

## IMPORTANT NOTICE

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

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

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

Confirmation of your Representation: in order to be eligible to view this prospectus or make an investment decision with respect to the securities, investors must not be a U.S. person (within the meaning of Regulation S under the Securities Act). By accepting the e-mail and accessing this prospectus, you shall be deemed to have represented to us that you are not a U.S. person; the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the U.S., or acting for the account or benefit of a U.S. person, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the U.S. or the District of Columbia; and that you consent to delivery of such prospectus by electronic transmission.

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

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

Under no circumstances shall this prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. This prospectus may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply.

This prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Manager nor any person who controls the Manager nor any director, officer, employee nor agent of any of LLOYDS BANK CORPORATE MARKETS, BANK OF SCOTLAND PLC or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the prospectus distributed to you in electronic format and the hard copy version available to you on request from LLOYDS BANK CORPORATE MARKETS.

**CANDIDE FINANCING 2011-1 B.V.***(organised with limited liability in the Netherlands)***EUR 1,050,000,000 SENIOR CLASS A MORTGAGE-BACKED FLOATING RATE NOTES DUE 2051****EUR 150,000,000 MEZZANINE CLASS B MORTGAGE-BACKED FLOATING RATE NOTES DUE 2051****EUR 34,000,000 SUBORDINATED CLASS C MORTGAGE-BACKED FLOATING RATE NOTES DUE 2051**

Notes	Initial Principal Amount	Issue Price	Interest rate	Optional Redemption Dates	Final Maturity Date	Ratings (Fitch/Moody's)
Senior Class A Notes	€1,050,000,000	100%	0.12% margin above three months Euribor	Any Quarterly Payment Date from (and including) 23 August 2014 until the Final Maturity Date	23 August 2051	AAA (sf) / Aaa (sf)
Mezzanine Class B Notes	€150,000,000	100%	0.01% margin above three months Euribor	Any Quarterly Payment Date from (and including) 23 August 2014 until the Final Maturity Date	23 August 2051	BB(sf) / Ba1 (sf)
Subordinated Class C Notes	€34,000,000	100%	0.01% margin above three months Euribor	Any Quarterly Payment Date from (and including) 23 August 2014 until the Final Maturity Date	23 August 2051	Unrated

<b>Closing Date</b>	Candide 2011-1 B.V. (the <b>Issuer</b> ) will issue the Notes in the classes set out above on 13 July 2011 (the <b>Closing Date</b> ).
<b>Underlying Assets</b>	The Issuer will make payments on the Notes from, <i>inter alia</i> , payments of principal and revenue received from a portfolio comprising mortgage loans originated by Bank of Scotland, Amsterdam Branch and secured over residential properties located in The Netherlands (the <b>Mortgage Receivables</b> ) which will be purchased by the Issuer on the Closing Date and, subject to certain conditions being met, during a certain period after the Closing Date. See the sections entitled <i>Description of the Mortgage Loans</i> and <i>NHG Guarantee Programme</i> for more details.
<b>Credit Enhancement</b>	<ul style="list-style-type: none"> <li>– Subordination of the Mezzanine Class B Notes and the Subordinated Class C Notes to the Senior Class A Notes;</li> <li>– Subordination of the Subordinated Class C Notes to the Mezzanine Class B Notes;</li> <li>– Availability of the Reserve Amount;</li> <li>– Payments on the Notes will be made in sequential order at all times;</li> </ul> <p>See the section entitled <i>Credit Structure</i> for more details.</p>

<b>Liquidity Reserve</b>	<p>– Liquidity Reserve of an amount equal to 1.5% of the Principal Amount Outstanding of the Senior Class A Notes and the Mezzanine Class B Notes on the Closing Date.</p> <p>See the section entitled <i>Credit Structure</i> for more details.</p>
<b>Redemption Provisions</b>	<p>Information on any optional and mandatory redemption of the Notes is summarised on page 20 and further (Transaction Overview – Summary of the Terms and Conditions of the Notes) and set out in full in Condition 6.</p>
<b>Rating Agencies</b>	<p>Fitch Ratings Ltd. (<b>Fitch</b>) and Moody's Investors Service Ltd. (<b>Moody's</b>). Each of the Rating Agencies is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (the <b>CRA Regulation</b>), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.</p>
<b>Ratings</b>	<p>Ratings will be assigned to the Notes as set out above on or before the Closing Date. The Subordinated Class C Notes will be unrated.</p> <p>The ratings reflect the view of the Rating Agencies and are based on the Mortgage Receivables and the structural features of the transaction, including, <i>inter alia</i>, the ratings of the Swap Counterparty, the MPT Provider and the GIC Provider.</p> <p>The ratings assigned by both Fitch and Moody's on the Senior Class A Notes address the likelihood of (a) timely payment of interest due to the Noteholders on each Quarterly Payment Date and (b) full payment of principal by a date that is not later than the Final Maturity Date. The ratings assigned by both Fitch and Moody's on the Mezzanine Class B Notes address the likelihood of (a) timely payment of interest due to the Noteholders by a date that is no later than the Final Maturity Date and (b) full payment of principal by a date that is not later than the Final Maturity Date.</p> <p><b>The assignment of ratings to the Senior Class A Notes and Mezzanine Class B Notes is not a recommendation to invest in the Notes. Any credit rating assigned to the Notes may be revised or withdrawn at any time.</b></p>
<b>Listing</b>	<p>This document comprises a prospectus (the <b>Prospectus</b>), for the purpose of Directive 2003/71/EC (the <b>Prospectus Directive</b>). The Prospectus has been approved by the Central Bank of Ireland as competent authority under the Prospectus Directive. The Central Bank Of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. <b>Such approval relates only to the Senior Class A Notes and Mezzanine Class B Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 2004/39/EC (the "Markets in Financial Instruments Directive") or which are to be offered to the public in any Member State of the European Economic Area.</b></p> <p>Application has been made to the Irish Stock Exchange for the Senior Class A Notes and Mezzanine Class B Notes to be admitted to the Official List and trading on its regulated market. Such admission is intended to be effective per the Closing Date. The Subordinated Class C Notes will not be listed.</p>

<b>Eurosystem Eligibility</b>	The Senior Class A Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Senior Class A Notes are intended upon issue to be deposited with one of Euroclear or Clearstream, Luxembourg as common safekeeper and does not necessarily mean that the Senior Class A Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.
<b>Obligations</b>	The Notes will be obligations of the Issuer alone and will not be the obligations of, or guaranteed by, or be the responsibility of, any other entity. In particular, the Notes will not be obligations of, or guaranteed by, or be the responsibility of, any Transaction Party (as defined below) other than the Issuer.
<b>Retention Undertaking</b>	The Seller will undertake to the Issuer and the Trustee, on behalf of the Noteholders, that it will at all times retain a material net economic interest in the securitisation comprised of the Subordinated Loan, the first loss tranche (held via the Subordinated Class C Notes) and part of the second loss tranche (held via the Mezzanine Class B Notes) which shall in any event not be less than 5%, in accordance with Article 122(a) of Directive 2006/48/EC (as amended by Directive 2009/111/EC), referred to as the Capital Requirements Directive ( <b>CRD 2</b> )

**THE "RISK FACTORS" SECTION CONTAINS DETAILS OF CERTAIN RISKS AND OTHER FACTORS THAT SHOULD BE GIVEN PARTICULAR CONSIDERATION BEFORE INVESTING IN THE NOTES. PROSPECTIVE INVESTORS SHOULD BE AWARE OF THE ISSUES SUMMARISED WITHIN THAT SECTION.**

**Arranger**

Lloyds Bank Corporate Markets

**Manager**

Lloyds Bank Corporate Markets

## IMPORTANT INFORMATION

**THE NOTES WILL BE OBLIGATIONS OF THE ISSUER ONLY. THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY PERSON OTHER THAN THE ISSUER. IN PARTICULAR, THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY OF THE PARTIES TO THE TRANSACTION DESCRIBED IN THIS PROSPECTUS (THE TRANSACTION PARTIES) (OTHER THAN THE ISSUER) OR ANY COMPANY IN THE SAME GROUP OF COMPANIES AS ANY OF THE TRANSACTION PARTIES (OTHER THAN THE ISSUER). NO LIABILITY WHATSOEVER IN RESPECT OF ANY FAILURE BY THE ISSUER TO PAY ANY AMOUNT DUE UNDER THE NOTES SHALL BE ACCEPTED BY ANY OF THE TRANSACTION PARTIES (OTHER THAN THE ISSUER), OR ANY COMPANY IN THE SAME GROUP OF COMPANIES AS THE TRANSACTION PARTIES (OTHER THAN THE ISSUER).**

YOU SHOULD REVIEW AND CONSIDER THE DISCUSSION UNDER "**RISK FACTORS**" BEGINNING ON PAGE 41 IN THIS PROSPECTUS BEFORE YOU PURCHASE ANY NOTES.

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

All references in this document to **euro**, **Euro**, **EUR** and **€** refer to the single currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended from time to time.

The Notes will be in bearer form and represented on issue by a Temporary Global Note in bearer form. The Notes may also be issued in definitive bearer form in certain limited circumstances. The Issuer will deposit the Notes on or about the Closing Date with a common safekeeper for Euroclear and Clearstream, Luxembourg. Each of Euroclear and Clearstream, Luxembourg will record the beneficial interests in the Global Notes (**Book-Entry Interests**) in respect of the Notes. Book-Entry Interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear or Clearstream, Luxembourg, and their respective participants.

THE DISTRIBUTION OF THIS PROSPECTUS AND THE OFFERING OF THE NOTES IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. NO REPRESENTATION IS MADE BY THE ISSUER OR ANY OF THE OTHER TRANSACTION PARTIES THAT THIS PROSPECTUS MAY BE LAWFULLY DISTRIBUTED, OR THAT THE NOTES MAY BE LAWFULLY OFFERED, IN COMPLIANCE WITH ANY APPLICABLE REGISTRATION OR OTHER REQUIREMENTS IN ANY SUCH JURISDICTION, OR PURSUANT TO AN EXEMPTION AVAILABLE THEREUNDER, AND NONE OF THEM ASSUMES ANY RESPONSIBILITY FOR FACILITATING ANY SUCH DISTRIBUTION OR OFFERING. IN PARTICULAR, SAVE FOR OBTAINING THE APPROVAL OF THIS PROSPECTUS AS A PROSPECTUS FOR THE PURPOSES OF THE PROSPECTUS DIRECTIVE BY THE CENTRAL BANK OF IRELAND, NO ACTION HAS BEEN OR WILL BE TAKEN BY ANY OF THE TRANSACTION PARTIES WHICH WOULD PERMIT A PUBLIC OFFERING OF THE NOTES OR DISTRIBUTION OF THIS PROSPECTUS IN ANY JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND NEITHER THIS PROSPECTUS NOR ANY ADVERTISEMENT OR OTHER OFFERING MATERIAL MAY BE DISTRIBUTED OR PUBLISHED, IN ANY JURISDICTION, EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS. PERSONS INTO WHOSE POSSESSION THIS PROSPECTUS COMES ARE REQUIRED BY THE ISSUER AND THE ARRANGER TO INFORM THEMSELVES ABOUT AND TO OBSERVE ANY SUCH RESTRICTIONS.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER RELEVANT JURISDICTION AND INCLUDE NOTES IN BEARER FORM THAT ARE SUBJECT TO UNITED STATES TAX LAW REQUIREMENTS. THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN CERTAIN TRANSACTIONS PERMITTED BY US TAX REGULATIONS AND REGULATIONS UNDER THE SECURITIES ACT (SEE THE SECTION PURCHASE AND SALE. THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE US SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING ON ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

NONE OF THE ISSUER OR THE ARRANGER MAKES ANY REPRESENTATION TO ANY PROSPECTIVE INVESTOR OR PURCHASER OF THE NOTES REGARDING THE LEGALITY OF INVESTMENT THEREIN BY SUCH PROSPECTIVE INVESTOR OR PURCHASER UNDER APPLICABLE LEGAL INVESTMENT OR SIMILAR LAWS OR REGULATIONS.

THE INFORMATION CONTAINED IN THIS PROSPECTUS WAS OBTAINED FROM THE ISSUER, THE SELLER AND THE OTHER SOURCES IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN BY THE ARRANGER AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION AND THE ARRANGER HAS NOT SEPARATELY VERIFIED SUCH INFORMATION. THE ARRANGER MAKES NO REPRESENTATION, EXPRESS OR IMPLIED, OR ACCEPTS ANY RESPONSIBILITY, WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION IN THIS PROSPECTUS. THE ARRANGER ACCORDINGLY DISCLAIMS ALL AND ANY LIABILITY WHETHER ARISING IN TORT OR CONTRACT OR OTHERWISE WHICH IT MIGHT OTHERWISE HAVE IN RESPECT OF THIS PROSPECTUS.

NO PERSON IS AUTHORISED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFERING OR SALE OF THE NOTES OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ARRANGER, THE ISSUER, THE SELLER OR ANY OF THE OTHER TRANSACTION PARTIES OR ANY OF THEIR RESPECTIVE AFFILIATES OR ADVISERS.

NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE OR ALLOTMENT MADE IN CONNECTION WITH THE OFFERING OF THE NOTES SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION OR CONSTITUTE A REPRESENTATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AT ANY TIME SUBSEQUENT TO THE DATE OF THIS PROSPECTUS. NEITHER THE ISSUER NOR ANY OTHER PARTY HAS ANY OBLIGATION TO UPDATE THIS PROSPECTUS, AFTER COMPLETION OF THE OFFER OF THE NOTES.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE CONTENTS OF THIS PROSPECTUS SHOULD NOT BE CONSTRUED AS PROVIDING LEGAL, BUSINESS, ACCOUNTING, INVESTMENT OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN LEGAL, BUSINESS, ACCOUNTING, INVESTMENT AND TAX ADVISERS PRIOR TO MAKING A DECISION TO INVEST IN THE NOTES. THIS PROSPECTUS SHOULD BE REVIEWED BY EACH PROSPECTIVE PURCHASER AND ITS LEGAL, REGULATORY, TAX, ACCOUNTING, INVESTMENT AND OTHER ADVISORS. PROSPECTIVE PURCHASERS WHOSE INVESTMENT AUTHORITY IS SUBJECT TO LEGAL RESTRICTIONS SHOULD CONSULT THEIR LEGAL ADVISORS TO DETERMINE WHETHER AND TO WHAT EXTENT THE NOTES CONSTITUTE LEGAL INVESTMENTS FOR THEM.

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF ANY OF THE NOTES. THIS PROSPECTUS DOES NOT CONSTITUTE AN INVITATION BY OR ON BEHALF OF, THE ISSUER, THE SELLER OR THE ARRANGER OR ANY OF THEM TO SUBSCRIBE FOR OR PURCHASE ANY OF THE NOTES. NEITHER THIS PROSPECTUS, NOR ANY PART THEREOF, MAY BE USED FOR OR IN CONNECTION WITH ANY OFFER TO, OR SOLICITATION BY, ANY PERSON IN ANY JURISDICTION OR IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORISED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

A CREDIT RATING IS AN ASSESSMENT OF CREDIT AND DOES NOT ADDRESS OTHER MATTERS THAT MAY BE OF RELEVANCE TO THE NOTEHOLDERS. IF A RATING AGENCY HAS CONFIRMED THAT THE THEN CURRENT RATING OF THE RELEVANT SERIES AND/OR CLASS OR CLASSES OF NOTES WOULD NOT BE ADVERSELY AFFECTED, SUCH CONFIRMATION DOES NOT IMPOSE ANY ACTUAL OR CONTINGENT LIABILITY FOR THAT RATING AGENCY TO THE SECURITY TRUSTEE, THE NOTEHOLDERS OR ANY OTHER PERSON OR CREATE ANY LEGAL RELATIONS BETWEEN THE RATING AGENCIES AND THE SECURITY TRUSTEE, THE NOTEHOLDERS OR ANY OTHER PERSON WHETHER BY WAY OF CONTRACT OR OTHERWISE.

## RESPONSIBILITY STATEMENTS

The Issuer accepts responsibility for the information contained in this Prospectus except for the information contained in the following sections: *Overview of the Dutch Residential Mortgage Market*, *Bank of Scotland plc*, *Description of the Mortgage Loans*, *NHG Guarantee Programme*, *Mortgage Loan Underwriting and Origination*, *Administration of the Mortgage Loans* and *Stater Nederland B.V.* To the best of its knowledge (having taken all reasonable care to ensure that such is the case) the information (except for the information for which the Seller or Stater is responsible) contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Seller is responsible solely for the information contained in the following sections of this Prospectus: *Overview of the Dutch Residential Mortgage Market*, *Bank of Scotland plc*, *Description of the Mortgage Loans*, *NHG Guarantee Programme*, *Mortgage Loan Underwriting and Origination* and *Administration of the Mortgage Loans* and not for information contained in any other section. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in the sections referred to in this paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information. The Seller accepts responsibility accordingly.

Stater Nederland B.V. (**Stater**) is responsible solely for the information contained in the section *Stater Nederland B.V.* and not for information contained in any other section and consequently, Stater does not assume any liability in respect of the information contained in any section other than the section *Stater Nederland B.V.* To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in the section referred to in this paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information. Stater accepts responsibility accordingly.

### Market and industry data

Market data and other statistical information used in this Prospectus is based on a number of sources, including independent industry publications, government publications, reports by market research firms or other independent publications (each an **Independent Source**).

The most recent available information from Independent Sources has been included in this Prospectus. Some data are based on good faith estimates, which are derived in part from a review of internal surveys of Bank of Scotland, Amsterdam Branch, as well as the Independent Sources. Although these Independent Sources are believed to be reliable, the information has not independently been verified and its accuracy and completeness cannot be guaranteed.

The information in this Prospectus that has been sourced from Independent Sources has been accurately reproduced and, as far as this could be ascertained from the information published by the relevant Independent Source, no facts have been omitted which would render the reproduced information inaccurate or misleading.

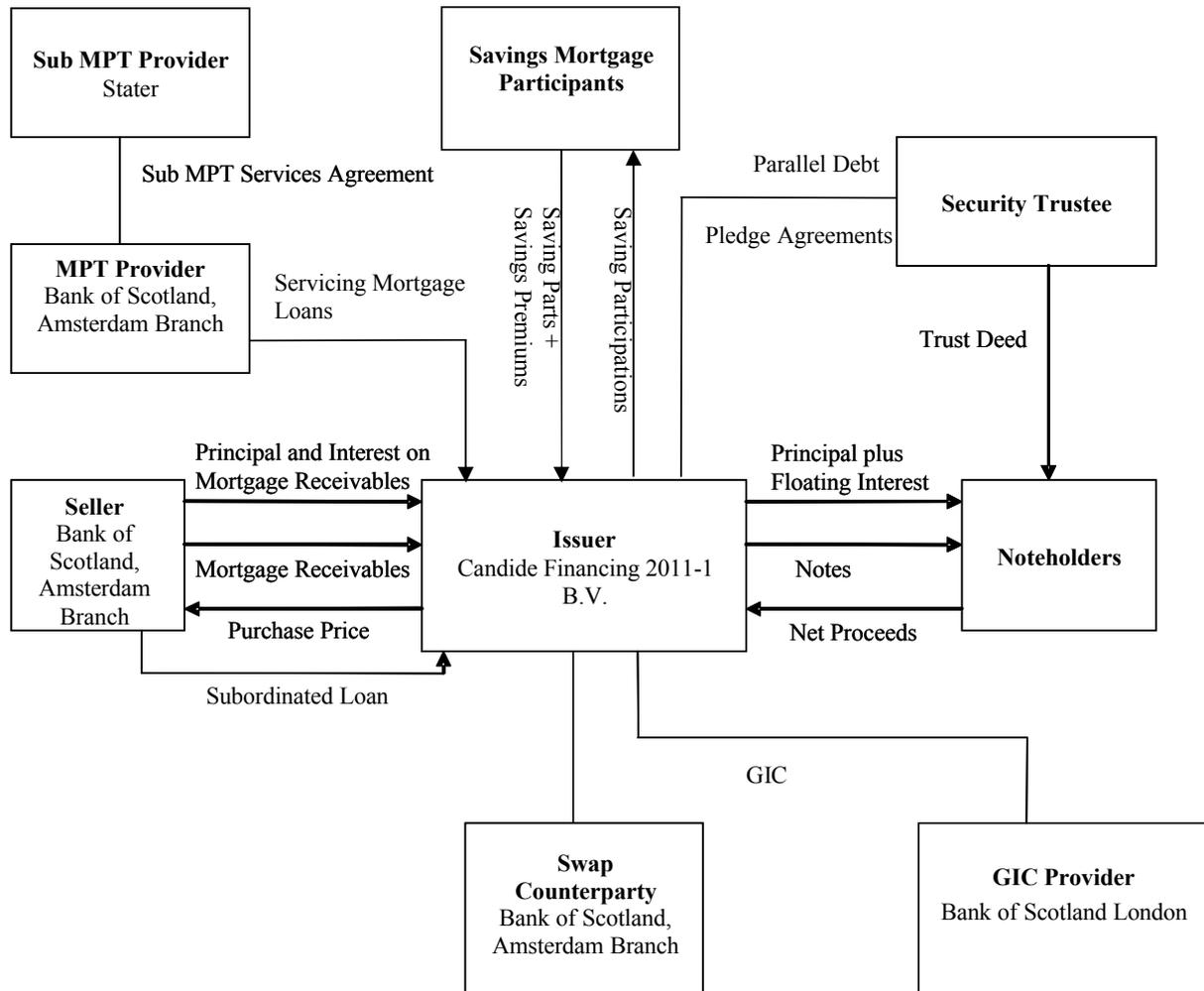
Neither the delivery of this Prospectus at any time nor any sale made in connection with the offering of the Notes shall imply that the information contained herein is correct at any time subsequent to the date of this Prospectus. The Issuer and the Seller have no obligation to update this Prospectus, except when required by the guidelines of the Irish Stock Exchange.

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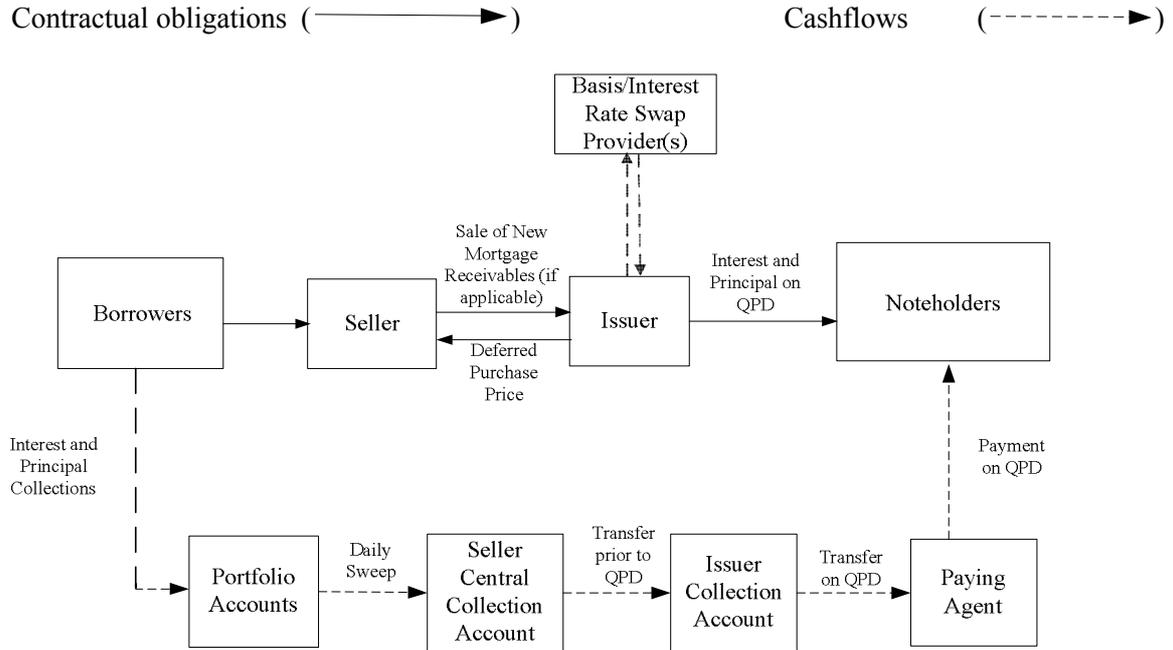
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## DIAGRAMMATIC OVERVIEWS

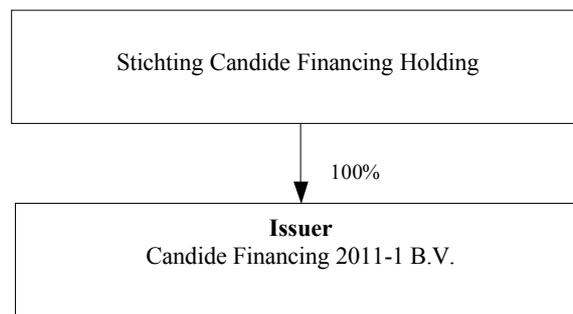
### DIAGRAMMATIC OVERVIEW OF THE TRANSACTION



## DIAGRAMMATIC OVERVIEW OF ONGOING CASH FLOW



## DIAGRAMMATIC OVERVIEW OF THE OWNERSHIP STRUCTURE



## TRANSACTION SUMMARY

*The following is an overview of the principal features of the transaction described in this Prospectus, including the issue of the Notes. The information in this section does not purport to be complete. This overview should be read as an introduction to, and in conjunction with, and is qualified in its entirety by reference to, the detailed information appearing elsewhere in this Prospectus. Prospective Noteholders are advised to read carefully, and to rely solely on, the detailed information appearing elsewhere in this Prospectus and the Conditions and Relevant Documents referred to therein in making any decision whether or not to invest in any Notes. If a claim relating to the information contained in this Prospectus is brought before a competent court, the plaintiff investor will, subject to the legal requirement of the relevant member state of the European Economic Area, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability with respect to this summary will only attach to the Issuer if this summary is misleading, incorrect or inconsistent when read in such manner as indicated above.*

*Capitalised terms used but not defined in this section have the meaning given thereto elsewhere in this Prospectus.*

### TRANSACTION PARTIES ON THE CLOSING DATE

Party	Name	Address	Document under which appointed/Further Information
<b>Issuer</b>	Candide Financing 2011-1 B.V.	Frederik Roeskestraat 123 1076 EE Amsterdam The Netherlands	N/A
<b>Stichting Holding</b>	Stichting Candide Financing Holding	Frederik Roeskestraat 123 1076 EE Amsterdam The Netherlands	N/A
<b>Security Trustee</b>	Stichting Security Trustee Candide Financing 2011-1	Frederik Roeskestraat 123 1076 EE Amsterdam The Netherlands	Trust deed, Parallel Debt
<b>Directors</b>	ATC Management B.V., the sole director of the Issuer  Amsterdamsch Trustee's Kantoor B.V., the sole director of the Security Trustee  ATC Management B.V., the sole director of Stichting Holding.  The Directors belong to the same group of companies.	Frederik Roeskestraat 123 1076 EE Amsterdam The Netherlands	Management Agreements

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
<b>Seller</b>	Bank of Scotland plc ( <b>Bank of Scotland</b> ), acting through its Amsterdam Branch ( <b>Bank of Scotland, Amsterdam Branch</b> )	Bank of Scotland The Mound, Edinburgh EH1 1YZ United Kingdom  Bank of Scotland, Amsterdam Branch  De Entrée 254 1101 EE Amsterdam The Netherlands	N/A
<b>Issuer Administrator</b>	ATC Financial Services B.V.	Frederik Roeskestraat 123 1076 EE Amsterdam The Netherlands	Issuer Services Agreement. See the section <i>Issuer Services Agreement</i> .
<b>MPT Provider</b>	Bank of Scotland, Amsterdam Branch	De Entrée 254 1101 EE Amsterdam The Netherlands	Issuer Services Agreement. See the sections <i>Administration of the Mortgage Loans</i> and <i>Issuer Services Agreement</i> .
<b>Sub MPT Provider</b>	Stater Nederland B.V.	Podium 1 3826 PA Amersfoort The Netherlands	Sub MPT Services Agreement. See the sections <i>Stater Nederland B.V.</i> , <i>Issuer Services Agreement</i> and <i>Administration of the Mortgage Loans</i> .
<b>Subordinated Loan Provider</b>	Bank of Scotland, Amsterdam Branch	De Entrée 254 1101 EE Amsterdam The Netherlands	Subordinated Loan Agreement. See the section <i>Credit Structure</i> .
<b>Swap Counterparty</b>	Bank of Scotland, Amsterdam Branch	De Entrée 254 1101 EE Amsterdam The Netherlands	Interest Rate Swap Agreement. See the sections <i>Credit Structure</i> and <i>Swap Agreement</i> .

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
<b>GIC Provider</b>	Bank of Scotland acting through its Treasury Division <b>(Bank of Scotland London)</b>	33 Old Broad Street London EC2N 1HZ United Kingdom	Guaranteed Interest Contract. See the section <i>Credit Structure</i> .
<b>Paying Agent</b>	Citibank N.A., London Branch	Citibank N.A., London Branch Citigroup Centre Canada Square Canary Wharf London E14 5LB United Kingdom	Paying Agency Agreement. See the <i>Terms and Conditions of the Notes</i> .
<b>Reference Agent</b>	Citibank N.A., London Branch	Citibank N.A., London Branch Citigroup Centre Canada Square Canary Wharf London E14 5LB United Kingdom	Paying Agency Agreement. See the <i>Terms and Conditions of the Notes</i> .
<b>Arranger</b>	Lloyds TSB Bank plc	10 Gresham Street London EC2V 7AE United Kingdom	N/A
<b>Manager</b>	Lloyds TSB Bank plc	10 Gresham Street London EC2V 7AE United Kingdom	Notes Purchase Agreement.

## MORTGAGE RECEIVABLES AND SERVICING

Please refer to the sections entitled *Description of the Mortgage Loans*, *NHG Guarantee Programme*, *Administration of the Mortgage Loans* and *Mortgage Receivables Purchase Agreement* for further detail in respect of the characteristics of the Mortgage Receivables and the sale and the servicing arrangements in respect of the Mortgage Receivables.

### Mortgage Receivables Purchase Agreement

Under the Mortgage Receivables Purchase Agreement, the Issuer will purchase and accept on the Closing Date from the Seller the assignment of the Mortgage Receivables as of the Closing Date, which Mortgage Receivables have the characteristics described in *Description of the Mortgage Loans* and which result from Mortgage Loans originated by the Seller. The Seller will remain entitled to any Prepayment Penalties paid by the Borrowers. In addition, the Seller may, until 23 August 2014 and subject to certain conditions being met, sell and assign New Mortgage Receivables to the Issuer. References to "Mortgage Receivables" include, where applicable "New Mortgage Receivables" (see further *Mortgage Receivables Purchase Agreement*).

The Mortgage Receivables to be sold by the Seller pursuant to the Mortgage Receivables Purchase Agreement will result from loans secured by a first-ranking mortgage right or, in the case of Mortgage Loans secured on the same mortgaged property, first-ranking and sequentially lower ranking mortgage rights on the relevant Mortgaged Assets. If a Mortgage Loan consists of one or more loan parts (*leningdelen*), the Seller will sell and assign, and the Issuer will purchase and accept assignment of all, but not some only, loan parts of such Mortgage Loan at the Closing Date. See further *Description of the Mortgage Loans*.

Each Mortgage Loan and Beneficiary Rights relating thereto will be governed by Dutch law

### Features of Mortgage Loans

The following is a summary of certain features of the Mortgage Loans as at the Cut-Off Date and investors should refer to, and carefully consider, further details in respect of the Mortgage Loans set out in *Description of the Mortgage Loans*.

Type of Borrower	Prime
Type of mortgage	Residential
Self-certified Loans	No
Buy-to-let Loans	No
Number of Mortgage Loans	5,681
Number of Borrowers	5,681
Current Balance	1,251,739,691
	<i>Weighted average</i>
Indexed LTFV	99.51%
Indexed LTV	88.40%
Seasoning (months)	43,5
Fixed-rate loans	86,7%

### NHG Guarantee

The NHG Mortgage Loans will have the benefit of guarantees under the '*Nationale Hypotheek Garantie*' (**NHG Guarantees**). See further *Description of the Mortgage Loans* and *NHG Guarantee Programme*.

Pool of Mortgage Loans	<p>The Mortgage Loans or the loan parts comprising a Mortgage Loan will, in whole or in part, consist of:</p> <ul style="list-style-type: none"> <li>(a) Life Mortgage Loans (<i>levenhypotheken</i>);</li> <li>(b) Savings Mortgage Loans (<i>spaarhypotheken</i>);</li> <li>(c) Annuity Mortgage Loans (<i>annuïteiten hypotheken</i>);</li> <li>(d) Interest-only Mortgage Loans (<i>aflossingsvrije hypotheken</i>); or</li> <li>(e) a combination of any of the above-mentioned types of mortgage loans (<i>combinatiehypotheken</i>).</li> </ul>
Interest under the Mortgage Loans	<p>Approximately 86% of the Mortgage Loans sold and assigned to the Issuer on the Closing Date carry a fixed rate of interest for a certain pre-agreed interest period (<i>rentevastperiode</i>). This percentage may change over time. At the end of an interest period, the interest rate will be reset, unless the Borrower redeems the Mortgage Loan. In general, fixed rate reset terms can be set for periods of 1, 5, 6, 10, 15, 20 and 30 years. In addition, the Mortgage Loans may carry a floating interest rate (<i>variabele rente</i>) which is set, if necessary, with changes effective from the first of the month following the interest reset.</p>
Savings Participation	<p>On the Closing Date, the Issuer will enter into the Savings Mortgage Sub-Participation Agreement with, <i>inter alia</i>, the Savings Insurance Companies under which each of the Savings Insurance Companies will acquire participations in the relevant Savings Mortgage Receivables equal to the Savings Premium paid by the relevant Borrower to the Savings Insurance Company in respect of a Savings Insurance Policy with interest accrued on such Savings Premium.</p> <p>Under the Savings Mortgage Sub-Participation Agreement the Savings Insurance Companies will undertake to pay to the Issuer all amounts received as Savings Premium on the Savings Insurance Policies. In return, the Savings Insurance Companies are entitled to receive the Savings Participation Redemption Available Amount from the Issuer as far as it relates to the relevant Savings Participation acquired by it. The Issuer will apply all amounts received from the Savings Insurance Companies towards redemption of the Notes. See further <i>Credit Structure</i>.</p> <p>The amount of each Savings Participation with respect to a Savings Mortgage Loan, consists of the Initial Savings Participation increased on a monthly basis with the sum of (i) the Savings Premium received by the Savings Insurance Companies and paid to the Issuer and (ii) a <i>pro rata</i> part, corresponding to the Savings Participation in the relevant Savings Mortgage Receivable of the interest due by the Borrower and received by the Issuer in respect of such Savings Mortgage Receivable. See further <i>Savings Mortgage Sub-Participation Agreement</i>.</p>
Pledges over Insurance Policies	<p>The Seller has the benefit of pledges over the Borrowers' rights under the Insurance Policies. In addition, the Seller has been appointed as beneficiary under the Insurance Policies. The effectiveness of these pledges, the appointment as beneficiary and the benefit thereof to the Issuer and the</p>

Security Trustee are discussed in *Risk Factors – Insurance Policies*.

Consideration

The purchase price for the Mortgage Receivables will consist of the Initial Purchase Price which will be payable on the Closing Date or, in respect of the New Mortgage Receivables, on the Purchase Date, and the Deferred Purchase Price. The Deferred Purchase Price will be equal to the sum of all Deferred Purchase Price Instalments.

The initial purchase price for New Mortgage Receivables will be paid by the Issuer by applying (i) the Replenishment Available Amount and (ii) the amounts (to be) received as consideration for the Savings Participations.

Use of proceeds

The Issuer will use the net proceeds from the issue of the Notes (other than the Subordinated Class C Notes) to pay to the Seller part of the Initial Purchase Price for the Mortgage Receivables pursuant to the provisions of the Mortgage Receivables Purchase Agreement. See further *Mortgage Receivables Purchase Agreement* and *Use of Proceeds*.

The proceeds from the issue of the Subordinated Class C Notes will be deposited in the Reserve Account.

Representations and Warranties

Representations and warranties in respect of the Mortgage Receivables and Mortgage Loans transferred on the Closing Date, and with respect to New Mortgage Receivables, on the relevant Purchase Date, will be given by the Seller to the Issuer. For the description of the representations and warranties given, see further *Mortgage Receivables Purchase Agreement*.

New Mortgage Receivables

The Mortgage Receivables Purchase Agreement provides that the Issuer will on a monthly basis purchase from the Seller New Mortgage Receivables, subject to the fulfilment of certain conditions and to the extent offered by the Seller. The Issuer will apply towards the purchase of New Mortgage Receivables the Replenishment Available Amount from the Closing Date up to and including the Mortgage Payment Date falling in August 2014.

The purchase of any New Mortgage Receivables will be subject to the Replenishment Conditions (as defined below). See further the section *Mortgage Receivables Purchase Agreement*.

Replenishment Reserved Amount

On any Quarterly Payment Date, up to (and excluding) the Quarterly Payment Date in August 2014, the Issuer may reserve an amount up to the positive difference between (i) the Replenishment Available Amount and (ii) the Applied Replenishment Amount as calculated on the immediately preceding Quarterly Calculation Date, which amount remains to be deposited in the Issuer Collection Account for up to six months (the **Replenishment Reserved Amount**). The Replenishment Reserved Amount (a) may be applied towards the purchase of New Mortgage Receivables on the two immediately succeeding Quarterly Payment Dates, provided that on such date the Replenishment Conditions are met, or (b) shall become, if not applied in accordance with (a) above, on the second immediate succeeding Quarterly Payment Date, as Notes Redemption Available Amount, available for redemption of the Notes on such Quarterly Payment Date. The Replenishment Reserved Amount shall in any event become, as Notes Redemption Available Amount, available for redemption of the Notes on the Quarterly Payment Date following the Quarterly Payments Date in August 2014. See further *Credit Structure*.

Repurchase of the Mortgage  
Receivables

Under the Mortgage Receivables Purchase Agreement, the Seller may be obliged to repurchase and accept re-assignment of Mortgage Receivables. The Seller will undertake to repurchase and accept re-assignment of Mortgage Receivables under the following circumstances:

- (i) on the Mortgage Payment Date immediately following the expiration of the relevant remedy period (if any), if any of the representations and warranties given by the Seller in respect of such Mortgage Receivable or its related Mortgage Loan, including the representation and warranty that such Mortgage Receivable or its related Mortgage Loan meets certain Mortgage Loans Criteria on the Closing Date, is untrue or incorrect in any material respect; or
- (ii) on the Mortgage Payment Date immediately following the decision of the Seller to amend the terms of the Mortgage Loan upon the request of a Borrower as a result of which such Mortgage Loan no longer meets Representations and Warranties set forth in the Mortgage Receivables Purchase Agreement, provided that if such amendment is made as part of the enforcement procedures to be complied with upon a default by the Borrower under the Mortgage Loan or is otherwise made as part of a restructuring or renegotiation of the Mortgage Loan due to a deterioration of the credit quality of the Borrower of such Mortgage Loan the Seller shall not repurchase the relevant Mortgage Receivable (see further *Mortgage Receivables Purchase Agreement*); or
- (iii) on the immediately succeeding Mortgage Payment Date after it agrees with a Borrower to amend the terms of the Mortgage Loan and such amendment, as a result, changes the maturity date of the loan, the interest rate (other than as a result of an interest reset) or monthly payment amount (other than as a result of an interest reset), provided that if such amendment is made as part of the enforcement procedures to be complied with upon a default by the Borrower under the Mortgage Loan or is otherwise made as part of a restructuring or renegotiation of the Mortgage Loan due to a deterioration of the credit quality of the Borrower of such Mortgage Loan the Seller shall not repurchase the relevant Mortgage Receivable; or
- (iv) on the Mortgage Payment Date immediately following the date on which the Seller has obtained an Other Claim; or
- (v) on the Mortgage Payment Date immediately following the date on which the Seller has agreed to grant a Further Advance to the relevant Borrower; or
- (vi) upon request of the Issuer on the Quarterly Payment Date on which the Issuer redeems the Notes or the Senior Class A Notes and the Mezzanine Class B Notes (as applicable); or
- (vii) in respect of NHG Mortgage Loans, on the Mortgage Payment Date immediately following the date on which an NHG Mortgage Loan no longer has the benefit of the NHG Guarantee; or

- (viii) in respect of NHG Mortgage Loans, on the Mortgage Payment Date immediately following the date on which the MPT Provider receives notice from a regulatory agency, the Seller, a Borrower or any other party indicating that it has failed to comply with its undertaking in the Issuer Servicing Agreement to originate and administer the Mortgage Loans, including the foreclosure thereof, in accordance with the terms and conditions ('voorwaarden en normen') of *Stichting Waarborgfonds Eigen Woning*; or
- (ix) in respect of NHG Mortgage Loans, on the Mortgage Payment Date immediately following the date on which after foreclosure the Net Proceeds (excluding the amount to be received under the NHG Guarantee) are not sufficient to repay the relevant Mortgage Receivable in full and the Seller or the MPT Provider decides not to make a claim under the NHG Guarantee.

Seller Call Option	On each Quarterly Payment Date from Closing Date up to and including the Mortgage Payment Date falling in August 2014, the Seller may, but is not obliged to, repurchase and accept re-assignment of all or only parts of the Mortgage Receivables. See further <i>Mortgage Receivables Purchase Agreement</i> .
Consideration for repurchase	Consideration payable by the Seller in respect of the repurchase of the Mortgage Loans and related security shall be at least equal to (i) the Outstanding Principal Amount in respect of the relevant Mortgage Receivables together with any accrued interest up to but excluding the date of repurchase and re-assignment of the Mortgage Receivables and (ii) reasonable costs relating thereto (including any costs incurred by the Issuer in effecting and completing such sale and re-assignment) and (iii) the amount (if any) due by the Issuer to the Swap Counterparty to the extent the repurchase results in the termination of the Swap Agreement, unless the Issuer has other available funds to make such payment to the Swap Counterparty. See further the section <i>Mortgage Receivables Purchase Agreement</i> .
Sale of Mortgage Receivables on Optional Redemption Date	On any Optional Redemption Date the Issuer may sell and assign all but not some of the Mortgage Receivables to a third party, which may be the Seller, provided that the Issuer shall apply the proceeds of such sale, to the extent relating to principal, to redeem the Notes, other than the Subordinated Class C Notes.

## Administration of the Mortgage Loans

Under the Issuer Services Agreement (i) the MPT Provider will agree to provide certain services in relation to the Mortgage Receivables on a day-to-day basis, including, without limitation, the collection of payments of principal, interest and all other amounts in respect of the Mortgage Receivables (the **MPT Services**), (ii) the MPT Provider will agree to the implementation of arrears procedures including, if applicable, the enforcement of Mortgaged Assets and the Borrower Pledges (the **Defaulted Loan Services**), and (iii) the Issuer Administrator will agree to provide certain administration, calculation and cash management services to the Issuer on a day-to-day basis, including, without limitation, all calculations to be made in respect of the Notes pursuant to the Conditions. The Issuer Administrator and Bank of Scotland, Amsterdam Branch may agree that the cash management services be provided by Bank of Scotland, Amsterdam Branch.

The appointment of the MPT Provider may be terminated by the Issuer and the Security Trustee upon the occurrence of any of the Servicer Termination Events (as defined below).

The MPT Provider and Issuer Administrator may also resign upon giving 12 months' notice provided that, among others, a replacement MPT Provider and Issuer Administrator (as applicable) has been appointed by the Issuer and Security Trustee. See further *Issuer Services Agreement*.

## Delegation

The MPT Provider may delegate some of its servicing functions to a third party provided that the MPT Provider remains responsible for the performance of any functions so delegated.

The MPT Provider will initially appoint Sub MPT Provider, under a sub MPT agreement (the **Sub MPT Agreement**), as its Sub MPT Provider to take on some of the responsibilities of the MPT Provider, such as the collection of payments under the Mortgage Loans and administration of the Mortgage Loans, under the Issuer Services Agreement and the Sub MPT Agreement. See *Stater Nederland B.V.* and *Issuer Services Agreement*.

## Management

Each of the Issuer, Stichting Holding and the Security Trustee will enter into a Management Agreement with the relevant Director, whereupon the relevant Director will undertake to act as director of the Issuer, Stichting Holding or the Security Trustee, respectively, and to perform certain services in connection therewith.

## SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES

Please refer to section entitled *Terms and Conditions of the Notes* for further detail in respect of the terms of the Notes.

### FULL CAPITAL STRUCTURE OF THE NOTES

	Senior Class A	Mezzanine Class B	Subordinated Class C
Currency	Euro	Euro	Euro
Initial Principal Amount	€1,050,000,000	€150,000,000	€34,000,000
Note Credit Enhancement	13.7%	1.2%	N/A
Reserve Amount Enhancement	An amount equal to 1.2% of the Principal Amount Outstanding of the Senior Class A Notes and the Mezzanine Class B Notes on the Closing Date	An amount equal to 1.2% of the Principal Amount Outstanding of the Senior Class A Notes and the Mezzanine Class B Notes on the Closing Date	N/A
Liquidity Reserve	An amount equal to 1.5% of the Principal Amount Outstanding of the Senior Class A Notes and the Mezzanine Class B Notes on the Closing Date	An amount equal to 1.5% of the Principal Amount Outstanding of the Senior Class A Notes and the Mezzanine Class B Notes on the Closing Date	N/A
Issue Price	100%	100%	100%
Interest Reference Rate	Three months EURIBOR	Three months EURIBOR	Three months EURIBOR
Relevant Margin	0.12%	0.01%	0.01%
Interest Accrual Method	Actual/360	Actual/360	Actual/360
Interest Determination Date	Two days preceding the first day of each Floating Rate Interest Period		
Quarterly Payment Dates	23rd day of November, February, May and August		
Business Day Convention	Modified Following		
First Quarterly Payment Date	23 August 2011		
First Interest Period	From and including the Closing Date to (but excluding) the First Quarterly Payment Date		

Pre-Enforcement Redemption Profile	Sequential pass-through		
Post-Enforcement Redemption Profile	Please see <i>Credit Structure</i> below		
Optional Redemption Date	Each Quarterly Payment Date from (and including) 23 August 2014 up to 23 August 2051		
Pre-Call Redemption Profile	Sequential pass-through		
Post-Call Redemption Profile	Sequential pass-through		
Other Early Redemption in full Events	See Clause 6 of Terms and Conditions	See Clause 6 of Terms and Conditions	See Clause 6 of Terms and Conditions
Final Maturity Date	23 August 2051		
Form of the Notes	Bearer Notes	Bearer Notes	Bearer Notes
Application for Listing	Ireland	Ireland	N/A
ISIN	XS0625067680	XS0625071526	XS0625074389
Common Code	062506768	062507152	062507438
Regulation	Reg S	Reg S	Reg S
Clearance/Settlement	Euroclear/ Clearstream	Euroclear/ Clearstream	Euroclear/ Clearstream
Denomination of the Notes	€100,000	€100,000	€100,000
Retained Amount	1,050,000,000	150,000,000	34,000,000
Commission	0	0	0

**Ranking**

The Notes of each Class rank *pari passu* without any preference or priority among Notes of the same Class. In addition (i) payments of principal and interest on the Mezzanine Class B Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes; and (ii) payments of principal and interest on the Subordinated Class C Notes are subordinated to, *inter alia*, payment of principal and interest on the Senior Class A Notes and the Mezzanine Class B Notes. See further *Terms and Conditions of the Notes*.

**Security**

The Noteholders will benefit from the security created by (a) a first-ranking right of pledge granted by the Issuer to the Security Trustee over the Mortgage Receivables, including all rights ancillary thereto and the Beneficiary Rights; (b) a first-ranking right of pledge by the Issuer to the Security Trustee over the Issuer's rights under or in connection with the Mortgage Receivables Purchase Agreement, the Swap Agreement and the Issuer Services Agreement; and (c) a first fixed charge by the Issuer to the Security Trustee over the Issuer's rights under or in

connection with the GIC, including over its rights against the GIC Provider in respect of the Transaction Accounts.

The amounts payable by the Security Trustee to the Secured Parties (including the Noteholders) will be limited to the net amounts available for such purpose to the Security Trustee which, for the greater part, will consist of amounts recovered by the Security Trustee from the Mortgage Receivables and amounts received by the Security Trustee as creditor under the Mortgage Receivables Purchase Agreement, the Trust Deed and the Parallel Debt Agreement. Payments will be made in accordance with the Priority of Payments after the Enforcement Date. See further *Credit Structure*.

#### Trust Deed

The Notes will be issued under a trust deed (the **Trust Deed**). On each Quarterly Payment Date the Issuer will pay the Noteholders interest and, to the extent applicable, principal in accordance with and subject to the relevant Priority of Payments prior to Enforcement Date. See *Credit Structure*.

#### Parallel Debt & Pledge Agreements

Pursuant to a parallel debt agreement (the **Parallel Debt Agreement**) the Issuer will undertake to pay to the Security Trustee, on the same terms and conditions, an amount equal to the aggregate of all amounts from time to time due and payable by the Issuer to the Noteholders and certain other transaction parties (including, but not limited to, the Noteholders) (such payment undertaking and the obligations and liabilities resulting from it being referred to as the **Parallel Debt**). The Parallel Debt is secured by a first-ranking right of pledge over the Mortgage Receivables and the Beneficiary Rights relating thereto and a first-ranking right of pledge over certain other assets pursuant to two pledge agreements (the **Pledge Agreements**). Additionally, a fixed charge in favour of the Security Trustee over its rights under or in connection with the GIC, including over its rights against the GIC Provider in respect of the Transaction Accounts will be created (the **Deed of Charge**). Upon the occurrence of an event of default under the Notes, the Security Trustee may give notice to the Issuer that the amounts outstanding under the Notes (and under the Parallel Debt) are immediately due and payable and that it will enforce the Pledge Agreements. The Security Trustee will apply the amounts recovered upon enforcement of the Pledge Agreements in accordance with the Priority of Payments after the Enforcement Date towards satisfaction of the amounts owed by the Issuer to the Noteholders and such other transaction parties (see *Credit Structure*).

Some of the other secured obligations rank senior to the Issuer's obligations under the Notes in respect of the allocation of proceeds as set out in the Post-Enforcement Priority of Payments.

See also the following risk factor under *Risk Factors – Fixed charges may take effect under English law as floating charges*.

For a more detailed discussion see *Description of Security* below.

#### Interest Provisions

Please refer to "Full Capital Structure of the Notes" as set out above.

#### Interest Deferral

To the extent that, on any Quarterly Payment Date, the Issuer does not

have sufficient funds to pay in full interest on the Mezzanine Class B Notes and the Subordinated Class C Notes, this payment may be deferred. Any amounts of deferred interest will accrue interest described in Condition 9(a) and payment of any such accrued interest will also be deferred.

#### Gross-up

None of the Issuer or any Agent will be obliged to gross-up if there is any withholding or deduction in respect of the Notes on account of taxes.

#### Withholding tax

All payments of, or in respect of, principal and interest on the Notes will be made without withholding of, or deduction for, or on account of any present or future taxes, duties, assessments or charges of whatsoever nature imposed or levied by the Netherlands, any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or charges is required by law. In that event, the Issuer will make the required withholding or deduction of such taxes, duties, assessments and will have no obligation to pay any additional amounts to such Noteholders. In particular, but without limitation, no additional amounts will be payable in respect of any Note or Coupon presented for payment where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings that was adopted on 3 June 2003 or any law implementing or complying with, or introduced in order to conform to, such directive. See further *Risk Factors – European Union Directive on the taxation of savings*.

#### Redemption

The Notes are subject to the following optional or mandatory redemption events:

- (a) mandatory redemption in whole on the Final Maturity Date, as fully set out in Condition 6(a);
- (b) mandatory partial redemption in part on each Quarterly Payment Date subject to availability of Notes Redemption Available Amount on the basis of sequential pass through, subject to Condition 9(b) and as fully set out in Condition 6(b);
- (c) optional redemption exercisable by the Issuer in whole on each Quarterly Payment Date from (and including) 23 August 2014 up to the Final Maturity Date (each an **Optional Redemption Date**), as fully set out in Condition 6(e); and
- (d) optional redemption exercisable by the Issuer in whole for tax reasons on any Quarterly Payment Date following that date, as fully set out in Condition 6(g).

Any Note redeemed pursuant to the above redemption provisions will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Note to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Note up to (but excluding) the date of redemption.

#### Events of Default

As fully set out in Condition 10, the Security Trustee may at its discretion, and if so directed by an Extraordinary Resolution of the Noteholders (subject, in each case, to being indemnified to its

satisfaction) shall (but in the case of the occurrence of any of the events mentioned in (ii) below, only if the Security Trustee shall have certified in writing to the Issuer that such an event is, in its opinion, materially prejudicial to the Noteholders of the relevant class) give notice (an **Enforcement Notice**) to the Issuer that the Notes are immediately due and payable at their or its Principal Amount Outstanding, together with accrued interest, if any of the events of default described in Condition 10 shall occur, provided that, if Senior Class A Notes are outstanding, no Enforcement Notice may or will be given by the Security Trustee to the Issuer in respect of a lower ranking Class of Notes, irrespective of whether an Extraordinary Resolution is passed by the Noteholders of the lower Class of Notes, unless an Enforcement Notice in respect of the Senior Class A Notes has been given by the Security Trustee. In exercising its discretion as to whether or not to give an Enforcement Notice to the Issuer in respect of the Senior Class A Notes, the Security Trustee shall not be required to have regard to the interests of the Mezzanine Class B Noteholders or the Subordinated Class C Noteholders.

#### Enforcement

As fully set out in Condition 11, the Security Trustee may, at any time after the Notes of any Class become due and payable as a result of an Enforcement Notice, at its discretion and without further notice, take such steps and/or institute such proceedings as it may think fit to enforce the terms of the Trust Deed, the Pledge Agreements, the Deed of Charge and the Notes, but it need not take any such proceedings unless (i) it shall have been directed by an Extraordinary Resolution of the Senior Class A Noteholders or, if all amounts due in respect of the Senior Class A Notes have been repaid in full, the Mezzanine Class B Noteholders or, if all amounts due in respect of the Senior Class A Notes and the Mezzanine Class B Notes have been fully paid, the Subordinated Class C Noteholders and (ii) it shall have been indemnified to its satisfaction.

#### Method of Payment:

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

#### Limited Recourse, non petition

As fully set out in Condition 11, the Noteholders and the Security Trustee may not institute against, or join any person in instituting against, the Issuer any bankruptcy, winding-up, reorganisation, arrangement, insolvency or liquidation proceeding until the expiry of a period of at least one (1) year after the latest maturing Note is paid in full. The Noteholders accept and agree that the only remedy of the Security Trustee against the Issuer after any of the Notes have become due and payable pursuant to Condition 10 (Events of Default) is to enforce the Security.

#### Governing Law

The Terms and Conditions of the Notes and the Relevant Documents are governed by Dutch law, other than the GIC, the Swap Agreement and the Deed of Charge which are governed by English law.

## RIGHTS OF NOTEHOLDERS

Please refer to sections entitled *Terms and Conditions of the Notes* for further detail in respect of the rights of Noteholders, conditions for exercising such rights and relationship with other Secured Creditors.

**Prior to an Event of Default**      The Issuer or the Noteholders of any Class holding no less than 10% of the Principal Amount Outstanding of the Notes of such Class then outstanding are entitled to convene a Noteholders' meeting to consider any matter affecting their interests.

**Following an Event of Default**      At any time after the Notes of any Class become due and payable as a result of an Enforcement Notice, the Security Trustee may, at its discretion and without further notice, take such steps and/or institute such proceedings as it may think fit to enforce the terms of the Trust Deed, the Pledge Agreements, the Deed of Charge and the Notes, but it need not take any such proceedings unless (i) it shall have been directed by an Extraordinary Resolution of the Senior Class A Noteholders or, if all amounts due in respect of the Senior Class A Notes have been repaid in full, the Mezzanine Class B Noteholders or, if all amounts due in respect of the Senior Class A Notes and the Mezzanine Class B Notes have been fully paid, the Subordinated Class C Noteholders and (ii) it shall have been indemnified to its satisfaction.

Noteholders Meeting provisions	Initial meeting	Adjourned meeting
Notice period:	14 clear days	seven clear days
Quorum:	At least two thirds of the Principal Amount Outstanding of the relevant Class of Notes (other than Basic Terms Change, which requires 75% of the Principal Amount Outstanding of the relevant Class of Notes)	Any holding
Required majority:	At least two-thirds of votes cast for matters requiring Extraordinary Resolution (other than Basic Terms Change, which requires 75% of votes cast)	At least two-thirds of votes cast for matters requiring Extraordinary Resolution (other than Basic Terms Change, which requires 75% of votes cast)
Written Resolution:	100% of the Principal Amount Outstanding of the relevant class of Notes. A Written Resolution has the same effect as an Extraordinary Resolution	

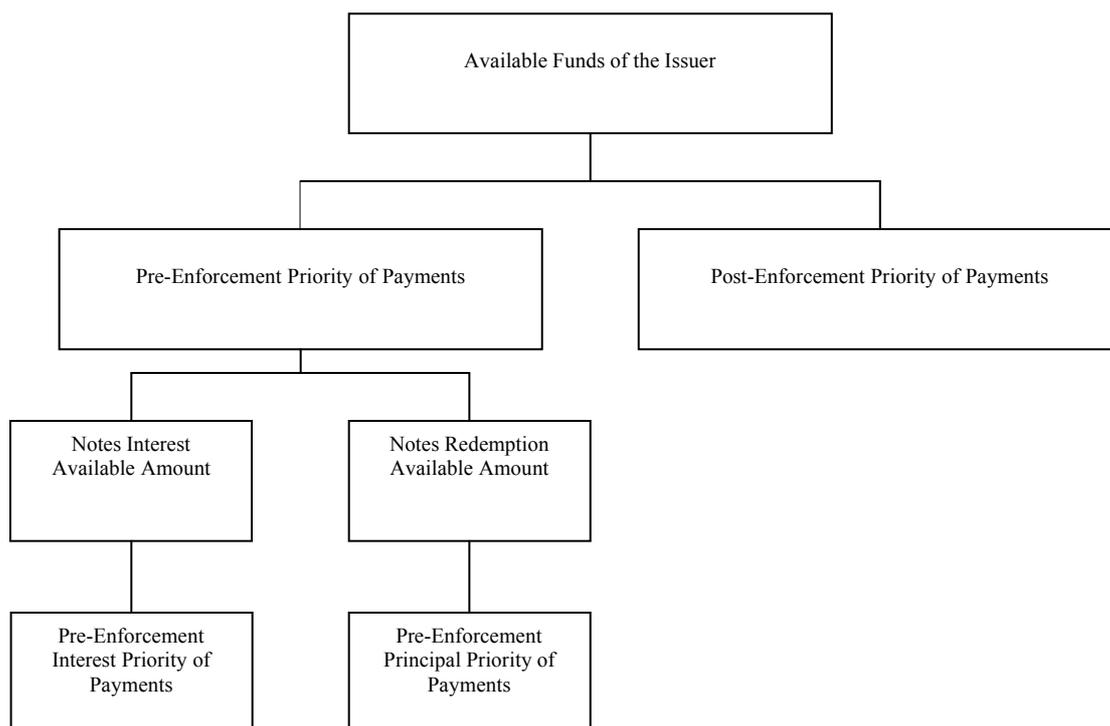
**Matters requiring Extraordinary Resolution**      Broadly speaking, the following matters require an Extraordinary Resolution;

- to approve any change to the Conditions;
- to approve any change to the Relevant Documents; and
- to approve any Basic Terms Change.

Relationship within Classes of Noteholders	Subject to the provisions governing a Basic Terms Modification, an Extraordinary Resolution of Noteholders of the relevant Class shall be binding on all Noteholders of such Class.
Relationship between Noteholders and other Secured Parties	So long as any Notes are outstanding and there is a conflict between the interests of the Noteholders and the other Secured Parties, the Priority of Payments set forth in the Trust Deed determines which interests of which Secured Party prevails.
Provision of Investor Reports	Information in respect of the Mortgage Receivables will be provided to the Noteholders on a quarterly basis by the Issuer Administrator pursuant to the Issuer Servicing Agreement. See further <i>Issuer Services Agreement</i> below.
Voting by Issuer or Seller	Neither the Issuer nor the Seller or any group companies of the Seller may vote on any Notes held by them whether directly or indirectly, and such Notes shall not be taken into account in establishing the total amount outstanding, except if the Issuer or Seller or any holding company of the Issuer or the Seller or any subsidiary of such holding company (the <b>Relevant Persons</b> ) holds all the Notes of any class of Notes by or on behalf of or for the benefit of one or more Relevant Persons in which case (i) the Relevant Person may cast the votes on Notes held by it, and (ii) the Notes will be taken into account in establishing the total amount outstanding.

## CREDIT STRUCTURE AND CASHFLOW

Please refer to the section entitled *Credit Structure* for further details in respect of the credit structure and cash flow of the transaction.



**Available Funds of the Issuer**    The Issuer will use Notes Interest Available Amounts and Notes Redemption Available Amounts for the purposes of making interest and principal payments under the Notes and the other Relevant Documents.

**Notes Interest Available Amounts**    Notes Interest Available Amounts will, broadly speaking, include the following:

- (i) interest, including, for the avoidance of doubt, penalty interest, but excluding Prepayment Penalties received on the Mortgage Receivables less, with respect to each Savings Mortgage Receivable an amount equal to the interest amount received with respect to such Mortgage Receivables multiplied by the relevant Savings Participation Fraction;
- (ii) interest credited to the Transaction Accounts (excluding interest received on the Mortgage Receivables);
- (iii) Net Proceeds on any Mortgage Receivables, to the extent such proceeds do not relate to principal, less with respect to each Savings Mortgage Receivable an amount equal to the interest amount received with respect to such Mortgage Receivables multiplied by the relevant Savings Participation Fraction;
- (iv) amounts to be drawn under the Liquidity Reserve on the immediately succeeding Quarterly Payment Date;
- (v) amounts to be drawn from the Reserve Amount on the immediately succeeding Quarterly Payment Date;

- (vi) amounts to be received from the Swap Counterparty under the Swap Agreement on the immediately succeeding Quarterly Payment Date, if any, excluding (i) any collateral transferred pursuant to the Swap Agreement, (ii) any Tax Credit, (iii) any amounts received upon early termination of the Swap Agreement and (iv) any premium received from a replacement swap counterparty;
- (vii) amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement or any other amounts received pursuant to the Mortgage Receivables Purchase Agreement, to the extent such amounts do not relate to principal, less with respect to each Savings Mortgage Receivable an amount equal to the interest amount received with respect to such Mortgage Receivables multiplied by the relevant Savings Participation Fraction;
- (viii) amounts received in connection with a sale of Mortgage Receivables pursuant to the Trust Deed and the Issuer Services Agreement, to the extent such amounts do not relate to principal, less with respect to each Savings Mortgage Receivable an amount equal to the interest amount received with respect to such Mortgage Receivables multiplied by the relevant Savings Participation Fraction;
- (ix) amounts received as post-foreclosure proceeds on the Mortgage Receivables as calculated at the time the foreclosure procedures commenced;
- (x) any (remaining) amounts standing to the credit of the Issuer Collection Account, to the extent, for as long as the Senior Class A Notes and Mezzanine Class B Notes are outstanding, such amounts do not relate to principal,
- (xi) *less* on the first Quarterly Payment Date of each calendar year an amount equal to 10% of the annual fee with a minimum of Euro 2,500 due and payable by the Issuer to the Directors in connection with the Management Agreement between the Issuer and the Directors relating to the management of the Issuer.

Notes  
Redemption  
Available  
Amount

Notes Redemption Available Amounts will, broadly speaking, include the following:

- (i) Net Proceeds, to the extent such proceeds relate to principal less, with respect to each Savings Mortgage Receivable an amount equal to the amount received with respect to such Mortgage Receivables multiplied by the relevant Savings Participation Fraction;
- (ii) amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal less, with respect to each Savings Mortgage Receivable an amount equal to the amount received with respect to such Mortgage Receivable multiplied by the relevant Savings Participation Fraction;
- (iii) amounts received in connection with a sale of Mortgage Receivables to the extent such amounts relate to principal less, with respect to each Savings Mortgage Receivable an amount equal to the amount received with respect to such Mortgage Receivable multiplied by the relevant Savings Participation Fraction;
- (iv) amounts received as repayment and prepayment in full of principal under the

Mortgage Receivables, from any person (including any Insurance Company), whether by set-off or otherwise, but, for the avoidance of doubt, excluding Prepayment Penalties, if any, less, with respect to each Savings Mortgage Receivable, an amount equal to the amount received with respect to such Mortgage Receivable multiplied by the Savings Participation Fraction;

- (v) amounts received as Savings Participation Increase pursuant to the Savings Mortgage Sub-Participation Agreement;
- (vi) the Replenishment Reserved Amount on the immediately preceding Quarterly Payment Date;
- (vii) amounts of interest received to be credited to the Principal Deficiency Ledger on the immediately succeeding Quarterly Payment Date; and
- (viii) any part of the Notes Redemption Available Amount calculated on the immediately preceding Quarterly Calculation Date which has not been applied towards redemption of the Notes on the preceding Quarterly Payment Date,

less, on each Quarterly Calculation Date until the Quarterly Payment Date in August 2014:

- (ix) (1) the Applied Replenishment Amount and (2) such amount which the Issuer decides to keep on the Collection Account with a view to purchase New Mortgages on the two immediately succeeding Quarterly Payment Dates (the **Replenishment Reserved Amount**).

Summary of  
Priorities of  
Payments

Below is a summary of the relevant payment priorities. Full details of the payment priorities are set out in the section entitled *Key Structural Features*.

Pre-Enforcement Priority of Payments:	Interest	Pre-Enforcement Priority of Payments:	Principal	Post-Enforcement Priority of Payments:	Priority
(a) <i>first</i> , in or towards satisfaction, <i>pari passu</i> and <i>pro rata</i> , according to the respective amounts thereof, of the fees or other remuneration due and payable to the Directors in connection with the Management Agreements and any costs, charges, liabilities and expenses incurred by the Security Trustee under or in connection with any of the Relevant Documents;		(a) <i>first</i> , the Senior Class A Notes, until fully redeemed, and, thereafter		(a) <i>first</i> , in or towards satisfaction, <i>pari passu</i> and <i>pro rata</i> , according to the respective amounts thereof, of (i) the fees or other remuneration due to the Directors, (ii) the fees and expenses of the Paying Agent and the Reference Agent incurred under the provisions of the Paying Agency Agreement, and (iii) the fees and expenses of the Issuer	
		(b) <i>second</i> , the Mezzanine Class B Notes, until fully redeemed, and, thereafter			
		(c) <i>third</i> , the excess (if any) to be applied as Notes Interest Available Amount			

- |   |   |
|---|---|
| <p>(b) <i>second</i>, in or towards satisfaction, <i>pari passu</i> and <i>pro rata</i>, according to the respective amounts thereof, of administration fees and expenses due and payable to the Issuer Administrator and the MPT Provider under the Issuer Services Agreement;</p>   | <p>(b) <i>second</i>, in or towards satisfaction of amounts, if any, due or accrued but unpaid under the Swap Agreement to the Swap Counterparty, but excluding any Swap Subordinated Amount and, for the avoidance of doubt, excluding any amount relating to Excess Swap Collateral or Tax Credits;</p> |
| <p>(c) <i>third</i>, in or towards satisfaction, <i>pari passu</i> and <i>pro rata</i>, according to the respective amounts thereof, (i) of any amounts due and payable to third parties under obligations incurred in the Issuer's business (other than under the Relevant Documents) and the fees and expenses of the Rating Agencies, the Security Trustee and any legal advisor, auditor and accountants appointed by the Issuer or the Security Trustee, (ii) fees and expenses due to the Paying Agent and the Reference Agent under the Paying Agency Agreement;</p> | <p>(c) <i>third</i>, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Senior Class A Notes;</p>   |
| <p>(d) <i>fourth</i>, in or towards satisfaction</p>  | <p>(d) <i>fourth</i>, in or towards satisfaction, <i>pari passu</i> and <i>pro rata</i>, according to the respective amounts thereof, of all amounts of principal and any other amount due but unpaid in respect of the Senior Class A Notes;</p>   |
|   | <p>(e) <i>fifth</i>, in or towards satisfaction of all amounts of interest due or interest accrued</p>  |

- of any sums required to be deposited on the Liquidity Reserve or, as the case may be, to replenish the Liquidity Reserve up to the amount of the Liquidity Reserve Target Level;
- (e) *fifth*, in or towards satisfaction, *pari passu* and *pro rata*, according to the respective amounts thereof, of amounts, if any, due or accrued but unpaid under the Swap Agreement to the Swap Counterparty but excluding any Swap Subordinated Amount and, for the avoidance of doubt, excluding any amount relating to Excess Swap Collateral and Tax Credit;
- (f) *sixth*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Senior Class A Notes;
- (g) *seventh*, in or towards making good any shortfall reflected in the Class A Principal Deficiency Ledger until the debit balance on the Class A Principal Deficiency Ledger is reduced to zero;
- but unpaid in respect of the Mezzanine Class B Notes;
- (f) *sixth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Mezzanine Class B Notes;
- (g) *seventh*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Subordinated Class C Notes;
- (h) *eight*, in or towards satisfaction of all Swap Subordinated Amounts due under the Swap Agreement to the Swap Counterparty;
- (i) *ninth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Subordinated Class C Notes;
- (j) *tenth*, in or towards satisfaction of interest due or accrued but unpaid

- (h) *eighth*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Mezzanine Class B Notes;
- (i) *ninth*, in or towards making good any shortfall reflected in the Class B Principal Deficiency Ledger until the debit balance on the Class B Principal Deficiency Ledger is reduced to zero;
- (j) *tenth*, in or towards satisfaction of any sums required to be deposited on the Reserve Amount or, as the case may be, to replenish the Reserve Amount up to the amount of the Reserve Amount Target Level;
- (k) *eleventh*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Subordinated Class C Notes;
- (l) *twelfth*, in or towards satisfaction to the Swap Counterparty of any Swap Subordinated Amount due under the Swap Agreement;
- on the Subordinated Loan;
- (k) *eleventh*, in or towards satisfaction of principal due but unpaid on the Subordinated Loan; and
- (l) *twelfth*, in or towards satisfaction of the Deferred Purchase Price Instalment to the Seller.

- (m) *thirteenth*, in or towards satisfaction of principal amounts due under the Subordinated Class C Notes but only if all principal amounts due under the Senior Class A Notes and to the Mezzanine Class B Notes have been fully redeemed;
- (n) *fourteenth*, in or towards interest due or interest accrued but unpaid on the Subordinated Loan;
- (o) *fifteenth*, if and to the extent all principal amounts due under the Senior Class A Notes, the Mezzanine Class B Notes and the Subordinated Class C Notes have been fully redeemed, in or towards principal due under but unpaid on the Subordinated Loan; and
- (p) *sixteenth*, in or towards satisfaction of a Deferred Purchase Price Instalment due and payable to the Seller.

General  
Structure

Credit

The general credit structure of the transaction includes, broadly speaking, the following elements:

- (a) Credit Support:

a Principal Deficiency Ledger will be established for each Class of Notes to record the notional principal losses corresponding to each Class of Notes in

reverse sequential order. Notes Interest Available Amounts will be applied in accordance with the relevant Priority of Payment to make up the relevant Principal Deficiency Ledger in sequential order. See further *Credit Structure, Issuer Services Agreement* and *Terms and Conditions of the Notes*;

availability of the Reserve Amount, funded by the Subordinated Class C Notes on the Closing Date in an amount equal to 1.2% of the aggregate Principal Amount Outstanding of the Senior Class A Notes and Mezzanine Class B Notes which will be replenished on each Quarterly Payment Date subject to the revenue priority of payments up to the Reserve Amount Target Level. The purpose of the Reserve Amount is to enable the Issuer to meet its payment obligations under items (a) up to and including (i) of the Interest Priority of Payments in the event of a shortfall of the Notes Interest Available Amount on a Quarterly Calculation Date before the application of funds drawn under the Liquidity Reserve. See further *Credit Structure*;

junior Classes of Notes will be subordinated to more senior Classes of Notes, thereby ensuring that available funds are applied (a) to the Senior A Class Notes in priority to the Mezzanine Class B Notes and the Subordinated Class C Notes and (b) to the Mezzanine Class B Notes in priority to the Subordinated Class C Notes. See further *Terms and Conditions of the Notes*;

availability to the Issuer of a Subordinated Loan in order to cover certain start-up costs and expenses provided by Bank of Scotland, Amsterdam Branch in its capacity as Subordinated Loan Provider. In respect of interest payments and principal repayments, the Subordinated Loan Provider will be subordinated to, *inter alia*, the Noteholders. The Subordinated Loan will not be repaid until the Notes have been redeemed in full;

(b) Liquidity Reserve:

availability of a Liquidity Reserve provided on the Reserve Account in an amount equal to 1.5% of the aggregate Principal Amount Outstanding of the Notes excluding the Subordinated Class C Notes on the Closing Date which may be used by the Issuer to cover payment obligations under items (a) up to and including (f) and item (h) of the Interest Priority of Payments in the event of a shortfall of the Notes Interest Available Amount on a Quarterly Calculation Date after the application of funds drawn under the Reserve Amount. See further *Credit Structure*;

(c) Hedging:

availability of a swap provided by the Swap Counterparty to hedge against the possible variance between (i) amounts determined by reference to the weighted average mortgage rate charged to borrowers of Mortgage Loans, and (ii) amounts determined by reference to the interest payable in respect of the Senior Class A Notes and the Mezzanine Class B Notes. See further *Credit Structure*;

(d) Ancillary Support:

availability of guaranteed investment rate provided by the GIC Provider in respect of monies held in the Transaction Accounts. See further *Credit Structure*.

Seller Accounts All payments made by the Borrowers under the Mortgage Loans are paid into the

**Portfolio Accounts**, i.e. the various (currently 25) bank accounts maintained by the Seller with the Seller Central Collection Account Provider, whereby each such account is linked to a particular mortgage distribution channel through which the related Mortgage Loans are originated. The Portfolio Accounts are handled by Stater on behalf of the Seller. The amounts received on the Portfolio Accounts are swept on a daily basis to the Seller Central Collection Account, maintained by the Seller with the Seller Central Collection Account Provider. For a discussion of the consequences of certain downgrades of the rating assigned to the Seller Central Collection Account Provider's short-term, unsecured, unsubordinated and unguaranteed debt obligations, see further *Credit Structure*.

Issuer Collection Account      The Issuer will maintain with the GIC Provider the Issuer Collection Account to which on the 19th calendar day (or, if such day is not a business day, the immediately following business day) of each month, *inter alia*, all amounts of interest and principal and other collections received under the Mortgage Loans will be transferred by the Seller, or by Stater on its behalf. For a discussion of the consequences of certain downgrades of the rating assigned to the short term unsecured, unsubordinated and unguaranteed debt obligations of the GIC Provider. See further *Credit Structure*.

Payments may be made from the Issuer Collection Account other than on a Quarterly Payment Date only to satisfy (a) amounts due to third parties (other than pursuant to the Relevant Documents) and payable in connection with the Issuer's business and (b) the Initial Purchase Price for New Mortgage Receivables on any Mortgage Payment Date.

Reserve Account/Reserve Amount      The Issuer will maintain with the GIC Provider the Reserve Account. The net proceeds of the Subordinated Class C Notes will be credited to the Reserve Account. The net proceeds of the Subordinated Class C Notes will at least be equal to (a) the Reserve Amount plus (b) the Liquidity Reserve. The proceeds relating to the Reserve Amount will be credited to the Reserve Amount Ledger and the proceeds relating to the Liquidity Reserve will be credited to the Liquidity Reserve Ledger. See further *Credit Structure*.

Savings Mortgage Sub-Participation      Not all Borrowers pay principal prior to maturity of the Mortgage Loan. Savings Mortgage Loans are connected to Savings Insurance Policies under which Borrowers pay savings premium on a monthly basis to the Savings Insurance Companies, who pass on the capital element of such premium to the Seller in exchange for an interest in the Savings Mortgage Loan. This way the Savings Insurance Companies build up their interests in the Savings Mortgage Loan over time and at maturity such interest is applied towards redemption of the Savings Mortgage Loans. In order to allow the Savings Insurance Companies to continue to build up their interests in the Savings Mortgage Loans upon Closing, the Issuer will enter into a savings mortgage sub-participation agreement (each a **Savings Mortgage Sub-Participation Agreement**) with each Savings Mortgage Participant. Under each such agreement the Issuer will grant to the relevant Savings Mortgage Participant a Savings Participation in the relevant Savings Mortgage Receivables in respect of which Borrowers have taken out a policy with such Savings Insurance Company (see further *Savings Mortgage Sub-Participation Agreement*).

Swap Agreement:      Borrowers will make payments under the Mortgage Loans in Euros. Some of the Mortgage Loans carry fixed rate of interest subject to a reset after a 1, 5, 6, 10, 15, 20, 25 or 30 year fixed interest rate period, while others carry a variable rate of interest subject to reset, if necessary, on a monthly basis. These interest rates do not necessarily match the floating rate of interest payable on the Notes.

The Issuer will enter into a swap agreement with the Swap Counterparty to hedge against the potential variance between (a) amounts determined by reference to the weighted average mortgage rate charged to borrowers of Mortgage Loans, and (b) amounts determined by reference to the interest payable in respect of the Senior Class A Notes and the Mezzanine Class B Notes.

The swap will be governed by an ISDA Master Agreement (including a schedule and a confirmation thereto).

Summary of key Swap Terms    The swap has the following key commercial terms:

Notional Amount:

In respect of a Mortgage Calculation Period, an amount in Euros equal to:

- (a) the aggregate Principal Amount Outstanding of the Senior Class A Notes and the Mezzanine Class B Notes on the first day of such Mortgage Calculation Period; less
- (b) the debit balance of the Principal Deficiency Ledger attributable to the Notes on the first day of such Mortgage Calculation Period; less
- (c) the amount of principal receipts in the Issuer Collection Account on the first day of such Mortgage Calculation Period received in connection with the Mortgage Loans.

Issuer payments:

If, in relation to any Quarterly Payment Date, the Mortgage Calculation Period Issuer Amount (as defined under the heading *Swap Agreement* below) for the relevant Floating Rate Interest Period exceeds the Mortgage Calculation Period Swap Provider Amount (as defined under the heading *Swap Agreement* below) for such Floating Rate Interest Period, the Issuer shall pay the amount of such excess to the Swap Counterparty on such Quarterly Payment Date.

Swap Counterparty payments:

If, in relation to any Quarterly Payment Date, the Mortgage Calculation Period Swap Provider Amount for the relevant Floating Rate Interest Period exceeds the Mortgage Calculation Period Issuer Amount for such Floating Rate Interest Period, the Swap Counterparty shall pay the amount of such excess to the Issuer on such Quarterly Payment Date.

Frequency of payment:

Quarterly payments.

See further *Swap Agreement*.

## TRIGGERS TABLES

### Rating Triggers Table

Transaction Party	Required Ratings	Contractual requirements on occurrence of breach of ratings trigger include the following:
<b>Swap Counterparty</b>	<p>(a) Short-term issuer default rating of at least F1 (or, if the relevant entity is on rating watch negative, F1+) by Fitch and short-term, unsecured and unsubordinated debt obligations rated at least P-1 by Moody's; and</p> <p>(b) Long-term issuer default rating of at least A (or if the relevant entity is on rating watch negative then at least a long-term rating of A+) by Fitch and long-term, unsecured and unsubordinated debt or counterparty obligations rated at least A2 by Moody's, or such other ratings that are consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Senior Class A Notes and Mezzanine Class B Notes.</p>	The consequences of breach include collateral posting, replacement of the Swap Counterparty or guarantee of the Swap Counterparty's obligations.
<b>GIC Provider</b>	<p>(a) Short-term issuer default rating of at least F1 (or, if the relevant entity is on rating watch negative, F1+) by Fitch and short-term, unsecured and unsubordinated debt obligations rated at least P-1 by Moody's and</p> <p>(b) Long-term issuer default rating of at least A (or if the relevant entity is on rating watch negative then at least a long-term rating of A+) by Fitch and A1 by Moody's, or such other ratings that are consistent with the then</p>	The consequences of breach are that the GIC Provider's appointment may be terminated by the Issuer (such termination being effective on a replacement account bank being appointed by the Issuer) or the GIC Provider may arrange a guarantee of its obligations.

Transaction Party	Required Ratings	Contractual requirements on occurrence of breach of ratings trigger include the following:
<b>Seller Central Collection Account Provider:</b>	<p data-bbox="526 318 893 555">published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Senior Class A Notes and Mezzanine Class B Notes.</p> <p data-bbox="430 593 893 862">(a) Short-term issuer default rating of at least F1 (or, if the relevant entity is on rating watch negative, F1+) by Fitch and short-term, unsecured and unsubordinated debt obligations rated at least P-1 by Moody's; and</p> <p data-bbox="430 900 893 1482">(b) long-term issuer default rating of at least A (or if the relevant entity is on rating watch negative then at least a long-term rating of A+) by Fitch and long-term, unsecured and unsubordinated debt obligations rated at least A1 by Moody's, or such other ratings that are consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Senior Class A Notes and Mezzanine Class B Notes.</p>	<p data-bbox="925 593 1444 1348">The consequences of breach are that the Seller will, within thirty (30) calendar days, in order to maintain the then current rating assigned to the Notes, either: (a) ensure that payments to be made in respect of amounts received on the Seller Central Collection Account relating to the Mortgage Receivables will be guaranteed by a party having at least the Requisite Rating, or (b) (i) open an escrow account in the name of the Issuer, for the Issuer's own account, with a party having at least the Requisite Rating and (ii) transfer to the escrow account an amount equal to the highest aggregate amount of principal, interest and prepayment penalties received since the Closing on the Issuer Collection Account during one Mortgage Calculation Period, or (c) implement any other actions to maintain the then current ratings assigned to the Senior Class A Notes and Mezzanine Class B Notes.</p>
<b>MPT Provider</b>	<p data-bbox="430 1523 893 1895">Long-term issuer default rating of at least BBB- (or if the relevant entity is on rating watch negative then at least a long-term rating of BBB) by Fitch and Baa3 by Moody's, or such other ratings that are consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Senior Class A Notes and Mezzanine Class B Notes.</p>	<p data-bbox="925 1523 1444 1653">The consequences of breach are that the MPT Provider's appointment will be terminated by the Issuer within 30 days and a Back-Up Servicer will be appointed.</p>

### Non-Rating Triggers Table

Nature of Trigger	Description of Trigger	Contractual requirements on occurrence of breach of trigger including the following:
Assignment Notification Event	Following the occurrence of an Assignment Notification Event (as defined below).	The assignment of the Mortgage Receivables from the Seller to the Issuer will be notified to the Borrowers upon the occurrence of an Assignment Notification Event (see further <i>Mortgage Receivables Purchase Agreement</i> ).
Servicer Termination Events	Following the occurrence of any Servicer Termination Events (as defined below).	Termination of appointment of the MPT Provider and/or the Issuer Administrator (see further <i>Issuer Services Agreement</i> ).
Sub MPT Termination Events	Following the occurrence of any Sub MPT Termination Events (as defined below).	Termination of appointment of the Sub MPT Provider (see further <i>Sub MPT Services Agreement</i> ).

## FEES

The following table sets out the ongoing fees to be paid by the Issuer to the transaction parties.

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
Servicing fees	Estimated at 0.07% per annum based on the aggregate Outstanding Principal Amount diminished by the Initial Savings Participation on the first day of the relevant Quarterly Calculation Period (inclusive of VAT)	Ahead of all outstanding Notes	Quarterly in arrears
Other fees and expenses of the Issuer	Estimated at €50,000 (exclusive of VAT)	Ahead of all outstanding Notes	Annually
Expenses related to the admission to trading of the Senior Class A Notes and Mazzanine Class B Notes	Estimated at €5,000 in total (exclusive of VAT)	N/A	On or about the Closing Date

## **RISK FACTORS**

*The following is an overview of all material risks specific to the issue of the Notes of which prospective Noteholders should be aware. Prospective Noteholders should read the detailed information set out elsewhere in this Prospectus.*

*Capitalised terms used but not defined in this section have the meanings given thereto elsewhere in this Prospectus.*

### **Liabilities under the Notes and Limited Recourse**

The Notes will be obligations of the Issuer only. The Notes will not be obligations of, nor the responsibility of, nor guaranteed by, any person other than the Issuer. In particular, the Notes will not be obligations of, or the responsibility of, or guaranteed by, any of Bank of Scotland, Bank of Scotland, Amsterdam Branch, any company in the same group of companies as Bank of Scotland or the Manager or any other party to the Relevant Documents, including the Arranger, the Security Trustee, Stichting Holding, the MPT Provider, the Sub MPT Provider, the Directors, the Swap Counterparty, the Life Insurance Companies, the Subordinated Loan Provider, the GIC Provider, the Paying Agent, the Reference Agent or the Listing Agent. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Bank of Scotland, Bank of Scotland, Amsterdam Branch, any company in the same group of companies as Bank of Scotland or the Manager or any other Party to the Relevant Documents, the Arranger, the Security Trustee, Stichting Holding, the MPT Provider, the Sub MPT Provider, the Directors, the Swap Counterparty, the Life Insurance Companies, the Savings Insurance Companies, the Subordinated Loan Provider, the GIC Provider, the Paying Agent, the Reference Agent or the Listing Agent.

The ability of the Issuer to meet its obligations to pay principal and interest on the Notes in full will be dependent on the receipt by it of funds under the Mortgage Receivables, the proceeds resulting from the (re)sale to the Seller or any third party of any Mortgage Receivables as provided in the Mortgage Receivables Purchase Agreement, the receipt by it of payments under the Swap Agreement and the receipt by it of interest in respect of the balances standing to the credit of the Transaction Accounts. See further *Credit Structure*. In addition, the Issuer will have available to it the balances standing to the credit of the Reserve Account, the Reserve Amount and the Liquidity Reserve for certain of its payment obligations.

If the security granted pursuant to the Pledge Agreements is enforced and the net proceeds of such enforcement, after payment of all other claims ranking in priority to amounts due under the Notes, are insufficient to repay in full all principal and interest and other amounts due in respect of the Notes, then, as the Issuer has no other assets, it may be unable to satisfy claims in respect of any such unpaid amounts. No Noteholder may proceed directly against the Issuer unless the Security Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing. Enforcement of the security pursuant to the terms of the Trust Deed, the Pledge Agreements, the Deed of Charge and the Notes is the only remedy of the Security Trustee against the Issuer for the purpose of recovering amounts owed in respect of the Notes.

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

## Risks inherent to the Notes

### (i) *Credit Risk*

There is a risk of non-payment of principal and/or interest on the Notes due to non-payment of principal and/or interest on the Mortgage Receivables. This risk is mitigated (a) in respect of the Senior Class A Notes by the subordinated ranking of each of the other Classes of Notes and (b) in respect of the Mezzanine Class B Notes, by the subordinated ranking of the Subordinated Class C Notes.

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

### (ii) *Prepayment Risk*

There is a risk that the average life of the Notes will be shorter or longer than anticipated. The maturity of the Notes of each relevant Class will depend on, among other things, the amount and timing of payment of principal (including full and partial prepayments, foreclosure proceeds on enforcement of the Mortgage Receivables, and repurchases by the Seller under the Mortgage Receivables Purchase Agreement) on the Mortgage Receivables. The average maturity of the Notes may be adversely affected by a higher or lower than anticipated rate of prepayments on the Mortgage Receivables.

The rate of prepayment of the Mortgage Loans cannot be predicted and is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing, local and regional economic conditions and homeowner mobility. No guarantee can be given as to the level of prepayment that the Mortgage Loans may experience, and variation in the rate of prepayments of principal on the Mortgage Loans may affect each Class of Notes differently. The estimated average lives of each Class of Notes must therefore be viewed with considerable caution and Noteholders should make their own assessment thereof.

The average life of the Notes will also depend on the extent to which the Issuer applies the Replenishment Available Amount to purchase New Mortgage Receivables or apply such amount (as Redemption Available Amount) towards redemption of the Notes (see further *Mortgage Receivables Purchase Agreement* below).

### (iii) *Liquidity Risk*

There is a risk of temporary liquidity problems if interest on the Mortgage Receivables is not received on time. This risk is mitigated by (i) the Reserve Amount and (ii) the Liquidity Reserve. The Liquidity Reserve and/or the Reserve Amount may not be sufficient to cover the entire shortfall of interest, in which case the Issuer may not have sufficient funds available to pay interest on all or some Classes of the Notes. Failure to pay interest on the Notes, other than the Senior Class A Notes does not constitute an Event of Default. See Condition 9(b).

### (iv) *Maturity Risk*

There is a risk that the Issuer will not have received sufficient principal to fully redeem the Notes on the relevant date(s) of redemption thereof. The ability of the Issuer to redeem all the Notes in full and to pay all amounts due to the Noteholders (including after the occurrence of an Event of Default), may depend upon whether the value of the Mortgage Receivables is sufficient to redeem

the Notes. There is not at present an active and liquid secondary market for loans with characteristics similar to the Mortgage Receivables in the Netherlands. It may not, therefore, be possible for the Issuer or, as the case may be, the Security Trustee or a receiver to sell the Mortgage Receivables on appropriate terms should such a course of action be required. See further *Risk Factors – Lack of liquidity in the secondary market may adversely affect the market value of the Notes*. In addition no guarantee can be given that the Issuer will exercise its option to redeem the Notes on any Optional Redemption Date.

(v) *Optional Redemption*

The Issuer will have the right to redeem the Notes on any Optional Redemption Date. However, no guarantee can be given that the Issuer will exercise such right. The exercise of such right will, *inter alia*, depend on the ability of the Issuer to have sufficient funds available to redeem the Notes, for example, through the sale of the Mortgage Receivables still outstanding at that time. The Issuer shall first offer such Mortgage Receivables for sale to the Seller. The purchase price of the Mortgage Receivables will be at least the Outstanding Principal Amount of the relevant Mortgage Receivable, together with accrued interest due but unpaid. However, there is no guarantee that such a purchase of the Mortgage Receivables at such or any other price will take place.

(vi) *Interest Rate Risk*

There is a risk that, due to a potential mismatch between the rates of interest on the Mortgage Loans and the floating rates applicable to the Notes, the interest received on the Mortgage Loans and the Transaction Accounts is not sufficient to pay the floating interest on the Notes. This risk is mitigated by the Swap Agreement (see further *Risk Factors – Swap Agreement*). The Noteholders are exposed to the interest rate risk, up to the difference between the interest received by the Issuer and the interest payable on the Notes, if for whatever reason, the Swap Counterparty defaults in respect of its obligations under the Swap Agreement or if the Swap Agreement is terminated prior to its scheduled termination date and not replaced in a timely manner on similar terms.

(vii) *Limited Liquidity of the Notes*

There is not, at present, any active and liquid secondary market for the Notes. There can be no assurance that a secondary market for the Notes will develop or, if a secondary market does develop, that it will provide Noteholders with liquidity of investment or that it will continue for the life of the Notes. To date, the Manager has not indicated that it intends to establish a secondary market in the Notes. A lack of liquidity may adversely affect the Noteholders ability to sell the Notes.

(viii) *Structured legal risks relating to underlying assets*

There is a risk that the Issuer will not have the (full) benefit of the security over the Mortgaged Assets, the Borrower Insurance Pledges and/or as assignee of the Beneficiary Rights. There is a risk a Borrower sets off amounts due to it by the Seller against its payment obligation under the Mortgage Loan. If a Borrower successfully invokes a right of set-off, the Seller is obliged to make good the shortfall. There is a risk that the Seller does not do so. In the event of a default by an Insurance Company under an Insurance Policy, there is a risk that the Issuer does not benefit from the Insurance Policy and/or that the Issuer may not be able to collect the Mortgage Receivables, whether in part or in full, as a result of set-off or other defences invoked by the Borrower. Should these risks materialise, the ability of the Issuer to perform its obligations under the Notes could be adversely affected. For a general discussion of these legal considerations see further the paragraphs *Security Rights, Set-off and Insurance Policies*.

***Lack of liquidity in the secondary market may adversely affect the market value of the Notes***

Limited liquidity in the secondary market for mortgage-backed securities 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 the Notes may not be able to sell its Notes readily. The market values of the Notes are likely to fluctuate. Any of these fluctuations may be significant and could result in significant losses to such investor.

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

***Implementation of and/or changes to the Basel II framework may affect the capital requirements and/or the liquidity of the Notes***

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 Notes for investors who are or may become subject to capital adequacy requirements that follow the framework.

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**), including new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions. In particular, the changes refer to, 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 leverage ratio as well as short-term and longer-term standards for funding liquidity (referred to as the Liquidity Coverage Ratio and the Net Stable Funding Ratio, respectively). Member countries will be required to implement the new capital standards from January 2013, the new Liquidity Coverage Ratio from January 2015 and the Net Stable Funding Ratio from January 2018. The European authorities have indicated that they support the work of the Basel Committee on the approved changes in general, and the European Commission's corresponding proposals to implement the changes (through amendments to the Capital Requirements Directive known as **CRD IV**) is expected to be presented in the summer of 2011. The changes approved by the Basel Committee may have an impact on the capital requirements in respect of the Notes and/or on incentives to hold the Notes 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 Notes.

In general, investors should consult their own advisers as to the regulatory capital requirements in respect of the Notes and as to the consequences to 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.

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

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in a raft of measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory capital charge to certain investors in securitisation exposures and/or the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such securities. Investors in the Notes are responsible for analysing their own regulatory position and none of the Issuer, the Manager or the Seller makes any representation to any prospective investor or purchaser of the Notes regarding the regulatory capital treatment of their investment on the Closing Date or at any time in the future.

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

Article 122a applies in respect of the Notes. Investors should therefore make themselves aware of the requirements of Article 122a, where applicable to them, in addition to any other regulatory requirements applicable to them with respect to their investment in the Notes. With respect to the commitment of the Seller to retain a material net economic interest in the securitisation as contemplated by Article 122a and with respect to the information made available by the Issuer (or, after the Closing Date, the MPT Provider or the Issuer Administrator on the Issuer's behalf) with respect to the Mortgage Loans and their related security (including the credit quality and performance, cashflows and supporting collateral), please see the statements set out on pages 3 and 77 of this Prospectus.

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

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

### **Eurosystem eligibility of the Senior Class A Notes**

The Senior Class A Notes are intended to be held in a manner which will allow Eurosystem eligibility. This does not necessarily mean that the Senior Class A Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. The Mezzanine Class B Notes and the Subordinated Class C Notes are not intended to be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem.

### **Notes in definitive form and denominations in integral multiples**

The Notes have a denomination consisting of a minimum authorised denomination of €100,000 plus higher integral multiples of €1,000. Accordingly, it is possible that the Notes may be traded in amounts in excess of the minimum authorised denomination that are not integral multiples of such denomination. In such a case, if Notes in definitive form are required to be issued, a Noteholder who holds a principal amount less than the minimum authorised denomination at the relevant time may not receive a Note in definitive form in respect of such holding and may need to purchase a principal amount of Notes such that their holding amounts to the minimum authorised denomination (or another relevant denomination amount).

If Notes in definitive form are issued, Noteholders should be aware that Notes in definitive form which have a denomination that is not an integral multiple of the minimum authorised denomination may be illiquid and difficult to trade.

## **No gross up for Taxes**

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

## **Risks of Losses Associated with Declining Property Values**

The security for the Notes created under the Pledge Agreement I may be affected by, among other things, a decline in the value of the Mortgaged Assets. No assurance can be given that values of the Mortgaged Assets have remained or will remain at the level at which they were at on the date of origination of the related Mortgage Loans. A decline in value of the Mortgaged Assets may adversely affect the ability of the Issuer to pay principal and/or interest on the Notes.

## **Reliance on Third Parties**

There is a risk that counterparties to the Issuer will not perform their obligations under the Relevant Documents, which may result in the Issuer not being able to meet its obligations. It should be noted that there is a risk that (a) Bank of Scotland, Amsterdam Branch in its capacity as Seller will not meet its obligations, (in connection with, for example, the repurchase obligation) and the MPT Provider, the Subordinated Loan Provider and the Swap Counterparty, will not meet their respective obligations *vis-à-vis* the Issuer; (b) Stater, as sub-agent of the MPT Provider, will not perform the MPT Services and the Defaulted Loan Services; (c) Arthur Cox Listing Services Limited as Listing Agent; (d) Citibank, London Branch as Paying Agent and Reference Agent; (e) Bank of Scotland London as GIC Provider will not perform its respective obligations under the Relevant Documents to which it is a party and (f) ATC Financial Services B.V. will not perform its obligations as Issuer Administrator under the Issuer Services Agreement and ATC Management B.V. will not perform its obligations as Director under the relevant Management Agreements and Amsterdamsch Trustee's Kantoor B.V. will not perform its obligations as Director under the relevant Management Agreement.

## **Payments made to the Seller prior to notification of the transfer of legal title to Mortgage Receivable**

Under Dutch law, assignment of the legal title of claims, such as the Mortgage Receivables, can be effectuated by means of a notarial deed or a registered deed of assignment, without notification of the assignment to the debtors being required. The legal ownership of the Mortgage Receivables will be transferred by the Seller to the Issuer through a registered deed of assignment at the Closing Date. The Mortgage Receivables Purchase Agreement will provide that such transfer of legal title will not be notified by the Seller or, as the case may be, the Issuer to the Borrowers except if any of the Notification Events occurs.

As a matter of Dutch law, until notification of the transfer of legal title has been made to the Borrowers, the Borrowers under the Mortgage Receivables can validly pay (*bevrijdend betalen*) the Seller. The Seller has undertaken in the Mortgage Receivables Purchase Agreement to pay the Issuer any amounts received from the Borrowers in respect of the Mortgage Receivables. However, receipt of such amounts by the Issuer is subject to the Seller actually making such payments. After notification of the assignment, a Borrower can only validly pay the Issuer.

Notification of the assignment can validly be made after insolvency of the Seller. See for a discussion of the consequences of an insolvency of the Seller under Scottish law the section below on *Insolvency analysis – Winding-up Directive*.

## Parallel Debt

Under Dutch law it is uncertain whether a security right can be validly created in favour of a party which is not the creditor of the claim which the security right purports to secure. Consequently, in order to secure the valid creation of the pledges in favour of the Security Trustee, the Issuer has in the Parallel Debt Agreement, as a separate and independent obligation, by way of parallel debt, undertaken to pay to the Security Trustee amounts equal to the amounts due by it to the Secured Parties (including the Noteholders) under or in connection with the Relevant Documents (including the Notes) to which the Issuer and such Secured Parties are a party. It is noted that no statutory law or case law is available on the validity or enforceability of a parallel covenant such as the Parallel Debt. However, the Issuer has been advised that the Parallel Debt creates a claim of the Security Trustee which can be validly secured by a right of pledge such as the rights of pledge created by the Pledge Agreement I and the Pledge Agreement II and the charge created by the Deed of Charge. The obligations of the Issuer to the Security Trustee under the Parallel Debt will be reduced with any amount paid by the Issuer to the Secured Parties.

## Insolvency analysis – Winding-up Directive

The European Directive on the reorganisation and winding up of credit institutions (Directive 2001/24/EC or the **Winding-up Directive**) of 4 April 2001 aims to ensure that the insolvency of a credit institution with branches in one or more EU member states other than its home member state is governed exclusively by one single winding-up procedure. The Winding-up Directive determines that as a rule, a credit institution shall be wound up exclusively in accordance with the laws applicable in its home member state. The Seller is a credit institution. Its home member state is the United Kingdom, being the member state in which it has been authorised in accordance with articles 4 and 11 of Directive 2000/12/EC relating to the taking up and pursuit of the business of credit institutions of 20 March 2000. The United Kingdom has implemented the Winding-up Directive in the form of The Credit Institutions (Reorganisation and Winding-up) Regulations 2004 (the **UK Winding-up Regulations**). Given that the Seller is incorporated in and has its headquarters in Scotland, any such winding-up or reorganisation proceedings should be governed by Scots law.

Subject to what is stated below, the Issuer has been advised that:

- (i) a transfer of legal title to the Mortgage Receivables prior to the commencement of the winding-up of the Seller or the Seller entering administration, bank administration, investment bank special administration or bank insolvency in Scotland would be recognised as legal, valid and binding by a Scottish court provided that such transfer would be legal, valid, binding and enforceable under Dutch law;
- (ii) in respect of amounts received by the Seller from the Borrowers after the commencement of the winding-up of the Seller or the Seller entering administration, bank administration, investment bank special administration or bank insolvency where legal title to the Mortgage Receivables has passed to the Issuer (and the Seller has no further rights or interest in the Mortgage Receivables) but prior to notification being given to the Borrowers, the Issuer should be entitled to claim such amounts in priority to any other creditors of the Seller although this point has not been tested in the Scottish courts;
- (iii) (for the avoidance of doubt) the commencement of the winding-up of the Seller or the Seller entering administration, bank administration, investment bank special administration or bank insolvency in Scotland would not affect the rights of pledge created over the Mortgage Receivables and the Life Beneficiary Rights by the Issuer in favour of the Security Trustee; and
- (iv) the commencement of the winding-up of the Seller or the Seller entering administration, bank administration, investment bank special administration or bank insolvency in Scotland would not affect the set-off analysis as set out below in *Risk Factors – Set-off*.

The question as to whom a Borrower can validly make payment under the Mortgage Loan is governed by Dutch law (the law governing the Mortgage Loans). As stated above, according to Dutch law the Borrower can continue to pay (*bevrijdend betalen*) the Seller after its insolvency until the Borrower has been notified of the transfer of legal title to the Mortgage Receivables to the Issuer.

As to (iv) above, regulation 28 of the UK Winding-up Regulations (implementing section 23 of the Winding-up Directive) states that a winding-up or administration shall not affect the rights of creditors to demand set-off of their counterclaim against the claims of the affected credit institution, if such set-off is permitted under the laws applicable to the affected credit institution's claim. Therefore, a Borrower would have the right to set off a counterclaim against the Seller's claim against that Borrower under the Mortgage Loan, if it has such a right under Dutch law as the law governing the Mortgage Loans. (See *Set-off* below). It is uncertain if the Borrower could, pursuant to the Winding-up Directive, invoke a right of set-off pursuant to Scots law, if Scots law had a more favourable set-off regime for the Borrower. However, in the event Scottish law was held to apply to the exercise of rights of set-off as between the Borrower and the Seller, the Borrower would have analogous rights to those set out in *Set-off* below.

The above observations are subject to Scottish rules relating to voidness, voidability or unenforceability of legal acts detrimental to all creditors. However, pursuant to the Winding-up Directive these rules will not apply where a person has benefited from a legal act detrimental to all creditors and provides proof that (i) that act is subject to the law of another member state and (ii) that law does not allow any means of challenging that act in the relevant case. Consequently, the relevant rules of Scots law relating to voidness, voidability or unenforceability of legal acts detrimental to all creditors would not apply to the Relevant Documents and the transactions contemplated thereby governed by Dutch law to the extent that such documents and transactions could not be contested under Dutch law.

### **Interest Reset Rights**

Under Dutch law, as a rule, all ancillary rights follow the receivables to which they are connected upon transfer of legal title to such receivable. Ancillary rights are described in article 6:142 Dutch Civil Code (DCC) by giving examples. The right to stipulate interest is mentioned as an example of an ancillary right, but the right to reset the interest rate is not referred to so there is a risk that the right to reset cannot be regarded as an ancillary right. However, the Issuer has been advised that the right to stipulate interest should be regarded as an ancillary right – and that it would hence follow the Mortgage Receivables upon transfer of legal title thereof to the Issuer – because the right to reset the interest rate should be considered as a right to further determine the content of the right to stipulate the interest rate.

The Seller has undertaken in the Mortgage Receivables Purchase Agreement to set the interest rate in respect of the Mortgage Receivables in accordance with the Mortgage Conditions (see *Mortgage Receivables Purchase Agreement*). As the transfer of legal title to the Mortgage Receivables will be effected on the Closing Date, it will do so as agent of the Issuer assuming such right to reset interest rates is an ancillary right.

### **Security Rights**

The Mortgage Receivables are secured by Bank Mortgages. Based upon case law, some Dutch legal commentators have assumed that a Bank Mortgage will only follow the receivable which it secures, if the relationship between the bank and the Borrower has been terminated in such a manner that, following the transfer, the bank cannot create or obtain new receivables against the Borrower.

However, based on the same case law, in recent legal literature the view has been defended that the Bank Mortgage will (partially) follow the receivable as an ancillary right upon assignment unless the intention of the mortgagee and mortgagor was to create a mortgage as a personal right (*persoonlijk recht*) which was granted only for the benefit of that particular mortgage. The Issuer has been advised that the latter view is correct. The wording of the relevant mortgage deed constitutes *prima facie* evidence of whether the intention

of the parties was to create the relevant Mortgage as a personal right, although it is not inconceivable that evidence to the contrary is brought forward. The above applies *mutatis mutandis* to the Borrower Pledges.

The forms of mortgage deed used by the Seller provide that in case of assignment of the Mortgage Receivable to a third party, the Mortgage will partially follow, *pro rata*, the receivable if it is assigned or pledged. This provision is a clear indication of the intentions of the parties in respect of assignment or pledge of the Mortgage Receivable. The Issuer has been advised that, if there are no circumstances which would have the result that the mortgage deed should be interpreted in any other manner, the existence of such provision in the mortgage deed will have the result that the Bank Mortgage will follow the Mortgage Receivable as an ancillary right upon assignment or pledge of the Mortgage Receivable, but there is no case law explicitly supporting this advice. It is noted that the forms of mortgage deed used by the Seller do not provide similar wording in respect of the Borrower Pledges, but given the provision in respect of the mortgage right discussed above one must assume in the absence of evidence to the contrary that the intention of the parties in respect of the Borrower Pledge was that the Borrower Pledge would, together with the Mortgage, follow the receivable upon assignment or pledge and not to create a personal right.

If the Mortgage and Borrower Pledge have (partially) followed the Mortgage Receivables upon their assignment, the Mortgage and Borrower Pledge would be co-held by the Issuer and the Seller and would secure both the Mortgage Receivables held by the Issuer (or the Security Trustee, as pledgee) and any claims against the relevant Borrowers owned by the Seller. In that case the rules applicable to co-ownership (*gemeenschap*) apply. The Dutch Civil Code provides for various mandatory rules which apply to such co-owned rights. In the Mortgage Receivables Purchase Agreement the Seller, the Issuer and the Security Trustee will agree that the Issuer and/or the Security Trustee (as applicable) will manage and administer such co-held rights. It is uncertain whether the foreclosure of the Bank Mortgage and Borrower Pledge will be considered as day-to-day management, and consequently, the consent of the Seller's bankruptcy trustee (in case of bankruptcy) or administrator (in case of suspension of payments) may be required for such foreclosure. The Seller, the Issuer and/or the Security Trustee (as applicable) will agree that in the event of foreclosure the share (*aandeel*) in each co-held Mortgage and Borrower Pledge of the Security Trustee and/or the Issuer will be equal to the Outstanding Principal Amount, increased with interest and costs, if any, and the Seller's share will be equal to the Net Proceeds less the Outstanding Principal Amount, increased with interest and costs, if any. It is uncertain whether this arrangement will be enforceable in the event of suspension of payments or bankruptcy of the Seller. In this respect it is agreed that in the event of a breach by the Seller of its obligations under these agreements or if any of such agreement is dissolved, void, nullified or ineffective for any reason in respect of the Seller, the Seller shall compensate the Issuer and/or the Security Trustee (as applicable) forthwith for any and all loss, cost, claim, damage and expense whatsoever which the Issuer and/or the Security Trustee (as applicable) incurs as a result thereof. Receipt of such amount by the Issuer and/or the Security Trustee is subject to the ability of the Seller to actually make such payments.

In order to mitigate the risk of the Issuer having to share the proceeds of a foreclosure with the Seller, the Seller will undertake in the Mortgage Receivables Purchase Agreement that, until the Notes have been redeemed in accordance with the Conditions and the Issuer has no further obligation under any of the other Relevant Documents, it shall not grant or acquire an Other Claim against a Borrower, which is/are secured by the Mortgage and Borrower Pledge, other than a Further Advance, provided that the Seller repurchases the relevant Mortgage Receivable on the immediately following Mortgage Payment Date after granting such Further Advance.

### **Fixed charges may take effect under English law as floating charges**

The law in England and Wales relating to the characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the Issuer (other than by way of assignment in security) may take effect under English law as floating charges only, if, for example, it is determined that the Trustee does not exert sufficient control over the secured property. If the charges take effect as floating charges instead of fixed

charges, then, as a matter of law, certain claims would have priority over the claims of the Trustee in respect of the floating charge assets.

The interest of the Secured Creditors in property and assets over which there is a floating charge will rank behind the expenses of any administration or liquidator and the claims of certain preferential creditors on enforcement of the Security. Section 250 of the Enterprise Act 2002 abolishes Crown Preference in relation to all insolvencies (and thus reduces the categories of preferential debts that are to be paid in priority to debts due to the holder of a floating charge) but Section 176A of the Insolvency Act requires a "prescribed part" (up to a maximum amount of £600,000) of the floating charge realisations available for distribution to be set aside to satisfy the claims of unsecured creditors. This means that the expenses of any administration, the claims of preferential creditors and the beneficiaries of the prescribed part will be paid out of the proceeds of enforcement of the floating charge ahead of amounts due to Noteholders. The prescribed part will not be relevant to property subject to a valid fixed security interest or to a situation in which there are no unsecured creditors.

### **Set-off – There is a risk that Borrowers may successfully invoke a right of set-off**

Under Dutch law a debtor has a right of set-off if it has a claim which corresponds to its debt to the same counterparty and it is entitled to pay his debt as well as to enforce payment of his claim. Subject to these requirements being met, each Borrower will be entitled to set-off amounts due by the Seller to it (if any) with amounts it owes in respect of the Mortgage Receivables prior to notification of the assignment of the Mortgage Receivables to the Issuer having been made. Such amounts due by the Seller to a Borrower could, *inter alia*, result from deposits made by a Borrower with the Seller. The Seller offers deposit accounts to customers in The Netherlands. As a result of the set-off the Mortgage Receivables will, partially or fully, be extinguished (*gaat teniet*) (up to the counterclaim of the Borrower). Set-off by Borrowers could thus lead to losses under the Notes.

The Mortgage Conditions applicable to the Mortgage Loans provide that payments by the Borrowers should be made without set-off. Although this clause is intended as a waiver by the Borrowers of their set-off rights *vis-à-vis* the Seller, under Dutch law it is uncertain whether such waiver will be valid. A provision in general conditions (such as the Mortgage Conditions) is voidable (*vernietigbaar*) if the provision is deemed to be unreasonably onerous (*onredelijk bezwarend*) for the party against whom the general conditions are used. A clause containing a waiver of set-off rights is, subject to proof to the contrary, assumed to be unreasonably onerous if the party, against which the general conditions are used, does not act in the conduct of its profession or trade (i.e. consumer). However, the fact that in the relationship with a consumer a provision (such as a waiver of set-off) is presumed to be unreasonably onerous may be relevant when determining whether such provision is also unreasonably onerous *vis-à-vis* a counterparty which is not a consumer, particularly when this counterparty resembles a consumer.

After notification of the assignment of the Mortgage Receivables to the Issuer, such Borrower will also have set-off rights *vis-à-vis* the Issuer, provided that the legal requirements for set-off are met and further provided that (i) the counterclaim of the Borrower results from the same legal relationship as the relevant Mortgage Receivable, or (ii) the counterclaim of the Borrower has been originated (*opgekomen*) and become due and payable (*opeisbaar*) prior to the assignment of the relevant Mortgage Receivable and notification thereof to the relevant Borrower. The above applies *mutatis mutandis* to the pledge of the Mortgage Receivables in favour of the Security Trustee.

If notification of the assignment of the relevant Mortgage Receivables is made after insolvency proceedings of the Seller, it has been argued in legal literature that the Borrower will, irrespective of the notification of the assignment, continue to have the broader set-off rights afforded to it in the Dutch Bankruptcy Code. Under the Bankruptcy Code a person which is both debtor and creditor of the bankrupt entity can set-off its debt with its claims, if each claim (i) came into existence prior to the moment at which the bankruptcy become effective or (ii) resulted from transactions with the bankrupt entity concluded prior to the bankruptcy becoming effective.

The Mortgage Receivables Purchase Agreement provides that if a Borrower sets off amounts due to him by the Seller against the relevant Mortgage Receivable and, as a consequence thereof, the Issuer does not receive the amount which it is entitled to receive in respect of such Mortgage Receivable, the Seller will pay to the Issuer an amount equal to the difference between the amount which the Issuer would have received in respect of the relevant Mortgage Receivable if no set-off had taken place and the amount actually received by the Issuer in respect of such Mortgage Receivable.

The Seller will represent and warrant in the Mortgage Receivables Purchase Agreement that it has no Other Claims. Furthermore, the Seller will covenant in the Mortgage Receivables Purchase Agreement that it will repurchase and accept re-assignment of a relevant Mortgage Receivable, if the Seller obtains or acquires an Other Claim, other than a Further Advance Receivable, provided that on the Quarterly Payment Date immediately following the date on which the relevant Further Advance has been granted to a Borrower, such Further Advance Receivable is either purchased by the Issuer or the relevant Mortgage Receivable is repurchased by the Seller, *vis-à-vis* the Borrower of such Mortgage Receivable on the Mortgage Payment Date immediately following the date on which such Other Claim is obtained.

Upon registration of the deed of assignment of the Mortgage Receivables, the Seller will no longer have the right to set off any amounts owed by the Seller to a Borrower against such Mortgage Receivable.

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

### **Insurance Policies**

The Life Mortgage Loans have the benefit of Life Insurance Policies. The Annuity Mortgage Loans and the Interest-only Mortgage Loans may have the benefit of Risk Insurance Policies. The Savings Mortgage Loans have the benefit of Savings Insurance Policies. Certain legal issues relating to the effects of the assignment of (i) the Life Mortgage Loans, (ii) any Annuity Mortgage Loans or Interest-only Mortgage Loans which have the benefit of Risk Insurance Policies and (iii) the Savings Mortgage Loans on the Insurance Policies are set out in this section. Investors should be aware that (i) the Issuer may not benefit from the Insurance Policies and/or (ii) the Issuer may not be able to recover any amounts from the Borrower in the event that the relevant Insurance Company defaults in its obligations, as further described in this section. As a consequence, the Issuer may not have a claim on the Borrower. In such case, the rights of the Security Trustee will be similarly affected.

### *Pledge*

In respect of the Borrower Insurance Pledge, the Issuer has been advised that it is probable that the right to receive payment, including the surrender value (*afkoopsom*), under the Insurance Policies will be regarded by a Netherlands court as a future right. The pledge of a future right under Dutch law is not effective if the pledgor is declared bankrupt or is granted a suspension of payments, prior to the moment such right comes into existence. This means that it is uncertain whether such Borrower Insurance Pledge will be effective. Besides this, since the Borrower Insurance Pledge secures the same liabilities as the Bank Mortgages, the observations on transfer of the Mortgage and Borrower Pledge made in *Security Rights* above apply equally to such right of pledge.

### *Appointment of Beneficiary*

The Mortgage Conditions provide that the Seller is authorised by the Borrower to appoint itself as first beneficiary (*eerste begunstigde*) under the Insurance Policies. The Seller has appointed itself in the Mortgage Deeds as first beneficiary, except that in certain cases another beneficiary will rank ahead of the Seller, provided that the Borrower Insurance Proceeds Instruction is given to the relevant Insurance Company.

It is unlikely that the Beneficiary Rights of the Seller will follow the Mortgage Receivables upon assignment or pledge thereof to the Issuer or the Security Trustee, as applicable. Therefore, the Seller will, to the extent

necessary and possible, assign and the Issuer will accept the assignment of the Beneficiary Rights. It is, however, uncertain whether the Beneficiary Rights can be assigned under Dutch law. If the Beneficiary Rights cannot be assigned, the assignment to the Issuer (and subsequently the pledge by the Issuer to the Security Trustee) will not be effective.

For the situation where the assignment and pledge of the Beneficiary Rights is not effective and no Borrower Insurance Proceeds Instruction exists, the Issuer and the Security Trustee will enter into the Beneficiary Waiver Agreement under which the Seller in respect of all Savings Mortgage Receivables, subject to the condition precedent of the occurrence of an Assignment Notification Event, waives or, as the case may be, undertakes to waive its rights as beneficiary under the Savings Insurance Policies with the Savings Insurance Companies and appoints or, as the case may be, undertakes to appoint (i) the Issuer as beneficiary subject to the dissolving condition (*ontbindende voorwaarde*) of the occurrence of a Pledge Notification Event relating to the Issuer and (ii) the Security Trustee as beneficiary under the condition precedent (*opschortende voorwaarde*) of the occurrence of a Pledge Notification Event relating to the Issuer. It is, however, uncertain whether such waiver and appointment will be effective. In view hereof and in respect of Life Insurance Policies or Risk Insurance Policies with any of the Life Insurance Companies, the Seller in respect of the Savings Mortgage Receivables and the Life Mortgage Receivables, will undertake to use its best efforts, following an Assignment Notification Event, to obtain the cooperation from all relevant parties (including the Life Insurance Companies) to (a) waive its rights as beneficiary and (b) appoint (i) the Issuer subject to the dissolving condition of a Pledge Notification Event relating to the Issuer and (ii) the Security Trustee under the condition precedent of the occurrence of a Pledge Notification Event relating to the Issuer as first beneficiary under the Insurance Policies. For the situation that a Borrower Insurance Proceeds Instruction exists, the Seller and the Savings Insurance Companies will in the Beneficiary Waiver Agreement undertake to use their best efforts, following an Assignment Notification Event to obtain the cooperation of all relevant parties to change the payment instruction in favour of (i) the Issuer subject to the dissolving condition of a Pledge Notification Event relating to the Issuer and (ii) the Security Trustee under the condition precedent of the occurrence of a Pledge Notification Event relating to the Issuer. It is uncertain whether such cooperation will be forthcoming.

If the Issuer or the Security Trustee, as the case may be, has not been validly appointed as beneficiary under the Insurance Policies and the assignment and/or pledge and the waiver of the Beneficiary Rights are not effective, any proceeds under the Insurance Policies will be payable to the Seller or to another beneficiary, instead of the Issuer or the Security Trustee, as the case may be. If the proceeds are paid to the Seller, the Seller will be obliged to pay the amount received to the Issuer or the Security Trustee, as the case may be. If the proceeds are paid to the Seller and the Seller does not pay the amount received to the Issuer or the Security Trustee, as the case may be, e.g. in the case of bankruptcy of the Seller, or if the proceeds are paid to another beneficiary instead of the Issuer or the Security Trustee, as the case may be, this may result in the amount paid under the Insurance Policies not being applied in reduction of the relevant Mortgage Receivable. This may lead to the Borrower invoking defences against the Issuer or the Security Trustee, as the case may be, for the amounts so received by the Seller as further discussed under *Set-off or Defences*, which may adversely affect payments on the Notes.

#### *Insolvency of Insurance Companies*

If any of the Insurance Companies is no longer able to meet its obligations under the Insurance Policies, e.g. if it is declared bankrupt or has become subject to emergency regulations, this could result in the amounts payable under the Insurance Policies either not, or only partly, being available for application in reduction of the relevant Mortgage Receivables. This may lead to the Borrowers trying to invoke set-off rights and defences as further discussed under *Set-off or Defences*.

#### *Set-off or Defences in respect of Insurance Policies*

If the amounts payable under the Insurance Policy are not applied in reduction of the Mortgage Receivable (see *Appointment of Beneficiary* and *Insolvency of Insurance Companies*), the Borrower may try to invoke a

right of set-off of the amount due by it under the Mortgage Receivable with amounts payable under or in connection with the Insurance Policy to it by the relevant Insurance Company.

The Mortgage Conditions provide for a contractual waiver by the Borrowers of their set-off rights. It is, however, uncertain whether such waiver is effective. If the waiver is not effective under Dutch law, the Borrowers will need to comply with the applicable legal statutory requirements in order to invoke a right of set-off. One of these requirements is that the Borrower should have a claim, which corresponds to his debt to the same counterparty.

In the case of the Mortgage Loans, the Insurance Policies are contracts between the relevant Insurance Company and the Borrowers on the one hand and the Mortgage Loans are contracts between the Seller and the Borrowers on the other hand. Therefore, in order to invoke a right of set-off, the Borrowers would have to establish that the Seller and the Insurance Companies should be regarded as one legal entity or, based upon interpretation of case law, that possibly set-off is allowed, even if the Seller and the relevant Insurance Company are not considered as one legal entity, since the relevant Insurance Policy and the Mortgage Loan are to be regarded as one interrelated relationship.

Second, the Borrowers must have a counterclaim. If the relevant Insurance Company is declared bankrupt or subject to emergency regulations, the Borrower will have the right to unilaterally terminate the Insurance Policy and to receive a surrender value (*afkoopsom*). These rights are subject to the Borrower Insurance Pledge and, therefore, it may be argued that the Borrower will on this basis not be entitled to invoke a right of set-off for the surrender value. However, apart from the right to terminate the Insurance Policies, the Borrowers are also likely to have the right to rescind the Insurance Policies and to claim restitution of premiums paid and/or supplementary damages. It is uncertain whether such claim is subject to the Borrower Insurance Pledge. If not, the Borrower Insurance Pledge would not obstruct a right of set-off with such claim by Borrowers.

Finally, set-off *vis-à-vis* the Issuer after notification of the assignment would be subject to the additional requirements for set-off being met (see *Set-off*). In the case of Savings Mortgage Loans and Life Mortgage Loans with the possibility of a Savings Element, such requirements are likely to be met, since the Savings Mortgage Loans and Life Mortgage Loans with the possibility of a Savings Element and the Savings Insurance Policies and the Life Insurance Policies with the possibility of a Savings Alternative are likely to be regarded as one and the same relationship, but in the case of Life Mortgage Loans (other than Life Mortgage Loans with the possibility of a Savings Element), this is unlikely. The fact that the Mortgage Receivable is assigned to the Issuer is not likely to interfere with such a set-off (see *Set-off*).

Even if the Borrowers cannot invoke a right of set-off, they may invoke defences *vis-à-vis* the Seller, the Issuer and/or the Security Trustee, as the case may be. The Borrowers could, *inter alia*, argue that (notwithstanding the waiver of set-off) it was the intention of the parties involved, or that the Borrowers could rightfully interpret the mortgage documentation and the promotional materials in such a manner, that the Mortgage Loan and the relevant Insurance Policy are to be regarded as one interrelated legal relationship and could, on this basis, claim a right of annulment or dissolution of the Mortgage Receivable or, alternatively, claim that the Mortgage Receivable would be (fully or partially) repaid by means of the proceeds of the Insurance Policy and that, failing such proceeds being so applied, the Borrower is not obliged to repay the (corresponding) part of the Mortgage Receivable. On the basis of similar reasoning, Borrowers could also argue that the Mortgage Loans and the Insurance Policy were entered into as a result of "error" (*dwaling*) or that it would be contrary to principles of reasonableness and fairness (*redelijkheid en billijkheid*) for the Borrower to be obliged to repay the Mortgage Loan to the extent that he has failed to receive the proceeds of the Insurance Policy.

In respect of Life Mortgage Loans with Life Insurance Policies between the Borrowers and any of the Life Insurance Companies other than Allianz, Cordares, Goudse, SRLEV and VVAA, the Issuer has been advised that the risk of such set-off or defences being honoured by a court taking into account the preceding paragraphs and in view of the factual circumstances involved, is remote, but cannot be disregarded (*niet*

*worden uitgesloten*). This view is based on the fact that (i) the relevant Life Insurance Companies and the Seller are not the same legal entity which means that the mutuality criteria is not met; (ii) the Life Insurance Companies do not form part of the same group to which the Seller belongs; (iii) the Seller has stated that there are no marketing ties between the Seller and Life Insurance Companies; (iv) the Life Mortgage Loans and the Life Insurance Policies are not sold as one package, i.e. the Borrowers have a choice in selecting the Life Insurance Company; and (v) there is no connection between the Mortgage Loan and the Insurance Policy other than the Borrower Pledge, Beneficiary Rights and the fact that a default by the Borrower under the Life Insurance Policy results in a default under the Life Mortgage Loan.

In respect of Life Mortgage Loans associated with a Life Insurance Policy entered into with Allianz, Cordares, Goudse, SRLEV or VVAA, the Issuer has been informed that such Life Mortgage Loans have been marketed in the relevant brochures under the name and label of the relevant Life Insurance Company as one product with the associated Life Insurance Policy, on behalf of the Seller. In respect of these Life Mortgage Loans, the Issuer has been advised that, given the closer link of these Life Mortgage Loans and Life Insurance Policies, the possibility can certainly not be disregarded (*de mogelijkheid kan zeker niet worden uitgesloten*) that in the event that the Borrowers cannot recover their claims under the associated Life Insurance Policies from the relevant Life Insurance Companies, the courts will honour set-off or defences invoked by the Borrowers, as described above.

The Mortgage Receivables where a Borrower invokes a right of set-off of amounts due by any Life Insurance Company is mitigated by the representation given by the Seller, under which representation the Seller undertakes to pay the Issuer an amount equal to the difference between the amount which the Issuer would have received in respect of the relevant Mortgage Receivable if no set-off had taken place and the amount actually received by the Issuer in respect of such Mortgage Receivable.

### **Risk related to the offering of Unit Linked Mortgage Loans**

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

In relation to investment insurance policies (*beleggingsverzekeringen*) a specific issue has arisen concerning the costs of these products. In 2006, the AFM issued a report on these products in which it concludes that these types of insurances are relatively expensive and that the information about costs is in many cases incomplete, inadequate and sometimes incorrect. This report was followed by a letter of the Minister of Finance and a report issued in December 2006 by an independent committee, the Committee De Ruiter, containing recommendations to the insurers to improve the information provided to customers. The Dutch Association of Insurers has in a public communication (a) underwritten the recommendations of the Committee De Ruiter, stating that it sees these as a logical step in the various steps which have in previous years been made to improve transparency and (b) said that insurers will (1) verify whether in the past in individual cases mistakes have been made and if so, correct these mistakes and (2) provide customers who hold an investment insurance policy with all relevant information regarding their insurance policy.

The Dutch Minister of Finance has informed Parliament (i) that the Dutch Government intends to stimulate a balanced approach for resolving complaints, to prevent a multitude of individual disputes before a complaint institute or in public courts, (ii) that the Financial Services Complaints Tribunal (*Klachteninstituut Financiële Dienstverlening*, and the Financial Services Ombudsman (the **Ombudsman**) and Dispute Commission (*Geschillencommissie*) active therein) is with the introduction of the Financial Supervision Act (*Wet op het financieel toezicht* or **Wft**), on 1 January 2007 the sole institute for out-of-court dispute resolution in connection with financial services and (iii) that such Ombudsman and Chairman have, at the request of the Dutch Minister of Finance, in the meantime proposed a balanced approach to deal with complaints which, if all parties co-operate, could accelerate a solution and could result in a compromise for an important number of cases in about six months time (starting 31 March 2007). The Dutch Association of Insurers have in the meantime agreed to such proposed balanced approach. In the press class actions have been announced against certain insurers and some civil law suits are pending. On 4 March 2008, the Ombudsman published a non-binding Recommendation on the dispute between private individuals who purchased unit-linked insurance products and the insurance companies associated with the Complaints Institute for Financial Services. The Ombudsman concluded that insurers in general have not provided sufficient transparency concerning the costs of unit-linked insurance products. This may, however, vary per insurer. He recommends insurers to compensate customers of unit-linked insurance products of which the costs over the duration of the policy is higher than 3.5% of the gross fund output at least for the incremental costs. If all parties would co-operate with these recommendations, this could accelerate a solution and could result in a compromise for an important number of cases. The Dutch Association of Insurers has in a public communication stated that insurance companies will take the recommendations made in the Recommendation seriously. On the basis of the Recommendation most insurance companies entered into a settlement agreement with *Stichting Verliespolis* and *Stichting Woekerpolis Claim* which provides for a further limitation of the costs charged in unit-linked insurance policies. Notwithstanding this settlement, the national debate about this matter is still continuing. More specific, it is questioned whether the settlement is acceptable to the customers. This may stimulate consumers to file claims against the insurance companies to compensate for the costs charged and/or to dissolve or terminate the insurance policies taken out with such insurance companies.

If Unit Linked Mortgage Loans would for the reasons described in this paragraph be dissolved or terminated, this will affect the collateral granted to secure these Mortgage Loans (the Borrower Insurance Pledges and the Beneficiary Rights would cease to exist). The Issuer has been advised that, depending on the particular circumstances involved, in such case the Mortgage Loans connected thereto can possibly also be dissolved or nullified, but that this will be different depending on the particular circumstances involved. Even if the Mortgage Loan is not affected, the Borrower/insured may invoke set-off or other defences against the Issuer. In this respect it is noted that no actions have been announced against offerors of mortgage loans to which such investment insurance policies are connected. The analysis in that situation is similar to the situation in case of insolvency of the insurer, except if the Seller is itself liable, whether jointly with the insurer or separately, *vis-à-vis* the Borrower/insured. In this situation, which may depend on the involvement of the Seller in the marketing and sale of the insurance policy, set-off or defences against the Issuer could be invoked, which will probably only become relevant if the insurer and/or the Seller will not indemnify the Borrower. Any such set-off or defences may lead to losses under the Notes.

### **Set-off or defences regarding Savings Mortgage Loans**

In respect of Savings Mortgage Loans in case the Borrower/insured will not be able to recover their claims under such policies, the Issuer has been advised that the risk that such a set-off or defence would be successful is greater than in the case of the Life Mortgage in view of, *inter alia*, the close connection between the Savings Mortgage Loans and the Savings Insurance Policy and, therefore, constitutes a considerable risk (*een aanmerkelijk risico*).

The Savings Mortgage Sub-Participation Agreement will provide that in the case of set-off or defences by Borrowers, including but not limited to a right of set-off or defence based upon a default in the performance by the relevant Savings Insurance Company of its obligations under the relevant Savings Insurance Policy

where, as a consequence thereof, the Issuer will not have received any amount due and outstanding, the relevant Savings Participation of the relevant Savings Insurance Company will be reduced by an amount equal to the amount which the Issuer has failed to receive as a result of such set-off or defence. The amount of the Savings Participation is equal to the amount of Savings Premia received by the Issuer plus the accrued yield on such amount (see *Savings Mortgage Sub-Participation Agreement*), provided that each Savings Insurance Company will have paid all Savings Premia received from the relevant Borrowers to the Issuer. Therefore, normally the Issuer would not suffer any damages if the Borrower would invoke any such right of set-off or defence, if and to the extent that the amount for which the Borrower would invoke set-off or defences does not exceed the amount of the Savings Participation. The amount for which the Borrower can invoke set-off or defences may, depending on the circumstances, exceed the amount of the Savings Participation. The Savings Mortgage Sub-Participation Agreement does not apply to Life Mortgage Loans to which a Life Insurance Policy with the Unit-Linked Alternative is connected.

### **Financial Supervision Act**

Under the Financial Supervision Act, a special purpose vehicle, such as the Issuer, which acquires legal title to loans granted to consumers and which services (*beheert*) and administers (*uitvoert*) such loans, must have a licence under the Wft. An exemption from the licence requirement is available, if the special purpose vehicle outsources the servicing of the loans and the administration thereof to an entity holding a licence under the Wft. The Issuer has outsourced the servicing and administration of the Mortgage Loans to the MPT Provider. The MPT Provider is authorised to perform the activities under the Financial Supervision Act. If the Issuer Services Agreement is terminated, the Issuer will need to outsource the servicing and administration of the Mortgage Loans to another entity, which must have a licence under the Financial Supervision Act, to avoid violation of the Financial Supervision Act.

### **Long lease**

The mortgage rights securing the Mortgage Loans may be vested on a long lease (*erfpacht*).

A long lease will, *inter alia*, end as a result of expiration of the long lease term (in the case of 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. If 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 right of pledge on the claim of the (former) leaseholder on the landowner for such compensation. The amount of the compensation will, *inter alia*, be determined by the conditions of the long lease and may be less than the market value of the long lease.

Pursuant to the Mortgage Conditions, the Mortgage Loan can be accelerated if the long lease terminates or if the lease holder breaches the conditions of the leasehold.

### **Payments on the Mortgage Receivables**

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

### **NHG Guarantee**

Some Mortgage Loans will have the benefit of an NHG Guarantee. Pursuant to the terms and conditions (*voorwaarden en normen*) of the NHG Guarantee, the '*Stichting Waarborgfonds Eigen Woningen*' (**WEW**) has no obligation to pay any loss (in whole or in part) incurred by a lender after a private or a forced sale of

the mortgaged property if such lender has not complied with the terms and conditions of the NHG Guarantee. The Seller will on the Closing Date represent and warrant that (i) each NHG Guarantee connected to a Mortgage Loan constitutes legal, valid and binding obligations of the WEW, enforceable in accordance with its terms, (ii) all terms and conditions applicable to the NHG Guarantee at the time of origination of the Mortgage Loan were complied with and (iii) the Seller is not aware of any reason why any claim under any NHG Guarantee should not be met according to the NHG Criteria as set out by the WEW from time to time and in a timely matter.

Furthermore, the terms and conditions of the NHG Guarantee stipulate that the NHG Guarantee of the WEW will terminate upon expiry of a period of thirty years after the establishment of the NHG Guarantee. Since part of the NHG Mortgage Loans will have a maturity date which falls after the expiry date of the relevant NHG Guarantee, this will result in the Issuer not being able to claim for payment with the WEW of a loss incurred after the term of the NHG Guarantee has expired.

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

See, for a more detailed description of the NHG Guarantees, *NHG Guarantee Programme*.

### **Support of WEW by the State of the Netherlands**

The rating of the Senior Class A Notes and Mezzanine Class B Notes by the Rating Agencies takes into account the NHG Guarantee granted in connection with some of the Mortgage Loans. The WEW is supported by the State of the Netherlands (see *NHG Guarantee Programme*). In the event that the Rating Agencies review their opinion on the strength of the support of the Netherlands State for WEW, this will result in a review by the Rating Agencies of the Senior Class A Notes and Mezzanine Class B Notes and could potentially result in a corresponding downgrade of the Senior Class A Notes and Mezzanine Class B Notes.

### **Swap Agreement**

The amount of revenue receipts that the Issuer receives will fluctuate according to the interest rates applicable to the Mortgage Loans. The Issuer will be subject to floating rate interest obligations under the Notes while approximately 86% of Mortgage Loans sold and assigned to the Issuer on the Closing Date are subject to a fixed rate of interest subject to a reset after a 1, 5, 6, 10, 15, 20, 25, or 30 year fixed interest rate period and others are subject to a variable rate of interest that is reset if necessary on a monthly basis.

In order to hedge the Issuer's exposure against the possible variance between (i) amounts determined by reference to the weighted average mortgage rate charged to borrowers of Mortgage Loans, and (ii) amounts determined by reference to the interest payable in respect of the Senior Class A Notes and the Mezzanine Class B Notes, and thereby limit the adverse impact of such mismatch on the ability of the Issuer to make payments on the Notes, the Issuer will enter into a Swap Agreement with the Swap Counterparty on or around the Closing Date.

The Swap Counterparty and the Issuer will be obliged to make payments under the Swap Agreement without any withholding or deduction of taxes, unless required by law. If any such withholding or deduction is required by law, the Swap Counterparty will be required to pay such additional amount as is necessary to ensure that the net amount actually received by the Issuer will equal the full amount that the Issuer would have received had no such withholding or deduction been required and the Issuer will not be required to pay such additional amount. The Swap Agreement will provide, however, that if due to any change in tax law, on

or after the date of the transaction forming part of the Swap Agreement, the Swap Counterparty will, or there is a substantial likelihood that it will, be required to pay to the Issuer additional amounts for or on account of tax (a **Tax Event**), the Swap Counterparty may (with the consent of the Issuer) transfer its rights and obligations to another of its offices, branches or affiliates to avoid the relevant Tax Event.

Unless the Swap Counterparty has caused the Swap Agreement to terminate by its own default or as a result of failing to take action as required under the Swap Agreement following the occurrence of a rating downgrade with respect to certain debt obligations of the Swap Counterparty, any payment or termination payment due to be paid by the Issuer under the provisions of the Swap Agreement will generally rank in priority to payments of interest due and payable on the Notes.

In the event that the Swap Counterparty does not make any payment when due under the Swap Agreement, this will result in a reduction in the funds available to the Issuer to make payments to the Noteholders.

If the Swap Agreement is terminated, the Issuer may be required to pay a termination payment to the Swap Counterparty under the Swap Agreement calculated by reference to the cost of entering into a replacement swap upon early termination of the transaction forming part of the Swap Agreement pursuant to the terms thereof. To the extent that such payment is required, this would reduce the funds available to the Issuer to make payments to the Noteholders. There can be no assurance that the Issuer will have sufficient funds available to pay any termination payment it is required to pay under the Swap Agreement or that the Issuer will have sufficient funds to make subsequent payments to the Noteholders in respect of the Notes.

Any termination payment due to the Swap Counterparty, however, which arises due to (i) a default by the Swap Counterparty or (ii) the failure of the Swap Counterparty to comply with the requirements under the Swap Agreement following the loss of the Requisite Rating, shall not rank in priority to payments due to any Noteholder (but to the extent that any premium is received by the Issuer from a replacement swap counterparty in relation to a transaction entered into to replace the Swap Agreement, such premium will be available to the Issuer to pay any termination payment due to the Swap Counterparty in effective priority to payments due to any Noteholder).

If either (i) the Swap Counterparty defaults in respect of its obligations under the Swap Agreement and that results in a termination of the swap transaction forming part of the Swap Agreement, or (ii) the swap transaction terminates due to the occurrence of a termination event or an Issuer default under the Swap Agreement, and, in, either case, the Issuer is unable to enter into a replacement swap transaction with another appropriately rated entity, this may result in a downgrade of the rating of the Notes and may reduce the amount of funds available to make payments on the Notes. In addition, if the Issuer fails to enter into such replacement arrangement then the Issuer will have no hedge against the potential variance between (a) amounts determined by reference to the weighted average mortgage rate charged to borrowers of Mortgage Loans, and (b) amounts determined by reference to the interest payable in respect of the Senior Class A Notes and the Mezzanine Class B Notes. This may in turn reduce the amount of funds available to the Issuer to make payments in respect of the Notes.

Following the occurrence of a rating downgrade with respect to certain debt obligations of the Swap Counterparty, the Swap Counterparty will, in accordance with the terms of the Swap Agreement, be required to elect to take certain remedial measures within the time frame stipulated in the Swap Agreement which may include providing collateral for its obligations under the Swap Agreement, arranging for its obligations under the Swap Agreement to be transferred to another appropriately rated entity, procuring another appropriately rated entity to become co-obligor or guarantor, as applicable, in respect of its obligations under the Swap Agreement or taking such other action that would result in the rating agencies maintaining the then current rating of the Notes or restoring the rating of the Notes to the level it was at prior to the rating downgrade. No assurance can be given that, at the time that such actions are required, sufficient collateral will be available to the Swap Counterparty or that another appropriately rated entity will be available to become a transferee, co-obligor or guarantor.

## **Contractual Priorities of Payments**

The validity of contractual priorities of payments such as those contemplated in this transaction has been challenged in the English and U.S. courts. The hearings have arisen due to the insolvency of a secured creditor (in that case a swap counterparty) and have considered whether such payment priorities breach the "anti-deprivation" principle under English and U.S. insolvency law. This principle prevents a party from agreeing to a provision that deprives its creditors of an asset upon its insolvency. It was argued that where a secured creditor subordinates itself to noteholders in the event of its insolvency, that secured creditor effectively deprives its own creditors. The Court of Appeal in *Perpetual Trustee Co Ltd v BNY Corporate Trustee Services Ltd*, dismissed this argument and upheld the validity of similar priorities of payment, stating that the anti-deprivation principle was not breached by such provisions.

In parallel proceedings in New York, Judge Peck of the U.S. Bankruptcy Court for the Southern District of New York granted Lehman Brothers Special Finance Inc.'s motion for summary judgement on the basis that the effect was that the provisions do infringe the anti-deprivation principle in a U.S. insolvency. Judge Peck acknowledged that this resulted in the U.S. courts coming to a decision "directly at odds with the judgement of the English Courts". The English Supreme Court granted leave to appeal the Court of Appeal's decision. In New York, however, whilst leave to appeal was granted, the case was settled before an appeal was heard. Notwithstanding the New York settlement, the appeal by one of the appellants, Lehman Brothers Special Financing Inc., against two of the respondents, Belmont Park Investments Pty and BNY Corporate Trustee Services Ltd. in the English courts was heard in early March 2011 and the judgement is awaited. Therefore concerns still remain that the English and U.S. courts will diverge in their approach which, in the case of an unfavourable decision either in England or New York, may adversely affect the Issuer's ability to make payments on the Notes. Given the current state of U.S. and English law, this is likely to be an area of continued judicial focus particularly in respect of multi-jurisdictional insolvencies.

## **Amendments to the Swap Agreement**

The Security Trustee and the Issuer consent to amendments to the Swap Agreement which are made to implement revised swap counterparty criteria used by the Rating Agencies, in circumstances where it is expected that the then current ratings of the Notes would not be adversely affected by such amendment, provided that such consent may be withheld if either the Security Trustee or the Issuer determines that such amendments impose more onerous obligations upon it.

If the parties consent to an amendment of the Swap Agreement in the circumstances described in the preceding paragraph there can be no assurance that the effect of such amendments to the Swap Agreement will not adversely affect the interests of Noteholders. Conversely, if in such circumstances the Security Trustee and/or the Issuer withhold their respective consent to the amendments described in the preceding paragraph, the failure to implement such amendments may have an adverse impact on the ratings of the Notes and on the interests of the Noteholders under the Notes.

## **European Union Directive on the taxation of savings**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

The Netherlands has adopted legislation implementing the substantive provisions of the Directive. These provisions came into force on 1 July 2005. As of this date, an individual Noteholder who is resident in an EU Member State other than the Netherlands may become subject to the automatic supply of information to the Member State in which the individual is resident with regard to interest payments made by (or in certain cases, to) paying agents established in the Netherlands.

Prospective Noteholders who are in any doubt as to their position should consult their professional advisers.

### **Change of law**

The structure of the issue of the Notes and the ratings which are to be assigned to them are based on Dutch law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change in Dutch law or administrative practice in the Netherlands after the date of this Prospectus nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Notes.

### **Reduced value of investments**

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

In addition, if the value of the investments made by the Life Insurance Companies in connection with the Life Insurance Policies with the Unit-Linked Alternative has declined considerably, a Borrower may invoke set-off or defences against the Issuer arguing that he has not been properly informed of the risks involved in the investments. The merits of any such claim will, to a large extent, depend on the manner in which the Unit Linked Alternative has been marketed and the promotional material provided to the Borrower.

### **Loan-to-Market Value Ratio**

Mortgage Loans have an LTFV Ratio of up to 125%, NHG Mortgage Loans have an LTFV ratio of up to 150% (see *Description of the Mortgage Loans*).

The appraised Foreclosure Value (*executiewaarde*) of the Mortgaged Assets is approximately 85% to 90% of the market value (*vrije verkoopwaarde*). NHG Mortgage Loans may have a loan to market value ratio of well above 110% of the loan to market value. The loan to market value (*vrije verkoopwaarde*) ratio for the Mortgage Loans is up to approximately 110%. There can be no assurance that, on enforcement, all amounts owing by a Borrower under a Mortgage Loan can be recovered from the proceeds of the foreclosure on a Mortgaged Asset. A Bank of Scotland Standard Mortgage Loan or Bank of Scotland Budget Mortgage Loan exceeding a certain percentage of the Foreclosure Value must have a Life Insurance Policy or, in case of an Annuity Mortgage Loan, a Risk Insurance Policy in respect of the excess of the Foreclosure Value (see *Description of the Mortgage Loans*). NHG Mortgage Loans exceeding 50% of the Market Value must have a Life Insurance Policy or, in case of an Annuity Mortgage Loan, a Risk Insurance Policy in respect of the excess of the Market Value (see *Description of the Mortgage Loans*).

### **Prepayment Considerations**

The maturity of the Notes of each relevant Class will depend on, among other things, the amount and timing of payments of principal (including full and partial prepayments, foreclosure proceeds on enforcement of Mortgage Receivables, and repurchases by the Seller under the Mortgage Receivables Purchase Agreement and the consideration for granting a Savings Participation) on the Mortgage Receivables. The average maturity of the Notes may be adversely affected by a higher or lower than anticipated rate of prepayments on the Mortgage Receivables.

The rate of prepayment of the Mortgage Loans cannot be predicted and is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing, local and regional economic conditions and homeowner mobility. No guarantee can be given as to the level of prepayment that the Mortgage Loans may experience, and variation in the rate of prepayments of principal on the Mortgage Loans may affect each Class of Notes differently. The estimated average lives of each Class of Notes must therefore be viewed with considerable caution, and Noteholders should make their own assessment thereof.

### **Subordination of the Mezzanine Class B Notes and the Subordinated Class C Notes**

To the extent set forth in Conditions 4, 6 and 9, the Mezzanine Class B Notes and Subordinated Class C Notes are subordinated in right of payment to the Senior Class A Notes. Such subordination is designed to provide credit enhancement to Senior Class A Notes.

If, upon default by the Borrowers and after exercise by the MPT Provider of all available remedies in respect of the applicable Mortgage Receivables, the Issuer does not receive the full amount due from such Borrowers, Noteholders shall receive by way of principal repayment on the Notes an amount less than the face amount of their Notes and the Issuer shall be unable to pay in full interest due on the Notes, to the extent set forth in Condition 9. On any Quarterly Payment Date, any such losses on the Mortgage Receivables will be allocated as described in *Credit Structure*.

### **Payments on the Mortgage Receivables**

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

### **Limited Liquidity of the Mortgage Receivables**

The ability of the Issuer to redeem all the Notes in full and to pay all amounts due to the Noteholders, including after the occurrence of an Event of Default, may depend upon whether the value of the Mortgage Receivables is sufficient to redeem the Notes. There is not at present an active and liquid secondary market for loans with characteristics similar to the Mortgage Receivables in the Netherlands. It may not, therefore, be possible for the Issuer or, as the case may be, the Security Trustee or a liquidator to sell the Mortgage Receivables on appropriate terms should such a course of action be required.

### **Forecasts and Estimates**

Forecasts and estimates in this Prospectus are forward looking statements. Such forward looking statements 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 forward looking statements and such differences might be significant.

### **Rating of the Senior Class A Notes and Mezzanine Class B Notes**

The rating of the Senior Class A Notes addresses the assessment made by the Rating Agencies of the likelihood of full and timely payment of interest and ultimate payment of principal on or before the Final Maturity Date.

The ratings assigned by Fitch on the Mezzanine Class B Notes address the likelihood of timely payment of interest and ultimate payment of principal before or by the legal final maturity date. The ratings assigned by Moody's address the expected loss to a Noteholder in proportion to the initial principal amount of the class of

Notes held by the Noteholder by the Final Maturity Date. In Moody's opinion, the structure allows for timely payment of interest and principal at par at the Final Maturity Date.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the Rating Agencies if in their judgement, the circumstances (including a reduction in the credit rating of the GIC Provider or the Swap Counterparty) so require.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such 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). Certain information with respect to the credit rating agencies and ratings is set out on the front page and in the *Transaction Summary* section of this Prospectus.

### **Banking Act 2009**

If an instrument or order were to be made under the Banking Act 2009 (the **Banking Act**) in respect of a UK-incorporated institution with permission to accept deposits pursuant to Part IV of the Financial Services and Markets Act 2000 (**FSMA**) (such as the Seller, MPT Provider, Subordinated Loan Provider, Swap Counterparty and GIC Provider) (each a "relevant entity"), such instrument or order may, among other things, affect the ability of such entities to satisfy their obligations under the Transaction Documents and/or result in modifications to such documents. In particular, modifications may be made pursuant to powers permitting certain trust arrangements to be removed or modified and/or via powers which permit provision to be included in an instrument or order such that the relevant instrument or order (and certain related events) is required to be disregarded in determining whether certain widely defined "default events" have occurred which events would include certain trigger events included in the Transaction Documents in respect of the relevant entity, including termination events. As a result, the making of an instrument or order in respect of a relevant entity may affect the ability of the Issuer to meet its obligations in respect of the Notes and may result in a change in the contractual terms applicable to the Notes without the consent of the Noteholders. While there is provision for compensation in certain circumstances under the Banking Act, there can be no assurance that Noteholders would recover compensation promptly and equal to any loss actually incurred. As at the date of this Prospectus, none of the HM Treasury, the Bank of England or the UK Financial Services Authority (the **FSA** and, together with HM Treasury and the Bank of England, the **Authorities**) have made an instrument or order under the Banking Act in respect of the relevant entities referred to above and there has been no indication that the Authorities will make any such instrument or order, but there can be no assurance that this will not change and/or that Noteholders will not be adversely affected by any such instrument or order if made.

### **Legal and Regulatory risks relating to Lloyds Banking Group and Bank of Scotland Group**

*Lloyds Banking Group's businesses are subject to substantial regulation and regulatory and governmental oversight. Adverse regulatory developments or changes in government policy could have a significant material adverse effect on Lloyds Banking Group's operating results, financial condition and prospects.*

Lloyds Banking Group's businesses are subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations in the UK and the other markets where it operates. This is particularly the case in the current market environment, which is witnessing increased levels of government and regulatory intervention in the banking sector, which Lloyds Banking Group expects to continue for the foreseeable future. The UK Government, the FSA and other regulators in the UK, the European Union or overseas may intervene further

in relation to areas of industry risk already identified, or in new areas, which could adversely affect Lloyds Banking Group. Future changes are difficult to predict and could materially adversely affect Lloyds Banking Group's business. Future changes in regulation, fiscal or other policies are unpredictable and beyond the control of Lloyds Banking Group and could materially adversely affect the Lloyds Banking Group's businesses.

Areas where changes could have an adverse impact include, but are not limited to:

- (i) general changes in government, central bank or regulatory policy, or changes in regulatory regimes that may influence investor decisions in particular markets in which Lloyds Banking Group operates, which may change the structure of those markets and the products offered or may increase the costs of doing business in those markets;
- (ii) external bodies applying or interpreting standards or laws differently to those applied by Lloyds Banking Group;
- (iii) changes in competition and pricing environments;
- (iv) further developments in requirements relating to financial reporting, corporate governance, conduct of business and employee compensation; and
- (v) expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership.

Lloyds Banking Group faces increased political and regulatory scrutiny as a result of Lloyds Banking Group's perceived size and systemic importance following the acquisition of HBOS plc and its subsidiary and associated undertakings (the **HBOS Group**). Such scrutiny may focus on, or include review of, the historical operations of the HBOS Group as well as the characteristics of the enlarged Lloyds Banking Group. In clearing the acquisition of the HBOS Group without a reference to the UK Competition Commission, the Secretary of State noted that there were some competition concerns identified by the OFT in the markets for personal current accounts and mortgages in Great Britain and the market for SME banking in Scotland. The OFT has also reiterated that it will consider whether to refer any banking markets to the Competition Commission if it identifies any prevention, restriction or distortion of competition.

Compliance with any changes in regulation or with any regulatory intervention resulting from political or regulatory scrutiny may significantly increase Lloyds Banking Group's costs, impede the efficiency of their internal business processes, limit their ability to pursue business opportunities, or diminish their reputation. Any of these consequences could have a material adverse effect on Lloyds Banking Group's operating results, financial condition and prospects.

From April 2011, the FSA is commencing an internal reorganisation as a first step in a process towards the formal transition of regulatory and supervisory powers from the FSA to the new Financial Conduct Authority (FCA) for conduct of business supervision and the Prudential Regulatory Authority (PRA) for capital and liquidity supervision in 2012. Until this time the responsibility for regulating and supervising the activities of the Lloyds Banking Group and its subsidiaries will remain with the FSA. In addition, from 2011, the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority as new EU Supervisory Authorities are likely to have greater influence on regulatory approaches across the EU. These could lead to changes in how Lloyds Banking Group is regulated and supervised on a day-to-day basis.

Amendments to a number of EU directives are also being considered, including the Market Abuse Directive, Markets in Financial Instruments Directive, Capital Requirements Directive, E-Money Directive and the Undertakings for Collective Investment in Transferable Securities (**UCITS**) Directive.

Other notable regulatory initiatives include the Dodd-Frank Act in the US, which affects the financial services industry by addressing, among other issues, systemic risk oversight, bank capital standards, the liquidation of failing systemically significant financial institutions, over-the-counter derivatives, the ability of banking entities to engage in proprietary trading activities and invest in hedge funds and private equity (these restrictions are known as the 'Volcker Rule'), consumer and investor protection, hedge fund registration, securitisation, investment advisors, shareholder 'say on pay', the role of credit-rating agencies, and more.

The details of these regulations will depend on the final regulations ultimately adopted by various US regulatory authorities in 2011. Lloyds Banking Group is currently assessing the impacts of these regulatory developments and will participate in the consultation and calibration processes to be undertaken by the various regulatory bodies during 2011. Implementation of the foregoing regulatory developments could result in additional costs or limit or restrict the way that Lloyds Banking Group conducts business, although uncertainty remains about the details, impact and timing of these reforms. Lloyds Banking Group continues to work closely with the regulatory authorities and industry associations to ensure that it is able to identify and respond to proposed regulatory changes and mitigate against risks to Lloyds Banking Group and its stakeholders.

**Lloyds Banking Group is exposed to various forms of legal and regulatory risk, including the risk of mis-selling financial products, acting in breach of legal or regulatory principles or requirements and giving negligent advice, any of which could have a material adverse effect on its results or its relations with its customers.**

Lloyds Banking Group is exposed to many forms of legal and regulatory risk, which may arise in a number of ways. Primarily:

- (a) certain aspects of Lloyds Banking Group's business may be determined by the authorities, the Financial Ombudsman Service (the **FOS**) or the courts as not being conducted in accordance with applicable laws or regulations, or, in the case of the FOS, with what is fair and reasonable in the Ombudsman's opinion;
- (b) the possibility of alleged mis-selling of financial products or the mishandling of complaints related to the sale of such products by or attributed to a member of Lloyds Banking Group, resulting in disciplinary action or requirements to amend sales processes, withdraw products, or provide restitution to affected customers, all of which may require additional provisions;
- (c) contractual obligations may either not be enforceable as intended or may be enforced against Lloyds Banking Group in an adverse way;
- (d) Lloyds Banking Group holds accounts for a number of customers that might be or are subject to interest from various regulators and authorities including the Serious Fraud Office, those in the U.S. and others. Lloyds Banking Group is not aware of any current investigation into Lloyds Banking Group as a result of any such enquiries but cannot exclude the possibility of its conduct being reviewed as part of any such investigations;
- (e) the intellectual property of Lloyds Banking Group (such as trade names) may not be adequately protected; and
- (f) Lloyds Banking Group may be liable for damages to third parties harmed by the conduct of its business.

Lloyds Banking Group may settle litigation or regulatory proceedings prior to a final judgment or determination of liability. Lloyds Banking Group may do so to avoid the cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when Lloyds Banking Group believes that it has no liability. Lloyds Banking Group may also do so when the

potential consequences of failing to prevail would be disproportionate to the costs of settlement. Furthermore, Lloyds Banking Group may, for similar reasons, reimburse counterparties for their losses even in situations where Lloyds Banking Group does not believe that it is legally compelled to do so.

Such matters are subject to many uncertainties, and the outcome of individual matters is not predictable. Failure to manage these risks adequately could impact Lloyds Banking Group adversely and materially, both financially and reputationally. The financial impact of legal and regulatory risks might be considerable but is difficult to quantify. Amounts eventually paid may exceed the amount of provisions set aside to cover such risks.

Companies within Lloyds Banking Group are responsible for contributing to compensation schemes such as the UK Financial Services Compensation Scheme (FSCS) in respect of banks and other authorised financial services firms that are unable to meet their obligations to customers. Going forward, further provisions in respect of these costs are likely to be necessary. The ultimate cost to the industry, which will also include the cost of any compensation payments made by the FSCS and, if necessary, the cost of meeting any shortfall after recoveries on the borrowings entered into by the FSCS, remains uncertain but may be significant and may have a material adverse effect on the results of operations and financial condition of Lloyds Banking Group.

## CREDIT STRUCTURE

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

### **Mortgage Loan Interest Rates**

The Mortgage Loans pay interest either on a fixed rate basis, subject to a reset from time to time, or a monthly variable rate of interest. On 31 May 2011 (the **Cut-Off Date**), the weighted average interest rate of the Mortgage Loans was 4.71%. Interest rates vary between individual Mortgage Loans. The range of interest rates is described further in *Description of the Mortgage Loans*.

### **Cash Collection Arrangements**

All payments by the Borrowers under the Mortgage Loans are due on the penultimate business day of each month, interest being payable in arrear. All payments made by the Borrowers will be paid into the Portfolio Accounts. All amounts standing to the credit of the Portfolio Accounts are swept on a daily basis to the Seller Central Collection Account. The Seller Central Collection Account will also be used for the collection of moneys paid in respect of mortgage loans other than the Mortgage Loans and in respect of other moneys belonging to the Seller. The Portfolio Accounts and the Seller Central Collection Account (the **Seller Accounts**) are maintained by the Seller with the Seller Central Collection Account Provider.

On the 19th calendar day (or, if such day is not a business day, the immediately following business day) of each month, the Seller (or Stater on its behalf) will transfer to the Issuer Collection Account all amounts received in connection with the Mortgage Receivables from the Seller Central Collection Account other than Prepayment Penalties, if any, and (unless the parties agree on another payment method) net of an amount equal to the initial purchase price payable by the Issuer to the Seller for any New Mortgage Receivables.

If, at any time, the Seller Central Collection Account Provider's (i) short-term unsecured and unsubordinated debt obligations are assigned a rating of less than P-1 by Moody's or (ii) its long-term unsecured and unsubordinated debt obligations are assigned a rating of less than A2 by Moody's or (iii) its short-term issuer default rating is less than F1 (or, if the Seller Central Collection Account Provider is on rating watch negative, F1+) by Fitch or (iv) its long-term issuer default rating is less than A (or, if the Seller Central Collection Account Provider is on rating watch negative, then at least a long-term rating of A+) by Fitch (the **Requisite Rating**), the Seller will, within thirty (30) calendar days, in order to maintain the then current rating assigned to the Notes, either: (A) ensure that payments to be made in respect of amounts received on the Seller Central Collection Account relating to the Mortgage Receivables will be guaranteed by a party having at least the Requisite Rating, or (B) (I) open an escrow account in the name of the Issuer, for the Issuer's own account, with a party having at least the Requisite Rating and (II) transfer to the escrow account an amount equal to the highest aggregate amount of principal, interest and prepayment penalties received since the Closing on the Issuer Collection Account during one Mortgage Calculation Period, or (C) implement any other actions to maintain the then current ratings assigned to the Notes.

Upon notification to the Borrowers of the assignment of the Mortgage Receivables to the Issuer, the Borrowers will be required to make payments under the Mortgage Loans to the Issuer.

### **Transaction Accounts**

#### *Issuer Collection Account*

The Issuer will maintain with the GIC Provider the Issuer Collection Account to which all amounts received (i) from the Seller in respect of the Mortgage Loans, and (ii) from the other parties to the Relevant Documents will be paid.

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

On each Quarterly Payment Date, the Issuer has the option to deposit and maintain the Replenishment Reserved Amount in the Issuer Collection Account by crediting such amounts to a ledger established for such purpose.

Payments may be made from the Issuer Collection Account other than on a Quarterly Payment Date only to satisfy (i) amounts due to third parties (other than pursuant to the Relevant Documents) and payable in connection with the Issuer's business; and (ii) the Initial Purchase Price of New Mortgage Receivables.

#### *Reserve Account*

The Issuer will also maintain with the GIC Provider the Reserve Account. The net proceeds of the Subordinated Class C Notes will be deposited into the Reserve Account on the Closing Date.

The net proceeds of the Subordinated Class C Notes will at least be equal to (a) the Reserve Amount plus (b) the Liquidity Reserve. The Issuer Administrator will identify all amounts paid into the Reserve Account by crediting such amounts to ledgers established for such purpose. Moneys relating to the Reserve Amount will be credited to the Reserve Amount Ledger and moneys relating to the Liquidity Reserve will be credited to the Liquidity Reserve Ledger. See below under *Liquidity Reserve* and *Reserve Amount*.

#### *Downgrade of the GIC Provider*

If, at any time, the GIC Provider's unsecured, unsubordinated and unguaranteed debt obligations are assigned a rating of less than the Requisite Rating or such rating is withdrawn, the GIC Provider will, within 20 calendar days, procure a third party having at least the Requisite Rating to guarantee the obligations of the GIC Provider. If the GIC Provider fails to do so, the Issuer will, within 30 calendar days after such downgrade, (i) transfer the balances of the Transaction Accounts to an alternative bank with the Requisite Rating or (ii) procure a third party having at least the Requisite Rating to guarantee the obligations of the GIC Provider. If, after 10 calendar days following such downgrade or withdrawal, the GIC Provider is of the opinion that it may not be able to find a third party having at least the Requisite Rating to guarantee the obligations of the GIC Provider, it shall notify the Issuer and the Security Trustee accordingly.

#### *Swap Collateral Account*

The Issuer has opened on or prior to the Closing Date a separate account maintained with an entity having at least the Requisite Rating in which, if any collateral in the form of cash is provided by the Swap Counterparty to the Issuer, the collateral in the form of cash provided by the Swap Counterparty will be held in accordance with the Credit Support Annex. If any collateral in the form of securities is provided, the Issuer will be required to open a custody account with an entity having at least the Requisite Rating in which such securities will be held. Such account will therefore not be subject to a security right in favour of the Security Trustee. No payments or deliveries may be made in respect of such accounts other than in relation to the provision of collateral or the return of Excess Swap Collateral unless, pursuant to the termination of the transaction forming part of the Swap Agreement, a net amount is owed by the Swap Counterparty to the Issuer, in which case the collateral may be applied towards satisfaction of such amount in accordance with the terms of the Swap Agreement.

**Excess Swap Collateral** means an amount equal to the value of any collateral transferred to the Issuer by the Swap Counterparty under the Swap Agreement that either (i) is in excess of the Swap Counterparty's mark-to-market liability to the Issuer thereunder as at the date of the termination of the transaction forming part of the Swap Agreement or (ii) constitutes a return amount of collateral under the terms of the Swap Agreement which the Swap Counterparty is otherwise entitled to have returned to it under the Swap Agreement.

Any Excess Swap Collateral, including any accrued interest on the Swap Collateral Account subject to and in accordance with the Swap Agreement, shall be transferred directly to the Swap Counterparty (outside of any Priority of Payments). The same applies for each of (i) any premium received by the Issuer from a replacement swap counterparty (to the extent that all or any part of a swap termination payment due to paid by the Issuer to the outgoing Swap Counterparty has yet to be paid), and (ii) any tax credit, allowance, set-off or repayment from the tax authorities of any jurisdiction obtained by the Issuer relating to any deduction or withholding giving rise to a payment made by the Swap Counterparty in accordance with the Swap Agreement, the cash benefit in respect of which shall be paid by the Issuer to the Swap Counterparty pursuant to the terms of the Swap Agreement (**Tax Credit**).

## **I Priority of Payments prior to the Enforcement Date**

### **(A) Priority of Payments in respect of interest**

Prior to the delivery of an Enforcement Notice by the Security Trustee, the sum of the following amounts, calculated as at each Quarterly Calculation Date as being received (or to be received, as the case may be) or held during the Quarterly Calculation Period immediately preceding such Quarterly Calculation Date (items (i) up to and including (xi) being hereafter referred to as the **Notes Interest Available Amount**):

- (i) interest, including, for the avoidance of doubt, penalty interest, but excluding Prepayment Penalties received on the Mortgage Receivables less, with respect to each Savings Mortgage Receivable, an amount equal to the interest amount received with respect to such Mortgage Receivables multiplied by the relevant Savings Participation Fraction;
- (ii) interest credited to the Transaction Accounts (excluding interest received on the Mortgage Receivables);
- (iii) Net Proceeds on any Mortgage Receivables, to the extent such proceeds do not relate to principal, less, with respect to each Savings Mortgage Receivable, an amount equal to the interest amount received with respect to such Mortgage Receivables multiplied by the relevant Savings Participation Fraction;
- (iv) amounts to be drawn under the Liquidity Reserve on the immediately succeeding Quarterly Payment Date;
- (v) amounts to be drawn from the Reserve Amount on the immediately succeeding Quarterly Payment Date;
- (vi) amounts to be received from the Swap Counterparty under the Swap Agreement on the immediately succeeding Quarterly Payment Date, if any, excluding (i) any collateral transferred pursuant to the Swap Agreement, (ii) any Tax Credit, (iii) any amounts received upon early termination of the Swap Agreement and (iv) any premium received from a replacement swap counterparty;
- (vii) amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement or any other amounts received pursuant to the Mortgage Receivables Purchase Agreement, to the extent such amounts do not relate to principal, less, with respect to each Savings Mortgage Receivable, an amount equal to the interest amount received with respect to such Mortgage Receivables multiplied by the relevant Savings Participation Fraction;
- (viii) amounts received in connection with a sale of Mortgage Receivables pursuant to the Trust Deed and the Issuer Services Agreement, to the extent such amounts do not relate to principal, less, with respect to each Savings Mortgage Receivable, an amount equal to the

interest amount received with respect to such Mortgage Receivables multiplied by the relevant Savings Participation Fraction;

- (ix) amounts received as post-foreclosure proceeds on the Mortgage Receivables as calculated at the time the foreclosure procedures commenced;
- (x) any (remaining) amounts standing to the credit of the Issuer Collection Account, to the extent, for as long as the Senior Class A Notes and Mezzanine Class B Notes are outstanding, such amounts do not relate to principal;
- (xi) *less* on the first Quarterly Payment Date of each calendar year, an amount equal to 10% of the annual fee with a minimum of Euro 2,500 due and payable by the Issuer to the Directors in connection with the Management Agreement between the Issuer and the Directors relating to the management of the Issuer,

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

- (a) *first*, in or towards satisfaction, *pari passu* and *pro rata*, according to the respective amounts thereof, of the fees or other remuneration due and payable to the Directors in connection with the Management Agreements and any costs, charges, liabilities and expenses incurred by the Security Trustee under or in connection with any of the Relevant Documents;
- (b) *second*, in or towards satisfaction, *pari passu* and *pro rata*, according to the respective amounts thereof, of administration fees and expenses due and payable to the Issuer Administrator and the MPT Provider under the Issuer Services Agreement;
- (c) *third*, in or towards satisfaction, *pari passu* and *pro rata*, according to the respective amounts thereof, (i) of any amounts due and payable to third parties under obligations incurred in the Issuer's business (other than under the Relevant Documents) and the fees and expenses of the Rating Agencies, the Security Trustee and any legal advisor, auditor and accountants appointed by the Issuer or the Security Trustee, (ii) fees and expenses due to the Paying Agent and the Reference Agent under the Paying Agency Agreement;
- (d) *fourth*, in or towards satisfaction of any sums required to be deposited on the Liquidity Reserve or, as the case may be, to replenish the Liquidity Reserve up to the amount of the Liquidity Reserve Target Level;
- (e) *fifth*, in or towards satisfaction, *pari passu* and *pro rata*, according to the respective amounts thereof, of amounts, if any, due or accrued but unpaid under the Swap Agreement to the Swap Counterparty but excluding any Swap Subordinated Amount and, for the avoidance of doubt, excluding any amount relating to Excess Swap Collateral and Tax Credit;
- (f) *sixth*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Senior Class A Notes;
- (g) *seventh*, in or towards making good any shortfall reflected in the Class A Principal Deficiency Ledger until the debit balance on the Class A Principal Deficiency Ledger is reduced to zero;
- (h) *eighth*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Mezzanine Class B Notes;

- (i) *ninth*, in or towards making good any shortfall reflected in the Class B Principal Deficiency Ledger until the debit balance on the Class B Principal Deficiency Ledger is reduced to zero;
- (j) *tenth*, in or towards satisfaction of any sums required to be deposited on the Reserve Amount or, as the case may be, to replenish the Reserve Amount up to the amount of the Reserve Amount Target Level;
- (k) *eleventh*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Subordinated Class C Notes;
- (l) *twelfth*, in or towards satisfaction to the Swap Counterparty of any Swap Subordinated Amount due under the Swap Agreement;
- (m) *thirteenth*, in or towards satisfaction of principal amounts due under the Subordinated Class C Notes but only if all principal amounts due under the Senior Class A Notes and to the Mezzanine Class B Notes have been fully redeemed;
- (n) *fourteenth*, in or towards interest due or interest accrued but unpaid on the Subordinated Loan;
- (o) *fifteenth*, if and to the extent all principal amounts due under the Senior Class A Notes, the Mezzanine Class B Notes and the Subordinated Class C Notes have been fully redeemed, in or towards principal due under but unpaid on the Subordinated Loan; and
- (p) *sixteenth*, in or towards satisfaction of a Deferred Purchase Price Instalment due and payable to the Seller.

**(B) *Priority of Payments in respect of principal***

Prior to the delivery of an Enforcement Notice by the Security Trustee in accordance with Condition 10, the sum of the following amounts, calculated on any Quarterly Calculation Date as being received (or reserved with regards to item (vi)) during the immediately preceding Quarterly Calculation Period (items (i) up to and including item (viii) hereafter referred to as the **Replenishment Available Amount** and items (i) up to and including item (viii) less item (x) (if applicable) hereafter referred to as the **Notes Redemption Available Amount**):

- (i) Net Proceeds, to the extent such proceeds relate to principal less, with respect to each Savings Mortgage Receivable, an amount equal to the amount received with respect to such Mortgage Receivables multiplied by the relevant Savings Participation Fraction;
- (ii) amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal less, with respect to each Savings Mortgage Receivable, an amount equal to the amount received with respect to such Mortgage Receivable multiplied by the relevant Savings Participation Fraction;
- (iii) amounts received in connection with a sale of Mortgage Receivables to the extent such amounts relate to principal less, with respect to each Savings Mortgage Receivable, an amount equal to the amount received with respect to such Mortgage Receivable multiplied by the relevant Savings Participation Fraction;
- (iv) amounts received as repayment and prepayment in full of principal under the Mortgage Receivables, from any person (including any Insurance Company), whether by set-off or otherwise, but, for the avoidance of doubt, excluding Prepayment Penalties, if any, less, with

respect to each Savings Mortgage Receivable, an amount equal to the amount received with respect to such Mortgage Receivable multiplied by the Savings Participation Fraction;

- (v) amounts received as Savings Participation Increase pursuant to the Savings Mortgage Sub-Participation Agreement;
- (vi) the Replenishment Reserved Amount on the immediately preceding Quarterly Payment Date;
- (vii) amounts of interest received to be credited to the Principal Deficiency Ledger on the immediately succeeding Quarterly Payment Date; and
- (viii) any part of the Notes Redemption Available Amount calculated on the immediately preceding Quarterly Calculation Date which has not been applied towards redemption of the Notes on the preceding Quarterly Payment Date,

less, on each Quarterly Calculation Date until the Quarterly Payment Date in August 2014:

- (ix) (1) the Applied Replenishment Amount and (2) such amount which the Issuer decides to keep on the Collection Account with a view to purchase New Mortgages on the two immediately succeeding Quarterly Payment Dates (the **Replenishment Reserved Amount**);

will be applied by the Issuer on the relevant Quarterly Payment Date (and in each case only if and to the extent that payments or provisions of a higher priority have been made in full) to redeem:

- (a) *first*, the Senior Class A Notes, until fully redeemed, and, thereafter
- (b) *second*, the Mezzanine Class B Notes, until fully redeemed, and, thereafter
- (c) *third*, the excess (if any) to be applied as Notes Interest Available Amount.

## II Priority of Payments after the Enforcement Date

After the Enforcement Date, any amounts payable from all funds available to the Security Trustee under the Trust Deed and the Parallel Debt Agreement (other than amounts representing (i) any Excess Swap Collateral or Tax Credits or a premium received from a replacement swap counterparty, which shall be paid directly to the Swap Counterparty and (ii) prior to the designation of an Early Termination Date under the Swap Agreement and the resulting application of collateral by way of netting or set-off, an amount equal to the value of all collateral provided by the Swap Counterparty to the Issuer pursuant to the Swap Agreement (and which has not been returned to the Swap Counterparty) (and any interest or distributions in respect thereof)) will be paid to the Secured Parties (including the Noteholders) in accordance with the following Priority of Payments after the Enforcement Date (after deduction of costs incurred by the Security Trustee, which will include, *inter alia*, fees and expenses of the Rating Agencies and any legal advisor, auditor or accountant appointed by the Security Trustee) (and in each case only if and to the extent payments of a higher priority have been made in full):

- (a) *first*, in or towards satisfaction, *pari passu* and *pro rata*, according to the respective amounts thereof, of (i) the fees or other remuneration due to the Directors, (ii) the fees and expenses of the Paying Agent and the Reference Agent incurred under the provisions of the Paying Agency Agreement, and (iii) the fees and expenses of the Issuer Administrator and the MPT Provider;
- (b) *second*, in or towards satisfaction of amounts, if any, due or accrued but unpaid under the Swap Agreement to the Swap Counterparty, but excluding any Swap Subordinated Amount

and, for the avoidance of doubt, excluding any amount relating to Excess Swap Collateral or Tax Credits;

- (c) *third*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Senior Class A Notes;
- (d) *fourth*, in or towards satisfaction, *pari passu* and *pro rata*, according to the respective amounts thereof, of all amounts of principal and any other amount due but unpaid in respect of the Senior Class A Notes;
- (e) *fifth*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Mezzanine Class B Notes;
- (f) *sixth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Mezzanine Class B Notes;
- (g) *seventh*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Subordinated Class C Notes;
- (h) *eighth*, in or towards satisfaction of all Swap Subordinated Amounts due under the Swap Agreement to the Swap Counterparty;
- (i) *ninth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Subordinated Class C Notes;
- (j) *tenth*, in or towards satisfaction of interest due or accrued but unpaid on the Subordinated Loan;
- (k) *eleventh*, in or towards satisfaction of principal due but unpaid on the Subordinated Loan; and
- (l) *twelfth*, in or towards satisfaction of the Deferred Purchase Price Instalment to the Seller.

### **Subordinated Loan**

On the Closing Date, Bank of Scotland, Amsterdam Branch, in its capacity as Subordinated Loan Provider, will make available to the Issuer the Subordinated Loan. The Subordinated Loan will be in an amount of Euro 1,600,000 and will be used by the Issuer to pay certain initial costs and expenses in connection with the issue of the Notes. The Subordinated Loan will only be repaid after the Senior Class A Notes, the Mezzanine Class B Notes and the Subordinated Class C Notes have been fully redeemed.

### **Liquidity Reserve**

On the Closing Date, the Issuer will fund the Liquidity Reserve with proceeds from the issuance of the Subordinated Class C Notes. Liquidity Reserve means an amount equal to 1.5% of the aggregate Principal Amount Outstanding of the Senior Class A Notes and the Mezzanine Class B Notes at the Closing Date deposited on the Reserve Account on the Closing Date.

The Issuer will be entitled on any Quarterly Payment Date (other than a Quarterly Payment Date on which date the Notes are redeemed in full) to make drawings from the Liquidity Reserve up to the Liquidity Reserve Amount less the balance of the aggregate principal amount of all drawings advanced and outstanding from the Liquidity Reserve at such time. Any drawing from the Liquidity Reserve by the Issuer will only be made on a Quarterly Payment Date if and to the extent that, after the application of amounts available on the Reserve Amount Ledger (see below), without taking into account any drawing under the Liquidity Reserve, there is a shortfall in the Notes Interest Available Amount to meet items (a) to (f)

(inclusive) and item (h) of the Interest Priority of Payments in full on that Quarterly Payment Date, provided that no drawing may be made to meet item (h) of the Interest Priority of Payments if there is a debit balance on the Class B Principal Deficiency Ledger.

If the Senior Class A Notes and the Mezzanine Class B Notes have all been redeemed in full, the balance standing to the credit of the Liquidity Reserve becomes available to redeem the Subordinated Class C Notes until fully redeemed.

### **Reserve Amount**

The Reserve Amount will be available on any Quarterly Payment Date to meet items (a) up to and including (i) of the Interest Priority of Payments in the event of a shortfall of the Notes Interest Available Amount on a Quarterly Calculation Date. If the Senior Class A Notes and the Mezzanine Class B Notes have all been redeemed in full, the balance standing to the credit of the Reserve Amount becomes available to redeem the Subordinated Class C Notes until fully redeemed. The mechanics work as follows.

If and to the extent that the Notes Interest Available Amount on any Quarterly Calculation Date exceeds the amounts required to meet items (a) up to and including (i) of the Interest Priority of Payments, such excess amount will be deposited in or, as the case may be, used to replenish the Reserve Amount, by crediting such amount to the Reserve Account and the Reserve Amount Ledger up to the Reserve Amount Target Level (see item (j) of the Interest Priority of Payments). Until all Notes (other than the Subordinated Class C Notes) have been redeemed, if and to the extent that the Notes Interest Available Amount exceeds the amount required to deposit in, or replenish, the Reserve Amount up to the Reserve Amount Target Level, the excess will be transferred to the Issuer Collection Account and used as part of the Notes Interest Available Amount towards satisfaction of items (k) up to and including (p) but not items (m) and (o) of the Interest Priority of Payments.

If the Senior Class A Notes and the Mezzanine Class B Notes have been redeemed in full the Reserve Amount Target Level becomes zero and the balance of the Reserve Amount will be transferred to the Issuer Collection Account to be applied to redeem the Subordinated Class C Notes. In that case the balance standing to the credit of the Reserve Amount (after items (a) up to and including (g) have been met) will be transferred to the Issuer Collection Account and will, together with any other Notes Interest Available Amount remaining after payments of items (a) up to and including (g) have been met, be applied to redeem or, as the case may be partially redeem on a pro rata basis, the Subordinated Class C Notes in accordance with Condition 6(f). If the Subordinated Class C Notes have been fully redeemed, any remaining balance of the Reserve Amount will be used to pay items (n), (o) and (p) subject to and in accordance with the Interest Priority of Payments.

The balance of the Reserve Account may be invested in Eligible Investments. Such Eligible Investments may not have a maturity beyond one day prior to the immediately succeeding Quarterly Payment Date.

The balance of the Reserve Account is charged to the Security Trustee. Consequently, after the Enforcement Date the Security Trustee may enforce the charge and the balance of the Reserve Account will hence be available to the Security Trustee for application in accordance with the Priority of Payments after the Enforcement Date.

The Reserve Amount Target Level means an amount equal to 1.2% of the Principal Amount Outstanding of the Senior Class A Notes and the Mezzanine Class B Notes at the Closing Date.

### **Principal Deficiency Ledger**

The Issuer will record Realised Losses on the Mortgage Receivables by making debits to the Principal Deficiency Ledger comprising two sub-ledgers (the Class A Principal Deficiency Ledger and the Class B Principal Deficiency Ledger).

An amount equal to any Realised Losses will be debited to the Class B Principal Deficiency Ledger (such debit items being credited at item (i) of the Interest Priority of Payments, to the extent any part of the Notes Interest Available Amount is available for such purpose) so long as the debit balance on such ledger is less than the Class B Principal Deficiency Limit and, thereafter such amount will be debited to the Class A Principal Deficiency Ledger (such debit items being credited at item (g) of the Interest Priority of Payments, to the extent any part of the Notes Interest Available Amount is available for such purpose).

## Swap Agreement

Approximately 86% of the Mortgage Loans sold and assigned to the Issuer on the Closing Date carry a fixed rate of interest, all for a certain set interest period (*rentevastperiode*). At the end of an interest period, the interest rate will be reset, unless the Borrower redeems the Mortgage Loans. In general, fixed rate reset terms can be set for periods of 1, 5, 6, 10, 15, 20, 25 and 30 years. In addition, a portion of the Mortgage Loans carry a variable rate of interest. This variable rate is reset monthly. However, the interest rate payable by the Issuer with respect to the Notes is calculated as margin over Euribor for three-month Euro deposits.

To provide a hedge against possible variance between (i) amounts determined by reference to the weighted average mortgage rate charged to borrowers of Mortgage Loans, and (ii) amounts determined by reference to the interest payable in respect of the Senior Class A Notes and the Mezzanine Class B Notes, the Issuer, the Swap Counterparty and the Security Trustee will enter into the Swap Agreement on or around the Closing Date. The Swap Agreement will have a notional amount that is sized to hedge against any potential interest rate mismatches in relation to the Notes.

The Swap Agreement will be documented under an ISDA Master Agreement (including the schedule thereto), an ISDA Credit Support Annex and a confirmation. The transaction forming part of the Swap Agreement may be terminated in certain circumstances including, but not limited to, (i) failure to pay, (ii) if it becomes unlawful for either party to perform its obligations under the Swap Agreement, (iii) service of an Enforcement Notice, (iv) the occurrence of certain insolvency events, and (v) in certain circumstances if the Swap Counterparty fails to take action as required under the Swap Agreement following a downgrade of certain of its debt obligations below certain ratings specified in the Swap Agreement. If such termination occurs either the Issuer or the Swap Counterparty may be required to pay a termination payment to the other party. If the Issuer is required to make such payment then this may reduce the funds available to the Issuer to make payments in respect of the Notes.

Upon the early termination of the Swap Agreement, the Issuer or the Swap Counterparty may be liable to make a termination payment to the other party. The amount of any termination payment will be determined on the basis of market quotations as to the cost of entering into a transaction with the same terms and conditions and that would have the effect of preserving the respective full payment obligations of the parties (or based upon a good faith estimate of total losses (or gains) in the event that no market quotation can be obtained or would not produce a commercially reasonable result).

In the event that the Issuer is required to withhold or deduct an amount in respect of tax from payments due from it to the Swap Counterparty, the Issuer will not be required pursuant to the terms of the Swap Agreement to pay the Swap Counterparty any additional amounts to compensate the Swap Counterparty in respect of such withholding or deduction.

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

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

If the Issuer owes a termination payment to the Swap Counterparty and the Issuer receives any premium received from a replacement swap counterparty to enable it to enter into a replacement transaction with the Issuer, which is out of the money for the Issuer, then the issuer will first apply such premium to satisfy payment of such termination payment to the Swap Counterparty.

#### *Downgrade of Swap Counterparty*

If certain debt obligations of the Swap Counterparty (or its successor, assignee or guarantor) cease to have certain credit ratings required by the Rating Agencies as specified in the Swap Agreement, the Swap Counterparty will be required to take certain remedial measures which may include (i) the provision of collateral for its obligations under the Swap Agreement pursuant to the credit support annex to the Swap Agreement (which provides for requirements relating to the provision of collateral by the Swap Counterparty), (ii) arranging for its obligations under the Swap Agreement to be transferred to an entity with the required ratings, (iii) procuring another entity with at least the required ratings to become joint-obligor or guarantor in respect of its obligations under the Swap Agreement, or (iv) taking such other action as it may agree with the Rating Agencies. A failure to take such steps, subject to certain conditions, will give the Issuer the right to terminate the transaction forming part of the Swap Agreement.

Any Excess Swap Collateral will be returned directly to the Swap Counterparty in accordance with the Swap Agreement outside the Interest Priority of Payments or the Priority of Payments upon Enforcement. If the Issuer receives any Tax Credit resulting from the payment of any withholding tax by the Swap Counterparty, the Issuer shall pay the cash benefit of such Tax Credit directly to the Swap Counterparty outside the Interest Priority of Payments or the Priority of Payments upon Enforcement.

#### **Savings Mortgage Sub-Participation Agreement**

Please note that the entitlements of the Savings Mortgage Participant against the Issuer will be set-off against obligations of the Savings Mortgage Participant under the Savings Mortgage Sub-Participation Agreement. The net amount paid is the monthly Savings Premium received by the Savings Mortgage Participant from the relevant Borrower which will be forwarded by the Savings Mortgage Participant to the Issuer. The obligation of the Issuer to pay the Participation Redemption Available Amount will – in case of foreclosure – be set-off against the Savings Mortgage Participants' obligation to pay out under the Savings Insurance Policy. Economically, the Noteholders' interest is, in respect of the part of the Savings Mortgage Receivables, in that part in which the Savings Mortgage Participant does not have a participation.

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

The Issuer may not dispose of any Mortgage Receivables, except to comply with its obligations under the Notes in certain circumstances as further provided in the Trust Deed and in connection with a repurchase obligation of the Seller as provided in the Mortgage Receivables Purchase Agreement. If the Issuer decides to offer for sale (part of) the Mortgage Receivables it will first offer such Mortgage Receivables to the Seller. The Seller shall within a period of 15 business days from such offer inform the Issuer whether or not it wishes to repurchase the Mortgage Receivables. After such period, the Issuer may offer such Mortgage Receivables for sale to any third party.

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

Under the terms of the Trust Deed, the Issuer will have the right to sell and assign all but not some of the Mortgage Receivables on each Optional Redemption Date to a third party, provided in any case that the Issuer shall apply the proceeds of such sale to redeem the Senior Class A Notes and Mezzanine Class B Notes (see Condition 6(e) (*Redemption and purchase – Optional Redemption*) in *Terms and Conditions of the Notes* below).

The Issuer may only sell and assign all but not some of the Mortgage Receivables, provided that in accordance with Condition 6(e) the purchase price of such Mortgage Receivables shall be equal to at least

the Outstanding Principal Amount of the relevant Mortgage Receivable, together with accrued interest due but unpaid and, if the Mortgage Receivables are repurchased by the Seller, any costs incurred by the Issuer in effecting and completing such sale and assignment, if any.

*Sale of Mortgage Receivables if the Seller is obliged to repurchase or exercises the Seller Call Option*

If the Seller is either obliged to repurchase any Mortgage Receivable(s) or exercises the Seller Call Option pursuant to the Mortgage Receivables Purchase Agreement, the purchase price of the Mortgage Receivables will be at least equal to (i) the Outstanding Principal Amount in respect of the relevant Mortgage Receivables together with any accrued interest up to but excluding the date of repurchase and re-assignment of the Mortgage Receivables and (ii) reasonable costs relating thereto (including any costs incurred by the Issuer in effecting and completing such sale and re-assignment) and (iii) the amount (if any) due by the Issuer to the Swap Counterparty to the extent the repurchase results in the termination of the Swap Agreement, unless the Issuer has other available funds to make such payment to the Swap Counterparty. The proceeds of such sale shall be applied by the Issuer towards redemption of the Notes in accordance with Condition 6(b) and subject to Condition 9(b).

## ARTICLE 122A OF THE CAPITAL REQUIREMENTS DIRECTIVE

The Seller will retain a material net economic interest of not less than 5% in the securitisation in accordance with the text of Article 122a of Directive 2006/48/EC (as amended) (which does not take into account any implementing rules of the CRD in a relevant jurisdiction). As at the Closing Date, such retention requirement will be satisfied by the Seller holding the Subordinated Class C Notes, part of the Mezzanine Class B Notes and by granting the Subordinated Loan. Any change to the manner in which such interest is held will be notified to Noteholders. For a description of the information to be made available after the Closing Date by the Seller in its capacity as the MPT Provider or by ATC Financial Services as Issuer Administrator on the Issuer's or, as the case may be, the Seller's behalf, please see the summary in relation to the investor reports set out in *Issuer Servicing Agreement*.

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

## OVERVIEW OF THE DUTCH RESIDENTIAL MORTGAGE MARKET

### Total registered mortgage debt

*The information provided under "Overview of the Dutch Residential Mortgage Market" below has been derived from publicly available information on the Dutch mortgage industry.*

### The Dutch Residential Mortgage Market

The Dutch housing and mortgage market is relatively stable and differs in many respects from other European Union housing markets.

### Market characteristics

#### *Low level of owner-occupancy*

The Netherlands has a relatively low, but increasing, owner-occupancy ratio. Approximately 57% of all houses are owner-occupied, compared to 43% in 1982 and 29% in 1957. The average level of home ownership for all EU countries is above 60%. The efforts to increase the home ownership ratio include grants under the Home Ownership Promotion Act and guarantees through the Home Ownership Guarantee Fund.

#### *Tax system gives homeowners incentive to maximise mortgage indebtedness*

Compared to other European countries, the Dutch market has a relatively high degree of mortgage indebtedness. The Dutch tax system gives an incentive to homeowners to maximise their mortgage loans through tax deductibility of mortgage interest payments. Because borrowers tend to take full advantage of the tax system, this leads to a relatively high loan-to-income in the Netherlands. Since 2001 tax deductibility of mortgage interest payments has been set on a 30-year period maximum. Due to rising home ownership, rising house prices and falling mortgage rates, total mortgage debt accumulation increased strongly in the last 10 years. According to the Dutch Central Bank (DNB) the level of outstanding mortgage debt reached Euro 629 billion at the end of 2010 (<http://www.statistics.dnb.nl/popup.cgi?/usr/statistics/excel/t11.1nk.xls>).

#### *The Dutch market is characterised by relatively high Loan-to-Value ratios (LTV)*

Typically lenders in the Netherlands offer mortgage loans for existing property up to 125% of foreclosure value. For new construction, financial institutions are prepared to finance up to 110% of the total costs of the house. Foreclosure value is approximately 85-90% of the Market Value. By February 2011, the average new mortgage amounted to Euro 288,000 (source: [www.kadaster.nl](http://www.kadaster.nl)), while the average house price was Euro 234,000, according to [www.kadaster.nl](http://www.kadaster.nl). Effective from August 2011, all new loans are subject to a maximum of 50% LTV interest-only mortgage. Loans exceeding this standard have to be redeemed within a 30-year period maximum. It is expected that these measures will over time lead to a lower total LTV in the Dutch market.

#### *The borrowing capacity of households increased until 2007; new regulations have decreased borrowing capacity*

Dutch commercial banks determine the theoretical maximum borrowing capacity of a household by calculating the percentage of the disposable household income that is being spent on repayments and interest payments. The borrowing capacity of households used to be based on one household salary. Since the early 1990's, a second household salary is also taken into account. This has resulted in a substantial increase in the borrowing capacity of double-income households. In 2007 the CHF-standards (self-regulation) were introduced, protecting customers against too high mortgage loans. One of the main aspects of this CHF Code of Conduct is the use of loan-to-income tables based on a 'Comply or Explain' principle. Mortgage issuers have to stick to these tables, otherwise they have to explain (with good reasons) why they deviate from them

in individual cases. As from 2011 a further tightening of the rules is effective, e.g. less 'explain' possibilities and lower loan-to-income tables, resulting in a decreasing borrowing capacity.

*Default losses have always been relatively low*

Despite relatively high LTV ratios, default losses have always been relatively low but slightly increasing over the last years. The relatively prolonged economic downturn of 2001 to 2005 led to a significant rise in the amount of mortgage payment arrears and correspondingly forced house sales. This further developed after 2007 when the credit crunch triggered a further economic downturn.

Year	Number of forced house sales
2002	743
2003	967
2004	1,504
2005	1,911
2006	1,968
2007	1,811
2008	1,961
2009	2,256
2010	2,086

(Source: [www.kadaster.nl](http://www.kadaster.nl)).

The absolute number of forced sales is obviously still extremely small compared to the total number of residential mortgage loans outstanding. There is no precise data on the number of residential mortgage loans outstanding in the Netherlands. However, based on the published total amount of residential mortgage debt outstanding and the current average mortgage loan amount it is estimated that the total number of residential mortgage loans outstanding in the Netherlands exceeds 3 million. A total of around 1,961 foreclosures per year therefore corresponds with approximately 0.069% of the total number of residential mortgage loans outstanding.

The National Credit Register (**BKR**) registers positive and negative credit events on all types of credits. BKR registers mortgage loans only if they are at least 120 days in arrears. Data is retained for five years.

*The tax system operates as a strong disincentive for prepayment*

Prepayments in the Netherlands have always been relatively low. In general interest rates decreased between 1991-2005. From 2006 till now, interest rates have increased. As a result many borrowers refinanced their mortgage with a longer, fixed interest term in the last couple of years. The most important explanation for low prepayments is the deductibility of mortgage interest payments. Prepayment will lead to a loss of the tax advantage offered to borrowers. Moreover, when current interest rates are lower than at the time of origination prepayment can be severe, although the penalty is tax-deductible for the borrower. Lending legislation in the Netherlands allows a borrower to prepay up to 10 – 15% a year of the original amount that has been borrowed without incurring a prepayment penalty. Full prepayment without penalty is usually possible when interest rates are higher than at the time of origination, in case of moving home and in cases of death. A borrower can also prepay his mortgage on an interest-reset date without incurring a penalty.

## **Market players**

*Banks are the most dominant players on the Dutch mortgage market*

The traditional mortgage lenders are either commercial banks or specialised mortgage banks. Mortgage lenders can also be found among building societies, insurance companies and pension funds. Since 2007, the Dutch mortgage market has become less competitive. Integration of mortgage labels and providers, disappearing due to funding issues or bankruptcies and funding issues generally all led to a smaller playing field among competitors. Economic downturn, increasing interest rates and tightened application rules have caused insecurity amongst homeowners and home buyers, resulting in a standstill in the Dutch housing market. The mortgage market has decreased from over Euro 120 billion in 2006 to Euro 67 billion in 2010. Large commercial banks remain the dominant players, in 2010 the four biggest banks had a market share of over 80% in the Dutch mortgage market. Competition among mortgage lenders is based more and more on price as increased regulation makes it harder to compete on product innovation and cross-selling.

*A special feature of the mortgage market is the role of intermediaries*

Most mortgage lenders have moved towards intermediaries (mortgage brokers, insurance brokers and real estate agents) for product distribution, which by most estimates now sell nearly half of all new mortgages in the Netherlands. Mortgage brokers are essentially intermediaries whose primary business is to offer products from a number of mortgage lenders. The change over time towards a market in which intermediaries sell most mortgages can be largely explained by the borrower's search for independent advice and the degree of flexibility offered by intermediaries.

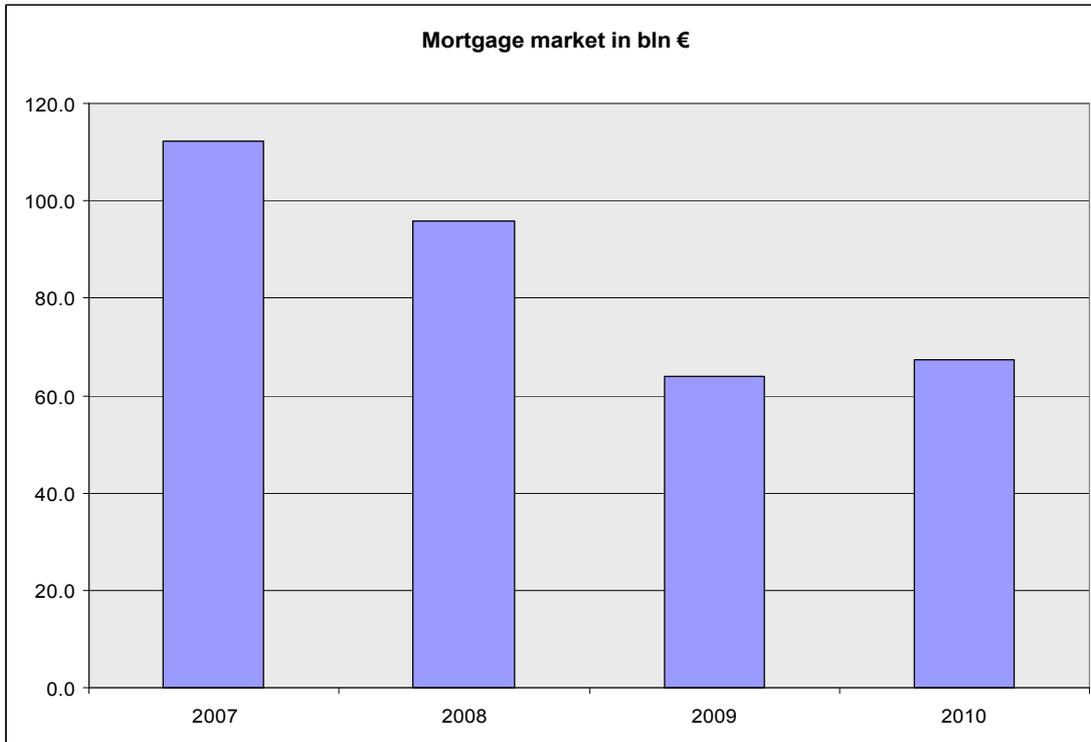
## **Government policy and restrictions**

*Mortgage interest payments are tax-deductible*

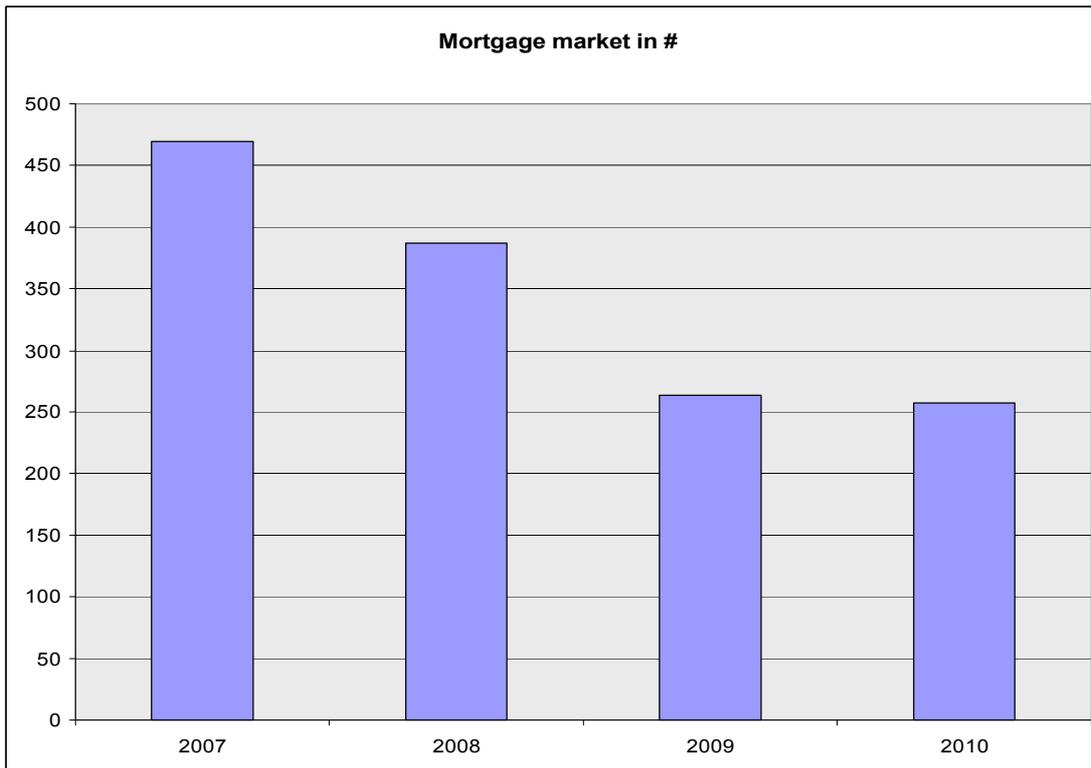
The deductibility of interest on mortgage loans is limited to loans on the borrower's primary residence. The deductibility of interest is only allowed for periods of up to thirty (30) years. As of 2004 the tax deductibility of mortgage interest payments has been restricted under the so-called Additional Borrowing regulation (*Bijleenregeling*). On the basis of this regulation, if a homeowner acquires a new home and realises a profit on the sale of his old home, the homeowner is considered to invest this net profit into the new home. Broadly speaking, the net profit is deducted from the value of the new home and mortgage loan interest deductibility is limited to the interest that relates to a maximum loan equal to the value of the new home less the net profit of the old home. Special rules apply to moving homeowners that do not (immediately) sell their previous home. The Dutch government also levies a property tax, the so-called '*Huurwaardeforfait*', on homeowners. This only partly offsets the tax advantage of the interest payment deduction.

Due to tax deductibility, a large portion of the mortgage loan does not amortise during the legal lifetime. In most cases, the bullet redemption is made by a life insurance policy, an investment policy or a savings insurance policy. The most common term of legal life is 30 years, which coincides with the maximum allowable period for tax deductibility. The government encourages this method of redemption by exempting from tax the capital sum received under the policy, up to a certain amount, including annual indexing, provided the term of insurance is at least 15 years.

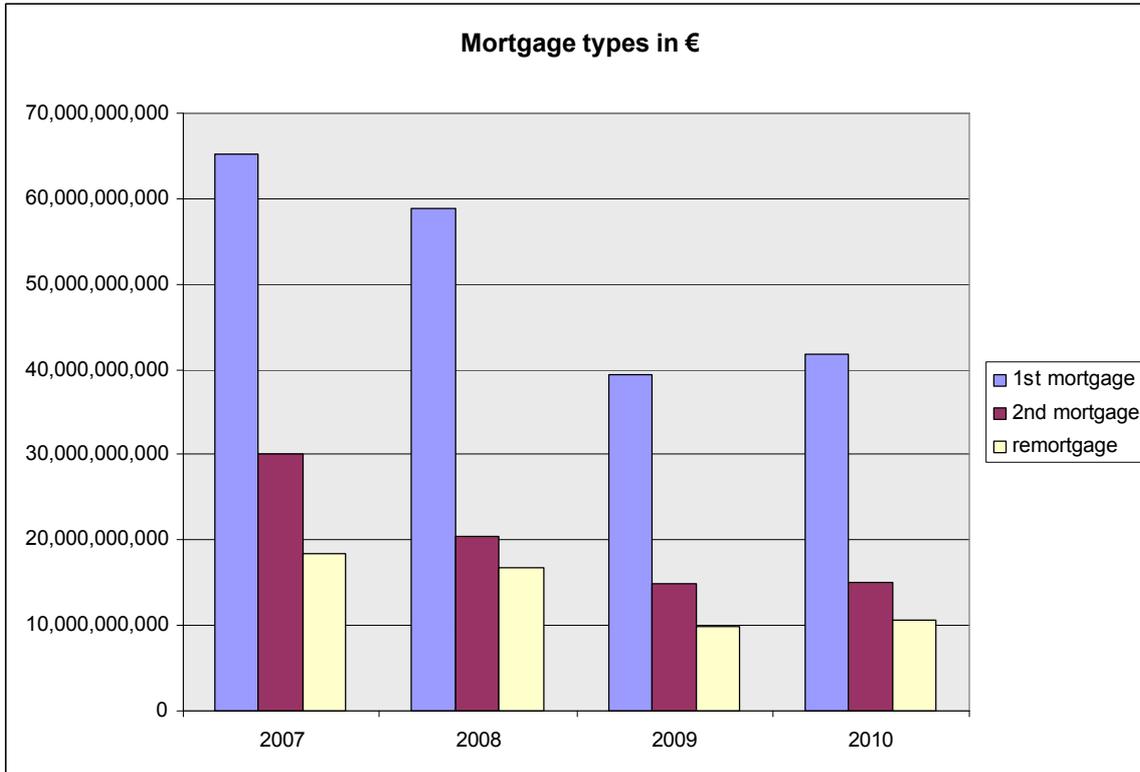
**Yearly values new production Dutch mortgages (in Euro bln), source [www.kadaster.nl](http://www.kadaster.nl)**



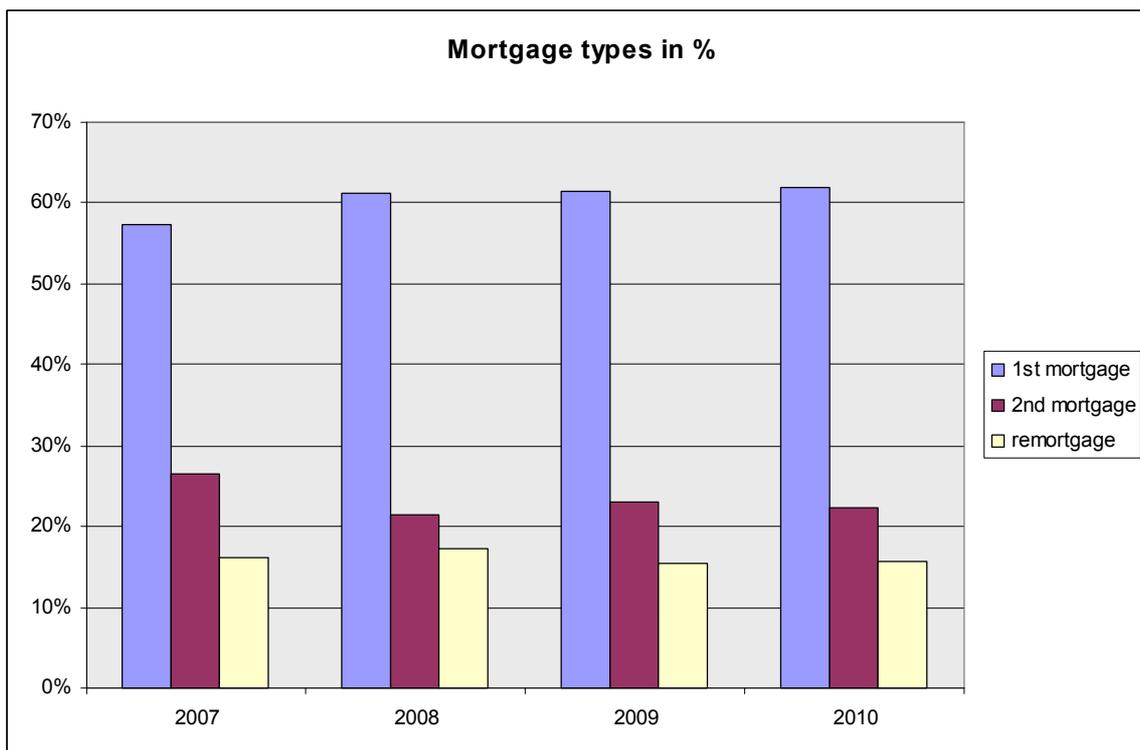
**Yearly numbers new production Dutch mortgages, source [www.kadaster.nl](http://www.kadaster.nl)**



**Share of mortgage types in new production in the Dutch market (in Euro), source [www.kadaster.nl](http://www.kadaster.nl)**



**Relative share of mortgage types in new production in the Dutch market (in %), source [www.kadaster.nl](http://www.kadaster.nl)**



## BANK OF SCOTLAND PLC

Bank of Scotland plc (together with its subsidiaries **Bank of Scotland**) (incorporated in Scotland with limited liability, registration number SC327000). Bank of Scotland's registered office is at The Mound, Edinburgh EH1 1YZ, Scotland.

### Overview

Bank of Scotland is a leading UK-based financial services group providing a wide range of banking and financial services, primarily in the UK, to personal and corporate customers. Its main business activities are retail, commercial and corporate banking. It provides a broad range of financial services products including current and savings accounts, personal loans, credit cards and mortgages within the retail market; loans and capital markets products to commercial, corporate and asset finance customers; and private banking.

### History and development of Bank of Scotland

Bank of Scotland was originally established in 1695 as The Governor and Company of the Bank of Scotland by an Act of the Parliament of Scotland. On 17 September 2007, in accordance with the provisions of the HBOS Group Reorganisation Act 2006 (the **Reorganisation Act**), The Governor and Company of the Bank of Scotland registered as a public limited company under the Companies Act 1985 and changed its name to Bank of Scotland plc. On the same day, under the Reorganisation Act, the business activities, assets (including investments in subsidiaries) and liabilities of Capital Bank plc, Halifax plc and HBOS Treasury Services plc were transferred to Bank of Scotland.

Bank of Scotland is a United Kingdom clearing bank with its headquarters in Edinburgh and an "authorised person" under the Financial Services and Markets Act 2000. It is a member of the British Bankers' Association and the Committee of Scottish Clearing Bankers. Part 6 of the Banking Act 2009 confirmed Bank of Scotland's right to issue bank notes in Scotland.

Following the acquisition of HBOS plc by Lloyds Banking Group plc (formerly Lloyds TSB Group plc) on 16 January 2009 (the **Acquisition**), and the subsequent transfer of 100% of the ordinary share capital of HBOS plc to Lloyds TSB Bank plc by Lloyds Banking Group plc on 1 January 2010, Bank of Scotland is now a directly owned and controlled subsidiary of HBOS plc which in turn is directly owned and controlled by Lloyds TSB Bank plc and is indirectly owned and controlled by Lloyds Banking Group plc (**Lloyds Banking Group**).

As at 1 July 2011, the UK Government's holding of the issued share capital of Lloyds Banking Group plc amounted to approximately 40.2%

### State Funding and State Aid

The Lloyds Banking Group has made a number of undertakings to HM Treasury arising from the capital and funding support, including the provision of additional lending to certain mortgage and business sectors until 28 February 2011, and other matters relating to corporate governance and colleague remuneration. The second year of commitments in respect of lending were subject to normal prudent commercial lending criteria and pricing, the availability of funding to support such lending and the availability of sufficient demand from creditworthy customers and potential customers, and were delivered in full. The new agreement between five major UK banks (including Lloyds Banking Group) and the Government in relation to gross business lending capacity in the 2011 calendar year is subject to a similar set of criteria.

As part of the European Commission's decision approving state aid to Lloyds Banking Group, Lloyds Banking Group was required to submit a restructuring plan to the European Commission in the context of a state aid review. The plan was required to contain measures to limit any competition distortions resulting

from the state aid received by Lloyds Banking Group and to restore Lloyds Banking Group's viability. The College of Commissioners announced its formal approval of the state aid on 18 November 2009.

The restructuring plan consists of the following principal elements: (i) the disposal of a retail banking business with at least 600 branches, a 4.6% share of the personal current accounts market in the UK and up to 19.2% of Lloyds Banking Group's mortgage assets; (ii) an asset reduction programme to achieve a £181 billion reduction in a specified pool of assets by 31 December 2014; and (iii) behavioural commitments, including commitments which restrict Lloyds Banking Group's ability to make certain acquisitions for approximately three to four years and not to make discretionary payments of coupons or to exercise voluntary call options on hybrid securities from 31 January 2010 until 31 January 2012, which prevents Lloyds Banking Group from paying dividends on its ordinary shares during the same period.

The retail banking business referred to in (i) above is to be disposed of before the end of November 2013 and consists of the TSB brand, the branches, savings accounts and branch-based mortgages of Cheltenham & Gloucester, the branches and branch-based customers of Lloyds TSB Scotland and a related banking licence, additional Lloyds TSB branches in England and Wales, with branch-based customers and Intelligent Finance. Lloyds Banking Group has now commenced the formal sales process (thereby meeting the requirement to do so no later than November 2011) and is working closely with the European Commission, HM Treasury and the Monitoring Trustee appointed by the European Commission to ensure the implementation of the Restructuring Plan.

## **Legal Actions**

During the ordinary course of business Lloyds Banking Group is subject to threatened or actual legal proceedings and regulatory challenge both in the UK and overseas.

### *Unarranged Overdraft Charges*

In April 2007, the Office of Fair Trading (the **OFT**) commenced an investigation into the fairness of personal current accounts and unarranged overdraft charges. At the same time, it commenced a market study into wider questions about competition and price transparency in the provision of personal current accounts.

The Supreme Court of the United Kingdom published its judgment in respect of the fairness of unarranged overdraft charges on personal current accounts on 25 November 2009, finding in favour of the litigant banks. On 22 December 2009, the OFT announced that it would not continue its investigation into the fairness of these charges. Lloyds Banking Group is working with the regulators to ensure that outstanding customer complaints are concluded as quickly as possible and anticipates that most cases in the county courts will be discontinued. Lloyds Banking Group expects that some customers will argue that despite the test case ruling they are entitled to a refund of unarranged overdraft charges on the basis of other legal arguments or challenges. It is not practicable to quantify the claims at this time. Lloyds Banking Group is robustly defending any such complaints or claims and does not expect any such complaints or claims to have a material effect on Lloyds Banking Group.

However, the OFT continued to discuss its concerns in relation to the personal current account market with the banks, consumer groups and other organisations under the auspices of its market study into personal current accounts. In October 2009, the OFT published voluntary initiatives agreed with the industry and consumer groups to improve transparency of the costs and benefits of personal current accounts and improvements to the switching process. On 16 March 2010 the OFT published a further update announcing several further voluntary industry-wide initiatives to improve a customer's ability to control whether they used an unarranged overdraft and to assist those in financial difficulty. However, in light of the progress it noted in the unarranged overdraft market since July 2007 and the progress it expects to see over the next two years, it has decided to take no further action at this time and will review the unarranged overdraft market again in 2012.

### *Interchange Fees*

The European Commission has adopted a formal decision finding that an infringement of European Commission competition laws has arisen from arrangements whereby MasterCard issuers charged a uniform fallback interchange fee in respect of cross-border transactions in relation to the use of a MasterCard or Maestro branded payment card. The European Commission has required that the fee be reduced to zero for relevant cross-border transactions within the European Economic Area. This decision has been appealed to the General Court of the European Union (the **General Court**). Lloyds TSB Bank plc and Bank of Scotland plc (along with certain other MasterCard issuers) have successfully applied to intervene in the appeal in support of MasterCard's position that the arrangements for the charging of a uniform fallback interchange fee are compatible with European Union competition laws. MasterCard has announced that it has reached an understanding with the European Commission on a new methodology for calculating intra-European Economic Area multi-lateral interchange fees on an interim basis pending the outcome of the appeal. Meanwhile, the European Commission and the OFT are pursuing investigations with a view to deciding whether arrangements adopted by other payment card schemes for the levying of uniform fallback interchange fees in respect of domestic and/or cross-border payment transactions also infringe European Union and/or UK competition laws. As part of this initiative, the OFT will also intervene in the General Court appeal supporting the European Commission position and Visa reached an agreement with the European Commission to reduce the level of interchange for cross-border debit card transactions to the interim levels agreed by MasterCard. The ultimate impact of the investigations on Lloyds Banking Group can only be known at the conclusion of these investigations and any relevant appeal proceedings.

#### *Payment Protection Insurance*

There has been extensive scrutiny of the Payment Protection Insurance (**PPI**) market in recent years.

In October 2010, the UK Competition Commission (the **Competition Commission**) confirmed its decision to prohibit the active sale of PPI by a distributor to a customer within seven days of a sale of credit. This followed the completion of its formal investigation into the supply of PPI services (other than store card PPI) to non-business customers in the UK in January 2009 and a referral of the proposed prohibition to the Competition Appeal Tribunal. The Competition Commission consulted on the wording of a draft order to implement its findings from October 2010, and published the final Order on 24 March 2011 which became effective on 6 April 2011. Following an earlier decision to stop selling single premium PPI products, Lloyds Banking Group ceased to offer PPI products to its customers in July 2010.

On 29 September 2009 the FSA announced that several firms had agreed to carry out reviews of past sales of single premium loan protection insurance. Lloyds Banking Group agreed in principle that it would undertake a review in relation to sales of single premium loan protection insurance made through its branch network since 1 July 2007. That review will now form part of the ongoing PPI work referred to below.

On 1 July 2008, the **FOS** referred concerns regarding the handling of PPI complaints to the FSA as an issue of wider implication. On 29 September 2009 and 9 March 2010, the FSA issued consultation papers on PPI complaints handling. The FSA published its Policy Statement on 10 August 2010, setting out evidential provisions and guidance on the fair assessment of a complaint and the calculation of redress, as well as a requirement for firms to reassess historically rejected complaints which had to be implemented by 1 December 2010.

On 8 October 2010, the British Bankers' Association (the **BBA**), the principal trade association for the UK banking and financial services sector, filed an application for permission to seek judicial review against the FSA and the FOS. The BBA sought an order quashing the FSA Policy Statement and an order quashing the decision of the FOS to determine PPI sales in accordance with the guidance published on its website in November 2008.

The Judicial Review hearing was held in late January 2011 and on 20 April 2011 judgment was handed down by the High Court dismissing the BBA's application. On 9 May 2011, the BBA confirmed that the banks and the BBA did not intend to appeal the judgment.

Since publication of the judgment, Lloyds Banking Group has been in discussions with the FSA with a view to seeking clarity around the detailed implementation of the Policy Statement. As a result, and given the initial analysis that Lloyds Banking Group has conducted of compliance with applicable sales standards, which is continuing, Lloyds Banking Group has concluded that there are certain circumstances where customer contact and/or redress will be appropriate. Accordingly Lloyds Banking Group has made a provision in its income statement for the quarter ended 31 March 2011 of £3,200 million in respect of the anticipated costs of such contact and/or redress, including administration expenses. There are still a number of uncertainties as to the eventual costs from any such contact and/or redress given the inherent difficulties of assessing the impact of detailed implementation of the Policy Statement for all PPI complaints, uncertainties around the ultimate emergence period for complaints, the availability of supporting evidence and the activities of claims management companies, all of which will significantly affect complaints volumes, uphold rates and redress costs.

#### *Interbank Offered Rate Setting Investigations*

Various regulators in the UK, US and overseas, including the US Commodity Futures Trading Commission, the SEC and the European Commission, are conducting investigations into submissions made by panel members to the bodies that set various interbank offered rates. Lloyds Banking Group, and/or its subsidiaries, were (at the relevant time) and remain members of various panels that submit data to these bodies in a number of jurisdictions. Lloyds Banking Group has received requests from some regulators for information and is co-operating with their investigations. In addition, recently Lloyds Banking Group has been named in private purported class action suits in the US with regard to the setting of London interbank offered rates (**LIBOR**) by members of the LIBOR setting panel. It is currently not possible to predict the scope and ultimate outcome of the various regulatory investigations or purported private class action suits, including the timing and scale of the potential impact of any investigations and class action suits on Lloyds Banking Group.

#### **Availability of Public Information**

Investors may obtain additional information, including copies of the most recent publicly available annual audited financial statements of Bank of Scotland plc, by contacting Investor Relations, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN or from the following internet website address: <http://www.lloydsbankinggroup.com>.

## DESCRIPTION OF THE MORTGAGE LOANS

*References in this chapter to ratios and amounts are to those applied by the Seller at the date of this Prospectus and such ratios and amounts may change in the future.*

### Types of Mortgage Loans

The Mortgage Loans will consist of Interest-only Mortgage Loans, Annuity Mortgage Loans, Life Mortgage Loans, Savings Mortgage Loans or combinations of these types of loans.

Life Mortgage Loans and Savings Mortgage Loans are connected to a combined risk and capital insurance policy. Interest-only Mortgage Loans and Annuity Mortgage Loans are not connected to a combined risk and capital insurance policy. They may, however, be connected to a Risk Insurance Policy. See *Risk Insurance Policy*.

Pursuant to the Mortgage Conditions, the Mortgage Receivable becomes due and payable (*opeisbaar*) if the Borrower fails to perform in timely fashion its (payment) obligations under a connected Insurance Policy.

### Characteristics of the Mortgage Loans and NHG Mortgage Loans

The Mortgage Loans will have different repayment methods as described below. Prepayment of principal is possible, subject, in certain circumstances, to a penalty.

Mortgage Loans are granted up to a maximum of 125% of the Foreclosure Value. However, if the relevant Mortgage Loan exceeds an amount equal to 90% (85% for new loans originated from July 2009) of the Foreclosure Value of the Mortgaged Assets at origination of a Bank of Scotland Standard Mortgage Loan or Bank of Scotland Budget Mortgage Loan, the Borrower is required to take out a Life Insurance Policy or, in case of an Annuity Mortgage Loan, a Risk Insurance Policy covering the excess amount. The LTFV-ratio of a mortgage loan is the outstanding principal amount of the mortgage loan divided by the Foreclosure Value of the relevant Mortgaged Asset and is usually about 85 to 90% of the market value of the relevant property.

The absolute maximum loan amount of an NHG Mortgage Loan is Euro 350,000 (until 1 January 2012). The loan amount is also limited by the amount of income of the Borrower and the Market Value of the property.

With respect to the latter:

- for the purchase of existing properties, the loan amount is broadly based on the sum of (i) the lower of the purchase price and the Market Value based on a valuation report, (ii) the costs of improvements, (iii) 12% of the amount under (i) plus (ii). In case an existing property can be bought without paying stamp duty (*vrij op naam*), the purchase amount under (i) is multiplied by 93%;
- for the purchase of a property under construction, the maximum loan amount is broadly based on the sum of (i) the purchase/construction cost increased by a number of costs such as the cost of construction, interest, VAT and architects' fees (to the extent not included already in the purchase/construction cost) and (ii) 8% of the amount under (i).

### Interest-only Mortgage Loans

Under Interest-only Mortgage Loans, the Borrower is obliged to pay only interest during the term of such Mortgage Loan, so that the Borrower does not pay principal towards redemption of the relevant Mortgage Receivable until maturity, when the entire principal amount is due. Interest-only Mortgage Loans may, from 1 July 2009, be granted up to an amount equal to 85% of the Foreclosure Value of the Mortgaged Asset at origination in respect of a Bank of Scotland Economy Mortgage Loan, Bank of Scotland Standard Mortgage Loan and Bank of Scotland Budget Mortgage Loan.

In respect of a Bank of Scotland Standard Mortgage and Bank of Scotland Budget Mortgage Loan; from 1 July 2009 onwards, if the relevant Interest-only Mortgage Loan exceeds an amount equal to 85% of the Foreclosure Value, the Borrower is required to take out a Life Insurance Policy covering the amount in excess of 90% of the LTFV-ratio.

For the avoidance of doubt, no Interest-only mortgages exceeding 100% of the Foreclosure Value are assigned to the Issuer.

### **Annuity Mortgage Loans**

Under Annuity Mortgage Loans, the Borrower pays a constant total monthly amount (assuming interest rates do not change) made up of an initially high and subsequently decreasing interest portion and an initially low and subsequently increasing principal portion, and calculated in such a manner that the Mortgage Receivable will be fully redeemed at the end of its term.

### **Life Mortgage Loans**

Life Mortgage Loans have the benefit of Life Insurance Policies taken out by the Borrower with any of the Life Insurance Companies. A Life Insurance Policy is a combined capital and risk insurance policy. Under Life Mortgage Loans, no principal is scheduled to be repaid prior to maturity. Until maturity, the Borrower under the Mortgage Conditions is only required to pay interest in connection with the mortgage loan and to take out a Life Insurance Policy under which the Borrower pays a premium which consists of a risk insurance element and a capital insurance element.

The risk insurance element of the premium is paid under the policy, in exchange for the undertaking of the Life Insurance Company to pay out an agreed amount upon the death of the insured.

The capital insurance element of the premium is used by the Life Insurance Company to build up capital. The mortgage loans consist of two distinct types of Life Mortgage Loans: (i) "Unit Linked", where the capital element of the premium paid by the Borrower may be invested by the Insurance Company in certain investment funds, and (ii) "Life", where the capital element of the premium paid by the Borrower may also be invested in a interest guarantee product. Typically the capital built up under the Insurance Policy is applied towards redemption of the principal amount of the Life Mortgage Loan at maturity thereof.

Life Insurance Policies are offered in several alternatives by the Life Insurance Companies. Failure by the Borrower to pay the premium under the Life Insurance Policy would result in the Mortgage Receivable becoming due and payable.

### **Savings Mortgage Loans**

Under a Savings Mortgage Loan, the capital element of the premium is referred to as the Savings Premium. The Savings Premium is applied by the relevant Savings Insurance Company to invest in the related Savings Mortgage Loan. The Savings Premium is calculated in such a manner that, on an annuity basis, the proceeds of the Savings Insurance Policy due by the Savings Insurance Company to the relevant Borrower is equal to the principal amount due by the Borrower to the Seller at maturity of the Savings Mortgage Loan. The proceeds of these Savings Insurance Policies are applied towards principal redemption of the Savings Mortgage Receivables.

### **Savings Mortgage Sub-Participation Agreement**

On the Closing Date, the Issuer will enter into the Savings Mortgage Sub-Participation Agreement with the Savings Insurance Companies under which, *inter alia*, each of the Savings Insurance Companies will acquire on the Closing Date the Initial Savings Participation in respect of the Savings Mortgage Receivables and Life Mortgage Receivables with a Savings Element.

## **Interest Payments/Interest Rate Setting**

A portion of the Mortgage Loans carries a fixed rate of interest, all for a certain set interest period (*rentevastperiode*). At the end of an interest period, the interest rate will be reset, unless the Borrower redeems the Mortgage Loan. In general, fixed rate reset terms can be set for periods of 1, 5, 6, 10, 15, 20 and 30 years.

In addition, a portion of the Mortgage Loan carries a variable rate of interest. This variable rate is reset monthly.

## **Bank of Scotland Economy Mortgage Loans, Bank of Scotland Standard Mortgage Loans, Bank of Scotland Budget Mortgage Loans and NHG Mortgage Loans**

At Closing the Mortgage Receivables assigned to the Issuer are either "Bank of Scotland Economy Mortgage Loans", "Bank of Scotland Standard Mortgage Loans", "Bank of Scotland Budget Mortgage Loans" or "NHG Mortgage Loans".

A **Bank of Scotland Economy Mortgage Loan** is a mortgage loan with the following characteristics:

- (a) a linear, savings, life, interest-only or annuity mortgage loan;
- (b) 10% early redemption annually is allowed without penalty;
- (c) a floating interest rate or an interest rate which may be fixed for 1, 5, 6, 10, 15, 20 or 30 years;
- (d) an offer period of three months, without the possibility for extension;
- (e) a maximum mortgage amount of Euro 1,500,000;
- (f) a maximum LTFV-ratio of 100%; and
- (g) no NHG Guarantee is possible.

The Bank of Scotland Economy Mortgage Loan is, from 23 September 2007, no longer offered.

A **Bank of Scotland Standard Mortgage Loan** is a mortgage loan with the following characteristics:

- (a) a linear, savings, life, interest-only or annuity mortgage loan;
- (b) 15% early redemption annually is allowed without penalty for loans originated prior to 1 February 2006 and 10% early redemption is allowed for loans originated after 1 February 2006;
- (c) a floating interest rate or an interest rate which may be fixed for 1, 5, 6, 10, 15, 20 or 30 years;
- (d) an offer period of three months, which may be extended to a maximum of six months against a commitment fee;
- (e) a maximum mortgage amount of Euro 1,500,000;
- (f) a maximum LTFV-ratio of 125%, except in the case of Mortgage Loans granted to self-employed persons, which may be granted with a maximum LTFV-ratio of 110%;
- (g) for loans originated after 23 September 2007 the LTFV categories available are: <75%, 90%, < 100%, < 110% and <125%; and
- (h) an NHG Guarantee is possible.

A **Bank of Scotland Budget Mortgage Loan** is a mortgage loan with the following characteristics:

- (a) a linear, savings, life, interest-only or annuity mortgage loan;
- (b) 10% early redemption annually is allowed without penalty;
- (c) a floating interest rate or an interest rate which may be fixed for 1, 5, 6, 10, 15, 20 or 30 years;
- (d) an offer period of three months, without the possibility for extension;
- (e) a maximum mortgage amount of Euro 1,500,000;
- (f) a maximum LTFV-ratio of 125%, except in the case of Mortgage Loans granted to self-employed persons, which may be granted with a maximum LTFV-ratio of 110%;
- (g) the LTFV categories available are: <75%, 90%, < 100%, < 110% and <125%; and
- (h) an NHG Guarantee is possible.

An **NHG Mortgage Loan** is a mortgage loan with the following characteristics:

- (a) a linear, investment, savings, life, interest-only or annuity mortgage loan;
- (b) 15% early redemption annually is allowed without penalty and 10% early redemption is allowed for loans originated after 1 February 2006;
- (c) a floating interest rate or an interest rate which may be fixed for 1, 5, 6, 10, 15, 20 or 30 years;
- (d) an offer period of three months, which may be extended to a maximum of six months against a commitment fee;
- (e) a maximum mortgage amount of Euro 265,000 (up to 1 July 2009) or Euro 350,000 (from 1 July 2009);
- (f) compliant with the relevant NHG *financieringslasttabellen* (i.e. tables setting out the allowed financing burdens, as published by the 'Stichting Waarborgfonds Eigen Woningen' obtainable from the website [www.nhg.nl](http://www.nhg.nl)); and
- (g) an NHG Guarantee is applicable.

## **Valuation**

At origination, each Mortgaged Asset relating to a Mortgage Loan is required to be valued not more than three months before the application for such loan is made, except in the case of: (i) a (re)financing with a maximum LTFV-ratio of 75% and the Foreclosure Value of the residential property is set at 80% of the value as shown on the assessment notice of the real estate tax authorities (*WOZ Beschikking*) (as supported by pictures of the property and an extract of the Land Register (*Dienst van het Kadaster en de Openbare Registers*)); and (ii) Mortgage Loans secured by a mortgage right on newly built properties whereby the maximum amount lent is 125% of the calculated foreclosure value, which is determined by using the ratio 100/120% of the purchase/construction price plus 100% of any additional work and at most 5% loss of interest during construction. The purchase/construction amount (*koop- /aanneemson*) increased with, if applicable, costs related to items such as architects, daily supervision, utility connections and VAT. The maximum cost of additional work for new housing is 20% of the purchase/contracting price.

The valuation forms must be drawn up by an independent qualified appraiser (*taxateur*) who is registered in one of the approved registers (*Stichting Vastgoedcertificatie kamer Wonen/MKB* or *SCVM (Stichting Certificering VBO Makelaars)*) and who must not be involved in the relevant transaction. The appraiser must be a member of one of the following professional appraisal organisations: *Landelijke Makelaars Vereniging, Nederlandse Vereniging van Makelaars, Nederlandse Vereniging van Register Vastgoed Taxateurs, Vereniging Bemiddeling Onroerend Goed* or *Nederlandse Vereniging van Rentmeesters*.

## **Lending Criteria**

### *Minimum and Maximum Amounts*

The minimum amount of a Mortgage Loan is Euro 75,000 and, if a Mortgage Loan has more than one repayment component (loan part), the minimum amount for each loan part of such Mortgage Loan is Euro 5,000. The maximum amount of an interest-only Mortgage Loan (part) is Euro 1,000,000. The maximum amount of a Mortgage Loan is Euro 1,500,000.

### *Age restrictions*

All Borrowers must be over 18 years old. The maximum age for Borrowers of Life Mortgage Loans and Annuity Mortgage Loans depends on the Insurance Policy connected to the Mortgage Loan.

### *Creditworthiness*

The process of verifying a prospective borrower's creditworthiness is set up to determine whether the prospective borrower has sufficient monthly income available to meet his payments on the requested mortgage loan as well as to support other financial obligations and monthly living expenses. A check on the income of a prospective borrower who is employed is conducted by requesting a recent employer's declaration of the borrower, as well as the borrower's salary slip and a copy of a bank statement with the borrower's salary to ensure that the information is corresponding.

### *Income from self-employment*

The self-employed prospective borrower's income must be demonstrated by means of annual accounts of the self-employed borrower for the three most recent financial years, and an estimate for the upcoming year should be included. In addition, the prospective borrower must submit tax returns for the most recent three years and a copy of the tax inspector's tax assessments. If no annual accounts are available, Bank of Scotland, Amsterdam Branch may determine that tax declarations and tax returns for the same periods are sufficient. Where the period of a prospective borrower's self-employment is only one year, then the prospective borrower must provide to Bank of Scotland, Amsterdam Branch employment income details for the two years preceding the period of self-employment. This employment income must have been earned in employment of a type equivalent to the business currently operated by the prospective borrower. In this way Bank of Scotland, Amsterdam Branch will be able to consider three years of comparable income for the prospective borrower. Should self-employment income in the last year be lower than in the preceding two years, the income data will be fed into the internationaal Stater Hypotheken Systeem (**iSHS**).

Mortgage Loans to the self-employed originated after July 2003 cannot exceed 110% of the Foreclosure Value of the Mortgaged Asset except in the case where less than 50% of the borrower's income is generated from self-employment, in which case a Mortgage Loan of up to 125% of Foreclosure Value may be obtained. Mortgage Loans to the self-employed originated before July 2003 cannot exceed 125% of the Foreclosure Value of the Mortgaged Asset.

An income assessment of a self-employed entrepreneur in the hotel and catering industry (**HORECA**) will always be conducted by Bank of Scotland, Amsterdam Branch directly.

### *Debt to income ratios*

Until October 2008 for Bank of Scotland Economy Mortgage Loans, Bank of Scotland Budget Mortgage Loans and Bank of Scotland Standard Mortgage Loans, a maximum loan-to-income ratio of 6.5 where the Borrower's income is greater than Euro 50,000 per year, 6 where the Borrower's income is between Euro 35,000 and Euro 50,000 per year and 5.5 where the Borrower's income is less than Euro 35,000 per year was applicable. The actual monthly mortgage and related insurance payments and, if applicable, the monthly payments on additional (personal) loans calculated did not exceed 35% of the total monthly income of the prospective borrower(s) with an income greater than Euro 35,000 per year and 30% of the total monthly income of the prospective borrower(s) with income less than Euro 35,000 per year.

Starting in October 2008, Bank of Scotland, Amsterdam Branch uses an annuity based lending method in determining the maximum lending capacity of a application. The method is applicable for all prospective borrowers, applying for a Bank of Scotland Mortgage Loan, a Bank of Scotland Budget Mortgage Loan, and Borrowers, applying for further advances on a Bank of Scotland Economy Mortgage Loan.

The maximum lending capacity of a prospective borrower is validated against the maximum lending capacity according to the Bank of Scotland, Amsterdam Branch underwriting criteria and against the maximal lending capacity according to CHF Code of Conduct.

In case of a loan with an NHG Guarantee, the NHG Underwriting criteria apply. See *NHG Guarantee Programme* below.

### **Testing for maximal lending capacity according to the Bank of Scotland, Amsterdam Branch underwriting criteria**

#### *Calculation of the financial burden of the Borrower*

Based on the application for a Bank of Scotland loan, a monthly financial burden for housing costs is calculated. The financial burden is based on the monthly payments of interest and redemption resulting from an annuity mortgage loan with a maturity of 30 years.

#### *Comparison of the financial burden with the maximum financial burden for housing costs*

The actual financial burden for housing costs resulting from the annuity-based lending method is compared with the maximum financial burden according to the Bank of Scotland, Amsterdam Branch underwriting criteria.

The maximum financial burden for housing costs, as set by the Bank of Scotland, Amsterdam Branch underwriting criteria, is calculated by multiplying the applicable Debt-to-Income ratio (**DTI**) with the aggregated gross income of the Borrower(s). The maximum financial burden for housing costs is then corrected downwards for any financial commitments with other financial institutions i.e. any credit obligations resulting from BKR information.

Based on the maximum financial burden, the maximum lending capacity of the Borrower(s) is calculated.

If the actual financial burden resulting from the annuity-based lending exercise exceeds the maximum financial burden as defined by the Bank of Scotland, Amsterdam Branch underwriting criteria, the application is rejected.

#### *Definition of Interest rate used in the annuity-based lending methodology*

The interest rate used under the annuity-based lending methodology is dependent on the interest fixed period of the respective mortgage loan parts. The following rule is applicable: if the interest rate fixed period of the loan part is less than five years, the five-years fixed period commercial Bank of Scotland, Amsterdam

Branch rate is used. If the interest rate fixed period is greater than or equal to five years, the actual commercial rate of the relevant Bank of Scotland, Amsterdam Mortgage Loan is used. A weighted average of the interest rates per mortgage loan part is taken as interest input in the annuity-based lending methodology.

#### *Definition of Debt to Income ratio used while calculating the maximum allowed financial burden*

The DTI ratio is used to determine the maximum financial burden under The Bank of Scotland, Amsterdam Branch underwriting criteria. The DTI ratio is set by the Bank of Scotland, Amsterdam Branch Risk Management Department. The DTI ratio is dependent on the gross income of a Borrower and the interest rate used under the annuity-based lending methodology. In circumstances where there are two Borrowers, the gross income of both Borrowers is aggregated in order to determine the DTI ratio.

#### **Testing for maximum lending capacity according to CHF underwriting criteria**

The CHF Code of Conduct also uses the annuity-based lending methodology. The actual financial burden is compared with the maximum financial burden set by the CHF. This maximum financial burden is based on the CHF-DTI ratio. If the actual financial burden exceeds the maximum CHF financial burden, the application is rejected. Under certain circumstances Bank of Scotland, Amsterdam Branch may deviate from this method (see below under *Comply or Explain procedure*).

#### *Interest rate used in annuity-based lending under CHF testing*

The interest rate used in annuity-based lending as applied by the CHF is determined by the interest fixed period of the mortgage loan part. The following rule is applicable: if the interest rate fixed period of the loan part is less than ten years, the CHF rate is used. If the fixed rate period is greater than or equal to ten years the commercial ten-years fixed interest rate period of the relevant Bank of Scotland Mortgage Loan rate is used. The CHF interest rate is periodically published by the CHF institute. A weighted average of the interest rates per mortgage loan part is taken as interest input in the annuity-based lending methodology.

#### *Income used in annuity-based lending under CHF testing*

In circumstances where there are two Borrowers, the highest income is used to determine the DTI ratio. The two incomes of both Borrowers are aggregated in order to calculate the maximum allowed burden under CHF underwriting criteria.

#### *Comply or Explain procedure*

The Bank of Scotland, Amsterdam Branch maximum lending capacity needs to comply with the maximum lending capacity based on CHF underwriting criteria. Under certain circumstances Bank of Scotland may deviate from this method ("Comply or Explain procedure"). When an application for a Bank of Scotland, Amsterdam Branch mortgage loan exceeds the CHF underwriting criteria financial burden and complies with the Bank of Scotland, Amsterdam Branch underwriting criteria, the Bank of Scotland, Amsterdam Branch needs to explain and register in the file why the Borrower is given a higher loan under Bank of Scotland, Amsterdam Branch underwriting criteria. Bank of Scotland makes, *inter alia*, use of this alternative for Borrowers with vested income increase in the near future, prospective borrowers with a proven prudential pattern of spending, or proven financial fixed assets.

#### *National Credit Register*

A credit check is conducted for every prospective borrower with the BKR in Tiel. All financial commitments over the past five years that prospective borrowers have entered into with financial institutions are recorded in this register.

### *Other Lending Criteria*

Apart from the principal criteria already mentioned, the following criteria also apply to each mortgage loan: (i) mortgage loans are granted only to individuals; (ii) if there is more than one borrower, there must be joint and several liability for the mortgage receivable; and (iii) mortgage loans are only granted on the basis of owner occupancy. As to the procedure applied by the Seller in case of non-compliance by a prospective borrower with any of the underwriting criteria, see *Mortgage Loan Underwriting and Origination* below. In case of a loan with an NHG Guarantee, the NHG Underwriting criteria apply. See *NHG Guarantee Programme* below.

### **Mortgage pool**

The numerical information set out below relates to a pool of Mortgage Loans (the **Provisional Pool**) which was selected as of the close of business, on the Cut-Off Date. All amounts are in euro. The information set out below relates to the Provisional Pool and may not necessarily correspond to that of the Mortgage Receivables actually sold to the Issuer on the Closing Date. After the Closing Date the portfolio will change from time to time as a result of repayment, prepayment, amendment and repurchase of Mortgage Receivables and the purchase of New Mortgage Receivables.

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

### **KEY FIGURES**

Number of Loan parts	11,467
Number of Loans	5,681
Min Coupon (%)	3.05
Max Coupon (%)	6.65
Weighted Average Coupon (%)	4.71
Weighted Average Seasoning (Months)	43.50
Weighted Average Maturity (Months)	73.68
Original Balance (EUR)	1,270,500,696.09
Outstanding Principal Balance (EUR)	1,251,739,691.03
Savings Participation (EUR)	5,290,518.47
Net Outstanding Principal Balance (EUR)	1,251,739,691.03
Average Balance by Borrower (EUR)	220,337.91
Maximum Loan Value (EUR)	950,000.00
WA Loan-to-Value (Recorded Foreclosure Value)	99.91%
WA Loan-to-Value (Indexed Recorded Foreclosure Value)	99.51%
WA Loan-to-Value (Estimated Fair Market Value)	88.75%
WA Loan-to-Value (Indexed Estimated Fair Market Value)	88.40%

**TABLE A*****Origination date of the mortgage loan parts***

Year of origination	Net Outstanding Principal Balance (Euro)	Proportion of pool (%)	Number of Loan parts	Proportion of pool (%)	WAC (%)
2000 Q1	66,241.33	0.01	2	0.02	3.45
2000 Q3	322,183.96	0.03	2	0.02	4.05
2000 Q4	725,367.68	0.06	7	0.06	4.56
2001 Q1	160,638.20	0.01	2	0.02	4.05
2001 Q3	1,773,743.10	0.14	21	0.18	5.53
2001 Q4	2,381,715.74	0.19	29	0.25	4.85
2002 Q1	2,025,512.79	0.16	18	0.16	5.39
2002 Q2	1,500,512.83	0.12	12	0.10	5.01
2002 Q3	6,533,310.47	0.52	59	0.51	5.14
2002 Q4	8,904,235.22	0.71	91	0.79	5.23
2003 Q1	8,223,285.35	0.66	97	0.85	5.23
2003 Q2	13,110,023.05	1.05	149	1.30	5.03
2003 Q3	7,714,333.90	0.62	89	0.78	5.44
2003 Q4	3,809,090.31	0.30	35	0.31	4.96
2004 Q1	2,536,360.31	0.20	36	0.31	4.71
2004 Q2	6,444,791.86	0.51	84	0.73	4.69
2004 Q3	5,836,595.88	0.47	79	0.69	4.55
2004 Q4	7,701,735.93	0.62	79	0.69	4.48
2005 Q1	12,633,645.46	1.01	116	1.01	4.57
2005 Q2	13,469,333.37	1.08	137	1.19	4.37
2005 Q3	17,062,209.60	1.36	166	1.45	4.04
2005 Q4	32,052,267.52	2.56	291	2.54	3.99
2006 Q1	41,332,849.31	3.30	336	2.93	4.18
2006 Q2	34,422,506.93	2.75	289	2.52	4.35
2006 Q3	39,275,797.44	3.14	337	2.94	4.59
2006 Q4	116,367,114.81	9.30	849	7.40	4.55
2007 Q1	108,793,029.22	8.69	757	6.60	4.62
2007 Q2	84,161,077.79	6.72	609	5.31	4.83
2007 Q3	74,830,808.31	5.98	572	4.99	5.11
2007 Q4	93,543,810.20	7.47	824	7.19	5.17
2008 Q1	56,884,070.55	4.54	489	4.26	5.14
2008 Q2	30,208,099.99	2.41	335	2.92	5.06
2008 Q3	62,863,041.55	5.02	599	5.22	5.43
2008 Q4	26,371,855.48	2.11	296	2.58	5.19
2009 Q1	16,608,427.01	1.33	207	1.81	4.87
2009 Q2	20,694,414.37	1.65	265	2.31	4.88
2009 Q3	38,033,870.96	3.04	388	3.38	4.88
2009 Q4	36,338,889.48	2.90	421	3.67	4.67
2010 Q1	74,962,203.72	5.99	765	6.67	4.46
2010 Q2	66,547,307.91	5.32	733	6.39	4.24
2010 Q3	29,175,738.36	2.33	332	2.90	3.98
2010 Q4	20,109,553.08	1.61	214	1.87	3.98
2011 Q1	24,896,614.73	1.99	237	2.07	4.24
2011 Q2	331,475.97	0.03	12	0.10	3.87
WA/TOTAL:	1,251,739,691.03	100.00	11,467	100.00	4.71

**TABLE B***Type of mortgage loan parts*

Type of Mortgages	Net Outstanding Principal Amount (Euro)	Proportion of pool (%)	Number of Loan parts	Proportion of pool (%)	WAC (%)
Annuity	16,212,048.39	1.30	378	3.30	4.55
Interest only	954,790,464.20	76.28	8,020	69.94	4.71
Life	1,773,995.80	0.14	26	0.23	4.88
Savings	58,057,840.07	4.64	632	5.51	5.22
Savings/Life	18,828,281.43	1.50	185	1.61	4.55
Unit Linked	202,077,061.14	16.14	2,226	19.41	4.59
WA/TOTAL:	1,251,739,691.03	100.00	11,467	100.00	4.71

**TABLE C***Interest rates applicable to the mortgage loan parts*

Range of interest rates	Net Outstanding Principal Amount (EUR)	Proportion of pool (%)	Number of Loan parts	Proportion of pool (%)	WAC (%)
2.5% $\leq r < 3.5\%$	42,652,779.82	3.41	470	4.10	3.43
3.5% $\leq r < 4.5\%$	346,844,804.21	27.71	3,077	26.83	4.06
4.5% $\leq r < 5.5\%$	742,077,505.13	59.28	6,535	56.99	4.93
5.5% $\leq r < 6.5\%$	119,274,376.18	9.53	1,371	11.96	5.74
$r \geq 6.5\%$	890,225.69	0.07	4	0.12	6.57
WA/TOTAL:	1,251,739,691.03	100.00	11,467	100.00	4.71

**TABLE D***Interest rate reset dates applicable to the mortgage loan parts*

Range of Years	Net Outstanding Principal Amount (EUR)	Proportion of pool (%)	Number of Loan parts	Proportion of pool (%)	WAC (%)
2011	197,923,310.97	15.81	2,008	17.51	3.83
2012	69,797,732.59	5.58	671	5.85	4.68
2013	84,184,450.10	6.73	815	7.11	5.06
2014	47,046,540.57	3.76	536	4.67	4.97
2015 $\leq$ interest reset date $< 2020$	579,648,692.76	46.31	5,168	45.07	4.78
2020 $\leq$ interest reset date $< 2025$	159,344,329.14	12.73	1,433	12.50	4.95
2025 $\leq$ interest reset date $< 2030$	62,883,786.38	5.02	472	4.12	5.12
2030 $\leq$ interest reset date $< 2035$	571,100.83	0.05	7	0.06	5.71
2035 $\leq$ interest reset date $< 2040$	49,344,452.13	3.94	342	2.98	5.36
2040 $\leq$ interest reset date $< 2045$	995,295.56	0.08	15	0.13	5.66
WA/TOTAL:	1,251,739,691.03	100.00	11,467	100.00	4.71

**TABLE E***Maturity of the mortgage loan parts*

Range of Years	Net Outstanding Principal Amount (EUR)	Proportion of pool (%)	Number of Loan parts	Proportion of pool (%)	WAC (%)
maturity < 2015	595,532.56	0.05	25	0.22	4.79
2015 <= maturity < 2020	4,071,703.16	0.33	82	0.72	4.47
2020 <= maturity < 2025	8,393,737.24	0.67	113	0.99	4.62
2025 <= maturity < 2030	31,096,082.46	2.48	365	3.18	4.53
2030 <= maturity < 2035	233,765,475.71	18.68	2,499	21.79	4.62
2035 <= maturity < 2040	834,763,500.25	66.69	6,929	60.43	4.8
2040 <= maturity < 2045	139,053,659.65	11.11	1,454	12.68	4.37
WA/TOTAL:	1,251,739,691.03	100.00	11,467	100.00	4.71

**TABLE F***Size of outstanding mortgage loans*

Loan Size	Net Outstanding Principal Amount (EUR)	Proportion of pool (%)	Number of Loans	Proportion of pool (%)	WAC (%)
loan size < 50,000	182,020.15	0.01	6	0.11	3.94
50,000 <= loan size < 100,000	15,690,881.02	1.25	187	3.29	4.6
100,000 <= loan size < 150,000	147,339,286.09	11.77	1,139	20.05	4.77
150,000 <= loan size < 200,000	263,389,311.36	21.04	1,517	26.70	4.71
200,000 <= loan size < 250,000	305,812,788.57	24.43	1,377	24.24	4.76
250,000 <= loan size < 300,000	165,203,194.62	13.20	612	10.77	4.77
300,000 <= loan size < 350,000	104,387,021.42	8.34	324	5.70	4.72
350,000 <= loan size < 400,000	61,317,299.24	4.90	165	2.90	4.67
400,000 <= loan size < 450,000	40,019,274.14	3.20	95	1.67	4.76
450,000 <= loan size < 500,000	24,621,271.08	1.97	52	0.92	4.26
500,000 <= loan size < 550,000	39,307,577.57	3.14	75	1.32	4.81
550,000 <= loan size < 600,000	30,369,777.54	2.43	53	0.93	4.4
600,000 <= loan size < 650,000	23,514,159.29	1.88	38	0.67	4.54
650,000 <= loan size < 700,000	8,604,132.72	0.69	13	0.23	4.68
700,000 <= loan size < 750,000	7,834,960.48	0.63	11	0.19	4.07
750,000 <= loan size < 800,000	5,391,255.05	0.43	7	0.12	4.74
800,000 <= loan size < 850,000	3,288,063.00	0.26	4	0.07	4.31
850,000 <= loan size < 1000,000	5,467,417.69	0.44	6	0.11	4.27
WA/TOTAL:	1,251,739,691.03	100.00	5,681	100.00	4.71

**TABLE G*****Geographical distribution of the mortgage loans***

Geographical Distribution	Net Outstanding Principal Amount (EUR)	Proportion of pool (%)	Number of Loans	Proportion of pool (%)	WAC (%)
Zeeland	19,514,249.03	1.56	104	1.83	4.71
Unknown	28,451,610.21	2.27	124	2.18	4.85
Drenthe	36,898,651.23	2.95	184	3.24	4.68
Flevoland	41,179,834.59	3.29	210	3.70	4.72
Groningen	44,312,794.42	3.54	244	4.30	4.69
Friesland	44,562,774.11	3.56	248	4.37	4.62
Limburg	60,822,046.51	4.86	299	5.26	4.72
Overijssel	86,892,314.44	6.94	439	7.73	4.71
Utrecht	129,836,943.81	10.37	516	9.08	4.71
Gelderland	137,143,936.68	10.96	625	11.00	4.70
Noord-Brabant	185,319,023.47	14.80	798	14.05	4.77
Noord-Holland	210,660,624.67	16.83	853	15.01	4.68
Zuid-Holland	226,144,887.86	18.07	1,037	18.25	4.72
WA/TOTAL:	1,251,739,691.03	100.00	5,681	100.00	4.71

**TABLE H*****Income Data of borrowers***

Region of income (EUR)	Aggregate Outstanding Principal Amount (EUR)	Proportion of pool (%)	Number of Loans	Proportion of pool (%)	WAC (%)
10,000 <= income < 20,000	3,446,425.94	0.28	36	0.63	5.00
20,000 <= income < 30,000	94,317,756.45	7.53	724	12.74	4.82
30,000 <= income < 40,000	231,072,249.76	18.46	1,376	24.22	4.80
40,000 <= income < 50,000	261,250,169.56	20.87	1,302	22.92	4.78
50,000 <= income < 60,000	199,806,159.43	15.96	872	15.35	4.72
60,000 <= income < 70,000	138,361,539.24	11.05	522	9.19	4.64
70,000 <= income < 80,000	82,079,203.21	6.56	286	5.03	4.70
80,000 <= income < 100,000	120,373,783.31	9.62	324	5.70	4.59
100,000 <= income < 150,000	94,165,656.41	7.52	194	3.41	4.54
150,000 <= income < 200,000	16,970,229.53	1.36	28	0.49	4.40
200,000 <= income < 350,000	8,619,777.28	0.69	15	0.26	4.46
income >= 350,000	1,276,740.91	0.10	2	0.04	4.58
WA/TOTAL:	1,251,739,691.03	100.00	5,681	100.00	4.71

**TABLE I***Employment of borrower*

Employment Status	Net Outstanding Principal Amount (EUR)	Proportion of pool (%)	Number of Loans	Proportion of pool (%)	WAC (%)
(early) retirement	53,817,199.53	4.30	333	5.86	4.65
Full time permanent employment	988,800,012.07	78.99	4,392	77.31	4.71
Full time temporary employment	78,210,106.11	6.25	389	6.85	4.84
Part time permanent employment	60,659,477.73	4.85	305	5.37	4.80
Part time temporary employment	8,891,671.24	0.71	47	0.83	4.95
Self employed	61,361,224.35	4.90	215	3.78	4.62
WA/TOTAL:	1,251,739,691.03	100.00	5,681	100.00	4.71

**TABLE J***Property types of the mortgage loans*

Property Types	Net Outstanding Principal Amount (EUR)	Proportion of pool (%)	Number of Loans	Proportion of pool (%)	WAC (%)
	162,255.52	0.01	1	0.02	4.25
Condominium	142,133,132.53	11.35	813	14.31	4.75
Condominium with garage	6,741,989.55	0.54	35	0.62	4.55
Single family house	760,643,007.93	60.77	3,465	60.99	4.72
Single family house with garage	341,959,305.50	27.32	1,366	24.05	4.68
timber framed house	100,000.00	0.01	1	0.02	4.53
WA/TOTAL:	1,251,739,691.03	100.00	5,681	100.00	4.71

**TABLE K****Current Loan-to-Value (Recorded Foreclosure Value)**

Range of Loan-to-Value	Net Outstanding Principal Amount (EUR)	Proportion of pool (%)	Number of Loans	Proportion of pool (%)	WAC (%)
LTV < 25%	1,180,506.38	0.09	18	0.32	4.15
25% <= LTV < 50%	21,082,748.54	1.68	176	3.10	4.36
50% <= LTV < 60%	23,059,458.07	1.84	161	2.83	4.57
60% <= LTV < 70%	37,009,711.24	2.96	212	3.73	4.58
70% <= LTV < 80%	66,356,710.92	5.30	336	5.91	4.54
80% <= LTV < 90%	106,926,607.73	8.54	485	8.54	4.64
90% <= LTV < 100%	371,376,220.02	29.67	1,657	29.17	4.76
100% <= LTV < 105%	149,605,166.68	11.95	629	11.07	4.72
105% <= LTV < 110%	73,380,973.65	5.86	282	4.96	4.81
110% <= LTV < 115%	86,963,131.08	6.95	375	6.60	4.74
115% <= LTV < 120%	158,478,233.81	12.66	660	11.62	4.83
120% <= LTV < 125%	136,083,599.55	10.87	602	10.60	4.64
125% <= LTV < 130%	20,236,623.36	1.62	88	1.55	4.6
WA/TOTAL:	1,251,739,691.03	100.00	5,681	100.00	4.71

**TABLE L****Current Loan-to-Value Indexed Recorded Foreclosure Value)**

Range of Loan-to-Value	Aggregate Outstanding Principal Amount (EUR)	Proportion of pool (%)	Number of Loans	Proportion of pool (%)	WAC (%)
LTV < 25%	1,240,471.74	0.10	19	0.33	4.18
25% <= LTV < 50%	21,643,408.86	1.73	180	3.17	4.37
50% <= LTV < 60%	23,546,653.15	1.88	159	2.80	4.49
60% <= LTV < 70%	40,736,579.49	3.25	225	3.96	4.47
70% <= LTV < 80%	65,326,509.76	5.22	345	6.07	4.55
80% <= LTV < 90%	110,126,356.56	8.80	509	8.96	4.58
90% <= LTV < 100%	321,246,559.74	25.66	1,441	25.37	4.68
100% <= LTV < 105%	216,801,230.29	17.32	925	16.28	4.84
105% <= LTV < 110%	92,344,350.15	7.38	392	6.90	4.73
110% <= LTV < 115%	83,709,478.91	6.69	349	6.14	4.70
115% <= LTV < 120%	122,698,160.64	9.80	505	8.89	4.81
120% <= LTV < 125%	152,319,931.74	12.17	632	11.12	4.83
WA/TOTAL:	1,251,739,691.03	100.00	5,681	100.00	4.71

**TABLE M*****Current Loan-to-Value (Estimated Fair Market Value Value)***

Range of Loan-to-Value	Aggregate Principal Amount (EUR)	Outstanding	Proportion of pool (%)	Number of Loans	Proportion of pool (%)	WAC (%)
LTV < 25%	3,330,075.27		0.27	42	0.74	4.22
25% <= LTV < 50%	36,107,689.17		2.88	276	4.86	4.45
50% <= LTV < 60%	36,825,870.95		2.94	220	3.87	4.61
60% <= LTV < 70%	65,239,372.21		5.21	330	5.81	4.51
70% <= LTV < 80%	111,809,924.90		8.93	504	8.87	4.65
80% <= LTV < 90%	444,834,746.50		35.54	1,962	34.54	4.75
90% <= LTV < 100%	213,654,881.56		17.07	873	15.37	4.76
100% <= LTV < 105%	121,857,639.20		9.74	513	9.03	4.76
105% <= LTV < 110%	150,222,629.49		12.00	653	11.49	4.77
110% <= LTV < 115%	66,911,232.01		5.35	305	5.37	4.60
115% <= LTV < 120%	945,629.77		0.08	3	0.05	4.77
WA/TOTAL:	1,251,739,691.03		100.00	5,681	100.00	4.71

**TABLE N*****Current Loan-to-Value (Indexed Estimated Fair Market Value Value)***

Range of Loan-to-Value	Aggregate Principal Amount (EUR)	Outstanding	Proportion of pool (%)	Number of Loans	Proportion of pool (%)	WAC (%)
LTV < 25%	3,311,765.70		0.26	42	0.74	4.24
25% <= LTV < 50%	37,530,181.87		3.00	282	4.96	4.42
50% <= LTV < 60%	40,389,278.35		3.23	236	4.15	4.55
60% <= LTV < 70%	65,380,773.46		5.22	329	5.79	4.52
70% <= LTV < 80%	121,192,629.78		9.68	570	10.03	4.57
80% <= LTV < 90%	353,453,610.87		28.24	1,576	27.74	4.68
90% <= LTV < 100%	326,477,614.33		26.08	1,380	24.29	4.8
100% <= LTV < 105%	114,048,363.43		9.11	463	8.15	4.79
105% <= LTV < 110%	138,375,843.71		11.05	587	10.33	4.81
110% <= LTV < 115%	51,579,629.53		4.12	216	3.80	4.87
WA/TOTAL:	1,251,739,691.03		100.00	5,681	100.00	4.71

## NHG GUARANTEE PROGRAMME

### NHG Guarantee

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

Since 1 January 1995 '*Stichting Waarborgfonds Eigen Woningen*' (the **WEW**), a central privatised entity, is responsible for the administration and granting of the NHG Guarantee, under a set of uniform rules. The NHG Guarantee covers the outstanding principal, accrued unpaid interest and disposal costs. Irrespective of scheduled repayments or prepayments made on the mortgage loans, the NHG Guarantee decreases on a monthly basis by an amount which is equal to the monthly payments (principal and interest) as if the mortgage loan was being 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 (See *Risk Factors*).

### Financing of the WEW

The WEW finances itself, *inter alia*, by a one-off charge to the borrower of 0.45% of the principal amount of the mortgage loan. Besides this, the NHG scheme provides for liquidity support to the WEW from the Dutch State and the participating municipalities. In the event that the WEW is not able to meet its obligations under guarantees issued, the Dutch State will provide subordinated interest free loans to the WEW of up to 50% of the difference between the WEW's own funds and a pre-determined average loss level. Municipalities participating in the NHG scheme will provide subordinated interest-free loans to the WEW of the other 50% of the difference. Both the keep well agreement between the Dutch State and the WEW and the keep well agreements between the municipalities and the WEW contain general keep well undertakings of the Dutch State and the municipalities to enable the WEW at all times (including in the event of bankruptcy (*faillissement*), suspension of payments (*surseance van betaling*) or liquidation (*ontbinding*) of the WEW) to meet its obligations under guarantees issued.

### Terms and conditions of the NHG Guarantee

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

The specific terms and conditions for the granting of NHG Guarantees, such as eligible income, purchasing or building costs etc., are set forth in published documents (available on [www.nhg.nl](http://www.nhg.nl)).

The NHG has specific rules for the level of credit risk that will be accepted. The creditworthiness of the prospective borrower must be verified with the National Credit Register (*Bureau Krediet Registratie*) (**BKR**), a central credit agency used by all financial institutions in the Netherlands. All financial commitments over the past five years that prospective borrowers have entered into with financial institutions are recorded in this register.

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 the 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% of the value of the property.

The mortgage conditions applicable to each mortgage loan should include certain provisions, including, *inter alia*, the provision that any proceeds of foreclosure on the mortgage right and the right of pledge on the Life Insurance Policy or the investment funds shall be applied firstly towards repayment of the mortgage loan guaranteed under the NHG scheme.

Furthermore, according to the NHG Conditions for 2011 interest-only mortgage loans are allowed, provided that the interest-only part does not exceed 50% of the Market Value of the property.

An NHG Guarantee can be issued up to a maximum of Euro 350,000 (as of 1 July 2009). The maximum amount of the NHG Guarantee was Euro 265,000 from 1 January 2007 until 1 July 2009.

### **Claiming under the NHG Guarantee**

When a borrower is in arrears with payments under the mortgage loan for a period of four months or when a third party puts an attachment (*beslag*) on the property of the borrower, the Seller informs the WEW in writing within 30 days of the outstanding payments and/or the existence of the charge, including the guarantee number, borrower's name and address, information about the underlying security, the start date of the late payments and the total of outstanding payments. When the borrower is in arrears the WEW may approach the lender and/or the borrower to resolve 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. In addition to permission from the competent Dutch court (*rechtbank*), permission of the WEW is required in case of a private sale unless sold for an amount higher than the Market Value.

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

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

## **Additional loans**

Furthermore, on 1 July 2005 provisions were added to the NHG Conditions pursuant to which a borrower who is or threatens to be in arrears with payments under the existing mortgage loan may have the right to request the WEW for a second guarantee to be granted by it in respect of an additional mortgage loan to be granted by the relevant lender (*woonlastenfaciliteit*). The monies drawn down under the additional loan have to be placed on deposit with the relevant lender and may, up to a maximum period of two years, be used for, *inter alia*, payment of the amounts which are due and payable under the existing mortgage loan, interest due and payable under the additional mortgage loan and the costs made with respect to the granting of the additional mortgage loan. The relevant borrower needs to meet certain conditions, including, *inter alia*, the fact that the financial difficulties are caused by a divorce, unemployment, disability or death of a partner.

## **Main NHG Underwriting Criteria (*Normen*)**

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

- (a) The lender has to perform a BKR check. "A"-registrations and codes "1" are allowed in certain circumstances.
- (b) As a valid source of income the following applies: 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 flexi workers, a three year history of income statements, for self employed borrowers three year annual statements.
- (c) Up to 1 April 2007, the maximum loan based on the income of a Borrower was based on the so-called "*toetsinkomen toegestane financieringslasten*" tables (i.e. the DTI table) and an annuity style redemption (even if the actual loan is (partially) interest-only). The applicable interest rate is set by NHG for loans with an interest rate period less than or equal to five years and the actual commercial interest rate of the relevant Bank of Scotland Mortgage Loan for loans with an interest rate period in excess of five years.
- (d) From 1 April 2007 onwards, the maximum loan based on the income of a Borrower is based on the so-called "*toetsinkomen toegestane financieringslasten*" tables (i.e. the DTI table) and an annuity style redemption (even if the actual loan is (partially) interest-only). The applicable interest rate is the CHF published interest for loans with an interest rate period less than or equal to 10 years and the actual commercial interest rate of the relevant Bank of Scotland Mortgage Loan for loans with an interest rate period in excess of 10 years.

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

- (a) The maximum loan amount is Euro 350,000 (since 1 July 2009, before 1 July 2009 the maximum amount was Euro 265,000). The loan amount is also limited by the amount of income of a Borrower and the Market Value of the property. With respect to the latter:
  - (i) For the purchase of existing properties, the loan amount is broadly based on the sum of (i) the lower of the purchase price and the Market Value based on a valuation report, (ii) the costs of improvements, (iii) 12% of the amount under (i) plus (ii). In case an existing property can be bought without paying stamp duty (*vrij op naam*), the purchase amount under (i) is multiplied by 93%
  - (ii) For the purchase of properties to be built, the maximum loan amount is broadly based on the sum of (i) purchase-/construction cost increased with a number of costs such as the cost of construction interest, VAT and architects (to the extent not included already in the purchase/construction cost), (ii) 8% of the amount under (i).

- (b) The maximum loan amount that is interest-only is 50% of the Market Value of the property.
- (c) The Risk Insurance policy should, at a minimum, cover the loan amount in excess of 80% of the Market Value.

## MORTGAGE LOAN UNDERWRITING AND ORIGINATION

### *Underwriting Mortgage Loans*

The underwriting rules for mortgage loans originated by Bank of Scotland, Amsterdam Branch typically include, but are not limited to, the following aspects:

- BKR registration (former or present);
- a written sales contract (in the case of a refinancing deed of title and/or excerpt of the Dutch Land Registry);
- applicable mortgage rates;
- collateral requirements such as valuation report and type of collateral;
- loan to value limitations, loan to income limitations and definition of income for the purposes of this calculation; and
- additional security requirements relating to risk insurance and capital insurance and repayment form.

The underwriting criteria have been incorporated in Stater's automated lending decision management system (**Capstone**). Capstone is part of the International Stater Mortgages System (*internationaal Stater Hypotheken Systeem iSHS*), used by Bank of Scotland, Amsterdam Branch in the origination of the mortgage loans. Capstone is a rule-based system used to regulate the underwriting process.

### *Origination process – general*

Bank of Scotland, Amsterdam Branch originates mortgage loans through intermediaries and/or packagers, but also directly, via its website. These origination channels are discussed below.

### *Origination: outsourced final credit approval*

Where the final credit approval is outsourced, loan application forms are submitted to prospective borrowers electronically, by mail or by fax via an intermediary, such as a mortgage adviser, insurance agent or real estate broker. The information received on the loan application is then entered into iSHS by the relevant packager. iSHS automatically collects information about the prospective borrower from the BKR. After the application data have been entered into iSHS, Capstone automatically checks the underwriting criteria. Each application is automatically evaluated by reference to the underwriting criteria of Bank of Scotland, Amsterdam Branch. In the case of an NHG Mortgage Loan, the application is automatically evaluated by reference to the underwriting criteria of NHG. In the case of a violation of the underwriting criteria, Capstone generates a stop code, and a loan offer will not be generated by the system. When such violation relates only to the underwriting criteria, the packager will contact Bank of Scotland, Amsterdam Branch and the loan offer may be generated only after written consent by the underwriters of Bank of Scotland, Amsterdam Branch.

In the event that the loan application complies with all underwriting criteria or an overrule has been given by Bank of Scotland, Amsterdam Branch, iSHS submits an offer which is sent by the packager to the intermediary. With regard to the NHG Underwriting Criteria an overrule is not possible. The prospective borrower must accept, sign and return the offer together with the required documentation to the intermediary. Once the offer has been accepted by the prospective borrower, the intermediary collects the signed offer and all required loan documents and sends them to the packager, who will review them and send them to Stater for Final Credit Approval (**FCA**) on behalf of, and according to criteria set out by, Bank of Scotland, Amsterdam Branch, and in the case of an NHG Mortgage Loan, according to criteria set out by NHG.

After receipt of the loan file Stater scans the loan file into the HYARCHIS, a digital mortgage archive system, which is connected to iSHS. The loan file is then available online. FCA is performed in two stages: (1) before scanning, the authenticity of all original documents is assessed; and (2) after scanning, FCA is carried out. FCA includes, among other things, a review of evidence of the applicant's income, the sales contract, identity check, fraud check, appraisal report and insurance application, if applicable.

Bank of Scotland, Amsterdam Branch has outsourced FCA to Stater's front office. Mortgage loans originated in Rotterdam (post code 3000-3099), Hoogvliet/Pernis Rotterdam (post code 3190-3195), Den Haag (post code 2490-2597), Schiedam (post code 3100-3129), Dordrecht (post code 3300-3329), Sliedrecht (post code 3360-3364), Amsterdam (post code 1000-1109, and from October 2009 the whole of Amsterdam) and from October 2009 Enschede (post code 7500-7549) are not outsourced but given by the underwriters of Bank of Scotland, Amsterdam Branch. FCA for mortgages originated by Goudse was handled by Goudse up to 1 December 2005.

*Origination: [www.Bankofscotland.nl](http://www.Bankofscotland.nl)*

Where loan application forms are submitted by applicants directly to Bank of Scotland, Amsterdam Branch via its website, the information received is automatically entered into the Business Rule Checker (**BRC**). BRC is a pre-qualification decision tool which generates a positive or negative decision based on the underwriting criteria of Bank of Scotland, Amsterdam Branch. In the case of a negative decision the loan offer may be generated only after an overrule by the underwriters of Bank of Scotland, Amsterdam Branch, only with respect to non-NHG Mortgage Loans. Only a positive decision generates a mortgage loan offer. Once the offer has been accepted by the applicant it is automatically entered into iSHS. After the application data have been entered into iSHS, the application is evaluated by Capstone. Each application is automatically evaluated against the underwriting criteria of Bank of Scotland, Amsterdam Branch or, in the case of an NHG Mortgage Loan, against the underwriting criteria of NHG. In the event of violation of the underwriting criteria, Capstone generates a stop code. Once the offer has been accepted by the applicant, Bank of Scotland, Amsterdam Branch front office collects the signed offer and all required loan documents, which will be reviewed by a Bank of Scotland, Amsterdam Branch employee. FCA includes, among other things, a review of evidence of the applicant's income, the sales contract, identity check, fraud check, appraisal report and insurance application, if applicable. FCA is performed by the underwriters of Bank of Scotland, Amsterdam Branch. After FCA, the loan file is scanned into HYARCHIS (mortgage archive system), which is connected to iSHS and the loan file is then available online.

#### *Completion of the loan*

After FCA and acceptance of a loan, information for the civil law notary is automatically generated by iSHS and sent out to the civil law notary. Based on this information the notary creates the mortgage deed and is responsible for the execution of the mortgage deed. Each mortgage loan is secured in the form of a notarial deed. The Borrower is required to take out insurance in respect of the mortgaged property against risk of fire, direct and indirect local rain and/or snow and leaking and other accidental damage for the full restitution value thereof. All the original deeds are stored by the civil law notary and are registered with the central registry (*Kadaster*). After scanning of the completed loan, all original documents are kept as a paper file with Iron Mountain Incorporated Records Storage & Management.

## ADMINISTRATION OF THE MORTGAGE LOANS

### **Mortgage Administration**

All Mortgage Loans are administered and serviced by the MPT Provider. The MPT Provider will provide mortgage payment transactions and other services to the Issuer on a day-to-day basis in relation to the Mortgage Loans. The duties of the MPT Provider include the collection of payments of principal, interest and other amounts in respect of the Mortgage Loans and the implementation of arrears procedures including the enforcement of the Mortgages.

In accordance with the Issuer Services Agreement, the MPT Provider will appoint Stater, under the Sub MPT Agreement, as its sub-agent to carry out the activities described above upon the terms and provisions of and in accordance with the Issuer Services Agreement and the Sub MPT Agreement. Stater will accept this appointment and will commit itself, in favour of the Issuer, to carry out the activities subject to and on the terms provided in the Issuer Services Agreement. The Issuer and the Security Trustee will consent to the appointment of Stater as sub-agent.

### *Collections*

All monthly payments of principal and interest on the Mortgage Loans are collected from Borrowers by direct debit. Stater is instructed by the MPT Provider to draw the monthly payments from the Borrower's bank account directly into the Portfolio Accounts, which are then swept on a daily basis to the Seller Central Collection Account. iSHS automatically collects the payments on the day before the last business day of each month. Payment information is monitored daily by personnel in Stater's arrears department.

### *Arrears procedure*

The MPT Provider currently sub-contracts its arrears management responsibilities to Stater. Every day iSHS detects and keeps track of arrears. Directly after a missed payment a service letter is sent, reminding the Borrower in a friendly way that the direct debit has bounced. Two weeks after the first payment has been missed, a first reminder letter is sent to the Borrower. If the Borrower does not pay or react to the first reminder letter, a second reminder letter is sent two weeks later. The second reminder letter notifies the Borrower that measures for collecting the outstanding payment will be taken, including the engagement of a bailiff. After the second reminder letter, the Borrower will also be notified about the missed payment through telephone calls. Reminder letters include a specification of the penalty interest charged. Reminder letters are automatically generated by iSHS and sent to Borrowers by Stater.

During the four weeks following the appointment of the bailiff, the Borrower will be contacted by the bailiff four times. The procedures are: a summons, a telephone call, a service of a writ and another telephone call. Approximately 90 days after the payment on such Mortgage Loan has been missed, the file will be transferred to the Bank of Scotland, Amsterdam Branch arrears management department. A Borrower that has been in an arrears procedure with Bank of Scotland, Amsterdam Branch before (repeated defaulter) does not receive a second reminder letter from Stater. In such case, the bailiff will be appointed immediately after the first reminder call and 60 days after the payment has been missed the file will be transferred to the Bank of Scotland, Amsterdam Branch arrears management department. With regards to NHG Mortgage Loans only, Stater does the full arrears handling on behalf of and in close co-operation with Bank of Scotland, Amsterdam Branch.

Where a Borrower falls into arrears, a credit check is carried out at BKR, the outcome of which indicates whether the Borrower is experiencing difficulties making other payments on consumer loans or other debt instruments. Between 90 and 120 days of delinquency, BKR is notified of such delinquency by Bank of Scotland, Amsterdam Branch. With regards to NHG Mortgage Loans, Stater notifies BKR of such delinquency.

Both the Bank of Scotland, Amsterdam Branch and Stater's arrears department work in accordance with the CHF Code of Conduct of Mortgage Loans (*Gedragcode Hypothecaire Financieringen*) to ascertain whether a solution to a delinquent Borrower's payment problem can be reached. At any time, the Borrower can make a proposal to Bank of Scotland, Amsterdam Branch for repaying the arrears balance. Bank of Scotland, Amsterdam Branch arrears department will then assess the Borrower's proposal and a counter-proposal can be made, if necessary. The Borrower may also propose selling the property at any stage through a private sale. Bank of Scotland, Amsterdam Branch may accept a private sale if (a) revenues from the sale are expected to cover the outstanding debt in full, or (b) it is estimated that the costs of the foreclosure process will result in a lower recovery value than a private sale of the property by the Borrower (see below). With regards to NHG Mortgage Loans, Stater needs approval for all measures it takes with regards to such NHG Mortgage Loans from both Bank of Scotland, Amsterdam Branch and NHG where such NHG Mortgage Loan is in arrears for less than seven months.

### *Foreclosure process*

The right to foreclosure is afforded to Bank of Scotland, Amsterdam Branch as mortgagee under Dutch law. Bank of Scotland, Amsterdam Branch has, as a first-ranking mortgagee, an "executorial title", which means that it does not have to obtain court permission prior to foreclosure on the mortgaged property in case of default (*verzuim*) of the Borrower. If the proceeds from the sale or auction of the mortgaged property do not fully cover Bank of Scotland, Amsterdam Branch's claims, Bank of Scotland, Amsterdam Branch may sell any pledged associated life insurance or investment deposit. However, Dutch law requires that, before a lender may foreclose on a Borrower's mortgaged property, the Borrower must be notified in writing of the default and it must be given reasonable time to comply with the lender's claims. This notification must include the amount outstanding and the amount of any expenses incurred. The name of the civil law notary responsible for the foreclosure sale should also be given.

In the case of a Borrower's bankruptcy, Bank of Scotland, Amsterdam Branch may foreclose on the Borrower's mortgaged property. Execution of the foreclosure process must take place within a reasonable time, otherwise the bankruptcy trustee may take control of the execution process. In this case, Bank of Scotland, Amsterdam Branch will be obliged to contribute to the bankruptcy costs. In addition the bankruptcy trustee may order a "cooling off" period (*afkoelingsperiode*).

Bank of Scotland, Amsterdam Branch will assess the alternative sale methods to ascertain the method most likely to maximise value for the Bank of Scotland, Amsterdam Branch. Based on this assessment, Bank of Scotland, Amsterdam Branch may decide that the property should be sold either in a private sale or by public auction. A private sale is often an attractive alternative to a public auction. When the notification of foreclosure is made by Bank of Scotland, Amsterdam Branch formal instructions will be given to the civil notary for the relevant location. The date of the sale will be set by the civil notary within, in principle, three weeks of this instruction and typically no later than about six weeks after the decision to foreclose has been made (depending on the region and the number of other foreclosures currently being handled by the relevant district court).

The manner in which the proceeds from the sale are divided depends on the number of mortgages over the property. If there is only one mortgage holder, the proceeds will be passed on to the mortgage holder after deducting the costs of the execution. In the case of more than one mortgage holder, the division of the proceeds takes place according to the priority of the mortgages.

In general, Bank of Scotland, Amsterdam Branch requires approximately four months to foreclose on a property once the decision to foreclose has been made. Throughout the foreclosure process, Bank of Scotland, Amsterdam Branch works according to the guidelines set down by Dutch law, the CHF Code of Conduct of Mortgage Loans and the BKR.

### *Outstanding amounts*

If amounts are still outstanding after the foreclosure process or sale of the property has been completed, Bank of Scotland, Amsterdam Branch continues to manage the remaining receivables. These amounts still have to be repaid by the Borrower and, if possible, a settlement agreement will be entered into. In the event a Borrower does not comply with a settlement agreement other measures can be taken by Bank of Scotland, Amsterdam Branch. These measures include the engagement of a bailiff to levy an attachment over the Borrower's salary as permitted by Dutch law.

## **STATER NEDERLAND B.V.**

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

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

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

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

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

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

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

Ernst & Young, the company's external auditors, completed an SAS 70 audit on Stater NL in 2008. SAS70 is a report for the certification of the internal control processes of service organisations. Stater received SAS70 Type II certification soon after. In November 2010 it was reviewed for the reporting period 1 November 2009 until 31 October 2010. The certification is renewed annually.

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

The information under this heading has been provided by Stater.

## MORTGAGE RECEIVABLES PURCHASE AGREEMENT

### Transfer of Legal Title

Under the Mortgage Receivables Purchase Agreement, the Issuer will purchase and, on the Closing Date, accept from the Seller the assignment of the Mortgage Receivables and may at any time until 23 August 2014, purchase and accept the assignment of New Mortgage Receivables to the extent offered by the Seller and subject to certain conditions being met, in each case to the extent legally possible together with the Beneficiary Rights relating thereto. The Issuer is entitled to all proceeds with respect to the Mortgage Receivables assigned to it on the Closing Date to the extent relating to principal from (and excluding) the Cut-off Date and all other amounts from and including the Closing Date. The Issuer is entitled to all proceeds with respect to the New Mortgage Receivables assigned to it on a three-monthly basis (hereinafter each such date, a **Purchase Date**) to the extent relating to principal from (and including) the first day of the month preceding the month in which the relevant Purchase Date falls, and all other amounts from and including the relevant Purchase Date. The Seller is entitled to retain any Prepayment Penalties. After notification of the assignment of the Mortgage Receivables, the Issuer will be contractually obliged to pass on to the Seller any Prepayment Penalties which the Issuer has received from the Borrowers.

The assignment of the Mortgage Receivables from the Seller to the Issuer will not be notified to the Borrowers, except upon the occurrence of an Assignment Notification Event as further described below. Until notification the Borrowers will only be entitled to validly pay (*bevrijdend betalen*) the Seller. The Seller (or a third party on its behalf) will pay to the Issuer, on a monthly basis, all proceeds received during the immediately preceding Mortgage Calculation Period in respect of the Mortgage Receivables (other than Prepayment Penalties).

### Purchase Price

The purchase price for the Mortgage Receivables will consist of (i) the Initial Purchase Price which will be payable on the Closing Date or, in respect of the New Mortgage Receivables, on the relevant Mortgage Payment Date, and (ii) the Deferred Purchase Price. The Deferred Purchase Price will be equal to the sum of all Deferred Purchase Price Instalments.

The initial purchase price for New Mortgage Receivables will be paid by the Issuer by applying (i) the Replenishment Available Amount and (ii) the amounts (to be) received as consideration for the Savings Participations.

The sale and purchase of the Mortgage Receivables to be assigned to the Issuer on the Closing Date is conditional upon, *inter alia*, the issue of the Notes. Hence, the Seller can be deemed to have an interest in the issue of the Notes.

### Representations and Warranties

The Seller will represent and warrant on the Closing Date or, in respect of New Mortgage Receivables, on the relevant Purchase Date, with respect to the Mortgage Receivables and the Mortgage Loans assigned on that date that, *inter alia*:

- (1) each Mortgage Receivable and each Beneficiary Right is duly and validly existing;
- (2) each Mortgage Loan was originated by the Seller;
- (3) each of the Mortgage Loans conforms to the Mortgage Loans Criteria;

- (4) the Seller has full right and title (*titel*) to the Mortgage Receivables and the Beneficiary Rights and no restrictions on the sale and assignment of the Mortgage Receivables and the Beneficiary Rights are in effect and the Mortgage Receivables are capable of being assigned;
- (5) the Seller has the power (*is beschikkingsbevoegd*) to sell and assign the Mortgage Receivables and each Beneficiary Right relating thereto;
- (6) the Mortgage Receivables and each Beneficiary Right relating thereto are free and clear of any rights of pledge or other or similar rights (*beperkte rechten*), encumbrances and attachments (*beslagen*) and no option rights have been granted in favour of any third party with regard to the Mortgage Receivables or the Beneficiary Rights other than pursuant to the Relevant Documents and no claims or other contractual entitlements of third parties exist in respect of the Mortgage Receivables and the Beneficiary Rights that could be adverse to the Issuer's interest therein to the validity/enforceability of the Relevant Documents;
- (7) the Mortgage Loans and the Mortgage Conditions comply in all material respects with the laws of the Netherlands applicable thereto, including mortgage credit and consumer protection legislation;
- (8) each Mortgage Receivable is secured by a mortgage right (*hypotheekrecht*) on a Mortgaged Asset located in the Netherlands and is governed by Dutch law;
- (9) all Mortgages and Borrower Pledges (i) constitute valid mortgage rights (*hypotheekrechten*) and rights of pledge (*pandrechten*) respectively on the assets which are the subject of the Mortgages and the Borrower Pledges, as applicable, and, to the extent relating to the Mortgages, have been entered into the appropriate public register (*Dienst van het Kadaster en de Openbare Registers*); (ii) have first priority (*eerste in rang*) or, as the case may be, first and one or more sequential lower ranking priority in favour of the Seller; and (iii) were vested to secure the repayment of an Outstanding Principal Amount which at least equals the Outstanding Principal Amount at origination, increased with interest, penalties, costs and any damages together up to an amount equal to 40% of the Outstanding Principal Amount at origination;
- (10) each Mortgage Receivable, the Mortgage and the Borrower Pledge securing such receivable, if any, constitute legal, valid, binding and enforceable obligations of the relevant Borrower *vis-à-vis* the Seller, except for any limitation on enforceability due to applicable bankruptcy or insolvency laws;
- (11) the Mortgage Deeds contain the provision that the Mortgages will partially follow, *pro rata*, the Mortgage Receivables upon their assignment;
- (12) at origination, each Mortgaged Asset was valued by an independent qualified appraiser not more than 12 months (as from 1 March 2009, not more than three months) before application for a Mortgage Loan was made, except in case of (i) refinancing Mortgage Loans with a maximum LTFV-ratio of 75% and a principal amount set at 80% of the Foreclosure Value, in which case a valuation based on the Act on Valuation of Real Property (*Wet Waardering Onroerende Zaken*) (as supported by pictures of the property and an extract of the Land Register (*Dienst van het Kadaster en de Openbare Registers*)) is accepted and (ii) Mortgage Loans secured by a mortgage right on newly built properties whereby the maximum amount lent is 125% of the calculated foreclosure value (see *Description of the Mortgage Loans*, under *Valuation*);
- (13) each Mortgage Loan has been granted to a Borrower in accordance with all applicable legal requirements prevailing at the time of origination;
- (14) each Mortgage Loan has been granted to a Borrower in accordance with the CHF Code of Conduct on Mortgage Loans (*Gedragscode Hypothecaire financieringen*) prevailing at the time of origination in all material respects and each Mortgage Loan meets in all material respects the standard

underwriting criteria and procedures of the Seller, including Borrower income requirements, prevailing at the time of origination;

- (15) the Borrowers have committed in the Mortgage Conditions to take out a building insurance policy (*opstalverzekering*) for the full reinstatement value (*herbouwwaarde*) at the time the Mortgage Loan was advanced;
- (16) the notarial mortgage deeds (*minuut*) relating to the mortgage rights are filed by Stater while the loan files, which include authenticated copies of the notarial mortgage deeds, and which loan files could be in electronic form, are kept by Stater to the order of the Seller or, as the case may be, the Issuer or the Security Trustee;
- (17) to the best of the knowledge of the Seller, the Borrowers are not in any material breach of any provision of their Mortgage Loans;
- (18) the Mortgage Conditions provide that all payments by the Borrower should be made without any deduction or set-off;
- (19) each Mortgage Loan constitutes the entire loan granted to the relevant Borrower that is secured by the Mortgage and not merely one or more loan parts (*leningdelen*);
- (20) the particulars of each Mortgage Receivable, as set forth in the list of Mortgage Receivables (i) attached to the Mortgage Receivables Purchase Agreement or, in respect of New Mortgage Receivables, to the Purchase Deed of Assignment and (ii) the relevant Escrow List of Loans are true, correct and complete in all material respects;
- (21) all Mortgage Receivables secured by a Mortgage on a long lease (*erfpacht*) provide that the Outstanding Principal Amount, including interest, will become immediately due and payable if the long lease terminates, if the leaseholder materially breaches or ceases to perform its payment obligation under the long lease (*canon*) or if the leaseholder in any other manner breaches the conditions of the long lease;
- (22) the Seller has no Other Claim;
- (23) under each of the Mortgage Receivables interest and, if applicable, principal due with respect to at least one month has been paid by the relevant Borrower;
- (24) in the case of New Mortgage Receivables, the first day of the month preceding the relevant Purchase Date, no amounts due under any of the Mortgage Loans were overdue and unpaid to an amount in excess of one monthly payment;
- (25) with respect to Mortgage Loans with a Insurance Policy between the Borrower and Insurance Companies other than Allianz, Cordares, Goudse, SRLEV or VVAA (i) there is no connection between the Life Mortgage Loan and the Life Insurance Policy, other than the Borrower Insurance Pledge, (ii) the Life Mortgage Loan and the Life Insurance Policy that are in the Seller's or the Insurance Company's promotional materials are not offered as one product under one name and (iii) the Insurance Company is not a group company of the Seller;
- (26) no amount is held in respect of any Mortgage Loan on deposit in relation to premia and interest payments (*rente- en premiedepots*);
- (27) if at any time (a) a Borrower invokes a right to set-off amounts due by the Seller or any Life Insurance Company to it, of whatever nature, against the relevant Mortgage Receivables and (b) as a consequence thereof the Issuer does not receive the full amount due in respect of such Mortgage Receivable, the Seller undertakes to pay on the next Mortgage Payment Date to the Issuer an amount

equal to the difference between the amount which the Issuer would have received in respect of the relevant Mortgage Receivable if no set-off had taken place and the amount actually received by the Issuer in respect of such Mortgage Receivable;

- (28) all Mortgage Loans have been fully disbursed;
- (29) each NHG Mortgage Loan has the benefit of an NHG Guarantee and (A) each such NHG Guarantee connected to the NHG Mortgage Loan (i) was granted for the full amount of the NHG Mortgage Loan at origination, (ii) constitutes legal, valid and binding obligations of Stichting Waarborgfonds Eigen Woningen, enforceable in accordance with their terms, (iii) all terms and conditions (*voorwaarden en normen*) applicable to the NHG Guarantee at the time of origination of the NHG Mortgage Loans were complied with and (B) the Seller is not aware of any reason why any claim made in accordance with the requirements pertaining thereto under any NHG Guarantee in respect of any NHG Mortgage Loan should not be met in full and in a timely manner; and
- (30) each NHG Mortgage Loan meets in all material respects the NHG Underwriting Criteria and procedures of the Seller, including Borrower income requirements, prevailing at the time of origination.

### **Repurchase of Mortgage Receivables**

Under the Mortgage Receivables Purchase Agreement, the Seller may be obliged to repurchase and accept re-assignment of Mortgage Receivables.

The Seller will undertake to repurchase and accept re-assignment of Mortgage Receivables under the following seven circumstances, in each case for a price at least equal to (i) the Outstanding Principal Amount in respect of the relevant Mortgage Receivables together with any accrued interest up to but excluding the date of repurchase and re-assignment of the Mortgage Receivables and (ii) reasonable costs relating thereto (including any costs incurred by the Issuer in effecting and completing such sale and re-assignment) and (iii) the amount (if any) due by the Issuer to the Swap Counterparty to the extent the repurchase results in the termination of the Swap Agreement, unless the Issuer has other available funds to make such payment to the Swap Counterparty:

- 1. if at any time after the Closing Date any of the representations and warranties relating to a Mortgage Loan and/or Mortgage Receivable proves to have been untrue or incorrect in any material respect, the Seller will within 14 days of having knowledge of such breach or receipt of written notice thereof from the Issuer or the Security Trustee, remedy the matter giving rise thereto and if such matter is not capable of remedy or is not remedied within those 14 days the Seller will repurchase and accept re-assignment of the relevant Mortgage Receivable on the immediately succeeding Mortgage Payment Date;
- 2. on the immediately succeeding Mortgage Payment Date after it agrees with a Borrower to amend the terms of the Mortgage Loan and as a result thereof the Mortgage Loan no longer meets each of the Mortgage Loans Criteria or the representations and warranties relating to a Mortgage Loan and/or Mortgage Receivable, provided that if such amendment is made as part of the enforcement procedures to be complied with upon a default by the Borrower under the Mortgage Loan or is otherwise made as part of a restructuring or renegotiation of the Mortgage Loan due to a deterioration of the credit quality of the Borrower of such Mortgage Loan the Seller shall not repurchase the relevant Mortgage Receivable;
- 3. on the immediately succeeding Mortgage Payment Date after it agrees with a Borrower to amend the terms of the Mortgage Loan and as a result:

- (1) in respect of an NHG Mortgage Loan, on the Mortgage Payment Date immediately following the date on which the NHG Mortgage Loan no longer has the benefit of the NHG Guarantee;
- (2) in respect of an NHG Mortgage Loan, on the Mortgage Payment Date immediately following the date on which the MPT Provider receives notice from a regulatory agency, the Seller, a Borrower or any other party indicating that it has failed to comply with its undertaking in the Issuer Servicing Agreement to originate and administer the NHG Mortgage Loans, including the foreclosure thereof, in accordance with the terms and conditions (*voorwaarden en normen*) of *Stichting Waarborgfonds Eigen Woningen*; and/or
- (3) in respect of an NHG Mortgage Loan, on the Mortgage Payment Date immediately following the date on which after foreclosure the Net Proceeds (excluding the amount to be received under the NHG Guarantee) are not sufficient to repay the relevant NHG Mortgage Receivable in full and the Seller or the MPT Provider decides not to make a claim under the NHG Guarantee,

provided that if such amendment is made as part of the enforcement procedures to be complied with upon a default by the Borrower under the Mortgage Loan or is otherwise made as part of a restructuring or renegotiation of the Mortgage Loan due to a deterioration of the credit quality of the Borrower of such Mortgage Loan the Seller shall not repurchase the relevant Mortgage Receivable;

4. on the immediately succeeding Mortgage Payment Date after it agrees with a Borrower to amend the terms of the Mortgage Loan and such amendment, as a result, changes the maturity date of the loan, the interest rate (other than as a result of an interest reset) or monthly payment amount (other than as a result of an interest reset), provided that if such amendment is made as part of the enforcement procedures to be complied with upon a default by the Borrower under the Mortgage Loan or is otherwise made as part of a restructuring or renegotiation of the Mortgage Loan due to a deterioration of the credit quality of the Borrower of such Mortgage Loan the Seller shall not repurchase the relevant Mortgage Receivable;
5. on the immediately succeeding Mortgage Payment Date after the date on which it has agreed to grant a Further Advance to the relevant Borrower;
6. if it obtains an Other Claim under such Mortgage Receivable on the Mortgage Payment Date immediately succeeding the day such Other Claim is obtained; and/or
7. upon request of the Issuer on the Quarterly Payment Date on which the Issuer redeems the Notes or the Senior Class A Notes and the Mezzanine Class B Notes (as applicable).

### **Seller Call Option**

On each Quarterly Payment Date from the Closing Date up to and including the Mortgage Payment Date falling in August 2014, the Seller may, but is not obliged to, repurchase and accept re-assignment of all or only parts of the Mortgage Receivables (excluding the Saving Parts, if any, which are repurchased by the Savings Insurance Companies (unless agreed otherwise)) (the **Seller Call Option**). The Issuer has undertaken in the Mortgage Receivables Purchase Agreement to sell and assign the Mortgage Receivables to the Seller, or to any third party appointed by the Seller at its sole discretion, in the event that the Seller exercises the Seller Call Option. The proceeds of such sale shall be applied by the Seller towards amortisation of the Notes in sequential order, subject to and in accordance with the Conditions.

The purchase price of the Mortgage Receivables will be at least equal to (i) the Outstanding Principal Amount in respect of the relevant Mortgage Receivables together with any accrued interest up to but excluding the date of repurchase and re-assignment of the Mortgage Receivables and (ii) reasonable costs relating thereto (including any costs incurred by the Issuer in effecting and completing such sale and

re-assignment) and (iii) the amount (if any) due by the Issuer to the Swap Counterparty to the extent the repurchase results in the termination of the Swap Agreement, unless the Issuer has other available funds to make such payment to the Swap Counterparty. The proceeds of such sale shall be applied by the Issuer towards redemption of the Notes in accordance with Condition 6(b) and subject to Condition 9(b).

The Seller Call Option can only be exercised if the following conditions are met:

- (i) the weighted average loan to foreclosure value of all Mortgage Receivables shall not exceed 100% after exercising the Seller Call Option;
- (ii) the proportion of all Mortgage Receivables with an original LTFV-ratio over 100% does not exceed 55% after exercising the Seller Call Option;
- (iii) the weighted average Pool DTI ratio of the Borrowers will, after exercising the Seller Call Option, not exceed 34%;
- (iv) exercising the Seller Call Option does not cause the amount of Mortgage Receivables that are granted to identified self-employed Borrowers as a percentage of the aggregate Mortgage Outstanding Principal Amount of all Mortgage Receivables on such date after exercising the Seller Call Option to exceed 7%;
- (v) exercising the Seller Call Option does not cause the value of Life Mortgage Loans, Unit-Linked Mortgage Loans and any combination of Life Mortgage Loans and Savings Mortgage Loans together to exceed 25% of the total value of all Mortgage Receivables;
- (vi) the Outstanding Principal Amount of Mortgage Receivables which are in arrears for 90 days or more does not exceed 1.5% of the Outstanding Principal Amount of all Mortgage Receivables at each Quarterly Payment Date after exercising the Seller Call Option; and
- (vii) the Seller has provided the Issuer with a solvency certificate certifying that the Seller is solvent at the time of exercising the Seller Call Option, the time of the repurchase and assignment of the Mortgage Receivables and that it will remain solvent as a result of such repurchase and assignment.

### **Mortgage Loans Criteria**

On the Cut-Off Date, each of the Mortgage Loans met the Mortgage Loans Criteria:

1. the Mortgage Loans are in one of the following forms:
  - (a) Life Mortgage Loans (*levenhypotheken*),
  - (b) Savings Mortgage Loans (*spaarhypotheken*),
  - (c) Annuity Mortgage Loans (*annuïteiten hypotheken*),
  - (d) Interest-only Mortgage Loans (*aflossingsvrije hypotheken*), or
  - (e) a combination of any of the above-mentioned types of mortgage loans (*combinatiehypotheken*);
2. the Borrower is a resident of the Netherlands and not employed by the Seller;
3. each Mortgage Loan is secured by a first-ranking – or first-ranking and sequentially lower ranking – right of mortgage on a Mortgaged Asset situated in the Netherlands;

4. none of the Mortgage Loans are bridging loans mortgages (*overbruggingskredieten*);
5. in respect of all Mortgage Loans the Borrowers' income statements have been verified and no income was taken into account other than employment income, self-employment income and (early) retirement income;
6. the Mortgaged Asset had to be destined to be occupied by the Borrower at and after the time of origination. No consent for residential letting of the mortgaged property has been given by or on behalf of the Seller;
7. the interest rate on each Mortgage Loan is a fixed rate, subject to an interest reset from time to time, or a floating rate;
8. all scheduled payments on the Mortgage Loans are to be made monthly in arrear by direct debit;
9. no Mortgage Loan will have a legal maturity beyond 30 years and each Mortgage Loan shall have a legal maturity which is at least two years shorter than the legal maturity of the Notes;
10. all Mortgage Loans are fully disbursed to the Borrower;
11. all Interest-only Mortgage Loans or, in the case of a combination of types of mortgage loans, the LTFV-ratio of the interest-only loan part does not exceed 100% of the Mortgaged Asset upon creation of the Mortgage Loan;
12. the Borrower does not have a negative credit history record with the BKR;
13. none of the Mortgage Loans are in arrears;
14. the Outstanding Principal Amount of each Mortgage Loan did not exceed Euro 1,000,000;
15. no Mortgage Loan has fixed interest periods longer than 30 years;
16. the LTFV-ratio of each of the Mortgage Loans did not exceed 125% upon its creation; and
17. the LTFV-ratio of each of the NHG Mortgage Loans did not exceed 150% upon its creation; and
18. the Outstanding Principal Amount of each of the NHG Mortgage Loans did not exceed the maximum loan amount as stipulated by the NHG Underwriting Criteria at the time of origination.

The same criteria apply to the selection of New Mortgage Receivables, as per the first day of the month in which such New Mortgage Receivables are to be assigned to the Issuer.

### **The purchase of New Mortgage Receivables**

The Mortgage Receivables Purchase Agreement provides that the Issuer will on any Mortgage Payment Date up to (and including) the Mortgage Payment Date in August 2014 apply the Replenishment Available Amount, provided that (i) no Enforcement Notice has been given and (ii) the Replenishment Conditions have been satisfied, to purchase and accept the assignment of legal title to the New Mortgage Receivables from the Seller, if and to the extent offered by the Seller. For the avoidance of doubt, the Seller is not obliged to make such an offer.

The initial purchase price payable by the Issuer as consideration for any New Mortgage Receivable will be equal to the aggregate Mortgage Outstanding Principal Amount with respect to such New Mortgage Receivable on the first day of the month of the relevant Mortgage Payment Date.

## Replenishment Conditions

The purchase of any New Mortgage Receivables will be subject to the following conditions (the **Replenishment Conditions**):

- (i) the Seller will represent and warrant to the Issuer and the Security Trustee the matters set out in the clauses providing for the representations and warranties relating to the Mortgage Loans, the Mortgage Receivables and the Seller in the Mortgage Receivables Purchase Agreement with respect to the New Mortgage Receivables sold and relating to the Seller (with certain exceptions to reflect that the New Mortgage Receivables have been sold and may have been originated after the Closing Date);
- (ii) no Notification Event has occurred and is continuing;
- (iii) there is no debit balance on the Principal Deficiency Ledger;
- (iv) there has been no failure by the Seller to repurchase any Mortgage Loan if required pursuant to the Mortgage Receivables Purchase Agreement;
- (v) the Replenishment Available Amount is sufficient to pay the initial purchase price for the relevant New Mortgage Receivables;
- (vi) the New Mortgage Receivables meet the Mortgage Loan Criteria;
- (vii) the New Mortgage Receivables do not cause the weighted average loan to foreclosure value of all Mortgage Receivables to exceed 100%;
- (viii) the New Mortgage Receivables do not cause the amount of Mortgage Receivables that are Interest-only Mortgage Loans as a percentage of the aggregate Mortgage Outstanding Principal Amount of all Mortgage Receivables on such date after replenishment to exceed 78%;
- (ix) the New Mortgage Receivables shall not be in Arrears;
- (x) the New Mortgage Receivables do not cause the amount of Mortgage Receivables that are granted to identified self-employed Borrowers as a percentage of the aggregate Mortgage Outstanding Principal Amount of all Mortgage Receivables on such date after replenishment to exceed 7%;
- (xi) the New Mortgage Receivables do not cause the amount of Mortgage Receivables that are granted for the purpose of a newly-built property as a percentage of the aggregate Mortgage Outstanding Principal Amount of all Mortgage Receivables on such date after replenishment to exceed 15%;
- (xii) the proportion of all New Mortgage Receivables with an original LTFV-ratio over 100% does not exceed 55%;
- (xiii) the New Mortgage Receivables shall not have an original LTFV-ratio over 125% unless such New Mortgage Receivables have the benefit of an NHG Guarantee;
- (xiv) the New Mortgage Receivables do not cause the value of Life Mortgage Loans, Unit-Linked Mortgage Loans and any combination of Life Mortgage Loans and Savings Mortgage Loans together to exceed 25% of the total value of all Mortgage Receivables;
- (xv) the aggregate Outstanding Principal Amount of the Mortgage Receivables resulting from all the NHG Mortgage Loans will not be lower than 12% of the aggregate Outstanding Principal Amount of all Mortgage Receivables;

- (xvi) the weighted average Pool DTI ratio of the Borrowers will, after the purchase of the New Mortgage Receivables, not exceed 34%;
- (xvii) the New Mortgage Receivables do not cause the value of Floating Rate Mortgage Loans to exceed 22% of the total value of all Mortgage Receivables;
- (xviii) the Reserve Amount is at the Reserve Amount Target Level;
- (xix) the cumulative Realised Losses minus the cumulative post-foreclosure proceeds do not exceed 0.30% of the Outstanding Principal Amount of the Mortgage Receivables at the Cut-Off Date;
- (xx) the Outstanding Principal Amount of Mortgage Receivables which is in Arrears for 90 days or more does not exceed 1.5% of the Outstanding Principal Amount of all Mortgage Receivables at each Quarterly Payment Date; and
- (xxi) the Outstanding Principal Amount of the Replenished Mortgage Receivables is at any time not more than 20% of the Outstanding Principal Amount of the Mortgage Receivables at the Closing Date.

### **Assignment Notification Events**

The Mortgage Receivables Purchase Agreement provides that the Borrowers are notified of the assignment of the Mortgage Receivables to the Issuer if, *inter alia*:

- (a) a default is made by the Seller in the payment on the due date of any amount due and payable by it under the Mortgage Receivables Purchase Agreement or under any other Relevant Document to which it is a party and such default is not remedied within ten (10) business days after knowledge of such failure or notice thereof has been given by the Issuer or the Security Trustee to the Seller; or
- (b) the Seller fails duly to perform or comply with any of its obligations under the Mortgage Receivables Purchase Agreement or under any other Relevant Document to which it is a party and, if such failure is capable of being remedied, such default is not remedied within ten (10) business days after having knowledge of such failure or notice thereof has been given by the Issuer or the Security Trustee to the Seller; or
- (c) the Seller takes any corporate action or other steps are taken or legal proceedings have been instituted or threatened against it for its dissolution and liquidation or legal demerger involving a material part of the Seller's assets or its assets are placed under administration; or
- (d) the Seller, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in subparagraph (g) below, ceases or threatens to cease to carry on its business or a substantial part of its business or the Seller is deemed unable to pay its debts within the meaning of Section 123(1)(a), (b), (c) or (d) of the Insolvency Act 1986 (as that section may be amended, modified or re-enacted) or the value of its assets falls to less than the amount of its liabilities (taking into account for both these purposes its contingent and prospective liabilities) or otherwise becomes insolvent; or
- (e) the Seller has taken any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against it for submission to an emergency regulation (*noodregeling*) or for the bankruptcy (*faillissement*) or for any analogous insolvency proceedings under any applicable law or for the appointment of a receiver or a similar officer of it or of any or all of its assets; or
- (f) an order is made or an effective resolution is passed for the winding-up of the Seller except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Security Trustee in writing; or

- (g) proceedings are otherwise initiated against the Seller under any applicable liquidation, insolvency, bankruptcy, composition, reorganisation or other similar laws (including, but not limited to, an application for an administration order, the filing of documents with the court for the appointment of an administrator, the service of a notice of intention to appoint an administrator or the taking of any steps to appoint an administrator) and (except in the case of an application for an administration order or the taking of any steps to appoint an administrator) such proceedings are not, in the sole opinion of the Security Trustee, being disputed in good faith with a reasonable prospect of success, or an administration order is granted or the appointment of an administrator takes effect or an administrative receiver or other receiver, liquidator or other similar official is appointed in relation to the Seller or in relation to the whole or any substantial part of the undertaking or assets of the Seller, or an encumbrancer takes possession of the whole or any substantial part of the undertaking or assets of the Seller, or a distress, execution, diligence or other process is levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Seller and such possession or process (as the case may be) is not discharged or does not otherwise cease to apply within 30 days, or the Seller initiates or consents to judicial proceedings relating to itself under applicable liquidation, insolvency, bankruptcy, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally or takes steps with a view to obtaining a moratorium in respect of any indebtedness; or
- (h) at any time it becomes unlawful for the Seller to perform all or a material part of its obligations hereunder or under any Relevant Document to which it is a party in such a manner that this would have a material adverse effect on its ability to perform such obligations; or
- (i) the Seller has given materially incorrect information or has not given material information which was essential for the Issuer and the Security Trustee in connection with the entering into of the Mortgage Receivables Purchase Agreement and/or any of the other Relevant Documents; or
- (j) the rating assigned to the unsecured, unsubordinated and unguaranteed long-term debt obligations of the Seller fall below BBB- by Fitch or Baa3 by Moody's or is withdrawn; or
- (k) a Pledge Notification Event occurs;

then, within 10 business days the Seller shall notify the Borrowers, the Insurance Companies and any other relevant parties indicated by the Issuer and/or the Security Trustee of the assignment of the Mortgage Receivables and the Beneficiary Rights to the Issuer unless an appropriate remedy to the satisfaction of the Security Trustee is found and such notice will not result in a downgrade of the then current rating assigned to the Notes and after having received confirmation from Fitch and Moody's that no downgrading of the current ratings assigned to the notes outstanding will occur as a result of not giving notice, except on the occurrence of the events mentioned under (e) and (f) where no remedy shall apply.

At its option, the Issuer shall be entitled to make such notifications itself within a timeframe to be decided upon by the Issuer.

In addition, pursuant to the Beneficiary Waiver Agreement the Seller will undertake to use its best efforts following an Assignment Notification Event to obtain cooperation from all relevant parties (including the Life Insurance Companies) to (a) waive its rights as beneficiary and (b) appoint (i) the Issuer subject to the dissolving condition of a Pledge Notification Event relating to the Issuer and (ii) the Security Trustee under the condition precedent of the occurrence of a Pledge Notification Event relating to the Issuer as first beneficiary under the Insurance Policies. For the situation where a Borrower Insurance Proceeds Instruction exists, the Seller and the Savings Insurance Companies will in the Beneficiary Waiver Agreement undertake to use their best efforts, following a Notification Event to obtain the cooperation of all relevant parties to change the payment instruction in favour of (i) the Issuer subject to the dissolving condition of a Pledge Notification Event relating to the Issuer and (ii) the Security Trustee under the condition precedent of the occurrence of a Pledge Notification Event relating to the Issuer.

### **Interest reset agreements**

Pursuant to the Mortgage Receivables Purchase Agreement and the Issuer Services Agreement the Seller will determine and set the interest rates in accordance with the Mortgage Conditions in such a way, that the weighted average interest margin in respect of the Mortgage Receivables, taking into account any net amounts payable under the Swap Agreement, during a Quarterly Calculation Period will at least equal to the Threshold Margin. If on a Quarterly Calculation Date the Issuer Administrator determines that the weighted average interest margin, taking into account any net amounts payable under the Swap Agreement, has dropped below the Threshold Margin the authority to set the interest rates in accordance with the Mortgage Conditions and Clause 5.1 of the Issuer Services Agreement will pass to the Security Trustee by way of a power of attorney from the Issuer until such time as the Issuer and the Security Trustee may in their sole discretion determine.

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

The Mortgage Receivables Purchase Agreement provides that if a Borrower sets-off amounts due to it, of whatever nature, by the Seller against the relevant Mortgage Receivable and, as a consequence thereof, the Issuer does not receive the amount which it is entitled to receive in respect of such Mortgage Receivable, the Seller will pay to the Issuer an amount equal to the difference between the amount which the Issuer would have received in respect of the relevant Mortgage Receivable if no set-off had taken place and the amount actually received by the Issuer in respect of such Mortgage Receivable.

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

In the Mortgage Receivables Purchase Agreement the Sellers, the Issuer and/or the Security Trustee (as applicable) will agree that the Issuer and/or the Security Trustee (as applicable) will manage and administer any jointly-held security interests. Furthermore, the Sellers, the Issuer and/or the Security Trustee (as applicable) will agree that, in case of foreclosure the share (*aandeel*) in each jointly-held security interest of the Security Trustee and/or the Issuer will be equal to the Outstanding Principal Amount of the Mortgage Loan, increased with interest and costs, if any, and the share of the Seller will be equal to the Net Proceeds less the Outstanding Principal Amount of the Mortgage Loan and less the accrued but unpaid interest and costs, if any. Moreover, it will be agreed in the Mortgage Receivables Purchase Agreement that in case of a breach by the Seller of its obligations under certain agreements or if any of such agreement is dissolved, void, nullified or ineffective for any reason in respect of the Seller, the Seller shall compensate the Issuer and/or the Security Trustee (as applicable) forthwith for any and all loss, cost, claim, damage and expense whatsoever which the Issuer and/or the Security Trustee (as applicable) incurs as a result thereof. (See also *Risk Factors*).

## ISSUER SERVICES AGREEMENT

### Services

In the Issuer Services Agreement, the MPT Provider will agree to provide the MPT Services (mortgage payment transactions services) to the Issuer on a day-to-day basis in relation to the Mortgage Loans and the Mortgage Receivables, including, without limitation, the collection of payments of principal, interest to the Issuer and other amounts in respect of the Mortgage Loans, to produce monthly reports in relation thereto and prepare and provide the Issuer Administrator with certain statistical information regarding the Issuer, as required by law, for submission to the relevant regulatory authorities. The MPT Provider will also agree to provide the Defaulted Loan Services, including the implementation of arrears procedures and the enforcement of mortgage rights (see further *Mortgage Loan Underwriting and Origination*).

The MPT Provider will be obliged to provide the services as set out above in respect of the Mortgage Loans and the Mortgage Receivables at the same level of skill, care and diligence as mortgage loans in its own portfolio. The MPT Provider will under the Sub MPT Agreement, in accordance with the Issuer Services Agreement, appoint Stater as its sub-agent to carry out the MPT Services and the Defaulted Loan Services described above upon the terms and provisions of and in accordance with the Issuer Services Agreement and the Sub MPT Agreement. Stater will accept this appointment and will commit itself, in favour of the Issuer, to carry out the activities subject to and on the terms provided in the Issuer Services Agreement. The Issuer and the Security Trustee have consented to the appointment of Stater as sub-agent. Finally, the MPT Provider will perform certain cash management services by instructing the Paying Agent to make such payments to such persons as calculated by the Issuer Administrator.

The Issuer Administrator will in the Issuer Services Agreement agree to provide certain administration and calculation services to the Issuer and, where necessary, provide the relevant information to the MPT Provider for it to perform certain cash management services, including (a) calculations and determinations of the amounts received by the Seller on the Seller Collection Account to be transferred to the Issuer Collection Account and the production of monthly reports in relation thereto, (b) drawings (if any) to be made by the Issuer from the Reserve Account in respect of the Reserve Amount and the Liquidity Reserve, (c) calculations and determinations of all payments to be made by the Issuer under the Swap Agreement, (d) calculating and determining all payments to be made by the Issuer under the Notes in accordance with the Conditions, (e) the maintaining of all required ledgers in connection with the above and (f) all calculations to be made pursuant to the Conditions.

### Termination

The appointment of the MPT Provider and/or the Issuer Administrator under the Issuer Services Agreement may be terminated by the Security Trustee in certain circumstances as set out in the Issuer Services Agreement, including (a) a payment to be made by the MPT Provider and/or the Issuer Administrator is not received on the due date of any payment by either of them under the Issuer Services Agreement and such default continues unremedied for a period of 14 days, except in the case that such default is caused by *force majeure*, (b) a default is made by the MPT Provider and/or the Issuer Administrator in the performance or observance of any of its obligations under the Issuer Services Agreement which is either incapable of remedy (within the relevant grace period, as applicable) or no remedy is allowed and is in the reasonable opinion of the Security Trustee materially prejudicial to the interests of any Class of holders of Notes, (c) (in respect of the MPT Provider only) the Sub MPT Services Agreement is terminated by Stater following a default by Bank of Scotland, Amsterdam Branch, (d) the MPT Provider or Issuer Administrator takes any corporate action or other steps are taken or legal proceedings are started or threatened against it for its dissolution (*ontbinding*) and liquidation (*vereffening*), (e) the MPT Provider or Issuer Administrator has taken any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against it for its entering into suspension of payments or for bankruptcy or for the appointment of a receiver or a similar officer of its or any or all of its assets or any analogous insolvency proceedings under any applicable

law, (f) at any time it becomes unlawful for the MPT Provider or Issuer Administrator to perform all or a material part of its obligations hereunder or (g) the MPT Provider no longer holds a licence under the Wft (together the **Service Termination Events**).

In such events, the Security Trustee and the Issuer shall use their best efforts to appoint a substitute MPT Provider and/or the Issuer Administrator and such substitute MPT Provider and/or the Issuer Administrator shall enter into an agreement with the Issuer and the Security Trustee substantially on the terms of the Issuer Services Agreement, provided that such substitute MPT Provider and/or the Issuer Administrator shall have the benefit of a fee at a level to be then determined. With respect to the services to be provided under the Issuer Services Agreement such substitute MPT Provider must have (i) experience of administering mortgage loans and mortgages of commercial property in the Netherlands and (ii) hold a licence under the Wft as amended from time to time. The Issuer shall, promptly following the execution of such agreement, pledge its interest in such agreement in favour of the Security Trustee on the terms of the Pledge Agreement II, *mutatis mutandis*, to the satisfaction of the Security Trustee.

The appointment of the MPT Provider and/or the Issuer Administrator under the Issuer Services Agreement may be terminated by the MPT Provider and/or the Issuer Administrator upon the expiry of not less than 12 months' notice of termination given by the MPT Provider and/or the Issuer Administrator to the Issuer and the Security Trustee provided that, *inter alia*, (a) the Security Trustee consents in writing to such termination and (b) a substitute MPT Provider and/or the Issuer Administrator shall be appointed, such appointment to be effective no later than the date of termination of the Issuer Services Agreement and the MPT Provider and/or the Issuer Administrator shall not be released from its obligations under the Issuer Services Agreement until such substitute MPT Provider and/or the Issuer Administrator has entered into such new agreement.

### **Back-Up MPT Provider**

Bank of Scotland, Amsterdam Branch has been appointed by the Issuer as MPT Provider to service the Mortgage Loans. If the MPT Provider's long-term issuer default rating ceases to be rated at least Baa3 by Moody's or BBB- (or if the MPT Provider is on rating watch negative then at least a long-term rating of BBB) by Fitch, or such other ratings that are consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Senior Class A Notes and Mezzanine Class B Notes, the Issuer and/or the Seller will use its commercially reasonable efforts to appoint a back-up MPT provider with at least Baa3 by Moody's or BBB- (or if the MPT Provider is on rating watch negative then at least a long-term rating of BBB) by Fitch within 30 Business Days.

### **Investor reports**

The Issuer Administrator will provide post issuance transaction information in the form of quarterly investor reports. The quarterly investor reports will contain information as set out in the Issuer Services Agreement including, but not limited to, information in respect of the Mortgage Loans, details relating to repurchases of Mortgage Loans by the Seller pursuant to the Mortgage Receivables Purchase Agreement and details with respect to the rates of interest, Notes principal and interest payments and other payments by the Issuer.

The quarterly investor reports will be accessible to Noteholders via the following website: <https://echo.irooms.net/login.asp>. Access to the aforementioned website may be obtained by contacting the Manager, acting on behalf of the Issuer, via email, such email address being, as at the date of this Prospectus, [Candide2011\\_RMBS@lloydsbanking.com](mailto:Candide2011_RMBS@lloydsbanking.com). The website and the contents thereof do not form part of this Prospectus.

## SAVINGS MORTGAGE SUB-PARTICIPATION AGREEMENT

As discussed in *Description of the Mortgage Loans*, Savings Mortgage Loans are connected to Savings Insurance Policies under which Borrowers pay savings premium on a monthly basis to the Savings Insurance Companies, who pass on the capital element of such premium to the Seller in exchange for an interest in the Savings Mortgage Loan. This way the Savings Insurance Companies build up their interests in the Savings Mortgage Loan over time and at maturity such interest is applied towards redemption of the Savings Mortgage Loans. In order to allow the Savings Insurance Companies to continue to build up their interests in the Savings Mortgage Loans upon Closing, the Issuer will enter into a Savings Mortgage Sub-Participation Agreement with each Savings Mortgage Participant. Under each such agreement the Issuer will grant to the relevant Savings Mortgage Participant a Savings Participation in the relevant Savings Mortgage Receivables in respect of which Borrowers have taken out a policy with such Savings Insurance Company.

### Savings Participation

Each savings mortgage participation (collectively the **Savings Participations**) is equal to the Initial Savings Participation plus the monthly Savings Participations Increases.

#### *Initial Savings Participation*

On the Closing Date the Savings Insurance Companies will acquire an initial participation (each an **Initial Savings Participation**) with respect to the Savings Mortgage Receivables assigned to the Issuer.

The Initial Savings Participation in respect of each Savings Mortgage Loan will in each case be equal to the nominal value of the Savings Parts which the Savings Insurance Companies previously owned in respect of the Savings Mortgage Receivables, but which they re-assigned to the Seller immediately prior to the Closing or, in respect of New Mortgage Receivables, the relevant Purchase Date.

#### *Monthly Savings Participation Increase*

Pursuant to each Savings Mortgage Sub Participation Agreement, the Issuer and the relevant Savings Mortgage Participant have agreed that the Savings Mortgage Participant will, on or prior to each Mortgage Payment Date, increase the Savings Participation in each Mortgage Loan (starting with the Initial Savings Participation) against payment by the Savings Mortgage Participant to the Issuer on each such Mortgage Payment Date of the following amounts:

- (a) the Savings Premiums scheduled to be received by the Savings Insurance Companies during the Mortgage Calculation Period immediately preceding such Mortgage Payment Date;
- (b) the *pro rata* portion of the interest payable by the Borrower with respect to the Mortgage Loan which the Savings Mortgage Participant is entitled to receive from the Issuer under the Savings Participation. The obligation of the Issuer towards the Savings Mortgage Participant to pay out the *pro rata* interest amount is set-off against the right of the Issuer to receive an amount equal to such *pro rata* interest amount from the Savings Mortgage Participant to increase the Savings Participation.

The amount of the **Savings Participations Increase** is an increase of (the entitlement under) the Savings Participation compared to the first day of the relevant Mortgage Calculation Period immediately preceding the relevant Mortgage Calculation Date, which increase can be calculated on the relevant Mortgage Calculation Date by application of the following formula:

$(P/H) \times R + S$ , whereby

P = the Savings Participation on the first day of the relevant Mortgage Calculation Period;

- H = the principal amount outstanding on the Savings Mortgage Receivable on the first day of the relevant Mortgage Calculation Period;
- S = the amount of the Savings Premium actually received by the Issuer from the Savings Mortgage Participant in the relevant Mortgage Calculation Period in respect of the relevant Mortgage Receivable;
- R = the amount of interest due, but not overdue, and actually received from the relevant Borrower in the relevant Mortgage Calculation Period in respect of the Mortgage Receivable.

### **Maximum Savings Participation Amount**

In respect of each relevant Savings Mortgage Receivable no amounts will be paid to the extent that as a result thereof the Savings Participation in such Savings Mortgage Receivable would exceed the Mortgage Outstanding Principal Amount of such Savings Mortgage Receivable at such time (the **Maximum Savings Participation Amount**).

### **Entitlement Savings Insurance Companies**

The Savings Participation will entitle each Savings Mortgage Participant on or prior to each Mortgage Payment Date to receive from the Issuer the following amounts up to the Maximum Savings Participation Amounts received during the relevant Mortgage Calculation Period:

- (i) amounts in connection with repayments and prepayments in full of the relevant Savings Mortgage Receivables from any person, whether by set-off or otherwise, but, for the avoidance of doubt, excluding prepayment penalties, if any, and, furthermore, excluding amounts paid as partial prepayments;
- (ii) in connection with a repurchase or sale of the relevant Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement or the Trust Deed and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement, to the extent such amounts relate to principal (for the avoidance of doubt excluding the repurchase price with respect to Savings Parts repurchased by the Savings Insurance Companies); and
- (iii) as Net Proceeds on the relevant Mortgage Receivables to the extent such amounts relate to principal

(collectively referred to as the **Savings Participation Redemption Available Amount**).

### **Reduction of Savings Participation**

If:

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

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

### **Enforcement Notice**

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

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

### **Termination**

If one or more of the Savings Mortgage Receivables (excluding the Savings Parts, if any) are (i) repurchased by the Seller from the Issuer pursuant to the Mortgage Receivables Purchase Agreement or (ii) sold by the Issuer to a third party pursuant to the Mortgage Receivables Purchase Agreement or the Trust Deed, the Savings Participation in such Savings Mortgage Receivables will terminate and either (i) the Savings Participation Redemption Available Amount with respect to such Savings Mortgage Receivables will be paid by the Issuer to the relevant Savings Mortgage Participant and/or (ii) the Savings Parts relating to such Savings Mortgage Receivables having a nominal value equal to that when purchased by the Issuer, will be re-assigned by the Issuer to the relevant Savings Mortgage Participant and the purchase price will be set-off against the Savings Participations Redemption Available Amount up to such nominal amount. If so requested by the relevant Savings Mortgage Participant, the Issuer will use its best efforts to ensure that the acquirer of the Savings Mortgage Receivables will enter into a sub-participation agreement with the relevant Savings Mortgage Participant in a form similar to the Savings Mortgage Sub-Participation Agreement entered into with such Savings Mortgage Participant. Furthermore, the Savings Participation envisaged in the Savings Mortgage Sub-Participation Agreement shall terminate if at the close of business on the relevant calculation date the Savings Mortgage Participant has received each Savings Participation with respect to the relevant Savings Mortgage Receivable.

## SWAP AGREEMENT

The following section contains a summary of the material terms of the Swap Agreement. This summary does not purport to be complete and is subject to the provisions of the Swap Agreement.

### General

Approximately 86% of the Mortgage Loans sold and assigned to the Issuer on the Closing Date carry a fixed rate of interest, all for a certain set interest period (*rentevastperiode*). At the end of an interest period, the interest rate will be reset, unless the Borrower redeems the Mortgage Loans. In general, fixed rate reset terms can be set for periods of 1, 5, 6, 10, 15, 20, 25 and 30 years. In addition, a portion of the Mortgage Loans carries a variable rate of interest. This variable rate is reset monthly. However, the interest rate payable by the Issuer with respect to the Notes is calculated as margin over Euribor for three-month Euro deposits. To provide a hedge against possible variance between (i) amounts determined by reference to the weighted average mortgage rate charged to borrowers of Mortgage Loans, and (ii) amounts determined by reference to the interest payable in respect of the Senior Class A Notes and the Mezzanine Class B Notes, the Issuer, the Swap Counterparty and the Security Trustee will enter into the Swap Agreement on or around the Closing Date. The Swap Agreement will have a notional amount that is sized to hedge against any potential interest rate mismatches in relation to the Notes, excluding the Subordinated Class C Notes. Under the Swap Agreement, on each Quarterly Payment Date, the following amounts will be calculated:

- in respect of each Mortgage Calculation Period in a relevant Quarterly Calculation Period, the amount produced by multiplying Euribor for three-month Euro deposits (as determined in respect of the Floating Rate Interest Period to which such Mortgage Calculation Period relates) plus the Swap Margin by the Notional Amount and the relevant day count fraction (the sum of the amounts so produced in respect of each such Mortgage Calculation Period within a Quarterly Calculation Period referred to as the **Mortgage Calculation Period Swap Provider Amount**); and
- in respect of each Mortgage Calculation Period in a relevant Quarterly Calculation Period, the amount produced by multiplying a rate equal to the weighted average (by Outstanding Principal Amount less with respect to each Savings Mortgage Receivable an amount equal to the Savings Participation) of the rates of interest charged to borrowers on the Mortgage Loans for the relevant Mortgage Calculation Period by the Notional Amount and the relevant day count fraction (the sum of the amounts so produced in respect of each such Mortgage Calculation Period within a Quarterly Calculation period referred to as the **Mortgage Calculation Period Issuer Amount**).

After these two payments are calculated in relation to the Quarterly Payment Date, the following payments will be made on that Quarterly Payment Date:

- if the Mortgage Calculation Period Swap Provider Amount is greater than the Mortgage Calculation Period Issuer Amount, then the Swap Counterparty will pay the difference to the Issuer;
- if the Mortgage Calculation Period Issuer Amount is greater than the Mortgage Calculation Period Swap Provider Amount, then the Issuer will pay the difference to the Swap Counterparty; and
- if the Mortgage Calculation Period Swap Provider Amount and the Mortgage Calculation Period Issuer Amount are equal, then neither party will make a payment to the other.

If a payment is to be made by the Swap Counterparty, that payment will be included in the Notes Interest Available Amount and will be applied on the relevant Quarterly Payment Date according to the relevant order of priority of payments of the Issuer. If a payment is to be made by the Issuer, it will be made according to the relevant priority of payments of the Issuer.

The Notional Amount of the Swap Agreement in respect of a Mortgage Calculation Period will be an amount in Euro equal to:

- the aggregate Principal Amount Outstanding of the Senior Class A Notes and the Mezzanine Class B Notes on the first day of such Mortgage Calculation Period; less
- the debit balance of the Principal Deficiency Ledger attributable to the Notes on the first day of such Mortgage Calculation Period; less
- the amount of principal receipts in the Issuer Collection Account on the first day of such Mortgage Calculation Period.

In the event that the Swap Agreement is terminated prior to the service of any Enforcement Notice, the Issuer may, upon prior notification to the Rating Agencies, enter into a replacement swap agreement on terms acceptable to the Security Trustee. If the Issuer is unable to enter into a replacement swap agreement, this may affect amounts available to pay interest on the Notes.

### **Ratings downgrade of the Swap Counterparty**

Under the Swap Agreement, in the event that the rating(s) of the relevant debt obligations of Swap Counterparty, or its successor, assignee or respective guarantor, as applicable, is or are, as applicable, downgraded by a Rating Agency below the relevant Requisite Ratings (in accordance with the requirements of the relevant Rating Agencies), the Swap Counterparty will, in accordance with the Swap Agreement, be required to take certain remedial measures which may include providing collateral for its obligations under the Swap Agreement, arranging for its obligations under the Swap Agreement to be transferred to an entity with the Requisite Rating (in accordance with the requirements of the relevant Rating Agency), procuring another entity with the Requisite Rating (in accordance with the requirements of the relevant Rating Agency) to become co-obligor or guarantor, as applicable, in respect of its obligations under the Swap Agreement, or taking such other action as the Swap Counterparty may agree with the relevant Rating Agency.

### **Maturity date for the swap transaction**

The transaction forming part of the Swap Agreement matures on the earlier of the Final Maturity Date and the date on which the Principal Amount Outstanding of the Notes is reduced to zero.

### **Termination of the Swap Agreement**

The transaction forming part of the Swap Agreement may be terminated in certain circumstances, including, but not limited to, the following (each referred to as a **Swap Early Termination Event**):

- at the option of one party to the Swap Agreement, if there is a failure by the other party to pay any amounts due under the Swap Agreement;
- at the option of the Swap Counterparty, if the Security Trustee serves an Enforcement Notice;
- at the option of the Swap Counterparty, if certain insolvency events occur with respect to the Issuer;
- at the option of the Issuer upon the occurrence of certain insolvency events with respect to the Swap Counterparty, or its guarantor, or the merger of the Swap Counterparty without an assumption of its obligations under the Swap Agreement, or if a misrepresentation is made by the Swap Counterparty under the Swap Agreement or a default by the Swap Counterparty under an over-the-counter derivatives transaction under another agreement between the Issuer and Swap Counterparty or if a breach of a provision of the Swap Agreement by the Swap Counterparty is not remedied within the applicable grace period, or, if applicable, the guarantor of the Swap Counterparty fails to comply with its obligations under any guarantee;

- if a change in law results in the obligations of one of the parties becoming illegal:
  - at the option of the Swap Counterparty if withholding taxes are imposed on payments made by the Swap Counterparty under the Swap Agreement;
  - if the Swap Counterparty or its guarantor, as applicable, is downgraded and the Swap Counterparty fails to comply with the requirements of the ratings downgrade provision contained in the relevant swap agreement and described above under *Ratings downgrade of the Swap Counterparty*;
  - if certain amendments are made to the Priorities of Payments; and
  - if certain material changes are made to the Transaction Documents.

Upon an early termination of the transaction under the Swap Agreement, either the Issuer or the Swap Counterparty may be liable to make a termination payment to the other. This termination payment will be calculated and made in Euro. The amount of any termination payment will be determined on the basis of quotations sought from leading dealers as to the cost of entering into a swap with the same terms and conditions that would have the effect of preserving the economic equivalent of the respective full payment obligations of the parties (or based upon a good faith determination of total losses and costs (or gains) if an insufficient number of quotations can be obtained or if basing the valuation on quotations would not produce a commercially reasonable result) and will include any unpaid amounts that became due and payable prior to the date of termination. Any such termination payment could be substantial.

If the transaction under the Swap Agreement is terminated early and a termination payment is due by the Issuer to the Swap Counterparty, then, the Issuer shall apply any premium received from a replacement swap counterparty (which the Issuer may receive from such replacement swap counterparty because the replacement transaction which such counterparty is entering into with the Issuer is in the money for such counterparty) in satisfying the Issuer's payment obligation to the Swap Counterparty in respect of such termination payment. Any portion of such premium which remains after the Issuer has satisfied its payment obligation to the Swap Counterparty in full, shall be applied by the Issuer in accordance with the applicable Priorities of Payment.

If the Issuer receives a termination payment from the Swap Counterparty, then the Issuer shall use those funds towards meeting its costs in entering into a replacement swap agreement.

Noteholders will not receive extra amounts (over and above Interest and Principal payable on the Notes) as a result of the Issuer receiving a termination payment.

### **Transfer of the Swap Agreement**

The Swap Counterparty may, subject to certain conditions specified in the Swap Agreement, including (without limitation) the satisfaction of certain minimum rating requirements, transfer its obligations under the Swap Agreement to another entity.

### **Taxation**

The Issuer is not obliged under the Swap Agreement to gross up payments made by them if withholding taxes are imposed on payments made under the Swap Agreement.

The Swap Counterparty will be obliged to gross up payments made by it to the Issuer if withholding taxes are imposed on payments made under the Swap Agreement. However, if the Swap Counterparty is required to gross up a payment under the Swap Agreement the Swap Counterparty may in certain circumstances transfer its rights and obligations under the relevant transaction in accordance with the provisions of the Swap Agreement or terminate the transaction.

**Governing law**

The Swap Agreement will be governed by English law.

## CANDIDE FINANCING 2011-1 B.V.

The Issuer was organised with limited liability under the laws of the Netherlands on 4 July 2011. The corporate seat (*statutaire zetel*) of the Issuer is in Amsterdam, the Netherlands and its registered office is at Frederik Roeskestraat 123, 1076 EE Amsterdam, the Netherlands, telephone number is +31 20 577 1177. The Issuer is registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 530080815.

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

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

The Issuer has an authorised share capital of Euro 90,000 of which Euro 18,000 has been issued and is fully paid. All shares of the Issuer are held by Stichting Holding. The rights of Stichting Holding as shareholder of the Issuer are contained in the articles of association of the Issuer and in the Dutch Civil Code.

Stichting Holding is a foundation (*stichting*) organised under the laws of the Netherlands on 11 March 2005. The objects of Stichting Holding are, *inter alia*, to incorporate, acquire and to hold shares in the share capital of the Issuer and to exercise all rights attached to such shares and to dispose of and encumber such shares. The sole managing director of Stichting Holding is ATC Management B.V.

The Issuer has the corporate power and capacity to issue the Notes, to acquire the Mortgage Receivables and to enter into and perform the Relevant Documents. Allen & Overy LLP is the legal adviser to the Issuer in connection with the issue of the Notes.

The sole managing director of the Issuer is ATC Management B.V. ATC Management B.V. has its registered office at Frederik Roeskestraat 123, 1076 EE Amsterdam, telephone number +31 20 577 1177. The managing directors of ATC Management B.V. are R. Langelaar, R. Posthumus, R. Rosenboom, R. Arendsen and A.R. van der Veen. The objectives of ATC Management B.V. are (a) giving advice and acting as mediator in relation to financial and related transactions, (b) finance companies and (c) the management of legal entities. The principal activities carried out by ATC Management B.V. besides managing the Issuer are in line with its objectives.

ATC Management B.V. belongs to the same group of companies as Amsterdamsch Trustee's Kantoor B.V., being the sole Director of the Security Trustee. Therefore, a conflict of interest may arise. In this respect it is noted that each of the Directors in the management agreement it has entered into with the entity of which it has been appointed managing director (*statutair directeur*), agrees and undertakes to, *inter alia*, (a) do all that an adequate managing director (*statutair directeur*) should do or refrain from doing all that an adequate managing director should refrain from doing, and (b) refrain from taking any action which could be detrimental to the obligations agreed under any of the Relevant Documents. In addition, each of the Directors agrees in the relevant management agreement that it will not enter into any agreement in relation to Candide Financing 2011-1 B.V. and/or Stichting Holding and/or the Security Trustee other than the Relevant Documents to which it is a party, without, after having given prior notice of the entering into such agreement to the Rating Agencies, the prior written consent of the Security Trustee.

The financial year of the Issuer coincides with the calendar year. The first financial year will end on 31 December 2012. No financial statements of the Issuer have been made up as at the date of this document.

The Issuer has commenced operations and is in compliance with the Wft due to the fact that the Notes will be (deemed to be) offered solely to professional market parties within the meaning of the Wft.

## **USE OF PROCEEDS**

The net proceeds of the Senior Class A Notes to be issued on the Closing Date will amount to Euro 1,050,000,000.

The net proceeds of the issue of the Senior Class A Notes and the Mezzanine Class B Notes will be applied on the Closing Date to pay part of the Initial Purchase Price for the Mortgage Receivables purchased under the Mortgage Receivables Purchase Agreement. The net proceeds of the issue of the Subordinated Class C Notes will be credited to the Reserve Account.

Finally, the Issuer will be entitled to receive Euro 5,437,592.67 as consideration for the Initial Savings Participations granted to the Savings Insurance Companies in respect of the Savings Mortgage Receivables. Such amount is applied towards payment of the remaining part of the Initial Purchase Price.

## DESCRIPTION OF SECURITY

In the Parallel Debt Agreement, the Issuer will irrevocably and unconditionally undertake to pay to the Security Trustee the Parallel Debt. The Parallel Debt constitutes a separate and independent obligation of the Issuer and constitutes the Security Trustee's own separate and independent claim to receive payment of the Parallel Debt from the Issuer. Upon receipt by the Security Trustee of any amount in payment of the Parallel Debt, the payment obligations of the Issuer to the Secured Parties shall be reduced by an amount equal to the amount so received.

To the extent that the Security Trustee irrevocably receives any amount in payment of the Parallel Debt, the Security Trustee shall distribute such amount among the Secured Parties in accordance with the Priority of Payments after the Enforcement Date. The amounts due to the Secured Parties will be the sum of (a) amounts recovered (*verhaald*) by it on the Mortgage Receivables and the other assets pledged under the Pledge Agreement I and the Pledge Agreement II or charged under the Deed of Charge and (b) the amounts received from any of the Secured Parties, as received or recovered by any of them pursuant to the Parallel Debt Agreement; less (y) any amounts already paid by the Security Trustee to the Secured Parties pursuant to the Parallel Debt Agreement and (z) the costs and expenses of the Security Trustee (including, for the avoidance of doubt, any costs of, *inter alia*, the Irish Stock Exchange, the Rating Agencies and any legal adviser, auditor, or accountant appointed by the Security Trustee).

The Issuer shall grant a first-ranking right of pledge (*pandrecht*) by means of the Pledge Agreement I over the Mortgage Receivables and the Beneficiary Rights (see further *Insurance Policies* under *Risk Factors*) to the Security Trustee on the Closing Date and with respect to any New Mortgage Receivables undertakes to grant a first-ranking right of pledge on the relevant New Mortgage Receivables and, if applicable, the relevant Beneficiary Rights on the relevant Purchase Date which will, *inter alia*, secure the payment obligation of the Issuer to the Security Trustee under the Parallel Debt Agreement.

The pledge on the Mortgage Receivables and the Beneficiary Rights provided in the Pledge Agreement I will not be notified to the Borrowers and the Life Insurance Companies respectively, except in the event of the occurrence of any of the Pledge Notification Events. Prior to notification of the pledge to the Borrowers, the pledge will be a "silent" right of pledge (*stil pandrecht*) within the meaning of section 3:239 of the Dutch Civil Code. The pledge on the Savings Beneficiary Rights will be notified to the relevant Savings Insurance Companies and will, therefore, be a 'disclosed' right of pledge (*openbaar pandrecht*).

The Issuer will also vest a right of pledge by means of the Pledge Agreement II in favour of the Security Trustee on the Closing Date. This right of pledge secures any and all liabilities of the Issuer to the Security Trustee resulting from or in connection with the Parallel Debt Agreement, the Trust Deed and any other Relevant Document and will be vested on all rights of the Issuer under or in connection with (i) the Mortgage Receivables Purchase Agreement, (ii) the Issuer Services Agreement, (iii) the GIC, (iv) the Swap Agreement, (v) the Subordinated Loan Agreement, (vi) the Savings Mortgage Sub-Participation Agreement and to the extent such rights do not result from these legal relationships exist at the Closing Date, the Issuer undertakes to grant a first-ranking right of pledge on such rights to the extent required. The right of pledge created pursuant to the Pledge Agreement II will be notified to the relevant obligors and will therefore be a "disclosed" right of pledge (*openbaar pandrecht*).

The Issuer will also create an English law charge by means of the Deed of Charge in favour of the Security Trustee on the Closing Date. Under the Deed of Charge, the Issuer creates a first-ranking fixed charge in favour of the Security Trustee over its rights under or in connection with the GIC, including over its rights against the GIC Provider in respect of the Transaction Accounts.

The amounts due to the Secured Parties will broadly be equal to the amounts recovered (*verhaald*) by the Security Trustee on the Mortgage Receivables and other assets pledged to the Security Trustee under Pledge Agreement I and Pledge Agreement II as well as the Deed of Charge. To the extent that the Security Trustee irrevocably receives any amount in payment of the Parallel Debt, the Security Trustee shall distribute such

amount among the Secured Parties in accordance with the Priority of Payments after the Enforcement Date, save for amounts due to the Savings Insurance Companies in connection with the Savings Participations. The amounts due to the Secured Parties, other than to the Savings Insurance Companies, will be the sum of (i) amounts recovered (*verhaald*) by it (a) on the Mortgage Receivables and the other assets pledged under Pledge Agreement I and Pledge Agreement II, other than the Savings Mortgage Receivables, (b) on Savings Mortgage Receivables to the extent the amount exceeds the relevant Savings Participation in the relevant Savings Mortgage Receivables and (c) on the assets charged under the Deed of Charge and (ii) the *pro rata* part of amounts received from any of the Secured Parties, as received or recovered by any of them pursuant to the Parallel Debt Agreement (by reference to the proportion the Savings Participations bear to the aggregate Mortgage Receivables); less (y) any amounts already paid by the Security Trustee to the Secured Parties (other than the Savings Insurance Companies) pursuant to the Parallel Debt Agreement and (z) the *pro rata* part of the costs and expenses of the Security Trustee (including, for the avoidance of doubt, any costs of, *inter alia*, the Rating Agencies and of any legal adviser, auditor or accountant appointed by the Security Trustee) (by reference to the proportion the Savings Participations bear to the aggregate Mortgage Receivables).

The amounts due to the Savings Insurance Companies consist of, *inter alia* (i) the amounts actually recovered (*verhaald*) by it on the Savings Mortgage Receivables, but only to the extent such amounts do not exceed the Savings Participation in such Savings Mortgage Receivables and (ii) the *pro rata* part of the amounts received from any of the Secured Parties, as received or recovered by any of them pursuant to the Parallel Debt Agreement (by reference to the proportion the Savings Participations bear to the aggregate Mortgage Receivables), less (y) any amounts already paid to the Savings Insurance Companies by the Security Trustee pursuant to the Parallel Debt Agreement and (z) the *pro rata* part of the costs and expenses of the Security Trustee (including, for the avoidance of doubt, any costs of, *inter alia*, the Rating Agencies and any legal adviser, auditor or accountant appointed by the Security Trustee) (by reference to the proportion the Savings Participations bear to the aggregate Mortgage Receivables).

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

## THE SECURITY TRUSTEE

The Security Trustee is a foundation (*stichting*) organised under the laws of the Netherlands on 4 July 2011. It has its registered office in Amsterdam, the Netherlands. The Security Trustee is registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 53080572.

The objects of the Security Trustee are (a) to act as agent and/or trustee; (b) (in summary) to acquire security rights as agent and/or trustee and/or for itself; (c) to hold, administer and to enforce the security rights mentioned under (b); (d) to borrow money and (e) to perform any and all acts which are related, incidental or which may be conducive to the above.

The sole director of the Security Trustee is Amsterdamsch Trustee's Kantoor B.V. The Security Trustee has its registered office in Amsterdam, the Netherlands. The managing directors of Amsterdamsch Trustee's Kantoor B.V. are F.E.M. Kuijpers and D.P. Stolp.

### *Liability*

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

Further, the Security Trustee shall not be liable *vis-à-vis* the Noteholders, except to the extent that the liability or loss arises directly from the Security Trustee's gross negligence (*grove nalatigheid*) or wilful misconduct (*opzet*). The Security Trustee shall not be liable to the Issuer or any Noteholder by reason of having accepted as valid or not having rejected any Note purporting to be such and subsequently found to be forged or not authentic.

### *Indemnity*

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

### *Removal of Directors of the Security Trustee*

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

However, the Noteholders can resolve to dismiss the Director as the director of the Security Trustee by an Extraordinary Resolution, on the basis of Clause 21 of the Trust Deed and Clause 4 of the articles of incorporation of the Security Trustee. The Director of the Security Trustee shall only resign from its position as director of the Security Trustee as soon as a suitable person, trust or administration office, reasonably acceptable to the Issuer, after (i) having consulted the Secured Parties, other than the Noteholders, (ii) having notified the Rating Agencies, has been contracted to act as director of the Security Trustee.

## TERMS AND CONDITIONS OF THE NOTES

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

The issue of the Euro 1,050,000,000 Senior Class A Mortgage-Backed Notes 2011 due 2049 (the **Senior Class A Notes**), the Euro 150,000,000 Mezzanine Class B Mortgage-Backed Notes 2011 due 2049 (the **Mezzanine Class B Notes**) and the Euro 34,000,000 Subordinated Class C Notes 2011 due 2049 (the **Subordinated Class C Notes** and together with the Senior Class A Notes and the Mezzanine Class B Notes, the **Notes**) was authorised by a resolution of the managing director of Candide Financing 2011-1 B.V. (the **Issuer**) passed on 7 July 2011. The Notes are issued under a Trust Deed dated 13 July 2011 (the **Trust Deed**) between the Issuer, Stichting Candide Financing Holding and Stichting Security Trustee Candide Financing 2011-1 (the **Security Trustee**). Under a paying agency agreement (the **Paying Agency Agreement**) dated 11 July 2011 between the Issuer, the Security Trustee, and Citibank N.A., London Branch as paying agent (the **Paying Agent**) and as reference agent (the **Reference Agent**), provision is made for, amongst others, the payment of principal and interest in respect of the Notes.

The statements in these terms and conditions of the Notes (the **Conditions**) include summaries of, and are subject to, the detailed provisions of (i) the Trust Deed, which will include the form of the Notes and the coupons appertaining to the Notes (the **Coupons**) and the forms of the Temporary Global Notes and the Permanent Global Notes, (ii) the Paying Agency Agreement, (iii) a servicing agreement (the **Issuer Services Agreement**) dated 11 July 2011 between the Issuer, ATC Financial Services B.V. as the Issuer Administrator, Bank of Scotland plc acting through its Amsterdam Branch as the Seller, the Swap Counterparty, the MPT Provider, the Security Trustee and Stater Nederland B.V., (iv) the deed of charge (**Deed of Charge**) dated 13 July 2011 between the Security Trustee, the Issuer and others, (v) a pledge agreement dated 13 July 2011 between the Security Trustee and the Issuer and (vi) a pledge agreement dated 13 July 2011, between the Issuer, the Security Trustee and others (jointly with the other pledge agreement referred to under (v) above, the **Pledge Agreements**).

Certain words and expressions used below are defined in a master definitions agreement (the **Master Definitions Agreement**) dated 11 July 2011 and signed by the Issuer, the Security Trustee, the Seller and certain other parties. Such words and expressions shall, except where the context requires otherwise, have the same meanings in these Conditions. If the terms or definitions in the Master Definitions Agreement would conflict with the terms or definitions used herein, the terms and definitions of these Conditions shall prevail. As used herein, **Class** means either the Senior Class A Notes, the Mezzanine Class B Notes or the Subordinated Class C Notes, as the case may be.

Copies of the Trust Deed, the Paying Agency Agreement, the Parallel Debt Agreement, the Pledge Agreements, the Deed of Charge and the Master Definitions Agreement are available for inspection free of charge by holders of the Notes at the specified office of the Paying Agent and the present office of the Security Trustee, being at the date hereof Frederik Roeskestraat 123, 1076 EE, Amsterdam, the Netherlands. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Paying Agency Agreement, the Parallel Debt Agreement, the Pledge Agreements and the Deed of Charge.

### 1. Form, Denomination and Title

The Notes will be in bearer form serially numbered with Coupons attached on issue and will initially be presented by a Temporary Global Note. Under Dutch law, the valid transfer of Notes requires, *inter alia*, delivery (*levering*) thereof. The Issuer, the Security Trustee and the Paying Agent may, to the fullest extent permitted by law, treat the holder of any Note and of the Coupons appertaining thereto as its absolute owner for all purposes (whether or not payment under such Note or Coupon is

overdue and notwithstanding any notice of ownership or writing thereon or any notice of previous loss or theft thereof), including payment and no person will be liable for so treating such holder. The signatures on the Notes will be in facsimile.

For so long as the Notes are represented by a Global Note and the Clearing Systems so permit, the Notes will be tradeable only in the minimum authorised denomination of €100,000 and higher integral multiples of €1,000. Notes in definitive form, if issued, will only be printed and issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No Notes in definitive form will be issued with a denomination above €199,000. All such Notes will be serially numbered and will be issued in bearer form with (at the date of issue) Coupons and, if necessary, talons attached.

Each Class of Notes will be issued in NGN form and be delivered to a common safekeeper for Euroclear or Clearstream, Luxembourg.

## 2. Status of and relationship between, the Notes and Security

- (a) The Notes of each Class are direct and unconditional obligations of the Issuer and rank *pari passu* and rateably without any preference or priority among Notes of the same Class.
- (b) In accordance with the provisions of Conditions 4, 6 and 9 and the Trust Deed (i) payments of principal and interest on the Mezzanine Class B Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes and (ii) payments of principal and interest on the Subordinated Class C Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes and the Mezzanine Class B Notes.
- (c) The security for the obligations of the Issuer towards the Noteholders (the **Security**) will be created pursuant to, and on the terms set out in the Pledge Agreements and the Deed of Charge, which will create the following security rights:
  - (i) a first-ranking pledge by the Issuer to the Security Trustee over the Mortgage Receivables and the Beneficiary Rights;
  - (ii) a first-ranking security right by the Issuer to the Security Trustee on the Issuer's rights (a) against the Seller under or in connection with the Mortgage Receivables Purchase Agreement, (b) against the Issuer Administrator under or in connection with the Issuer Services Agreement, (c) against the MPT Provider under or in connection with the Issuer Services Agreement, (d) against the Swap Counterparty under or in connection with the Swap Agreement, (e) against the Savings Insurance Companies under the Savings Mortgage Sub-Participation Agreement, (f) against the Subordinated Loan Provider under the Subordinated Loan Agreement and to the extent such rights do not exist at the Closing Date the Issuer will undertake to vest such first-ranking right of pledge on such rights; and
  - (iii) a first-ranking fixed charge by the Issuer to the Security Trustee on the Issuer's rights against the GIC Provider under or in connection with the GIC, including over its rights against the GIC Provider in respect of the Transaction Accounts.
- (d) The Senior Class A Notes, the Mezzanine Class B Notes and the Subordinated Class C Notes will be secured (indirectly) by the Security. The Senior Class A Notes will rank in priority to the Mezzanine Class B Notes and the Subordinated Class C Notes. The Mezzanine Class B Notes will rank in priority to the Subordinated Class C Notes. The Trust Deed contains provisions requiring the Security Trustee to have regard to the interests of the Senior Class A Noteholders, the Mezzanine Class B Noteholders and the Subordinated Class C Noteholders, as regards all powers, trust, authorities, duties and discretions of the Security Trustee (except where expressly provided otherwise) but requiring the Security Trustee in any such case to have regard only to the interests of

the Senior Class A Noteholders if, in the Security Trustee's opinion, there is a conflict between the interests of the Senior Class A Noteholders on the one hand and the Mezzanine Class B Noteholders and the Subordinated Class C Noteholders on the other hand and, if no Senior Class A Notes are outstanding, to have regard only to the interests of the Mezzanine Class B Noteholders if, in the Security Trustee's opinion, there is a conflict between the interests of the Mezzanine Class B Noteholders on the one hand and the Subordinated Class C Noteholders on the other hand. In addition, the Security Trustee shall have regard to the interests of the other Secured Parties, provided that in case of a conflict interest between the Secured Parties the priority of payments upon enforcement set forth in the Trust Deed determines which interest of which Secured Party prevails.

### 3. Covenants of the Issuer

So long as any of the Notes remain outstanding, the Issuer shall carry out its business in accordance with the requirements of Dutch law and accounting practice and shall not, except to the extent permitted by the Mortgage Receivables Purchase Agreement, the Deed of Assignment, any Purchase Deeds of Assignment for New Mortgage Receivables, the Issuer Services Agreement, the Pledge Agreements, the Deed of Charge, the Parallel Debt Agreement, the Swap Agreement, the GIC, the Savings Mortgage Sub-Participation Agreement, the Notes Purchase Agreements, the Notes, the Paying Agency Agreement, the Beneficiary Waiver Agreement, the Management Agreements and the Trust Deed (together the **Relevant Documents**) or with the prior written consent of the Security Trustee:

- (a) carry out any business other than as described in the Prospectus;
- (b) incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness, except as contemplated in the Relevant Documents;
- (c) create or promise to create any mortgage, charge, pledge, lien or other Mortgage and the Borrower Pledge whatsoever over any of its assets, or use, invest, sell, transfer or otherwise dispose of any part of its assets, except as contemplated in the Relevant Documents;
- (d) take action for its dissolution (*ontbinding*), request the court to grant a suspension of payments (*surseance van betaling*) or declare its bankruptcy (*faillissement*);
- (e) consolidate or merge with any other person or convey or transfer its assets substantially or as an entirety to one or more persons;
- (f) permit the validity or effectiveness of the Pledge Agreements or the Deed of Charge, or the priority of the security created thereby or pursuant thereto to be amended, terminated, postponed or discharged, or permit any person whose obligations form part of such security rights to be released from such obligations except as contemplated in the Relevant Documents;
- (g) have any employees or premises or have any subsidiary or subsidiary undertaking;
- (h) have an interest in any bank account other than (i) the Transaction Accounts and (ii) an account in which collateral under the Swap Agreement is transferred, unless all rights in relation to such account have been (in the case of an English account) charged to the Security Trustee as provided in Condition 2(c)(iii) or (in the case of a Dutch account) pledged to the Security Trustee as provided in Condition 2(c)(ii); or
- (i) provide deposits to the Borrowers.

#### 4. Interest

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

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

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

Interest on the Notes will be payable by reference to successive quarterly interest periods (each a **Floating Rate Interest Period**) and will be payable quarterly in arrear in Euro in respect of the Principal Amount Outstanding (as defined in Condition 6 hereof) of the Notes, respectively, on the 23rd day of November, February, May, August or, if such day is not a Business Day, the next succeeding Business Day, unless such Business Day falls in the next succeeding calendar month in which event the Business Day immediately preceding such 23rd day) in each year (each such day being a **Quarterly Payment Date**). A **Business Day** means a day on which banks are open for business in Amsterdam and London, provided that such day is also a day on which the Trans-European Automated Real-Time Gross Settlement European Transfer System (**TARGET2 System**) or any successor thereto is operating credit or transfer instructions in respect of payments in Euro. Each successive Floating Rate Interest Period will commence on (and include) a Quarterly Payment Date and end on (but exclude) the next succeeding Quarterly Payment Date, except for the first Floating Rate Interest Period, which will commence on (and include) the Closing Date and end on (but exclude) the Quarterly Payment Date falling on August 2011.

##### (c) *Interest on the Notes*

Except for the first Floating Rate Interest Period, during which interest will accrue from (and including) the Closing Date at an annual rate equal to the linear interpolation between the Euro Interbank Offered Rate (**Euribor**) for three months' deposits in Euro and Euribor for four months deposits in Euro rounded, if necessary, to the 5th decimal place with 0.000005 being rounded upwards, plus the margin as set out below, interest on the Notes for each Floating Rate Interest Period will accrue at an annual rate equal to Euribor for three-months' deposits in Euro, rounded, if necessary, to the 5th decimal place with 0.000005 being rounded upwards plus:

- (i) for the Senior Class A Notes, a margin of 0.12% per annum;
- (ii) for the Mezzanine Class B Notes, a margin of 0.01% per annum;
- (iii) for the Subordinated Class C Notes, a margin of 0.01% per annum.

##### (d) *Euribor*

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

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

and Euribor for such Floating Rate Interest Period will be the rate per annum equal to the Euro Interbank Offered Rate for Euro deposits as determined in accordance with this paragraph (d), provided that if the Reference Agent is unable to determine Euribor in accordance with the above provisions in relation to any Floating Rate Interest Period, Euribor applicable to the relevant Class of Notes during such Floating Rate Interest Period will be Euribor last determined in relation thereto.

*(e) Determination of Floating Rate of Interest and Calculation of the Floating Interest Amount*

The Reference Agent will, as soon as practicable after 11.00 a.m. (Amsterdam Time) on each relevant Interest Determination Date, determine the floating rates of interest referred to in paragraphs (c) and (d) above for each relevant Class of Notes (the **Floating Rate of Interest**) and calculate the amount of interest payable on this Class of Notes for the following Floating Rate Interest Period (the **Floating Interest Amount**) by applying the relevant Floating Rate of Interest to the Principal Amount Outstanding of the relevant Class of Notes. The determination of the relevant Floating Rate of Interest and the Floating Interest Amount by the Reference Agent shall (in the absence of manifest error) be final and binding on all parties.

*(f) Notification of the Floating Rate of Interest and the Floating Interest Amount*

The Reference Agent will cause the relevant Floating Rate of Interest and the relevant Floating Interest Amount and the Quarterly Payment Date applicable to each relevant Class of Notes to be

notified to the Issuer, the Security Trustee, the Paying Agent, the Issuer Administrator, and to each stock exchange and competent listing authority (if any) on which the Notes are then listed and will cause notice thereof to be given to the holders of such Class of Notes in accordance with Condition 13. The Floating Interest Amount and Quarterly Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Floating Rate Interest Period.

(g) *Determination or Calculation by Security Trustee*

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

(h) *Reference Banks and Reference Agent*

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

## 5. **Payment**

- (a) Payment of principal and interest in respect of Definitive Notes will be made upon presentation of the Note and against surrender of the relevant Coupon appertaining thereto, at any specified office of the Paying Agent in cash or by transfer to a Euro account maintained by the payee with a bank in the Netherlands, as the holder may specify. All such payments are subject to any fiscal or other laws and regulations applicable in the place of payment.
- (b) At the Final Maturity Date (as defined in Condition 6 hereof), or such earlier date the Notes become due and payable, the Notes should be presented for payment together with all unmatured Coupons appertaining thereto, failing which the full amount of any such missing unmatured Coupons (or, in the case of payment not being made in full, that proportion of the full amount of such missing unmatured Coupons which the sum of principal so paid bears to the total amount of principal due) will be deducted from the sum due for payment. Each amount so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon at any time before the expiry of five years following the due date for payment of such principal (whether or not such Coupons would have become unenforceable pursuant to Condition 8 hereof).
- (c) If the relevant Quarterly Payment Date is not a day on which banks are open for business in the place of presentation of the relevant Note or Coupon (**Local Business Day**), the holder thereof shall not be entitled to payment until the next following such day, or to any interest or other payment in respect of such delay, provided that in the case of payment by transfer to an Euro account as referred to above, the Paying Agent shall not be obliged to credit such account until the Local Business Day

immediately following the day on which banks are open for business in the Netherlands. The name of the Paying Agent and of its office is set out below.

- (d) The Issuer reserves the right at any time to vary or terminate the appointment of the Paying Agent and to appoint additional or other paying agents provided that no paying agent located in the United States of America will be appointed and that the Issuer will at all times maintain a paying agent having a specified office in the European Union. Notice of any termination or appointment of a Paying Agent and of any changes in the specified offices of the Paying Agent will be given to the Noteholders in accordance with Condition 13 hereof.

## 6. Redemption and purchase

### (a) *Final redemption*

Unless previously redeemed as provided below, the Issuer will redeem the Senior Class A Notes (in respect of the Mezzanine Class B Notes and the Subordinated Class C Notes subject to Condition 9(b) hereof) at their respective Principal Amount Outstanding on the Quarterly Payment Date falling in August 2051 (the **Final Maturity Date**).

### (b) *Mandatory redemption*

Provided that no Enforcement Notice has been served in accordance with Condition 10 hereof, the Issuer will be obliged to apply on each Quarterly Payment Date the Notes Redemption Available Amount to redeem (or partially redeem) the Notes at their Principal Amount Outstanding, subject to Condition 9(b) hereof (and in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

- (i) *first*, the Senior Class A Notes, until fully redeemed, and, thereafter
- (ii) *second*, the Mezzanine Class B Notes, until fully redeemed.

The principal amount so redeemable in respect of each Note, other than the Subordinated Class C Notes (each a **Principal Redemption Amount**), on the relevant Quarterly Payment Date shall be the Notes Redemption Available Amount available on the relevant Quarterly Payment Date divided by the number of Notes of the relevant Class subject to such redemption (rounded down to the nearest Euro) and in respect of the Subordinated Class C Notes, the Class C Redemption Amount as defined in Condition 6(f) below.

The Principal Redemption Amount may never exceed the Principal Amount Outstanding of the relevant Note. Following application of the Principal Redemption Amount to redeem a Note, the Principal Amount Outstanding of such Note shall be reduced accordingly.

### (c) *Definitions*

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

The **Principal Amount Outstanding** on any Quarterly Payment Date (i) of any Note, other than the Subordinated Class C Notes, will be the principal amount of that Note upon issue less the aggregate amount of all Principal Redemption Amounts in respect of that Note that have become due and payable prior to such Quarterly Payment Date and (ii) of any Subordinated Class C Note will be the principal amount of such Notes upon issue less the aggregate amount of all Class C Redemption Amounts in respect of that Note that have become due and payable prior to such Quarterly Payment Date, provided that for the purpose of Conditions 4, 6 and 10 all relevant Principal Redemption Amounts that have become due and not been paid shall not be so deducted.

**Notes Redemption Available Amount** shall mean, on any Quarterly Payment Date, the aggregate amount received by the Issuer during the immediately preceding Quarterly Calculation Period (or to be received, in the case of payments scheduled to be made by the Swap Counterparty to the Issuer on the immediately succeeding Quarterly Payment Date) (items (i) up to and including (ix):

- (i) Net Proceeds, to the extent such proceeds relate to principal less, with respect to each Savings Mortgage Receivable an amount equal to the amount received with respect to such Mortgage Receivables multiplied by the relevant Savings Participation Fraction;
- (ii) amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal less, with respect to each Savings Mortgage Receivable an amount equal to the amount received with respect to such Mortgage Receivable multiplied by the relevant Savings Participation Fraction;
- (iii) amounts received in connection with a sale of Mortgage Receivables to the extent such amounts relate to principal less, with respect to each Savings Mortgage Receivable an amount equal to the amount received with respect to such Mortgage Receivable multiplied by the relevant Savings Participation Fraction;
- (iv) amounts received as repayment and prepayment in full of principal under the Mortgage Receivables, from any person (including any Insurance Company), whether by set-off or otherwise, but, for the avoidance of doubt, excluding Prepayment Penalties, if any, less, with respect to each Savings Mortgage Receivable, an amount equal to the amount received with respect to such Mortgage Receivable multiplied by the Savings Participation Fraction;
- (v) amounts received as Savings Participation Increase pursuant to the Savings Mortgage Sub-Participation Agreement;
- (vi) the Replenishment Reserved Amount on the immediately preceding Quarterly Payment Date;
- (vii) amounts of interest received to be credited to the Principal Deficiency Ledger on the immediately succeeding Quarterly Payment Date; and
- (viii) any part of the Notes Redemption Available Amount calculated on the immediately preceding Quarterly Calculation Date which has not been applied towards redemption of the Notes on the preceding Quarterly Payment Date,

less, on each Quarterly Calculation Date until the Quarterly Payment Date in August 2014:

- (ix) (1) the Applied Replenishment Amount and (2) such amount which the Issuer decides to keep on the Collection Account with a view to purchase New Mortgages on the two immediately succeeding Quarterly Payment Dates (the **Replenishment Reserved Amount**).

**Mortgage Calculation Period** means the period commencing on (and including) the first day of each calendar month and ending on (and including) the last day of such calendar month except for the first Mortgage Calculation Period which shall commence on (and include) 13 July 2011 and will end on (and include) 31 July 2011.

**Net Proceeds** means (a) the proceeds of a foreclosure on the mortgage right, (b) the proceeds of foreclosure on any other collateral securing the Mortgage Receivable, (c) the proceeds, if any, of collection of any insurance policies in connection with the Mortgage Receivable, including but not limited to fire insurance and the Insurance Policies, (d) the proceeds of any guarantees or sureties

and (e) the proceeds of foreclosure on any other assets of the relevant debtor, after deduction of foreclosure costs in respect of such Mortgage Receivable.

**Quarterly Calculation Date** means, in relation to a Quarterly Payment Date the third business day prior to such Quarterly Payment Date.

**Quarterly Calculation Period** means, in relation to a Quarterly Calculation Date, the three successive Mortgage Calculation Periods immediately preceding such Quarterly Calculation Date except for the first Quarterly Calculation Period which shall commence on (and include) 13 July 2011 and end on (and include) 31 July 2011.

**Replenishment Available Amount** means the amounts under items (i) through (viii) of the Notes Redemption Available Amount which the Issuer may apply towards purchase of New Mortgage Receivables.

**Savings Participation Fraction** means, in respect of a Savings Mortgage Receivable an amount equal to the relevant Savings Participation on the first day of the Mortgage Calculation Period divided by the Outstanding Principal Amount of such Savings Mortgage Receivable on the first day of such Mortgage Calculation Period.

(d) *Determination of Principal Redemption Amount, Class C Redemption Amount and Principal Amount Outstanding*

- (i) On each Quarterly Calculation Date, the Issuer shall determine (or cause the Issuer Administrator to determine) (a) the Principal Redemption Amount and the Class C Redemption Amount (b) the Principal Amount Outstanding of the relevant Notes on the first day following the Quarterly Payment Date. Each determination by or on behalf of the Issuer of any Principal Redemption Amount or the Principal Amount Outstanding of a Note shall in each case (in the absence of manifest error) be final and binding on all persons.
- (ii) The Issuer will cause each determination of a Principal Redemption Amount, the Class C Redemption Amount and Principal Amount Outstanding of Notes to be notified forthwith to the Security Trustee, the Paying Agent, the Reference Agent, Euroclear, Clearstream, Luxembourg, to each stock exchange and competent listing authority (if any) on which the Notes are then listed and will cause notice thereof to be given to the holders of such Class of Notes in accordance with Condition 13. If no Principal Redemption Amount is due to be made on the Notes on any applicable Quarterly Payment Date a notice to this effect will be given to the Noteholders in accordance with Condition 13.
- (iii) If the Issuer does not at any time for any reason determine (or cause the Issuer Administrator to determine) the Principal Redemption Amount, the Class C Redemption Amount or the Principal Amount Outstanding of a Note, such Principal Redemption Amount or such Principal Amount Outstanding shall be determined by the Security Trustee in accordance with this paragraph (d) and paragraph (c) above (but based upon the information in its possession as to the Notes Interest Available Amount each such determination or calculation shall be deemed to have been made by the Issuer).

(e) *Optional Redemption*

The Issuer may, at its option, on giving not more than sixty (60) nor less than thirty (30) days' written notice to the Security Trustee and the Noteholders in accordance with Condition 13, on each Quarterly Payment Date from (and including) 23 August 2014 up to the Final Maturity Date (each an **Optional Redemption Date**) redeem all (but not some only) of the Senior Class A Notes and Mezzanine Class B Notes, at their Principal Amount Outstanding plus accrued but unpaid interest

thereon, after payment of the amounts to be paid in priority to the Senior Class A Notes and Mezzanine Class B Notes in accordance with the Priority of Payments.

*(f) Redemption of Subordinated Class C Notes*

Prior to the redemption in full of the Senior Class A Notes and the Mezzanine Class B Notes, the Subordinated Class C Notes will not be redeemed (subject to Condition 10). Provided that no Enforcement Notice has been served in accordance with Condition 10 and provided that on a Quarterly Payment Date all Notes other than the Subordinated Class C Notes have been fully redeemed, the Issuer will on such Quarterly Payment Date apply an amount equal to (I) the balance of the Reserve Amount after items (a) up to including (i) of the Interest Priority of Payments have been met and (II) any other part of the Notes Interest Available Amount remaining after items (a) up to and including (I) have been met, to redeem (or partially redeem on a pro rata basis) the Subordinated Class C Notes until fully redeemed. The amount so available for redemption of each Subordinated Class C Note will be such amount divided by the number of Subordinated Class C Notes (rounded down to the nearest Euro) (the **Class C Redemption Amount**).

*(g) Redemption for tax reasons*

In the event of certain tax changes affecting the Notes, including (a) in the event that the Issuer or the Paying Agent is or will be obliged to make any withholding or deduction from payments in respect of the Notes (although the Issuer will not have any obligation to pay additional amounts in respect of any such withholding or deduction), and (b) the Issuer has become or will become subject to any limitation of the deductibility of interest on any of the Notes, as a result of (i) a change in any laws, rules or regulations, or in the interpretation or administration thereof, or (ii) any act taken by any taxing authority on or after the issue date of the Notes or similar event, the Issuer may (but is not obliged to) redeem all of the Notes, in whole but not in part, at their Principal Amount Outstanding together with accrued interest thereon up to but excluding the date of redemption. No Class of Notes may be redeemed under such circumstances unless the other Classes of Notes (or such of them as are then outstanding) are also redeemed in full at the same time.

## **7. Taxation**

All payments of, or in respect of, principal of and interest on the Notes will be made without withholding of, or deduction for, or on account of any present or future taxes, duties, assessments or charges of whatsoever nature imposed or levied by or on behalf of the Netherlands, any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or charges is required by law. In that event, the Issuer will make the required withholding or deduction of such taxes, duties, assessments or charges and will have no obligation to pay any additional amounts to such Noteholders. In particular, but without limitation, no additional amounts shall be payable in respect of any Note or Coupon presented for payment where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings that was adopted on 3 June 2003 or any law implementing or complying with, or introduced in order to conform to, such Directive.

## **8. Prescription**

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

## 9. Subordination

### (a) Interest

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

In the event that on any Quarterly Calculation Date the Issuer has insufficient funds available to it to satisfy its obligations in respect of amounts of interest due on the Mezzanine Class B Notes and the Subordinated Class C Notes on the next Quarterly Payment Date, the amount available (if any) shall be applied *pro rata* to the amount of the interest due on such Quarterly Payment Date to the holders of such Class of Notes (after payment of amounts ranking higher in priority). In the event of a shortfall, the Issuer shall credit the relevant Interest Deficiency Ledger, with an amount equal to the amount by which the aggregate amount of interest paid on such Class of Notes on any Quarterly Payment Date (in accordance with this Condition) falls short of the aggregate amount of interest payable on that Class of Notes on that date pursuant to Condition 4. Such shortfall shall not be treated as due on that date for the purposes of Conditions 4 and 10, but shall accrue interest as long as it remains outstanding at the rate of interest applicable to the relevant Class of Notes for such period, and a *pro rata* share of such shortfall and accrued interest thereon will be aggregated with the amount of, and treated for the purpose of these Conditions as if it were interest due, subject to this Condition, on each Note of the relevant Class on the next succeeding Quarterly Payment Date.

### (b) Principal

If, on any Quarterly Payment Date, there is a balance on the Principal Deficiency Ledger of a Class of Notes other than the Subordinated Class C Notes, then notwithstanding any other provisions of these Conditions, with the exception of Condition 6(e) and Condition 6(i), the principal amount payable on redemption of each such Note on such Quarterly Payment Date shall not exceed its Principal Amount Outstanding less the relevant Principal Shortfall on such Quarterly Payment Date. The Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding on such Notes after the earlier of (i) the Final Maturity Date or (ii) the relevant Redemption Date on which a Note is fully redeemed or (iii) the date on which the Issuer no longer holds any Mortgage Receivables and there are no balances standing to the credit of the Transaction Accounts.

**Principal Shortfall** shall mean an amount equal to the quotient of the balance on the relevant sub-ledger of the Principal Deficiency Ledger divided by the number of Notes (other than the Subordinated Class C Notes) on such Quarterly Payment Date.

### (c) General

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

## 10. Events of Default

The Security Trustee at its discretion may, and if so directed by an Extraordinary Resolution of the Senior Class A Noteholders, or if no Senior Class A Notes are outstanding, by an Extraordinary Resolution of the Mezzanine Class B Noteholders, or if no Senior Class A Notes and Mezzanine Class B Notes are outstanding, by an Extraordinary Resolution of the Subordinated Class C Noteholders (subject, in each case, to being indemnified to its satisfaction) (in each case, the **Relevant Class**) shall (but in the case of the occurrence of any of the events mentioned in (ii) below,

only if the Security Trustee shall have certified in writing to the Issuer that such an event is, in its opinion, materially prejudicial to the Noteholders of the Relevant Class) give notice (an **Enforcement Notice**) to the Issuer that the Notes are immediately due and payable at their or its Principal Amount Outstanding, together with accrued interest, if any of the following shall occur:

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

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

## **11. Enforcement**

### *(a) Enforcement*

At any time after the Notes of any Class become due and payable as a result of an Enforcement Notice, the Security Trustee may, at its discretion and without further notice, take such steps and/or institute such proceedings as it may think fit to enforce the terms of the Trust Deed, the Pledge Agreements, the Deed of Charge and the Notes, but it need not take any such proceedings unless (i) it shall have been directed by an Extraordinary Resolution of the Senior Class A Noteholders or, if all amounts due in respect of the Senior Class A Notes have been repaid in full, the Mezzanine Class B Noteholders or, if all amounts due in respect of the Senior Class A Notes and the Mezzanine Class B Notes have been fully paid, the Subordinated Class C Noteholders and (ii) it shall have been indemnified to its satisfaction.

### *(b) No direct action against Issuer by Noteholders*

No Noteholder may proceed directly against the Issuer unless the Security Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

(c) *No petition, limited recourse*

The Noteholders and the Security Trustee may not institute against, or join any person in instituting against, the Issuer any bankruptcy, winding-up, reorganisation, arrangement, insolvency or liquidation proceeding until the expiry of a period of at least one (1) year after the latest maturing Note is paid in full. The Noteholders accept and agree that the only remedy of the Security Trustee against the Issuer after any of the Notes have become due and payable pursuant to Condition 10 is to enforce the Security.

**12. Indemnification of the Security Trustee**

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

**13. Notices**

With the exception of the publications of the Reference Agent in Condition 4, all notices to the Noteholders will only be valid if published in at least one daily newspaper of wide circulation in the Netherlands, or, if all such newspapers shall cease to be published or timely publication therein shall not be practicable, in such newspaper as the Security Trustee shall approve having a general circulation in Europe and, as long as the Senior Class A Notes and Mezzanine Class B Notes are admitted to listing, trading and/or quotation on the Irish Stock Exchange by a notification in writing to the Irish Stock Exchange who will in turn release such notice via the Regulatory News Service and, if applicable, by notification to any other competent authority, stock exchange and/or quotation system as may be required by the rules and regulations of such competent authority, stock exchange and/or quotation system. Any such notice shall be deemed to have been given on the first date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made. If publication is not practicable as is mentioned above, notice will be valid if given in such other manner, and shall be deemed to have been given on such date, as the Security Trustee shall determine.

**14. Meetings of Noteholders; Modification; Consents; Waiver**

The Trust Deed contains provisions for convening meetings of the Noteholders of any Class or one or more Classes jointly to consider matters affecting the interests, including the sanctioning by Extraordinary Resolution, of such Noteholders of the relevant Class of a change of any of these Conditions or any provisions of the Relevant Documents. Instead of at a general meeting, a resolution of the Noteholders of the relevant Class may be passed in writing – including by telegram, facsimile or telex transmission, or in the form of a message transmitted by any accepted means of communication and received or capable of being produced in writing – provided that all Noteholders with the right to vote have voted in favour of the proposal. When a resolution of the Noteholders of any Class has been passed such resolution shall be notified to Moody's by the Security Trustee.

(a) Meeting of Noteholders

A meeting as referred to above may be convened by the Issuer or by Noteholders of any Class holding not less than ten (10)% in Principal Amount Outstanding of the Notes of such Class.

(b) Basic Terms Change

No change of certain terms by the Noteholders of any Class, including (i) the date of maturity of the Notes of the relevant Class, (ii) a change which would have the effect of

postponing any day for payment of interest in respect of such Notes, (iii) reducing or cancelling the amount of principal payable in respect of such Notes, (iv) altering the majority required to pass an Extraordinary Resolution, or (v) altering the rate of interest payable in respect of the Notes any alteration of the date or priority of redemption of such Notes (any such change in respect of any such Class of Notes being referred to below as a Basic Terms Change) shall be effective unless such Basic Terms Change is sanctioned by an Extraordinary Resolution of the Noteholders of the relevant Class of Notes as described below except that, if the Security Trustee is of the opinion that such Basic Terms Change (a) is being proposed by the Issuer as a result of, or in order to avoid, an Event of Default and (b) the Security Trustee has notified the Rating Agencies then no such Extraordinary Resolution is required.

(c) Extraordinary Resolution

*Quorum and majority*

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

Any Extraordinary Resolution duly passed shall be binding on all Noteholders of the relevant Class (whether or not they were present at the meeting at which such resolution was passed).

*Limitations*

No Extraordinary Resolution to sanction a Basic Terms Change in respect of a change which would have the effect of altering the rate of interest payable in respect of a Class of Notes shall take effect unless (i) the Issuer has agreed thereto, (ii) the Interest Swap Counterparty has agreed thereto, and (iii) it shall have been sanctioned by an Extraordinary Resolution of the holders of all Notes ranking senior to such Class of Notes.

No Extraordinary Resolution to sanction a change which would have the effect of accelerating or extending the maturity of the Senior Class A Notes or any date for payment of interest thereon, increasing the amount of principal of the Senior Class A Notes shall take effect unless it shall have been sanctioned by Extraordinary Resolutions of the holders of all Notes ranking junior to the Senior Class A Notes.

An Extraordinary Resolution of the Mezzanine Class B Noteholders and/or the Subordinated Class C Noteholders shall only be effective when (i) the Security Trustee is of the opinion that it will not be materially prejudicial to the interests of the holders of all Notes ranking senior such Class of Notes. or (ii) it is sanctioned by an Extraordinary Resolution of the

holders of all Notes ranking senior to such Class of Notes. The Trust Deed imposes no such limitations on the powers of the holders of any Class of Notes, the exercise of which will be binding on the Noteholders of any other Classes of Notes, irrespective of the effect on their interests.

(d) Modifications by the Security Trustee

The Security Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of the provisions of the Relevant Documents which is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except if prohibited in the Relevant Documents), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Relevant Documents, and any consent, to the transfer of the rights and obligations under a Relevant Document by the relevant counterparty to a successor, which is in the opinion of the Security Trustee not materially prejudicial to the interests of the Noteholders, provided that the Security Trustee has notified the Rating Agencies. Any such modification, authorisation, waiver or consent shall be binding on the Noteholders and, if the Security Trustee so requires, such modification, authorisation, waiver or consent shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

The Noteholders of each Class of Notes agree and hereby acknowledge that the Security Trustee is entitled to assume, for the purposes of exercising any power, authority, duty or discretion under or in relation to these Conditions or any of the Relevant Documents, that such exercise will not be materially prejudicial to the interests of the Noteholders of such Class if a confirmation of Fitch (each a **Fitch Confirmation**) has been obtained that the then current rating of the applicable Class or Classes of Notes would not be adversely affected by such exercise. By obtaining a Fitch Confirmation each of the Security Trustee and the Noteholders will be deemed to have agreed and/or acknowledged that (i) a credit rating is an assessment of credit only and does not address other matters that may be of relevance to the Noteholders (ii) NEITHER the Security Trustee NOR the Noteholders have any right of recourse to or against Fitch in respect of the relevant Fitch Confirmation which is relied upon by the Security Trustee and that (iii) reliance by the Security Trustee on a Fitch Confirmation does not create, impose on or extend to Fitch any actual or contingent liability to any person (including, without limitation, the Security Trustee and/or the Noteholders) or create any legal relations between Fitch and the Security Trustee, the Noteholders or any other person whether by way of contract or otherwise.

(e) Exercise of Security Trustee's functions

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Security Trustee shall have regard to the interests of the Senior Class A Noteholders and the Mezzanine Class B Noteholders and the Subordinated Class C Noteholders, each as a Class, and shall not have regard to the consequences of such exercise for individual Noteholders and the Security Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

## 15. Replacements of Notes and Coupons

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the office of the Paying Agent upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered, in the case of Notes together with all

unmatured Coupons appertaining thereto, in the case of Coupons together with the Note and all unmatured Coupons to which they appertain (*mantel en blad*), before replacements shall be issued.

**16. Governing Law**

The Notes and Coupons and any non-contractual obligations arising out of or in connection with the Notes and Coupons are governed by, and shall be construed in accordance with, the laws of the Netherlands. In relation to any legal action or proceedings arising out of or in connection with the Notes and Coupons the Issuer and the Security Trustee irrevocably submit to the exclusive jurisdiction of the District Court in Amsterdam, the Netherlands.

## THE GLOBAL NOTES

Each Class of Notes will be initially represented by (i) in the case of the Senior Class A Notes a Temporary Global Note in bearer form, without coupons, in the principal amount of Euro 1,050,000,000 and (ii) in the case of the Mezzanine Class B Notes a Temporary Global Note in bearer form, without coupons, in the principal amount of Euro 150,000,000 and (iii) in case of the Subordinated Class C Notes a Temporary Global Note in bearer form, without coupons, in the principal amount of Euro 34,000,000. The Global Notes will be issued in NGN form. Each Temporary Global Note will be deposited with a common safekeeper for Euroclear Bank S.A./N.V., as operator of the Euroclear System (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) on or about 13 July 2011. Upon deposit of each such Temporary Global Note, Euroclear and Clearstream, Luxembourg will credit each purchaser of Notes represented by such Temporary Global Note with the principal amount of the relevant Class of Notes equal to the principal amount thereof which it has purchased and paid for. Interests in each Temporary Global Note will be exchangeable (provided certification of non-U.S. beneficial ownership by the Noteholders has been received) not earlier than 40 days after the issue date of the Notes (the **Exchange Date**) for interests in a Permanent Global Note, in bearer form, without coupons, in the principal amount of the Notes of the relevant Class (the expression **Global Notes** meaning the Temporary Global Notes of each Class of Notes and the Permanent Global Notes of each Class of Notes and the expression **Global Note** means any of them, as the context may require). On the exchange of a Temporary Global Note for a Permanent Global Note of the relevant Class of Notes, the Permanent Global Note will remain deposited with the common safekeeper.

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

The Global Notes will be transferable by delivery. Each Permanent Global Note will be exchangeable for Notes in definitive form only in the circumstances described below. Such Notes in definitive form shall be issued in definitive bearer form in the denominations set out in the Conditions. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note will be entitled to receive any payment made in respect of that Note in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg, as applicable. Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes, which must be made by the holder of a Global Note, for so long as such Global Note is outstanding. No person is entitled to receive any payment under a Temporary Global Note unless the exchange of a Temporary Global Note for a Permanent Global Note has been improperly withheld or refused. Each person must give a certificate as to non-U.S. beneficial ownership as of the date on which the Issuer is obliged to exchange a Temporary Global Note for a Permanent Global Note, which date shall be no earlier than the Exchange Date, in order to obtain any payment due on the Notes.

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

Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made by the Issuer to the bearer thereof and, if no further payment falls to be made in respect of the Notes, surrender of such Global Note to the Paying Agent. Upon any payment in respect of a Global Note, the Issuer shall procure that the amount so paid shall be entered pro rata in the records of Euroclear or Clearstream, Luxembourg. Any failure to make such entries shall not affect the discharge of liability of the Issuer for the moneys paid to the bearer of such Global Note. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

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

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

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

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

in each case within 30 days of the occurrence of the relevant event, subject in each case to certification as to non-U.S. beneficial ownership and against the surrender of the relevant Permanent Global Note to or to the order of the Paying Agent.

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

The following legend will appear on all Global Notes, Notes in definitive form, receipts and interest coupons (including talons) which are subject to TEFRA D selling restrictions:

'ANY UNITED STATES PERSON (AS DEFINED IN THE UNITED STATES INTERNAL REVENUE CODE OF 1986 (THE 'CODE') 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 CODE.'

## TAXATION IN THE NETHERLANDS

### General

The following summary outlines the principal Netherlands tax consequences of the acquisition, holding, settlement, redemption and disposal of the Notes, but does not purport to be a comprehensive description of all Netherlands tax considerations in relation thereto. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of an investment in the Notes.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Prospectus, and does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address the Netherlands tax consequences for:

- (i) holders of Notes holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Issuer and holders of Notes of whom a certain related person holds a substantial interest in the Issuer. Generally speaking, a substantial interest in the Issuer arises if a person, alone or, where such person is an individual, together with his or her partner (statutory defined term), directly or indirectly, holds (i) an interest of 5% or more of the total issued capital of the Issuer or of 5% or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer;
- (ii) investment institutions (*fiscale beleggingsinstellingen*); and
- (iii) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are exempt from Netherlands corporate income tax.

Where this summary refers to a holder of Notes, such reference is restricted to a holder holding legal title to as well as an economic interest in such Notes.

Where this summary refers to the Netherlands, such reference is restricted to the part of the Kingdom of the Netherlands that is situated in Europe and the legislation applicable in that part of the Kingdom of the Netherlands.

### Withholding tax

All payments made by the Issuer under the Notes may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political sub-division or taxing authority thereof or therein.

### Corporate and individual income tax

- (a) Residents of the Netherlands

If a holder is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of an enterprise to which the Notes are attributable, income derived from the Notes and gains realised upon the redemption, settlement or disposal of the Notes are generally taxable in the Netherlands (at up to a maximum rate of 25%).

If an individual holder is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes (including an individual holder who has opted to be taxed as a resident of the Netherlands),

income derived from the Notes and gains realised upon the redemption, settlement or disposal of the Notes are taxable at the progressive rates (at up to a maximum rate of 52%) under the Netherlands income tax act 2001 (*Wet inkomstenbelasting 2001*), if:

- (i) the holder is an entrepreneur (*ondernemer*) and has an enterprise to which the Notes are attributable or the holder has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the Notes are attributable; or
- (ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which include the performance of activities with respect to the Notes that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) above applies to the holder of the Notes, taxable income with regard to the Notes must be determined on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on income from savings and investments has been fixed at a rate of 4% of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year, insofar as the individual's yield basis exceeds a certain threshold. The individual's yield basis is determined as the fair market value of certain qualifying assets held by the holder of the Notes less the fair market value of certain qualifying liabilities on 1 January. The fair market value of the Notes will be included as an asset in the individual's yield basis. The 4% deemed return on income from savings and investments is taxed at a rate of 30%.

(b) Non-residents of the Netherlands

If a holder is not a resident nor is deemed to be a resident of the Netherlands for Netherlands tax purposes (or has not opted to be taxed as a resident of the Netherlands), such holder is not liable to Dutch income tax in respect of income derived from the Notes and gains realised upon the settlement, redemption or disposal of the Notes, unless:

- (i) the holder is not an individual and such holder (1) has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Notes are attributable, or (2) is (other than by way of securities) entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, which is effectively managed in the Netherlands and to which enterprise the Notes are attributable.

This income is subject to Netherlands corporate income tax at up to a maximum rate of 25%.

- (ii) the holder is an individual and such holder (1) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Notes are attributable, or (2) realises income or gains with respect to the Notes that qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*) in the Netherlands, which activities include the performance of activities in the Netherlands with respect to the Notes which exceed regular, active portfolio management (*normaal, actief vermogensbeheer*), or (3) is (other than by way of securities) entitled to a share in the profits of an enterprise which is effectively managed in the Netherlands and to which enterprise the Notes are attributable.

Income derived from the Notes as specified under (1) and (2) is subject to individual income tax at up to a maximum rate of 52%. Income derived from a share in the profits as specified under (3) that is not already included under (1) or (2) will be taxed on the basis of a deemed return on income from savings and investments (as described above under "Residents of the Netherlands"). The fair market

value of the share in the profits of the enterprise (which includes the Notes) will be part of the individual's Netherlands yield basis.

### **Gift and Inheritance Tax**

(a) Residents of the Netherlands

Generally, gift and inheritance tax will be due in the Netherlands in respect of the acquisition of the Notes by way of a gift by or on behalf of, or on the death of, a holder that is a resident or deemed to be a resident of the Netherlands for the purposes of Netherlands gift and inheritance tax at the time of the gift or his or her death. A gift made under a condition precedent is deemed to be made at the time the condition precedent is fulfilled and is subject to Netherlands gift and inheritance tax if the donor is a (deemed) resident of the Netherlands at that time.

A holder of Dutch nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift and inheritance tax if he or she has been resident in the Netherlands and dies or makes a donation within ten years after leaving the Netherlands. A holder of any other nationality is deemed to be a resident of the Netherlands for the purposes of Netherlands gift tax if he or she has been resident in the Netherlands and makes a donation within a 12 month period after leaving the Netherlands. The same 12-month rule may apply to entities that have transferred their seat of residence outside the Netherlands.

(b) Non-residents of the Netherlands

No gift or inheritance taxes will arise in the Netherlands in respect of the acquisition of the Notes by way of a gift by, or as a result of, the death of a holder that is neither a resident nor deemed to be a resident of the Netherlands for the purposes of Netherlands gift and inheritance tax, unless in the case of a gift of the Notes by, or on behalf of, a holder who at the date of the gift was neither a resident nor deemed to be a resident of the Netherlands, such holder dies within 180 days after the date of the gift, and at the time of his or her death is a resident or deemed to be a resident of the Netherlands. A gift made under a condition precedent is deemed to be made at the time the condition precedent is fulfilled.

### **Value Added Tax**

In general, no value added tax will arise in respect of payments in consideration for the issue of the Notes or in respect of a cash payment made under the Notes, or in respect of a transfer of Notes.

### **Other Taxes and Duties**

No registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Notes.

### **EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories, including Switzerland, have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

## PURCHASE AND SALE

The Manager has, pursuant to the Notes Purchase Agreement, agreed with the Issuer, subject to certain conditions, to purchase the Notes at their respective issue price. The Issuer has agreed to indemnify and reimburse the Manager against certain liabilities and expenses in connection with the issue of the relevant Class of Notes.

### Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), the Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus 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 Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 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 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 Notes referred to in (a) to (c) above shall require the Issuer or the Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

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

### United Kingdom

The Manager has agreed that (i) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom and (ii) it has only communicated or caused to be communicated and it 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) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer.

### United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act) except to certain persons in offshore transactions in reliance on Regulation S under the

Securities Act. The Manager has agreed that it will not offer, sell or deliver the Notes, (i) as part of its distribution at any time, or (ii) otherwise until 40 days after the later of the commencement of the offering of the Notes and the Closing Date, within the United States or to, or for the account or benefit of, US persons, and it will have sent to each dealer to which it sells Notes during such distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, US persons. In addition, until the expiration of 40 days after the commencement of the offering, an offer or sale of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes, including Notes in bearer form, are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a US person, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings given to them by the US Internal Revenue Code of 1986 and regulations thereunder.

### **Notice to investors**

The Notes have not been and will not be registered under the Securities Act or any other applicable securities laws, and may not be offered or sold in the United States except pursuant to an effective registration statement or in accordance with an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and such other laws. Accordingly, the Notes (and any interests therein) are being offered and sold only outside the United States to non-US persons in compliance with Regulation S under the Securities Act.

The Notes will bear a legend to the following effect:

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

Because of the foregoing restrictions, purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.

### **General**

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

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

## GENERAL INFORMATION

- (1) The issue of the Notes has been authorised by a resolution of the managing director of the Issuer passed on 7 July 2011.
- (2) Application has been made by the Issuer to list the Senior Class A Notes and Mezzanine Class B Notes on the Irish Stock Exchange on or around 13 July 2011, subject only to the issue of the Global Notes. It is estimated that the total expenses related to the admission to trading will be approximately Euro 5,000.
- (3) The Senior Class A Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and will bear common code 062506768 and ISIN XS0625067680.
- (4) The Mezzanine Class B Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and will bear common code 062507152 and ISIN XS0625071526.
- (5) The Subordinated Class C Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and will bear common code 062507438 and ISIN XS0625074389.
- (6) The addresses of the clearing systems are: Euroclear Bank S.A./N.V., 1 Boulevard de Roi Albert II, 1210 Brussels, Belgium and Clearstream Banking, société anonyme, 42 Avenue J.F. Kennedy, L-1855 Luxembourg, Luxembourg.
- (7) There has been no material adverse change in the financial position or prospects of the Issuer since its incorporation.
- (8) Since its incorporation, the Issuer has not been involved in any governmental, legal or arbitration proceedings which may have, or have had in the recent past, a significant effect on the Issuer's financial position or profitability nor, so far as the Issuer is aware, are any such proceedings pending or threatened against the Issuer.
- (9) The Issuer Administrator shall, on behalf of the Issuer provide post-issuance information to Noteholders in respect of the Mortgage Receivables and the Notes as further set out under the section *Issuer Services Agreement – Investor reports* above.
- (10) Throughout the life of the Notes copies of the following documents (available by physical or electronic means) may be inspected at the specified offices of the Security Trustee during normal business hours:
  - (i) the Deed of Incorporation of the Issuer;
  - (ii) the Mortgage Receivables Purchase Agreement;
  - (iii) the Notes Purchase Agreements;
  - (iv) the Paying Agency Agreement;
  - (v) the Trust Deed;
  - (vi) the Parallel Debt Agreement;
  - (vii) the Pledge Agreement I;
  - (viii) the Pledge Agreement II;

- (ix) the Deed of Charge;
  - (x) the Issuer Services Agreement;
  - (xi) the Savings Mortgage Sub-Participation Agreement;
  - (xii) the GIC;
  - (xiii) the Swap Agreement;
  - (xiv) the Beneficiary Waiver Agreement;
  - (xv) the Retransfer of Parts Agreement;
  - (xvi) the Master Definitions Agreement; and
  - (xvii) the articles of association of the Issuer.
- (11) The audited financial statements of the Issuer prepared annually will be made available, free of charge, at its offices.
- (12) US Tax:
- The Notes will bear a legend to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Section 165(j) and 1287(a) of the Internal Revenue Code." The sections referred to in such legend provide that a United States person who holds a Note will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.
- (13) Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Senior Class A Notes and Mezzanine Class B Notes and is not itself seeking admission of the Senior Class A Notes and Mezzanine Class B Notes to the Official List of the Irish Stock Exchange or to trading on its regulated market for the purposes of the Prospectus Directive.
- (14) Any websites named in the Prospectus, and the contents of such websites, do not form part of the Prospectus.

## ANNEX A (DEFINITIONS)

THE FOLLOWING EXPRESSIONS, AS USED IN THE PROSPECTUS, HAVE THE FOLLOWING MEANINGS:

**Allianz** means Allianz Nederland Levensverzekering N.V., a public company with limited liability (*naamloze vennootschap*), organised under the laws of the Netherlands and established in Utrecht, the Netherlands;

**Annuity Mortgage Loan** means any Mortgage Loan under which the Borrower pays a fixed monthly payment, consisting of an initially high and subsequently decreasing interest portion and an initially low and subsequently increasing principal portion;

**Applied Replenishment Amount** means (i) on the first Quarterly Payment Date, the sum of an amount applied to the purchase of New Mortgage Receivables since the Closing Date and (ii) on each Quarterly Payment Date after the first Quarterly Payment Date, the sum of an amount applied to the purchase of New Mortgage Receivables since the previous Quarterly Payment Date;

**Arrears** means an unpaid and overdue debt, whereby '**in Arrears**' means being behind with paying money that is owed;

**Assignment Notification Event** means any of the events set out in Clause 11 of the Mortgage Receivables Purchase Agreement;

**Average Fixed Rate Mortgage Loan Balance** means, in respect of a Mortgage Calculation Period, the average daily aggregate Outstanding Principal Amount of Fixed Rate Mortgage Loans, less with respect to each Savings Mortgage Receivable an amount equal to the Savings Participation, of Fixed Rate Mortgage Loans, for such Mortgage Calculation Period;

**Average Floating Rate Mortgage Loan Balance** means, in respect of a Mortgage Calculation Period, the average daily aggregate Outstanding Principal Amount of Floating Rate Mortgage Loans, less with respect to each Savings Mortgage Receivable an amount equal to the Savings Participation, of Floating Rate Mortgage Loans, for such Mortgage Calculation Period;

**Average Mortgage Loan Balance** means, in respect of a Mortgage Calculation Period, the sum of the Average Fixed Rate Mortgage Loan Balance and the Average Floating Rate Mortgage Loan Balance;

**Bank Mortgage** means any mortgage right which not only secures the loan granted to the Borrower to purchase the mortgaged property, but also any other liabilities and monies that the Borrower, now or in the future, may owe the Seller;

**Bank of Scotland** means Bank of Scotland plc, incorporated in Scotland under the Companies Act 1985 (Company Number SC327000) and having its head office at The Mound, Edinburgh, EH1 1YZ, United Kingdom;

**Bank of Scotland, Amsterdam Branch** means Bank of Scotland plc acting through its Amsterdam Branch, having its address at De Entrée 254, 1101 EE Amsterdam, the Netherlands and registered with the Amsterdam Chamber of Commerce (*Kamer van Koophandel*) under number 34122516;

**Bank of Scotland Budget Mortgage Loans** has the meaning given to it under the heading "*Description of the Mortgage Loans*" above;

**Bank of Scotland Economy Mortgage Loans** has the meaning given to it under the heading "*Description of the Mortgage Loans*" above;

**Bank of Scotland London** means Bank of Scotland plc acting through its Treasury Division, having its address at 33 Old Broad Street, London EC2N 1HZ, United Kingdom;

**Bank of Scotland Standard Mortgage Loans** has the meaning given to it under the heading "*Description of the Mortgage Loans*" above;

**Beneficiary Rights** means the Risk Beneficiary Rights, the Savings Beneficiary Rights and the Life Beneficiary Rights;

**Beneficiary Waiver Agreement** means the beneficiary waiver agreement to be entered into by the Seller, the Savings Insurance Companies, the Security Trustee and the Issuer on the Closing Date;

**BKR** means the National Credit Register (*Bureau Krediet Registratie*);

**Borrower Insurance Pledge** means a right of pledge (*pandrecht*) in favour of the Seller on the rights of the relevant Borrower against the relevant Insurance Company under the relevant Insurance Policy securing the Savings Mortgage Receivable or the Life Mortgage Receivable, as the case may be, as created under the Mortgage Conditions in the form attached to the Mortgage Receivables Purchase Agreement;

**Borrower Insurance Proceeds Instruction** means the irrevocable instruction by the beneficiary under an Insurance Policy to the relevant Insurance Company to apply the insurance proceeds towards repayment up to the amount the relevant Borrower now or in the future may owe to the Seller (or any of its successors) under the Mortgage Conditions in the form attached to the Mortgage Receivables Purchase Agreement;

**Borrower Pledge** means a right of pledge (*pandrecht*) securing the relevant Mortgage Receivable, including a Borrower Insurance Pledge;

**Borrowers** means the debtors, including any jointly and severally liable co-debtors, of the Mortgage Receivables;

**Business Day** means a day on which banks are open for business in Amsterdam and London, provided that such day is also a day on which the TARGET2 System or any successor thereto is operating credit or transfer instructions in respect of payments in Euro;

**CHF** means Contactorgaan Hypothecair Financiers;

**CHF Code of Conduct** means the most recent code of conduct on mortgage credit (*Gedragcode Hypothecaire Financieringen*) by the CHF;

**Citibank, London Branch** or **Citibank** means Citibank N.A. acting through its London Branch, having its address at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB;

**Class** means either the Senior Class A Notes, the Mezzanine Class B Notes or the Subordinated Class C Notes;

**Class A Margin** means 0.12% per annum;

**Class A Principal Deficiency** means any Realised Losses debited to the Class A Principal Deficiency Ledger, less any amounts credited to the Class A Principal Deficiency Ledger;

**Class A Principal Deficiency Ledger** means a sub-ledger of the Principal Deficiency Ledger;

**Class B Interest Deficiency Ledger** means the ledger to which any interest due but not paid in respect of the Mezzanine Class B Notes will be credited in accordance with Condition 9(a);

**Class B Margin** means 0.01% per annum;

**Class B Principal Deficiency** means any Realised Losses debited to the Class B Principal Deficiency Ledger, less any amounts credited to the Class B Principal Deficiency Ledger;

**Class B Principal Deficiency Ledger** means a sub-ledger of the Principal Deficiency Ledger;

**Class B Principal Deficiency Limit** means the aggregate Principal Amount Outstanding of the Mezzanine Class B Notes;

**Class C Interest Deficiency Ledger** means the ledger to which any interest due but not paid in respect of the Subordinated Class C Notes will be credited in accordance with Condition 9(a);

**Class C Margin** means 0.01% per annum;

**Class C Redemption Amount** has the meaning given to it in Condition 6(f).

**Clearing Systems** means Euroclear and Clearstream, Luxembourg;

**Clearstream, Luxembourg** means Clearstream Banking, société anonyme;

**Closing** and **Closing Date** means 13 July 2011 (or such later date as may be agreed between the Issuer and the Manager);

**Common Safekeeper** means a common safekeeper for Euroclear and Clearstream Luxembourg;

**Common Service Provider** means Citibank N.A.;

**Conditions** means the terms and conditions endorsed on (or incorporated by reference) to any Class of Notes in the form or substantially in the form set out in section Terms and Conditions of the Notes and attached to the Trust Deed as Schedule 5;

**Cordares** means Cordares Levensverzekeringen N.V., a public company with limited liability (*naamloze vennootschap*) organised under the laws of the Netherlands and established in Amsterdam, the Netherlands;

**CRA Regulation** means the EU regulation on credit agencies, Regulation (EC) No. 1060/2009, as amended;

**Cut-Off Date** means 31 May 2011;

**Deed of Assignment** means the deed of assignment entered into between the Seller and the Issuer in respect of the Mortgage Receivables on the Closing Date;

**Defaulted Loan Services** means the arrears management activities in respect of Mortgage Receivables which are in arrears for at least one day;

**Deferred Purchase Price** is part of the purchase price for the Mortgage Receivables and will be equal to the sum of all Deferred Purchase Price Instalments;

**Deferred Purchase Price Instalment** means an amount equal to (i) prior to the Enforcement Date, the positive difference, if any, between the Notes Interest Available Amount as calculated on each Quarterly Calculation Date and the sum of all amounts payable by the Issuer as set forth in the Interest Priority of Payments under (a) up to and including (m) on the immediately succeeding Quarterly Payment Date and (ii) after the Enforcement Date, the amount remaining after payments as set forth in the Priority of Payments after the Enforcement Date under (a) up to and including (i) have been made on such date;

**Director** means Amsterdamsch Trustee's Kantoor B.V. as sole director of the Security Trustee and ATC Management B.V. as sole director of the Issuer and Stichting Holding;

**DTI** means Debt to Income (*verhouding financieringslast – toetsinkomen*); the percentage of disposable gross income that goes toward housing costs, which includes redemption of the mortgage principal and paid interest;

**Eligible Investments** means any such eligible investment as described in the Eligible Investment Guidelines as published by Moody's, as amended or replaced which is a qualified investment as described in the Counterparty Criteria for Structured Finance Transactions as published by Fitch, as amended or replaced, which supports the then current rating of the Senior Class A Notes or if not outstanding the Mezzanine Class B Notes;

**Enforcement Date** means the date of an Enforcement Notice;

**Enforcement Notice** means a notice referred to in Condition 10;

**EUR, Euro or euro** means the currency of the member states of the European Union that adopt a single currency in accordance with the treaty establishing the European Communities, as amended by the Treaty on the European Union;

**Euribor** has the meaning ascribed to it in Condition 4;

**Euroclear** means Euroclear Bank S.A./N.V. or its successors, as operator of the Euroclear System;

**Excess Swap Collateral** means an amount equal to the value of any collateral transferred to the Issuer by the Swap Counterparty under the Swap Agreement that either (i) is in excess of the Swap Counterparty's mark-to-market liability to the Issuer thereunder as at the date of the termination of the transaction forming part of the Swap Agreement or (ii) constitutes a return amount of collateral under the terms of the Swap Agreement which the Swap Counterparty is otherwise entitled to have returned to it under the Swap Agreement;

**Exchange Date** means the date at least 40 days after the issue of the Notes;

**Final Maturity Date** means the Quarterly Payment Date falling in August 2051;

**Fitch** means Fitch Ratings Ltd.;

**Fixed Rate Mortgage Loans** means Mortgage Loans with interest reset periods that are greater than one month;

**Fixed Rate Ratio** means, in respect of a Mortgage Calculation Period, the Average Fixed Rate Mortgage Loan Balance divided by the Average Mortgage Loan Balance;

**Floating Rate of Interest** has the meaning set out in Condition 4(e);

**Floating Rate Interest Period** means the successive quarterly interest periods in which interest on the Notes will be payable, which will commence on (and include) a Quarterly Payment Date and end on (but exclude) the next succeeding Quarterly Payment Date, except for the first Floating Rate Interest Period, which will commence on (and include) the Closing Date and end on (but exclude) the Quarterly Payment Date falling in August 2011;

**Floating Rate Mortgage Loans** means Mortgage Loans in the mortgage pool in respect of which a floating rate of interest is payable;

**Foreclosure Value** means the foreclosure value of the mortgaged property as valued (i) when application for a mortgage loan was made, based on an existing tax assessment (as supported by pictures of the property and an extract of the Land Register (*Dienst van het Kadaster en de Openbare Registers*)) or (ii) by an independent qualified appraiser, provided that such assessment is not older than three months;

**Further Advance** means a loan or a further advance to be made to a Borrower under the Mortgage Loan pursuant to and in accordance with the Mortgage Conditions, which will (also) be secured by the Mortgage;

**Further Advance Receivable** means any and all rights of the Seller (or its assignee) against any Borrower under or in connection with any Further Advance relating to a Mortgage Loan;

**GIC** means the guaranteed investment contract to be entered into by the Issuer, the Security Trustee and the GIC Provider on the Closing Date, as the same may be amended, supplemented, restated or otherwise modified from time to time;

**GIC Provider** means Bank of Scotland London in its capacity as GIC Provider under the GIC;

**Global Notes** means the Temporary Global Notes and the Permanent Global Notes;

**Goudse** means De Goudse Levensverzekeringen N.V., a public company with limited liability (*naamloze vennootschap*) organised under the laws of the Netherlands and established in Gouda, the Netherlands;

**ICSDs** means the international central securities depositaries, being Euroclear and Clearstream Luxembourg;

**Initial Purchase Price** means the aggregate Outstanding Principal Amount of the Mortgage Receivables at 30 June 2011 of Euro 1,205,437,592.67, which shall be payable on the Closing Date or, in respect of the New Mortgage Receivables, the Outstanding Principal Amount thereof on the relevant Mortgage Payment Date;

**Initial Savings Participation** means in respect of each of the Savings Mortgage Receivables the amount of the participation therein being at the Closing Date an amount equal to the Savings Premium received by the relevant Savings Insurance Company in respect of each Savings Mortgage Receivable from the Borrower in a month increased by  $(IR/12) \times S$  for each month on a capitalised basis from the month of the first payment of Savings Premium by the relevant Borrower up to but excluding the Closing Date and accrued interest thereon, being the amount of euro, whereby  $IR$  = the interest rate on such Savings Mortgage Receivable and  $S$  = the Savings Premium;

**Insurance Companies** means the Life Insurance Companies and the Savings Insurance Companies;

**Insurance Policies** means the Life Insurance Policies, the Risk Insurance Policies and the Savings Insurance Policies;

**Interest Deficiency Ledger** means the Class B Interest Deficiency Ledger or the Class C Interest Deficiency Ledger as applicable (in accordance with Condition 9(a));

**Interest-only Mortgage Loans** means any Mortgage Loan in respect of which the Borrower does not pay principal towards redemption of the relevant Mortgage Receivable until maturity of the Mortgage Receivable;

**Interest Priority of Payments** means the priority of payments set out in Clause 5.3 of the Trust Deed;

**Irish Stock Exchange** means the Irish Stock Exchange Limited, registered in Ireland under No 233947 with its registered office on 28 Anglesea Street, Dublin 2, Ireland;

**ISDA Definitions** means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. (**ISDA**);

**ISDA Master Agreement** means the 1992 ISDA Master Agreement (Multicurrency-Cross Border), as published by ISDA, the Confirmation and the Schedule thereto, as amended from time to time, governed by English law;

**iSHS** means internationaal Stater Hypotheken Systeem;

**Issuer** means Candide Financing 2011-1 B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) organised under the laws of the Netherlands and established in Amsterdam;

**Issuer Administrator** means ATC Financial Services B.V., in its capacity as Issuer Administrator of the Issuer under the Issuer Services Agreement or its successor or successors;

**Issuer Administrator Services** means the services as set out in Schedule 2 of the Issuer Services Agreement;

**Issuer Collection Account** means the account of the Issuer maintained with the GIC Provider, to which, *inter alia*, all amounts of interest, Prepayment Penalties (to the extent not withheld by the Seller in accordance with the Mortgage Receivables Purchase Agreement), principal and all other collections received under the Mortgage Loans relating to the Mortgage Receivables will be transferred by the Seller in accordance with the Mortgage Receivables Purchase Agreement or, as the case may be, the MPT Provider in accordance with the Issuer Services Agreement;

**Issuer Services Agreement** means the issuer services agreement to be entered into by the Issuer Administrator, the MPT Provider, Stater, the Issuer and the Security Trustee on the Closing Date;

**Life Beneficiary Rights** means all claims which the Seller or, after assignment to the Issuer, the Issuer has or will have on a Life Insurance Company in respect of any Life Insurance Policy under which the Seller has been appointed by the Borrower/insured as first beneficiary (*begunstigde*) in connection with the Life Mortgage Receivables;

**Life Insurance Company** means any life insurance company established in the Netherlands;

**Life Insurance Policy** means a risk insurance policy taken by any Borrower with any of the Life Insurance Companies, which pays out upon the death of the insured, combined with a capital insurance policy which pays out on an agreed date (which may not necessarily be the date on which the Mortgage Loan is repayable) any amount (which may be less than the Outstanding Principal Amount under the Mortgage Loan);

**Life Mortgage Loans** means Mortgage Loans which have the benefit of Life Insurance Policies;

**Life Mortgage Receivables** means any and all rights of the Seller against any Borrower under or in connection with any Life Mortgage Loans;

**Liquidity Reserve** means the amount deposited on the Reserve Account and credited to the Liquidity Reserve Ledger, which amount is equal to the Liquidity Reserve Target Level on the Closing Date;

**Liquidity Reserve Target Level** means an amount equal to 1.5% of the aggregate Principal Amount Outstanding of the Senior Class A Notes and Mezzanine Class B Notes on the Closing Date;

**Listing Agent** means Arthur Cox Listing Services Limited;

**LTMV-ratio** means the quotient of the aggregate Outstanding Principal Amount of a Mortgage Loan less the Savings Participation divided by the Market Value of the Mortgaged Asset;

**LTFV** means loan to foreclosure value;

**LTV** means loan to value;

**Management Agreements** means the management agreements entered into by, *inter alia*, (i) Stichting Holding and ATC Management B.V., (ii) the Issuer and ATC Management B.V. and (iii) the Security Trustee and Amsterdamsch Trustee's Kantoor B.V., all at the date of the Prospectus;

**Manager** means Lloyds Bank Corporate Markets;

**Margin** means the margins which will be applicable up to the Final Maturity Date and be equal to 0.12% per annum for the Senior Class A Notes, 0.01% per annum for the Mezzanine Class B Notes and 0.01% per annum for the Subordinated Class C Notes;

**Market Value** means the market value of the Mortgaged Assets (i) as valued by an independent qualified appraiser in case of an existing property in accordance with the NHG Underwriting Criteria, provided that such assessment is not older than three months at the time of offer or (ii) purchase/construction amount (*koop-/aanneemsom*) increased with, if applicable, costs related to items such as architects, daily supervision, utility connections and VAT in accordance with the NHG Underwriting Criteria;

**Mezzanine Class B Noteholders** means the several persons who are for the time being holders of any Mezzanine Class B Notes;

**Mezzanine Class B Notes** means the Euro 150,000,000 Mezzanine Mortgage-Backed Class B Notes 2011 due 2051 including the coupons appertaining thereto;

**Moody's** means Moody's Investors Service Ltd.;

**Mortgage** means a mortgage right (*hypotheekrecht*) securing the relevant Mortgage Receivable;

**Mortgage Calculation Date** means the sixth business day of each month;

**Mortgage Calculation Period** means the period commencing on (and including) the first day of each calendar month and ending on (and including) the last day of such calendar month, and the first Mortgage Calculation Period will commence on (and include) 13 July 2011 and ends on (and include) 31 July 2011;

**Mortgage Conditions** means, in relation to a Mortgage Loan, the terms and conditions applicable to the Mortgage Loan, as set forth in the relevant mortgage deed and/or in any loan document, offer document or any other document and/or in any applicable general terms and conditions for mortgages of the Seller or from time to time in effect;

**Mortgaged Asset** means in respect of a Mortgage (i) a real property (*onroerende zaak*), (ii) an apartment right (*appartementsrecht*) or (iii) a long lease (*erfpachtsrecht*) situated in the Netherlands;

**Mortgage Loans** means the loans granted by the Seller to the relevant Borrowers, as evidenced by the relevant loan agreements, which may consist of one or more loan-parts (*leningdelen*) as set out in (a) the list of Mortgage Loans attached to the Mortgage Receivables Purchase Agreement as Schedule 1 and to the Deed of Assignment as Annex 1 and to the Purchase Deed of Assignment (relating to any New Mortgage Loans) and (b) the Escrow List of Loans, listing the Mortgage Loans held by the Seller;

**Mortgage Loans Criteria** means the criteria relating to the Mortgage Loans, which are set forth in the Mortgage Receivables Purchase Agreement;

**Mortgage Outstanding Principal Amount** means the aggregate outstanding amount of the Mortgage Receivables minus the Savings Parts;

**Mortgage Payment Date** means the nineteenth (19th) calendar day or if such day is not a business day, the immediately following business day;

**Mortgage Receivables** means any and all rights of the Seller against any Borrower under or in connection with any Mortgage Loans, including for the avoidance of doubt, upon the purchase and assignment of New Mortgage Receivables, such New Mortgage Receivables;

**Mortgage Receivables Purchase Agreement** means the mortgage receivables purchase agreement to be entered into by the Seller, the Issuer and the Security Trustee at the date hereof as the same may be amended, restated, supplemented or otherwise modified from time to time;

**Mortgaged Assets** means, in respect of a Mortgage, (i) real property (*onroerende zaak*), (ii) an apartment right (*appartementsrecht*) or (iii) a long lease (*erfpachtsrecht*) situated in the Netherlands;

**MPT Provider** means Bank of Scotland, Amsterdam Branch in its capacity as mpt provider under the Issuer Services Agreement and its successor or successors;

**MPT Services** means the mortgage payment transactions and the other services to be provided by the MPT Provider to the Issuer and the Security Trustee under the Issuer Services Agreement;

**Net Proceeds** means (a) the proceeds of a foreclosure on the mortgage right, (b) the proceeds of foreclosure on any other collateral securing the Mortgage Receivable, (c) the proceeds, if any, of collection of any Insurance Policies in connection with the Mortgage Receivable, including but not limited to fire insurance and Insurance Policies, (d) the proceeds of the NHG Guarantees and any other guarantees or sureties and (e) the proceeds of foreclosure on any other assets of the relevant debtor, after deduction of foreclosure costs in respect of such Mortgage Receivable;

**New Mortgage Receivable** means any and all rights of the Seller against any Borrower under or in connection with any mortgage loan between the Seller and that Borrower which meets the replenishment criteria and which are, for the avoidance of doubt, purchased by the Issuer after the Closing Date;

**NHG Conditions** means the terms and conditions of the NHG Guarantee;

**NHG Guarantee** means guarantees (*borgtochten*) issued by *Stichting Waarborgfonds Eigen Woningen* under the terms and conditions of the Nationale Hypotheek Garantie, as from time to time amended;

**NHG Mortgage Loan** has the meaning given to it under the heading *Description of the Mortgage Loans* above;

**NHG Mortgage Receivable** means a Mortgage Receivable arising from an NHG Mortgage Loan;

**NHG Underwriting Criteria** means the criteria (*Normen*) as set out in the *Voorwaarden & Normen 2011* or earlier versions issued by the *Stichting Waarborgfonds Eigen Woningen*;

**Noteholders** means the several persons who are for the time being holders of any Notes, including the Coupons appertaining thereto;

**Notes** means the Senior Class A Notes, the Mezzanine Class B Notes and the Subordinated Class C Notes;

**Notes Interest Available Amount** shall mean, on any Quarterly Calculation Date, the sum of the following amounts received by the Issuer during the Quarterly Calculation Period immediately preceding such Quarterly Calculation Date:

- (i) interest, including, for the avoidance of doubt, penalty interest, but excluding Prepayment Penalties received on the Mortgage Receivables less, with respect to each Savings Mortgage Receivable an amount equal to the interest amount received with respect to such Mortgage Receivables multiplied by the relevant Savings Participation Fraction;
- (ii) interest credited to the Transaction Accounts (excluding interest received on the Mortgage Receivables);
- (iii) Net Proceeds on any Mortgage Receivables, to the extent such proceeds do not relate to principal, less with respect to each Savings Mortgage Receivable an amount equal to the interest amount received with respect to such Mortgage Receivables multiplied by the relevant Savings Participation Fraction;
- (iv) amounts to be drawn under the Liquidity Reserve on the immediately succeeding Quarterly Payment Date;
- (v) amounts to be drawn from the Reserve Amount on the immediately succeeding Quarterly Payment Date;
- (vi) amounts to be received from the Swap Counterparty under the Swap Agreement on the immediately succeeding Quarterly Payment Date, if any, excluding (i) any collateral transferred pursuant to the Swap Agreement, (ii) any Tax Credit, (iii) any amounts received upon early termination of the Swap Agreement and (iv) any premium received from a replacement swap counterparty;
- (vii) amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement or any other amounts received pursuant to the Mortgage Receivables Purchase Agreement, to the extent such amounts do not relate to principal, less with respect to each Savings Mortgage Receivable an amount equal to the interest amount received with respect to such Mortgage Receivables multiplied by the relevant Savings Participation Fraction;
- (viii) amounts received in connection with a sale of Mortgage Receivables pursuant to the Trust Deed and the Issuer Services Agreement, to the extent such amounts do not relate to principal, less with respect to each Savings Mortgage Receivable an amount equal to the interest amount received with respect to such Mortgage Receivables multiplied by the relevant Savings Participation Fraction;
- (ix) amounts received as post-foreclosure proceeds on the Mortgage Receivables as calculated at the time the foreclosure procedures commenced;
- (x) any (remaining) amounts standing to the credit of the Issuer Collection Account, to the extent, for as long as the Senior Class A Notes and Mezzanine Class B Notes are outstanding, such amounts do not relate to principal;
- (xi) *less* on the first Quarterly Payment Date of each calendar year an amount equal to 10% of the annual fee with a minimum of Euro 2,500 due and payable by the Issuer to the Directors in connection with the Management Agreement between the Issuer and the Directors relating to the management of the Issuer.

**Notes Purchase Agreement I** means the notes purchase agreement relating to the Senior Class A Notes and the Mezzanine Class B Notes, dated the date hereof, between the Issuer, the Seller and the Manager, as the same may be amended, restated, supplemented or otherwise modified from time to time;

**Notes Purchase Agreement II** means the notes purchase agreement relating to the Subordinated Class C Notes, dated the date hereof, between the Issuer and the Seller, as the same may be amended, restated, supplemented or otherwise modified from time to time;

**Notes Purchase Agreements** means the Notes Purchase Agreement I and the Notes Purchase Agreement II;

**Notes Redemption Available Amount** means:

- (i) Net Proceeds, to the extent such proceeds relate to principal less, with respect to each Savings Mortgage Receivable an amount equal to the amount received with respect to such Mortgage Receivables multiplied by the relevant Savings Participation Fraction;
- (ii) amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal less, with respect to each Savings Mortgage Receivable an amount equal to the amount received with respect to such Mortgage Receivable multiplied by the relevant Savings Participation Fraction;
- (iii) amounts received in connection with a sale of Mortgage Receivables to the extent such amounts relate to principal less, with respect to each Savings Mortgage Receivable an amount equal to the amount received with respect to such Mortgage Receivable multiplied by the relevant Savings Participation Fraction;
- (iv) amounts received as repayment and prepayment in full of principal under the Mortgage Receivables, from any person (including any Insurance Company), whether by set-off or otherwise, but, for the avoidance of doubt, excluding Prepayment Penalties, if any, less, with respect to each Savings Mortgage Receivable, an amount equal to the amount received with respect to such Mortgage Receivable multiplied by the Savings Participation Fraction;
- (v) amounts received as Savings Participation Increase pursuant to the Savings Mortgage Sub-Participation Agreement;
- (vi) the Replenishment Reserved Amount on the immediately preceding Quarterly Payment Date;
- (vii) amounts of interest received to be credited to the Principal Deficiency Ledger on the immediately succeeding Quarterly Payment Date; and
- (viii) any part of the Notes Redemption Available Amount calculated on the immediately preceding Quarterly Calculation Date which has not been applied towards redemption of the Notes on the preceding Quarterly Payment Date,

less, on each Quarterly Calculation Date until the Quarterly Payment Date in August 2014:

- (ix) (1) the Applied Replenishment Amount and (2) such amount which the Issuer decides to keep on the Collection Account with a view to purchase New Mortgages on the two immediately succeeding Quarterly Payment Dates (the **Replenishment Reserved Amount**) **Notification Events** means the Assignment Notification Events and the Pledge Notification Events collectively;

**Notification Events** (each a Notification Event) means the Assignment Notification Events and the Pledge Notification Events collectively;

**Notional Amount** means, in respect of a Quarterly Calculation Period, an amount in euros equal to:

- (a) the aggregate Principal Amount Outstanding of the Senior Class A Notes and the Mezzanine Class B Notes on the first day of such Quarterly Calculation Period; less
- (b) the debit balance of the Principal Deficiency Ledger attributable to the Notes on the first day of such Quarterly Calculation Period; less

- (c) the amount of principal receipts in the Issuer Collection Account on the first day of such Quarterly Calculation Period received in connection with the Mortgage Loans;

**Optional Redemption Date** means any Quarterly Payment Date from (and including) 23 August 2014 up to and including the Final Maturity Date;

**Other Claim** means any claim of the Seller *vis-à-vis* the Borrower, including claims resulting from the acquisition of loans granted to or the granting of loans to such Borrower, which are secured by the Mortgage or Borrower Pledge vested by such Borrower to secure the Mortgage Receivable;

**Outstanding Principal Amount** means, at any moment in time, (i) the principal balance of an Mortgage Receivable at such time and (ii) after a Realised Loss has occurred in respect of such Mortgage Receivable, zero;

**Parallel Debt** means an amount, equal to the aggregate amount due (*verschuldigd*) by the Issuer to the Secured Parties under or in connection with the respective Relevant Documents, due by the Issuer to the Security Trustee;

**Parallel Debt Agreement** means the parallel debt agreement to be entered into by the Issuer, the Security Trustee and the Secured Parties (other than the Noteholders) on the Closing Date;

**Paying Agency Agreement** means the paying agency agreement to be entered into by the Issuer, the Paying Agent, the Reference Agent and the Security Trustee on the Closing Date;

**Paying Agent** means Citibank, London Branch in its capacity as paying agent under the Paying Agency Agreement;

**Permanent Global Notes** means the permanent global note of each Class of Notes;

**Pledge Agreement I** means the pledge agreement to be entered into by the Security Trustee, the Savings Insurance Companies and the Issuer on the Closing Date;

**Pledge Agreement II** means the pledge agreement to be entered into by among others the Issuer, the Security Trustee, the Seller and certain other parties on the Closing Date;

**Pledge Agreements** means the Pledge Agreement I and the Pledge Agreement II;

**Pledge Notification Events** means

- (a) a Notification Event occurs
- (b) an Enforcement Notice has been given; or
- (c) any amount due to the Security Trustee under or in connection with any Trustee Secured Liabilities is not paid when due; or
- (d) the Issuer fails duly to perform or comply with any of its obligations under the Pledge Agreement I or under any of the other Relevant Documents to which it is a party and if such failure is capable of being remedied, such failure is not remedied within ten (10) business days after notice thereof has been given by the Security Trustee to the Issuer or such other party; or
- (e) any representation, warranty or statement made by the Issuer in the Pledge Agreement I or under any of the other Relevant Documents to which it is a party or in any notice or other document, certificate or statement delivered by it pursuant thereto proves to have been, and continues to be after the

expiration of any applicable grace period provided for in any Relevant Document, in the Security Trustee's reasonable opinion, untrue or incorrect in any material respect; or

- (f) the Issuer is in breach of or in default under any agreement to an extent or in a manner which has or which, in the Security Trustee's reasonable opinion, could have a material adverse effect on it or on its ability to perform its obligations under the Pledge Agreement I or any of the other Relevant Documents to which it is a party; or
- (g) the Issuer takes any corporate action or other steps are taken or legal proceedings are initiated or threatened against it for its dissolution (*ontbinding*), liquidation (*vereffening*), legal merger (*juridische fusie*) or legal demerger (*juridische splitsing*), liquidation (*vereffening*) or placing its assets under administration (*onder bewind gesteld*); or
- (h) the Issuer becomes involved in negotiations with any one or more of its creditors with a view to the general readjustment or rescheduling of its indebtedness or makes a general composition (*akkoord*) for the benefit of its creditors; or
- (i) the Issuer has taken any corporate action or any steps have been taken or legal proceedings have been initiated or threatened against it for its entering into a suspension of payments or for bankruptcy or for becoming subject to any analogous insolvency proceedings under any applicable law or for the appointment of a receiver or similar officer of it or of any or all of its assets; or
- (j) there is any change in the shares or shareholders in the Issuer; or
- (k) the articles of association of the Issuer are amended after the Closing Date and the nature of the amendment is, in the opinion of the Security Trustee, materially detrimental to the interests of the Secured Parties; or
- (l) at any time it becomes unlawful for the Issuer to perform any or all of its obligations hereunder or under any other Relevant Document to which it is a party; or
- (m) the Issuer ceases to carry on all or a substantial part of its business; or
- (n) the Issuer has given incorrect information or not given information which was essential for the Security Trustee in connection with entering into the Pledge Agreement I and/or any of the other Relevant Documents; or
- (o) a creditor of the Issuer attaches, or takes possession of, all or any material part of its undertakings, assets, rights or revenues and the same is not released or discharged within forty-five (45) days.

**Pool DTI** means Debt to Income (*verhouding financieringslast - toetsinkomen*), where "Debt" means Periodic Payment Instalment Amount/Repayment Frequency and "Income" means (primary Borrower net income plus secondary Borrower net income)/12) and the "Periodic Payment Instalment Amount" is calculated according to the terms of the loan and the debt expressed as a monthly instalment;

**Portfolio Accounts** means the bank accounts maintained by the Seller with the Seller Central Collection Account Provider to which the Borrowers pay the amounts due under the Mortgage Loans;

**Prepayment Penalties** means any prepayment penalties (*boeterente*) to be paid by a Borrower under a Mortgage Loan as a result of the Mortgage Receivable being repaid (in whole or in part) prior to the maturity date of such Mortgage Loan other than (i) on a date whereon the interest rate is reset or (ii) otherwise permitted pursuant to the Mortgage Conditions;

**Principal Amount Outstanding** means on any Quarterly Calculation Date (i) of any Note, other than the Subordinated Class C Notes, the principal amount of that Note upon issue less the aggregate amount of all

relevant Principal Redemption Amounts (as defined in Condition 6(b)) in respect of that Note that have become due and payable prior to such Quarterly Calculation Date and (ii) of any Subordinated Class C Note will be the principal amount of such Notes upon issue less the aggregate amount of all Class C Redemption Amounts in respect of that Note that have become due and payable prior to such Quarterly Payment Date, provided that for the purpose of Conditions 4, 6 and 10 all relevant Principal Redemption Amounts that have become due and not been paid shall not be so deducted;

**Priority of Payments** means the Interest Priority of Payments or the Priority of Payments after the Enforcement Date as applicable (see *Credit Structure*);

**Principal Deficiency** means the sum of the Class A Principal Deficiency and the Class B Principal Deficiency;

**Principal Deficiency Ledger** means the ledger comprising of two sub ledgers for each Class of Notes (the Class A Principal Deficiency Ledger and the Class B Principal Deficiency Ledger) to which any Realised Losses are credited;

**Principal Shortfall** means an amount equal to the quotient of the balance of the relevant sub-ledger of the Principal Deficiency Ledger, divided by the number of Notes of the relevant Class of Notes on such Quarterly Payment Date;

**Professional Market Party** means a professional market party as defined in Article 1.1 of the Financial Supervision Act and Section 3 of the Decree Definitions of the Financial Supervision Act (*Besluit definitiebepalingen Wft*) both as amended from time to time

**Prospectus** means this prospectus dated 12 July 2011 relating to the issue of the Notes and as contemplated in the Relevant Documents;

**Prospectus Directive** means Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or being admitted to trading;

**Provisional Pool** means the Mortgage Loans forming the mortgage pool as on the Cut-Off Date;

**Purchase Deed of Assignment** means the deed of assignment entered into between the Seller and the Issuer in respect of the New Mortgage Receivables on a Mortgage Payment Date;

**Quarterly Calculation Date** means, in relation to a Quarterly Payment Date, the third business day prior to such Quarterly Payment Date;

**Quarterly Calculation Period** means, in relation to a Quarterly Calculation Date, the three successive Mortgage Calculation Periods immediately preceding such Quarterly Calculation Date except for the first Quarterly Calculation Period which will commence on 13 July 2011 and ends on and include the last day of July 2011;

**Quarterly Payment Date** the 23rd of November, February, May and August (or, if such day is not a Business Day, the next succeeding Business Day, unless such Business Day falls in the next succeeding calendar month in which event the Business Day immediately preceding such 23rd day) in each year;

**Rabobank Nederland** means Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. in the Netherlands;

**Rating Agencies** (each a **Rating Agency**) means Fitch and Moody's;

**Realised Losses** means, on any Quarterly Calculation Date, (A) the sum of the difference, if any, between (a) the aggregate Outstanding Principal Amount on all Mortgage Loans relating to Mortgage Receivables on

which the Seller or the Issuer or the Security Trustee during the immediately preceding Quarterly Calculation Period has foreclosed less, in respect of the Savings Mortgage Receivables, the Savings Participations and (b) the Net Proceeds (to the extent not relating to interest) applied to reduce the Outstanding Principal Amount of such Mortgage Receivables, whereby for the purpose of establishing the Outstanding Principal Amount in case of set-off or defence to payments asserted by Borrowers any amount by which the Mortgage Receivables have been extinguished (*teniet gegaan*) will be disregarded and (B) any amounts due and payable but not received by the Issuer as a result of set-off, commingling or any other defence;

**Reference Agent** means Citibank, London Branch in its capacity as reference agent under the Paying Agency Agreement and its successor(s);

**Relevant Documents** means the Mortgage Receivables Purchase Agreement, the Master Definitions Agreement, the Deeds of Assignment, any Purchase Deed of Assignment, the Issuer Services Agreement, the Pledge Agreements, the Deed of Charge, the Notes Purchase Agreement, the Notes, the Paying Agency Agreement, the Trust Deed, the Swap Agreement, the Savings Mortgage Sub-Participation Agreement, the GIC, the Management Agreements, the Beneficiary Waiver Agreement, the Sub MPT Services Agreement, the Retransfer of Parts Agreement and any further documents relating to the transaction envisaged in the above mentioned documents;

**Replenishment Available Amount** means the amounts under items (i) through (viii) of the Notes Redemption Available Amount which the Issuer may apply towards purchase of New Mortgage Receivables;

**Replenished Mortgage Receivables** means all the New Mortgage Receivables purchased by the Issuer on or prior to the Quarterly Payment Date in August 2014;

**Replenishment Reserved Amount** means on any Quarterly Payment Date, up to (and excluding) the Quarterly Payment Date in August 2014, an amount reserved by the Issuer up to the positive difference between (i) the Replenishment Available Amount and (ii) the Applied Replenishment Amount as calculated on the immediately preceding Quarterly Calculation Date, which amount remains to be deposited in the Issuer Collection Account for up to six months;

**Requisite Rating** means the rating of the short-term unsecured and unsubordinated debt obligations of P-1 by Moody's, the long-term unsecured and unsubordinated debt obligations of at least A2 by Moody's, the short-term issuer default rating of at least F1 by Fitch or the long-term issuer default rating of at least A by Fitch. For the purposes of the determination of the Requisite Rating in respect of any entity, if the ratings assigned to such entity by Fitch are designated by Fitch as being on ratings watch negative then the rating of that entity will be deemed to be one notch lower than such published Fitch rating;

**Reserve Account** means the account maintained with the GIC Provider or such other account approved by the Security Trustee in the name of the Issuer, to which the net proceeds of the Subordinated Class C Notes will be credited;

**Reserve Amount** means the amount deposited on the Reserve Account and credited to the Reserve Amount Ledger, which amount is equal to the Reserve Amount Target Level on the Closing Date;

**Reserve Amount Target Level** means an amount equal to 1.2% of the Principal Amount Outstanding of the Senior Class A Notes and Mezzanine Class B Notes on the Closing Date;

**Retransfer of Parts Agreement** means the retransfer of parts agreement to be entered into by the Seller and Savings Insurance Companies on the Closing Date substantially in the Agreed Form as the same may be amended, restated, supplemented or otherwise modified from time to time;

**Risk Beneficiary Rights** means all claims which the Seller or, after assignment to the Issuer, the Issuer or the Security Trustee has or will have on a Life Insurance Company in respect of any Risk Insurance Policy

under which the Seller has been appointed by the Borrower/insured as first beneficiary (*begunstigde*) in connection with the Life Mortgage Receivables;

**Risk Insurance Policy** means the risk policy (*risicoverzekering*) relating to an insurance which pays out upon the death of the insured, taken out by a Borrower with any of the Life Insurance Companies in connection with a Life Mortgage Loan and in connection with certain Annuity Mortgage Loans and certain Interest-only Mortgage Loans;

**Savings Beneficiary Rights** means all claims which the Seller or, after the assignment to the Issuer, the Issuer or the Security Trustee has or will have on a Savings Insurance Company in respect of any Savings Insurance Policy under which the Seller has been appointed by the Borrower/insured as first beneficiary (*begunstigde*) in connection with the Savings Mortgage Receivables;

**Savings Insurance Companies** means Allianz and SRLEV;

**Savings Insurance Policy** means the combined risk and capital insurance policy (*gecombineerde risico- en kapitaalverzekering*) taken out by a Borrower with any of the Savings Insurance Companies in connection with any Savings Mortgage Loan;

**Savings Mortgage Loans** means the Mortgage Loans entered into by the Seller and the relevant Borrowers combined with a Savings Insurance Policy. Under the Savings Mortgage Loan the Borrower does not pay principal towards redemption of the Savings Mortgage Loan prior to maturity. Instead, the Borrower/insured pays a Savings Premium;

**Savings Mortgage Participants** means each Savings Insurance Company;

**Savings Mortgage Receivable(s)** means any and all rights of the Seller against any Borrower under or in connection with any Savings Mortgage Loans;

**Savings Mortgage Sub-Participation Agreement** means the savings mortgage sub-participation agreement between the Issuer and each Savings Insurance Company;

**Savings Participation** means, on any Mortgage Calculation Date, in respect of each Savings Mortgage Receivable, an amount equal to the Initial Savings Participation in respect of the relevant Savings Mortgage Receivable increased with the Monthly Savings Participation Increase up to but not exceeding the Savings Participation Maximum Amount;

**Savings Participation Fraction** means, in respect of a Savings Mortgage Receivable, an amount equal to the relevant Savings Participation on the first day of the Mortgage Calculation Period divided by the Outstanding Principal Amount of such Savings Mortgage Receivable on the first day of such Mortgage Calculation Period;

**Savings Participation Increase** means an increase of (the entitlement under) the Savings Participation compared to the first day of the relevant Mortgage Calculation Period immediately preceding the relevant Mortgage Calculation Date, which increase is calculated on the relevant Mortgage Calculation Date by application of the following formula:

$(P/H) \times R + S$ , whereby

P = the Savings Participation on the first day of the relevant Mortgage Calculation Period;

H = the principal amount outstanding on the Savings Mortgage Receivable on the first day of the relevant Mortgage Calculation Period;

S = the amount of the Savings Premium actually received by the Issuer from the Savings Mortgage Participant in the relevant Mortgage Calculation Period in respect of the relevant Mortgage Receivable;

R = the amount of interest due, but not overdue, and actually received from the relevant Borrower in the relevant Mortgage Calculation Period in respect of the Mortgage Receivable;

**Savings Participation Maximum Amount** means, at any time in respect of a Savings Mortgage Receivable, the Outstanding Principal Amount of such Savings Mortgage Receivable at such time;

**Savings Participation Redemption Available Amount** means on each Mortgage Payment Date an amount up to the Savings Participation in each of the relevant Savings Mortgage Receivables received during the immediately preceding Mortgage Calculation Period (i) by means of repayment and prepayment in full under such Mortgage Receivables from any person, whether by set-off or otherwise, but, for the avoidance of doubt, excluding prepayment penalties, if any, and, furthermore, excluding amounts paid as partial prepayments on each of such Savings Mortgage Receivables, (ii) in connection with a sale by the Issuer of such Savings Mortgage Receivables (excluding the Savings Parts, if any) pursuant to the Mortgage Receivables Purchase Agreement or the Trust Deed to the extent such amounts relate to principal, unless the Savings Participation is assigned to the purchaser of such Mortgage Receivable, (iii) in connection with a sale by the Security Trustee pursuant to the Pledge Agreement I and (iv) as Net Proceeds on such Savings Mortgage Receivables to the extent such amounts relate to principal;

**Savings Parts** means those rights and claims with respect to the Mortgage Loans which the Savings Insurance Companies have previously acquired from the Seller;

**Savings Premium** means the savings part of the premium including any extra instalments, due by the relevant Borrower to the relevant Savings Insurance Company on the basis of the Savings Insurance Policy which is calculated in such a way that the Savings Mortgage Loan can be redeemed with the insurance proceeds at maturity;

**Savings Sub-Participation Agreement** means the sub-participation agreement entered into by the Issuer, the Security Trustee and the Savings Insurance Companies on the Closing Date;

**Secured Parties** means (a) the Noteholders, (b) the Directors, (c) the Issuer Administrator, (d) the MPT Provider, (e) the Paying Agent, (f) the Reference Agent, (g) the Swap Counterparty, (h) the Life Insurance Companies and Savings Insurance Companies, (i) the Subordinated Loan Provider and (j) the Seller;

**Securities Act** means the United States Securities Act 1933, as amended;

**Security Trustee** means Stichting Security Trustee Candide Financing 2011-1, a foundation (*stichting*) organised under the laws of the Netherlands and established in Amsterdam, the Netherlands;

**Seller** means Bank of Scotland, Amsterdam Branch and any successor or successors;

**Seller Accounts** means the Portfolio Accounts and the Seller Central Collection Account collectively;

**Seller Central Collection Account** means the account of the Seller maintained with the Seller Central Collection Account Provider to which all amounts of interest, Prepayment Penalties, principal and all other collections received under all mortgage receivables relating to Mortgage Loans are paid by the Borrowers;

**Seller Central Collection Account Excess Balance** means on any Mortgage Payment Date the balance standing to the credit of the Seller Central Collection Account attributable to payments by the Borrowers under the Mortgage Loan in excess of 20% of the aggregate Principal Amount Outstanding of the Notes on such Mortgage Payment Date;

**Seller Central Collection Account Provider** means Rabobank Nederland;

**Senior Class A Noteholders** means the several persons who are for the time being holders of any Senior Class A Notes, including the coupons appertaining thereto;

**Senior Class A Notes** means the Euro 1,050,000,000 Senior Class A Mortgage-Backed Notes 2011 due 2051, including the coupons appertaining thereto;

**Senior Fees** means the sum of all amounts due and payable under items (a), (b) and (c) of the Interest Priority of Payments;

**Servicer Termination Events** means the events as set out in Clause 24 of the Issuer Services Agreement and in the section *Issuer Services Agreement* above;

**SRLEV** means SRLEV N.V., a public company with limited liability (*naamloze vennootschap*) organised under the laws of the Netherlands and established in Alkmaar, the Netherlands;

**Stater** means Stater Nederland B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) organised under the laws of the Netherlands and established in Amersfoort, the Netherlands;

**Stichting Holding** means Stichting Candide Financing Holding, a foundation (*stichting*) organised under the laws of the Netherlands, and established in Amsterdam;

**Sub MPT Provider** means Stater or any subsequent sub contractor of the MPT Provider;

**Sub MPT Termination Events** means any of the following events (as further set out in Clause 12 of the Sub MPT Services Agreement):

- (a) Stater ceases its business operations which shall, *inter alia*, be deemed to occur if Stater takes any corporate action or any other steps are taken and/or legal proceedings are started against it, for its dissolution (*ontbinding*) and/or liquidation (*vereffening*); or
- (b) a default is made by Stater in the performance or observance of any of its covenants and/or obligations under this Agreement which, in the opinion of Bank of Scotland, Amsterdam Branch or the Security Trustee, is materially prejudicial to the interests of the Noteholders and such default continues unremedied for a period of 14 days after the receipt by Stater of written notice from the MPT Provider or the Security Trustee requiring the same to be remedied (except where, in the reasonable opinion of the Security Trustee, such default is incapable of being remedied, when no such continuation and/or notice will be required); or
- (c) Stater is granted a suspension of payments (*surséance van betaling*) or goes into bankruptcy (*faillissement*), or a petition for suspension of payments or bankruptcy is not rejected or withdrawn within 30 days after the petition has been filed or becomes subject to any analogous insolvency proceedings under any applicable law; or
- (d) Stater has taken any corporate action, or any steps have been taken, or legal proceedings have been instituted or threatened against it, for its entering into suspension of payments or for bankruptcy or for the appointment of a receiver or a similar officer of its or any or all of its assets or any analogous insolvency proceedings under any applicable law; or
- (e) it becomes unlawful for Stater to perform all or a material part of its obligations hereunder;

**Subordinated Class C Noteholders** means the several persons who are for the time being holders of any Subordinated Class C Notes;

**Subordinated Class C Notes** means the Euro 34,000,000 Subordinated Class C Notes 2011 due 2051 including the coupons appertaining thereto;

**Subordinated Loan Agreement** means the subordinated loan agreement entered into by the Issuer, the Security Trustee and the Subordinated Loan Provider on the Closing Date;

**Subordinated Loan Provider** means Bank of Scotland, Amsterdam Branch;

**Swap Agreement** means the interest rate swap agreement entered into pursuant to an ISDA Master Agreement (including Schedule, Confirmation and Transaction (entered into and each as defined thereunder and incorporating the ISDA Definitions thereunder) to be entered into by the Swap Counterparty and the Issuer on or around the Closing Date in connection with hedging a potential variance between amounts expected to be received by the Issuer in respect of the Mortgage Receivables and amounts determined based on the interest payable by the Issuer in respect of certain classes of Notes;

**Swap Counterparty** means Bank of Scotland, Amsterdam Branch in its capacity as Swap Counterparty under the Swap Agreement and its successor(s);

**Swap Margin** means 1.00%;

**Swap Subordinated Amount** means:

- (i) any termination payment due from the Issuer under the Swap Agreement following an Event of Default (as defined in the Swap Agreement) where the Swap Counterparty is the Defaulting Party (as defined in the Swap Agreement); and
- (ii) any termination payment due from the Issuer under the Swap Agreement resulting from a failure by the Swap Counterparty to cure a Ratings Event (as defined in the Swap Agreement);

**TARGET2 System** means the Trans-European Automated Real-Time Gross Settlement Express Transfer System, or any successor thereto;

**Tax Credit** means, if the Swap Counterparty has paid an amount in accordance with the relevant Swap Agreement and the Issuer, in connection with Part 5 of the Schedule to the ISDA Master Agreement, is granted or otherwise receives from the tax authorities of any jurisdiction any tax credit, allowance, set-off or repayment relating to such payment by the Swap Counterparty, an amount equal to the amount so received;

**Temporary Global Notes** means the temporary global notes to be issued in respect of each Class of Notes;

**Transaction Accounts** means the Issuer Collection Account and the Reserve Account;

**Transaction Accounts Balances** means, at any day, the balances standing to the credit of each of the Transaction Accounts at the close of business of such day;

**Trust Deed** means the trust deed to be entered into by the Security Trustee, Stichting Holding and the Issuer on the Closing Date substantially in the Agreed Form as the same may be amended, restated, supplemented or otherwise modified from time to time;

**Trustee Indemnification** has the meaning ascribed to it in Clause 10.2 of the Mortgage Receivables Purchase Agreement;

**Unit-Linked Mortgage Loans** means the Life Mortgage Loans with a Life Insurance Policy attached 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 insured (**Unit-Linked**);

**VVAA** means VVAA Levensverzekeringen N.V., a public company with limited liability (*naamloze vennootschap*) organised under the laws of the Netherlands and established in Utrecht, the Netherlands;

**WEW** means the *Stichting Waarborgfonds Eigen Woningen*, a foundation organised under the laws of the Netherlands and established in The Hague, the Netherlands; and

**Wft** means the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*).

**REGISTERED OFFICES**

**ISSUER**

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Frederik Roeskestraat 123  
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De Entrée 254  
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**TRANSACTION COUNSEL**

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The Netherlands

**SECURITY TRUSTEE**

Stichting Security Trustee Candide Financing 2011-1  
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1076 EE Amsterdam  
The Netherlands

**PAYING AGENT AND REFERENCE AGENT**

Citibank N.A., London Branch  
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Canada Square  
London E14 5LB  
United Kingdom

**SELLER**

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1101 EE Amsterdam  
The Netherlands

**LISTING AGENT**

Arthur Cox Listing Services Limited  
Earlsfort Centre  
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**SUB MPT PROVIDER**

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