..... 147	Basel Committee..... 8
Accrual Period..... 83	Basel II Framework..... 8
Accrued Increases..... 189	Basel III..... 8
Accrued Interest ..... 160	Basis Point Duration ..... 197
Accrued OID ..... 119	Bearer Covered Bonds ..... 80
Accrued Savings Interest..... 189	Bearer Definitive Covered Bonds ..... 80
Actual/360 ..... 89	Bearer Global Covered Bond..... 81
Actual/365 (Euro)..... 89	Beneficiary Rights ..... 29, 168
Actual/365 (Fixed) ..... 89	Beneficiary Waiver Agreement ..... 30
Actual/Actual (ICMA)..... 83	BKR ..... 183
Actual/Actual (ISDA)..... 89	Bond Basis ..... 89
Adjusted Aggregate Asset Amount ..... 191	Borrower ..... 164
Adjusted Current Balance..... 192	Breach of the Amortisation Test ..... 198
Adjusted Required Redemption Amount ..... 201	Breach of the Asset Cover Test..... 191
Administration Agreement ..... 191	Breach of the Pre-Maturity Test..... 195
Administrator ..... 191	BRRD ..... 5
Adverse Claim..... 163	C 192, 199
AFM ..... 1	Calculation Agent ..... 86, 102
Agency Agreement..... 79, 133	Calculation Amount ..... 83
Agent Members ..... 63	Calculation Date..... 102
Agents..... 79	Calculation Period..... 102
AI..... 190	Cap ..... 47
AIC Account ..... 229	Capital Account ..... 229
AIC Account Agreement..... 229	CB Regulations ..... 143
AIC Account Principal Ledger ..... 219	CBC ..... 1, 79
AIC Account Revenue Ledger ..... 219	CBC Acceleration Notice..... 101
AIC Margin ..... 230	CBC Accounts ..... 230
AIC Rate..... 230	CBC Event of Default ..... 101
All-monies Security..... 18	CBC Managing Director ..... 150
Amortisation Test..... 198	CBC Payment Date ..... 102
Amortisation Test Aggregate Asset Amount 198	CBC Payment Period ..... 226
Amortisation Test Current Balance ..... 198	CBC Rights Pledge ..... 147
Amortised Face Amount..... 97	CBT Facility ..... 195
Amsterdam Business Day..... 90	CBTF Agreement..... 195
Annuity Loan..... 161	CBTF Provider..... 195
Applicable Procedures..... 113	CBTF Standby Loan ..... 196
Approved Form ..... 210	CBTF Sub-Ledger..... 220
Arrears of Interest..... 160	CGNs ..... 61
Article 129 CRR..... 163	Classic Global Notes..... 61
Article 52(4) UCITS..... 143	Clearing System Business Day ..... 111
Asset Cover Test ..... 191	Clearstream, Luxembourg..... 81
Asset Monitor ..... 203	Code..... 48, 118, 130, 134, 135
Asset Monitor Agreement ..... 191	Code of Conduct ..... 164
Asset Monitor Appointment Agreement ..... 203	Collar ..... 47
Asset Monitor Report ..... 203	Collection Accounts..... 156
Asset Percentage..... 193	Combined ISDA Master Agreement..... 226
Authorised Investments ..... 199	Common Depositary ..... 61
Automated Valuation Model ..... 193	comparable yield..... 122
Available Principal Receipts ..... 216	Conditions..... 45, 67, 79
Available Revenue Receipts..... 216	confirmation..... 170
B 192, 199	Construction Deposit ..... 31

Contingent Covered Bonds.....	122	Excess Credit Enhancement.....	193
Couponholders.....	80	Excess Proceeds.....	100
Coupons.....	79	Exchange Act.....	iii
Covered Bondholder.....	81, 110, 112	Exchange Date.....	62
Covered Bondholders.....	80	Exchange Event.....	62
Covered Bonds.....	1	Excluded Swap Termination Amount.....	226
CRA Regulation.....	1	Extraordinary Resolution.....	108
CRD IV.....	8, 164	FATCA.....	3, 99, 129
CRR.....	8, 164	FATCA withholding.....	99
Current Balance.....	160	FIEL.....	138
Custody Agreement.....	208	Final Maturity Date.....	84
D 193		Final Redemption Amount.....	95
Day Count Fraction.....	83, 89	Final Terms.....	1
Dealer.....	1	First Transfer Date.....	156
Dealers.....	1	Fitch.....	1
Deduction Risk.....	22	Fixed Interest Period.....	84
Defaulted Receivable.....	160	Fixed Rate Covered Bonds.....	i, 83
Defaulted Receivables Notice.....	160	Fixed Security.....	18
Definitive Covered Bonds.....	80	Floating Rate.....	86
Definitive Registered Covered Bonds.....	60	Floating Rate Convention.....	85
Demerged Originator.....	169	Floating Rate Covered Bonds.....	i, 82
Demerger.....	169	Floating Rate Option.....	86
Deposit Amount.....	193	Floating Rate Payer Payment Date.....	213, 214
Designated Maturity.....	86	Floor.....	47
Determination Period.....	84	Following Business Day Convention.....	85
Discount Covered Bond.....	119	foreign currency.....	118
Disputed Receivable.....	160	Foreign Currency Contingent Covered Bond.....	126
disqualified person.....	130	FRN Convention.....	85
disqualified persons.....	130	FSA.....	190
Distribution Compliance Period.....	134, 137	FSMA.....	139
DNB.....	5	FTT.....	4
DNB-register.....	52	Further Advance.....	156
Draft Directive.....	4	Further Master Transfer Agreement.....	26
DTC.....	49	Further Settlement Amount.....	189
Due for Payment.....	145	Global Covered Bond.....	81
Dutch Insolvency Proceedings.....	207	Gross Outstanding Principal Balance.....	156
E 193		Guarantee.....	82
Earliest Maturing Covered Bonds.....	202	Guarantee Support Agreement.....	153
Early Redemption Amount.....	96	Guaranteed Amounts.....	145
EEA.....	1	Guaranteed Final Redemption Amount.....	82
Eligibility Criteria.....	164	Hedged Series Amount.....	226
Eligible Assets.....	161	holder.....	115
Eligible Collateral.....	164	holder of Covered Bonds.....	112
Eligible Receivable.....	164	Holding.....	150
Eligible Swap Provider.....	210	Hybrid Loan.....	162
EMIR.....	11, 107	I 190	
Enforcement Event.....	147	IGA.....	4
Enforcement Procedures.....	206	Incorporated Terms Memorandum.....	80
entity.....	115	Increase.....	190
ERISA.....	48, 134, 135	Index.....	193
ERISA Plans.....	130	Indexed Valuation.....	193
EUR.....	iv	indication.....	108, 170
EURIBOR.....	86	indirect participants.....	64
euro.....	iv	ING.....	44
Eurobond Basis.....	89	ING Group.....	35
Euroclear.....	81	ING ISDA Master Agreement.....	210
Euroclear Netherlands.....	63	Initial Advance.....	156
Eurodollar Convention.....	85	Initial Originator.....	i, 182
Euronext Amsterdam.....	1	Initial Portfolio.....	156
Eurosystem.....	7	Initial Servicer.....	205

Initial Servicing Agreement .....	205	Net Outstanding Principal Balance .....	156
Initial Settlement Amount .....	190	Net Stable Funding Ratio .....	8
Insolvency Proceedings .....	207	Netherlands IGA .....	129
instalment obligation .....	119	New Originator .....	i, 182
Interest Amount .....	88	New Portfolio .....	156
Interest Amount Adjustment .....	82, 83	New Receivables .....	157
Interest Amounts .....	83	New Servicer .....	205
Interest Payment Date .....	85	New Servicing Agreement .....	205
Interest Period .....	85	NGN .....	61
Interest Rate Swap Agreement .....	213	NHG .....	169
Interest Rate Swap Provider .....	213	NHG Guarantee .....	169
Interest-Only Loan .....	161	Non-U.S. Holder .....	118
Investment Loan .....	161	Notice to Pay .....	100
Investment Loss .....	28	Notification Event .....	157
Investor's Currency .....	7	Notification Event Trigger Ratings .....	157
IRS .....	120	NPV .....	197
IRS Agreements .....	129	objective rate .....	121
ISDA Definitions .....	86	Official List .....	1
ISDA Master Agreement .....	210	OID .....	119
ISDA Rate .....	86	Optional Redemption Date .....	96
Issuer .....	1, 79	Original Base Prospectus .....	67
Issuer Acceleration Notice .....	99	Original Foreclosure Value .....	194
Issuer Event of Default .....	99	Original Market Value .....	194
Japanese Yen .....	iv	Originator .....	i
L 192, 199		Originators .....	i, 182
Land Registry .....	194	Other Plan Investor .....	131
Legend .....	113	P 193, 199	
Lending Criteria .....	169	Parallel Debt .....	147
LIBOR .....	86	Participant .....	217
Life Loan .....	161	Participating Member State .....	4
Linear Loan .....	161	Participating Member States .....	4
Liquidity Coverage Ratio .....	8	Participation .....	190
Loan .....	169	Participation Date .....	190
Loan Agreement .....	169	Participation Fraction .....	190
LTV Cut-Off Percentage .....	194	Participation Ledger .....	221
Luxembourg Stock Exchange .....	1	Participation Receivable .....	169
Management Agreement (CBC) .....	150	parties in interest .....	130
March 2015 Update .....	1	Partner .....	29
Market Discount Covered Bond .....	120	Partner Instruction .....	29
Market Value .....	194	party in interest .....	130
Master Definitions Schedule .....	80	Paying Agents .....	79
Master Receivables Pledge Agreement .....	147	Payment Day .....	93, 112
Master Transfer Agreement .....	25	Plans .....	130
Merged .....	169	Portfolio .....	160
Merged Originator .....	169	Portfolio Tests .....	197
Minimum Account Bank Ratings .....	229, 230	Post-CBC-Acceleration-Notice Priority of Payments .....	227
Minimum Required Ratings .....	156	Post-Notice-to-Pay Priority of Payments .....	224
Minimum Servicer Ratings .....	206	Potential CBC Event of Default .....	108
Minimum Trigger Ratings .....	156	Potential Issuer Event of Default .....	108
MIR .....	190	Preceding Business Day Convention .....	86
Mixed Insurance Policy .....	169	Pre-Maturity Liquidity Ledger .....	220
Modified Following Business Day Convention .....	85	Pre-Maturity Maximum Required Amount .....	220
Monthly Interest .....	190	Pre-Maturity Minimum Ratings .....	196
Monthly Investor Report .....	191	Pre-Maturity Test .....	195
Moody's .....	1	Pre-Maturity Test Date .....	195
Mortgage .....	169	Pre-Notice-to-Pay Priority of Payments .....	217
MTA Receivable .....	25	Price Indexed Valuation .....	194
Municipality Guarantee .....	169	Principal Amount Outstanding .....	84
Nationale Hypotheek Garantie .....	167	Principal Ledger .....	220

Principal Obligations .....	147	Residual Claim.....	154
Principal Paying Agent.....	79	Restricted Global Covered Bond .....	61, 113
Principal Receipts.....	217	Revenue Ledger .....	219
Priority of Payments .....	230	Revenue Receipts.....	217
Proceeds .....	22	Revolving Credit Loan.....	161
Programme .....	1	RTS .....	41
Programme Agreement.....	132	Rule 144A .....	112
Programme Date.....	79	S 190 .....	
Programme Resolution .....	108	S&P .....	1
Property .....	170	Savings.....	190
Prospectus Directive .....	1, 138	Savings Loan.....	162
PTCE .....	130	Savings Receivable .....	217
Purchaser .....	202	Scheduled Interest.....	145
Q1 Report .....	57	Scheduled Payment Dates.....	145
Q2 Report.....	57	Scheduled Principal .....	146
Q3 Press Release .....	57	Second Beneficiary .....	30
Q4 Press Release .....	58	Secured Creditors.....	148
QIB .....	60, 133	Secured Property.....	148
QIBs .....	112, 137	Securities Act.....	iii, 112, 133, 135, 137
qualified floating rate .....	121	Security .....	148
qualified inverse floating rate .....	121	Security Documents .....	148
Quarterly Financial Information.....	58	Selected Receivables.....	160
Rating Agency.....	145	Selection Date .....	96
Rating Agency Confirmation .....	108, 170	Series.....	80
Reasonable Prudent Lender .....	170	Series Reserved Matter .....	105
Receivable .....	170	Servicer .....	205
Receivable Due Date .....	160	Servicer Criteria.....	207
Receivable Interest Determination Date .....	160	Servicer Event of Default.....	207
Receivables Warranties .....	157	Services .....	205
Record Date.....	111	Servicing Agreement .....	205
Redeemed Covered Bonds .....	96	Servicing Manual .....	206
Redemption Amount .....	190	SFH .....	178
Reference Bank .....	88	Short-Term Covered Bond.....	119
Reg. S Global Covered Bond .....	60, 112, 113	Similar Laws .....	130
Register.....	111	SRM.....	6
Registered Covered Bonds .....	60, 80	SSM .....	6
Registered Covered Bonds Deed.....	80	Standard & Poor's .....	1
Registered Definitive Covered Bonds .....	80	Standardised Approach .....	170
Registered Global Covered Bonds .....	61, 113	Sterling.....	iv
Registrar .....	79, 133	Structured Swap Agreement .....	214
Registration Document.....	57	Structured Swap Rate.....	199
Regulation S .....	112	Substitution Assets.....	170
Related Security .....	170	Substitution Assets Pledge .....	147
Relevant Assets and Liabilities.....	169	sub-unit .....	85
Relevant Date .....	98	Swap Agreements .....	210
relevant Dealer .....	1	Swap Collateral Excluded Amounts .....	218
Relevant Implementation Date .....	138	Swap Collateral Ledger.....	220
Relevant Insurer .....	170	Swap Interest Excluded Amounts .....	218
Relevant Market Value Percentage .....	193	Swap Interest Ledger .....	221
Relevant Member State .....	66, 138	Swap Margin.....	212
Relevant OMV Fraction .....	194	Swap Principal Excluded Amounts.....	218
Relevant OMV Percentage .....	194	Swap Principal Ledger.....	221
Relevant Receivable .....	190	Swap Provider.....	209
Representations and Warranties .....	157	Swap Provider Default.....	210
Required Redemption Amount.....	196	Swap Provider Downgrade Event .....	226
Reserve Fund.....	215	Swap Replacement Excluded Amounts .....	218
Reserve Fund Ledger.....	221	Swap Replacement Ledger.....	220
Reserve Fund Required Amount .....	217	Swap Undertaking Letter .....	226
Reset Date .....	86	Talons .....	79
Residential Subsidy Right .....	170	TARGET System .....	83

Tax Jurisdiction .....	99	U.S. dollars .....	iv
TEFRA C Rules.....	60	U.S. Holder .....	118
TEFRA D Rules .....	60	U.S.\$ .....	iv
Third Party Amounts .....	226	Unit-Linked Alternative .....	162
Total Return Swap Agreement .....	211	Variable Interest Rate Covered Bonds.....	121
Total Return Swap Provider .....	212	VROM .....	170
Traditional Alternative .....	161	WAFF .....	191
Tranche.....	80	WALS .....	191
Transaction Documents .....	148	WEW .....	36
Transfer Agents .....	112	Wft .....	5
Transfer Date.....	157	WOZ .....	167
Transferred Assets .....	157	Written-Off Receivable .....	160
Transferred Collateral.....	158	Y 193	
Transferred Receivables .....	158	Z 193, 199	
Transitional Period .....	12	Zero Coupon Covered Bonds.....	i, 139
Trust Deed .....	79	α 198	
Trustee.....	79	β 192, 199	
Trustee's Director.....	109		



**REGISTERED AND PRINCIPAL OFFICE OF THE ISSUER**

**ING Bank N.V.**  
Bijlmerplein 888  
1102 MG Amsterdam  
The Netherlands

**REGISTERED AND PRINCIPAL OFFICE OF THE CBC**

**ING Covered Bond Company B.V.**  
Prins Bernhardplein 200  
1097 JB Amsterdam  
The Netherlands

**REGISTERED AND PRINCIPAL OFFICE OF THE TRUSTEE**

**Stichting Trustee ING Covered Bond Company**  
Teleportboulevard 140  
1043 EJ Amsterdam  
The Netherlands

**ARRANGER AND DEALER**

**ING Bank N.V.**  
Bijlmerplein 888  
1102 MG Amsterdam  
The Netherlands

**PRINCIPAL PAYING  
AGENT, TRANSFER AGENT  
AND EXCHANGE AGENT**

**REGISTRAR**

**PAYING AGENT**

**The Bank of New York Mellon,  
London Branch**  
One Canada Square  
London E14 5AL  
United Kingdom

**The Bank of New York Mellon  
(Luxembourg) S.A.**  
Eugène Ruppert  
Vertigo Building – Polaris  
L-2453 Luxembourg

**ING Bank N.V.**  
Van Heenvlietlaan 220  
1083 CN Amsterdam  
The Netherlands

**U.S. PAYING AGENT, TRANSFER AGENT AND EXCHANGE AGENT**

**The Bank of New York Mellon, New York Branch**  
101 Barclay Street, Floor 21W  
New York, New York 10286  
United States

**AMSTERDAM LISTING AGENT**

**ING Bank N.V.**  
Bijlmerplein 888  
1102 MG Amsterdam  
The Netherlands

**LEGAL ADVISERS TO THE ISSUER, THE CBC AND THE INITIAL ORIGINATOR**

*(as to Dutch and United States law matters)*

*(as to English law matters)*

**Clifford Chance LLP**  
Droogbak 1A  
1013 GE Amsterdam  
The Netherlands

**Clifford Chance LLP**  
10 Upper Bank Street  
London E14 5JJ  
United Kingdom

**LEGAL ADVISERS TO THE ARRANGER AND DEALERS**

*(as to Dutch law matters)*

**Allen & Overy LLP**  
Apollolaan 15  
1077 AB Amsterdam  
The Netherlands

*(as to United States law matters)*

**Allen & Overy LLP**  
One Bishops Square  
London E1 6AD  
United Kingdom

**INDEPENDENT PUBLIC ACCOUNTANTS OF ING BANK N.V.  
AND OF ING COVERED BOND COMPANY B.V.**

**Ernst & Young Accountants LLP**  
Antonio Vivaldistraat 150  
1083 HP Amsterdam  
The Netherlands