

## IMPORTANT NOTICE

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

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

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

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

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

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

**Confirmation of your Representation:** In order to be eligible to view this base prospectus or make an investment decision with respect to the securities, investors must not be a U.S. person (within the meaning of Regulation S under the Securities Act). This base prospectus is being sent at your request and by accepting the e-mail and accessing this base prospectus, you shall be deemed to have represented to us that you are not a U.S. person, the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the U.S. (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any States of the United States or the District of Columbia and that you consent to delivery of such base prospectus by electronic transmission.

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

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

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

**NIBC BANK N.V.**

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

**€5,000,000,000 Conditional Pass-Through Covered Bond Programme  
guaranteed as to payments of interest and principal by**

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

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

This document constitutes a base prospectus (the "**Base Prospectus**") within the meaning of the Prospectus Directive (when used in the Base Prospectus, the Prospective Directive means Directive 2003/71/EC (as amended including by Directive 2010/73/EC)) and including any relevant implementing measure in a relevant Member State of the European Economic Area (EEA). This Base Prospectus has been approved by the Dutch Authority for the Financial Markets ("**Stichting Autoriteit Financiële Markten**", the "**AFM**"), which is the Dutch competent authority for the purpose of the Prospectus Directive and relevant implementing measures in the Netherlands, as a Base Prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the Netherlands for the purpose of giving information with regard to the issue of conditional pass-through covered bonds (the "**Covered Bonds**") under the Programme during the period of twelve months after the date hereof. This Base Prospectus will be published in electronic form on website [www.assetbacked.nl](http://www.assetbacked.nl). This Base Prospectus is issued in replacement of a base prospectus dated 21 July 2017 as amended and supplemented, and accordingly supersedes such earlier base prospectus as amended and supplemented.

Under its € 5,000,000,000 Conditional Pass-Through Covered Bond Programme (the "**Programme**") NIBC Bank N.V. (the "**Issuer**" or "**NIBC Bank**") may from time to time issue Covered Bonds denominated in euro as agreed between the Issuer and the relevant Dealer, if any. Subject as set out herein, the maximum aggregate nominal amount of the Covered Bonds from time to time outstanding under the Programme will not exceed €5,000,000,000 subject to any increase as described herein.

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

The Covered Bonds may be issued on a continuing basis to one or more of the Dealers and any additional Dealer appointed in respect of Covered Bonds under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a "**Dealer**"). Covered Bonds may be distributed by way of a public offer or private placements and, in each case, on a syndicated or non-syndicated basis. The method of distribution of each relevant series of Covered Bonds (a "**Series**") (or tranche thereof (a "**Tranche**")) will be stated in the relevant final terms (the "**Final Terms**"). Notice of the aggregate nominal amount of Covered Bonds, interest (if any) payable in respect of Covered Bonds, the issue price of Covered Bonds and any other terms and conditions not contained herein which are applicable to the Covered Bonds will be set forth in the applicable Final Terms which, in respect to Covered Bonds to be listed on Euronext in Amsterdam, the regulated market of Euronext Amsterdam N.V. ("**Euronext Amsterdam**") will be filed and delivered to Euronext Amsterdam on or before the date of each issue of such Covered Bonds.

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

The Issuer and the CBC may agree with any Dealer and the Security Trustee that Covered Bonds may be issued in a form not contemplated by the Terms and Conditions of the Covered Bonds set out herein, in which event a supplement to the Base

Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Covered Bonds.

It is expected that each issue of a Series of Covered Bonds will, on issue, be assigned a "AAA" rating by S&P Global Ratings, a division of Standard & Poor's Credit Market Services Europe Ltd. ("**S&P**") and a "AAA" rating by Fitch Ratings Limited ("**Fitch**" and together with S&P the "**Rating Agencies**" and each a "**Rating Agency**"), unless otherwise specified in the applicable Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning Rating Agency. Whether or not each credit rating applied for in relation to a relevant Series of Covered Bonds will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (as amended) (the "**CRA Regulation**") will be disclosed in the relevant Final Terms. For a discussion of some of the risks associated with an investment in the Covered Bonds, see the Risk Factors section herein. The Rating Agencies have been registered by the European Securities and Markets Authority as credit rating agencies in accordance with the CRA Regulation.

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

The Covered Bonds of each Tranche are in bearer form or in registered form. Bearer Covered Bonds will (unless otherwise specified in the applicable Final Terms) initially be represented by a Global Covered Bond. Global Covered Bonds will be deposited on or about the issue date thereof (each an '**Issue Date**') either (i) with a common safekeeper or common depository for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**") or (ii) with the *Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.* ("**Euroclear Nederland**") and/or (iii) any other agreed clearance system. Registered Covered Bonds will be issued to each relevant holder by a registered covered bonds deed. See *Form of Conditional Pass-Through Covered Bonds*.

The Covered Bonds may be issued in a new global note form ("**NGN-form**") which will allow Eurosystem eligibility. This means that the Covered Bonds in NGN-form are intended upon issue to be deposited with one of the International Central Securities Depositories (the "**ICSDs**") as common safekeeper and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria from time to time.

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

The date of this Base Prospectus is 19 July 2018.

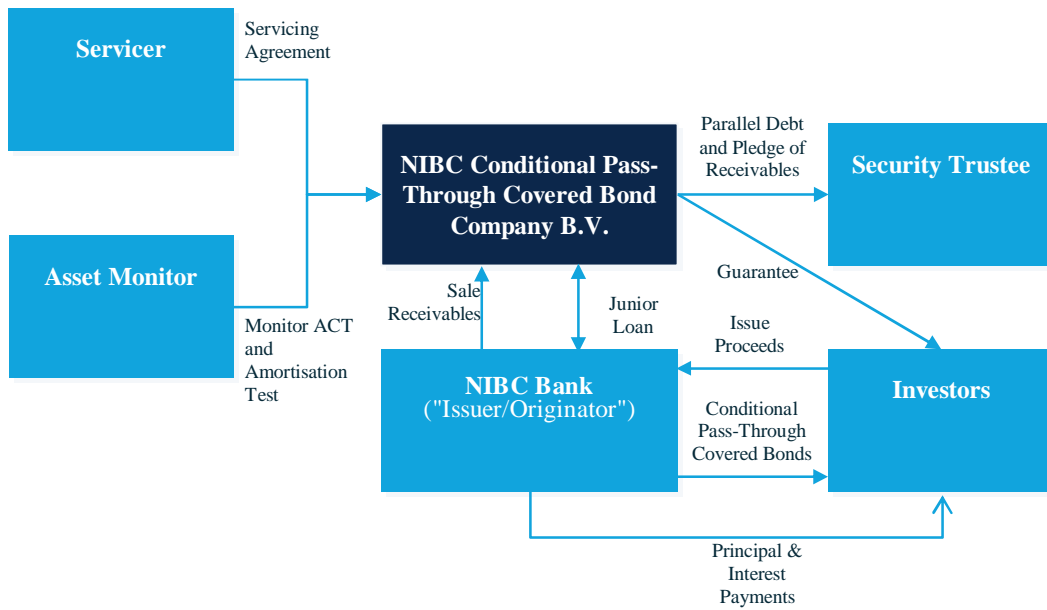
<b>Arranger</b>	<b>Co-Arranger</b>
<b>NIBC Bank N.V.</b>	<b>NatWest Markets</b>
<b>NIBC Bank N.V.</b>	<b>Dealers</b>
	<b>NatWest Markets</b>

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## 1. STRUCTURE DIAGRAM

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



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

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

### **PARTIES**

**Issuer:** NIBC Bank N.V., incorporated under the laws of the Netherlands as a public limited liability company ("*naamloze vennootschap*"), having its corporate seat in The Hague and registered with the Commercial Register of the Chamber of Commerce under number 27032036 ("**NIBC Bank**").

**Transferors:** Hypinvest B.V., incorporated under the laws of the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in The Hague, the Netherlands and registered with the Commercial Register of the Chamber of Commerce under number 27169419 ("**Hypinvest**");

Hypinvest Hypotheken B.V., incorporated under the laws of the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in The Hague, the Netherlands, and registered with the Commercial Register of the Chamber of Commerce under number 27258412 ("**Hypinvest Hypotheken**");

NIBC Direct Hypotheken B.V., incorporated under the laws of the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in The Hague, the Netherlands, and registered with the Commercial Register of the Chamber of Commerce under number 53084179 ("**NIBC Direct Hypotheken**");

Quion 30 B.V., incorporated under the laws of the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in The Hague, the Netherlands, and registered with the Commercial Register of the Chamber of Commerce under number 27169414 ("**Quion 30**");

NIBC Bank N.V., incorporated under the laws of the Netherlands as a public limited liability company ("*naamloze vennootschap*"), having its corporate seat in The Hague, the Netherlands and registered with the Commercial Register of the Chamber of Commerce under number 27032036 ("**NIBC Bank**") (NIBC Bank N.V. will only become a transferor to transfer Eligible Collateral to the CBC and will not transfer Eligible Receivables to the CBC);

All outstanding shares in the capital of each of the Transferors (other than NIBC Bank N.V.) are indirectly held by NIBC Bank.

<b>CBC:</b>	NIBC Conditional Pass-Through Covered Bond Company B.V., incorporated under the laws of the Netherlands as a private company with limited liability (" <i>besloten vennootschap met beperkte aansprakelijkheid</i> "), having its corporate seat in Amsterdam and registered with the Commercial Register of the Chamber of Commerce under number 57885168.
<b>Guarantor:</b>	CBC.
<b>Administrator:</b>	NIBC Bank in its capacity as administrator under the Administration Agreement or its successor or successors, or Intertrust Administrative Services B.V. in its capacity as administrator if the suspensive condition has been fulfilled that the appointment of NIBC Bank as administrator has been terminated as set out in the Back-up Administration Agreement (as defined below).
<b>Back-up Administrator:</b>	Intertrust Administrative Services B.V.
<b>Servicer:</b>	NIBC Bank in its capacity as servicer, in respect of Mortgage Receivables or in respect of Transferred Assets in respect of which it has been appointed as Servicer under the Servicing Agreement or its successor or successors. The Servicer will initially appoint each of STATER Nederland B.V., Quion Hypotheekbemiddeling B.V., Quion Hypotheekbegeleiding B.V. and Quion Services B.V. as the Sub-servicers to provide certain of the Pool Services in respect of the Mortgage Receivables.
<b>Sub-servicers:</b>	STATER Nederland B.V. and Quion Hypotheekbemiddeling B.V., Quion Hypotheekbegeleiding B.V. and Quion Services B.V., each incorporated under the laws of the Netherlands as a private company with limited liability (" <i>besloten vennootschap met beperkte aansprakelijkheid</i> ") (each a Sub-servicer).
<b>Collection Foundations:</b>	In respect of Quion 30 and Hypinvest Hypotheken, Stichting Hypotheek Ontvangsten and in respect of NIBC Direct Hypotheken and Hypinvest, Stichting Ontvangsten Hypotheekgeld.
<b>Asset Monitor:</b>	Ernst & Young Accountants LLP, or any successor asset monitor.
<b>Arranger:</b>	NIBC Bank.
<b>Co-Arranger:</b>	NatWest Markets (and together with the Arranger referred to as the " <b>Arrangers</b> ").
<b>Dealers:</b>	NIBC Bank, NatWest Markets and any other dealer appointed from time to time.
<b>Security Trustee:</b>	Stichting Security Trustee NIBC Conditional Pass-Through Covered Bond Company, established under the laws of the Netherlands as a foundation (" <i>stichting</i> ") and registered with the Commercial Register at the Chamber of Commerce under



number 57836256.

<b>Stichting Holding:</b>	The entire issued share capital of the CBC is held by Stichting Holding NIBC Conditional Pass-Through Covered Bond Company, established under the laws of the Netherlands as a foundation (" <i>stichting</i> ") and registered with the Commercial Register at the Chamber of Commerce under number 57872295.
<b>Directors:</b>	Intertrust Management B.V., the sole director of the CBC, Intertrust Management B.V., the sole director of the Stichting Holding and SGG Securitisation Services B.V., the sole director of the Security Trustee.
<b>Savings Participants:</b>	<p>Allianz Nederland Levensverzekering N.V., incorporated under the laws of the Netherlands as a public limited liability company ("<i>naamloze vennootschap</i>"), having its corporate seat in Utrecht and registered with the Commercial Register at the Chamber of Commerce under number 30082982 ("<b>Allianz</b>"); and</p> <p>Generali Levensverzekeringmaatschappij N.V., incorporated under the laws of the Netherlands as a public limited liability company ("<i>naamloze vennootschap</i>"), having its corporate seat in Diemen and registered with the Commercial Register at the Chamber of Commerce under number 33006455 ("<b>Generali</b>"); and</p> <p>SRLEV N.V, incorporated under the laws of the Netherlands as a public limited liability company ("<i>naamloze vennootschap</i>"), having its corporate seat in Alkmaar and registered with the Commercial Register at the Chamber of Commerce under number 34297413 ("<b>SRLEV</b>");</p> <p>such other saving insurance company which will enter into a Savings Participation Agreement with the CBC.</p>
<b>Previous Transaction SPVs:</b>	Essence VII B.V., Essence VI B.V. and Essence V B.V. and, at any time from the date hereof, any additional special purpose vehicle to which a Transferor has assigned mortgage receivables and has acceded to the relevant Receivables Proceeds Distribution Agreement.
<b>Previous Transaction Security Trustees:</b>	Stichting Security Trustee Essence VII, Stichting Security Trustee Essence VI and Stichting Security Trustee Essence V and, at any time from the date hereof, any additional security trustee relating to an additional special purpose vehicle as mentioned above, to which mortgage receivables are pledged or assigned and has acceded to the relevant Receivables Proceeds Distribution Agreement.
<b>CBC Account Bank:</b>	Société Générale S.A., Amsterdam Branch.
<b>Foundation Accounts Provider:</b>	ABN AMRO Bank N.V.
<b>Principal Paying Agent:</b>	Citibank, N.A., London Branch.

<b>Paying Agent:</b>	Any paying agent appointed under the agency agreement (and together with the Principal Paying Agent, the " <b>Paying Agents</b> ").
<b>Listing Agent:</b>	NIBC Bank.
<b>Registrar:</b>	Citibank, N.A., London Branch, or such other party as appointed from time to time.
<b>Calculation Agent:</b>	In relation to the Covered Bonds of any Series, the institution appointed as calculation agent in relation to such Covered Bonds pursuant to the Calculation Agency Agreement (Schedule 3 to the Agency Agreement) or the Agency Agreement.
<b>Rating Agencies:</b>	Any rating agency (or its successor) who, at the request of the Issuer assigns, and for as long as it assigns, one or more ratings to the Covered Bonds under the Programme from time to time, which at the date of this Base Prospectus includes Fitch and S&P, the " <b>Rating Agencies</b> " and each a " <b>Rating Agency</b> ".
<b>Swap Counterparty:</b>	Any swap counterparty under any Swap Agreement.
<b>Subordinated Loan Provider:</b>	B.V. NIBC Mortgage Backed Assets.

### **THE COVERED BONDS**

<b>Programme size:</b>	Up to € 5,000,000,000 outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the programme agreement dated 22 July 2013 as lastly amended and restated on or about the date of this base prospectus between, <i>inter alia</i> , the Issuer and the CBC as the same may be amended and/or supplemented and/or restated or otherwise modified from time to time (the " <b>Programme Agreement</b> ").
<b>Issue Price:</b>	Covered Bonds may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
<b>Form:</b>	Each Covered Bond will be in a bearer or registered form.  Each Tranche of Bearer Covered Bonds will (unless otherwise specified in the applicable Final Terms) initially be represented by a Temporary Global Covered Bond or, if so indicated in the applicable Final Terms, a Permanent Global Covered Bond. Each Global Covered Bond (a) which is intended to be issued in NGN form (an " <b>NGN Global Covered Bond</b> ") will be deposited on or around the relevant Issue Date with a common safekeeper for Euroclear and/or Clearstream Luxembourg, (b) which is not intended to be issued in NGN form may also be deposited on or around the relevant Issue Date (i) with Euroclear Nederland (ii) with a common depositary for Euroclear and/or Clearstream Luxembourg and/or (iii) with (a depositary for) any other agreed clearing system. A Temporary Global Covered Bond

will be exchangeable as described therein for a Permanent Global Covered Bond.

A Permanent Global Covered Bond is exchangeable for Definitive Covered Bonds only upon the occurrence of an Exchange Event or, in case a Permanent Global Covered Bond is deposited with Euroclear Nederland, only upon the occurrence of a Delivery Event, all as described in *Form of Conditional Pass-Through Covered Bonds* below. Any interest in a Global Covered Bond will be transferable only in accordance with the rules and procedures for the time being of either (i) Euroclear and/or Clearstream, Luxembourg and/or (ii) Euroclear Nederland (and the Dutch Securities Giro Transfer Act (*Wet giraal effectenverkeer*)) and/or (iii) any other agreed clearing system, as appropriate. See *Form of Conditional Pass-Through Covered Bonds*.

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

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

**Denomination:**

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

**Currency:**

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

**Status and Ranking:**

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

<b>Interest:</b>	Interest (which may be fixed or floating) shall be payable on each Series or Tranche of Covered Bonds on the Interest Payment Dates specified in the applicable Final Terms up to the Maturity Date or the Extended Due for Payment Date, if applicable. Interest shall be payable (i) monthly, bi-monthly, quarterly, semi-annually, annually or upon redemption of the relevant Covered Bonds as further specified in the applicable Final Terms up to the earlier of (a) the Maturity Date and (b) the service of a Breach of Amortisation Test Notice and (ii) monthly after the earlier to occur of (a) the Maturity Date and (b) the date of the service of a Breach of Amortisation Test Notice, up to the Extended Due for Payment Date.
<b>Fixed Rate Covered Bonds:</b>	Fixed Rate Covered Bonds means Covered Bonds which will bear interest at a fixed rate, payable on such date or dates as set forth in the applicable Final Terms (" <b>Fixed Rate Coupon</b> ") and on redemption and will be calculated on the basis of such Day Count Fraction as set forth in the applicable Final Terms. If on or after the Maturity Date the Fixed Rate Covered Bonds are not redeemed in full or if a Breach of Amortisation Test Notice has been served, the Fixed Rate Covered Bonds will continue to bear interest at a fixed rate up to the Extended Due for Payment Date as set forth in the applicable Final Terms.
<b>Floating Rate Covered Bonds:</b>	Floating Rate Covered Bonds means Covered Bonds which will bear interest either at a rate determined on the same basis as the floating rate under a notional interest rate swap transaction in euro governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as of the Issue Date of the first Tranche of Covered Bonds of the relevant Series) or on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service or on such other basis as set forth in the applicable Final Terms up to the Maturity Date (or, if earlier, the date of the service of a Breach of Amortisation Test Notice) and will be calculated on the basis of such Day Count Fraction as set forth in the applicable Final Terms. The relevant margin (the " <b>Margin</b> ") (if any) relating to such floating rate will be specified as being the Margin in the applicable Final Terms. If after the Maturity Date such Floating Rate Covered Bonds are not fully redeemed or if a Breach of Amortisation Test Notice has been served, as of that Maturity Date or the date of such notice, the applicable rate will switch to a Fixed Rate Coupon as set forth in the applicable Final Terms.
<b>Other provisions in relation to Floating Rate Covered Bonds:</b>	Floating Rate Covered Bonds may also have a maximum interest rate (" <b>Cap</b> "), a minimum interest rate (" <b>Floor</b> ") or both (" <b>Collar</b> ") up to the Maturity Date. Interest on Floating Rate Covered Bonds in respect of each Interest Period will be payable on such Interest Payment Dates, and will be calculated on the basis of such day count fraction, as set forth in the applicable Final Terms.
<b>Redemption:</b>	The applicable Final Terms will indicate that (a) the relevant Covered Bonds cannot be redeemed prior to their stated

maturity (other than following specified events, if applicable, or for taxation reasons or following an Issuer Event of Default or a CBC Event of Default) or (b) such Covered Bonds will be redeemable at the option of the Issuer upon giving notice to the Covered Bondholders, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as set forth in the applicable Final Terms or (c) such Covered Bonds will be redeemable at the option of the Covered Bondholder upon giving notice to the Issuer, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as set forth in the applicable Final Terms.

**Maturities:**

Such maturities as set forth in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank or regulatory authority (or equivalent body) or any laws or regulations applicable to the Issuer, subject to a maximum maturity (i.e. the Extended Due for Payment Date) for each Series of 47 years.

**Maturity Date:**

In respect of a Series, the date on which the Covered Bonds of such Series are expected to be redeemed at their Principal Amount Outstanding, as specified in the relevant Final Terms, which date falls no more than 15 years after the Issue Date of such Series. Each Series is due by the Issuer on its respective Maturity Date.

**Extended Due for Payment Date:**

The final maturity date which falls 32 years after the Maturity Date of such Series.

**Withholding Tax:**

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

**FATCA Withholding:**

Payments in respect of the Covered Bonds might be subject to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretation thereof, or any law implementing an intergovernmental agreement thereto. Any such amounts withheld or deducted will be treated as paid for all purposes under the Covered Bonds, and no additional amounts will be paid on the Covered Bonds with respect to any such withholding or

deduction.

**Method of Payment:**

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

**Use of proceeds:**

The net proceeds from each issue of Covered Bonds (i) will be used by the Issuer for its general corporate purposes or (ii) if the Covered Bonds has been designated as green bonds or as sustainability bonds, will be used for projects that promote climate and other environmental purposes as further specified in the Final Terms.

**Listing:**

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

**Selling Restrictions:**

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

**SECURITY FOR THE COVERED BONDS:**

**Guarantee, Security, CBC:**

Pursuant to the Guarantee issued under the Trust Deed, the CBC will guarantee the payment of interest and principal payable under the Covered Bonds. The obligations of the CBC under the Guarantee will constitute unsubordinated and unguaranteed obligations of the CBC, secured indirectly, through the Security Trustee, by (i) a first ranking undisclosed pledge (or such other security right as may be applicable) granted by the CBC to the Security Trustee over the Transferred Assets and (ii) a first ranking disclosed pledge by the CBC to the Security Trustee over the CBC's rights under or in connection with the CBC Transaction Documents.

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

<b>Parallel Debt Agreement:</b>	The CBC and the Security Trustee have entered into a parallel debt agreement (the " <b>Parallel Debt Agreement</b> ") on the Programme Date for the benefit of the Covered Bondholders and the other Secured Parties under which the CBC, by way of parallel debt, undertakes to pay to the Security Trustee amounts equal to the amounts due by it to the Secured Parties, in order to create claims of the Security Trustee thereunder which can be validly secured by the rights of pledge created by any Security Trustee Receivables Pledge Agreement and any Security Trustee Rights Pledge Agreement.
<b>Security over Collection Foundations Accounts balances:</b>	The Collection Foundations shall grant a first ranking right of pledge on the balance standing to the credit of the relevant Collection Foundation Account in favour of the CBC and the Previous Transaction SPVs jointly, and the CBC and the Previous Transaction SPVs shall by way of repledge create a first ranking right of pledge in favour of the Security Trustee and the Previous Transaction Security Trustees each subject to the agreement that future issuers (and any security trustees) in securitisation transactions and future vehicles in conduit transactions or similar transactions (and any security trustees relating thereto) initiated by NIBC will also have the benefit of a right of pledge and agree to cooperate to facilitate such security. Such rights of pledge will be notified to the Foundation Accounts Provider.
<b>Interest under the Guarantee:</b>	If the CBC is obliged to pay under the Guarantee, the CBC is obliged to pay any Guaranteed Amount (other than the Guaranteed Final Redemption Amount, see below) when Due for Payment.
<b>Extendable obligations:</b>	An Extended Due for Payment Date will apply in relation to each Series of Covered Bonds. In respect of each Series, if the CBC is obliged under the Guarantee to pay a Guaranteed Final Redemption Amount, then: <ul style="list-style-type: none"> <li>a) the obligation of the CBC to pay the Guaranteed Final Redemption Amount shall be deferred to, and shall under the Guarantee be due on the Extended Due for Payment Date, provided that if, on any CBC Payment Date which falls prior to the Extended Due for Payment Date, and after the CBC shall under the relevant Priority of Payments have paid or provided for all higher ranking amounts, any amounts are available to the CBC for payment of (or to be reserved for payment of) principal on a Series of Covered Bonds, such available amounts will be applied on the relevant CBC Payment Date towards payment of all Pass-Through Covered Bonds; and</li> <li>b) the CBC shall under the Guarantee owe interest over the unpaid portion of the Guaranteed Final Redemption Amount.</li> </ul>
<b>Pass-Through Covered Bonds:</b>	If a Covered Bond has not been repaid in full on its Maturity Date, such Covered Bond becomes a Pass-Through Covered Bond. If an Issuer Event of Default has occurred and a Notice

to Pay and a Breach of Amortisation Test Notice have been served, all Covered Bonds of each Series become Pass-Through Covered Bonds.

**Pass-Through structure**

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

**GUARANTEE SUPPORT AND  
THE MORTGAGE  
RECEIVABLES:**

**Guarantee Support:**

Each Transferor may sell and transfer Eligible Assets to the CBC in accordance with the Guarantee Support Agreement. At the option of the Issuer, subject always to Rating Agency Confirmation, New Transferors may accede to the Guarantee Support Agreement. The Issuer will use its best efforts, and the CBC will use reasonable efforts, to ensure, among other things, that the Asset Cover Test is satisfied as at the end of each calendar month, as calculated on the immediately succeeding Calculation Date and the Issuer shall use its best efforts to transfer or procure the transfer of sufficient Eligible Receivables either directly by the Issuer or indirectly, upon instruction of the Issuer, by the other Transferors to the CBC.

As part of the Asset Cover Test the Issuer will use its best efforts, and the CBC will use its reasonable efforts to ensure that as at the end of each calendar month until the service of a Notice to Pay or CBC Acceleration Notice:

- (i) the Adjusted Aggregate Asset Amount shall be an amount at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds at the end of such calendar month (or with respect to item B of the Asset Cover Test, up to the date specified in item B), all as calculated on the immediately succeeding Calculation Date;
- (ii) the Net Outstanding Principal Amount of all Mortgage Receivables, excluding any Defaulted Receivables, plus (a) the Collateral Market Value of all Transferred Collateral in the form of Substitution Assets plus (b) all amounts standing to the balance of the CBC Transaction Accounts, excluding Swap Collateral and excluding amounts standing to the balance of the Construction Account, shall be at least equal to 115% of the



- aggregate Principal Amount Outstanding of the Covered Bonds at the end of such calendar month all as calculated on the immediately succeeding Calculation Date;
- (iii) the First Regulatory Current Balance Amount shall be at least equal to 105%, or such other percentage as may be required from time to time under the CB Regulations, of the aggregate Principal Amount Outstanding of the Covered Bonds at the end of such calendar month (or with respect to item B of the Asset Cover Test, up to the date specified in item (B)) all as calculated on the immediately succeeding Calculation Date; and
  - (iv) the Second Regulatory Current Balance Amount shall be at least equal to 100%, or such other percentage as may be required from time to time under the CB Regulations, of the aggregate Principal Amount Outstanding of the Covered Bonds at the end of such calendar month (or with respect to item B of the Asset Cover Test, up to the date specified in item (B)) all as calculated on the immediately succeeding Calculation Date.

**Mortgage Receivables:**

Under the Guarantee Support Agreement, the Transferors may sell and assign any and all rights under Mortgage Loans ("**Mortgage Receivables**") of the relevant Transferor against certain borrowers (the "**Borrowers**") and all claims which the Transferors have or will have as beneficiary vis-à-vis an Insurance Company in respect of the relevant Insurance Policy under which the relevant Transferors have been appointed as first beneficiary ("*begunstigde*") in connection with a Mortgage Receivable (the "**Beneficiary Rights**"), subject to the fulfilment of certain conditions. The "**Mortgage Loans**" shall, after sale and assignment of Eligible Receivables having taken place and to the extent not redeemed, retransferred, sold or otherwise disposed of by the CBC, be the loans entered into or acquired by the relevant Transferor vis-à-vis the relevant Borrowers set out in the relevant deed of sale, assignment and pledge and will result from loans secured by a first-ranking Mortgage over (i) a real property ("*onroerende zaak*"), (ii) an apartment right ("*appartementsrecht*") or (iii) a long lease ("*erfpacht*"), (together with real property and apartment rights, the "**Mortgaged Assets**"), situated in the Netherlands and entered into or acquired by the relevant Transferor vis-à-vis the relevant Borrowers. See *Guarantee Support Agreement* below.

The Mortgage Loans have the characteristics that demonstrate the capacity to produce funds to service payments by the CBC under the Guarantee.

**Borrowers:**

"**Borrowers**" means the debtors under the Mortgage Loans or, as the context may require, other Eligible Assets.

**Savings Participation Agreements:**

The CBC has entered into participation agreements (each a "**Savings Participation Agreement**") with each Savings Participant. Each Insurance Policy in connection with an

Insurance Savings Mortgage Loan or a Switch Mortgage Loan with an alternative whereby the premiums are deposited into an account held in the name of the relevant Insurance Company with the relevant Transferor (the "**Savings Alternative**") (such insurance policies are collectively referred to as "**Savings Linked Insurance Policies**", the Switch Mortgage Loans with a Savings Alternative and Insurance Savings Mortgage Loans are referred to as the "**Savings Mortgage Loans**" and the Mortgage Receivables relating to such Savings Mortgage Loans are referred to as the "**Savings Mortgage Receivables**").

In the Savings Participation Agreement the relevant Savings Participant is obliged to pay to the CBC amounts equal to such part of the insurance premium received from the relevant Borrowers as savings amount used to build up capital ("**Savings Premium**"). In return, the Savings Participant is entitled to receive the Participation Redemption Available Amount from the CBC.

The rights and obligations of the Savings Participant and the CBC will be effective as from the date of signing of the relevant Savings Participation Agreement. See further '*Savings Participation Agreements*' below.

**Administration Agreement:**

Under the terms of the Administration Agreement entered into on the Programme Date between the CBC, the Administrator and the Security Trustee, the Administrator agrees to provide certain administration, calculation and cash management services to the CBC on a day-to-day basis, including without limitation, all calculations to be made pursuant to the Conditions in connection with the Covered Bonds. The Administrator is permitted to sub-contract its administration role to a third party administrator subject to any applicable conditions in the Administration Agreement.

**Back-up Administration Agreement:**

Under the terms of the Back-up Administration Agreement (the "**Back-up Administration Agreement**") entered into on the Programme Date between the CBC, the Administrator, the Security Trustee and the Back-up Administrator, the Back-up Administrator is appointed as substitute administrator to perform certain administration, calculation and cash management services for the CBC on a day-to-day basis, in accordance with and subject to the provisions of the Administration Agreement and the provisions of the Back-up Administration Agreement under the condition precedent (*opschortende voorwaarde*), that the appointment of NIBC Bank as administrator under the Administration Agreement has been terminated.

**Servicing Agreement:**

Under the terms of a servicing agreement (the "**Servicing Agreement**") entered into on the Programme Date between the CBC, the Servicer and the Security Trustee, the Servicer agrees (i) to provide administration and management services in relation to the relevant Mortgage Loans on a day-to-day basis, including, without limitation, the collection of payments of principal, interest and all other amounts in respect of the relevant Mortgage Loans and the

implementation of arrears procedures including, if applicable, the enforcement of mortgages, any other related security and other collateral, if applicable; (ii) to communicate with the Borrowers and (iii) to investigate payment delinquencies. The Servicer is permitted to sub-contract its servicing role to an affiliate of the Issuer or any third party subject to Rating Agency Confirmation and provided that the Servicer shall continue to be liable as if no such delegation had taken place.

In accordance with the Servicing Agreement, the Servicer will initially appoint STATER Nederland B.V., Quion Hypotheekbemiddeling B.V., Quion Hypotheekbegeleiding B.V. and Quion Services B.V. as the Sub-servicers to provide certain of the services in respect of the Mortgage Loans as set out in Servicing Agreement ("**Pool Services**").

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

**Subordinated Loan Agreement:**

The CBC and the Subordinated Loan Provider have entered into a subordinated loan agreement ("**Subordinated Loan Agreement**") on the Programme Date, under which the Subordinated Loan Provider agrees to provide, from time to time, a subordinated loan, to the CBC, (i) for an amount equal to the Initial Purchase Price to finance the acquisition of New Mortgage Receivables or Substitution Assets and (ii) for an amount required to credit the Reserve Account up to the higher of (a) the Reserve Account Required Amount and (b) the Liquidity Reserve Required Amount.

**CBC Account Agreement:**

The CBC and the CBC Account Bank have entered into a floating rate guaranteed investment contract (the "**CBC Account Agreement**") on the Programme Date, under which the CBC Account Bank agrees to pay a guaranteed rate of interest equal to EONIA minus 5 basis points per annum, with a minimum interest rate of 0.00 per cent (the "**CBC Transaction Accounts Interest Rate**") on the balance standing to the credit of each CBC Transaction Account from time to time (the "**CBC Transaction Accounts Funds**"), however, in case the ECB main refinancing rate is negative the interest rate will be negative with an annual percentage equal to the ECB main refinancing rate or such other interest rate as may be agreed between the CBC Account Bank and the CBC.

**CBC Account:**

The CBC shall maintain with the CBC Account Bank an account, or such replacement account with the consent of the Security Trustee (the "**CBC Account**" and any additional or replacement accounts) to which all amounts to be received in respect of the Transferred Asset and other amounts by the CBC are to be paid.

**Construction Account:**

The CBC shall maintain with the CBC Account Bank an account (the "**Construction Account**") to which all amounts corresponding to the aggregate Construction Deposits will be credited.

<b>Swap Collateral Account:</b>	The CBC shall maintain with the CBC Account Bank an account (the " <b>Swap Collateral Account</b> ") to hold Swap Collateral in the form of cash.
<b>Reserve Account:</b>	The CBC shall maintain with the CBC Account Bank an account (the " <b>Reserve Account</b> ") to which the Reserve Account Required Amount and the Liquidity Reserve Required Amount will be credited (as applicable and available to the CBC) (such account together with the CBC Account, the Construction Account and the Swap Collateral Account referred to as the " <b>CBC Transaction Accounts</b> ").
<b>Collection Foundations Accounts:</b>	All payments made by the Borrowers in respect of the Mortgage Loans will be paid or have been directed to be paid into the bank accounts maintained by the relevant Collection Foundation (the " <b>Collection Foundations Accounts</b> ").
<b>Collection Foundation Account Pledge Agreements:</b>	(i) In respect of Quion 30 and Hypinvest Hypotheken, the pledge agreement between, among others, the CBC, the Security Trustee, the Previous Transaction SPVs, the Previous Transaction Security Trustees, Quion 30 and Hypinvest Hypotheken dated 8 June 2018 and (ii) in respect of NIBC Direct Hypotheken and Hypinvest, the pledge agreement between, among others, the CBC, the Security Trustee, Previous Transaction SPVs, the Previous Transaction Security Trustees, NIBC Direct Hypotheken and Hypinvest dated 1 June 2018 (each a " <b>Collection Foundation Account Pledge Agreement</b> ").
<b>Receivables Proceeds Distribution Agreements:</b>	(i) In respect of Quion 30 and Hypinvest Hypotheken, the receivables proceeds distribution agreement between, among others, the Issuer, the Security Trustee, the Previous Transaction SPVs, the Previous Transaction Security Trustees, Quion 30 and Hypinvest Hypotheken and Stichting Hypotheek Ontvangsten dated 17 June 2014, as lastly amended and restated on 8 June 2018 and (ii) in respect of Hypinvest and NIBC Direct Hypotheken, the receivables proceeds distribution agreement between, among others, the Issuer, the Security Trustee, the Previous Transaction SPVs, the Previous Transaction Security Trustees, Hypinvest, NIBC Direct Hypotheken and Stichting Ontvangsten Hypotheekgeld dated 12 May 2016, as amended and restated on 1 June 2018.
<b>Swap Agreements:</b>	There may be certain mismatches between the interest to be received on the Transferred Assets and the CBC Transaction Accounts and the amounts payable under the Covered Bonds. In order to mitigate certain mismatches, the CBC may enter into appropriate hedging arrangements subject to Rating Agency Confirmation.
<b>Management Agreements:</b>	Each of the CBC, the Security Trustee and the Stichting Holding have entered into a management agreement (together the " <b>Management Agreements</b> ") with the relevant Director, under which the relevant Director has undertaken to act as director of the CBC, the Security Trustee or the Stichting Holding, respectively, and to perform certain services in connection therewith.

**Deposit Agreement:**

Each of the CBC, the Security Trustee, the Issuer, the Transferors and a civil law notary have entered into a deposit agreement (the "**Deposit Agreement**") on the Programme Date as amended, supplemented, restated or otherwise modified, pursuant to which the Transferor and/or Originators will deposit personal data with respect to Borrowers with a civil law notary who may only release such information to the CBC and/or the Security Trustee upon the occurrence of Notification Event.

**Sale or Refinancing of Transferred Assets:**

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

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

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

See further Chapter 17 '*Asset Monitoring*' sub section '*Sale or Refinancing of Selected Assets*'.

**CBC Priority of Payments:**

Prior to the service of a CBC Acceleration Notice, on each CBC Payment Date the relevant available funds will be applied or reserved for the period up to the immediately following CBC Payment Date as follows:

- (a) *first*, in or towards satisfaction of all amounts due and payable or to become due and payable to the Security Trustee in the immediately following CBC Payment Period under the provisions of the Trust Deed, together with interest;
- (b) *second*, in or towards satisfaction of taxes owing by the CBC to any tax authority accrued and unpaid (to the extent such amounts cannot be paid out of item (ix) of the Interest Available Amount)
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts owing thereto of any remuneration and any costs, charges, liabilities and expenses then due and payable to the Paying Agents or the Registrar under or pursuant to the Agency Agreement and to any Calculation Agent under any Calculation Agency Agreement or Agency Agreement;
- (d) *fourth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts owing thereto of:
  - any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicer in the immediately following CBC Payment Period under the provisions of the Servicing Agreement;
  - any remuneration then due and payable to the Administrator and any costs, charges, liabilities and expenses then due or to become due and payable to the Administrator in the immediately following CBC Payment Period under the provisions of the Administration Agreement;
  - any remuneration then due and payable to the Back-up Administrator and any costs, charges, liabilities and expenses then due or to become due and payable to the Back-up Administrator in the immediately following CBC Payment Period under the provisions of the Back-up Administration Agreement;
  - amounts (if any) due and payable to the CBC Account Bank (including costs) pursuant to the terms of the CBC Account Agreement;
  - any amounts (including costs and expenses) due and payable to the Directors; and
  - any amounts due and payable to the Asset Monitor (other than the amounts referred to in paragraph (j) below) pursuant to the terms of the Asset Monitor Appointment Agreement;
- (e) *fifth*, in or towards satisfaction or to be reserved for payment *pro rata* and *pari passu* in accordance with the respective amounts owing thereto of:
  - i. to each Swap Counterparty, all amounts (including any termination payment due and payable by the

CBC under the relevant Swap Agreement to the extent not paid from any Swap Replacement Amounts but excluding any Excluded Swap Termination Amount) then due to it or as will become due and payable to it in the immediately following CBC Payment Period under the relevant Swap Agreement; and

- ii. all Scheduled Interest that is Due for Payment or will become Due for Payment in the immediately succeeding CBC Payment Period under the Guarantee in respect of any Series of Covered Bonds to the extent that such amounts (i) are not scheduled to be paid in the relevant CBC Payment Period from amounts received (or to be received) under any Swap Agreement connected to such Series or (ii) are scheduled to be paid in the immediately succeeding CBC Payment Period from amounts received (or to be received) under any Swap Agreement connected to such Series but the Administrator determines in its sole discretion may not be available as scheduled due to the potential non-performance by a Swap Counterparty of its obligations pursuant to the relevant Swap Agreement;
- (f) *sixth*, in or towards satisfaction of any sums required to replenish the Reserve Account up to the amount equal to the higher of (i) the Reserve Account Required Amount and (ii) the Liquidity Reserve Required Amount;
- (g) *seventh*, in or towards satisfaction or to be reserved for payment, *pro rata* and *pari passu* according to the respective amounts owing thereto, of all Scheduled Principal that is Due for Payment or will become Due for Payment in the immediately succeeding CBC Payment Period under the Guarantee in respect of any Series of Covered Bonds;
- (h) *eighth*, after the earlier to occur of (i) service of a Breach of Asset Cover Test Notice (to the extent the Breach of Asset Cover Test is not remedied on such date) and (ii) service of an Issuer Acceleration Notice and a Notice to Pay on the CBC, to deposit the remaining moneys in the CBC Account for application on the next following CBC Payment Date in accordance with this priority of payments, until the Covered Bonds have been fully repaid or provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series);
- (i) *ninth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any Excluded Swap Termination Amount due and payable by the CBC to the relevant Swap Counterparty under the relevant Swap Agreement;

- (j) *tenth*, in or towards satisfaction of any indemnity amount due to the Transferors pursuant to the Guarantee Support Agreement and certain costs, expenses and indemnity amounts due by the CBC to the Asset Monitor pursuant to the Asset Monitor Appointment Agreement;
- (k) *eleventh*, in or towards satisfaction of any interest due on the Subordinated Loan;
- (l) *twelfth*, in or towards satisfaction of any principal due on the Subordinated Loan; and
- (m) *thirteenth*, in or towards satisfaction of a Deferred Purchase Price Instalment to the Issuer for the benefit of the Transferors.

**Post CBC Acceleration Notice  
Priority of Payments:**

After the service of a CBC Acceleration Notice and following the enforcement of the security rights, the relevant available funds will be applied, as follows:

- (a) *first*, in or towards satisfaction of all amounts due and payable or to become due and payable to the Security Trustee under the provisions of the Trust Deed together with interest;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts owing thereto, of any remuneration and any costs, charges, liabilities and expenses then due and payable to the Paying Agents or the Registrar under or pursuant to the Agency Agreement and to any Calculation Agent under any Calculation Agency Agreement or Agency Agreement;
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts owing thereto of:
  - (i) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicer under the provisions of the Servicing Agreement;
  - (ii) any remuneration then due and payable to the Administrator and any costs, charges, liabilities and expenses then due or to become due and payable to the Administrator under the provisions of the Administration Agreement;
  - (iii) any remuneration then due and payable to the Back-up Administrator and any costs, charges, liabilities and expenses then due or to become due and payable to the Back-up Administrator under the provisions of the Back-up Administration Agreement;
  - (iv) amounts (if any) due and payable to the CBC Account Bank (including costs)



- pursuant to the terms of the CBC Account Agreement; and
- (v) amounts (including costs and expenses) due to the Directors
- (d) *fourth*, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts owing thereto, of any amounts due and payable:
    - (i) to the Swap Counterparties under the relevant Swap Agreements (including, but not limited to, any termination payment due and payable by the CBC under the relevant Swap Agreement to the extent not paid from any Swap Replacement Amounts but excluding any Excluded Swap Termination Amounts); and
    - (ii) to the Covered Bondholders *pro rata* and *pari passu* in respect of interest due and payable on each Series in accordance with the Guarantee;
  - (e) *fifth*, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts owing thereto, of any amounts due and payable to the Covered Bondholders *pro rata* and *pari passu* in respect of principal due and payable on each Series in accordance with the Guarantee;
  - (f) *sixth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts owing thereto, of any Excluded Swap Termination Amounts due and payable by the CBC to the relevant Swap Counterparty under the relevant Swap Agreement;
  - (g) *seventh*, in or towards satisfaction of any interest due on the Subordinated Loan;
  - (h) *eighth*, in or towards satisfaction of any principal due on the Subordinated Loan; and
  - (i) *ninth*, in or towards satisfaction of a Deferred Purchase Price Instalment to the Issuer for the benefit of the Transferors.

**OTHER:**

**Ratings:**

It was a condition precedent for the first issue of Covered Bonds under the Programme that the Covered Bonds had on issue, been assigned the highest rating by the Rating Agencies. Each further issue of a Series of Covered Bonds will have ratings equal to the then current rating assigned to the outstanding Series of Covered Bonds.

**Transaction Documents:**

The Programme Agreement, the Master Definitions Agreement, the Pledge Agreements, the Swap Agreements, the Administration Agreement, the Back-up Administration Agreement, the Servicing Agreement, the CBC Account Agreement, the Trust Deed, the Parallel Debt Agreement, the

Agency Agreement, any Calculation Agency Agreement, the Guarantee Support Agreement, the Receivables Proceeds Distribution Agreements, the Collection Foundation Account Pledge Agreements, any Savings Participation Agreement, the Asset Monitoring Agreement, any Asset Monitor Appointment Agreement, the Management Agreements, the Deposit Agreement and the Subordinated Loan Agreement.

**Governing Law:**

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

**Risk factors:**

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

**business day:**

a reference to a day on which banks are generally open for business in Amsterdam and London, provided that such day is also a day on which TARGET 2 or any successor thereto is operating credit or transfer instructions in respect of payments in euro.

**CB Regulations:**

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

### 3. RISK FACTORS

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

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

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

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

The Issuer's revenues and earnings are affected by the volatility and strength of the economic, business and capital markets environments specific to the geographic regions in which it conducts its business. The ongoing turbulence and volatility of such factors have affected, and may continue to (adversely) affect, the profitability and solvency of the Issuer.

Factors such as interest rates, securities prices, credit spreads, liquidity spreads, exchange rates, consumer spending, changes in client behaviour, business investment, real estate and private equity valuations, government spending, inflation, the volatility and strength of the capital markets, political events and trends, and terrorism all impact the business and economic environment and, ultimately, its solvency, liquidity and the amount and profitability of business the Issuer conducts in a specific geographic region. In an economic downturn characterised by higher unemployment, lower family income, lower corporate earnings, higher corporate and private debt defaults, lower business investments, and lower consumer spending, the demand for banking products is usually adversely affected and the Issuer's reserves and provisions typically would increase, resulting in overall lower earnings. Securities prices, real estate values and private equity valuations may also be adversely impacted, and any such losses would be realised through profit and loss and shareholders' equity. The Issuer also offers a number of financial products that expose it to risks associated with fluctuations in interest rates, securities prices, corporate and private default rates, the value of real estate assets, exchange rates and credit spreads. See also "*Interest rate volatility and other interest rate changes may adversely affect the Issuer's profitability*", "*Continued turbulence and volatility in the financial markets and economy generally have affected the Issuer, and may continue to do so*", "*Market conditions observed over the past few years may increase the risk of loans being impaired*" and "*The Issuer is exposed to declining values on the collateral supporting residential and commercial real estate, as well as shipping and infrastructure lending*" below.

In case one or more of the factors mentioned above adversely affects the profitability of the Issuer's business this might also result, among other things, in the following:

- reserve inadequacies which could ultimately be realised through profit and loss and shareholders' equity;
- the write down of tax assets impacting net results;
- impairment expenses related to goodwill and other intangible assets, impacting net results; and/or
- movements in risk weighted assets for the determination of required capital.

Shareholders' equity and the Issuer's net result may be significantly impacted by ongoing turbulence and volatility in the worldwide financial markets and the economy generally. Negative developments in financial markets and/or economies, and changes in the regulatory environment in which the Issuer operates, may have a material adverse impact on shareholders' equity and net results in future periods, including as a result of the potential consequences listed above. See "*Continued turbulence and volatility in the financial markets and economy generally have affected the Issuer, and may continue to do so*" below.

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

The capital and credit markets have been experiencing ongoing volatility and disruption. Adverse capital market conditions may affect the availability and cost of borrowed funds, thereby impacting the Issuer's ability to support or grow its businesses.

The Issuer needs liquidity in its day-to-day business activities to pay its operating expenses, interest on its debt and dividends on its capital stock and to maintain its repo activities; and to replace certain maturing liabilities. Without sufficient liquidity, the Issuer may be forced to curtail its operations and its business may suffer. The principal sources of its funding are client deposits, including from retail clients, and medium- and long-term debt securities. Other sources of funding may also include a variety of short- and long-term instruments, including repurchase agreements, commercial paper, medium- and long-term debt, subordinated debt securities, securitised debt, capital securities and shareholders' equity.

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

Disruptions, uncertainty or volatility in the capital and credit markets, such as that experienced over the past few years, including in relation to the ongoing European sovereign debt crisis, may also limit the Issuer's access to capital required to operate its business. Such market conditions may in the future limit the Issuer's ability to raise additional capital to support business growth, or to counter-balance the consequences of losses or increased regulatory capital requirements. This could force the Issuer to (1) delay raising capital, (2) reduce, cancel or postpone interest payments on its capital securities, (3) issue capital of different types or under different terms than the Issuer would otherwise offer, or (4) incur a higher cost of capital than it would in a more stable market environment. This would have the potential to decrease both the Issuer's profitability and its financial flexibility. The Issuer's results of operations, financial condition, cash flows and regulatory capital position could be materially adversely affected by disruptions in the financial markets.

The Issuer is subject to the jurisdiction of a variety of banking regulatory bodies, some of which have proposed regulatory changes that, if implemented, would hinder its ability to manage its liquidity in a centralised manner. Furthermore, regulatory liquidity requirements in certain jurisdictions in which the Issuer operates are generally becoming more stringent, including those forming part of the "Basel III" and in the future "Basel IV" requirements, discussed further below under "The Issuer operates in

highly regulated industries. There could be an adverse change or increase in the financial services laws and/or regulations governing its business", undermining the Issuer's efforts to maintain centralised management of its liquidity. These developments may cause trapped pools of liquidity, resulting in inefficiencies in the cost of managing the Issuer's liquidity.

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

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

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

**Because the Issuer's businesses are subject to losses from unforeseeable and/or catastrophic events, which are inherently unpredictable, the Issuer may experience an abrupt interruption of activities, which could have an adverse effect on its financial condition.**

Because unforeseeable and/or catastrophic events can lead to an abrupt interruption of activities, the Issuer's business operations may be subject to losses resulting from such disruptions (as discussed further below under "There is operational risk associated with the Issuer's industry which, when realised, may have an adverse impact on its results"). Losses can relate to property, financial assets, trading positions, insurance and pension benefits to employees and also to key personnel. If the Issuer's business continuity plans are not able to be put into action or do not take such events into account, the Issuer's financial condition could be adversely affected.

**The Issuer operates in highly regulated industries. There could be an adverse change or increase in the financial services laws and/or regulations governing its business.**

The Issuer is subject to detailed banking, investment services and other financial services laws and government regulation in each of the jurisdictions in which the Issuer conducts business. Regulatory agencies have broad administrative power over many aspects of the financial services business, which may include liquidity, capital adequacy and permitted investments, ethical issues, anti-money laundering, anti-terrorism measures, privacy, record keeping, product and sale suitability, and marketing and sales practices, and the Issuer's own internal governance practices. Banking, investment services and other financial services laws, regulations and policies currently governing the Issuer may also change at any time and in ways which have an adverse effect on its business, and it is difficult to predict the timing or form of any future regulatory or enforcement initiatives in respect thereof. Also, bank regulators and other supervisory authorities continue to scrutinise the financial services industry and its activities under regulations governing such matters as money-laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures. Regulation is becoming increasingly more extensive and complex and regulators are focusing with increased scrutiny on the industries in which the Issuer operates, often requiring additional resources from the Issuer. These regulations can serve to limit the Issuer's activities, including through its net capital, customer protection and market conduct requirements, and

restrictions on businesses in which the Issuer can operate or invest. If the Issuer fails to address, or appears to fail to address, appropriately any of these matters, its reputation could be harmed and it could be subject to additional legal risk, which could, in turn, increase the size and number of claims and damages asserted against the Issuer or subject it to enforcement actions, fines and penalties.

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

Further, the International Accounting Standards Board has proposed certain amendments to several IFRS standards (including but not limited to the new standards known as IFRS 9 'Financial Instruments', which replaces IAS 39) which could also have a material impact on the Issuer's reported results and financial condition.

In addition to the adoption of the laws, regulations and other measures described above and below, regulators and lawmakers around the world are actively reviewing the causes of the financial crisis and exploring steps to avoid similar problems in the future. In many respects, this work is being led by the Financial Stability Board ("FSB"), consisting of representatives of national financial authorities of the G20 nations. The G20 and the FSB have issued a series of papers and recommendations intended to produce significant changes in how financial companies, particularly companies that are members of large and complex financial groups, should be regulated. These proposals address such issues as financial group supervision, capital and solvency standards, systemic economic risk, corporate governance including executive compensation, and a host of related issues associated with responses to the financial crisis. The lawmakers and regulatory authorities in a number of jurisdictions in which the Issuer conducts business have already begun introducing legislative and regulatory changes consistent with G20 and FSB recommendations, including proposals governing executive compensation by the financial regulators in the Netherlands, (*De Nederlandsche Bank N.V.*, "DNB"), Germany (The Federal Financial Supervisory Authority) and the United Kingdom (The Financial Conduct Authority).

The Issuer cannot predict whether or when future legislative or regulatory actions may be taken, or what impact, if any, actions taken to date or in the future could have on its business, financial condition, results of operations, capital, liquidity and/or prospects.

Despite the Issuer's efforts to maintain effective compliance procedures and to comply with applicable laws and regulations, there is a risk that the Issuer may fail to meet applicable standards, for example in areas where applicable regulations may be unclear, subject to multiple interpretation or under development or may conflict with one another or where regulators revise their previous guidance or courts overturn previous rulings. Regulators and other authorities have the power to bring administrative or judicial proceedings against the Issuer, which could result, amongst other things, in suspension or revocation of its licences, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially harm the Issuer's results of operations and financial condition.

#### **Minimum regulatory capital and liquidity requirements**

The Issuer is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements. Specifically, in December 2010, the Basel Committee on Banking Supervision published its final standards on the revised capital adequacy framework known as "Basel III". These standards are significantly more stringent

than the requirements until then. In order to facilitate the implementation of the Basel III capital and liquidity standards for banks and investment firms, on 26 June 2013 the Council and the European Parliament adopted the package known as "CRD IV Directive" and a regulation (EU/575/2013, "CRR") which aim to create a sounder and safer financial system. The CRD IV Directive governs amongst other things the permissibility of deposit-taking activities while the CRR establishes the majority of prudential requirements institutions need to respect.

The CRR entered into force on 1 January 2014. On 1 August 2014, the CRD IV Directive entered into force. The application in full of all measures under CRD IV (including any national implementation thereof in the Netherlands) will have to be completed before 1 January 2019.

CRD IV, in implementing Basel III, is intended to increase the quality and quantity of capital, requires increased capital against derivative positions and introduces a capital conservation buffer, a counter-cyclical buffer, a systemic risk buffer, a new liquidity framework (liquidity coverage ratio and net stable funding ratio) as well as a leverage ratio. The leverage ratio is defined as Tier-1 capital divided by a measure of non-risk weighted assets. The leverage ratio requirement will be phased in gradually and is expected to become a binding harmonised requirement (as part of the EU Banking Reforms). If Basel III is followed under CRD IV, the leverage ratio may not fall below 3%. Although there is still uncertainty as to the exact percentage and the scope of the leverage ratio under CRD IV, the European Commission has proposed a binding leverage ratio of 3% pursuant to the EU Banking Reforms (as further described below). According to the proposal, competent authorities remain responsible for monitoring leverage policies and processed of individual institutions and may impose additional measures to address risk of excessive leverage, if warranted. Prior to the announcement of the EU Banking Reforms, the Dutch government announced earlier that it wishes to implement a leverage ratio of at least 4% for significant Dutch banks. However, the Issuer is currently no such significant bank. Also, international discussions are ongoing regarding a possible leverage ratio surcharge for global systematically important banks ("**G-SIBs**"). The Issuer does not qualify as such.

There can be no assurance that, prior to its implementation, the Basel Committee will not amend the package of reforms described above. Further, the European Commission, the ECB, the Netherlands and/or DNB may implement the package of reforms in a manner that is different from that which is currently envisaged, or may impose additional capital and liquidity requirements on Dutch banks. If the regulatory capital requirements, liquidity restrictions or ratios applied to the Issuer are increased in the future, any failure of the Issuer to maintain such increased capital and liquidity ratios could result in administrative actions or sanctions, which may have an adverse effect on the Issuer's results of operations or financial condition.

In December 2014 the Basel Committee published consultative documentation on, among other things, revisions to capital floors and to the standardised approach for credit risk, which determines the minimum capital requirements for a bank. In December 2015, the Basel Committee published a second consultative document on the standardised approach for credit risk. This proposal relates, among other things, to the risk weight calculation of residential real estate loans. Residential real estate would no longer receive a fixed 35% risk weight. Instead, risk weights would be based on the amount of the loan relative to the value of the real estate securing the loan (i.e. the loan-to-value ratio). This is considered as a detrimental development for Dutch banks and may have a negative impact on their capital ratios, should these proposals become effective.

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

package will be adopted in 2018. Except for certain elements, such as the envisaged application of TLAC as of 1 January 2019 and the required implementation in the Member States of the 'non-preferred' senior debt ultimately by 29 December 2018, the timing for the entry into force of these reforms is, however, unclear at the date of this Base Prospectus.

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

Any of the above factors may materially adversely affect the Issuer's financial position and results of operations and therefore its ability to make payments on the Covered Bonds. Potential investors should consult their own advisers as to the consequences to and effect on them of the application of Basel III, as implemented by their own regulator, and any changes thereto, to their holding of any Covered Bonds. Neither the Issuer, the Arrangers, the Dealers, the CBC nor the Security Trustee are responsible for informing Covered Bondholders of the effects on the changes to risk-weighting of regulatory capital which amongst others may result for investors from the adoption by their own regulator of Basel III (whether or not implemented by them in its current form or otherwise).

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

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

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

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

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



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

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

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

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

The EU Banking Reforms (as described above under "*Minimum regulatory capital and liquidity requirements*") include various amendments to the BRRD and SRM framework. Among others, the EU Banking Reforms contain a proposal for the implementation of the TLAC standard as well as an amendment of the MREL framework to integrate the TLAC standard. The TLAC standard adopted by the Financial Stability Board aims to ensure that G-SIBs have sufficient loss-absorbing and recapitalisation capacity available in resolution. To maintain coherence between the MREL rules

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

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

The Issuer is unable to predict what effects, if any, the BRRD, the BRRD Implementation Act, the SRM Regulation and the special resolution powers under the Wft may have on the financial system generally, the Issuer's counterparties, or on the Issuer or the CBC, and their operations and/or their financial position or the Covered Bonds

#### **Financial transaction tax**

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

The Commission's Proposal has a very broad scope and could, if introduced in its current form, apply to certain dealings in bonds (including secondary market transactions) in certain circumstances. The issuance and subscription of covered bonds should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Given the lack of certainty surrounding the Commission's Proposal, it is not possible to predict what

effect the proposed FTT might have. Prospective investors are advised to seek their own professional advice in relation to the FTT.

## **EMIR**

EU Regulation 648/2012 on OTC derivatives, central counterparties and trade repositories (commonly known as the European Market Infrastructure Regulation) ("**EMIR**") entered into force on 16 August 2012. It establishes certain requirements for OTC derivative contracts, including a mandatory clearing obligation, risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty and reporting requirements.

Under EMIR, (i) financial counterparties ("**FC**") and (ii) non-financial counterparties whose positions in OTC derivatives (including the positions of other non-financial entities in its group, but excluding any hedging positions) exceed a specified clearing threshold ("**NFC+**") must clear OTC derivative contracts that are entered into on or after the effective date for the clearing obligation, provided that such class of OTC derivative contracts has been declared subject to the clearing obligation. The Issuer is however of the view that the CBC currently qualifies as a non-financial counterparty whose positions in OTC derivatives are below the specified clearing threshold referred to under (ii) above ("**NFC**"). That is, because the CBC's only positions in OTC derivatives would be the positions under the Swap Agreement (if any), which in its view would qualify as hedging positions under EMIR. In addition, to the Issuer's knowledge, no other non-financial entity in the CBC's group exceeds the clearing threshold. Should the CBC nonetheless qualify as a NFC+ (or FC), it would in principle become subject to the clearing obligation when entering into, and in respect of, derivative contracts with another NFC+ or FC (or an entity established in a third country that is equivalent thereto) declared subject thereto, although an exemption may be available.

OTC derivative contracts that are not cleared by a CCP are subject to certain other risk-mitigation requirements. These include arrangements for timely confirmation of OTC derivative contracts, portfolio reconciliation, dispute resolution and arrangements for monitoring the value of outstanding OTC derivative contracts. Certain of these risk mitigation requirements may impose obligations on the CBC in relation to any Swap Agreement (if any). Another risk mitigation requirement under EMIR is the mandatory margining of non-cleared OTC derivative contracts, which is currently being phased in. This requirement does, however, not apply to NFC's, such as the CBC (see above). Moreover, the risk management procedures for derivatives associated with covered bonds may specify that variation margin is not posted by the covered bond issuer or cover pool and that initial margin is not posted or not collected or neither. This is, however, subject to certain conditions, which are substantially similar to the conditions for the clearing exemption referred to above.

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

The Issuer cannot predict with absolute certainty the impact of these new regulations and rules and which impact it may have on financial markets generally, or on the Issuer's business, financial position and results of operations.

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

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

On 4 May 2017, the European Commission published a proposal for a regulation amending EMIR (the "**Amending Regulation**"). It includes, amongst others, changes to the reporting requirements and the application of the clearing thresholds for non-financial counterparties, the introduction of a

clearing threshold for financial counterparties and the removal of the frontloading requirement for contracts subject to the clearing obligation. The Amending Regulation has yet to go through the EU legislative process and until it is in final form, it is uncertain if and how the proposals will affect the Issuer and/or the CBC. Finally, the timing for the implementation of the Amending Regulation as at the date of this Base Prospectus is unclear.

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

#### **MiFID reform**

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

#### **Benchmark Regulation**

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

#### **Continued turbulence and volatility in the financial markets and economy generally have affected the Issuer, and may continue to do so.**

The Issuer's results of operations are impacted by conditions in the global capital markets and the economy generally. Concerns over the slow economic recovery, the European sovereign debt crisis, the ability of certain countries to remain in the Eurozone, unemployment, the availability and cost of credit, inflation levels, energy costs and geopolitical issues all have contributed to increased volatility and diminished expectations for the economy and the markets in recent years.

These conditions have generally resulted in greater volatility, widening of credit spreads and overall shortage of liquidity and tightening of financial markets throughout the world. In addition, prices for many types of asset-backed securities and other structured products have significantly deteriorated. These concerns have since expanded to include a broad range of fixed income securities, including those rated investment grade and especially the sovereign debt of some EEA countries and the United States, the international credit and interbank money markets generally, and a wide range of financial institutions and markets, asset classes, such as public and private equity, and real estate sectors. Although certain of such conditions have improved in the recent years, as a result of these and other

factors, sovereign governments across the globe, including in regions where the Issuer operates, have also experienced budgetary and other financial difficulties, which have resulted in austerity measures, downgrades in credit ratings by credit agencies, planned or implemented bail-out measures and, on occasion, civil unrest. As a result, the market for fixed income instruments has experienced decreased liquidity, increased price volatility, credit downgrade events, and increased probability of default. These and other factors has resulted in volatile foreign exchange markets. Securities that are less liquid are more difficult to value and may be hard to dispose of. International equity markets have also been experiencing heightened volatility and turmoil, with issuers that have exposure to the real estate, mortgage, private equity and credit markets particularly affected. These events and market upheavals, including extreme levels of volatility, have had and may continue to have an adverse effect on the Issuer's revenues and results of operations.

Reduced consumer confidence could have an adverse effect on the Issuer's revenues and results of operations, including through an increase of lapses or surrenders of policies and withdrawal of client deposits that the Issuer has among other things originated via internet banking.

In many cases, the markets for investments and instruments have been and remain highly illiquid, and issues relating to counterparty credit ratings and other factors have exacerbated pricing and valuation uncertainties. Valuation of such investments and instruments is a complex process involving the consideration of market transactions, pricing models, management judgment and other factors, and is also impacted by external factors such as underlying mortgage default rates, interest rates, rating agency actions and property valuations. The Issuer continues to monitor its exposures, however there can be no assurances that it will not experience further negative impacts to its shareholders' equity or profit and loss accounts in future periods.

**Because the Issuer operates in highly competitive markets, including its home market, it may not be able to increase or maintain its market share, which may have an adverse effect on its results of operations.**

There is substantial competition in the Netherlands and the other countries in which the Issuer does business for the types of Corporate Banking, Retail Banking and other products and services it provides. Customer loyalty and retention can be influenced by a number of factors, including relative service levels, the prices and attributes of products and services, and actions taken by competitors. If the Issuer is not able to match or compete with the products and services offered by the Issuer's competitors, it could adversely impact its ability to maintain or further increase its market share, which would adversely affect its results of operations. Competition could also increase due to new entrants in the markets that may have new operating models that are not burdened by potentially costly legacy operations. Increasing competition in these or any of its other markets may significantly impact its results if the Issuer is unable to match the products and services offered by its competitors. Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have been acquired by or merged into other firms or have declared bankruptcy. These developments could result in the Issuer's competitors gaining greater access to capital and liquidity, expanding their ranges of products and services, or gaining geographic diversity.

The Issuer may experience pricing pressures as a result of these factors in the event that some of its competitors seek to increase market share by reducing prices.

**Operational risks amongst others, are inherent in the Issuer's business.**

The Issuer's businesses depend on the ability to process a large number of transactions efficiently and accurately. Losses can result from inadequately trained or skilled personnel, IT failures, inadequate or failed internal control processes and systems, regulatory breaches, human errors, employee misconduct including fraud, or from external events that interrupt normal business operations. The Issuer depends on the secure processing, storage and transmission of confidential and other information in its computer systems and networks. The equipment and software used in the Issuer's computer systems and networks may be at or near the end of their useful lives or may not be capable of processing, storing or transmitting information as expected. Certain of the Issuer's computer systems and networks may also have insufficient recovery capabilities in the event of a malfunction or loss of data. In addition, such systems and networks may be vulnerable to unauthorised access,

computer viruses or other malicious code and other external attacks or internal breaches that could have a security impact and jeopardise the Issuer's confidential information or that of its clients or its counterparts. These events can potentially result in financial loss, harm to the Issuer's reputation, hinder its operational effectiveness and adversely affect its financial condition. The Issuer also faces the risk that the design and operating effectiveness of its controls and procedures to prevent such events prove to be inadequate or are circumvented. Furthermore, widespread outbreaks of communicable diseases may impact the health of the Issuer's employees, increasing absenteeism, or may cause a significant increase in the utilisation of health benefits offered to its employees, either or both of which could adversely impact its business. Unforeseeable and/or catastrophic events can lead to an abrupt interruption of activities, and the Issuer's operations may be subject to losses resulting from such disruptions. Losses can result from destruction or impairment of property, financial assets, trading positions, the payment of insurance and pension benefits to employees and the loss of key personnel. If the Issuer's business continuity plans are not able to be implemented or do not take such events into account, losses may increase further.

The Issuer has suffered losses from operational risk in the past and there can be no assurance that it will not suffer material losses from operational risk in the future.

**Because the Issuer does business with many counterparties, the inability of these counterparties to meet their financial obligations could have a material adverse effect on its results of operations.**

Third-parties that owe the Issuer money, securities or other assets may not pay or perform under their obligations. These parties include the issuers and guarantors (including sovereigns) of securities the Issuer holds, borrowers under loans originated, customers, trading counterparties, counterparties under swaps, credit default and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. Severe distress or defaults by one or more of these parties on their obligations to the Issuer due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure, etc., or even rumours about potential severe distress or defaults by one or more of these parties or regarding the financial services industry generally, could lead to losses for the Issuer, and defaults by other institutions. In light of experiences with significant constraints on liquidity and high cost of funds in the interbank lending market, and given the high level of interdependence between financial institutions, the Issuer is and will continue to be subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of sovereigns and other financial services institutions.

The Issuer routinely executes a high volume of transactions with counterparties in the financial services industry, resulting in large daily settlement amounts and significant credit and counterparty exposure. As a result, the Issuer faces concentration risk with respect to specific counterparties and customers. The Issuer is exposed to increased counterparty risk as a result of recent financial institution failures and weakness and will continue to be exposed to the risk of loss if counterparty financial institutions fail or are otherwise unable to meet their obligations. A default by, or even concerns about the creditworthiness of, one or more financial services institutions could therefore lead to further significant systemic liquidity problems, or losses or defaults by other financial institutions.

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

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

improper exercise of its rights under such contracts. Bankruptcies, downgrades and disputes with counterparties as to the valuation of collateral tend to increase in times of market stress and illiquidity.

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

**Market conditions observed over the past few years may increase the risk of loans being impaired. The Issuer is exposed to declining values on the collateral supporting residential and commercial real estate, as well as shipping and infrastructure lending.**

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

Economic and other factors could lead to further contraction in the residential mortgage, commercial, shipping and infrastructure lending market (including, without limitation, SME lending) and to further decreases in residential and commercial property prices and in shipping and infrastructure asset prices which could generate substantial increases in impairment losses.

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

Changes in prevailing interest rates may negatively affect the Issuer's business including the level of net interest revenue the Issuer earns, and for its banking business the levels of deposits and the demand for loans. In a period of changing interest rates, interest expense may increase at different rates than the interest earned on assets. Accordingly, changes in interest rates could decrease net interest revenue. Changes in the interest rates may negatively affect the value of the Issuer's assets and its ability to realise gains or avoid losses from the sale of those assets, all of which also ultimately affect earnings.

Declining interest rates may result in:

- lower investment earnings because the interest earnings on the Issuer's fixed income investments could decline in parallel with market interest rates on its assets; and
- lower profitability since the Issuer may not be able to fully track the decline in interest rates in its savings rate.

The Issuer may incur losses due to failures of banks falling under the scope of state compensation schemes.

**Recently announced changes in tax law may impact the Issuer's financial position**

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

In addition, on 22 February 2018, the Court of Justice of the European Union ruled in the joined cases X BV (Case C-398/16) and X NV (Case C-399/16) against the Dutch State Secretary for Finance that certain elements of the Dutch fiscal unity regime for corporate income tax purposes are to be considered an unjustified violation of the freedom of establishment and are therefore contrary to European Union law. As a result, previously announced emergency legislation, changing the Dutch

fiscal unity regime, will most likely enter into force with retroactive effect as from 25 October 2017 at 11:00 am (CET). The legislative proposal has been made public on 6 June 2018 and it is expected to be enacted in the course of 2018. This emergency legislation may have an impact on the tax position of the Issuer and the group companies included in its fiscal unity for Dutch corporate income tax purposes, for instance as regards deductibility of interest expenses.

#### **Risk associated with Compensation Schemes**

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

On 16 April 2014, the (recast) EU Directive on deposit guarantee schemes (2014/49/EU) (the "**Recast Deposit Guarantee Directive**") was adopted. Pursuant to the Recast Deposit Guarantee Directive, the Deposit Guarantee Scheme changes from an ex-post scheme, where the Issuer contributes after the failure of a firm, to an ex-ante scheme where the Issuer and other financial institutions will pay risk-weighted contributions into a fund to cover future drawings under the Deposit Guarantee Scheme. The fund is expected to grow to a target size of 0.8 per cent. of all deposits guaranteed under the Deposit Guarantee Scheme. The target size should be reached by 2024. The costs associated with potential future ex-ante contributions are today unknown, and will depend on the methodology used to calculate risk-weighting, but may be significant. The Recast Deposit Guarantee Directive has been implemented in the Netherlands on 26 November 2015.

#### **The Issuer may be unable to manage its risks successfully through derivatives.**

The Issuer employs various economic hedging strategies with the objective of mitigating the market risks that are inherent in its business and operations. These risks include currency fluctuations, changes in the fair value of its investments, the impact of interest rates, equity markets, credit spread changes and the occurrence of credit defaults. The Issuer seeks to control these risks by, among other things, entering into a number of derivative instruments, such as swaps, options, futures and forward contracts including from time to time macro hedges for parts of its business, either directly as a counterparty or as a credit support provider to affiliate counterparties.

Developing an effective strategy for dealing with these risks is complex, and no strategy can completely insulate the Issuer from risks associated with those fluctuations. The Issuer's hedging strategies also rely on assumptions and projections regarding its assets, liabilities, general market factors and the creditworthiness of its counterparties that may prove to be incorrect or prove to be inadequate. Accordingly, the Issuer's hedging activities may not have the desired beneficial impact on its results of operations or financial condition. Poorly designed strategies or improperly executed transactions could actually increase its risks and losses. Hedging instruments used by the Issuer to manage product and other risks might not perform as intended or expected, which could result in higher (un)realised losses such as credit value adjustment risks or unexpected profit and loss effects, and unanticipated cash needs to collateralise or settle such transactions. Adverse market conditions can limit the availability and increase the costs of hedging instruments, and such costs may not be recovered in the pricing of the underlying products being hedged. In addition, hedging counterparties may fail to perform their obligations resulting in unhedged exposures and losses on positions that are not collateralised. As such, the Issuer's hedging strategies involve transaction costs and other costs,



and if the Issuer terminates a hedging arrangement, it may also be required to pay additional costs, such as transaction fees or breakage costs. It is possible that there will be periods in the future, during which the Issuer has incurred or may incur losses on transactions, perhaps significant, after taking into account the Issuer's hedging strategies. Further, the nature and timing of the Issuer's hedging transactions could actually increase its risk and losses. The Issuer's hedging strategies and the derivatives that the Issuer uses and may use may not adequately mitigate or offset the risk of interest rate volatility, and its hedging transactions may result in losses.

The Issuer's hedging strategy additionally relies on the assumption that hedging counterparties remain able and willing to provide the hedges required by its strategy. Increased regulation, market shocks, worsening market conditions (whether due to the ongoing Euro crisis or otherwise), and/or other factors that affect or are perceived to affect the financial condition, liquidity and creditworthiness of the Issuer may reduce the ability and/or willingness of such counterparties to engage in hedging contracts with it and/or other parties, affecting the Issuer's overall ability to hedge its risks and adversely affecting its business, financial condition, results of operations, liquidity and/or prospects.

**The Issuer may be unable to retain key personnel.**

As a financial services enterprise with a decentralised management structure, the Issuer relies to a considerable extent on the quality of local management in the various countries in which the Issuer operates. The success of the Issuer's operations is dependent, among other things, on the Issuer's ability to attract and retain highly qualified professional personnel. The Issuer's ability to attract and retain key personnel is dependent on a number of factors, including prevailing market conditions and compensation packages offered by companies competing for the same talent.

As a part of the responses of the European Commission and governments throughout Europe to the financial crisis in 2008, there have been and will be various laws and regulations, including those set out in CRD IV, the Guidelines on Remuneration Policies and Practices published by (the predecessor of) the European Banking Authority ("EBA") and the Regulation of DNB on Sound Remuneration Policies 2017 (*Regeling beheerst beloningsbeleid Wft 2017*) (which supersedes the regulation of 2014), the Act prohibiting the payment of variable remuneration to board members and day-to-day policy makers of financial institutions that receive state aid (*Wet bonusverbod staatsgesteunde ondernemingen*) and the Dutch Act on remuneration policy for financial enterprises (*Wet Beloningsbeleid financiële ondernemingen*), including a 20% bonus cap, to ensure that financial institutions' remuneration policies and practices are consistent with and promote for the employees of such financial enterprises sound and effective risk management, and that impose restrictions on the remuneration of personnel, with a focus on risk alignment of performance-related remuneration. These restrictions have had and will have an impact on the Issuer's existing remuneration policies and individual remuneration packages of personnel.

These restrictions, alone or in combination with the other factors described above, could adversely affect the Issuer's ability to retain or attract qualified employees.

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

The Issuer has developed risk management policies and procedures and the Issuer expects to continue to do so in the future. Nonetheless, the Issuer's policies and procedures to identify, monitor and manage risks may not be fully effective, particularly during extremely turbulent times. The methods the Issuer uses to manage, estimate and measure risk are partly based on historic market behaviour. The methods may, therefore, prove to be inadequate for predicting future risk exposure, which may be significantly greater than what is suggested by historic experience. For instance, these methods may not adequately allow prediction of circumstances arising due to the government interventions, stimulus and/or austerity packages, which increase the difficulty of evaluating risks. Other methods for risk management are based on evaluation of information regarding markets, customers or other information that is publicly known or otherwise available to the Issuer. Such information may not always be correct, updated or correctly evaluated.

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

When new financial products are brought to the market, although communication and marketing aims to present a balanced view of the product, there is a focus on potential advantages for the customers. Whilst the Issuer engages in a due diligence process when it develops financial products and enters into financial transactions, if such products or transactions do not generate the expected profit for the Issuer's clients, or result in a loss, or otherwise do not meet expectations, customers may file mis-selling claims against the Issuer. Mis-selling claims are claims from customers who allege that they have received misleading advice or other information from either the Issuer internal or external advisors (even though the Issuer does not always have full control over the external advisors). Complaints may also arise if customers feel that they have not been treated reasonably or fairly, or that the duty of care has not been complied with. While a considerable amount of time and money has been invested in reviewing and assessing historic sales "and know your customer" practices, and in the maintenance of risk management, legal and compliance procedures to monitor current sales practices, there can be no assurance that all of the issues associated with current and historic sales practices have been or will be identified, nor that any issues already identified will not be more widespread than presently estimated. The negative publicity associated with any sales practices, any compensation payable in respect of any such issues and/or regulatory changes resulting from such issues could have a material adverse effect on the Issuer's reputation, operations and net results.

Customer protection regulations as well as changes in interpretation and perception by both the public at large and governmental authorities of acceptable market practices might influence client expectations.

**Ratings are important to the Issuer's business for a number of reasons. Downgrades could have an adverse impact on its operations and net results.**

Credit ratings represent the opinions of rating agencies regarding an entity's ability to repay its indebtedness. The Issuer's credit ratings are important to its ability to raise capital through the issuance of debt instruments and to the cost of such financing. In the event of a downgrade the cost of issuing debt will increase, having an adverse effect on net results. Certain institutional investors may also be obliged to withdraw their deposits or investments in such debt instruments from the Issuer following a downgrade, which could have an adverse effect on its liquidity. The Issuer has credit ratings from S&P and Fitch, which review their ratings and rating methodologies on a recurring basis and may decide on a downgrade at any time. In addition, other rating agencies may seek to rate the Issuer or the Covered Bonds on an unsolicited basis and if such unsolicited ratings are lower than comparable ratings granted, such unsolicited ratings could have a material adverse effect on the Issuer's results of operations, financial condition and liquidity and may negatively affect the market value of the Covered Bonds. The decision to withdraw a rating or continue with an unsolicited rating remains with the relevant rating agency.

Furthermore, the Issuer's assets are risk weighted. Downgrades of these assets could result in a higher risk weighting which may result in higher capital requirements. This may impact net earnings and the return on capital, and may have an adverse impact on the Issuer's competitive position.

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

**The Issuer's business may be negatively affected by a sustained increase in inflation.**

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

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

A significant and sustained increase in inflation has historically also been associated with decreased prices for equity securities and sluggish performance of equity markets generally. A sustained decline in equity markets may:

- 1) result in impairment charges to equity securities that the Issuer holds in its investment portfolios and reduced levels of unrealised capital gains available to it which would reduce its net income and negatively impact its solvency position; and/or
- 2) negatively impact the ability of the Issuer's asset management activities to retain and attract assets under management, as well as the value of assets they do manage, which may negatively impact their results of operations.

**The Issuer's business may be negatively affected by adverse publicity, regulatory actions or litigation with respect to such business, other well-known companies or the financial services industry in general.**

Adverse publicity and damage to the Issuer's reputation may arise from its failure or perceived failure to comply with legal and regulatory requirements, financial reporting irregularities involving other large and well-known companies, increasing regulatory and law enforcement scrutiny of "know your customer", anti-money laundering, prohibited transactions with countries subject to sanctions, anti-bribery or other anti-corruption measures and anti-terrorist-financing procedures and their effectiveness. In addition, the above factors as well as regulatory investigations of the financial services industry and litigation that arises from the failure or perceived failure by the Issuer to comply with legal, regulatory and compliance requirements, could also result in adverse publicity and reputational harm, lead to increased regulatory supervision, affect the Issuer's ability to attract and retain customers, reduce access to the capital markets, result in cease and desist orders, suits, enforcement actions, fines, civil and criminal penalties, other disciplinary action or have other material adverse effects on the Issuer in ways that are not predictable.

The above factors may have an adverse effect on the Issuer's financial condition and/or results of operations.

**The Issuer has issued guarantees**

The Issuer has provided guarantees as referred to in Book 2, Section 403 of the Dutch Civil Code ("**403-guarantee**"). The Issuer has issued 403-guarantees for Hypinvest, Hypinvest Hypotheken, NIBC Direct Hypotheken and Quion 30 B.V. In each 403-guarantee the Issuer declares itself to be jointly and severally liable for the obligations of the relevant subsidiary resulting from legal acts executed by it. If enforced in accordance with its terms the Issuer may be held liable under these guarantees and therefore may have to pay to a creditor of the relevant subsidiary.

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

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

The Covered Bonds will be solely the obligations of the Issuer. The Covered Bonds will not be obligations or responsibilities of, or guaranteed by (other than pursuant to the Guarantee, as set out below), any other entity or person, in whatever capacity acting (other than as Issuer), including, without limitation, any Transferor, any Savings Participant, any Swap Counterparty, the Servicer, the Sub-servicers, the Administrator, the Back-up Administrator, the Directors, any Paying Agent, any Calculation Agent, the Arrangers, any Dealer (excluding the Issuer), the CBC Account Bank, the Collection Foundations, the Foundation Administrator, the Foundation Accounts Provider, the Security Trustee and the Rating Agencies. Furthermore, none of the Transferors (other than the Issuer), the Savings Participants, the Swap Counterparties, the Servicer, the Sub-servicers, the Administrator, the Back-up Administrator, the Directors, the Paying Agents, the Calculation Agent, the Arrangers, the Dealers (excluding the Issuer), the CBC Account Bank, the Collection Foundations, the Foundation Administrator, the Foundation Accounts Provider, the Security Trustee and the Rating Agencies, nor any other person in whatever capacity acting (other than the Issuer), will accept any liability whatsoever to Covered Bondholders in respect of any failure by the Issuer to pay any amounts due under the Covered Bonds.

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

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

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

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

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

Covered Bonds issued under the Programme will either be fungible with an existing Series or have different terms to an existing Series (in which case it will constitute a new Series). All Covered Bonds

issued from time to time will rank *pari passu* with each other in all respects and will share equally in the Guarantee granted by the CBC. If an Issuer Event of Default or a CBC Event of Default occurs and results in acceleration, all Covered Bonds of all Series will accelerate at the same time (and in case of an Issuer Event of Default only against the Issuer). Set out below is a description of the most common features of Covered Bonds:

*Covered Bonds subject to optional redemption by the Issuer*

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

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

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

*Covered Bonds issued at a substantial discount or premium*

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

**Risks related to Covered Bonds generally.**

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

*Certain decisions of Covered Bondholders taken at Programme level*

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

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

Pursuant to the terms of the Trust Deed, the Security Trustee may, without the consent or sanction of any of the Covered Bondholders or any of the other Secured Parties (other than the Secured Party to such Transaction Document (where applicable)), concur with any person in making or sanctioning any modifications to or waivers under the Covered Bonds of any Series, the related Coupons or any Transaction Documents (including without limitation designating further creditors as Secured Parties):

- provided that (i) in the opinion of the Security Trustee such modification is not materially prejudicial to the interests of (a) any of the Covered Bondholders of any Series or (b) any of the other Secured Parties (other than the CBC) (in which respect the Security Trustee may

rely upon the consent in writing of any other Secured Party as to the absence of material prejudice to the interests of such Secured Party) and (ii) it has not been informed in writing by any Secured Party (other than any Covered Bondholder(s)) that such Secured Party will be materially prejudiced thereby (other than a Secured Party who has given his/her written consent as aforesaid), and, in either case, such modification is subject to Rating Agency Confirmation; or

- which are made to correct a manifest error or an error established as such to the satisfaction of the Security Trustee or of a formal, minor or technical nature or are made to comply with mandatory provisions of law; or
- in certain other circumstances as set out in Condition 15.

#### *Tax consequences of holding the Covered Bonds*

Potential investors should consider the tax consequences of investing in the Covered Bonds and consult their own independent tax adviser about their tax position.

#### *Taxation*

Potential purchasers and sellers of Covered Bonds should be aware that they may be required to pay stamp taxes or other documentary or fiscal charges in accordance with the laws and practices of the country where to the Covered Bonds are transferred, including but not limited to the financial transaction tax (if implemented).

Potential purchasers should consult their own independent tax advisers about their tax position. In addition, potential purchasers should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.

#### *U.S. Foreign Account Tax Compliance Act*

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and, potentially, a 30% withholding tax with respect to certain payments made to persons that fail to meet certain certification or reporting requirements, including certain investors that do not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "reportable account" (a "**Recalcitrant Holder**") of the relevant non-U.S. financial institution ("**FFI**").

Under FATCA, withholding is required with respect to withholdable payments to persons that are not compliant with FATCA or that do not provide the necessary information, consents or documentation made on or after (i) July 1, 2014 in respect of certain U.S. source payments, (ii) 1 January 2019, in respect of payments of gross proceeds (including principal repayments) on certain assets that produce U.S. source interest or dividends and (iii) 1 January 2019 (at the earliest) in respect of "foreign pass thru-payments" and then, for "obligations" that are not treated as equity for U.S. federal income tax purposes, only on such obligations that are issued or materially modified after the date that is six months after the date on which the final regulations defining the term "foreign pass thru-payments" are filed with the federal register.

The application of FATCA to interest, principal or other amounts paid with respect to the Covered Bonds and the information reporting obligations of the Issuer and other entities in the payment chain is still developing. In particular, the Netherlands entered into an intergovernmental agreement (an "**IGA**") with the United States on 18 December 2013 (the "**U.S.-Netherlands IGA**"), which modifies the way in which FATCA applies to certain entities organized in the Netherlands. The U.S.-Netherlands IGA is based on the "Model 1" IGA. Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "Reporting FI" not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing FATCA or an IGA) (any such withholding being "**FATCA Withholding**") from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the Internal Revenue Service, as applicable.

If an amount in respect of FATCA Withholding were to be deducted or withheld from interest, principal or other payments on the Covered Bonds, none of the Issuer, any paying agent or any other person would, pursuant to the Terms and Conditions of the Covered Bonds be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

Whilst the Covered Bonds are held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Covered Bonds by the Issuer, the Guarantor, any paying agent or the common depositary or common safekeeper, given that each of the entities in the payment chain between the Issuer and the participants in the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under the U.S.-Netherlands IGA will be unlikely to affect the Covered Bonds. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA Withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of FATCA Withholding, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA Withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA Withholding. The Issuer's obligations under the Covered Bonds are discharged once it has made payment to, or to the order of, the clearing systems, and the Issuer has therefore no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries. In addition, the documentation expressly contemplates the possibility that the Covered Bonds may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, Definitive Covered Bonds will only be printed in limited circumstances.

The application of FATCA to Covered Bonds issued or materially modified after the date that is six months after the date on which the final regulations defining the term "foreign pass thru-payments" are filed with the federal register may be addressed in the relevant Final Terms or a supplement to this Base Prospectus, as applicable.

**FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Covered Bonds.**

#### *Conflicts of Interest*

Where the Issuer acts as Calculation Agent or the Calculation Agent is an Affiliate of the Issuer, potential conflicts of interest may exist between the Calculation Agent and holders of Covered Bonds, including with respect to certain determinations and judgments that the Calculation Agent may make pursuant to the Conditions that may influence the amount receivable upon redemption of the Covered Bonds.

#### **Different capacities**

NIBC Bank acts in different capacities under the Transaction Documents, including as Issuer, Servicer, Administrator and Swap Counterparty. The Issuer has been advised that, as a matter of Dutch law, a party is not capable of contracting with itself. However, this general principle does not apply where such party (like NIBC Bank) is acting with other parties (such as the Security Trustee and the CBC).

#### *Covered Bonds held in global form*

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

Because Covered Bonds may be held in global form and, therefore, by or on behalf of Euroclear, Clearstream, Luxembourg, Euroclear Netherlands or any other agreed clearing system, as the case may be, investors will have to rely on the procedures of these organisations for transfers, payments and communications with the Issuer. Further, the ability of Covered Bondholders holding Covered Bonds in global form to pledge their holdings will be limited to the extent that the party demanding the pledge requires securities in physical form. Holders of beneficial interests in the Covered Bonds held in global form will not have a direct right to vote in respect of the relevant Covered Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear, Clearstream, Luxembourg, Euroclear Netherlands or any other agreed clearing system, as the case may be, to appoint appropriate proxies.

Covered Bonds which are represented by a Global Covered Bond will be transferable only in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg or Euroclear Nederland (and in the latter case, the Dutch Securities Giro Transfer Act (*Wet giraal effectenverkeer*, "**Wge**")), as the case may be.

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

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

#### *Registered Covered Bonds*

Payments of principal, interest (if any) and any other amounts in respect of Registered Covered Bonds will be made to the person shown on the Register as being entitled to the relevant amount of principal or interest or other amount, or part thereof, as the case may be, at the opening of business on the second business day falling prior to the due date of such payments. If any Registered Covered Bondholder transfers any Registered Covered Bonds in accordance with Condition 20.3 and the Trust Deed and such transfer is notified to the Issuer and the CBC prior to the close of business on the Record Date, the Issuer, the CBC and the Security Trustee will in respect of the Registered Covered Bond so transferred, be discharged from their respective payment obligations only by payment to or to the order of the transferee. If the notification of transfer of the relevant Registered Covered Bond is made after the close of business on the Record Date, (i) the risk that the transfer is not timely recorded in the Register is borne by the transferee and (ii) the Issuer, the CBC, the Security Trustee, the



Registrar and the relevant Paying Agent shall not be liable as a result of any payment being made to the person shown in the Register in accordance with Condition 20 (*Terms and Conditions of the Registered Covered Bonds*). The Registrar shall fulfil certain obligations of the Principal Paying Agent in relation to payments in respect of the Registered Covered Bonds.

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

*Eurosystem eligibility - Covered Bonds in NGN form - Conditional Pass-through*

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

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

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

*Change of law and jurisdiction*

The terms and conditions of the Covered Bonds are governed by Dutch law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible change to Dutch law or administrative practice after the date of this Base Prospectus. Such changes may for example result from new legislation in the areas of financial law, fiscal law, competition law, contract law, insolvency law and company law.

Prospective investors should note that the courts of the Netherlands shall have jurisdiction in respect of any disputes involving any Series or Tranche of Covered Bonds. Covered Bondholders may take any suit, action or proceedings arising out of or in connection with the Covered Bonds against the Issuer in any court of competent jurisdiction. Dutch law may be materially different from the relevant law in the home jurisdiction of prospective investors in its application to the Covered Bonds.

**Risks related to the market generally**

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

*Secondary Market*

There can be no assurance as to how any Covered Bonds will trade in the secondary market or whether such market will be liquid or illiquid. Application may or may not be made to list the Covered Bonds on a stock exchange, as indicated in the applicable Final Terms. The fact that Covered Bonds may be listed does not necessarily lead to greater liquidity. No assurance can be given that there will be a market for any Covered Bonds. If any Covered Bonds are not traded on any stock exchange, pricing information for such Covered Bonds may be more difficult to obtain, and the liquidity and market prices of such Covered Bonds may be adversely affected. The liquidity of the Covered Bonds may also be affected by restriction on offers and sales of the Covered Bonds in some jurisdictions.

*Market volatility*

Covered Bondholders should be aware of a lack of liquidity in the secondary market for instruments similar to any Covered Bonds that may be issued under the Programme. Such general lack of liquidity may result in investors suffering losses on the Covered Bonds in secondary resales even if there is no decline in the performance of the assets of the Issuer. The Issuer cannot predict if and when conditions of general market illiquidity for such Covered Bonds and instruments similar to such Covered Bonds will occur in the future.

*Exchange rate risks and exchange controls*

The Issuer will pay principal and interest on the Covered Bonds in euros. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the euro would decrease (i) the Investor's Currency-equivalent yield on the Covered Bonds, (ii) the Investor's Currency-equivalent value of the principal payable on the Covered Bonds and (iii) the Investor's Currency-equivalent market value of the Covered Bonds.

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

*Interest rate risks*

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

*Credit ratings may not reflect all risks*

The ratings assigned to the Covered Bonds address:

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

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

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

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

*Legal investment considerations may restrict certain investments*

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

### *Solvency II*

Insurance companies, to which Solvency II will apply, might be less interested in investing in instruments such as Covered Bonds. Solvency II - containing capital requirements for insurance companies – has entered into force as of 1 January 2016. Certain parts of Solvency II have already been implemented in the Netherlands prior to that date. Potential investors should consult their own advisers as to the consequences to and effect on them of Solvency II, to their holding of any Covered Bonds. Neither the Issuer, the Arrangers, the Dealers, the CBC nor the Security Trustee is responsible for informing Covered Bondholders of the effects on the changes to risk-weighting of regulatory capital which, amongst others, may affect investors as a result of the implementation of Solvency II in their own jurisdiction (whether or not implemented in its current form or otherwise).

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

In 2008 the Netherlands introduced a legal framework for regulated covered bonds which was replaced as of 1 January 2015 by a new framework. The applicable Dutch covered bond law and regulations relating to the legal requirements for the issuance of legal covered bonds as amended from time to time (the "**CB Regulations**") aim to provide more safeguards to covered bondholders, while respecting other interests that are connected with the issuance of covered bonds, such as avoiding an undesirable degree of asset encumbrance. The Dutch covered bond law and regulations relating to the legal requirements for the issuance of legal covered bonds as applicable prior to 1 January 2015 (the "**Old CB Regulations**") consisted of a limited, principle based framework.

The Issuer will only issue Covered Bonds that obtain the status of being compliant with the CB Regulations, which includes compliance with Article 52(4) of the UCITS Directive and Article 129 of the CRR and the Issuer will undertake its best efforts to continue to comply with the CB Regulations (the "**Regulated Status**").

In the Trust Deed the Issuer has undertaken to utilise its best efforts to procure that the Covered Bonds that have obtained the Regulated Status, will keep the Regulated Status until redemption of such Covered Bonds of the relevant series in full. The "best efforts" undertaking set out in the preceding paragraph will no longer apply if, as a result of a change of law or regulations, Dutch residential mortgage receivables are insufficient for collateralisation of the Covered Bonds to keep the Regulated Status or are no longer eligible to collateralise covered bonds under CRD IV.

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

DNB has the authority to include in the register that the Covered Bonds are no longer or not compliant with Article 129 CRR as a result of which the Covered Bonds would no longer maintain the status of being compliant with the requirements set out in Article 129 of the CRR (the "**CRR Status**"). Although under the CB Regulations Covered Bonds will always continue to be registered as legal covered bonds and continue to keep the Regulated Status (except for the CRR Status), there is under the CB Regulations a risk that the CRR Status will not be maintained until redemption in full of the relevant Series.

If at any time the CRR Status is withdrawn or otherwise lost, a Covered Bondholder may experience adverse consequences (i.e. an adverse effect on the market value or on the regulatory treatment), depending on the reasons for making the investment in such Covered Bonds. Covered Bondholders should, amongst other things, conduct their own thorough analysis, and consult their legal advisers or the appropriate regulators from time to time to determine the appropriate status of Covered Bonds under any applicable risk-based capital or similar rules, including, without limitation, the UCITS Directive and/or CRD IV.

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

#### *ECB asset purchase programme*

In September 2014, the ECB initiated an asset purchase programme whereby it envisages to bring inflation back to levels in line with the ECB's objective to maintain the price stability in the euro area and, also, to help enterprises across Europe to enjoy better access to credit, boost investments, create jobs and thus support the overall economic growth. The asset purchase programme also encompasses the covered bond purchase programme. On 14 June 2018, the ECB announced that net purchases under these programmes will continue at its current monthly pace of EUR 30 billion until the end of September 2018. Thereafter, it is envisaged that the monthly pace of the net purchases will be reduced to EUR 15 billion until the end of December 2018 and, subsequently, will end. As of 2019, the ECB will, however, maintain its policy to reinvest the principal payments from maturing securities under these programmes as long as deemed necessary. It remains to be seen what the effect of these purchase programmes, and the termination thereof, ultimately will be on the volatility in the financial markets and economy generally. In addition, the termination of these asset purchase programmes could have an adverse effect on the secondary market value of the Covered Bonds and the liquidity in the secondary market for Covered Bonds.

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

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

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

Pursuant to the CBC Account Agreement the interest rate accruing on the balances standing to the credit of any of the CBC Transaction Accounts could be less than zero in case the ECB main refinancing rate is negative, in which case the remuneration will be negative with an annual percentage equal to the ECB main refinancing rate. Any negative interest will be payable by the CBC to the CBC Account Bank. If the CBC has the obligation to pay interest accruing on the balances standing to the credit of any of the CBC Transaction Accounts to the CBC Account Bank instead of receiving interest thereon, this will reduce the income of the CBC and its possibility to generate further income on the assets held in the form of cash in the CBC Transaction Accounts. This risk increases if the amount deposited on the CBC Transaction Accounts becomes (more) substantial. Ultimately such negative interest rate and/or an enduring obligation of the CBC to make such payments in respect thereof to the CBC Account Bank could result in the CBC having insufficient funds to pay any amounts due under the Guarantee to Covered Bondholders.

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

Various interest rate benchmarks (including the Euro Interbank Offered Rate ("EURIBOR") and the London InterBank Offered Rate ("LIBOR")) are the subject of recent national and international

regulatory guidance and proposals for reform. Some of these reforms are already effective, including the Benchmark Regulation, whilst others are still to be implemented. Under the Programme, the interest payable on the Covered Bonds can be determined by reference to such benchmarks.

Under the Benchmark Regulation, which applies from 1 January 2018, in general, new requirements apply with respect to the provision of a wide range of benchmarks (including EURIBOR and LIBOR), the contribution of input data to a benchmark and the use of a benchmark within the European Union. In particular, the Benchmark Regulation, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with extensive requirements in relation to the administration of benchmarks and (ii) prevents certain uses by EU-supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU-based, deemed equivalent or recognised or endorsed). There is a risk that administrators of certain benchmarks will fail to obtain such registration, authorisation, recognition or endorsement, preventing them from continuing to provide such benchmarks, or may otherwise choose to discontinue or no longer provide such benchmark.

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

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

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

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

Benchmark Regulation, the Replacement Reference Rate and/or the determined rate of interest on the basis of the Replacement Reference Rate and any adjustments made thereto by the Rate Determination Agent and/or otherwise in determining the applicable rate of interest in the context of a fallback scenario should be a benchmark (index) within the meaning of the Benchmark Regulation. This may be the case if the Replacement Reference Rate and/or the determined rate of interest on the basis of the Replacement Reference Rate and any adjustments made thereto by the Rate Determination Agent and/or otherwise in determining the applicable rate of interest in the context of a fallback scenario, is published or made available to the public and regularly determined by the application of a method of calculation or by an assessment, and on the basis of certain values or surveys.

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

In addition, due to the uncertainty concerning the availability of successor rates and substitute reference rates and the involvement of a Rate Determination Agent (as defined in Condition 5(B)(ii)(c)), the relevant fallback provisions may not operate as intended at the relevant time. In addition, the Replacement Reference Rate may perform differently from the discontinued benchmark. For example, there are currently proposals to replace LIBOR (which generally has a term of one, three or six months) with an overnight rate. Similarly, proposals have been made to use a rate on highly rated government obligations to replace LIBOR, which is currently based on interbank lending rates and carries an implicit element of credit risk of the banking sector. Any such consequences could have a material adverse effect on the value of and return on any such Covered Bonds. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Covered Bonds or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Covered Bonds.

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

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

The Guarantee will be solely the obligation of the CBC. The Guarantee will not be an obligation or responsibility of, any other entity or person, in whatever capacity acting, including, without limitation, the Issuer, the Transferors, any Savings Participant, any Swap Counterparty, the Servicer, the Sub-servicers, the Administrator, the Back-up Administrator, the Directors, the Paying Agents, the Calculation Agent, the Arrangers, the Dealers, the CBC Account Bank, the Collection Foundations, the Foundation Administrator, the Foundation Accounts Provider and the Security Trustee. Furthermore, none of the Issuer, the Transferors, the Savings Participants, the Swap Counterparties, the Servicer, the Sub-servicers, the Administrator, the Back-up Administrator, the Directors, the Paying Agents, the Calculation Agent, the Arrangers, the Dealers, the CBC Account Bank, the Collection Foundations, the Foundation Administrator, the Foundation Accounts Provider and the Security Trustee, nor any other person in whatever capacity acting, will accept any liability whatsoever to Covered Bondholders in respect of any failure by the CBC to pay any amounts due under the Guarantee.

None of the Issuer, the Transferors, the Savings Participants, the Swap Counterparties, the Servicer, the Sub-servicers, the Administrator, the Back-up Administrator, the Directors, the Paying Agents, the Calculation Agent, the Arrangers, the Dealers, the CBC Account Bank, the Collection Foundations, the Foundation Administrator, the Foundation Accounts Provider and the Security Trustee will be under any obligation whatsoever to provide additional funds to the CBC (save in limited circumstances pursuant to the Transaction Documents).

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

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

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

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

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

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

Following service of a Notice to Pay on the CBC (provided (a) an Issuer Event of Default has occurred and an Issuer Acceleration Notice has been served and (b) no CBC Acceleration Notice has been served) under the terms of the Guarantee the CBC will be obliged to pay Guaranteed Amounts as and when the same are Due for Payment. Such payments will be subject to and will be made in accordance with the CBC Priority of Payments. In these circumstances, other than the Guaranteed Amounts, the CBC will not be obliged to pay any amount, for example in respect of broken funding indemnities, penalties, premiums, default interest or interest on interest which may accrue on or in respect of the Covered Bonds.

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

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

If the CBC is obliged under the Guarantee to pay a Guaranteed Final Redemption Amount and has insufficient funds available under the relevant Priority of Payments to pay such Guaranteed Final Redemption Amount in full, then the obligation of the CBC to pay such Guaranteed Amounts shall automatically be deferred to the relevant Extended Due for Payment Date. However, to the extent the CBC has sufficient moneys available to pay in part the Guaranteed Final Redemption Amount in respect of the relevant Series of Covered Bonds, the CBC shall make such partial payment in accordance with the relevant Priority of Payments, as described in Condition 3 (*The Guarantee*), on each CBC Payment Date falling prior to the relevant Extended Due for Payment Date. Payment of the unpaid amount shall be deferred automatically up to the applicable Extended Due for Payment Date. An Extended Due for Payment Date will fall 32 years after the relevant Maturity Date. Interest will continue to accrue and be payable on the unpaid Guaranteed Final Redemption Amount on the basis set out in the applicable Final Terms or, if not set out therein, Condition 5 applies, *mutatis mutandis*.

Except where the CBC has failed to apply amounts in accordance with the relevant Priority of Payments in accordance with Condition 3 (*The Guarantee*), failure by the CBC to pay the relevant Guaranteed Final Redemption Amount on the relevant CBC Payment Date or any subsequent CBC Payment Date falling prior to the relevant Extended Due for Payment Date (or the relevant later date in case of an applicable grace period) shall not constitute a CBC Event of Default. However, failure by the CBC to pay any Guaranteed Final Redemption Amount or the balance thereof, as the case may be, on the relevant Extended Due for Payment Date and/or pay any other amount due under the Guarantee will (subject to any applicable grace period) constitute a CBC Event of Default.

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

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

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

**No Gross-up for Taxes**

As provided in Condition 8, if withholding of, or deduction for, or on account of any present or future taxes, duties, assessments or governmental changes of whatever nature are imposed or levied by or on behalf of the Netherlands or any authority therein or thereof having power to tax, the CBC will make the required withholding or deduction of such taxes, duties, assessments or governmental charges for the account of the Covered Bondholders, as the case may be, and shall not be obliged to pay any additional amounts to the Covered Bondholders.

**Limited resources available to the CBC**

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

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

Covered Bondholders should note that the Asset Cover Test and, after a Notice to Pay, the Amortisation Test has been structured to ensure that (i) the Adjusted Aggregate Asset Amount and the Amortisation Test Aggregate Asset Amount, respectively, are at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds, and (ii) the Net Outstanding Principal Amount of all Mortgage Receivables, excluding any Defaulted Receivables, plus (a) at any date, the market value of all Transferred Collateral on such date (the "**Collateral Market Value**") in the form of Substitution Assets, plus (b) all amounts standing to the balance of the CBC Transaction Accounts,



excluding Swap Collateral and excluding amounts standing to the balance of the Construction Account, are at least equal to 115% of the Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding, and (iii) the First Regulatory Current Balance Amount will always be at least equal to 105%, or such other percentage as may be required from time to time under the CB Regulations, of the aggregate Principal Amount Outstanding of the Covered Bonds, and (iv) the Second Regulatory Current Balance Amount will always be at least equal to 100%, or such other percentage as may be required from time to time under the CB Regulations, of the aggregate Principal Amount Outstanding of the Covered Bonds, which should reduce the risk of there being a shortfall. However there is no assurance that there will not be a shortfall.

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

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

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

The Servicer does not have any obligation itself to advance payments that Borrowers fail to make in a timely fashion. Covered Bondholders will have no right to consent to or approve of any actions taken by the Servicer under the Servicing Agreement.

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

Under or pursuant to the Pledge Agreements, various rights of pledge will be granted by the CBC to the Security Trustee. On the basis of these pledges the Security Trustee can exercise the rights afforded by Dutch law to pledgees notwithstanding bankruptcy or suspension of payments of the CBC. The CBC is a special purpose vehicle and is therefore unlikely to become insolvent. However, any bankruptcy or suspension of payments involving the CBC would affect the position of the Security Trustee as pledgee and, subsequently, the Covered Bondholders, in some respects, the most important of which are: (i) payments made by the Borrowers to the CBC prior to notification of the relevant pledge but after bankruptcy or suspension of payments granted in respect of the CBC will be part of the bankruptcy estate of the CBC, although the Security Trustee has the right to receive such amounts by preference after deduction of certain costs, (ii) a mandatory 'cool-off' period of up to four months may apply in case of bankruptcy or suspension of payments involving the CBC, which, if applicable, would delay the exercise of the right of pledge on the Transferred Assets and other assets pledged to the Security Trustee and (iii) the Security Trustee may be obliged to enforce its right of pledge within a reasonable period following bankruptcy if so requested by the liquidator and as determined by the judge-commissioner ("*rechter-commissaris*") appointed by the court in case of bankruptcy of the CBC. Similar or different restrictions may apply in case of insolvency proceedings other than Dutch insolvency proceedings.

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

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

Under Dutch law it is uncertain whether a security right can be validly created in favour of a party which is not the creditor of the claim which the security right purports to secure. Consequently, in

order to secure the valid creation of the pledges under the Pledge Agreements in favour of the Security Trustee, the CBC has in the Parallel Debt Agreement, as a separate and independent obligation, by way of parallel debt, undertaken to pay to the Security Trustee amounts equal to the amounts due by it to the Secured Parties. There is no statutory law or case law available on the concept of parallel debts such as the Parallel Debt and the question arises whether a parallel debt constitutes a valid basis for the creation of security rights, such as rights of pledge (see also *Description of Security* below). However, the CBC has been advised that a parallel debt, such as the Parallel Debt, creates a claim of the Security Trustee thereunder which can be validly secured by a right of pledge such as the rights of pledge created by the Pledge Agreements.

The Security Trustee is a special purpose vehicle and is therefore unlikely to become insolvent. The Security Trustee acts solely as security trustee for the purpose of this Programme. Any payments in respect of the Parallel Debt and any proceeds received by the Security Trustee are, in the case of an insolvency of the Security Trustee, not separated from the Security Trustee's other assets. The Secured Parties therefore have a credit risk on the Security Trustee.

#### **Transfer of Guarantee**

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

#### **Forecasts and estimates**

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

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

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

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

Under Dutch law, assignment of legal title to claims, such as the Eligible Receivables, can be effectuated by means of a notarial deed of assignment or a deed of assignment and registration thereof with the appropriate tax authorities, without notification of the assignment to the debtors being required ("*stille cessie*"). Legal title to the Eligible Receivables will be assigned by the relevant Transferor to the CBC through a deed of assignment and registration thereof with the appropriate tax authorities. The Guarantee Support Agreement will provide that the assignment of the Eligible Receivables by the relevant Transferor to the CBC will not be notified by the relevant Transferor or, as the case may be, the CBC to the Borrowers except if certain events occur.

Until notification of the assignment has been made to the Borrowers, the Borrowers under the Mortgage Receivables can only validly pay to the relevant Transferor in order to fully discharge their payment obligations ("*bevrijdend betalen*") in respect thereof. Each Transferor has undertaken to pay

(and/or procure the transfer by the relevant Collection Foundation (see *Mitigants Commingling Risk: Collection Foundation Accounts held by Collection Foundations - security over collection accounts* below)) to the CBC any amounts received by it (and/or by such Collection Foundation) in respect of the Mortgage Receivables. However, receipt of such amounts by the CBC is subject to the relevant Transferor actually making such payments. If the relevant Transferor is declared bankrupt or subject to emergency regulations prior to making such payments, the CBC has no right of any preference in respect of such amounts and thus has a credit risk against the relevant Transferor in respect of such amounts.

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

*Mitigants Commingling Risk: Collection Foundation Accounts held by Collection Foundations - security over collection accounts*

The risks set out in the preceding two paragraphs, are mitigated by the following. Each Borrower has given a power of attorney to the Transferors or the Sub-servicers respectively to direct debit his account for amounts due under the relevant Mortgage Loan. The Transferors will undertake or procure that the Sub-servicers undertake to direct debit all amounts of principal and interest to the relevant Collection Foundation Accounts maintained by the Collection Foundations which are bankruptcy remote foundations ("*stichtingen*"). In addition each Transferor has represented that it has given and will give instructions to the relevant Insurance Companies to pay any amounts in respect of the Beneficiary Rights into the Collection Foundation Accounts. The Collection Foundation Accounts are maintained by (i) Stichting Hypotheek Ontvangsten in respect of Quion 30 and Hypinvest Hypotheken and (ii) Stichting Ontvangsten Hypotheekgeden in respect of NIBC Direct Hypotheken and Hypinvest. The Collection Foundation will have a claim against ABN AMRO Bank N.V. as foundation accounts provider (or its successor) as the bank where such accounts are held, in respect of the balance standing to credit of the relevant Collection Foundation Account.

The Issuer and the CBC have been advised that in the event of a bankruptcy of any of the Transferors any amounts standing to the credit of the relevant Collection Foundation Account relating to the relevant Mortgage Receivables will not form part of the bankruptcy estate of the relevant Transferor. The Collection Foundations are set up as passive bankruptcy remote entities. The objectives clause of each Collection Foundation is limited to collecting, managing and distributing amounts received on the relevant Collection Foundation Account to the persons who are entitled to receive such amounts pursuant to the relevant Receivables Proceeds Distribution Agreement.

Upon receipt thereof, the Collection Foundation will distribute to the CBC or, after the Enforcement Date, to the Security Trustee any and all amounts relating to the Mortgage Receivables received by it on the Collection Foundation Accounts, in accordance with the relevant provisions of the Receivables Proceeds Distribution Agreements. Pursuant to the Receivables Proceeds Distribution Agreements, NIBC Bank (the "**Foundation Administrator**"), and, after an insolvency event relating to the Foundation Administrator, the Sub-servicers respectively/a new administrator appointed for such purpose will perform such payment transaction services on behalf of the relevant Collection Foundation.

There is a risk that any of the Transferors (prior to notification of the assignment) or its bankruptcy trustee (following bankruptcy or suspension of payments but prior to notification) instructs the Borrowers to pay to another bank account. Any such payments by a Borrower would be valid ("*bevrijdend*"). This risk is, however, reduced by the following. Firstly, each Transferor has under the relevant Receivables Proceeds Distribution Agreement undertaken to the CBC and the Security Trustee not to amend the payment instructions and not to redirect cash flows to the Collection Foundation Accounts in respect of the Mortgage Receivables to another account, without prior

approval of, *inter alia*, each of the Collection Foundations, the CBC and the Security Trustee and confirmation by the relevant Rating Agencies that the rating of the then current outstanding Covered Bonds are not affected. In addition, the Sub-servicers have undertaken to disregard any orders from any of the Transferors to cause the transfer of amounts in respect of the Mortgage Receivables to be made to another account than the relevant Collection Foundation Account without prior approval of each of the Collection Foundations, the CBC and the Security Trustee and the abovementioned confirmation of the Rating Agencies. Notwithstanding the above, each Transferor is obliged to pay to the CBC any amounts received in respect of the Mortgage Receivables which were not paid on a Collection Foundation Account but to the relevant Transferor directly upon receipt thereof.

The balance of each Collection Foundation Account will be pledged to the CBC and the Previous Transaction SPVs, and the CBC and the Previous Transactions SPVs by way of repledge create a first ranking right of pledge in favour of the Security Trustee and the Previous Transaction Security Trustees in view of the (remote) bankruptcy risk of the relevant foundation, in accordance with the relevant Collection Foundation Account Pledge Agreement. The pledge will be shared with other beneficiaries, most of which are set up as bankruptcy remote securitisation special purpose vehicles. Each beneficiary will have a certain *pari passu* ranking undivided interest, or "share" ("*aandeel*") in the co-owned pledge, entitling it to part of the foreclosure proceeds of the pledge over that Collection Foundation Account. As a consequence, the rules applicable to co-ownership ("*gemeenschap*") apply to the joint right of pledge. The share of the Security Trustee will be equal to the amounts in the Collection Foundation Account relating to the relevant Mortgage Receivables owned by the CBC. Section 3:166 of the Dutch Civil Code provides that co-owners will have equal shares, unless a different arrangement follows from their legal relationship. The co-pledgees have agreed that each pledgee's share within the meaning of section 3:166 of the Dutch Civil Code ("*aandeel*") in respect of the balance of each Collection Foundation Account from time to time is equal to the sum of the amounts standing to the credit of such Collection Foundation Account which relate to the mortgage receivables owned and/or pledged to them from time to time. In case of foreclosure of the co-owned right of pledge on a Collection Foundation Account (i.e. if the relevant Collection Foundation defaults in forwarding the amounts received by it as agreed), the proceeds will be divided according to each beneficiary's share. It is uncertain whether this sharing arrangement constitutes a sharing arrangement within the meaning of section 3:166 of the Dutch Civil Code and thus whether it is enforceable in the event of bankruptcy or suspension of payments of one of the pledgees.

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

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

If a Transferor is unable to pay the relevant amount to the relevant Borrower, such Borrower may invoke defences or set-off such amounts with its payment obligations under the Relevant Mortgage Loan. This risk is mitigated as follows. The CBC and the Transferors have agreed in the Guarantee Support Agreement that the CBC will be entitled to withhold from the relevant Initial Purchase Price an amount equal to the aggregate Construction Deposits. Such amount will be deposited on the Construction Account. On each CBC Payment Date, the CBC will release from the Construction Account such part of the remaining part of the relevant Initial Purchase Price(s) as equals the difference between the aggregate Construction Deposits relating to the relevant Mortgage Receivables and the balance standing to the credit of the Construction Account and pay such amount to the relevant Transferor, except if and to the extent that any Borrower has invoked defences or set-off.

Construction Deposits have to be paid out after the building activities or renovation activities have been finalised. Upon the finalisation of such activities, the remaining Construction Deposit will be set off against the relevant Mortgage Receivable, in which case the CBC shall have no further obligation towards the relevant Transferor to pay the remaining part of the relevant Initial Purchase Price, and consequently the equivalent of such remaining part of the relevant Initial Purchase Price standing to the credit of the Construction Account will form part of the Principal Available Amount. If an Assignment Notification Event set out under (iv) (see Chapter 10 (*Guarantee Support*)) has occurred, the CBC will no longer be under the obligation to pay such remaining part of the relevant Initial Purchase Price. The amount for which the Borrower can invoke set-off or defences may, depending on the circumstances, exceed the amount of the Construction Deposit. Therefore, the remaining risk is

that, if and to the extent that the amount for which a Borrower successfully invokes set-off or defences exceeds the relevant Construction Deposit, such set-off or defence may lead to losses under the corresponding Mortgage Receivables, which would reduce the amounts available for payment to Covered Bondholders.

#### **Further Advances**

Part of the Mortgage Receivables sold and assigned by the Transferors to the CBC relate to Mortgage Loans which have been originated by a lender other than the relevant Transferor. In some cases the Mortgages may have been partially terminated and converted into so-called "Credit Mortgages" which secure all claims under the credit relationship. The Issuer and the CBC have been advised that it is not certain whether any Further Advances granted, or to be granted, by the relevant Transferor after any such conversion are validly secured by the mortgage right and borrower pledges vested in favour of the original lender. For this question it is relevant, *inter alia*, whether the Further Advance resulted from the same legal relationship as the Mortgage Loan or whether it constitutes a new legal relationship. If a Further Advance Receivable is not validly secured by a mortgage right, this constitutes a breach of the Representations and Warranties and the relevant Transferor will be required to repurchase such Further Advance Receivable.

#### **Risk that set-off by Borrowers may affect the proceeds under the Mortgage Receivables**

Under Dutch law a debtor has a right of set-off if it has a claim that corresponds to a debt to the same counterparty and it is entitled to pay its debt as well as to enforce payment of its claim. Subject to these requirements being met, each Borrower will be entitled to set off amounts due by the relevant Transferor to it (if any) with amounts it owes in respect of the relevant Mortgage Receivable prior to notification of the assignment of the relevant Mortgage Receivable to the CBC having been made. Such amounts due and payable by a Transferor to a Borrower could, *inter alia*, result from current account balances or deposits made with such Transferor. Also, such claims of a Borrower could, *inter alia*, result from services rendered by a Transferor to the Borrower, if rendered at all, such as investment advice rendered by NIBC Bank in connection with Investment Mortgage Loans or services for which the relevant Transferor is responsible or held liable. As a result of the set-off of amounts due and payable by a Transferor to the Borrower with amounts the Borrower owes in respect of the relevant Mortgage Receivable, the relevant Mortgage Receivable will, partially or fully, be extinguished ("*gaat teniet*"). Set-off by Borrowers could thus affect the proceeds under the Mortgage Receivables.

In respect of the relevant Mortgage Receivables sold by each Transferor (other than NIBC Bank), reference is made to the representation made by it that (i) it owes no amounts to a Borrower under a savings account or a current account or another account relationship and (ii) no deposits have been accepted by it from any Borrower, other than Construction Deposits. The Issuer offers savings accounts and term deposits to its customers, which may include Borrowers. Such savings account or term deposit is a contract between the Issuer and the customer, which may also be a Borrower, whereas the Mortgage Loan is a contract between the relevant Transferor and the Borrower. In these circumstances one of the requirements for set-off, i.e. that the Borrower must have a claim which corresponds to this debt to the same counterparty, is not met. The CBC has been advised that, in view of the representations by each Transferor, other than NIBC Bank and NIBC Direct Hypotheken, that any such savings account and the Mortgage Loan are offered in such manner that it is clear to the Borrower that (i) the savings account is held with the Issuer, (ii) the Mortgage Loan is granted by the relevant Transferor and (iii) the Issuer and the relevant Transferor are different legal entities, in principle the Borrower will not have a right of set-off. However the Borrower may possibly establish that set-off is allowed, if the savings account or the term deposit and the Mortgage Loan are to be regarded as one inter-related legal relationship. In view of the representation by each Transferor, other than NIBC Bank and NIBC Direct Hypotheken, that (i) neither the Issuer nor any intermediary offers the Mortgage Loans and the savings accounts or the term deposits as products which are in any way connected, (ii) the Mortgage Loan and the savings account or the term deposit are not connected, for example by means of set-off provisions, (iii) the savings account or the term deposit and the Mortgage Loan are not offered at the same time and (iv) the rights under the savings account or the term deposit will not be pledged to the Transferor as security for the Mortgage Loan, the CBC has been advised that the Mortgage Loan (other than with respect to NIBC Bank and NIBC Direct Hypotheken) and the savings account will not be regarded as one inter-related legal relationship and

based upon these representations, and subject to what is stated otherwise in this paragraph, the Borrower will likely not have the right to set off the balance on a savings account or term deposit with the Issuer against amounts due under a Mortgage Loan.

The conditions applicable to the Mortgage Loans provide that payments by the Borrowers should be made without set-off. Although this clause is intended as a waiver by the Borrowers of their set-off rights vis-à-vis the Transferor, under Dutch law it is uncertain whether such waiver will be valid. Should such waiver be invalid, the Borrowers will have the set-off rights described in this section. A provision in general conditions (such as the applicable 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. a 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 assignment of the Mortgage Receivables to the CBC and notification thereof to a Borrower, such Borrower will also have set-off rights vis-à-vis the CBC, provided that the legal requirements for set-off are met (see above), and further provided that (i) the counterclaim of the Borrower results from the same legal relationship as the relevant Mortgage Receivable, or (ii) the counterclaim of the Borrower has been originated ("*opgekomen*") and became due and payable ("*opeisbaar*") prior to the assignment of the relevant Mortgage Receivable and notification thereof to the relevant Borrower. The question whether a court will come to the conclusion that the relevant Mortgage Receivable and the claim of the Borrower against the relevant Transferor result from the same legal relationship will depend on all relevant facts and circumstances involved. But even if these would be held to be different legal relationships, set-off will be possible if the counterclaim of the Borrower has originated and became due and payable prior to notification of the assignment, provided that all other requirements for set-off have been met (see above). A balance on a current account is due and payable at any time and, therefore, this requirement will be met. In the case of deposits, including any Construction Deposits, it will depend on the term of the deposit whether the balance thereof will be due and payable at the moment of notification of the assignment. If following receipt of notification of assignment of the relevant Mortgage Receivable, amounts are debited from or credited to the current account or, as the case may be, the deposit account, the Borrower will only be permitted to set-off its claim vis-à-vis the CBC for the amount of its claim at the moment such notification is received, after deduction of amounts which have been debited from the current account or the deposit account after receipt of such notification, notwithstanding that amounts may have been credited after receipt of such notification. The above applies *mutatis mutandis* to the pledge of the Mortgage Receivables envisaged in the Security Trustee Receivables Pledge Agreement.

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

The Guarantee Support Agreement provides that if a Borrower sets off amounts due to it by the relevant Transferor against the relevant Mortgage Receivable, including, without limitation, with any Construction Deposit owed to it with the Relevant Mortgage Receivable and, as a consequence thereof, the CBC or the Security Trustee, as applicable, does not receive the amount which it is entitled to receive with respect to such Mortgage Receivable, the relevant Transferor will pay to the CBC or the Security Trustee as applicable an amount equal to the difference between the amount which the CBC or the Security Trustee, as applicable, would have received with respect to the relevant

Mortgage Receivable if no set-off had taken place and the amount actually received by the Issuer with respect to such Mortgage Receivable. Receipt of such amount by the Issuer is subject to the ability of the relevant Transferor to actually make such payments.

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

The CBC and the Issuer have been informed with respect to Mortgage Loans originated by NIBC Direct Hypotheken that these Mortgage Loans are originated under the brand name NIBC Direct. The brand name NIBC Direct is also used by NIBC Bank N.V. as trade name for deposit accounts held with it and that in most of the cases the balance on such deposit account can be withdrawn at any time and, consequently, such balance is due and payable at any time. In respect of these Mortgage Loans originated by NIBC Direct Hypotheken the Issuer and the CBC have been advised that, to the extent the Mortgage Loans are transferred to the CBC by NIBC Direct Hypotheken, there is a considerable risk ("*een aanmerkelijk risico*") that a set-off or defence with respect to the amounts due under the Mortgage Loans by the Borrowers and deposits such Borrowers hold with NIBC Bank (if any) would be successful in view of, *inter alia*, the close connection between the Mortgage Loans originated by NIBC Direct Hypotheken and the deposit accounts held with NIBC Bank N.V.

For specific set-off issues relating to the Life Insurance Policies or, as the case may be, Savings Insurance Policies connected to the Mortgage Loans or Investment Mortgage Loans, or Construction Deposits reference is made to the paragraphs *Risk of set-off or defences by Borrowers in case of insolvency of Insurance Companies* and *Risks related to offering of Investment Mortgage Loans and Life Insurance Policies or Savings Insurance Policies with the Investment Alternative, Risk related to the Construction Deposits being set-off with the Mortgage Receivable* respectively.

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

The majority of the mortgage deeds relating to the Mortgage Receivables to be assigned to the CBC provide that the Mortgages created pursuant to such mortgage deeds, not only secure the loan granted to the Borrower for the purpose of acquiring the Mortgaged Assets, but also other liabilities and moneys that the Borrower, now or in the future, may owe to the relevant Transferor ("**Bank Mortgages**"). The mortgage deeds relating to the Mortgage Receivables also provide for rights of pledge granted in favour of the relevant Transferor, which secure the same debts as the Bank Mortgages ("**Bank Pledges**" and jointly with the Bank Mortgages, the "**Bank Security Rights**").

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

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

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

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

Each Transferor has represented that all Mortgage Loans (i) provide that in case of assignment or pledge of the Mortgage Receivable the assignee or pledgee will have the benefit of the Mortgage, or (ii) do not contain any reference nor indication nor wording to the effect that in case of assignment or pledge of the receivable the mortgage or pledge will not follow the receivable if assigned or pledged. In case the mortgage conditions applicable to some of the Mortgage Loans stipulate that in case of assignment of the Mortgage Receivable, the Bank Security Rights will follow the Mortgage Receivable upon its assignment or, in respect of part of the mortgage conditions, pledge. These stipulations are a clear indication of the intentions of the parties in this respect. The CBC has been advised that, in the absence of circumstances giving an indication to the contrary, the inclusion of these provisions in some of the Mortgage Loans makes it clear that the mortgage right (partially) follows the Mortgage Receivable as accessory and ancillary right upon its assignment, but that there is no case law explicitly supporting this advice.

In case the mortgage conditions applicable to the other Mortgage Loans do not contain any explicit provision on the issue if the Bank Security Rights will follow the Mortgage Receivable upon its assignment or pledge. In these cases there is no clear indication of the intention of the parties. The CBC has been advised that, in the absence of circumstances giving an indication to the contrary, also in such case the mortgage right should (partially) follow the receivable as accessory and ancillary right upon its assignment, but that there is no case law explicitly supporting this advice and that, consequently, it is not certain what the Netherlands courts would decide if this matter were to be submitted to them, particularly taking into account the prevailing view of Dutch legal commentators on mortgage rights in the past as described above, which view continues to be defended by some legal commentators.

If a Mortgage has not (partially) followed the Mortgage Receivable upon its assignment, the Issuer and/or the Security Trustee will not have the benefit of such security right. This will materially affect the ability of the CBC to take recourse on the Mortgaged Asset and the Borrower in case the Borrower defaults under the Mortgage Loans and may affect the ability of the CBC to meet its payment obligations under the Covered Bonds. Furthermore, with respect to the NHG Mortgage Receivables it is noted that if the CBC or the Security Trustee, as the case may be, does not have the benefit of the Mortgage, it also will not be entitled to claim under any NHG Guarantee.

The above applies *mutatis mutandis* in the case of the pledge of the Mortgage Receivables by the CBC to the Security Trustee under the Security Trustee Receivables Pledge Agreement.

#### **Risk related to jointly-held Bank Security Rights by the relevant Transferor, the CBC and the Security Trustee**

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

Where Bank Security Rights are jointly-held by both the CBC or the Security Trustee and the relevant Transferor, the rules applicable to a joint estate ("*gemeenschap*") apply. The Dutch Civil Code provides for various mandatory rules applying to such jointly-held rights. In the Guarantee Support Agreement each Transferor, the CBC and the Security Trustee have agreed that the CBC and/or the Security Trustee (as applicable) will manage and administer such jointly-held rights. Certain acts, including acts concerning the day-to-day management ("*beheer*") of the jointly-held rights, may under



Dutch law be transacted by each of the participants ("*deelgenoten*") in the jointly-held rights. All other acts must be transacted by all of the participants acting together in order to bind the jointly-held rights. It is uncertain whether the foreclosure of the Bank Security Rights will be considered as day-to-day management, and, consequently it is uncertain whether the consent of the relevant Transferor, the relevant Transferor's bankruptcy trustee ("*curator*") (in case of bankruptcy) or administrator ("*bewindvoerder*") (in case of (preliminary) suspension of payments or emergency regulations), as the case may be, may be required for such foreclosure. Each Transferor, the CBC and the Security Trustee have agreed that in case of foreclosure the share ("*aandeel*") in each jointly-held Bank Security Right of the Security Trustee and/or the CBC will be equal to the Outstanding Principal Amount of the Mortgage Receivable, increased with interest and costs, if any, and the share of the relevant Transferor will be equal to the Net Proceeds less the Outstanding Principal Amount, increased with interest and costs, if any. The Issuer and the CBC have been advised that although a good argument can be made that this arrangement will be enforceable against the relevant Transferor or, in case of its bankruptcy or emergency regulations, its bankruptcy trustee or administrator, as the case may be, this is not certain. Furthermore it is noted that this arrangement may not be effective against the Borrower. In respect of Mortgage Loans originated by Quion 30 (other than those originated prior to 2002), this arrangement will not be effective against the Borrower as the mortgage conditions in respect of such Mortgage Loans stipulate that, *inter alia*, (i) the shares of the relevant Transferor and any assignee respectively will be pro rata the size of the claim they have against the Borrower and (ii) any power to manage or administer such jointly held rights requires the explicit and written approval of the other party.

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

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

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

When underwriting a Mortgage Loan to be secured by a mortgage right on a long lease the relevant Transferor will take into consideration the conditions, including the term, of the long lease. The acceptance conditions used by the Transferors provide that in certain events the Mortgage Loan shall have a maturity that is equal to or shorter than the term of the long lease and/or, if the maturity date of the Mortgage Loan falls after the maturity date of the long lease, the acceptance conditions used by the Transferor provide that certain provisions should be met as would in such case be required by a reasonable lender. The mortgage conditions of the Mortgage Loans provide that the Mortgage Loan becomes immediately due and payable in the event that, *inter alia*, the long lease is terminated for whatever reason.

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

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

All rights of a Borrower under the Insurance Policies have been pledged to the relevant Transferor, or in respect of Mortgage Receivables acquired by such Transferor after origination, the relevant

originator (the "**Borrower Insurance Pledge**"). The Issuer and the CBC have been advised that it is probable that the right to receive payment, including, but not limited to, the commutation payment ("*afkoopsum*"), under the Insurance Policies will be regarded by a Dutch court as a future right. The pledge of a future right is, under Dutch law, not effective if the Borrower is declared bankrupt, granted a suspension of payments or is granted a statutory debt adjustment (*schuldsanering*), prior to the moment such right comes into existence. This means that it is uncertain whether such pledge will be effective if the Borrower is declared bankrupt, granted a suspension of payments or is granted a statutory adjustment ("*schuldsanering*") prior to the moment such right comes into existence. The Borrower Insurance Pledge secures the same liabilities as the Bank Security Rights (and should therefore be regarded as a Bank Pledge).

#### **Risks relating to Insurance Policies**

The mortgage loans or part thereof in respect of which the Borrower is not required to repay principal until maturity, but instead pays on a monthly basis a premium to the relevant Insurance Company (the "**Life Mortgage Loans**") have the benefit of Life Insurance Policies, the Insurance Savings Mortgage Loans have the benefit of Savings Insurance Policies and the Switch Mortgage Loans have the benefit of Savings Investment Insurance Policies (for the purpose of this section collectively the "**Insurance Policies**"). The following risk factors describe certain legal issues relating to the effects of the assignment (and pledge) of such Mortgage Receivables on the above-mentioned Insurance Policies. Investors should be aware that (i) the CBC may not benefit from the Insurance Policies and/or (ii) the CBC may not be able to collect the Mortgage Receivable, whether in part or in full, in case the relevant Insurance Company defaults in its obligations as further described in this section. As a consequence thereof, the CBC may not have a claim on the Borrower and the rights of the Security Trustee may be similarly affected.

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

The relevant Transferor, or in respect of Mortgage Receivables acquired by such Transferor after origination, the originator, has been appointed as beneficiary under the relevant Insurance Policy (the "**Beneficiary Rights**"), except that in certain cases another beneficiary is appointed who will rank ahead of the relevant Transferor or originator, provided that, *inter alia*, the relevant Insurance Company is irrevocably authorised by such beneficiary to pay the proceeds of the Insurance Policy to the relevant Transferor (the "**Borrower Insurance Proceeds Instruction**"). The appointment as beneficiary must be accepted to become binding. The Issuer and the CBC have been advised that it is unlikely that (i) the appointment of the relevant Transferor as beneficiary will be regarded as an ancillary right and (ii) it will follow the Mortgage Receivables upon assignment or pledge thereof to the CBC or the Security Trustee. The Beneficiary Rights will be assigned by the relevant Transferor to the CBC and will be pledged to the Security Trustee by the CBC (see *Description of Security* below). The assignment and pledge of the Beneficiary Rights must be notified in writing to the relevant insurance company before becoming effective, which is obligatory, subject to certain exceptions upon an Assignment Notification Event. However, the Issuer and the CBC have been advised that it is uncertain whether this assignment and pledge will be effective.

Each Transferor will undertake that it will use its best efforts upon the occurrence of an Assignment Notification Event to terminate the appointment of the relevant Transferor as beneficiary under the Insurance Policies and to appoint the CBC or the Security Trustee, as the case may be, as first beneficiary under the Insurance Policies.

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

If the CBC or the Security Trustee, as the case may be, will not become beneficiary of the Insurance Policies or the assignment, pledge or the waiver of the Beneficiary Rights is not effective, any proceeds under the Insurance Policies will be payable to the relevant Transferor or originator or to another beneficiary rather than to the CBC or the Security Trustee, as the case may be. If the proceeds are paid to the relevant Transferor, it will pursuant to the Guarantee Support Agreement be obliged to pay the amount involved to the CBC or the Security Trustee, as the case may be. If the proceeds are paid to the relevant Transferor and the relevant Transferor does not pay such amount to the CBC or the Security Trustee, as the case may be, e.g. in case of bankruptcy of the relevant Transferor, or if the proceeds are paid to another beneficiary instead of the CBC or the Security Trustee, as the case may be, this may result in the amount paid under the Insurance Policies not being applied in reduction of the relevant Mortgage Receivables. This may lead to the Borrower invoking set-off or defences against the CBC or, as the case may be, the Security Trustee for the amounts so received by the relevant Transferor or another beneficiary, as the case may be. However, the CBC has been advised that payments by the Insurance Companies into the Collection Foundation Accounts would fall outside the estate of the relevant Transferor. The relevant Collection Foundation would be obliged to forward such amount to the CBC, as agreed between the CBC and the Transferor. In case of insolvency of the Transferor, a liquidator would be bound by such agreement (see further above the paragraph "*Commingling risk*").

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

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

As set out in *Set-off by Borrowers may affect the proceeds under the Mortgage Receivables* above, the Borrowers have waived their set-off rights, but it is uncertain whether such waiver is effective.

If the waiver described above is not effective, the Borrowers will, in order to invoke a right of set-off, need to comply with the applicable legal requirements for set-off. One of these requirements is that the Borrower should have a claim, which corresponds to his debt to the same counterparty. The Insurance Policies are contracts between the relevant Insurance Company and the Borrowers. Therefore, in order to invoke a right of set-off, the Borrowers would have to establish that the relevant Transferor and the relevant Insurance Company should be regarded as one legal entity or, possibly, based upon interpretation of case law, that set-off is allowed, even if the relevant Transferor and the relevant Insurance Company are not considered as one legal entity, since the Insurance Policies and the Mortgage Loans might be regarded as one inter-related legal relationship. Furthermore, the Borrowers should have a counterclaim that is due and payable. If the relevant Insurance Company is declared bankrupt or subject to emergency regulations, the Borrower will have the right unilaterally to terminate the Insurance Policy and to receive a commutation payment ("*afkoopsom*"). These rights are subject to the Borrower Insurance Pledge. However, despite this pledge, it could be argued that the Borrower will be entitled to invoke a right of set-off for the commutation payment. Apart from the right to terminate the Insurance Policies, the Borrowers are also likely to have the right to dissolve ("*ontbinden*") 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 in respect of such claim by the Borrowers.

Set-off vis-à-vis the CBC after notification of the assignment would be subject to the additional requirements for set-off after assignment being met (see *Set-off by Borrowers may affect the proceeds under the Mortgage Receivables* above). In the case of Insurance Savings Mortgage Loans (one of these requirements is/are likely to be met, since it is likely that the Insurance Savings Mortgage Loans and the Savings Insurance Policies are to be regarded as one legal relationship. If the Insurance Savings Mortgage Loan and the Savings Insurance Policy are regarded as one legal relationship the assignment will not interfere with the set-off. The Issuer and the CBC have been advised that it is unlikely, however, that the Mortgage Loans and the Life Insurance Policies should be regarded as one legal relationship.

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

#### *Mortgage Loans to which a Life Insurance Policy is connected*

In respect of Life Mortgage Loans originated by the Transferors where the Borrowers have taken out Life Insurance Policies with any of the Insurance Companies, other than Life Mortgage Loans to which the Life Insurance Policies described in the two succeeding paragraphs are connected, the Issuer has been advised that it is unlikely that a court would honour set-off or defences of the Borrowers, as described above, taking into account that (x) each Transferor has informed the CBC that (i) there are no circumstances resulting in a connection between the relevant Life Mortgage Loan and the relevant Life Insurance Policy other than the relevant Borrower Insurance Pledge and the relevant Beneficiary Rights, which would increase the risk that a Borrower can successfully set-off its obligations under the Life Mortgage Loan with its claims under the Life Insurance Policy or that it can invoke defences in this respect, (ii) the relevant Life Mortgage Loans and the Life Insurance Policies are not marketed as one combined mortgage and life insurance product or under one name, (iii) the Borrowers are free to choose the relevant Insurance Company and (iv) the Insurance Company is not a group company of the relevant Transferor (nor of the Originator), and that (y) each Transferor will represent and warrant in respect to these Life Mortgage Loans (a) the items (ii), (iii) and (iv) and (b) that to the best of its knowledge there are no circumstances resulting in a connection between the relevant Life Mortgage Loan and the relevant Life Insurance Policy other than the relevant Borrower Insurance Pledge and the relevant Beneficiary Rights, which would increase the risk that a Borrower can successfully set-off its obligations under the Life Mortgage Loan with its claims under the Life Insurance Policy or that it can invoke defences in this respect. However, if any circumstances which would result in a connection (as set out in (y)(b) above) between the Life Mortgage Loan and a Life Insurance Policy exist, the risk that the courts will honour set-off or defences invoked by Borrowers, as described above, will increase.

In respect of the Life Mortgage Loans associated with a Life Insurance Policy entered into with (a) ASR Verzekeringen N.V. to the extent it is the legal successor of Falcon Leven N.V., Erasmus Leven

(a trade name of Delta Lloyd Levensverzekering N.V.), (b) SRLEV to the extent it is a legal successor of Axa Leven N.V. or Generali, or (c) Cordares Levensverzekeringen (a trade name of Loyalis Leven N.V.) or Goudse Levensverzekeringen N.V. (formally known as Goudse Levensverzekering Maatschappij N.V.), (d) APL to the extent originated by Hypinvest, or (e) Allianz to the extent originated by Hypinvest (to the extent it is the successor of Estate Hypotheken B.V. and Royal Residentie Hypotheken B.V.), or (f) SRLEV to the extent originated by Hypinvest (to the extent it is the successor of Seyst Hypotheken B.V.) or (g) Nederlandsche Algemeene Maatschappij van Levensverzekering "Conservatrix" N.V. to the extent originated by Hypinvest Hypotheken (to the extent it is the successor of Nationale Hypotheek Maatschappij B.V.), the Issuer and the CBC have been informed that the Life Mortgage Loans have also been marketed in the relevant brochures under the name of the relevant Life Insurance Company as one product with the associated Life Insurance Policy, under the trade name of the relevant Life Insurance Company on behalf of relevant Transferor (which is not a group company of any of the relevant Life Insurance Companies). In respect of these Mortgage Loans, the Issuer has been advised that, given the commercial connection, 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 these Life Insurance Policies from the relevant Life Insurance Company, the courts will honour set-off or defences invoked by Borrowers, as described above.

In respect of the Life Mortgage Loans sold and assigned by Hypinvest (to the extent it is the successor of Amstelstaete B.V. and Zwaluw Hypotheken B.V.) to the extent these Life Mortgage Loans have been originated by an originator which is not the Transferor and have been transferred to Hypinvest (to the extent it is the successor of Amstelstaete B.V. and Zwaluw Hypotheken B.V.), the Issuer and the CBC have been advised that there is a considerable risk ("*een aanmerkelijk risico*") that any set-off or defences (as described above) would be successful, in view of the fact that these Life Mortgage Loans have been originated by the Insurance Company which also granted the Life Insurance Policy connected to such Mortgage Loan and this Life Mortgage Loan and Life Insurance Policy were marketed as one single package under one name.

*Insurance Savings Mortgage Loans and Switch Mortgage Loans with a Savings Alternative*

In respect of Insurance Savings Mortgage Loans and Switch Mortgage Loans with a Savings Alternative the Issuer and the CBC have been advised that there is a considerable risk ("*een aanmerkelijk risico*") that such a set-off or defence would be successful in view of, *inter alia*, the close connection between the Insurance Savings Mortgage Loan and the Switch Mortgage Loan with a Savings Alternative and the Savings Insurance Policy and the wording of the mortgage deeds relating to the Insurance Savings Mortgage Loans and the Switch Mortgage Loan with a Savings Alternative.

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

The Savings Participation Agreement does not apply to the alternative whereby the premiums paid are invested in certain investment funds selected by the Borrower (the "**Investment Alternative**") of an insurance policy taken out by any Borrower, in connection with a Switch Mortgage Loan, comprised of a risk insurance element and a capital insurance element which pays out a certain amount on an agreed date or, if earlier, upon the death of the insured life (the "**Savings Investment Insurance Policy**") connected to a Switch Mortgage Loan.

If no Savings Participation Agreement has been entered into in respect of the relevant Insurance Savings Mortgage Loans, the risk is mitigated through deduction of the Asset Cover Test.

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

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

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

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

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

The value of investments made under the Investment Mortgage Loans or by one of the Life Insurance Companies in connection with the Life Insurance Policies or by the Savings Participant in connection with the Insurance Savings Mortgage Loans to which a Savings Insurance Policy with the Investment Alternative is connected, may not be sufficient for the Borrower to fully redeem the related Mortgage Receivables at its maturity and may result in a default by the Borrower to repay the remaining amount.

#### **Risks related to offering of Investment Mortgage Loans and Life Insurance Policies or Savings Insurance Policies with the Investment Alternative**

Apart from the general obligation of contracting parties to provide information, there are several provisions of Dutch law applicable to offerors of financial products, such as Investment Mortgage Loans and Mortgage Loans to which Life Insurance Policies or Savings Insurance Policies with the Investment Alternative are connected. 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 relevant Transferor or the CBC (or the Security Trustee). The merits of such claims will, to a large extent, depend on the manner in which the product was marketed and the promotional material provided to the Borrower. Depending on the relationship

between the offeror and any intermediary involved in the marketing and sale of the product, the offeror may be liable for actions of the intermediaries which have led to a claim. The risk of such claims being made increases, if the value of investments made under Investment Mortgage Loans or Life Insurance Policies or Savings Insurance Policies with the Investment Alternative is not sufficient to redeem the relevant Mortgage Loans.

Since 2006, an issue has arisen in the Netherlands regarding the costs of investment insurance policies ("*beleggingsverzekeringen*"), such as the Life Insurance Policies or Savings Insurance Policies with the Investment Alternative, commonly known as the "usury insurance policy affair" ("*woekerpolisaffaire*"). It is generally alleged that the costs of these products are disproportionately high, that in some cases a legal basis for such costs is lacking and that the information provided to the insured regarding these costs has not been transparent. On this topic there have been (i) several reports, including reports from the AFM, (ii) a letter from the Minister of Finance to Parliament and (iii) a recommendation, at the request of the Minister of Finance, by the Financial Services Ombudsman to insurers to compensate customers of investment insurance policies for costs exceeding a certain level. Furthermore, there have been press articles and press releases stating (i) that individual law suits and class actions may be, and have been, started against individual insurers and (ii) that certain individual insurers have reached agreement with claimant organisations on compensation of its customers for the costs of investment insurance policies entered into with the relevant insurer. The discussion on the costs of the investment insurance policies is currently still continuing, since consumer tv-shows and "no-win, no fee" legal advisors argue that the agreements reached with claimant organisations do not offer adequate compensation. Rulings of courts, including the Netherlands Supreme Court ("*Hoge Raad der Nederlanden*"), and the Complaint Institute for Financial Services ("*Klachteninstituut Financiële Dienstverlening*") have been published, some of which are still subject to appeal, which were generally favourable for consumers. On 29 April 2015, a decision of the Court of Justice EU was rendered on this subject. The exact meaning and consequences of this decision are subject to further decisions to be given by the courts in the Netherlands.

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

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

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

The Transferor shall repurchase and request the retransfer of a Mortgage Receivable from the CBC if a breach of the Mortgage Receivables Warranties occurs on or appears after the relevant Transfer Date in respect of such Mortgage Receivable (see section 10 (Repurchase and Retransfers)). Should the Transferor fail to take the appropriate action, this may have an adverse effect on the ability of the Issuer to make payments under the Covered Bonds.

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

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

The valuations obtained in connection with the origination of the Mortgage Loans sought to establish the amount a typically motivated buyer would pay a typically motivated seller at the time they were prepared. Such amount could be significantly higher than the amount obtained from the sale of a Mortgaged Asset under a distressed or liquidation sale. In addition, in many real estate markets, including in the Netherlands, property values may have declined since the time the valuations were obtained, and therefore the valuations may not be an accurate reflection of the current Market Value of the Mortgaged Assets. The current market value of the Mortgaged Assets could be lower than the values indicated in the appraisals obtained at the origination of the Mortgage Loans. In addition, differences exist between valuations due to the subjective nature of valuations and appraisals, particularly between different appraisers performing valuations at different points in time.

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

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

No assurance can be given that values of the Mortgaged Assets have remained or will remain at the level at which they were on the date of origination of the related Mortgage Loans. House prices in the Netherlands have, on average, declined in the recent years (see in this respect section 12 *Overview of the Dutch Residential Mortgage Market*). If the CBC is required to pay under the Guarantee, a decline in value may result in losses to the Covered Bondholders if the relevant security rights on the Mortgaged Assets are required to be enforced. The relevant Transferor will not be liable for any losses incurred by the Covered Bondholders, or for any deficiency incurred by the CBC as a result of such decline in value in connection with the relevant Mortgage Loans. As set forth herein, however, Defaulted Receivables will be excluded from the calculation of the Asset Cover Test and the Amortisation Test.

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

Mortgage Loans may have the benefit of a guarantee, a "*Nationale Hypotheek Garantie*" ("**NHG Guarantee**") issued by the WEW. Pursuant to the terms and conditions ("*voorwaarden en normen*") applicable to the NHG Guarantee, the 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. Each Transferor will in the Guarantee Support Agreement represent and warrant that (i) each NHG Guarantee connected to a Mortgage Receivable which has been transferred by it as having the benefit of a NHG Guarantee (each an "**NHG Mortgage Receivable**"), 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 relevant Transferor is not aware of any reason why any claim under any NHG Guarantee should not be met in full and in a timely manner.

The terms and conditions of the NHG Guarantees stipulate that each NHG Guarantee (irrespective of the type of redemption of the mortgage loan) is reduced on a monthly basis by an amount which is equal to the amount of the monthly repayments plus interest as if the mortgage loan were to be repaid on a thirty year annuity basis. The actual redemption structure of a NHG Mortgage Loan can be different, although it should be noted that as of 1 January 2013 the NHG Conditions stipulate that for new borrowers, the redemption types are limited to annuity mortgage loans and linear mortgage loans with a maximum term of 30 years. In addition, in respect of mortgage loans originated after 1 January 2014, a deductible has been introduced which is applicable to claims under the NHG Guarantees. On any claim vis-à-vis WEW for a loss incurred, a deduction of 10 per cent. will be applied. This may



result in the Issuer, CBC or Security Trustee, as the case may be, not being able to fully recover a loss incurred from the WEW.

For a description of the NHG Guarantees, see Chapter 13 (*NHG Guarantee Programme*).

#### **Changes to or differences in the acceptance conditions may lead to increased defaults by Borrowers**

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

Some of the Mortgage Receivables may not have been originated by a Transferor but acquired by a Transferor from a credit institution in the course of such Transferor's business. Such Mortgage Receivables may not have been originated in accordance with the existing acceptance conditions of any of the Transferors, but will as at the relevant Transfer Date qualify as an Eligible Receivable as long as such Mortgage Receivable meets the Eligibility Criteria. However, differences in the acceptance conditions may have effect on the creditworthiness of the Borrowers under the Mortgage Receivables, this may lead to increased defaults by Borrowers which may affect the realisable value of the Mortgage Receivables and/or the ability of the CBC to make payments under the Guarantee.

#### **New Transferors**

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

Any Mortgage Receivables originated by a New Transferor will have been originated in accordance with the acceptance conditions of the New Transferor, which may differ from the acceptance conditions of Mortgage Receivables originated by the other Transferors. If the acceptance conditions differ in a way that affects the creditworthiness of the Borrowers under the Mortgage Receivables, that may lead to increased defaults by Borrowers and may affect the realisable value of the relevant Mortgage Receivables or any part thereof and/or the ability of the CBC to make payments under the Guarantee. This risk is mitigated by the fact that Defaulted Receivables will be excluded in the calculation of the Asset Cover Test and the Amortisation Test.

#### **Limited recourse to the Transferors**

None of the CBC, the Security Trustee, the Arrangers, the Dealers or any other person has undertaken or will undertake an independent investigation, searches or other actions to verify the statements of each Transferor concerning itself, the Mortgage Loans, the Mortgage Receivables and the Mortgaged Assets. The CBC and the Security Trustee will rely solely on the Mortgage Receivables Warranties given in the Guarantee Support Agreement by the relevant Transferors in respect of the relevant Mortgage Receivables.

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

The relevant Transferor will be required to repurchase a Mortgage Receivable in case of a breach of Mortgage Receivables Warranties. There is no further recourse to the relevant Transferor (other than

the Issuer) in respect of a breach of a Mortgage Receivables Warranty, in particular, there is no other recourse to the assets of the Transferors if an Issuer Event of Default occurs or a CBC Event of Default occurs (save as is generally the case insofar as the assets of the Issuer for its obligations under the Covered Bonds are concerned).

#### **Changes to Dutch tax treatment of interest on Mortgage Loans may impose various risks**

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

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

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

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

#### **Risk that the interest rate to be offered to the Borrowers in accordance with the Transaction Documents are too high**

The Servicing Agreement provides that following notification to the relevant Borrowers of the assignment of the Mortgage Receivables, the Servicer, acting on behalf of the CBC, will only offer the relevant Borrowers in respect of Mortgage Loans (or relevant loan part thereof) an interest rate for the next succeeding interest rate period ("*rentevastperiode*") which is at least 3.00 per cent. per annum, which percentage may be amended by the CBC and the Issuer, subject to Rating Agency Confirmation and with the consent of the Security Trustee, subject to the mortgage conditions of the Mortgage Loans and to applicable law (including, without limitation, principles of reasonableness and fairness) (the "**Minimum Mortgage Interest Rate**"). The terms and conditions applicable to the Mortgage Loans provide that, unless agreed otherwise between the parties, upon termination of an interest rate period the relevant Borrower will be offered a new interest rate for a new fixed interest rate period. The terms and conditions do not contain guidelines as to how the new interest rate will be calculated or determined. If the interest rate is set below the Minimum Mortgage Interest Rate, the difference

between such interest rate and the Minimum Mortgage Interest Rate will be taken into account in the Asset Cover Test.

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

### **PRIIPS Regulation**

On 15 April 2014, Regulation (no 1286/2014) on key information documents for packaged retail and insurance-based investment products ("**PRIIPs Regulation**") was adopted. The PRIIPs Regulation aims to increase the transparency on the market for retail investments in different types of investment products. These include insurance products which offer a maturity or surrender value and where that is wholly or partially exposed, directly or indirectly, to market fluctuations. The PRIIPs regulation introduces the Key Information Document ("**KID**"), a standardised and simple document giving key facts on the product which must be provided to prospective retail clients and there are a number of supervisory powers granted to the regulators with respect to the marketing distribution and selling of such products within the European Union. On 29 December 2014, the PRIIPs Regulation has entered in force. The PRIIPs Regulation is directly applicable in Member States as of 1 January 2018. It cannot be excluded that the PRIIPs Regulation will have an impact on the ability of the Insurance Companies to make changes to life insurance policies, such as the Life Insurance Policies, including, but not limited to, altering their risk and reward profile or the costs associated with them without being subject to the requirement to provide the standardised information referred to above and being subject to the enhanced supervision pursuant to the PRIIPs Regulation. In addition, although the Covered Bonds are not intended to be offered to retail investors, it cannot be excluded that the Issuer will be required to prepare a KID in relation to the Covered Bonds and incur costs and liabilities in relation thereto.

### **Risk related to prepayment and interest rate averaging**

The rate of prepayment of Mortgage Loans is influenced by a wide variety of economic, social and other factors, including prevailing market interest rates, changes in tax laws (including but not limited to amendments to mortgage interest tax deductibility), local and regional economic conditions and changes in Borrower's behaviour (including but not limited to home owner mobility). Currently the market interest rates are low compared to the historic average mortgage interest rates, this may lead to an increase in the rate of prepayments of the Mortgage Loans. No assurance can be given as to the level of prepayment that the Mortgage Loans granted may experience, and variation in the rate of prepayments of principal on the Mortgage Loans may affect the timing of the payments of the CBC under the Guarantee. A prepayment penalty may also be charged in case the borrower applies for interest rate averaging ("*rentemiddeling*"), as further described below.

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

According to these new AFM guidelines, the guidelines may be used for the calculation of the prepayment penalties charged as of 14 July 2016. The Transferors have recalculated the prepayment penalties charged since then according to the new guidelines. Where the recalculation showed that a prepayment penalty charged was too high, the relevant Transferor notified the affected borrower of the mortgage loan and repaid such borrower the difference. These repayment obligations will have a limited impact on the financial position of the Issuer.

Some consumer organisations have argued that a recalculation of prepayment penalties charged should also take place over a five years period prior to 14 July 2016 and potentially be repaid to the borrowers. The KiFID, however, ruled in its decision of 31 July 2017 that these new guidelines do not have retroactive effect. It can, however, not be ruled out that prepayment penalties charged before 14 July 2016 are considered to be unfair and/or deemed too high on the basis of the same reasoning or on the basis of other legal requirements. In such case also (parts of) prepayment penalties charged before 14 July 2016 shall have to be repaid. Should it be ruled by a court that excessive prepayment penalties charged before 14 July 2016 need to be repaid by the relevant Transferor, the financial impact on the financial position of the Issuer will increase and could have a negative impact on the Issuer's business, result of operations or profitability.

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

Although the aforementioned AFM guidelines do not directly apply to interest rate averaging, the AFM expects providers of mortgage loans to act in the best interest of the borrower. Furthermore, the AFM announced that it will investigate whether providers of mortgage loans always act in accordance with the borrowers' interest. In this respect, the AFM could decide to argue for adjustment of the legislation concerning interest rate averaging.

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

### **Maintenance of Transferred Assets**

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

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

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

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

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

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

Selected Mortgage Receivables could be adversely affected by the lack of representations and warranties which in turn could adversely affect the ability of the CBC to meet its best efforts undertaking under the Guarantee.

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

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

NIBC Bank has an umbrella licence under the Wft with the AFM, from which each of the Transferors benefits. If NIBC Bank ceases to have such a licence under the Wft, each of the Transferors would either have to obtain a licence itself or terminate its activities and settle ("*afwikkelen*") its existing agreements. None of the Transferors would in such event have any longer the right to perform its rights and obligations under the Guarantee Support Agreement, such as the transfer to and retransfer of relevant Mortgage Receivables from the CBC. Each of the Transferors will undertake in the Guarantee Support Agreement immediately upon the withdrawal of NIBC Bank's licence by the AFM to take all necessary action to ensure that the offering, servicing and performance of the relevant Mortgage Loans to which the relevant Transferor is a party does no longer violate the Wft.

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

As the Asset Cover Test and the Amortisation Test are composed of multiple tests, not all tests included therein provide for deduction of certain risks in the manner described herein. In particular certain set-off risks and other risks which are deducted from the Adjusted Aggregate Asset Amount are not deducted for the purpose of the calculation of the First Regulatory Current Balance Amount and the Second Regulatory Balance Amount. Therefore, the First Regulatory Current Balance Amount and the Second Regulatory Balance Amount do not include a deduction in respect of these risks. Where in the risk factors it is stated that such risks are to be deducted from the Asset Cover Test and/or the Amortisation Test, this means that these will be deducted from the Adjusted Aggregate Asset Amount and/or Amortisation Test Aggregate Asset Amount and does not mean that these are deducted from the First Regulatory Current Balance Amount and the Second Regulatory Balance Amount.

#### ***RISK FACTORS REGARDING SWAPS***

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

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

A Swap Counterparty will be obliged to make payments under the relevant Swap Agreement without any withholding or deduction of taxes unless required by law. If any such withholding or deduction is required by law, the relevant Swap Counterparty will be required to pay such additional amount necessary to ensure that the net amount actually received by the CBC will equal the full amount that the CBC would have received had no such withholding or deduction been required. The relevant Swap Agreement will provide, however, that if due to (i) action taken by a relevant taxing authority or

brought in a court of competent jurisdiction, or (ii) any change in tax law, in both cases after the date of the relevant Swap Agreement, the relevant Swap Counterparty will, or there is a substantial likelihood that it will, be required to pay to the CBC additional amounts for or on account of tax (a "Tax Event"), the relevant Swap Counterparty may (with the consent of the CBC and subject to Rating Agency Confirmation) transfer its rights and obligations to another of its offices, branches or affiliates to avoid the relevant Tax Event. If the relevant Swap Counterparty is unable to transfer its rights and obligations under the relevant Swap Agreement to another office, branch or affiliate, it will have the right to terminate the relevant Swap Agreement. Upon such termination, the CBC or the relevant Swap Counterparty may be liable to make a termination payment to the other party.

A Swap Agreement will usually be terminable by one party if - *inter alia*- (i) an event of default (as defined therein) occurs in relation to the other party, (ii) it becomes unlawful for either party to perform its obligations under the relevant Swap Agreement, (iii) a CBC Acceleration Notice is served, (iv) a Tax Event occurs as described in the paragraph above or (v) an additional termination event (as defined in the relevant Swap Agreement) occurs. Events of default under the Swap Agreements in relation to the CBC will be limited to (i) non-payment under the relevant Swap Agreement and (ii) insolvency events. If the relevant Swap Agreement terminates, the CBC will be exposed to changes in the relevant rates of interest. As a result, unless a replacement swap is entered into, the CBC may have insufficient funds to make payments under the Guarantee, if it is required to pay there under.

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

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

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

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

With respect to the Swap Agreements, the CBC (or the Issuer on its behalf) may be obliged to make monthly payments to the relevant Swap Counterparty, whereas the relevant Swap Counterparty may not be obliged to make corresponding swap payments for up to twelve months. If the relevant Swap Counterparty does not meet its payment obligations to the CBC, the CBC may have a larger shortfall than it would have had if the relevant Swap Counterparty's payment obligations had coincided with CBC's payment obligations under the relevant Swap. Hence, the difference in timing between the obligations of the CBC and the relevant Swap Counterparty may affect the CBC's ability to make payments under the Guarantee.

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

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

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

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

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

#### 4. IMPORTANT INFORMATION

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

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

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

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

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

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

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

The Covered Bonds have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission or any other regulatory authority, nor have any of the



foregoing authorities passed upon or endorsed the merits of the accuracy or adequacy of this Base Prospectus. Any representation to the contrary is unlawful.

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

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

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

In connection with each issue of Covered Bonds a stabilising manager (each a "**Stabilising Manager**") may be appointed. If a Stabilising Manager is appointed, the relevant Stabilising Manager will be set out in the applicable Final Terms. The Stabilising Manager or any duly appointed person acting for the Stabilising Manager may over-allot or effect transactions with a view to supporting the market price of the relevant Series of Covered Bonds at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Series or Tranche of Covered Bonds is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date and 60 days after the date of the allotment of the relevant Series or Tranche of Covered Bonds. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or any persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules as amended from time to time.

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

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

**Benchmark Regulation:** Interest and/or other amounts payable under the Covered Bonds may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark under the Benchmark Regulation. If any such reference rate does constitute such a benchmark, the relevant Final Terms will indicate whether or not the administrator thereof is included in the register

of administrators and benchmarks established and maintained by European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmark Regulation. Not every reference rate will fall within the scope of the Benchmark Regulation. Furthermore, transitional provisions in the Benchmark Regulation may have the result that an administrator and/or a benchmark is not required to appear in the register of administrators and benchmarks at the date of the relevant Final Terms. The registration status of any administrator or benchmark under the Benchmark Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update any Final Terms to reflect any change in the registration status of the administrator.

## 5. NIBC BANK N.V.

### 1. INFORMATION ABOUT THE ISSUER

#### 1.1 PROFILE

The Issuer is a mid-size Dutch head-quartered bank offering selected corporate and retail banking products and services. Its business model consists of a focused product offering with strong sector expertise for mid-market corporates and a distinct retail franchise in its selected markets.

The Issuer offers its mid-market corporate clients specific products across a broad spectrum of advising, structuring, financing and co-investing across debt and equity through a dedicated sector approach, with a focus on chosen sub-sectors and products in Northwest Europe with a focus on the Netherlands and Germany. Retail franchise offering primarily consists of mortgage lending in the Netherlands and online retail savings products and services in the Netherlands, Germany and Belgium via the NIBC Direct brand.

#### 1.2 GENERAL

The Issuer is a 100 per cent. subsidiary of NIBC Holding N.V., a listed entity which in turn is majority-owned by a consortium of international financial institutions and investors organised by J.C. Flowers and Co. The Issuer has various subsidiaries for investment or structured finance purposes, none of which individually entail substantial economic activities of the Issuer. The Issuer is not dependent on any other entities in the group.

The issued share capital of the Issuer is legally and beneficially owned and controlled directly by NIBC Holding N.V., a public limited liability company incorporated in the Netherlands with registered number 27282935. The rights of NIBC Holding N.V. as a shareholder in the Issuer are contained in the Articles of Association of the Issuer and the Issuer will be managed by its Directors in accordance with those Articles of Association and with the provisions of the laws of the Netherlands.

Save as disclosed below, the Issuer has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) over the previous 12 months that may have or have had a significant effect on its financial position or profitability.

The Issuer is currently engaged in legal proceedings before the Supreme Court regarding business activities of a subsidiary of the Issuer, Amstelstaete Hypotheken B.V. (now Hypinvest B.V., hereinafter: "**Hypinvest**"). No specific amount of damages has been awarded at this time. Hypinvest made a provision for this claim which amounts to €171,000, as at 31 December 2017. If the claim against Hypinvest is successful, it could set a precedent which may trigger other clients to bring proceedings against the Issuer with respect to similar facts. Therefore, the potential impact from future proceedings may theoretically have a significant effect on the Issuer's business, financial condition, results of operations, financial position or profitability. Other proceedings and settlement negotiations the Issuer is involved in are in the ordinary course of business and are either expected to be covered by insurance (except regular deductibles and contractual exclusions), properly provided for in the Issuer's financial accounts and/or not considered material in the context of the Issuer's business, financial condition or results of operations.

#### 1.3 HISTORY AND DEVELOPMENT OF THE ISSUER

The Issuer was established on 31 October 1945 as Maatschappij tot Financiering van Nationaal Herstel by the Dutch government along with a number of commercial banks and institutional investors to provide financing for the post-World War II economic recovery of the Netherlands. This entity was renamed De Nationale Investeringsbank ("**DNIB**") in 1971 and was listed on the Dutch stock exchange, now Euronext Amsterdam, from 1986 to 1999. During this time DNIB focused on providing and participating in long-term loans and private equity investments. In 1996, DNIB started its retail business through the offering of white label residential mortgages.

In 1999, DNIB was acquired by way of a public offer made through a joint venture company, NIB Capital, owned by two of Europe's largest pension funds, ABP and PGGM. NIB Capital acquired 85 per cent of the shares in DNIB. The remaining shares remained owned by the Dutch government and were acquired by NIB Capital in 2004. The acquisition by NIB Capital in 1999 marked the beginning of DNIB's evolution from a long-term lending bank to a bank offering advisory, financing and investment services.

In 2005, a consortium of international financial institutions and investors organised by J.C. Flowers & Co. (collectively, the "**Consortium**"), a U.S. based private investment firm, purchased all the outstanding equity interests of NIB Capital. In connection with this acquisition, NIBC Holding N.V. was incorporated and NIB Capital, which was renamed NIBC N.V., became its wholly-owned subsidiary. Subsequently, NIBC N.V. (as the non-surviving entity) merged into NIBC Holding N.V. and NIB Capital Bank N.V. became a direct subsidiary of NIBC Holding N.V. NIB Capital Bank N.V. subsequently changed its name to NIBC Bank N.V.

The Issuer is a Dutch public limited liability company incorporated on 31 October 1945, with corporate seat in The Hague, the Netherlands and is registered at the Dutch Chamber of Commerce under number 27032036. The Legal Entity Identifier (LEI) of the Issuer is B64D6Y3LBJS4ANNPCU93.

#### **1.4 ISSUER'S AUTHORISED AND ISSUED SHARE CAPITAL**

As at the date of this Base Prospectus, the Issuer's authorised share capital is EUR 214,900,000 and the Issuer's issued share capital is EUR 80,111,096 (fully paid up).

#### **1.5 RATINGS**

The current ratings of the Issuer are as follows:

<u>Ratings</u>	<u>S&amp;P</u>	<u>Fitch</u>
Long term credit rating	BBB	BBB
Outlook long term credit rating	Stable	Stable
Short term credit rating	A-2	F3

Standard and Poor's and Fitch are established in the European Union and are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

#### **1.6 BUSINESS OVERVIEW**

The Issuer uses the following segmentation: *Corporate Client Offering*, *Retail Client Offering* and *Treasury and Group Functions*.

The *Corporate Client Offering* segment offers its mid-market corporate clients specific products across a broad spectrum of advising, structuring, financing and co-investing across debt and equity through a dedicated sector approach, with a focus on chosen sub-sectors and products in Northwest Europe and a focus on the Netherlands and Germany.

The *Retail Client Offering* segment services retail clients in the Netherlands, Germany and Belgium and offers a product range consisting of owner-occupied mortgages, buy-to-let mortgages and an originate-to-manage mortgage offering and online savings accounts. Retail Client Offering products are mainly offered through NIBC Direct.

*Treasury and Group Functions* supports and controls all business activities for NIBC. The main focus areas include the realisation of NIBC's treasury functions, asset and liability management and risk management. Group Functions consists of: Treasury & Asset Liability Management, Risk Management, HR & Corporate Communications, Internal Audit, Legal, Compliance & Regulatory Affairs, Sustainability, Operations & Facilities, IT, Finance & Tax and Strategy & Development.

#### **1.7 SUBSIDIARIES**

The Issuer operates globally through a number of wholly and partly owned subsidiaries. The principal subsidiaries include, without limitation, the following:

Parnib Holding N.V., the Netherlands; Counting House B.V., the Netherlands; B.V. NIBC Mortgage Backed Assets, the Netherlands; NIBC Principal Investments B.V., the Netherlands; NIBC Financing N.V., the Netherlands; NIBC Markets N.V., the Netherlands and NIBC-Bank Deutschland AG, Germany.

### **1.8 FUNDING**

The principal sources of the Issuer's funding are its retail deposits, wholesale debt securities and deposits from institutional- and corporate clients.

*Retail deposits* consist of retail on demand and long-term deposits ranging from three months to up to ten years. These products are mainly offered through NIBC Direct in the Netherlands, Germany and Belgium.

*Wholesale debt securities* consist of covered bonds issued under the Issuer's conditional pass-through covered bond programme, bonds issued under Issuer's euro medium term notes programme and commercial paper issued under Issuer's euro commercial paper programme.

In order to maintain an adequate liquidity position, the Issuer has developed a comprehensive liquidity management framework within which it manages its liquidity position during both normal and adverse market conditions. This liquidity management framework is reviewed on an annual basis.

### **1.9 RISK MANAGEMENT**

NIBC relies on a "three lines of defence" risk management governance model, which provides a structure to assign risk management activities and responsibilities at various levels throughout its organisation. Day-to-day responsibility for risk management is assigned to the front office and/or operational departments and constitutes the first line of defence. The risk control functions (consisting of Risk Management, Legal, Compliance & Regulatory Affairs and other functions) form the second line of defence and are responsible for initiating risk policy and supervision of risk control within NIBC. NIBC internal audit forms the third line and is responsible for, among other things, performing independent audits on the risk appetite framework. To support effective decision-making, the Managing Board has delegated decision-making authority regarding key risk management focus areas to the following committees, each of which includes at least two executive committee members:

The *Engagement Committee* is responsible for decision-making with regard to client engagement and conflicts of interest.

The *Transaction Committee* is responsible for decision-making on senior debt transactions, lending and underwriting strategies, and impairments and write offs.

The Investment Committee is responsible for decision-making on equity, mezzanine and subordinated debt transactions and impairments and revaluations, with a separate Strategic Investment Committee responsible for strategic investments.

The *Risk Management Committee* monitors NIBC's overall risk appetite and risk profile. It approves NIBC's risk management policies and methodologies, sets portfolio, sub-portfolio and concentration limits, sets programme lending limits for its Retail Client Offering segment, oversees model validation and monitors model risk, monitors operational, IT, legal, compliance, regulatory and sustainability risks, approves new product approval requests and is responsible for monitoring compliance with NIBC's corporate social responsibility policy.

The Asset and Liability Committee sets and monitors economic capital and market risk limits, oversees liquidity management and manages NIBC's interest rate and currency risk exposures in its banking book.

The risk committees are supported by a robust risk management organisation, which focuses on the daily monitoring and management of the risks NIBC is exposed to. These departments are Credit Risk Management, Retail Risk Management, Restructuring & Distressed Assets, Market Risk

Management, Risk Analytics & Model Validation, Financial Markets Credit Risk, Credit Modelling & Portfolio Management, Operational Risk Management, Compliance Department and Legal Department.

### **1.10 MEMBERS OF THE MANAGING BOARD**

As at the date of this Base Prospectus, the Members of the Managing Board of the Issuer are the following persons:

- P.A.M. de Wilt, Chairman, Chief Executive Officer
- H.H.J. Dijkhuizen, Vice-chairman, Chief Financial Officer
- R.D.J. van Riel, Chief Risk Officer

The members of the Managing Board may be contacted at the registered address of the Issuer, at Carnegieplein 4 2517 KJ The Hague, the Netherlands, telephone number +31 (0) 70 342 5425. There are no potential conflicts of interests between any duties to the Issuer of any Managing Board members and their private interests and/or other duties.

### **1.11 SUPERVISORY BOARD**

Members of the Supervisory Board are the following persons:

- W.M. van den Goorbergh (Chairman)
- D.M. Sluimers (Vice Chairman)
- M.J. Christner (member)
- J.C. Flowers (member)
- A. de Jong (member)
- R.L. Carrion (member)
- K.M.C.Z. Steel (member)

On 27 June 2018, the Issuer announced that the Supervisory Board intends to nominate Mrs. S. Zijderveld and Mrs. A. Kemna for appointment as members of the Supervisory Board of the Issuer and NIBC Holding N.V. After appointment by the general meeting of shareholders, the Supervisory Board will elect S. Zijderveld as chair of the Remuneration & Nominating Committee, while A. Kemna will be elected as chair of the Risk Policy & Compliance Committee. The Dutch Central Bank has given its approval to the proposed appointments.

The members of the Supervisory Board may be contacted at the registered address of the Issuer, at Carnegieplein 4, 2517 KJ The Hague, the Netherlands, telephone number +31 (0) 70 342 5425.

Mr Carrión, Mr Christner and Mr Flowers have been appointed to the Supervisory Board as shareholder representatives of the majority shareholders, which are affiliated to J.C. Flowers & Co., and fulfill senior roles at J.C. Flowers & Co. In addition, Mr Flowers indirectly owns ordinary shares in the Issuer and Mr Christner and Mr Flowers, through their investments in funds related to J.C. Flowers & Co., hold indirect interests (either debt or equity) in several financial institutions which could be considered competitors to the Issuer. Other than in relation to the above, there are no potential conflicts of interests between any duties to the Issuer of any Supervisory Board members and their private interests and/or other duties.

There are no potential conflicts of interests between any duties to the Issuer of any Supervisory Board members and their private interests and/or other duties.

## 6. SELECTED FINANCIAL INFORMATION

As set forth under "*Documents incorporated by reference*", the audited annual financial statements for the financial years ended 31 December 2017 and 31 December 2016 of the Issuer shall be incorporated in, and form part of, this Base Prospectus.

### **Auditor's Report**

The financial statements of NIBC Bank N.V. for the financial years ended 2017 and 2016 have been audited by Ernst & Young Accountants LLP. Ernst & Young Accountants LLP has issued unqualified auditors' reports on these consolidated financial statements on 26 February 2018 and 7 March 2017, respectively.

### **Financial Statements**

This information is incorporated by reference.

### **Auditing of Historical Annual Financial Information**

This information is incorporated by reference.

### **Age of Latest Financial Information**

Audited financial information is dated as at 31 December 2017.

### **Interim and Other Financial Information**

For other financial information reference is made to [www.nibc.com](http://www.nibc.com).

### **Alternative Performance Measures**

This information is incorporated by reference.

At the date of this Base Prospectus there has been no significant change in the financial position of the NIBC Group which has occurred since the end of the last financial period for which audited financial information or interim financial information have been published on 26 February 2018. At the date of this Base Prospectus there has been no material adverse change in the prospects of the Issuer since the date of its last published financial statements.

## 7. CONDITIONAL PASS-THROUGH COVERED BONDS

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

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

This Programme is the first Dutch conditional pass through covered bonds programme. Other Dutch conditional pass through covered programmes have been set up by other Dutch banks since the Programme Date. Also other Dutch covered bonds have been issued which do not have the same conditional pass through structure. Two of the main differences of the conditional pass through covered bond structure compared with other Dutch covered bond programmes existing at the date of this Base Prospectus are set out below under *Extension period* and *Sale or refinancing of selected assets*. Investors should be aware that there are more differences compared to other existing Dutch covered bond programmes which do not have the same conditional pass through structure, but these are not further described in this section.

#### **Extension period**

##### *NIBC Conditional Pass-Through Covered Bond Programme*

The conditional pass-through structure will become particularly relevant after an Issuer Event of Default and the service of a Notice to Pay on the CBC. In this Programme the CBC will under the Guarantee be required to redeem each Series of Covered Bonds on the Extended Due for Payment Date that falls 32 years after the Maturity Date, unless it has funds available to redeem the relevant Series of Covered Bonds on an earlier CBC Payment Date. The Extended Due for Payment Date will therefore always fall after the date on which the latest maturing Mortgage Loan must be repaid (Mortgage Loans have a maximum maturity of 30 years). After the service of a Breach of Amortisation Test Notice, which does not result in a CBC Acceleration Notice, the CBC will be required to use all funds available to redeem all Series on a *pro rata* basis. Interest will continue to accrue on the unpaid part of the Covered Bonds (see Chapter 8 *Asset Backed Guarantee* section *Guarantee*).

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

In some but not all other existing Dutch covered bond programmes (in case of soft bullet covered bonds) the obligations under the guarantee to pay principal on the covered bonds will after the maturity date of the relevant series also be deferred to the extended due for payment date, but for a maximum period of 1 (one) year. A breach of amortisation test in all other Dutch covered bond programmes which do not have the same conditional pass through structure will result in the security trustee being entitled to serve a CBC acceleration notice. All other existing Dutch covered bond programmes which do not have the same conditional pass through structure that contain a deferral of principal provide that interest will continue to accrue on the unpaid part of the covered bonds.

#### **Sale or refinancing of selected assets**

##### *NIBC Conditional Pass-Through Covered Bond Programme*

In this Programme the CBC will after the service of a Notice to Pay only be required to sell Transferred Assets if the sale proceeds are sufficient to redeem the relevant Series of Covered Bonds with respect to which a sale is undertaken (which can be all Series in case all Series have become Pass-Through Covered Bonds). If the CBC is not able to sell the Transferred Assets for the amount required the relevant Series will not be redeemed in full on the succeeding CBC Payment Date, but will be redeemed to the extent funds are available for such purpose in accordance with the CBC Priority of Payments. The CBC will undertake its best efforts to sell Transferred Assets every 6 months. (see Chapter 17 *Asset Monitoring* section *Sale or refinancing of selected assets*).

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

In other Dutch covered bond programmes which do not have the same conditional pass through structure, the CBC will either before (after certain tests have been failed) or, in case of soft bullet covered bonds, shortly after the maturity date be required (to use its best efforts) to sell selected transferred assets for a price at least equal to redeem the relevant series of covered bonds in full and



thereafter if such sale is not successful, for the best price available if it has insufficient funds to redeem the covered bonds on the maturity date or, in case of soft bullet covered bonds, on the extended due for payment date.

### **Dutch Central Bank**

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

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

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

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

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

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

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

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

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

Each Tranche of Covered Bonds will (as specified in the applicable final terms (each the "**Final Terms**")) be in bearer or in registered form. Bearer Covered Bonds will initially be issued in the form of a temporary Global Covered Bond without interest coupons attached (a "**Temporary Global Covered Bond**"). Each Temporary Global Covered Bond which is intended to be issued in new global note ("**NGN**") form, as specified in the applicable Final Terms, will be deposited on or prior to the issue date of a Tranche with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Covered Bond which is not intended to be issued in NGN form, as specified in the applicable Final Terms, will on or prior to the original issue date of the Tranche be deposited with the *Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.* ("**Euroclear Nederland**"), or with (ii) a common depositary for Euroclear and/or Clearstream Luxembourg or with (iii) (a depositary for) any other agreed clearing system. Registered Covered Bonds, will be issued to each holder by a Registered Covered Bonds Deed. Registered Covered Bonds will either be issued by means of a Registered Covered Bonds Deed for all Covered Bonds issued (global) or for one or more Covered Bonds (individual). Registered Covered Bonds in global form may also be held by or on behalf of one of the ICSDs as common safekeeper (and registered in the name of a nominee of one of the ICSDs acting as common safekeeper) and may also be registered in the name of (i) Euroclear Nederland or of (ii) a common depositary for Euroclear and/or Clearstream, Luxembourg or of (iii) (a depositary for) any other agreed clearing system. Registered Covered Bonds will be issued to each holder by a Registered Covered Bonds Deed.

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

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

On and after the date (the "**Exchange Date**") which is not less than 40 days (nor (if the Temporary Global Covered Bond has been deposited with Euroclear Nederland) more than 90 days) after the date on which the Temporary Global Covered Bond is issued (or the "restricted period" within the meaning of U.S. Treasury Regulations (Section 1.631-5(c)(2)(i)(D)(7)) or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-2c or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010, interests in such Temporary Global Covered Bond, interests in the

Temporary Global Covered Bond will be exchangeable (free of charge) upon a request as described therein for interests in a permanent Global Covered Bond without interest coupons attached (a "**Permanent Global Covered Bond**" and, together with any Temporary Global Covered Bond, each a "**Global Covered Bond**") of the same Series, against certification of non-US beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Covered Bond will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Covered Bond for an interest in a Permanent Global Covered Bond is improperly withheld or refused. Payments of principal, interest (if any) and any other amounts on a Permanent Global Covered Bond will be made without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Covered Bond will only be exchangeable (free of charge), in whole but not in part, for Definitive Covered Bonds (each a

"**Definitive Covered Bond**") with, where applicable, receipts, interest coupons and talons attached only upon the occurrence of an Exchange Event or, in case such Permanent Global Covered Bond is deposited with Euroclear Nederland, only upon the occurrence of a Delivery Event., subject to mandatory provisions of applicable laws and regulations.

For these purposes, "**Exchange Event**" means that (i) the Covered Bonds become immediately due and repayable by reason of a CBC Event of Default or (ii) the Issuer has been notified that Euroclear and Clearstream, Luxembourg or, if applicable in respect of the relevant Series, Euroclear Nederland have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention to cease business permanently or have in fact done so and no successor clearing system is available or (iii) the Issuer or the CBC has or will become subject to adverse tax consequences which would not be suffered if the Covered Bonds represented by the Permanent Global Covered Bond, were in definitive form; and "**Delivery Event**" means the event that Euroclear Nederland has been closed for business for a continuous period of fourteen (14) calendar days (other than by reason of holiday, statutory or otherwise) or has announced an intention to cease business permanently or has in fact done so and no successor clearing system is available, provided always that in such case Definitive Covered Bonds may be delivered (*uitgeleverd*) pursuant to the Dutch Securities Giro Transfer Act (*Wet giraal effectenverkeer*).

The Issuer will promptly give notice to Covered Bondholders of each Series in accordance with Condition 14 (*Notices*) if an Exchange Event or Delivery Event occurs. In such events, Euroclear and/or Clearstream, Luxembourg and/or, if applicable, Euroclear Nederland (acting on the instructions of any holder of an interest in such Permanent Global Covered Bond) or the Security Trustee may give notice to the Principal Paying Agent requesting exchange or delivery, as the case may be, and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer or the CBC may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

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

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

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

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

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

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

The following legend will appear on all Global Covered Bonds held through Euroclear Nederland:  
"NOTICE: THIS COVERED BOND IS ISSUED FOR DEPOSIT WITH *NEDERLANDS CENTRAAL INSTITUUT VOOR GIRAAL EFFECTENVERKEER B.V.* ("EUROCLEAR NEDERLAND") AT AMSTERDAM, THE NETHERLANDS. ANY PERSON BEING OFFERED THIS COVERED BOND FOR TRANSFER OR ANY OTHER PURPOSE SHOULD BE AWARE THAT THEFT OR FRAUD IS ALMOST CERTAIN TO BE INVOLVED."

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

Covered Bonds which are represented by a Global Covered Bond and are held through Euroclear or Clearstream, Luxembourg, will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be. In case of a Global Covered Bond deposited with Euroclear Nederland, the rights of Covered Bondholders will be exercised in accordance with and are subject to the Dutch Securities Giro Transfer Act ("*Wet Giraal Effectenverkeer*").

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

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

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

## **FORM OF FINAL TERMS**

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

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

### **Final Terms**

Dated [ ]

#### **NIBC Bank N.V.**

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

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

Guaranteed as to payment of principal and interest by

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

under NIBC Bank N.V.'s €5,000,000,000 Conditional Pass-Through Covered Bond Programme

This document constitutes the Final Terms of the issue of Covered Bonds under the €5,000,000,000 Conditional Pass-Through Covered Bond Programme (the "**Programme**") of NIBC Bank N.V. (the "**Issuer**") guaranteed by NIBC Conditional Pass-Through Covered Bond Company B.V. (the "**CBC**"), described herein for the purposes of Article 5.4 of Directive 2003/71/EC (including Directive 2010/73/EU) (the "**Prospectus Directive**"). This document must be read in conjunction with the base prospectus pertaining to the Programme, dated 19 July 2018 [as lastly [amended/supplemented] on [...]] and any further amendments and supplements thereto (the "**Base Prospectus**"), which constitute a base prospectus for the purposes of the Prospectus Directive [*include the following language if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date, refer to the relevant Terms and Conditions*], save in respect of the Terms and Conditions (as defined below) which are replaced by the terms and conditions set forth in the base prospectus dated [22 July 2013/ 23 July 2014/29 July 2015/28 July 2016] which are incorporated by reference in the Base Prospectus. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus and any amendments or supplements thereto [and the terms and conditions set forth in [the Base Prospectus]/[the base prospectus dated [22 July 2013/ 23 July 2014/29 July 2015/28 July 2016]].]

The Base Prospectus (and any amendments thereto) is/are, in accordance with Article 14 of the Prospectus Directive, available for viewing at [www.nibc.com](http://www.nibc.com) as well as at The Hague office of the Issuer at Carnegieplein 4, 2517 KJ, The Hague, the Netherlands, where copies may also be obtained (free of charge). Any supplements to the Base Prospectus will in any case be available at this office and copies thereof may be obtained (free of charge) there.

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

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

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

These Final Terms are to be read in conjunction with the Terms and Conditions (the "**Terms and Conditions**") set forth in Chapter 7 of the Base Prospectus. The Terms and Conditions as supplemented, amended and/or disappplied by these Final Terms constitute the conditions (the "**Conditions**") of the Covered Bonds. Capitalised terms not defined herein have the same meaning as in the Terms and Conditions. Certain capitalised terms in the Conditions which are not defined therein have the meaning set forth in a master definitions agreement (the "**Master Definitions Agreement**") dated 19 July 2013 as lastly amended and restated on 19 July 2018, as amended, supplemented, restated or otherwise modified from time to time and signed by the Issuer, the CBC, the Security Trustee, the Transferors and certain other parties. All references to numbered Conditions and sections are to Conditions and sections of the Terms and Conditions set forth in Chapter 7 of the Base Prospectus.

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

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

- |    |                       |  |
|----|-----------------------|--|
| 1. | (i) Issuer:           | NIBC Bank N.V.   |
|    | (ii) CBC:             | NIBC Conditional Pass-Through Covered Bond Company B.V.  |
| 2. | [(i)] Series Number:  | [...]  |
|    | [(ii) Tranche Number: | [...]<br><i>(If fungible with an existing Series, details of that Series, including the date on which the Covered Bonds become fungible)</i> |

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

Rate]  
[[LIBOR/EURIBOR/other reference rate] +/- [...]  
per cent. Floating Rate]

If payment of the Guaranteed Final Redemption Amount is deferred in whole or in part, for the period from (and including) the Maturity Date or, if earlier, the date on which a Breach of Amortisation Test Notice has been served to (and excluding) the Extended Due for Payment Date: [...] per cent Fixed Rate

10. Redemption/Payment Basis: [Redemption at par]  
[specify other amount or percentage] (NB: no Derivatives within the meaning of the Commission Regulation (EC) 809/2004 will be issued, unless a Supplemental Prospectus is issued in this respect)]
11. Change of Interest Basis or Redemption/  
Payment Basis: [The Interest Basis will change from [ ] to [...] per cent Fixed Rate on the Maturity Date, if applicable, or, if earlier, the date on which a Breach of Amortisation Test Notice is served / Not applicable]
12. Put/Call Options: [[Investor Put]  
[Issuer Call]  
[(further particulars specified below)]  
[Not applicable]
13. Status of the Covered Bonds: Unsubordinated, unsecured, guaranteed
14. Status of the Guarantee: Unsubordinated, secured (indirectly, through a parallel debt), unguaranteed
15. Method of Distribution: [Syndicated/Non-syndicated/Not applicable]

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

16. **Fixed Rate Covered Bond Provisions** [Applicable to but excluding the Maturity Date, or if earlier, the date on which a Breach of Amortisation Test Notice has been served / Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate(s) of Interest: [...] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]
- (ii) Interest Payment Date(s): [[specify one date or more dates] in each year]/  
[[...] in each month] up to and including the Maturity Date, or if earlier, the date on which a Breach of Amortisation Test Notice has been served / if applicable subject to the Business Day Convention  
(NB: This will need to be amended in the case of long or short coupons)
- (iii) Fixed Coupon Amount(s): [...] per Calculation Amount



- (iv) Broken Amount(s): [...] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [...] / Not applicable]
- (v) Business Day Convention  
 - Business Day Convention [Following Business Day Convention/Modified Following Business Day Convention/No Adjustment/Preceding Business Day Convention]  
 - Adjustment or Unadjustment for Interest Period [Adjusted] or [Unadjusted]
- (vi) Fixed Day Count Fraction: [30/360 or Actual/Actual (ICMA)]
17. **Floating Rate Covered Bond Provisions** [Applicable to (but excluding) the Maturity Date, or if earlier the date on which a Breach of Amortisation Test Notice has been served /Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Specified Period(s)/ Specified Interest Payment Dates: [...] *(Specified Interest Payment Dates and Specified Period are alternatives.)*
- (ii) Business Day Convention:  
 - Business Day Convention [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ No Adjustment]  
 - Adjustment or Unadjustment for Interest Period [Adjusted] or [Unadjusted]
- (iii) Additional Business Centre(s): [Not Applicable / give details]
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (v) Party responsible for calculating the Rate of Interest and interest Amount (if not the Principal Paying Agent): [[Name] shall be the Calculation Agent *(no need to specify if the Principal Paying Agent is to perform this function)*]
- (vi) Screen Rate Determination:  
 - Reference Rate: [Yes/No]  
 [...] *(Either LIBOR or EURIBOR or other reference rate)*  
 - Interest Determination Date(s): [...] *(Second London business day prior to the start of each Interest Period if LIBOR (other than sterling or euro LIBOR), first day of each Interest Period if sterling LIBOR and the second day on which the TARGET2 is open prior to the start of each Interest Period if EURIBOR, euro LIBOR or any other inter-bank offered rate prevailing in a country in which the TARGET2 does not apply) (specify up to and including the Maturity Date)*

- Relevant Screen Page: [...]
 

*(In the case of EURIBOR, if not Reuters EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- Relevant Time: [...]
 

*(For example, 11.00 a.m. London time/Brussels time)*
- Relevant Financial Centre: [...]
 

*(For example, London/Euro-zone (where Euro zone means the region comprised of the countries whose lawful currency is the euro))*
- (vii) ISDA Determination: [Yes/No]
  - Floating Rate Option: [...]
  - Designated Maturity: [...]
  - Reset Date: [...]
- (viii) Margin(s): [+/-] [...] per cent. per annum
- (ix) Minimum Rate of Interest: [...] per cent. per annum
- (x) Maximum Rate of Interest: [...] per cent. per annum
- (xi) Floating Day Count Fraction: [[Actual/365  
Actual/365 (Fixed)  
Actual/360  
or 30/360, 360/360 or Bond Basis  
30E/360 or Eurobond Basis  
30E/360 (ISDA)]  
*[(See Condition [5] for alternatives)]*

**18. Fixed Rate Covered Bond Provisions**

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

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

- (i) Rate(s) of Interest: [...] per cent. per annum payable monthly in arrear
- (ii) Interest Payment Date(s): [each CBC Payment Date after the earlier of (i) the Maturity Date up to and including the Extended Due for Payment Date and (ii) the date on which a Breach of Amortisation Test Notice is served, up to and including the Extended Due for Payment Date, if applicable subject to the Business Day Convention]
- (iii) Interest Period: [*Please specify/Not Applicable*]
- (iv) Business Day Convention
  - Business Day Convention [Following Business Day]

- Convention/Modified Following Business Day  
Convention/No Adjustment/Preceding Business Day  
Convention]]
- Adjustment or Unadjustment  
for Interest Period [Adjusted] or [Unadjusted]
- (v) Fixed Day Count Fraction: [30/360 or Actual/Actual (ICMA)]

**PROVISIONS RELATING TO REDEMPTION**

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

**GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS**

23. Form of Covered Bonds: [Bearer form/registered form *(Include for Registered Covered Bonds)*]
- [Temporary Global Covered Bond exchangeable for a Permanent Global Covered Bond which is exchangeable for Definitive Covered Bonds only upon the occurrence of [an Exchange Event/a Delivery Event].]
- [Permanent Global Covered Bond exchangeable for Definitive Covered Bonds only upon the occurrence of [an Exchange Event/a Delivery Event].]

- [Permanent Global Covered Bond not exchangeable for Definitive Covered Bonds]
24. New Global Note form: [Applicable/Not Applicable (see also item 39(vi))]
25. a) Exclusion of set-off: [Not Applicable/Applicable]  
[See Condition 6(G).]
- b) German Insurers: [Not Applicable/Applicable]
26. Additional Financial Centre(s) or other special provisions relating to payment Dates: [Not Applicable/*give details*]  
Note that this item relates to the date and place of payment and not Interest Period end dates to which item 17 (iii) relates
27. Talons for future Coupons to be attached to Definitive Covered Bonds (and dates on which such Talons mature): [Yes/No] (*If yes, give details*)
28. Consolidation Provisions [The provisions of Condition 18 apply]/[Not Applicable]

#### **DISTRIBUTION**

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

#### **OTHER PROVISIONS**

31. U.S. Selling Restrictions: [Reg S Compliance/ TEFRA D/TEFRA C/ TEFRA rules not applicable]
32. Listing
- (i) Listing [Euronext Amsterdam/*other (specify)*]/ None]
- (ii) Admission to trading: Application has been made for the Covered Bonds to be admitted to trading on the regulated market on the official list of [Euronext Amsterdam] /*specify other*

regulated market] with effect from [...] [Not Applicable].

*[(Unless all items in the Final Terms are completed (including by completion of an issue specific summary) as if the relevant Covered Bonds would have a Specified Denomination of less than EUR 100,000 (or its equivalent in any other currency), Covered Bonds that are issued with a Specified Denomination of at least EUR 100,000 (or its equivalent in any other currency) and integral multiples of a certain smaller amount than EUR 100,000 (or its equivalent in any other currency) in excess thereof will not be listed on Euronext Amsterdam until the Issuer has made itself aware that such Covered Bonds can only be traded on Euronext Amsterdam for a minimum nominal amount of at least EUR 100,000 (or its equivalent in any other currency))]*

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

33. Ratings: The Covered Bonds to be issued [are not / are expected to be / have been] rated:

[S&P\*]: AAA]  
[Fitch\*]: AAA]  
[Other\*]: [...]

*(\*The exact legal name of the rating agency entity providing the rating should be specified-for example "Fitch Ratings Ltd.", rather than just Fitch.)*

[Registration of Rating Agency: [...]

*[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]*

*(The above disclosure should reflect the rating allocated to the Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

*[Insert one (or more) of the following options, as applicable:]*

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

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

**Regulation**"), although notification of the corresponding registration decision has not yet been provided by the *[relevant competent authority]* /*[European Securities and Markets Authority]*.

*[Insert legal name of particular credit rating agency entity providing rating]* is established in the EEA and is neither registered nor has it applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

*[Insert legal name of particular credit rating agency entity providing rating]* is not established in the EEA but the rating it has given to the Covered Bonds is endorsed by *[insert legal name of credit rating agency]*, which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

*[Insert legal name of particular credit rating agency entity providing rating]* is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

*[Insert legal name of particular credit rating agency entity providing rating]* is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") and the rating it has given to the Covered Bonds is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.

34. [Notification / Not applicable]

The Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*) ("**AFM**") [has been requested to provide/has provided – include first alternative for an issue which is contemporaneous with the [establishment/update] of the Programme and the second alternative for subsequent issues] the [names of competent authorities of host Member States] with a notification that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.]

35. **Interests of Natural and Legal Persons Involved in the Issue**

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

*["Save as discussed in "Subscription and Sale", so far as the Issuer is aware, no person involved in the issue of the Covered Bonds has an interest material to the offer." (Amend as appropriate if there are other interests)]*

*[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

36. [Reasons for the Offer (if different from making a profit and/or hedging certain risks)]

*(Also see "Use of Proceeds" wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here. If proceeds are intended for more than one use will need to split out and present in order of priority. If*

*proceeds insufficient to fund all proposed uses state amount and sources of other funding. If the net proceeds from the issue of Covered Bonds designated as green bonds or sustainability bonds are used for projects that promote climate and other environmental purposes, include and specify such projects.]*

37. [Estimated net proceeds and total expenses
- (i) Estimated net proceeds [...]
    - (ii) Estimated total expenses: [...] [Include breakdown of expenses]]
38. Yield (Fixed Rate Covered Bonds only)
- Indication of yield: [...]
 

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.
39. Operational Information
- (i) ISIN: [...]
  - (ii) Common Code: [...]
  - (iii) WKN Code: [...] [Not Applicable]
  - (iv) [Other relevant code:] [...] [CFI: [...]] [FISN: [...]] [Not Applicable] [give name(s) and numbers(s)]
  - (v) New Global Note intended to be held in a manner which would allow Eurosystem eligibility: [Not Applicable/Yes/No]
 

[Yes. Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] [include this text for registered Covered Bonds] and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met] [Include this text if "Yes" selected in which case the Covered Bonds must be issued in NGN form]/

[No. (only include if held through or on behalf of Euroclear or Clearstream, Luxembourg) Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Covered Bonds are capable of meeting them the Covered Bonds may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as

common safekeeper)] [include this text for registered Covered Bonds)]. Note that this does not necessarily mean that the Covered Bonds will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met]]

[Not applicable, means that the Covered Bond will not be held through the system of Euroclear or Clearstream, Luxembourg]

- (vi) Offer Period: [The offer of the Covered Bonds is expected to open at [...] hours ([...] time) on [...] and close at [...] hours ([...] time) on [...] or such earlier or later date or time as the Issuer may determine, following consultation with the relevant Dealer where practical,] (and announce)] [Not Applicable]
- (vii) Delivery: Delivery [against/free of] payment
- (viii) Payment: [Method and time limits of paying up the Covered Bonds – *to be included if any agreement in this respect is entered into between Issuer and Manager(s)*]
- (ix) Settlement Procedure: [Method of settlement procedure to be included/Not Applicable]
- (x) Clearing System: [Euroclear/Clearstream Luxembourg/Euroclear Nederland/*other agreed clearing system*] [*insert address of relevant clearing system*]
40. Additional paying agent (if any): [Name: [...]][Address: [...]] / Not Applicable
41. Listing Application  
[These Final Terms comprise the final terms required to list and have admitted to trading on [*specify the relevant regulated market*] the issue of Covered Bonds described herein pursuant to the Programme for the issuance of Covered Bonds of NIBC Bank N.V./ Not Applicable]
42. Statement on Benchmarks: [[specify benchmark] is provided by [*administrator legal name*]][*repeat as necessary*]. As at the date hereof, [[*administrator legal name*][appears]/[does not appear] [*repeat as necessary*] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the Benchmark Regulation. As far as the Issuer is aware, [[*specify benchmark(s)*] [does/do] not fall within the scope of the Benchmark Regulation by virtue of Article 2 of that regulation] [the transitional provisions in Article 51 of the Benchmark Regulation apply], such that [legal name of administrator(s)] [is/are] not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).][Not Applicable]



## Responsibility

The Issuer and the CBC declare that, having taken all reasonable care to ensure that such is the case, the information contained herein is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. The Issuer and the CBC [(only as far as it concerns the CBC)] accept responsibility for the information contained in these Final Terms. [...] has been extracted from [...]. The Issuer and the CBC confirm that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [...], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

Signed on behalf of the CBC:

By:  
Duly authorised

By:  
Duly authorised

By:  
Duly authorised

By:  
Duly authorised

## **TERMS AND CONDITIONS OF CONDITIONAL PASS-THROUGH COVERED BONDS**

*The following are the terms and conditions of Covered Bonds (the "Terms and Conditions") to be issued by the Issuer which will be incorporated by reference into each Global Covered Bond, Registered Covered Bonds Deed and each Definitive Covered Bond in the standard euromarket form. The applicable Final Terms in relation to any Tranche of Covered Bonds may specify other terms and conditions which shall to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Tranche of Covered Bonds. The applicable Final Terms will be endorsed on, incorporated by reference into, or attached to, each Global Covered Bond, Registered Covered Bonds Deed and Definitive Covered Bond in the standard euromarket form. Reference should be made to "Form of Final Terms" above for a description of the content of Final Terms which includes the definition of certain terms used in the following Terms and Conditions.*

This Covered Bond is one of a Series (as defined below) of Covered Bonds issued by NIBC Bank N.V. (the "**Issuer**" which expression shall include any Substitute Debtor pursuant to Condition 17) pursuant to a trust deed (as amended, restated or otherwise modified from time to time, the "**Trust Deed**") dated 19 July 2013 (such date, and in respect of the Programme Agreement 22 July 2013, as amended, restated or otherwise modified from time to time, the "**Programme Date**") as lastly amended and restated on 19 July 2018, as the same may be further amended, restated, supplemented, modified and/or novated from time to time and made between the Issuer, NIBC Conditional Pass-Through Covered Bond Company B.V. (the "**CBC**") and Stichting Security Trustee NIBC Conditional Pass-Through Covered Bond Company (the "**Security Trustee**") and Stichting Holding NIBC Conditional Pass-Through Covered Bond Company (the "**Stichting Holding**").

Save as provided for in Conditions 10 (*Events of Default and Enforcement*) and 15 (*Meetings of Covered Bondholders, Modification and Waiver*) or where the context otherwise requires, references herein to the Covered Bonds shall be references to the Covered Bonds of this Series and shall mean:

- (i) in relation to any Covered Bonds represented by a Global Covered Bond, units of the lowest Specified Denomination in euro;
- (ii) any Temporary Global Covered Bond, any Permanent Global Covered Bond and any Registered Covered Bond, as the case may be; and
- (iii) any Definitive Covered Bonds issued in exchange for a Permanent Global Covered Bond upon the occurrence of an Exchange Event.

The Covered Bonds and the Coupons (as defined below) have the benefit of an agency agreement (such agency agreement as amended, supplemented, restated or otherwise modified from time to time, the "**Agency Agreement**") entered into on the Programme Date between the Issuer, the CBC, the Security Trustee, Citibank, N.A., London Branch as issuing and principal paying agent (the "**Principal Paying Agent**") and as registrar (the "**Registrar**"), and the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agent).

Interest bearing Definitive Covered Bonds in the standard euromarket form (unless otherwise indicated in the applicable Final Terms) have interest coupons ("**Coupons**") and, if indicated in the applicable Final Terms, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons.

The Final Terms for this Covered Bond (or the relevant provisions thereof) are (i) in the case of a Bearer Covered Bond, attached to or endorsed on this Covered Bond or (ii) in the case of a Registered Covered Bond, attached to the relevant Registered Covered Bonds Deed, and supplement these Terms and Conditions (together in respect of the relevant Covered Bond the "**Conditions**") and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Covered Bond. References to the applicable Final Terms are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Covered Bond or the relevant Registered Covered Bonds Deed.

The Security Trustee acts for the benefit of the holders for the time being of the Covered Bonds (the "**Covered Bondholders**" or "**Bondholders**", which expression shall, in relation to (i) any Bearer Covered Bonds represented by a Temporary Global Covered Bond or a Permanent Global Covered Bond, and (ii) any Registered Covered Bond, be construed as provided below) and the holders of the Coupons (the "**Couponholders**", which expression shall, unless the context otherwise requires, include the holders of the Talons) and for holders of each other Series in accordance with the provisions of the Trust Deed. Any holders mentioned above include those having a credit balance in the collective depots held by Euroclear Nederland or one of its participants.

As used herein, "**Tranche**" means Covered Bonds which are identical in all respects (including as to listing) and "**Series**" means a Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

These Terms and Conditions include summaries of, and are subject to, the provisions of the Trust Deed, the Parallel Debt Agreement, the Pledge Agreements and the Agency Agreement.

Copies of the Trust Deed, the Pledge Agreements, the Master Definitions Agreement, the Parallel Debt Agreement and the Agency Agreement are available for inspection during normal business hours at the registered office of the Security Trustee at Amsterdam, the Netherlands and at the specified office of each of the Paying Agents. Copies of the applicable Final Terms for all Covered Bonds of each Series (including in relation to unlisted Covered Bonds of any Series) are obtainable during normal business hours at the specified office of each of the Paying Agents and any Covered Bondholder must produce evidence satisfactory to the Issuer and the Security Trustee or, as the case may be, the relevant Paying Agent as to its holding of Covered Bonds and identity. The Covered Bondholders and the Couponholders are deemed to have notice of, are bound by, and are entitled to the benefit of, all the provisions of, and definitions contained in, the Trust Deed, the Pledge Agreements, the Master Definitions Agreement, the Agency Agreement, each of the other Transaction Documents and the applicable Final Terms which are applicable to them and to have notice of each Final Terms relating to each other Series.

Except where the context otherwise requires, capitalised terms used and not otherwise defined in these Terms and Conditions shall bear the meaning given to them in the applicable Final Terms and/or the master definitions agreement dated the Programme Date, as amended, supplemented, restated,

novated or otherwise modified from time to time (the "**Master Definitions Agreement**"), a copy of each of which may be obtained as described above.

## 1. **FORM, DENOMINATION AND TITLE**

The Covered Bonds are either in bearer form ("**Bearer Covered Bonds**") or registered form ("**Registered Covered Bonds**") issued pursuant to the terms and conditions of a registered covered bonds deed ("**Registered Covered Bonds Deed**"), as set out in the applicable Final Terms, and, in the case of Definitive Covered Bonds, serially numbered, and in the case of Definitive Covered Bonds or Registered Covered Bonds in euro and the Specified Denomination(s). Covered Bonds of one Specified Denomination may not be exchanged for Covered Bonds of another Specified Denomination.

This Covered Bond may be a Fixed Rate Covered Bond, a Floating Rate Covered Bond or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Definitive Covered Bonds are issued with Coupons attached.

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

For Covered Bonds held by Euroclear Nederland deliveries will be made in accordance with the Wge.

The Issuer, the CBC, the Paying Agents and the Security Trustee may (except as otherwise required by law) deem and treat the holder of any Bearer Covered Bond or Coupon as the absolute owner thereof, whether or not any payment is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof and no person shall be liable for so treating such bearer for all purposes but, in the case of any Global Covered Bond, without prejudice to the provisions set out in the first succeeding paragraph. The signatures on this Covered Bond or the relevant Registered Covered Bonds Deed, as applicable, are manual and/or in facsimile.

For so long as any of the Covered Bonds are represented by a Global Covered Bond held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, S.A. ("**Clearstream, Luxembourg**") by a common safekeeper, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Covered Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to such nominal amount of such Covered Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the CBC, the Paying Agents and the Security Trustee as the holder of such nominal amount of such Covered Bonds for all purposes other than with respect to the payment of principal or interest or other amounts on such nominal amount of such Covered Bonds, for which purpose the bearer of the relevant Global Covered Bond shall be treated by the Issuer, the CBC, any Paying Agent and the Security Trustee as the holder of such nominal amount of such Covered Bonds in accordance with and subject to the terms of the relevant Global Covered Bond and the expressions "**Covered Bondholder**" and "**holder of Covered Bonds**" and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Covered Bonds as aforesaid, the Security Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error or an error established as such to the satisfaction of the Security Trustee, be conclusive and binding on all concerned. Covered Bonds which are represented by a Global Covered Bond will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg, and/or Euroclear Nederland, as the case may be.

Where Covered Bonds represented by a Permanent Global Covered Bond are deposited with Euroclear Nederland, a Covered Bondholder shall not have the right to request delivery ("*uitlevering*") of his Covered Bonds under the Wge other than as set out in accordance with the rules and procedures of Euroclear Nederland and the Wge.

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

## 2. STATUS OF THE COVERED BONDS

The Covered Bonds and any relative Coupons constitute unsubordinated and unsecured obligations of the Issuer, guaranteed by the Guarantee and rank *pari passu* without any preference among themselves and at least *pari passu* with all other unsecured and unsubordinated obligations of the Issuer, present and future, other than any obligations preferred by mandatory provisions of applicable law.

## 3. THE GUARANTEE

Pursuant to a guarantee issued under the Trust Deed, the CBC has as an independent obligation irrevocably undertaken to pay the Guaranteed Amounts when the same shall become Due for Payment (the "**Guarantee**"). However, the CBC shall have no such obligation under the Guarantee until (i) the occurrence of an Issuer Event of Default, service by the Security Trustee on the Issuer of an Issuer Acceleration Notice and service by the Security Trustee on the CBC of a Notice to Pay or (ii) the occurrence of a CBC Event of Default and the service by the Security Trustee of a CBC Acceleration Notice on the Issuer and the CBC. In addition, in respect of each Series of Covered Bonds, if the CBC is obliged under the Guarantee to pay a Guaranteed Amount relating to Scheduled Principal payable on the Maturity Date or after service of a Breach of Amortisation Test Notice, on each CBC Payment Date (the "**Guaranteed Final Redemption Amount**"), then:

- (a) the obligation of the CBC to pay the Guaranteed Final Redemption Amount shall be deferred to, and shall under the Guarantee be due on, the Extended Due for Payment Date, provided that if on any CBC Payment Date which falls prior to the Extended Due for Payment Date, any moneys are available to the CBC to be paid (or reserved for payment of principal on any Series of Covered Bonds), after the CBC shall under the relevant Priority of Payments have paid or provided for (on the relevant CBC Payment Date) all higher ranking amounts, then the CBC shall (a) give notice thereof to the relevant holders of the Pass-Through Covered Bonds (in accordance with Condition 14 (*Notices*)), the Rating Agencies, the Security Trustee, the Principal Paying Agent and the Registrar (in the case of Registered Covered Bonds) as soon as reasonably practicable and in any event at least two business days prior to such CBC Payment Date (whereby such notice shall be deemed to have been given on the first business day following the date on which such notice was given by the CBC to the relevant clearing system, if any, and otherwise in accordance with Condition 14 (*Notices*)), and (b) apply such remaining available moneys in payment, in whole or in part, of the Guaranteed Final Redemption Amount pertaining to all Pass-Through Covered Bonds, if applicable *pro rata* by reference to the Principal Amount Outstanding of such Covered Bonds (and to such extent the Guaranteed Final Redemption Amount shall for the purpose of the relevant Priority of Payments and all other purposes be due) on such CBC Payment Date; and
- (b) the CBC shall under the Guarantee owe interest over the unpaid portion of the Guaranteed Final Redemption Amount, which shall accrue and be payable on the basis set out in the applicable Final Terms or, if not set out therein, Condition 5 (*Interest*),

all without prejudice to the CBC's obligation to pay any other Guaranteed Amount (i.e. other than the Guaranteed Final Redemption Amount) when Due for Payment.

The rights under the Guarantee (a) form an integral part of the Covered Bonds, (b) are of interest to a holder of Covered Bonds only if, to the extent that, and for so long as, it holds Covered Bonds and (c) can only be transferred together with all other rights under the relevant Covered Bond. The obligations of the CBC under the Guarantee are unsubordinated and unguaranteed obligations of the CBC, which are secured (indirectly, through a parallel debt) as set out below.

As security for a parallel debt corresponding to the CBC's obligations under the Guarantee and the other Transaction Documents to which it is a party, the CBC has granted the following security rights to the Security Trustee:

- (i) a first ranking right of pledge (or such other security right as may be applicable) over the Transferred Assets; and
- (ii) a first ranking right of pledge over the CBC's rights under or in connection with the CBC Transaction Documents.

The holders of the Covered Bonds of each Series will, through the Security Trustee, benefit from the security rights and are deemed to have acknowledged, and are bound by the Parallel Debt Agreement and Trust Deed.

For the purposes of these Terms and Conditions:

**"Extended Due for Payment Date"** means, subject to Condition 7(c), the date falling thirty-two (32) years after the Maturity Date, as specified as such in the applicable Final Terms; and

**"Pass-Through Covered Bonds"** means (i) each Covered Bond of a Series in respect of which any amount has remained unpaid on the relevant Maturity Date or (ii) after the service of a Notice to Pay and a Breach of Amortisation Test Notice, all Series of Covered Bonds.

#### 4. **REDENOMINATION**

(a) *Redenomination*

The Issuer may, without the consent of the Covered Bondholders and the Couponholders, on giving prior notice to the Principal Paying Agent, Euroclear, Clearstream, Luxembourg and, if applicable, Euroclear Nederland and at least 30 days' prior notice to the Covered Bondholders in accordance with Condition 14, elect that, with effect from the Redenomination Date specified in the notice, the Covered Bonds and the Coupons denominated in euro (each the **"Old Currency"**) shall be redenominated in another currency (the **"New Currency"**) upon the occurrence of a Convertibility Event.

The election will have effect as follows:

- (i) the Covered Bonds and the Coupons shall be deemed to be redenominated into the New Currency in the denomination of the equivalent of euro 0.01 in another currency, with a principal amount for each Covered Bond equal to the principal amount of that Covered Bond in euro, converted into the New Currency at the Established Rate provided that, if the Issuer determines, with the agreement of the Security Trustee, that the market practice at the time of redenomination in respect of the redenomination into the New Currency of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Covered Bondholders, the stock exchange (if any) on which the Covered Bonds may be listed and the Paying Agents of such deemed amendments;
- (ii) save to the extent that an Exchange Notice (as defined below) has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Covered Bonds will be calculated by reference to the aggregate principal amount of Covered Bonds presented (or, as the case may be, in respect of which Coupons are

presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest equivalent of euro 0.01 in another currency;

- (iii) if Definitive Covered Bonds are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations of euro 100,000 or such other amount as may be allowed pursuant to the relevant laws which are applicable to (the offering of) such Covered Bonds and notified to the Covered Bondholders;
- (iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in euro (whether or not attached to the Covered Bonds) will become void with effect from the date on which the Issuer gives notice (the "**Exchange Notice**") to the Covered Bondholders in accordance with Condition 14 that replacement of Old Currency denominated Covered Bonds and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Covered Bonds and Coupons so issued will also become void on that date although those Covered Bonds and Coupons will continue to constitute valid exchange obligations of the Issuer. New Currency denominated Covered Bonds and Coupons will be issued in exchange for Covered Bonds and Coupons denominated in euro in such manner as the Issuer may specify and as shall be notified to the Covered Bondholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Covered Bonds;
- (v) on or after the Redenomination Date, all payments in respect of the Covered Bonds and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in the New Currency as though references in the Covered Bonds to euro were to the New Currency. Payments will be made in the New Currency by credit or transfer to a New Currency account (or any other account to which the New Currency may be credited or transferred) specified by the payee or, at the option of the payee, by a New Currency cheque; and
- (vi) if the Covered Bonds are Fixed Rate Covered Bonds and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated by applying the Rate of Interest to each Calculation Amount, multiplying such sum by the applicable Fixed Day Count Fraction (as defined in Condition 5(a)), and rounding the resultant figure to the nearest sub-unit of the relevant New Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. The amount of interest payable in respect of such Fixed Rate Covered Bonds shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

(b) *Definitions*

In these Terms and Conditions, the following expressions have the following meanings:

"**Calculation Amount**" has the meaning ascribed to in the applicable Final Terms;

"**Convertibility Event**" means the determination by the Netherlands, that the euro is substituted by another currency;

"**Established Rate**" means the rate for the conversion of the Old Currency into the New Currency as fixed by the government of the Netherlands;

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

"**Redenomination Date**" means any date for payment of interest under the Covered Bonds, specified by the Issuer in the notice given to the Covered Bondholders pursuant to paragraph

(a) above and which shall be the date the government of the Netherlands accepts payment in the New Currency as legal tender; and

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

## 5. INTEREST

### A. *Interest on Fixed Rate Covered Bonds up to but excluding the Maturity Date or, if earlier, the date on which a Breach of Amortisation Test Notice is served on the CBC*

Each Fixed Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) the interest commencement date as specified in the applicable Final Terms (an "**Interest Commencement Date**") (or, if not specified in the applicable Final Terms, the Issue Date) at the rate(s) per annum equal to the Fixed Rate(s) of Interest. Interest will be payable in arrears on the Interest Payment Date(s) in each year (i) up to (and including) the Maturity Date (if that date does not fall on an Interest Payment Date), or (ii), if earlier, up to, but excluding, the date on which a Breach of Amortisation Test Notice is served on the CBC.

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount except if a Breach of Amortisation Test Notice is served on the CBC in which case the interest will be calculated as set out below. Payments of interest on any Interest Payment Date or the Maturity Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) the Following Business Day Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day; or
- (2) the Modified Following Business Day Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date (or other date) shall be brought forward to the immediate preceding Business Day; or
- (3) the Preceding Business Day Convention, such Interest Payment Date (or other date) shall be brought forward to the immediate preceding Business Day; or
- (4) No Adjustment, such Interest Payment Date (or other date) shall not be adjusted in accordance with any Business Day Convention.

If "**Unadjusted**" is specified in the applicable Final Terms the number of days in each Interest Period shall be calculated as if the Interest Payment Date were not subject to adjustment in accordance with the Business Day Convention specified in the applicable Final Terms.

If "**Adjusted**" is specified in the applicable Final Terms the number of days in each Interest Period shall be calculated as if the Interest Payment Date is subject to adjustment in accordance with the Business Day Convention specified in the applicable Final Terms.

If interest is required to be calculated for a period starting or ending other than on an Interest Payment Date (the "**Interest Calculation Period**"), such interest shall be calculated by applying the Fixed Rate of Interest to the Calculation Amount, multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the euro, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention and multiplying such rounded up figure by a fraction equal to the Specified Denomination of such Covered Bond divided by the Calculation Amount.

For the purposes of these Terms and Conditions (unless defined otherwise in the relevant section or subsection);

**"Fixed Day Count Fraction"** means:

if **"Actual/Actual (ICMA)"** is specified in the applicable Final Terms for the relevant period, it means:

(a) where the Interest Calculation Period is equal to or shorter than the Determination Period during which it falls, the actual number of days in the Interest Calculation Period divided by the product of (1) the actual number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(b) where the Interest Calculation Period is longer than one Determination Period, the sum of:

(A) the actual number of days in such Interest Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the actual number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(B) the actual number of days in such Interest Calculation Period falling in the next Determination Period divided by the product of (1) the actual number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year;

where:

**"Determination Period"** means the period from and including an Interest Payment Date in any year up to but excluding the next Interest Payment Date;

if **"30/360"** is specified in the applicable Final Terms for the relevant period, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) (unless (i) the last day of the Fixed Interest Period is the 31st day of a month but the first day of the Fixed Interest Period is a day other than the 30th or the 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month or (ii) the last day of the Fixed Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month) divided by 360;

**"sub-unit"** means one cent;

**"Calculation Amount"** has the meaning ascribed to it in the applicable Final Terms or, if no such amount is specified in the applicable Final Terms, the Specified Denomination;

**"Fixed Interest Period"** means the period from and including an Interest Payment Date (or in the case of a first interest period, the Interest Commencement Date, or if such is not specified in the applicable Final Terms, the Issue Date) to but excluding the next or first Interest Payment Date;

**"Maturity Date"** means, subject to Condition 7(c) and (d), in respect of a Series of Covered Bonds, the relevant Interest Payment Date which falls no more than 15 years after the Issue Date of such Series and on which the Covered Bonds of such Series are expected to be redeemed at their Principal Amount Outstanding in accordance with these Conditions, as specified in the relevant Final Terms; and



**"Principal Amount Outstanding"** means, on any date, the principal amount of a Covered Bond on the relevant Issue Date, less the aggregate amount of any principal payments in respect of such Covered Bond which have been paid to the relevant Covered Bondholder on or prior to that date.

The applicable Final Terms shall contain provisions (if necessary) relating to the calculation of interest in respect of Interest Payment Dates that fall in the interval between the Issue Date and the First Interest Payment Date or the interval between the Maturity Date and the immediately preceding Interest Payment Date.

**B. *Interest on Floating Rate Covered Bonds (up to, but excluding, the Maturity Date or, if earlier, the date on which a Breach of Amortisation Test Notice is served on the CBC)***

(i) *Interest Payment Dates*

Each Floating Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date at the rate equal to the Rate of Interest payable in arrear, with a floor of zero per cent., on either:

- (a) the Specified Interest Payment Date(s) in each year; or
- (b) if no express Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each an **"Interest Payment Date"**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each **"Interest Period"** (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention is specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 5 (B)(i)(b) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date (or other date) shall be brought forward to the immediate preceding Business Day; or

- (4) the Preceding Business Day Convention, such Interest Payment Date (or other date) shall be brought forward to the immediate preceding Business Day; or
- (5) No Adjustment, such Interest Payment Date (or other date) shall not be adjusted in accordance with any Business Day Convention.

If "**Unadjusted**" is specified in the applicable Final Terms the number of days in each Interest Period shall be calculated as if the Interest Payment Date were not subject to adjustment in accordance with the Business Day Convention specified in the applicable Final Terms.

If "**Adjusted**" is specified in the applicable Final Terms the number of days in each Interest Period shall be calculated as if the Interest Payment Date is subject to adjustment in accordance with the Business Day Convention specified in the applicable Final Terms.

In this Condition, "**Business Day**" means a day which is both:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Additional Business Centre specified in the applicable Final Terms; and
  - (b) a day on which the TARGET2 is open. In these Terms and Conditions, "**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007 or any successor thereof.
- (ii) *Rate of Interest*

The rate of interest ("**Rate of Interest**") payable from time to time in respect of the Floating Rate Covered Bonds will be determined in the manner specified in the applicable Final Terms.

- (a) *ISDA Determination for Floating Rate Covered Bonds*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (a), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds, published by the International Swaps and Derivatives Association, Inc. (the "**ISDA Definitions**") and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is the period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate ("**LIBOR**") or on the Euro-zone inter-bank offered rate ("**EURIBOR**"), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (a), (i) "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions, (ii) the definition of "**Banking Day**" in the ISDA Definitions shall be amended to insert after the words

"are open for" in the second line before the word "general" and (iii) "**Euro-zone**" means the region comprised of Member States of the European Union that adopt the single currency in accordance with the Treaty.

When this sub-paragraph (a) applies, in respect of each relevant Interest Period the Principal Paying Agent will be deemed to have discharged its obligations under Condition 5(B)(iv) in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this subparagraph (a).

(b) *Screen Rate Determination for Floating Rate Covered Bonds*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation (if there is only one quotation on the Relevant Screen Page); or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards or, if the relevant Screen Rate is EURIBOR, to the third decimal place, with 0.0005 being rounded upwards) of the offered quotations, (expressed as a percentage rate per annum) for the Reference Rates which appears or appear, as the case may be, on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations,

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

The Agency Agreement contains provisions for determining the Rate of Interest pursuant to this subparagraph (b) in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Covered Bonds is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Covered Bonds will be determined as provided in the applicable Final Terms.

(c) *Replacement Reference Rate Determination for Discontinued Reference Rate*

Notwithstanding the provisions above in this Condition 5(B), if the Principal Paying Agent or the Issuer determines at any time prior to, on or following any Interest Determination Date, that the relevant Reference Rate (as specified in the applicable Final Terms) has been permanently discontinued, the Issuer will, as soon as reasonably practicable (and in any event prior to the next relevant Interest Determination Date), appoint an agent ("**Rate Determination Agent**"), which will determine in its sole discretion, acting in good faith and in a commercially reasonable manner, whether a substitute or successor rate for purposes of determining the relevant Reference Rate on each Interest Determination Date falling on such date or thereafter that is substantially comparable to the Reference Rate that is available or a successor rate that has been recommended or selected by the

monetary authority or similar authority (or working group thereof) in the jurisdiction of the applicable currency. If the Rate Determination Agent determines that there is an industry-accepted successor rate, the Rate Determination Agent will use such successor rate to determine the relevant Reference Rate. If the Rate Determination Agent has determined a substitute or successor rate in accordance with the foregoing (such rate, the "**Replacement Reference Rate**") for purposes of determining the Reference Rate on the relevant Interest Determination Date falling on or after such determination, (A) the Rate Determination Agent will also determine changes (if any) to the business day convention, the definition of business day, the interest determination date, the day count fraction and any method for calculating the Replacement Reference Rate, including any adjustment factor needed to make such Replacement Reference Rate comparable to the relevant Reference Rate, in each case in a manner that is consistent with industry-accepted practices for such Replacement Reference Rate; (B) references to the Reference Rate in these Conditions applicable to the relevant Floating Rate Covered Bonds will be deemed to be references to the relevant Replacement Reference Rate, including any alternative method for determining such rate as described in (A) above; (C) the Rate Determination Agent will notify the Issuer of the foregoing as soon as reasonably practicable; and (D) the Issuer will give notice as soon as reasonably practicable to the Covered Bondholders (in accordance with Condition 14 (Notices)), the Security Trustee, the CBC and the Principal Paying Agent specifying the Replacement Reference Rate, as well as the details described in (A) above.

The determination of the Replacement Reference Rate and the other matters referred to above by the Rate Determination Agent will (in the absence of manifest error) be final and binding on the Issuer, the Principal Paying Agent, the Security Trustee and the Covered Bondholders. If it is not possible to appoint a Rate Determination Agent, or the Rate Determination Agent is unable to or otherwise does not determine a substitute Replacement Reference Rate, then the Replacement Reference Rate will remain unchanged, as a result of which the Replacement Reference Rate will be the same rate as the rate applied in the previous period when the relevant Reference Rate was available (and thus become a fixed rate until a new Replacement Reference Rate is determined).

For the avoidance of doubt, each Covered Bondholder shall be deemed to have accepted the Replacement Reference Rate or such other changes pursuant to this paragraph (iii).

The Rate Determination Agent will be (A) a major bank or broker-dealer in the principal financial centre of the European Union or the United Kingdom as appointed by the Issuer; or (B), if it is not reasonably practicable to appoint a party as referred to under (A), the Issuer.

(iii) *Minimum and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and Calculation of Interest Amounts*

The Principal Paying Agent, in the case of Floating Rate Covered Bonds will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Covered Bonds, in respect of each Calculation Amount for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Calculation Amount, multiplying such sum by the applicable Floating Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the euro, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Covered Bond in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Floating Rate Covered Bond shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

In this Condition "**Floating Day Count Fraction**" means, in respect of the calculation of an amount of interest for any Interest Period:

- (i) if "**Actual/365**" or "**Actual/Actual ISDA**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (iv) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30;

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30; and

- (v) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30;

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30; and

- (vi) if "**30E/360 (ISDA)**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

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

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Covered Bonds are for the time being listed and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Covered Bonds are for the time being listed and to the Covered Bondholders in accordance with Condition 14. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of the Covered Bond having the minimum Specified Denomination. For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(vi) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(B), whether by the Principal Paying Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Principal Paying Agent, the Calculation Agent, if applicable, the other Paying Agents and all Covered Bondholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Covered Bondholders or the Couponholders shall attach to the Principal Paying Agent or the Calculation Agent, if applicable, in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

C. *Interest from the Maturity Date or, if earlier, the date a Breach of Amortisation Test Notice has been served on the CBC*

As from the Maturity Date or, if earlier, the date on which a Breach of Amortisation Test Notice is served on the CBC, each Covered Bond will bear interest on its Principal Amount Outstanding from (and including) the date as specified in the applicable Final Terms as the Interest Commencement Date or, if not specified in the applicable Final Terms, the earlier to occur of (i) the Maturity Date and (ii) the date on which a Breach of Amortisation Test Notice is served on the CBC) (the "**Interest Commencement Date**") at the rate(s) per annum equal to the Fixed Rate(s) of Interest. Interest will be payable in arrears on the Interest Payment Dates in each year up to (and including) the Extended Due for Payment Date (if that date does not fall on an Interest Payment Date).

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will be calculated in respect of each Calculation Amount by applying the fixed Rate of Interest to each Principal Amount Outstanding, multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the euro, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention and multiplying such rounded up figure by a fraction equal to the Specified Denomination of such Covered Bond divided by the Calculation Amount.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) the Following Business Day Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day; or

- (2) the Modified Following Business Day Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date (or other date) shall be brought forward to the immediate preceding Business Day; or
- (3) the Preceding Business Day Convention, such Interest Payment Date (or other date) shall be brought forward to the immediate preceding Business Day; or
- (4) No Adjustment, such Interest Payment Date (or other date) shall not be adjusted in accordance with any Business Day Convention.

If "**Unadjusted**" is specified in the applicable Final Terms the number of days in each Interest Period shall be calculated as if the Interest Payment Date were not subject to adjustment in accordance with the Business Day Convention specified in the applicable Final Terms.

If "**Adjusted**" is specified in the applicable Final Terms the number of days in each Interest Period shall be calculated as if the Interest Payment Date is subject to adjustment in accordance with the Business Day Convention specified in the applicable Final Terms.

For the purposes of this Condition 5(C):

**"Fixed Day Count Fraction"** means:

if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms for the relevant period, it means:

- (a) where the Interest Calculation Period is equal to or shorter than the Determination Period during which it falls, the actual number of days in the Interest Calculation Period divided by the product of (1) the actual number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
- (b) where the Interest Calculation Period is longer than one Determination Period, the sum of:
  - (A) the actual number of days in such Interest Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the actual number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
  - (B) the actual number of days in such Interest Calculation Period falling in the next Determination Period divided by the product of (1) the actual number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year;

where:

**"Determination Period"** means the period from and including an Interest Payment Date in any year up to but excluding the next Interest Payment Date;

if "**30/360**" is specified in the applicable Final Terms for the relevant period, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) (unless (i) the last day of the Fixed Interest Period is the 31st day of a month but the first day of the Fixed Interest Period is a day other than the 30th or the 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month or (ii) the last day of the Fixed Interest Period is the last day of the month of February, in which case



the month of February shall not be considered to be lengthened to a 30-day month) divided by 360;

"**sub-unit**" means one cent; and

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

D. *Accrual of interest*

Each Covered Bond (or in the case of the redemption of part only of a Covered Bond, that part only of such Covered Bond) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

6. **PAYMENTS**

A. *Method of payment*

Subject as provided below, payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

In no event will payment be made by a cheque mailed to an address in the United States. Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment in these Terms and Conditions, the Trust Deed, the Agency Agreement and the Final Terms, but without prejudice to the provisions of Condition 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 ("**the Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental agreement thereto. References to euro will include any successor currency under Dutch law.

B. *Presentation of Definitive Covered Bonds and Coupons*

Payments of principal in respect of Definitive Covered Bonds will (subject as provided below) be made in the manner provided in paragraph (A) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Covered Bonds, and payments of interest in respect of Definitive Covered Bonds will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States.

Fixed Rate Covered Bonds in definitive form should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of five (5) years after the Relevant Date (as defined in Condition 8 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9 (*Prescription*) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Covered Bond in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Covered Bond in definitive form becomes due and repayable in whole, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. Where any such Covered Bond is presented for redemption without all unmatured Coupons or Talons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

If the due date for redemption of any Definitive Covered Bond is not an Interest Payment Date, interest (if any) accrued in respect of such Covered Bond from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Covered Bond.

C. *Payments in respect of Global Covered Bonds*

Payments of principal and interest (if any) in respect of Covered Bonds represented by any Global Covered Bond will (subject as provided below) be made in the manner specified above in relation to Definitive Covered Bonds and otherwise in the manner specified in the relevant Global Covered Bond against presentation or surrender (as the case may be) of such Global Covered Bond at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Covered Bond, distinguishing between any payment of principal and any payment of interest, will be made on such Global Covered Bond by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made and in respect of a Global Covered Bond in NGN-form the payment is entered *pro rata* in the record of Euroclear and Clearstream, Luxembourg.

D. *General provisions applicable to payments*

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

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or Euroclear Nederland as the beneficial holder of a particular nominal amount of Covered Bonds represented by a Global Covered Bond must look solely to Euroclear, Clearstream, Luxembourg or Euroclear Nederland, as the case may be, for his share of each payment so made by the Issuer or the CBC or the Security Trustee to, or to the order of, the holder of such Global Covered Bond.

E. *Payment Day*

If the date for payment of any amount in respect of any Covered Bond or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 9 (*Prescription*)) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

- (a) the relevant place of presentation; and
- (b) any Additional Financial Centre specified in the applicable Final Terms.

F. *Interpretation of principal and interest*

Any reference in these Terms and Conditions to principal in respect of the Covered Bonds shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 8 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Covered Bonds;
- (iii) the Early Redemption Amount of the Covered Bonds;
- (iv) the optional redemption amount(s) (if any) of the Covered Bonds as specified in the applicable Final Terms ("**Optional Redemption Amount**");
- (v) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Covered Bonds; and
- (vi) any Excess Proceeds which may be payable by the Security Trustee to either the CBC or the Covered Bondholders under or in respect of the Covered Bond.

Any reference in these Terms and Conditions to interest in respect of the Covered Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

G. *Set-off*

- (i) Any payments under or pursuant to the Covered Bonds shall be made by the Issuer free of set-off and withholding if and to the extent so specified in the applicable Final Terms.
- (ii) If in the Final Terms "German Insurers" are indicated Applicable, each of the Issuer and the CBC hereby waives, for the benefit of all present and future holders of the Registered Covered Bonds issued in such Final Terms, any right to set-off ("*verrekenen*", in German: "*aufrechnen*") any amount against, any right to retain ("*inhouden*", in German: "*zurückbehalten*") any amount from, and any right of pledge ("*pandrecht*", in German: "*Pfandrecht*"), including but not limited to any right of pledge created under the Issuer's General Banking Conditions with regard to, any amount it owes under or in respect of the Registered Covered Bonds and any similar right which may adversely affect the rights under or in respect of Registered Covered Bonds.

If this waiver under (G)(ii) is applicable it (i) applies as far as and as long as the Registered Covered Bonds are part of the committed assets (*Sicherungsvermögen*) of an insurer within the meaning of section 125 of the German Insurance Supervisory Act (*Versicherungsaufsichtsgesetz*) as amended from time to time also in case of an insolvency and (ii) prevails over any present or future agreement with a conflicting content, save in the case of future agreements only, where such future agreement has a conflicting content which explicitly refers to this specific waiver.

**7. REDEMPTION AND PURCHASE**

(a) *Redemption at maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Covered Bond will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in euro on the Maturity Date (the "**Final Redemption Amount**").

(b) *Redemption for tax reasons*

The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Covered Bond is not a Floating Rate Covered Bond) or on any Interest Payment Date (if this Covered Bond is a Floating Rate Covered Bond), on giving not less than

30 nor more than 60 days' notice to the Security Trustee and the Principal Paying Agent and, in accordance with Condition 14 (*Notices*), the Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Security Trustee immediately before the giving of such notice that:

- (i) on the occasion of the next payment due under the Covered Bonds, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Covered Bonds; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Covered Bonds then due.

Prior to the publication of any notice of redemption pursuant to this Condition 7(b), the Issuer shall deliver to the Security Trustee a certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and the Security Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Covered Bondholders and the Couponholders.

Covered Bonds redeemed pursuant to this Condition 7(b) will be redeemed at their Early Redemption Amount referred to in Condition 7(d) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) *Redemption at the option of the Issuer (Issuer Call)*

If the Issuer is specified as having the option to redeem the Covered Bonds in the applicable Final Terms, the Issuer may, subject as provided in paragraph (e) below and having given:

- (i) not less than 15 nor more than 30 days' notice to the Covered Bondholders in accordance with Condition 14 (*Notices*); and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Security Trustee, the Principal Paying Agent, the CBC and the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Covered Bonds then outstanding on any optional redemption date as specified in the applicable Final Terms ("**Optional Redemption Date**") and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date, provided that no Issuer Event of Default has occurred and is continuing.

If the Issuer is specified as having the option to redeem the Covered Bonds in the applicable Final Terms and it cannot exercise its option because an Issuer Event of Default has occurred and is continuing, then the CBC may declare with:

- (i) not less than 5 (or if the notice period of the Issuer has been shortened to 5 days' or less, the notice period will be 1 day less than the minimum notice period for the Issuer) nor more than 30 days' notice to the Covered Bondholders in accordance with Condition 14 (*Notices*); and

- (ii) not less than 5 days (or if the notice period of the Issuer has been shortened to 5 days' or less, the notice period will be 1 day less than the minimum notice period for the Issuer) before the giving of the notice referred to in (i), notice to the Security Trustee, the Principal Paying Agent, the Issuer and the Registrar;

that all of the Covered Bonds then outstanding of such Series will mature on the optional redemption date as specified in the applicable Final Terms ("**Optional Redemption Date**") and at the Optional Redemption Amount(s) specified in the applicable Final Terms, and that the Maturity Date will be such Optional Redemption Date.

Any redemption pursuant to this Condition 7(c) must be of a nominal amount not less than the minimum redemption amount as specified in the applicable Final Terms ("**Minimum Redemption Amount**") and not more than the maximum redemption amount as specified in the applicable Final Terms ("**Maximum Redemption Amount**"), in each case as may be specified in the applicable Final Terms (and subject to Condition 3). In the case of a partial redemption of Covered Bonds, the Covered Bonds to be redeemed (the "**Redeemed Covered Bonds**") will be selected individually by lot, in the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, and where applicable in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) and/or Euroclear Nederland, in the case of Redeemed Covered Bonds represented by a Global Covered Bond, in each case, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Covered Bonds (i) represented by Definitive Covered Bonds, a list of the serial numbers and (ii) in the case of Registered Covered Bonds, the nominal amount drawn and the holders thereof, of such Redeemed Covered Bonds will be published in accordance with Condition 14 (Notices) not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Covered Bonds represented by Definitive Covered Bonds shall bear the same proportion to the aggregate nominal amount of all Redeemed Covered Bonds as the aggregate nominal amount of Definitive Covered Bonds outstanding bears to the aggregate nominal amount of the Covered Bonds outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Covered Bonds represented by a Global Covered Bond shall be equal to the balance of the Redeemed Covered Bonds. No exchange of the relevant Global Covered Bond will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Covered Bondholders in accordance with Condition 14 (Notices) at least five days prior to the Selection Date.

If the option to redeem the Covered Bonds is exercised by the Issuer or the CBC has given a declaration that the Covered Bonds will mature on the Optional Redemption Date (each in accordance with this Condition 7(c)), then the Optional Redemption Date will for all purposes in all Transaction Documents be deemed to be the Maturity Date in respect of the Covered Bonds to which it applies instead of the Maturity Date specified as such in the applicable Final Terms to the extent of the amount redeemed or to be redeemed, as the case may be, on such date. The Extended Due for Payment Date in respect of such Covered Bonds will for all purposes in all Transaction Documents be deemed to be 32 years after such new Maturity Date instead of the date included in the applicable Final Terms (unless in the section Issuer Call in the applicable Final Terms a specific date is included, in which case such date will apply).

If in the applicable Final Terms it is specified that the manner of determining the interest on some or all Covered Bonds of a Series switches to another manner of determining the interest as of the Maturity Date, such switch will occur on the Maturity Date as determined pursuant to the previous paragraph to the extent of the amount redeemed or to be redeemed, as the case may be, on such date.

- (d) *Redemption of Covered Bonds at the Option of the Covered Bondholders*

Subject as provided in paragraph (e) below, if the Covered Bondholders are specified in the applicable Final Terms as having an option to redeem, upon the holder of any Covered Bond giving to the Issuer in accordance with Condition 14 not less than 15 nor more than 30 days' notice or such other period of notice as is specified in the applicable Final Terms (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part), such Covered Bond on the Optional Redemption Date and at the Optional Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

If this Covered Bond is in definitive form, to exercise the right to require redemption of this Covered Bond its holder must deliver such Covered Bond at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition.

If the option to redeem the Covered Bonds is exercised by the Covered Bondholders, then the Optional Redemption Date will for all purposes in all Transaction Documents be deemed to be the Maturity Date in respect of the Covered Bonds to which it applies instead of the Maturity Date specified as such in the applicable Final Terms to the extent of the amount redeemed or to be redeemed, as the case may be, on such date. The Extended Due for Payment Date in respect of such Covered Bonds will for all purposes in all Transaction Documents be deemed to be 32 years after such new Maturity Date instead of the date included in the applicable Final Terms (unless in the section Issuer Call in the applicable Final Terms a specific date is included, in which case such date will apply).

If in the applicable Final Terms it is specified that the manner of determining the interest on some or all Covered Bonds of a Series switches to another manner of determining the interest as of the Maturity Date, such switch will occur on the Maturity Date as determined pursuant to the previous paragraph to the extent of the amount redeemed or to be redeemed, as the case may be, on such date.

(e) *Early Redemption Amounts*

For the purpose of paragraph (b) and (d) above and (h) below and Condition 10 (*Events of Default and Enforcement*), each Covered Bond will be redeemed at its Early Redemption Amount calculated as follows (each, the relevant "**Early Redemption Amount**"):

- (i) in the case of a Covered Bond with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- (ii) in the case of a Covered Bond with a Final Redemption Amount which is or may be less or greater than the Issue Price, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount.

(f) *Purchases*

The Issuer, the CBC and/or any member of the group formed by the Issuer and its subsidiaries ("*dochtermaatschappijen*") (the "**NIBC Group**") may at any time purchase Covered Bonds (provided that, in the case of Definitive Covered Bonds, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Covered Bondholders alike. Covered Bonds purchased in accordance with this Condition 7(g) may be held, reissued, resold or, at the option of the Issuer or the CBC and/or such member of the NIBC Group, surrendered to any Paying Agent for cancellation.

(g) *Cancellation*

All Bearer Covered Bonds which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption).

(h) *Redemption due to illegality*

The Covered Bonds of all Series may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Security Trustee and the Principal Paying Agent and, in accordance with Condition 14 (*Notices*), all Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Security Trustee immediately before the giving of such notice that it has, or will, before the next Interest Payment Date of any Covered Bond of any Series, become unlawful for the Issuer to make any payments under the Covered Bonds as a result of any change in, or amendment to, the applicable laws or regulations or any change in the application or official interpretation of such laws or regulations, which change or amendment has become or will become effective before the next such Interest Payment Date.

Covered Bonds redeemed pursuant to this Condition 7(h) will be redeemed at their Early Redemption Amount referred to in Condition 7(e) (*Redemption and Purchase - Early Redemption Amounts*) above together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(i) *Certificate*

Prior to the publication of any notice of redemption pursuant to this Condition 7 (*Redemption and Purchase*), the Issuer shall deliver to the Security Trustee a certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and the Security Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on all Covered Bondholders.

**8. TAXATION**

(a) *General*

All payments of principal and interest in respect of the Covered Bonds and Coupons by the Issuer or the CBC, as the case may be, will be made without withholding or deduction for the account of any present or future taxes or duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In the event of a withholding or deduction being made by the Issuer in respect of a payment made by it in relation to the Covered Bonds, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Covered Bonds or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Covered Bonds or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable by the Issuer with respect to any Covered Bond or Coupon presented for payment:

- (a) outside the Netherlands;
- (b) by, or by a third party on behalf of, a holder of a Bearer Covered Bond who is liable to such taxes or duties in respect of such Covered Bond or Coupon by reason of his having some connection with the Netherlands other than the mere holding of such Bearer Covered Bond or Coupon; or
- (c) more than 30 days after the Relevant Date, except to the extent that the relevant holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of 30 days.

Should any payments made by the CBC under the Guarantee be made subject to any withholding or deduction on account of taxes or duties of whatever nature imposed or levied by or on account of any Tax Jurisdiction the CBC will not be obliged to pay any additional amounts as a consequence.

As used herein:

**"Relevant Date"** in relation to a payment means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Security Trustee or the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Covered Bondholders in accordance with Condition 14 (*Notices*); and

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

*(b) FATCA Withholding*

Payments in respect of the Covered Bonds might be subject to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or any law implementing an intergovernmental agreement thereto. Any such amounts withheld or deducted will be treated as paid for all purposes under the Covered Bonds, and no additional amounts will be paid by on the Covered Bonds with respect to any such withholding or deduction.

## 9. PRESCRIPTION

The Covered Bonds and Coupons will become void unless presented for payment within a period of five years after the Relevant Date therefore.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 9 or Condition 6(B) or any Talon which would be void pursuant to Condition 6(B).

## 10. EVENTS OF DEFAULT AND ENFORCEMENT

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

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

Pursuant to the Trust Deed the Security Trustee at its discretion may, and in relation to the defaults set out in subparagraphs (i) and (v) below or if so directed by a Programme Resolution of the Covered Bonds shall, give an Issuer Acceleration Notice (subject in each case to being indemnified and/or secured to its satisfaction), if any of the following events (each an "**Issuer Event of Default**") shall occur and be continuing:

- (i) default is made by the Issuer for a period of 7 calendar days or more in the payment of any principal or redemption amount, or for a period of 14 calendar days or more in the payment of any interest of the Covered Bonds of any Series when due; or
- (ii) a default is made in the performance by the Issuer of any material obligation (other than any obligation for the payment of principal, redemption amount or interest in respect of the Covered Bonds of any Series) under the provisions of the Covered Bonds of any Series or the Trust Deed or any other Transaction Document to which the Issuer is a party which (unless certified by the Security Trustee, in its opinion, to be incapable of



remedy) shall continue for more than 30 calendar days after written notification requiring such default to be remedied and indicating that this provision may be invoked if it is not so remedied, shall have been given to the Issuer by the Security Trustee in accordance with the Trust Deed; or

- (iii) an order is made or an effective resolution passed for the dissolution or winding up of the Issuer (except a dissolution or winding up for the purpose of a reconstruction, amalgamation, merger or following the transfer of all or substantially all of the assets of the Issuer, the terms of which have previously been approved by an Extraordinary Resolution (as defined below) of the holders of the Covered Bonds or which has been effected in compliance with the terms of Condition 15 (*Meetings of Covered Bondholders, Modification and Waiver*)); or
- (iv) a liquidator, receiver or other similar officer is appointed in relation to the Issuer or in relation to the whole of its assets; or the Issuer initiates or consents to judicial proceedings relating to its bankruptcy ("*faillissement*") or equivalent or analogous proceedings under any applicable law, or shall make a conveyance, assignment or assignation for the benefit of, or shall enter into any composition ("*akkoord*") with, its creditors generally; or
- (v) the Issuer is adjudged or found bankrupt ("*failliet*") or emergency regulations ("*noodregeling*") in the interest of all creditors as referred to in Chapter 3 of the Wft, or equivalent or analogous judgments or measures under any applicable law, are imposed on the Issuer,

provided that in case an event described in paragraph (ii) above shall occur, the Security Trustee shall only deliver an Issuer Acceleration Notice if it shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series.

Upon delivery of an Issuer Acceleration Notice pursuant to this Condition 10(a), the Security Trustee shall forthwith serve a notice to pay (the "**Notice to Pay**") on the CBC pursuant to the Guarantee and the CBC shall be required to make payments of Guaranteed Amounts when the same shall become Due for Payment in accordance with the terms of the Guarantee.

Following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice, the Security Trustee may or shall take such proceedings against the Issuer in accordance with the first paragraph of Condition 10(c) (*Events of Default and Enforcement*).

Following an Issuer Event of Default the Security Trustee shall, within three months, convene a meeting for each Series to discuss the possibility to sell Selected Transferred Assets in the following 6 months. The voting rights for such meeting for Covered Bonds held by any member of the NIBC Group shall be excluded and Covered Bonds held by a member of the NIBC Group shall not be taken into account for the quorum, as set out in Condition 15.

The Trust Deed provides that all moneys (including Swap Collateral) received by the Security Trustee from the Issuer or any administrator, liquidator, trustee or other similar official appointed in relation to the Issuer following the service of an Issuer Acceleration Notice and a Notice to Pay but prior to a CBC Acceleration Notice (the "**Excess Proceeds**"), may be paid by the Security Trustee to the CBC and shall be held by the CBC in the CBC Account and shall be used by the CBC in the same manner as all other moneys from time to time standing to the credit of the CBC Account. Any Excess Proceeds received by the Security Trustee shall discharge the obligations of the Issuer in respect of the Covered Bonds and Coupons for an amount equal to such Excess Proceeds. The Security Trustee shall not be required to pay such amounts to the CBC. However, the receipt by the Security Trustee of any Excess Proceeds shall not reduce or discharge any of the obligations of the CBC under the Guarantee.

- (b) *CBC Events of Default*

A "**CBC Acceleration Notice**" means a notice from the Security Trustee in writing to the CBC, copied to the Issuer, that each Covered Bond of each Series is, and each Covered Bond of each Series shall as against the Issuer (if not already due and repayable against it following an Issuer Event of Default) and, through the Guarantee, as against the CBC, thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed and after delivery of such CBC Acceleration Notice, the Security shall become enforceable.

The Security Trustee at its discretion may, and, if so directed by a Programme Resolution, shall give a CBC Acceleration Notice (subject in each case to being indemnified and/or secured to its satisfaction), if any of the following events (each a "**CBC Event of Default**") shall occur and be continuing:

- (i) default is made by the CBC under the Guarantee for a period of 7 calendar days or more in the payment of any principal or redemption amount, or for a period of 14 calendar days or more in the payment of any interest when due; or
- (ii) a default is made in the performance or observance by the CBC of any material obligation binding upon it (other than any obligation for the payment of Guaranteed Amounts in respect of the Covered Bonds of any Series) under the Trust Deed, the Pledge Agreements or any other Transaction Document to which the CBC is a party which (unless certified by the Security Trustee, in its opinion, to be incapable of remedy) shall continue for more than 30 calendar days after written notification requiring such default to be remedied and indicating that this provision may be invoked if it is not so remedied shall have been given to the CBC by the Security Trustee in accordance with the Trust Deed; or
- (iii) an order is made or an effective resolution passed for the dissolution or winding up of the CBC; or
- (iv) the CBC ceases to carry on its business or substantially all its business; or
- (v) a liquidator, receiver or other similar officer is appointed in relation to the CBC or in relation to the whole or any major part of its assets or a conservatory attachment ("*conservatoir beslag*") or an executory attachment ("*executoriaal beslag*") or other process is levied or enforced upon or sued out against the whole or any major part of its assets or the CBC initiates or consents to judicial proceedings relating to its bankruptcy ("*faillissement*") or (preliminary) suspension of payments ("*voorlopige surseance van betaling*"), or equivalent or analogous proceedings under any applicable law, or makes a conveyance, assignment or equivalent or assignation for the benefit of, or shall enter into any composition ("*akkoord*") with, its creditors generally; or
- (vi) the CBC is adjudged or found bankrupt ("*failliet*") or, if applicable, emergency regulations ("*noodregeling*") in the interest of all creditors as referred to in Chapter 3 of the Wft, or equivalent or analogous judgments or measures under any applicable law, are imposed on the CBC; or
- (vii) the Guarantee is not, or is claimed by the CBC not to be, in full force and effect,

provided that in case an event described in paragraph (ii) above shall occur, the Security Trustee shall only deliver a CBC Acceleration Notice if it shall have certified in writing to the CBC that such event is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series.

Following the occurrence of a CBC Event of Default which is continuing and service of a CBC Acceleration Notice, the Security shall become enforceable and the Security Trustee may or shall take proceedings or steps against the Issuer and the CBC in accordance with Condition 10(c) (*Events of Default and Enforcement - Enforcement*) and the Covered Bondholders shall have a claim against the CBC, under the Guarantee, for the Early Redemption Amount together with accrued interest as provided in the Trust Deed in respect of each Covered Bond.

In these Terms and Conditions:

"**Calculation Date**" means the date falling two business days before each CBC Payment Date. The "relevant" Calculation Date in respect of any Calculation Period will be the first Calculation Date falling after the end of that period and the "relevant" Calculation Date in respect of any CBC Payment Date will be the last Calculation Date prior to that CBC Payment Date.

"**Calculation Period**" means the period from the Programme Date to the last day of July 2013 and thereafter, each period from (and including) the first day of each month to the last day of that same month.

"**CBC Payment Date**" means the 17<sup>th</sup> day of each month or, if such day is not a business day, the next following business day unless it would thereby fall into the next calendar month, in which event such CBC Payment Date shall be brought forward to the immediately preceding business day.

"**Distribution Compliance Period**" has the meaning given to that term in Regulation S under the Securities Act;

(c) *Enforcement*

The Security Trustee may at any time after service of an Issuer Acceleration Notice (in the case of the Issuer) or a CBC Acceleration Notice (in the case of both the Issuer and the CBC), at its discretion and without further notice, take such proceedings in accordance with the relevant provisions under Netherlands law against the Issuer and/or the CBC, as the case may be, to enforce the provisions of the Trust Deed, the Covered Bonds and the Coupons, the Pledge Agreements and any other security rights of the Security Trustee on the Transferred Assets (if any) and the other Transaction Documents (the "**Security**"), but it shall not be bound to take any such enforcement proceedings in relation to the Trust Deed, the Covered Bonds or the Coupons, the Security or any other Transaction Document unless (i) it shall have been so directed by a Programme Resolution and (ii) it shall have been indemnified and/or secured to its satisfaction.

(d) *No action by Covered Bondholders or Couponholders*

Subject to the provisions of the Trust Deed, only the Security Trustee may enforce the provisions of the Covered Bonds and the Transaction Documents. Neither the Covered Bondholders nor any other person shall be entitled to proceed directly against the Issuer or the CBC to enforce any provision of the Covered Bonds and/or the Transaction Documents, unless the Security Trustee fails to take any steps to enforce the Security in accordance with the Trust Deed within a reasonable time and such failure is continuing. All limitations and restrictions imposed under or by virtue of the Trust Deed, the Covered Bonds or any other Transaction Document on the Security Trustee in relation to the enforcement of rights and the availability of remedies, shall *mutatis mutandis* also fully apply to such Secured Parties.

Neither the Covered Bondholders nor the Security Trustee may institute against, or join any person in instituting any bankruptcy, winding-up, reorganisation, arrangement, insolvency or liquidation proceeding against the CBC until the expiry of a period of at least one (1) year after the latest maturing Covered Bond is paid in full. The only remedy of the Security Trustee against the CBC after a CBC Acceleration Notice has been given pursuant to this Condition 10 is to enforce the Security.

(e) *Limited Recourse*

The recourse of the Covered Bondholders and the Couponholders against the CBC pursuant to the Guarantee is limited. Covered Bondholder will have a right of recourse ("*verhaalsrecht*") only in respect of the Security and will not have any claim, by operation of law or otherwise, against, or recourse to any of the CBC's other assets.

No amounts under the Covered Bonds and the Transaction Documents shall be due and payable by the CBC or, as the case may be, the Security Trustee, except (i) in accordance with the Trust Deed and (ii) unless and until all amounts thereby required to be paid in priority thereto have been paid or discharged in full.

In the event that the Security has been fully enforced and the proceeds of such enforcement and any other amounts received by the Security Trustee, after payment of all claims ranking in priority to any Covered Bonds or Coupons of any Series in accordance with the Trust Deed, are insufficient to pay in full all amounts outstanding in respect of the Covered Bonds or Coupons, then the Covered Bondholders or Couponholders shall have no further claim against the CBC or the Security Trustee in respect of such unpaid amount.

#### **11. REPLACEMENT OF COVERED BONDS, COUPONS AND TALONS**

Should any Covered Bond, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Covered Bonds, Coupons or Talons must be surrendered before replacements will be issued.

#### **12. PAYING AGENTS AND REGISTRAR**

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

The Issuer or the CBC, as the case may be, is entitled, with the prior written approval of the Security Trustee (such approval not to be unreasonably withheld or delayed), to vary or terminate the appointment of any Paying Agent and the Registrar and/or appoint additional or other Paying Agents or Registrars and/or approve any change in the specified office through which any Paying Agent or Registrar acts, provided that:

- (a) there will at all times be a Principal Paying Agent;
- (b) as long as any Registered Covered Bonds are outstanding, there will at all times be a Registrar; and
- (c) so long as the Covered Bonds are listed, quoted and/or traded on or by any competent listing authority, on any stock exchange or quotation system, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant competent authority or stock exchange.

Any variation, termination, appointment or change shall only take effect (other than in the case of a bankruptcy, an insolvency or any equivalent or analogous proceeding, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Covered Bondholders in accordance with Condition 14 (*Notices*).

In acting under the Agency Agreement, the Paying Agents and the Registrar act solely as agents of the Issuer and the CBC and, in certain circumstances specified therein, of the Security Trustee and do not assume any obligation to, or relationship of agency with, any Covered Bondholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent or the Registrar is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent or registrar.

#### **13. EXCHANGE OF TALONS**

On and after the Interest Payment Date or the Specified Interest Payment Date or the Specified Period, as the case may be, on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon

sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Covered Bond to which it appertains) a further Talon, subject to the provisions of Condition 9 (*Prescription*). Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date or the Specified Interest Payment Date or for the Specified Period (as the case may be) on which the final Coupon comprised in the relative Coupon sheet matures.

#### **14. NOTICES**

All notices regarding the Covered Bonds shall be published in a daily newspaper of wide circulation in the Netherlands and in the English language in the Financial Times or such other newspaper of wide circulation in Europe as long as the Covered Bonds are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system, such notice shall be published in such place as may be required by the rules and regulations of such competent authority, stock exchange and/or quotation system.

Until any Definitive Covered Bonds are issued and as long as the Global Covered Bond(s) is or are held in its or their entirety with a depository or a common depository or a common safekeeper on behalf of Euroclear and Clearstream, Luxembourg and/or any other relevant clearing system or with Euroclear Nederland, any notice may also be made via such depository or such common depository or such common safekeeper on behalf of Euroclear and Clearstream, Luxembourg and/or any other relevant clearing system and/or with Euroclear Nederland (provided that, in the case of any publication required by a stock exchange, the rules of the stock exchange so permit). Any such notice shall be deemed to have been given to the holders of the Covered Bonds on the second day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg and/or Euroclear Nederland and/or any other relevant clearing system.

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

#### **15. MEETINGS OF COVERED BONDHOLDERS, MODIFICATION AND WAIVER**

The Trust Deed contains provisions for convening meetings of the Covered Bondholders of any Series to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Covered Bonds of such Series or the related Coupons or of any of the Transaction Documents (subject as provided below and in the Trust Deed). Such a meeting may be convened by the Issuer, the CBC or the Security Trustee and shall be convened by the Issuer if required in writing by Covered Bondholders of a Series holding not less than fifteen (15) per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being remaining outstanding. The quorum at any such meeting in respect of any Series for passing an Extraordinary Resolution (other than a Programme Resolution to be taken by an Extraordinary Resolution) is: one or more persons holding or representing not less than seventy-five (75) per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned meeting one or more persons being or representing Covered Bondholders of such Series whatever the Principal Amount Outstanding of the Covered Bonds of such Series so held or represented.

Any modification of the Covered Bonds of a Series, which the Security Trustee deems to be materially prejudicial to the interest of Covered Bondholders of other Series, may not become effective, unless the Covered Bondholders of such other Series of Covered Bonds have agreed thereto.

An Extraordinary Resolution passed at any meeting of the Covered Bondholders of a Series shall, subject as provided below, be binding on all the Covered Bondholders of such Series, whether or not they are present at the meeting, and on all Couponholders in respect of such Series. Pursuant to the Trust Deed, the Security Trustee may convene a single meeting of the holders of Covered Bonds of more than one Series if in the opinion of the Security Trustee there is no conflict between the holders of such Covered Bonds, in which event the provisions of this paragraph shall apply thereto *mutatis mutandis*.

In a meeting convened by the Security Trustee for Covered Bondholders of each Series to discuss the possibility to sell Selected Transferred Assets as set out in Condition 10(a) any member of the NIBC Group holding Covered Bonds shall not have any voting rights on its Covered Bonds in respect of a resolution to sell Selected Transferred Assets and such Covered Bonds held by a member of the NIBC Group shall not be taken into account for the quorum.

Notwithstanding the preceding paragraphs of this Condition 15 (*Meetings of Covered Bondholders, Modification and Waiver*), any resolution to direct the Security Trustee (i) to accelerate the Covered Bonds pursuant to Condition 10 (*Events of Default and Enforcement*); (ii) to take any enforcement action, or (iii) to remove or replace the Security Trustee's Director shall only be capable of being passed by a Programme Resolution. Any such meeting to consider a Programme Resolution may be convened by the Issuer, the CBC or the Security Trustee or by Covered Bondholders of any Series. The quorum at any such meeting for passing a Programme Resolution (including by means of an Extraordinary Resolution) is one or more persons holding or representing more than 50 per cent of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing Covered Bonds whatever the Principal Amount Outstanding of the Covered Bonds of any Series so held or represented. A Programme Resolution passed at any meeting of the Covered Bondholders of all Series shall be binding on all Covered Bondholders of all Series, whether or not they are present at the meeting, and on all related Couponholders in respect of such Series.

The Security Trustee, the Issuer and the CBC may also agree, without the consent of the Covered Bondholders or Couponholders of any Series, to:

- (a) any modification of the Covered Bonds of one or more Series, the related Coupons or any Transaction Document provided that (i) in the opinion of the Security Trustee such modification is not materially prejudicial to the interests of any of the Covered Bondholders of any Series or any of the other Secured Parties (other than the CBC) (in which respect the Security Trustee may rely upon the consent in writing of any other Secured Party as to the absence of material prejudice to the interests of such Secured Party), (ii) it has not been informed in writing by any Secured Party (other than any Covered Bondholder(s)) that such Secured Party will be materially prejudiced thereby (other than a Secured Party who has given its written consent as aforesaid) and (iii) it has received Rating Agency Confirmation in respect of such modification; or
- (b) any modification of the Covered Bonds of any one or more Series, the related Coupons or any Transaction Document which is of a formal, minor or technical nature or is made to correct a manifest error or an error established as such to the satisfaction of the Security Trustee or to comply with its EMIR obligations or to comply with mandatory provisions of law; or
- (c) any modification to the Covered Bonds of one or more Series, the related Coupons, and/or any Transaction Documents, required or necessary in connection with any change, after the relevant Issue Date, to any laws or regulation (including but not limited to the laws and regulations of the Netherlands and the European Union) applicable or relevant with respect to covered bonds ("*gedekte obligaties*") to ensure that the Issuer, the CBC and/or Covered Bondholders enjoy the full benefits of such legislation, provided that in the sole opinion of the Security Trustee such modification is not materially prejudicial to interest of any of the Covered Bondholders or any of the other Secured Parties; or

- (d) any modification to the Transaction Documents which are in the opinion of the Issuer and the Security Trustee necessary in order to transfer title (and if applicable obligations) in respect of Eligible Assets to the CBC and/or to create security in respect thereof in favour of the Security Trustee, provided that (i) in the opinion of the Security Trustee such modification is not materially prejudicial to the interests of any of the Covered Bondholders of any Series or any of the other Secured Parties (other than the CBC) (in which respect the Security Trustee may rely upon the consent in writing of any other Secured Party as to the absence of material prejudice to the interests of such Secured Party), (ii) it has not been informed in writing by any Secured Party (other than any Covered Bondholder(s)) that such Secured Party will be materially prejudiced thereby (other than a Secured Party who has given its written consent as aforesaid) and (iii) the Security Trustee has received Rating Agency Confirmation in respect of such modification; or
- (e) any modification to the Eligibility Criteria which is in the opinion of the Security Trustee not materially prejudicial to the existing Covered Bondholders of any Series.

The Security Trustee may also agree, without the consent of the Covered Bondholders of any Series, and/or Couponholders or any other Secured Party, to the waiver or authorisation of any breach or proposed breach of any of the provisions of the Covered Bonds of any Series or the Transaction Documents, or determine, without any such consent as aforesaid, that any Issuer Event of Default or CBC Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Security Trustee, materially prejudicial to the interests of any of the Secured Parties (in which respect the Security Trustee may (without further enquiry) rely upon the consent in writing of any other Secured Party as to the absence of material prejudice to the interests of such Secured Party) provided that (i) the Security Trustee has not been informed by any Secured Party (other than any Covered Bondholder(s)) that such Secured Party will be materially prejudiced thereby (other than a Secured Party who has given its written consent as aforesaid) and (ii) the Security Trustee has received Rating Agency Confirmation in respect of such waiver, authorisation or determination.

Any such modification, waiver, authorisation or determination shall be binding on all Covered Bondholders of all Series for the time being outstanding, the related Couponholders and the other Secured Parties, and unless the Security Trustee otherwise agrees, any such modification, waiver, authorisation or determination will be notified by the Issuer to the Covered Bondholders of all Series for the time being outstanding, the other Secured Parties and the Rating Agencies in accordance with the relevant terms and conditions as soon as practicable thereafter.

In connection with the exercise by it of any of its powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Security Trustee shall have regard to the general interests of the Covered Bondholders of each Series as a class (but shall not have regard to any interests arising from circumstances particular to individual Covered Bondholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Covered Bondholders, the related Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof and the Security Trustee shall not be entitled to require, nor shall any Covered Bondholder or Couponholder be entitled to claim, from the Issuer, the CBC, the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Covered Bondholders or Couponholders, except to the extent already provided for in Condition 8 (*Taxation*) and/or in any undertaking or covenant given in addition to, or in substitution for, Condition 8 (*Taxation*) pursuant to the Trust Deed.

The Security Trustee shall, as regards all the powers, authorities, duties and discretions vested in it by the Covered Bonds or the other Transaction Documents or, except where expressly provided otherwise, have regard to the interests of both the Covered Bondholders and the other Secured Parties, but if, in the Security Trustee's sole opinion, there is a conflict between their

interests, it will have regard solely to the interests of each Secured Party, including, but not limited to, the Covered Bondholders, in accordance with the relevant Priority of Payments.

The Issuer may, without the consent of the holders of the Covered Bonds of any Series or any Coupons relating thereto, or any other Secured Party consolidate with, merge or amalgamate into or transfer their respective assets substantially as an entirety to, any corporation organised under Dutch law, or any political subdivision thereof, provided that (i) a certificate of two authorised signatories of the Issuer and the CBC is delivered to the Security Trustee to the effect that immediately after giving effect to such transaction no Issuer Event of Default and no CBC Event of Default, respectively, will have happened and be continuing and (ii) unless the Issuer is the surviving entity, the Issuer shall procure that the surviving or transferee company assumes its obligations as Issuer under the Trust Deed, each other Transaction Document and all of the outstanding Covered Bonds of all Series, in place of the Issuer and (iii) in the case of an assumption of the obligations of the Issuer by a successor or transferee company, the Guarantee of the CBC is fully effective on the same basis in relation to the obligations of such successor or transferee company and (iv) certain other conditions set out in the Trust Deed are met. Upon the assumption of the obligations of the Issuer by such surviving or transferee company, the predecessor Issuer shall (subject to the provisions of the Trust Deed) have no further liabilities under or in respect of the Trust Deed or the outstanding Covered Bonds of each Series then outstanding or any Coupons appertaining thereto and the other Transaction Documents. Any such assumption shall be subject to the relevant provisions of the Trust Deed. The Trust Deed provides that any such assumption shall be notified to the holders of all Series in accordance with the relevant terms and conditions of such Covered Bonds and the other Secured Parties.

For the purposes hereof:

**"Extraordinary Resolution"** means a resolution at a meeting duly convened and held in accordance with the provisions for meetings of covered bondholders as set out in the Trust Deed, by not less than two-thirds of the votes cast.

**"Programme Resolution"** means either:

- (a) a written resolution of the holders of not less than fifty (50) per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding as if they were a single Series; or
- (b) an Extraordinary Resolution (with the Covered Bonds of all Series taken together as a single Series).

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

## 16. SECURITY TRUSTEE

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

The Security Trustee will not be responsible for any loss, expense or liability, which may be suffered as a result of any Transferred Assets, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Security Trustee. The Security Trustee will not be responsible for (i) supervising the performance by the Issuer or any other party to the Transaction Documents of their respective obligations under the Transaction Documents and will be entitled to assume, until it has written notice to the contrary, that all such persons are properly performing their duties; (ii) considering the basis on which approvals or consents are granted by the Issuer or any other party to the Transaction Documents under the Transaction Documents; (iii) monitoring the Transferred Assets,



including, without limitation, whether the Transferred Assets are in compliance with the Asset Cover Test or the Amortisation Test; or (iv) monitoring whether Mortgage Receivables (and any other Transferred Assets) satisfy the applicable Eligibility Criteria or such other criteria as may be agreed with the CBC and subject to Rating Agency Confirmation in relation to other Transferred Assets. The Security Trustee will not be liable to any Covered Bondholder or other Secured Party for any failure to make or to cause to be made on their behalf the searches, investigations and enquiries which would normally be made by a prudent chargee in relation to the security rights and have no responsibility in relation to the legality, validity, sufficiency and enforceability of the security rights it holds and the Transaction Documents.

## 17. SUBSTITUTION OF THE ISSUER

- (a) The Issuer may, subject to Rating Agency Confirmation and without the consent of the Covered Bondholders or Couponholders in respect of each issue of Covered Bonds on which no payment of principal or interest on any of the Covered Bonds is in default and after written approval of DNB, be replaced and substituted by any directly or indirectly wholly owned subsidiary of the Issuer (the "**Substituted Debtor**") as principal debtor in respect of the Covered Bonds and the relative Coupons provided that:
- (i) such documents shall be executed by the Substituted Debtor and the Issuer as may be necessary to give full effect to the substitution (the "**Documents**") and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favour of each Covered Bondholder and Couponholder to be bound by the Terms and Conditions of the Covered Bonds and the provisions of the Transaction Documents as fully as if the Substituted Debtor had been named in the Covered Bonds, and the relative Coupons and the Transaction Documents as the principal debtor in respect of the Covered Bonds and the relative Coupons in place of the Issuer and pursuant to which the Issuer shall guarantee, which guarantee shall be unconditional and irrevocable, (the "**Substituted Debtors Guarantee**") in favour of each Covered Bondholder and each holder of the relative Coupons the payment of all sums (including any additional amounts payable pursuant to Condition 8 (*Taxation*)) payable in respect of the Covered Bonds and the relative Coupons;
  - (ii) where the Substituted Debtor is incorporated, domiciled or resident for taxation purposes in a territory other than the Netherlands, the Documents shall contain a covenant and/or such other provisions as may be necessary to ensure that each Covered Bondholder has the benefit of a covenant in terms corresponding to the provisions of Condition 8 with the substitution for the references to the Netherlands of references to the territory in which the Substituted Debtor is incorporated, domiciled and/or resident for taxation purposes. The Documents shall also contain a covenant by the Substituted Debtor and the Issuer to indemnify and hold harmless each Covered Bondholder and Couponholder against all liabilities, costs, charges and expenses, which may be incurred by or levied against such holder as a result of any substitution pursuant to this Condition and which would not have been so incurred or levied had such substitution not been made (and, without limiting the foregoing, such liabilities, costs, charges and expenses shall include any and all taxes or duties which are imposed on any such Covered Bondholder or Couponholder by any political subdivision or taxing authority of any country in which such Covered Bondholder or Couponholder resides or is subject to any such tax or duty and which would not have been so imposed had such substitution not been made);
  - (iii) the Documents shall contain a warranty and representation by the Substituted Debtor and the Issuer (a) that each of the Substituted Debtor and the Issuer has obtained all necessary governmental and regulatory approvals and consents for such substitution and the performance of its obligations under the Documents, and that all such approvals and consents are in full force and effect and (b) that the obligations assumed by each of the Substituted Debtor and the Issuer under

the Documents are all valid and binding in accordance with their respective terms and enforceable by each Covered Bondholder;

- (iv) each stock exchange which has Covered Bonds listed thereon shall have confirmed that following the proposed substitution of the Substituted Debtor such Covered Bonds would continue to be listed on such stock exchange;
  - (v) the Substituted Debtor shall have delivered to the Security Trustee or procured the delivery to the Security Trustee of a legal opinion from a leading law firm in the jurisdiction in which the Substituted Debtor is situated to the effect that the Documents and the Substituted Debtor's obligations under the Covered Bonds and Coupons will constitute legal, valid and binding obligations of the Substituted Debtor, such opinion to be dated not more than three (3) days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Covered Bondholders and Couponholders at the specified office of the Principal Paying Agent; and
  - (vi) the Issuer shall have delivered to the Security Trustee or procured the delivery to the Security Trustee of a legal opinion from a Dutch law firm to the effect that the Documents (including the Substituted Debtors Guarantee) will constitute legal, valid and binding obligations of the Substituted Debtor and the Issuer, as the case may be, such opinion to be dated not more than 3 days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Covered Bondholders and Couponholders at the specified office of the Principal Paying Agent.
- (b) In connection with any substitution effected pursuant to this Condition, neither the Issuer nor the Substituted Debtor need have any regard to the consequences of any such substitution for individual Covered Bondholders or to Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and no Covered Bondholder or Couponholder, except as provided in Condition 17(a)(ii), shall be entitled to claim from the Issuer or any Substituted Debtor under the Covered Bonds and the relative Coupons any indemnification or payment in respect of any tax or other consequences arising from such substitution.
  - (c) Upon the execution of the Documents as referred to in paragraph (a) above, the Substituted Debtor shall be deemed to be named in the Covered Bonds and the relative Coupons as the principal debtor in place of the Issuer and the Covered Bonds and the relative Coupons shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents shall operate to release the Issuer as issuer from all of its obligations as principal debtor in respect of the Covered Bonds and the relative Coupons save that any claims under the Covered Bonds and the relative Coupons prior to release shall ensure for the benefit of Covered Bondholders and Couponholders.
  - (d) The Documents shall be deposited with and held by the Principal Paying Agent for so long as any Covered Bonds or Coupons remain outstanding and for so long as any claim made against the Substituted Debtor by any Covered Bondholder or Couponholder in relation to the Covered Bonds or the relative Coupons or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted Debtor and the Issuer shall acknowledge in the Documents the right of every Covered Bondholder and Couponholder to the production of the Documents for the enforcement of any of the Covered Bonds or the relative Coupons or the Documents.
  - (e) Not later than fifteen (15) business days after the execution of the Documents, the Substituted Debtor shall give notice thereof to the Covered Bondholders in accordance with Condition 14 (Notices).

## 18. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Covered Bondholders or the Couponholders to create and issue further bonds having terms and conditions the same as the Covered Bonds of any Series or the same in all respects save for the amount and date of the first payment of interest thereon, issue date and/or purchase price and so that the same shall be consolidated and form a single Series with the outstanding Covered Bonds of such Series.

## 19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

The Covered Bonds and the Transaction Documents (except for the Swap Agreements) are governed by, and shall be construed in accordance with, Dutch law.

The Issuer and the CBC submit for the exclusive benefit of the Covered Bondholders and the Couponholders to the jurisdiction of the courts of Amsterdam, the Netherlands, judging in first instance, and in its appellate courts. Without prejudice to the foregoing, the Issuer and the CBC further irrevocably agree that any suit, action or proceedings arising out of or in connection with the Covered Bonds may be brought in any other court of competent jurisdiction.

## 20. TERMS AND CONDITIONS OF REGISTERED COVERED BONDS

- 20.1 If the applicable Final Terms specify that Registered Covered Bonds are issued, then the following terms and conditions shall apply in addition to the terms and conditions set out in Conditions 1 to and including 19 above. In the event of any inconsistency between Conditions 1 to and including 19 and this Condition 20, this Condition 20 will prevail with regard to Registered Covered Bonds.
- 20.2 Registered Covered Bonds are registered claims ("*vorderingen op naam*") which will be issued to each holder by a Registered Covered Bonds Deed. The holder of a Registered Covered Bond is the creditor of the relevant registered claim and "**Covered Bondholder**" shall be construed accordingly, provided that if the provision at the end of Condition 20.3 applies, the transferee shall, from the moment the transfer takes effect be treated as a Covered Bondholder for all purposes, without prejudice to any entitlement of the transferor pursuant to Condition 20.5.
- 20.3 Under Dutch law, the valid transfer of Covered Bonds requires, among other things, delivery ("*levering*") thereof, which in the case of Registered Covered Bonds is effected by assignment ("*cessie*") of both the rights under the Registered Covered Bonds and the corresponding rights under the Guarantee by execution of a deed of assignment ("*akte*") between the transferor and the transferee and notification ("*mededeling*") thereof to the Issuer, the CBC and the Registrar. A form of deed of assignment and notification is attached to each Registered Covered Bonds Deed. Registered Covered Bonds may be transferred in whole, but not in part, provided that the relevant transferor and transferee may otherwise agree in the relevant assignment deed in respect of amounts that have accrued but not yet been paid in respect of the period up to the relevant transfer.
- 20.4 The Issuer shall procure that a register be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). The Registrar shall register details of any holder of Registered Covered Bonds in the Register and amend the Register to reflect any transfer and/or redemption of Registered Covered Bonds.
- 20.5 Payments of principal, interest (if any) and any other amounts in respect of Registered Covered Bonds will be made to the person shown on the Register as being entitled to the relevant amount of principal or interest or other amount at the close of business of the business day prior to the due date of such payments (the "**Record Date**"). If any Registered Covered Bondholder transfers any Registered Covered Bonds in accordance with Condition 20.3 and the Trust Deed and such transfer is notified to the Issuer and the CBC prior to the Record Date, the Issuer, the CBC and the Security Trustee will in respect of the Registered Covered Bond so transferred, be discharged from their respective payment obligations only by payment to or to the order of the transferee. If the notification of transfer of the relevant Registered Covered

Bond is made after the Record Date, (i) the risk that the transfer is not timely recorded in the Register is borne by the transferee and (ii) the Issuer, the CBC, the Security Trustee, the Registrar and the relevant Paying Agent shall not be liable as a result of any payment being made to the person shown in the Register in accordance with this Condition.

- 20.6 Notices to holders of Registered Covered Bonds shall be mailed or faxed to them at their respective addresses as recorded in the Register and shall be deemed to have been given on the fourth business day (being a day other than a Saturday or a Sunday) following the date of mailing or faxing.

## **TAXATION IN THE NETHERLANDS**

### **General**

*The following summary describes certain material Netherlands tax consequences of the acquisition, holding, redemption and disposal of Covered Bonds, which term, for the purpose of this summary, includes Coupons and Talons. This summary does not purport to be a comprehensive description of all Netherlands tax considerations that may be relevant to a Covered Bondholder or prospective Covered Bondholder and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as trusts or similar arrangements) may be subject to special rules. The discussion of certain Netherlands taxes set forth below is included for general information purposes only.*

*This summary is based on the tax laws of the Netherlands, published regulations thereunder and published authoritative case law, all as in effect on the date hereof, and all of which are subject to change or to different interpretation, possibly with retroactive effect. Where the summary refers to "the Netherlands" it refers only to the part of the Kingdom of the Netherlands located in Europe.*

*This discussion is for general information purposes only and is not tax advice or a complete description of all tax consequences relating to the acquisition, holding, redemption and disposal of Covered Bonds. Each prospective Covered Bondholder should consult its own professional adviser with respect to the tax consequences of an investment in the Covered Bonds in light of their particular circumstances.*

### **Withholding tax**

All payments made by the Issuer under the Covered Bonds may be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

### **Taxes on income and capital gains**

Please note that the summary in this section does not describe the Netherlands tax consequences for:

- (1) holders of Covered Bonds if such holders, and in the case of individuals, his/her partner or certain of their relatives by blood or marriage in the direct line (including foster children), have a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Issuer under the Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*). Generally speaking, a holder of securities in a company is considered to hold a substantial interest in such company, if such holder alone or, in the case of individuals, together with his/her partner (as defined in the Netherlands Income Tax Act 2001), directly or indirectly, holds (i) an interest of 5 per cent. or more of the total issued and outstanding capital of that company or of 5 per cent. or more of the issued and outstanding capital of a certain class of shares of that company; or (ii) rights to acquire, directly or indirectly, such interest; or (iii) certain profit sharing rights in that company that relate to 5 per cent. or more of the company's annual profits and/or to 5 per cent. or more of the company's liquidation proceeds. A deemed substantial interest may arise if a substantial interest (or part thereof) in a company has been disposed of, or is deemed to have been disposed of, on a non-recognition basis;
- (2) pension funds, investment institutions (*fiscale beleggingsinstellingen*), exempt investment institutions (*vrijgestelde beleggingsinstellingen*) (as defined in the Netherlands Corporate Income Tax Act 1969; *Wet op de vennootschapsbelasting 1969*) and other entities that are, in whole or in part, not subject to or exempt from Netherlands corporate income tax; and
- (3) holders of Covered Bonds who are individuals for whom the Covered Bonds or any benefit derived from the Covered Bonds are a remuneration or deemed to be a remuneration for activities performed by such holders or certain individuals related to such holders (as defined in the Netherlands Income Tax Act 2001).

### *Netherlands Resident Entities*

Generally speaking, if the holder of Covered Bonds is an entity that is a resident or deemed to be resident of the Netherlands for Netherlands corporate income tax purposes (a "**Netherlands Resident Entity**"), any payment under the Covered Bonds or any gain or loss realized on the disposal or deemed disposal of the Covered Bonds is subject to Netherlands corporate income tax at a rate of 20 per cent. with respect to taxable profits up to €200,000 and 25 per cent. with respect to taxable profits in excess of that amount (tax rates and brackets as applicable for 2018).

#### *Netherlands Resident Individuals*

If a holder of Covered Bonds is an individual, resident or deemed to be resident of the Netherlands for Netherlands income tax purposes (a "**Netherlands Resident Individual**"), any payment under the Covered Bonds or any gain or loss realized on the disposal or deemed disposal of the Covered Bonds is taxable at the progressive income tax rates (with a maximum of 51.95 per cent. in 2018), if:

- (1) the Covered Bonds are attributable to an enterprise from which the holder of Covered Bonds derives a share of the profit, whether as an entrepreneur (*ondernemer*) or as a person who has a co-entitlement to the net worth (*medegerechtigd tot het vermogen*) of such enterprise without being a shareholder (as defined in the Netherlands Income Tax Act 2001); or
- (2) the holder of Covered Bonds is considered to perform activities with respect to the Covered Bonds that go beyond ordinary asset management (*normaal, actief vermogensbeheer*) or derives benefits from the Covered Bonds that are taxable as benefits from other activities (*resultaat uit overige werkzaamheden*).

Income from savings and investments. If the above-mentioned conditions (1) and (2) do not apply to the individual holder of Covered Bonds, such holder will be taxed annually on a deemed, variable return (with a maximum of 5.38 per cent. in 2018) of his/her net investment assets (*rendementsgrondslag*) for the year at an income tax rate of 30 per cent.

The net investment assets for the year are the fair market value of the investment assets less the allowable liabilities on 1 January of the relevant calendar year. The Covered Bonds are included as investment assets. A tax free allowance may be available. Actual income, gains or losses in respect of the Covered Bonds are as such not subject to Netherlands income tax.

For the net investment assets on 1 January 2018, the deemed return ranges from 2.02 per cent. up to 5.38 per cent. (depending on the aggregate amount of such holder's net investment assets on 1 January 2018). The deemed, variable return will be adjusted annually on the basis of historic market yields.

#### *Non-residents of the Netherlands*

A holder of Covered Bonds that is neither a Netherlands Resident Entity nor a Netherlands Resident Individual will not be subject to Netherlands taxes on income or capital gains in respect of any payment under the Covered Bonds or in respect of any gain or loss realized on the disposal or deemed disposal of the Covered Bonds, provided that:

- (1) such holder does not have an interest in an enterprise or deemed enterprise (as defined in the Netherlands Income Tax Act 2001 and the Netherlands Corporate Income Tax Act 1969) which, in whole or in part, is either effectively managed in the Netherlands or carried on through a permanent establishment, a deemed permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the Covered Bonds are attributable; and
- (2) in the event the holder is an individual, such holder does not carry out any activities in the Netherlands with respect to the Covered Bonds that go beyond ordinary asset management and does not derive benefits from the Covered Bonds that are taxable as benefits from other activities in the Netherlands.

#### **Gift and inheritance taxes**

##### *Residents of the Netherlands*

Gift or inheritance taxes will arise in the Netherlands with respect to a transfer of the Covered Bonds by way of a gift by, or on the death of, a holder of such Covered Bonds who is resident or deemed resident of the Netherlands at the time of the gift or his/her death.

*Non-residents of the Netherlands*

No Netherlands gift or inheritance taxes will arise on the transfer of Covered Bonds by way of gift by, or on the death of, a holder of Covered Bonds who is neither resident nor deemed to be resident in the Netherlands, unless:

- (1) in the case of a gift of a Covered Bond by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 calendar days after the date of the gift, while being resident or deemed to be resident in the Netherlands; or
- (2) the transfer is otherwise construed as a gift or inheritance made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands.

For purposes of Netherlands gift and inheritance taxes, amongst others, a person that holds the Netherlands nationality will be deemed to be resident in the Netherlands if such person has been resident in the Netherlands at any time during the ten (10) years preceding the date of the gift or his/her death. Additionally, for purposes of Netherlands gift tax, amongst others, a person not holding the Netherlands nationality will be deemed to be resident in the Netherlands if such person has been resident in the Netherlands at any time during the twelve (12) months preceding the date of the gift. Applicable tax treaties may override deemed residency.

**Value added tax (VAT)**

No Netherlands VAT will be payable by the holders of the Covered Bonds on (i) any payment in consideration for the issue of the Covered Bonds or (ii) the payment of interest or principal by the Issuer under the Covered Bonds.

**Other taxes and duties**

No Netherlands registration tax, stamp duty or any other similar documentary tax or duty will be payable by the holders of the Covered Bonds in respect of (i) the issue of the Covered Bonds or (ii) the payment of interest or principal by the Issuer under the Covered Bonds.

## ***SUBSCRIPTION AND SALE***

The Dealers have, in a Programme Agreement, agreed with the Issuer and the CBC a basis upon which such Dealers or any of them may from time to time agree to purchase Covered Bonds. Any such agreement will extend to those matters stated in the Terms and Conditions and under *Form of the Covered Bonds*. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Covered Bonds under the Programme.

### ***Prohibition of Sales to EEA Retail Investors***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (i) the expression "retail investor" means a person who is one (or more) of the following:
  - (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
  - (b) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (c) not a qualified investor as defined in the Prospectus Directive; and
- (ii) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds.

### ***France***

Each of the Dealers and the Issuer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Covered Bonds to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Covered Bonds, and that such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties ("*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*"), and/or (b) qualified investors ("*investisseurs qualifiés*"), other than individuals acting for their own account all as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1 and D.411-4 of the French *Code monétaire et financier*.

### ***Italy***

The offering of the Covered Bonds has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and accordingly, the Dealers have represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that save as set out below, it has not offered or sold and will not offer or sell any Covered Bonds in the Republic of Italy in an offer to the public and that sales of the Covered Bonds in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Accordingly, each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver any Covered Bonds or distribute copies of this Base Prospectus and any other document relating to the Covered Bonds in the Republic of Italy other than:

- i. to "qualified investors", as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Decree No. 58**") and defined in Article 34-ter, paragraph 1, let. b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("**Regulation No. 11971**"); or



- ii. that it may offer, sell or deliver Covered Bonds or distribute copies of any prospectus relating to such Covered Bonds in an offer to the public in the period commencing on the date of publication of such prospectus, provided that such prospectus has been approved in another Relevant Member State and notified to CONSOB, all in accordance with the Prospectus Directive, as implemented in Italy under Decree No. 58 and Regulation No. 11971, and ending on the date which is 12 months after the date of approval of such prospectus; or
- iii. in any other circumstances where an express exemption from compliance with the offer restrictions applies, as provided under Decree No. 58 or Regulation No. 11971.

Any such offer, sale or delivery of the Covered Bonds or distribution of copies of this Base Prospectus or any other document relating to the Covered Bonds in the Republic of Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended, Decree No. 58 CONSOB Regulation No. 20307 of 15 February 2018, as amended and any other applicable laws and regulations;
- (b) in compliance with Article 129 of Legislative Decree No. 385 of 1 September 1993, as amended (pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy) and the relevant implementing guidelines of the Bank of Italy issued on 25 August 2015 (as amended on 10 August 2016); and
- (c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

*Provisions relating to the secondary market in the Republic of Italy*

Investors should also note that, in any subsequent distribution of the Covered Bonds in the Republic of Italy, Article 100-bis of Decree No. 58 may require compliance with the law relating to public offers of securities. Furthermore, where the Covered Bonds are placed solely with "qualified investors" and are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of Covered Bonds who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and, in addition, to claim damages from any authorised person at whose premises the Covered Bonds were purchased, unless an exemption provided for under Decree No. 58 applies.

***United Kingdom***

Each Dealer has represented and agreed and each further Dealer appointed will be required to represent and agree that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("**FSMA**") received by it in connection with the issue or sale of any Covered Bonds in circumstances in which Section 21(1) of the FSMA does not, or in the case of the Issuer, would not if it was not an authorised person, apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

***United States***

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

The Covered Bonds are in bearer form and are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to, or for the account or benefit of, a U.S. person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and U.S. Treasury regulations promulgated thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed will be required to represent and agree, that it will not offer, sell or deliver the Covered Bonds (i) as part of its distribution at any time or (ii) otherwise until forty (40) days after the beginning of what is defined in Rule 902 of Regulation S as a Distribution Compliance Period. Each Dealer has also represented and agreed that it will have sent to each distributor, Dealer or person receiving a selling concession, fee or other remuneration to which it sells Covered Bonds during the distribution compliance period (as defined in Regulation S) a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

#### ***Japan***

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the FIEA) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Covered Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Act No. 228 of 1949, as amended)) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

#### ***The Netherlands/All issues***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that as long as it does not have the benefit of a licence or exemption as an investment firm of the relevant type pursuant to the Wft, it shall not offer any Covered Bonds or distribute this Base Prospectus or any circulars, offer documents or information relating to the Issuer or the Covered Bonds in the Netherlands.

#### ***General***

Each Dealer has agreed and each further Dealer appointed will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers or sells Covered Bonds or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Covered Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any other Dealer shall have any responsibility therefor.

Neither the Issuer nor any Dealer shall represent, nor any further Dealer appointed will be required to represent, that Covered Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with any additional restrictions set out in the applicable Final Terms.

## **COVERED BOND LEGISLATION AND COMPLIANCE WITH UCITS- AND/OR CAPITAL REQUIREMENTS DIRECTIVE**

### *Description of the Dutch Covered Bond Regulations*

In 2008 the Netherlands introduced a legal framework for regulated covered bonds which was replaced as of 1 January 2015 by a new framework. The applicable Dutch covered bond law and regulations relating to the legal requirements for the issuance of legal covered bonds as amended from time to time (the "**CB Regulations**") aim to provide more safeguards to covered bondholders, while respecting other interests that are connected with the issuance of covered bonds, such as avoiding an undesirable degree of asset encumbrance. The Dutch covered bond law and legislation relating to the legal requirements for the issuance of legal covered bonds as applicable prior to 1 January 2015 (the "**Old CB Regulations**") consisted of a limited, principle based framework that gave issuers flexibility. While a considerable amount of flexibility is retained, the new framework contains more detailed provisions to increase transparency and protection for investors.

The CB Regulations apply to the issuance of DNB-registered covered bonds, which are bonds included in the list made publicly available pursuant to Article 52(4) of the UCITS Directive or, where such registration has not yet occurred, a covered bond which is registered by DNB in accordance with the CB Regulations. Therefore, like any other issuance of debt instruments and legal transfers of assets made in accordance with Dutch law, the issuance of a DNB-registered covered bond and the legal transfer of cover assets are subject to the provisions of the Dutch Civil Code and the Dutch Bankruptcy Code.

Whereas the Old CB Regulations were part of a government and ministerial decree, the CB Regulations include rules on the level of parliamentary law and form a collection of rules forming part of three layers of legislation: the Wft, the Wft Prudential Rules Decree ("*Besluit prudentiële regels Wft*") and the Wft Implementing Regulation ("*Uitvoeringsregeling Wft*"). The inclusion of rules on parliamentary law level enables a more extensive and proportional sanctions regime, such as fines. Under the Old CB Regulations, the DNB could only eliminate the registration of a covered bond and the issuer if the issuer does not meet the requirements and can order an issuance stop. It had no other sanctioning powers. Under the CB Regulations the first sanction has been eliminated, the registration of a covered bonds issued under a programme cannot be cancelled anymore. DNB could however still eliminate the registration of the issuer and order an issuance stop, after which the issuing bank will not be allowed to issue more covered bonds.

The CB Regulations include various requirements relating to issuers, owners of the asset pool, eligible assets and the contractual arrangements made in respect of such assets. The CB Regulations also require a valid safeguarding or sufficient cover assets for holders of DNB-registered covered bonds. Furthermore, the issuer must be a licensed bank with its registered address in the Netherlands.

As a main principle the CB Regulations require that DNB-registered covered bonds will have to comply with the conditions for preferential treatment of Article 52(4) UCITS Directive. In addition the CB Regulations also include mandatory compliance with Article 129 CRR.

The CB Regulations introduce a minimum level of overcollateralization of 5%. This means that the nominal value of the cover assets must be 105% of the nominal value of the outstanding covered bonds under the relevant program. An additional collateralisation requirement, which is calculated separately, is that the nominal size of the cover assets taking into account the cut-off rules for collateralised assets of Article 129 CRR is at least equal to the nominal value of the outstanding covered bonds. The Issuer as part of the programme undertakes as part of the Asset Cover Test that it will meet the requirements pursuant to the Wft in respect of the collateralisation of the Covered Bonds, including, that (i) (A) the Net Outstanding Principal Amount of Mortgage Receivables and (B) the Substitution Assets are at least equal to 105% of the Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding and (ii) (A) the lower of (a) the Net Outstanding Principal Amount of Mortgage Receivables or (b) 80% of all Indexed Valuations relating to such Mortgage Receivables and (B) the Substitution Assets are at least equal to 100% of the Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding (see further Chapter 17 '*Asset Monitoring*').

An issuer is required to ensure that the owner of the asset pool maintains a liquidity buffer that covers interest payments, principal payments and senior costs that will be due in the coming six (6) months. If an extension period of at least six (6) months is included, (as in this programme), no liquidity buffer needs to be held for principal payments. Liquid assets are public sector loans and exposures to institutions as defined in Article 129 CRR. The Issuer will comply with this requirement by ensuring that the Liquidity Reserve Required Amount will be deposited on the Reserve Account.

There are strict criteria as to which assets may be included in an asset pool for the purposes of a DNB-registered covered bond and are limited to the assets listed in Article 129 CRR under (a), (b), (d) sub (i), (e), (f) sub (i) and (g), i.e. public sector loans, residential real estate loans, commercial real estate loans, and shipping loans, subject to certain limitations. The issuer must choose which asset class it primarily includes in the programme. In addition, up to 20% of the outstanding covered bonds under a program may be covered by substitution assets. These are the liquid assets that are allowed under CRR: public sector exposures and exposures to institutions. Residential mortgage backed securities and commercial mortgage backed securities are excluded as cover assets. The Eligibility Criteria require that the Issuer only includes residential real estate loans as primary assets and the definition of Substitution Asset complies with the CB Regulations.

The CB Regulations include rules on valuation of cover assets. As a main rule, cover assets will be valued at their nominal value. Substitution assets will have to be valued at market value according to an internationally accepted accountancy standard. Several categories of assets will be awarded no value when applying the overcollateralisation and liquidity requirements are met:

- defaulted loans, as defined by Article 178 CRR;
- assets which are the subject of a sub-participation or similar arrangement up to an amount to which a third party has an entitlement to (part of) such assets;
- assets that consist of exposures of the CBC on the issuer or entities of the same group.

Issuers will be required to appoint an external accountant as asset monitor which will have to perform an annual check of certain aspects of the administration and valuation process on the cover assets. More specifically, the external accountant has to:

- perform a check on the calculation of the legal overcollateralisation requirements;
- perform a check on the calculation of the legal liquidity buffer requirement.

In addition the issuer must ensure that an external accountant performs a yearly check on a sample of the files related to the cover assets.

As under the Old CB Regulations, the issuer must maintain a healthy ratio between the outstanding covered bonds and the balance sheet of the issuer (the latter to protect other stakeholders). As a new element, the issuer will be required to perform annual stress tests to assess whether the healthy ratio will be maintained in adverse scenarios. Risks to be taken into account include credit risk, interest rate risk, currency risk and liquidity risk.

The issuer will also need to have solid and effective strategies and procedures for verifying and procuring the sufficiency of the cover assets, taking into account the composition of the cover assets, the over-collateralisation and the applicable risks and stress tests.

Also, the CB Regulations continue to provide for ongoing administration and reporting obligations towards DNB and include new reporting obligations towards the covered bondholders.

Under the CB Regulations the covered bonds no longer need to have a (minimum) credit rating as was obligatory under the Old CB Regulations.

#### *Compliance CB Regulations with UCITS- and/or Capital Requirements Directive*

The Issuer has obtained the Regulated Status pursuant to the CB Regulations at the date of this Base Prospectus, which includes the CRR Status. The Issuer will only issue Covered Bonds under this Base Prospectus that obtain the Regulated Status under the CB Regulations. See also Compliance of Covered Bonds with the UCITS Directive and/or CRD IV above.

In the Trust Deed the Issuer has undertaken to utilise its best efforts to procure that the Covered Bonds that have obtained the Regulated Status, will keep the Regulated Status until redemption in full.

The criteria for Eligible Assets and the limitations as a result of the LTV Cut-Off Percentage in the Asset Cover Test procure that the Covered Bonds issued have the CRR Status, when these have the Regulated Status.

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

## 8. ASSET BACKED GUARANTEE

### *GUARANTEE*

Pursuant to the Guarantee, if (i) an Issuer Acceleration Notice and a Notice to Pay are served or (ii) a CBC Acceleration Notice is served, the CBC will be liable to pay Guaranteed Amounts when the same become Due for Payment.

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

All payments of Guaranteed Amounts by or on behalf of the CBC will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature, unless the withholding or deduction of such taxes, assessments or other governmental charges are required by law or regulation or administrative practice of any jurisdiction. If any such withholding or deduction is required, the CBC will pay the Guaranteed Amounts net of such withholding or deduction and shall account to the appropriate tax authority for the amount required to be withheld or deducted. The CBC will not be obliged to pay any additional amount to the Security Trustee or any holder of Covered Bonds in respect of the amount of such withholding or deduction.

Payments in respect of the Covered Bonds might be subject to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and any other jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement). Any such amounts withheld or deducted will be treated as paid for all purposes under the Covered Bonds, and no additional amounts will be paid on the Covered Bonds with respect to any such withholding or deduction.

An Extended Due for Payment Date will apply to each Series of Covered Bonds to be issued under the Programme.

In respect of each Series, if the CBC is obliged under the Guarantee to pay a Guaranteed Final Redemption Amount, then:

- (a) the obligation of the CBC to pay the Guaranteed Final Redemption Amount shall be deferred to, and shall under the Guarantee be due on, the Extended Due for Payment Date, provided that if on any CBC Payment Date which falls prior to the Extended Due for Payment Date, any moneys are available to the CBC to be paid (or reserved for payment of principal on any Series of Covered Bonds) after the CBC shall under the relevant Priority of Payments have paid or provided for (on the relevant CBC Payment Date) all higher ranking amounts, then the CBC shall (a) give notice thereof to the relevant holders of the Pass-Through Covered Bonds (in accordance with Condition 14 (*Notices*)), the Rating Agencies, the Security Trustee, the Principal Paying Agent and the Registrar (in the case of Registered Covered Bonds) as soon as reasonably practicable and in any event at least two business days prior to such CBC Payment Date (whereby such notice shall be deemed to have been given on the first business day following the date on which the notice was given by the CBC to the relevant clearing system), if any, and otherwise in accordance with Condition 14 (*Notices*) and (b) apply such remaining available moneys in payment, in whole or in part, of the Guaranteed Final Redemption Amount pertaining to all Pass-Through Covered Bonds, if applicable *pro rata* by reference to the Principal Amount Outstanding of such Covered Bonds (and to such extent the Guaranteed

Final Redemption Amount shall for the purpose of the relevant Priority of Payments and all other purposes be due) on such CBC Payment Date. If any amount of principal on a Covered Bond remains unpaid on its Maturity Date, such Covered Bond will become a Pass-Through Covered Bond and if a Notice to Pay and a Breach of Amortisation Test Notice have been served, all Covered Bonds will become Pass-Through Covered Bonds; and

- (b) the CBC shall under the Guarantee owe interest over the unpaid portion of the Guaranteed Final Redemption Amount, which shall accrue and be payable on the basis set out in the applicable Final Terms or, if not set out therein, Condition 5 (*Interest*),

all without prejudice to the CBC's obligation to pay any other Guaranteed Amount (i.e. other than the Guaranteed Final Redemption Amount) when Due for Payment.

Failure by the CBC to pay Guaranteed Final Redemption Amounts or the balance thereof, as the case may be, on the Extended Due for Payment Date and/or pay the other Guaranteed Amounts on any Scheduled Payment Date or the Extended Due for Payment Date will (subject to any applicable grace period) be a CBC Event of Default.

For the purposes hereof:

**"Due for Payment"** means, with respect to a Guaranteed Amount, (i) prior to the service of a CBC Acceleration Notice, the Scheduled Payment Date in respect of such Guaranteed Amount or, if later, the day which is two business days after service of an Issuer Acceleration Notice and a Notice to Pay on the CBC or (ii) after the service of a CBC Acceleration Notice, the date on which the CBC Acceleration Notice is served (or, in either case, if such day is not a business day, the first following business day).

**"Guaranteed Amounts"** means, in respect of a Series:

- (a) with respect to any Scheduled Payment Date falling prior to the service of a CBC Acceleration Notice, the sum of the Scheduled Interest and Scheduled Principal payable on such Scheduled Payment Date; or
- (b) with respect to any date after the service of a CBC Acceleration Notice, an amount equal to the aggregate of (i) the relevant Early Redemption Amount specified in the Terms and Conditions as being payable on that date and (ii) all accrued and unpaid interest and all other amounts due and payable in respect of the Covered Bonds and all amounts payable by the CBC under the Trust Deed, provided that any Guaranteed Amounts representing interest paid after the Maturity Date shall be paid on such dates and at such rates as specified in the applicable Final Terms.

**"Scheduled Interest"** means, in respect of a Series, any amount of scheduled interest payable (i) under the Covered Bonds as specified in Condition 5 (*Interest*) (but excluding (a) any additional amounts relating to premiums, default interest or interest upon interest payable by the Issuer following an Issuer Event of Default and (b) any additional amounts the Issuer would be obliged to pay as a result of any gross-up in respect of any withholding or deduction made under the circumstances set out in Condition 8 (*Taxation*)), for this purpose disregarding any Excess Proceeds received by the Security Trustee on account of scheduled interest and on-paid to the CBC in accordance with the Trust Deed, or (ii) under the Guarantee as specified in Condition 3(b) (*The Guarantee*).

**"Scheduled Payment Dates"** means, in respect of a Series, each Interest Payment Date and the Maturity Date as specified in (i) in the case of Scheduled Interest, Condition 5 (*Interest*) or Condition 3(b) (*The Guarantee*), as the case may be, or (ii) in the case of Scheduled Principal, Condition 7(a) (*Redemption at Maturity*).

**"Scheduled Principal"** means, in respect of a Series, any amount of scheduled principal payable under the Covered Bonds as specified in Condition 7(a) (*Redemption at Maturity*) (but excluding (a) any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, premiums or default interest payable by the Issuer following an Issuer Event of Default and

(b) any additional amounts the Issuer would be obliged to pay as a result of any gross-up in respect of any withholding or deduction made under the circumstances set out in Condition 8 (*Taxation*), for this purpose disregarding any Excess Proceeds received by the Security Trustee on account of scheduled principal and on-paid to the CBC in accordance with the Trust Deed.



## **SECURITY**

### **Parallel Debt**

In the Parallel Debt Agreement the CBC has irrevocably and unconditionally undertaken to pay to the Security Trustee (the "**Parallel Debt**") an amount equal to the aggregate amount due ("*verschuldigd*") by it (i) to the Covered Bondholders under the Covered Bonds, (ii) as fees or other remuneration to the Directors under the Management Agreements, (iii) as fees and expenses to the Servicer under the Servicing Agreement, (iv) as fees and expenses to the Administrator under the Administration Agreement, (v) as fees and expenses to the Back-up Administrator under the Back-up Administration Agreement, (vi) as fees and expenses to the Paying Agents and the Registrar under the Agency Agreement, (vii) as fees and expenses to the Calculation Agent under the Calculation Agency Agreement, (viii) to the Swap Counterparties under the Swap Agreements, (ix) to any Savings Participant under a Savings Participation Agreement, (x) as fees and expenses to the Asset Monitor under the Asset Monitor Appointment Agreement, (xi) to the CBC Account Bank under the CBC Account Agreement, (xii) to the Subordinated Loan Provider, (xiii) to the Transferors, and (xiv) to such other party designated by the Security Trustee to become a secured party (the parties referred to in items (i) through (xiv) together the "**Secured Parties**"). The Parallel Debt constitutes a separate and independent obligation of the CBC and constitutes the Security Trustee's own separate and independent claims ("*eigen en zelfstandige vordering*") to receive payment of the Parallel Debt from the CBC. Upon receipt by the Security Trustee of any amount in payment of the Parallel Debt, the payment obligations of the CBC to the Secured Parties shall be reduced by an amount equal to the amount so received.

### **Security Documents - distribution of proceeds**

The Parallel Debt is secured by the first ranking security rights created under the Security Documents. "**Security Documents**" means all deeds and/or other documents under which the CBC creates first ranking security in favour of the Security Trustee over the Transferred Assets and certain other assets of the CBC.

To the extent that the Security Trustee irrevocably and unconditionally receives any amount in payment of the Parallel Debt, the Security Trustee shall distribute such amount among the Secured Parties in accordance with the Post CBC Acceleration Notice Priority of Payments, save for (i) amounts due to the Savings Participant in connection with, in respect of each Savings Mortgage Receivable, the Participation and (ii) Swap Collateral. The amounts due to the Secured Parties, other than the Savings Participant, will, broadly, be equal to amounts recovered ("*verhaald*") by the Security Trustee on (i) the Mortgage Receivables (other than the Savings Mortgage Receivables) and other assets pledged to the Security Trustee under any Security Trustee Receivables Pledge Agreement, any Security Trustee Rights Pledge Agreement and any other Pledge Agreements, excluding Swap Collateral and (ii) on each of the Savings Mortgage Receivables which are subject to a Participation to the extent the amount recovered exceeds the Participation in the relevant Savings Mortgage Receivable.

The amounts due to the Savings Participant will be equal to the Participation in each of the Savings Mortgage Receivables or if the amount recovered is less than the Participation in such Savings Mortgage Receivables the amount equal to the amount actually recovered.

### **Security in favour of the Security Trustee in respect of the Mortgage Receivables**

Pursuant to a receivables pledge agreement (the "**Security Trustee Receivables Pledge Agreement**") the CBC has undertaken to vest a right of pledge in favour of the Security Trustee on the Mortgage Receivables and the Beneficiary Rights immediately following the transfer thereof to the CBC, which will secure the payment obligations of the CBC to the Security Trustee under the Parallel Debt Agreement and any other Transaction Documents. The pledge on the Mortgage Receivables will not be notified to the Borrowers and the Insurance Companies, respectively, except in the event that certain notification events occur relating to the CBC, including the occurrence of a CBC Event of Default, by the Security Trustee (the "**Security Trustee Pledge Notification Events**"). Prior to

notification of the pledge to the Borrowers or the Insurance Companies, the pledge will be an "undisclosed" right of pledge ("*stil pandrecht*") within the meaning of section 3:239 of the Dutch Civil Code.

#### **Security in favour of the Security Trustee over other Transferred Assets**

The CBC has also undertaken to vest a first ranking right of pledge or such other appropriate first ranking security interest in favour of the Security Trustee on any other Transferred Assets transferred to the CBC on the relevant Transfer Date.

#### **Security in favour of the Security Trustee over Transaction Documents**

In addition, under a pledge agreement of rights (the "**Security Trustee Rights Pledge Agreement**", and together with the Security Trustee Receivables Pledge Agreement and any other agreement pursuant to which security is granted to the Security Trustee on any Transferred Asset other than the Mortgage Receivables and the Beneficiary Rights relating thereto entered into with the Security Trustee, the "**Pledge Agreements**") a right of pledge was vested by the CBC in favour of the Security Trustee on the Programme Date over all rights of the CBC under or in connection with (i) the Guarantee Support Agreement, (ii) the Servicing Agreement, (iii) the Administration Agreement, (iv) the Back-up Administration Agreement, (v) the Subordinated Loan Agreement, (vi) any Savings Participation Agreement, (vii) any Swap Agreement, (viii) the Asset Monitor Appointment Agreement; (ix) the Agency Agreement, (x) the CBC Account Agreement and (xi) in respect of the CBC Transaction Accounts (the "**CBC Transaction Documents**"). This right of pledge has been notified to the relevant obligors and will, therefore, be a disclosed right of pledge ("*openbaar pandrecht*").

#### **Security in favour of Security Trustee over Collection Foundation Accounts**

In the relevant Collection Foundation Account Pledge Agreement each Collection Foundation has granted a first ranking right of pledge on the balances standing to the credit of the relevant Collection Foundation Accounts in favour of the CBC and the Previous Transaction SPVs jointly, as security for any and all liabilities of the relevant Collection Foundation to the CBC and the Previous Transaction SPVs and the CBC and the Previous Transaction SPVs have by way of repledge created a first ranking right of pledge in favour of, *inter alia*, the Security Trustee and the Previous Transaction Security Trustees jointly, each subject to the agreement that future issuers (and any security trustees) in securitisations and future vehicles in conduit transactions or similar transactions (and any security trustees relating thereto) initiated by NIBC will also have the benefit of a right of pledge and agree to cooperate to facilitate such security. Such rights of pledge will be notified to the Foundation Account Provider.

Since the Previous Transaction Security Trustees (and certain Previous Transaction SPVs, as the case may be) and the Security Trustee have a first ranking right of pledge on the amounts standing to the credit of the Collection Foundation Accounts, the rules applicable to co-ownership ("*gemeenschap*") apply.

## **THE CBC**

The NIBC Conditional Pass-Through Covered Bond Company B.V. (the "**CBC**") was incorporated with limited liability under the laws of the Netherlands on 6 May 2013. The corporate seat ("*statutaire zetel*") of the CBC is in Amsterdam, the Netherlands. The registered office of the CBC is at Prins Bernhardplein 200, 1097 JB, Amsterdam and its telephone number is +31 20 521 4777. The CBC is registered with the Commercial Register of the Chamber of Commerce under number 57885168.

The CBC is a special purpose vehicle, which objectives are: (a) to acquire, purchase, conduct the management of, dispose of and to encumber receivables under or in connection with loans granted by a third party or by third parties, and other goods and to exercise any rights connected to such receivables and other goods, (b) to issue a guarantee in favour of holders of covered bonds issued by the Issuer, (c) to on-lend and invest any funds held by the CBC, (d) to hedge interest rate and other financial risks, amongst others by entering into derivatives agreements, such as swaps, (e) incidental to the foregoing: (i) to borrow funds; and (ii) to grant security rights to third parties or to release security rights and (f) to perform all activities which are, in the widest sense of the word, incidental to or which may be conducive to any of the foregoing.

The CBC has an authorised share capital of euro 18,000 of which euro 18,000 has been issued and is fully paid. All shares of the CBC are held by Stichting Holding NIBC Conditional Pass-Through Covered Bond Company.

Stichting Holding NIBC Conditional Pass-Through Covered Bond Company is a foundation ("*stichting*") incorporated under the laws of the Netherlands on 6 May 2013 (the "**Stichting Holding**"). The objects of Stichting Holding NIBC Conditional Pass-Through Covered Bond Company are to incorporate, to acquire and to hold shares in the capital of the CBC, to conduct the management of and to administer shares in the CBC, to exercise any rights connected to shares in the CBC, to grant loans to the CBC and to alienate and to encumber shares in this company and furthermore, to perform any acts which are related or conducive to the above. The sole managing director of Stichting Holding is Intertrust Management B.V.

### **Statement by managing director of the CBC**

Since 31 December 2017 there has been no material adverse change in the financial position or prospects of the CBC. The CBC confirms that since 31 December 2017 there has been no significant change in the financial or trading position of the CBC.

There are no legal, arbitration or governmental proceedings (including any such proceedings of which are pending or threatened of which the CBC is aware) which may have, or have had in the twelve months from the date of this Base Prospectus, a significant effect on the CBC's financial position or profitability nor, so far as the CBC is aware, are any such proceedings pending or threatened against the CBC.

The CBC has the corporate power and capacity to issue the Guarantee, to acquire the Transferred Assets and to enter into and perform its obligations under the Transaction Documents (see further *Terms and Conditions of the Covered Bonds*).

The sole managing director of the CBC is Intertrust Management B.V. The managing directors of Intertrust Management B.V. are E.M. van Ankeren and S.A. Jonker-Douwes]. The managing directors of Intertrust Management B.V. have chosen domicile at the office address of Intertrust Management B.V., being Prins Bernhardplein 200, 1097 JB Amsterdam.

Intertrust Management B.V. belongs to the same group of companies as Intertrust Administrative Services B.V. (the Back-up Administrator). The ultimate sole shareholder of Intertrust Management B.V. and Intertrust Administrative Services B.V. is Intertrust Group B.V. The objectives of Intertrust Management B.V. are (a) advising of and mediation by financial and related transactions, (b) finance company, and (c) management of legal entities. The objectives of Intertrust (Netherlands) B.V. are (a)

to represent financial, economic and administrative interests, (b) to act as trust office, (c) to participate in, to finance, to collaborate with, to conduct the management of companies and other enterprises and provide advice and other services, (d) to acquire and use property and property rights, (e) to invest funds (f) to provide security for debts of legal entities.

Each of the managing directors of Stichting Holding and the CBC has entered into a management agreement with the entity of which it has been appointed managing director. In these management agreements each of the managing directors agrees and undertakes to, *inter alia*, (i) do all that an adequate managing director should do and refrain from what an adequate managing director should not do, and (ii) refrain from taking any action detrimental to the obligations under any of the Transaction Documents or the then current ratings assigned to the Covered Bonds outstanding. In addition each of the managing directors agrees in the relevant management agreement that it will not enter into any agreement in relation to the CBC other than the Transaction Documents to which it is a party, without the prior written consent of the Security Trustee and subject to Rating Agency Confirmation.

There are no potential conflicts of interest between any duties to the CBC of its managing director and private interests or other duties of the managing director.

The financial year of the CBC coincides with the calendar year.

The CBC's publicly available audited financial statements including the explanatory notes and the auditor's report for the year ended 31 December 2017 (set forth on pages 8 up to and including 27 and pages 30 up to and including 34 of its 2017 annual report), audited by Ernst & Young Accountants LLP, and for the year ended 31 December 2016 (set forth on pages 8 up to and including 26 and pages 31 up to and including 40 of its 2016 annual report), audited by Ernst & Young Accountants LLP are incorporated by reference in this Base Prospectus (see Chapter 20), respectively.

## 9. THE SECURITY TRUSTEE

Stichting Security Trustee NIBC Conditional Pass-Through Covered Bond Company (the "**Security Trustee**") is a foundation ("*stichting*") incorporated under the laws of the Netherlands on 29 April 2013. It has its registered office in Amsterdam, the Netherlands.

The objects of the Security Trustee are (a) to act as security trustee for the benefit of holders of covered bonds issued by the Issuer or one of its legal successors and for the benefit of other creditors of the Issuer and of the CBC, insofar they are a Secured Party and for the benefit of holders of guarantees issued by the CBC for covered bonds issued by the Issuer, (b) to acquire, hold and administer security rights in its own name, and if necessary to enforce such security rights, for the benefit of the creditors of the CBC, including the holders of covered bonds issued by the Issuer in whose favour the Company has issued guarantees and including the beneficiaries of a guarantee to be issued by the CBC, and to perform acts and legal acts, including the acceptance of a parallel debt obligation from the CBC, which is conducive to the holding of the above mentioned security rights, (c) to borrow money, (d) to make donations and (e) to perform any and all acts which are related, incidental or which may be conducive to the above. The Security Trustee does not have the intent to make profits.

The sole director of the Security Trustee is SGG Securitisation Services B.V., having its registered office at Hoogoorddreef 15, 1101 BA, Amsterdam, the Netherlands.

The Security Trustee has agreed to act as security trustee for the holders of the Covered Bonds and to pay any amounts received from the Issuer or the CBC or amounts collected by the Security Trustee under the Security to the Covered Bondholders subject to and pursuant to the Parallel Debt Agreement and the Trust Deed subject to and in accordance with the Post CBC Acceleration Notice Priority of Payments.

In addition, the Security Trustee has agreed to act as security trustee vis-à-vis the other Secured Parties and to pay to such Secured Parties any amounts received from the Issuer or the CBC or amounts collected by the Security Trustee under the Security to which the relevant Secured Party is a party subject to and pursuant to the Parallel Debt Agreement and the Trust Deed subject to and in accordance with the Post CBC Acceleration Notice Priority of Payments.

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

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

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

However, the Covered Bondholders can resolve to dismiss the Director of the Security Trustee as the director of the Security Trustee by a Programme Resolution, on the basis of Clause 25 of the Trust Deed. The Director of the Security Trustee shall only resign from its position as director of the Security Trustee as soon as a suitable person, trust or administration office, reasonably acceptable to the Issuer and the CBC, after having consulted the Secured Parties, other than the Covered Bondholders, and subject to Rating Agency Confirmation, has been contracted to act as director of the Security Trustee.

## 10. GUARANTEE SUPPORT

### *SALE AND TRANSFERS*

The Issuer and the Transferors have agreed in the guarantee support agreement dated the Programme Date between the Issuer, the Transferors, the CBC and the Security Trustee, as the same may be amended and restated from time to time (the "**Guarantee Support Agreement**") that the Issuer will use its best efforts to transfer or procure the transfer of sufficient Eligible Receivables either directly by the Issuer or, upon instruction of the Issuer, by the other Transferors to the CBC. Each Transferor may sell and transfer Eligible Assets to the CBC. The transfers are effectuated as follows:

- (a) in the case of Eligible Receivables, by way of undisclosed assignment ("*stille cessie*"). This takes place through due execution by the relevant Transferor and the CBC of a deed of sale and assignment in the form attached to the Guarantee Support Agreement and offering the same for registration to the Dutch tax authorities ("*Belastingdienst*") or by way of a notarial deed incorporating such deed of assignment. Notification ("*mededeling*") of the assignment to the Borrowers will only take place if an Assignment Notification Event occurs in respect of the relevant Transferor. Following receipt of notification by the relevant Borrowers, in principle, only payment to the CBC will be capable of discharging a Borrower's obligations under the relevant Mortgage Receivable; and/or
- (b) in the case of Eligible Collateral, by way of book-entry transfer ("*girale overboeking*") and such further deed shall be executed as required and customary to effect the sale and transfer of such Eligible Collateral.

On the first Transfer Date, one or more Transferors (other than NIBC Bank) will sell and transfer to the CBC the respective Eligible Receivables. Thereafter:

- (i) each Transferor may at any time offer for sale and transfer further Eligible Assets to the CBC; and
- (ii) the Issuer will use its best efforts, upon request of the CBC, to offer to sell and transfer or procure that the other Transferors offer to sell and transfer further Eligible Receivables to the CBC. The CBC will only make such a request if it (or the Administrator on its behalf) determines that the Asset Cover Test has been breached (or would be breached when at that moment the Asset Cover Test would be performed) under the Asset Monitoring Agreement. The Issuer will have the right to comply with this best efforts undertaking by the other Transferors offering to transfer (part of) such Eligible Assets to the CBC.

NIBC Bank N.V. will only become a Transferor to transfer Eligible Collateral to the CBC and will not transfer Eligible Receivables to the CBC.

The CBC shall accept each such offer to purchase new Mortgage Receivables if the relevant conditions precedent set out in the Guarantee Support Agreement have been met, including in the case of sale and transfer of mortgage receivables (the "**New Mortgage Receivables**") receipt of a confirmation that the Mortgage Receivables Warranties are true and correct in all material respects and not misleading in any material respect as at the relevant Transfer Date.

The purchase price for the Mortgage Receivables shall consist of an initial purchase price which shall be payable on the Transfer Date (the "**Initial Purchase Price**") and a deferred purchase price (the "**Deferred Purchase Price**"). The Initial Purchase Price is equal to the aggregate Outstanding Principal Amount of the Eligible Receivables at the Cut-Off Date. A part of the relevant Initial Purchase Price equal to the aggregate Construction Deposits will be withheld by the CBC and will be credited to the Construction Account. The Deferred Purchase Price shall be equal to the sum of all instalments in respect of the Deferred Purchase Price and each instalment (each a "**Deferred Purchase Price Instalment**") will, with respect to a CBC Payment Date, be equal to (A) prior to delivery of a CBC Acceleration Notice, an amount equal to the part of the Interest Available Amount and Principal Available Amount that exceeds (if any) the sum of all amounts payable by the CBC

under (a) up to and including (l) of the CBC Priority of Payments or (B), after the delivery of a CBC Acceleration Notice the amount remaining after all payments as set forth in the Post CBC Acceleration Notice Priority of Payments under (a) up to and including (h) have been made (see *Cashflows*).

If in respect of a Transferor an Assignment Notification Event has occurred, unless the Security Trustee, subject to Rating Agency Confirmation, instructs it otherwise, the Issuer or, at its option, the relevant Transferor shall notify or ensure that the relevant Borrowers and, solely in relation to the Beneficiary Rights, the Insurance Companies are forthwith notified of the assignment of the relevant Mortgage Receivables and the Beneficiary Rights relating thereto.

The CBC has the right to make these notifications itself.

Pursuant to the Guarantee Support Agreement, the CBC will be entitled to any proceeds from the Transferred Assets as of the first day of the month immediately preceding the date on which such New Mortgage Receivables are transferred or, in respect of other Transferred Assets, the date of purchase and transfer (the "**Cut-Off Date**").

The Subordinated Loan Provider has made available and will make a Subordinated Loan available to finance the Initial Purchase Price for New Mortgage Receivables.

In the Guarantee Support Agreement each Transferor covenants, among other things, that if (i) it makes any Further Advance under any mortgage loan agreement, (ii) such Further Advance is secured by the same Mortgage that secures the Mortgage Receivable and (iii) (a) such Further Advance results in an Eligible Receivable, then it will offer to sell and transfer such further Eligible Receivable to the CBC as soon as reasonably practicable and, if possible, prior to the following Calculation Date, or (b) such Further Advance does not result in an Eligible Receivable, then it will offer to repurchase and request the retransfer of the relevant Mortgage Receivable in accordance with the Guarantee Support Agreement.

Neither the CBC, the Security Trustee nor the Issuer has made or has caused to be made on its behalf any enquiries, searches or investigations in respect of the Transferred Assets. Instead, each is relying entirely on the Transferor Warranties by the relevant Transferor contained in the Guarantee Support Agreement. The parties to the Guarantee Support Agreement may, with the prior written consent of the Security Trustee and subject to Rating Agency Confirmation, amend the Transferor Warranties. The mortgage receivables warranties, (the "**Mortgage Receivables Warranties**") are as follows and are given on the relevant Transfer Date by the relevant Transferor in respect of the Eligible Receivables and the New Mortgage Receivables to be transferred by it to the CBC:

- (i) each New Mortgage Receivable is an Eligible Receivable; and
- (ii) the particulars of the Eligible Receivables set out in Annex 1 to the relevant deed of sale, assignment and pledge, are true, complete and accurate in all material respects and the Outstanding Principal Amount in respect of each Eligible Receivable as at the relevant Transfer Date and the aggregate Outstanding Principal Amount of the Eligible Receivables is correctly stated in the relevant deed of assignment.

The Programme Agreement provides a mechanism for (i) at the option of the Issuer, members of NIBC Group wishing to transfer Eligible Assets to the CBC, to accede to the Transaction Documents as a New Transferor, subject always to Rating Agency Confirmation and (ii) Transferors that have not originated any of the CBC's Transferred Assets held by the CBC at such time, to withdraw from the Transaction Documents as a Transferor.

In the Trust Deed, the Security Trustee agrees to, upon receipt of each Asset Cover Report, verify whether such Asset Cover Report states that an Assignment Notification Event or a Breach of Asset Cover Test has occurred.

For the purpose hereof:

**"Assignment Notification Event"** means in respect of a Transferor the earliest to occur of the following:

- (i) a default is made by such Transferor in the payment on the due date of any amount due and payable by it under any Transaction Document to which it is a party and such failure is not remedied within ten (10) business days after notice thereof has been given by the CBC or the Security Trustee to the relevant Transferor;
- (ii) such Transferor fails to duly perform or comply with any of its obligations under any Transaction Document to which it is a party and if such failure is capable of being remedied, such failure, is not remedied within ten (10) business days after notice thereof has been given by the CBC or the Security Trustee to the relevant Transferor;
- (iii) such Transferor takes any corporate action or other steps are taken or legal proceedings are started or threatened against it (unless as a consequence of a legal merger ("*juridische fusie*") for its dissolution ("*ontbinding*"), liquidation ("*vereffening*") or legal demerger ("*juridische splitsing*") involving the relevant Transferor or for its being converted in a foreign entity, or its assets are placed under administration ("*onder bewind gesteld*");
- (iv) such Transferor takes any corporate action, or other steps are taken or legal proceedings are started or threatened against it, for (i) its entering into emergency regulations ("*noodregeling*") as referred to in Chapter 3 of the Wft or suspension of payments ("*surseance van betaling*"), as the case may be, (ii) its bankruptcy ("*faillissement*"), (iii) any analogous insolvency proceedings under any applicable law or (iv) the appointment of a liquidator, administrator or a similar officer of it or of any or all of its assets;
- (v) a Notice to Pay is served on the CBC;
- (vi) an Issuer Acceleration Notice is served on the Issuer;
- (vii) a CBC Event of Default occurs;
- (viii) a Security Trustee Pledge Notification Event occurs;
- (ix) NIBC Bank ceases to hold at least 51% of the shares in the relevant Transferor; or
- (x) the relevant Collection Foundation holding the bank account into which payments under the Mortgage Receivables are made 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 any analogous insolvency proceedings under any applicable law or for the appointment of a receiver or a similar officer of it.

**"Further Advance"** means, in relation to a Mortgage Receivable, a new mortgage loan or a further advance to be made to a Borrower by the relevant Transferor, whether or not under the relevant Mortgage Loan, which is only secured by the Mortgage which also secures the Mortgage Receivable.

**"Further Advance Receivable"** means any and all rights of the relevant Transferor under or in connection with a Further Advance.

**"Net Outstanding Principal Amount"** means in relation to a Mortgage Receivable, at any date, the Outstanding Principal Amount of the relevant Mortgage Loan less, if it is a Savings Mortgage Loan subject to a Participation, an amount equal to the Participation on such date.

**"Outstanding Principal Amount"** in respect of a Mortgage Receivable, on any date the (then remaining) aggregate principal sum ("*hoofdsom*") due by the relevant Borrower under the relevant Mortgage Loan, including any Further Advance Receivable transferred to the CBC, and after the foreclosure of the relevant Mortgage Receivable resulting in a loss being realised, zero.



**"Transferor Warranties"** means the representations and warranties given by each of the Transferors with respect to it as set out in Schedule 1 (*Representations and Warranties*) to the Guarantee Support Agreement including the Mortgage Receivables Warranties.

**"Transfer Date"** means the date of transfer of any Eligible Assets to the CBC in accordance with the Guarantee Support Agreement.

**"Transferred Assets"** means the Mortgage Receivables and the Beneficiary Rights relating thereto and the Transferred Collateral.

**"Transferred Collateral"** means any Eligible Collateral transferred or purported to be transferred to the CBC pursuant to the Guarantee Support Agreement, to the extent not redeemed, retransferred, sold or otherwise disposed of by the CBC.

**"Rating Agency Confirmation"** means, with respect to a matter which requires Rating Agency Confirmation under the Transaction Documents and which has been notified to each Rating Agency with a request to provide a confirmation, receipt by the Security Trustee, in form and substance satisfactory to the Security Trustee, of:

- a) a confirmation from each Rating Agency that its then current ratings of the Covered Bonds will not be adversely affected by or withdrawn as a result of the relevant matter (a "**confirmation**");
- b) if no confirmation is forthcoming from any Rating Agency, a written indication, by whatever means of communication, from such Rating Agency that it does not have any (or any further) comments in respect of the relevant matter (an "**indication**"); or
- c) if no confirmation and no indication is forthcoming from any Rating Agency and such Rating Agency has not communicated that the then current ratings of the Covered Bonds will be adversely affected by or withdrawn as a result of the relevant matter or that it has comments in respect of the relevant matter:
  - i. a written communication, by whatever means, from such Rating Agency that it has completed its review of the relevant matter and that in the circumstances (x) it does not consider a confirmation required or (y) it is not in line with its policies to provide a confirmation; or
  - ii. if such Rating Agency has not communicated that it requires more time or information to analyse the relevant matter, evidence that 30 days have passed since such Rating Agency was notified of the relevant matter and that reasonable efforts were made to obtain a confirmation or an indication from such Rating Agency.

## **REPURCHASE AND RETRANSFERS**

Pursuant to the Guarantee Support Agreement:

### *Mandatory repurchase*

1. The relevant Transferor shall repurchase and request the retransfer of a Mortgage Receivable from the CBC if a material breach of the Mortgage Receivables Warranties occurs on or appears after the relevant Transfer Date in respect of such Mortgage Receivable.
2. The relevant Transferor shall repurchase and request a retransfer of a Mortgage Receivable from the CBC if (i) such Transferor becomes entitled to an Other Claim, including a Further Advance, such Other Claim or Further Advance, respectively, is secured by the same Mortgage that secures the Mortgage Receivable and such Further Advance or Other Claim, respectively does not result in an Eligible Receivable, and/or (ii) a Mortgage Receivable transferred by such Transferor to the CBC no longer has the benefit of an NHG Guarantee as a result of any action taken or omitted to be taken by the relevant Transferor, the Administrator or the Servicer, and, as a consequence thereof, such Mortgage Receivable would not qualify as an Eligible Receivable if it were tested against the Eligibility Criteria at that time and/or (iii) a Transferor, while it is entitled to make a claim under the NHG Guarantee relating to the relevant Mortgage Loan or the relevant loan part, will not make such claim.
3. Each of the Transferors shall on the CBC Payment Date immediately following, in respect of Mortgage Loans originated by Quion 30 (including, to the extent Quion 30 is the successor, Mortgage Loans originated by Quion I B.V., Quion III B.V., Quion 14 B.V. and Quion 19 B.V.) only, the date on which (i) the interest on the relevant Mortgage Receivable will be reset, if the interest rate in respect of such relevant Mortgage Receivable is reset and the Relevant Mortgage Loan shall according to the relevant mortgage conditions used by Quion 30 be transferred to another legal entity (other than the Transferor) or (ii) an amendment of the terms of the Relevant Mortgage Loan upon the request of a Borrower is refused by Quion 30 and the Relevant Mortgage Loan shall, according to the relevant mortgage conditions used by Quion 30 be transferred to another legal entity (other than the Transferor), repurchase and accept re-assignment of the relevant Mortgage Receivables.
4. Prior to the occurrence of a CBC Event of Default, the relevant Transferor shall following the date on which it agrees with a Borrower to convert (*omzetten*) an Insurance Savings Mortgage Loan (in whole or in part) into any other type of Mortgage Loan and/or a Borrower agrees with the relevant Savings Participant under the terms of a Switch Mortgage Loan with a Savings Alternative to switch, all or part of the premiums invested into the Switch Mortgage Receivable with a Savings Alternative into an investment in one or more other funds, repurchase and accept re-assignment of the relevant Savings Mortgage Receivables.
5. Prior to the occurrence of a CBC Event of Default the relevant Transferor shall following the date on which it agrees with a Borrower to set the interest rate in respect of the relevant Mortgage Loan (or relevant loan part thereof) at a rate for the Fixed Interest Period which is lower than the Minimum Mortgage Interest Rate repurchase and accept re-assignment of the relevant Mortgage Receivables, provided that no such repurchase is required if the Asset Cover Test provides that the Current Balance is adjusted in relation thereto.

### *Voluntary repurchase*

6. Prior to the occurrence of a CBC Event of Default the Issuer may from time to time request a repurchase and retransfer from the CBC to a Transferor of any Transferred Asset.

### *Right of first refusal of Transferors*

7. If the CBC intends to sell Transferred Assets on terms permitted or required by the Asset Monitoring Agreement, it shall first offer such Transferred Assets for sale on the same terms to the Transferors (or any party appointed by such Transferor) in accordance with the Guarantee Support Agreement.

A sale, repurchase and retransfer of a Mortgage Receivable will take place in accordance with the Guarantee Support Agreement. A sale, repurchase and retransfer by the CBC as abovementioned will be effectuated in substantially the same manner as the sale and transfers to the CBC described above, *mutatis mutandis*. If the sale, repurchase and retransfer concerns Mortgage Receivables which are transferred to a Transferor further to the relevant Transferor's right of first refusal ("*voorkeursrecht*"), the underlying sale and purchase will be concluded through execution and registration of a deed of sale and assignment. In each case the repurchase price for the relevant Transferred Asset will be equal to the Outstanding Principal Amount in respect of a Mortgage Receivable plus Accrued Interest, except with respect to Defaulted Receivables in respect of which a breach of the Mortgage Receivables Warranties has occurred, and will be equal to the Collateral Market Value in respect of other Transferred Assets. The repurchase price for Defaulted Receivables in respect of which a breach of the Mortgage Receivables Warranties has occurred will be at least the lesser of (i) the sum of (a) an amount equal to the foreclosure value of the Mortgaged Assets and (b) the value of all other collateral and (c) with respect to NHG Mortgage Loan Receivables, the amount claimable under the NHG Guarantee and (ii) the sum of the Outstanding Principal Amount of the Mortgage Receivable, together with accrued interest due but unpaid, if any, and any other amounts due under the Mortgage Receivable.

The Guarantee Support Agreement provides that each of the Transferors may amend the terms and conditions of the Mortgage Loans, in respect of Mortgage Receivables, provided that (i) after such amendment the Mortgage Loan or, as the case may be, the Mortgage Receivable meets the Eligibility Criteria and (ii) such amendment does not adversely affect the enforceability of the Mortgage Loan or, as the case may be, the Mortgage Receivable and the security rights granted in connection therewith. Therefore, if a Transferor wishes to amend the terms and conditions of the Mortgage Loans, in respect of Mortgage Receivables, in such manner that such Mortgage Loan or, as the case may be, the Mortgage Receivable will no longer meet the Eligibility Criteria, it must first repurchase the relevant Mortgage Receivable prior to such amendment.

**"Accrued Interest"** means in relation to any Mortgage Receivable and as at any date interest on such Mortgage Receivable (not being interest which is currently payable on such date) which has accrued from and including the scheduled interest payment date under the associated Mortgage Loan immediately prior to the relevant date up to and including that date;

**"Arrears of Interest"** means in relation to any Mortgage Receivable and as at any date, interest which is due and payable and unpaid up to and including that date;

**"Defaulted Receivable"** means any Mortgage Receivable (other than any Mortgage Receivable in respect of which payment is disputed (in whole or in part, with or without justification) by the Borrower owing such Mortgage Receivable or any Mortgage Receivable which has been written off by the relevant Transferor as irrecoverable for accounting purposes in accordance with that Transferor's general accounting practices) in respect of which:

- (i) a declaration has been made by the Transferor that such Mortgage Receivable is irrecoverable;
- (ii) legal proceedings have been commenced for its recovery;
- (iii) the related Borrower is declared bankrupt ("*failliet verklaard*") or has been granted a suspension of payments ("*surseance van betaling*") or debt rescheduling arrangement ("*schuldsaneringsregeling*") or equivalent or analogous events or proceedings have occurred in relation to the relevant Borrower; or
- (iv) the relevant Borrower has not paid (including, without limitation, payments made by third parties on behalf of the Borrower) by the end of the calendar month during which such Mortgage Receivable becomes more than 90 days overdue for payment from the original date on which such Mortgage Receivable is due and payable.

## **ELIGIBLE ASSETS**

The following assets are eligible to be transferred to the CBC by the Transferors pursuant to the Guarantee Support Agreement:

- Eligible Receivables; and
- Eligible Collateral (together with the Eligible Receivables; the "**Eligible Assets**").

For the purpose hereof:

"**Eligible Collateral**" means euro denominated cash and/or Substitution Assets.

"**Eligible Receivable**" means a mortgage receivable or a mortgage loan to which it relates which complies with the following criteria, which are all subject to amendment from time to time, provided that Rating Agency Confirmation is obtained in respect of such amendment (as amended from time to time, the "**Eligibility Criteria**") as at the relevant Transfer Date.

### *General*

- a) the mortgage loans are denominated in euro and either:
  - a. Interest-only mortgage loans ("*aflossingsvrije hypotheken*");
  - b. Linear mortgage loans ("*lineaire hypotheken*");
  - c. Annuity mortgage loans ("*annuïteitenhypotheken*");
  - d. Investment mortgage loans ("*beleggingshypotheken*");
  - e. Insurance Savings Mortgage Loans ("*spaarhypotheken*");
  - f. Life mortgage loans ("*levenhypotheken*"); or
  - g. mortgage loans which combine any of the above mentioned types of mortgage loans ("*combinatiehypotheken*") and, for the avoidance of doubt, any of the above mentioned types of mortgage loans which qualify as starters mortgage loans ("*startershypotheekleningen*");
- b) the Mortgage Receivable and the Beneficiary Rights relating thereto are duly and validly existing, not subject to annulment or dissolution as a result of circumstances which have occurred prior to the relevant Transfer Date;
- c) each Mortgage Receivable and the Mortgage and the right of pledge, if any, securing such receivable constitute legal, valid, binding and enforceable obligations of the relevant Borrower vis-à-vis the relevant Transferor, subject to any limitations arising from bankruptcy, insolvency and any other laws of general application relating to or affecting the rights of creditors. The binding effect and enforceability of the obligations of a Borrower may be affected by rules of Dutch law which generally apply to contractual arrangements, including (without limitation) the requirements of reasonableness and fairness ("*redelijkheid en billijkheid*") and rules relating to force majeure;
- d) the Mortgage Loans and, if offered by the relevant Transferor, the Insurance Policy connected thereto, has been granted, in all material respects, in accordance with all applicable legal requirements prevailing at the time of origination, and insofar applicable at such time the Code of Conduct on Mortgage Loans ("*Gedragcode Hypothecaire Financieringen*") and the relevant originator's standard underwriting criteria and procedures, including borrower income requirements, prevailing at that time and these underwriting criteria and procedures are in a form as may reasonably be expected from a prudent lender of Netherlands residential mortgages;
- e) the maximum Outstanding Principal Amount of each Mortgage Loan, or all Mortgage Loans secured on the same Mortgaged Asset, as the case may be, (A) which does not have the benefit of an NHG Guarantee ("*Nationale Hypotheek Garantie*") (a) originated in and after August 2011 did not at origination exceed (i) 104 per cent. of the original market value of the relevant mortgaged assets, which outstanding principal amount may, where applicable, be supplemented by the real property transfer tax payable under the Dutch Legal Transactions (Taxation) Act ("*Wet op belastingen van rechtsverkeer*") upon its creation or, if lower, (ii) the maximum amount as may be applicable under the relevant regulations at the time of

origination, and (b) originated before August 2011 the Outstanding Principal Amount of the Mortgage Loan from which its results does not exceed:

- (i) 125% of the foreclosure value of the related Mortgaged Asset at the time of origination; or
    - (ii) 130% of the foreclosure value of the related Mortgaged Asset at the time of origination, in which case the 5% above 125% will be used for an upfront premium for a payment protection insurance;
  - (B) if it has the benefit of an NHG Guarantee, the maximum amount as may be set under the NHG requirements, as the case may be, at the time of origination;
- f) with respect to Mortgage Receivables secured by a Mortgage on a long lease, the Mortgage Loan (a) has a maturity that is equal to or shorter than the term of the long lease and/or, if the maturity date of the Mortgage Loan falls after the maturity date of the long lease, the acceptance conditions used by the Transferor provide that certain provisions should be met as would in such case be required by a reasonable lender and (b) becomes due if the long lease terminates for whatever reason;
  - g) there are no other receivables having the same details, and (i) in the administration of the relevant Transferor the Mortgage Receivables, which are purported to be assigned and pledged, can be identified without uncertainty, and (ii) one can determine in the administration of the relevant Transferor without any uncertainty which Beneficiary Rights and ancillary rights belong to which Mortgage Receivables;
  - h) each Borrower under the Mortgage Loans has given a power of attorney to direct debit its account for amounts due under the Mortgage Loans and there are no contractual limitations in the relevant powers of attorney as to which bank account(s) such payments should be transferred;
  - i) the relevant Transferor does not have any Other Claims against the relevant Borrower;
  - j) none of the Borrowers is an employee of any of the Transferors;
  - k) each Borrower is a private individual and a resident of the Netherlands;
  - l) in the Mortgage Loans, it is stipulated that all payments by the Borrowers should be made without any deduction or set-off;
  - m) each Mortgage Loan is governed by Dutch law;
  - n) to the best knowledge of the relevant Transferor, the Borrowers are not in material breach of their Mortgage Loans;
  - o) none of the Mortgage Loans has a maturity date beyond 30 years after the date of the transfer of the related Mortgage Receivable to the CBC;
  - p) the interest rates for the Mortgage Receivables (or relevant loan part thereof) on the relevant Cut-Off Date are at least equal to the Minimum Mortgage Interest Rate, provided that the interest rate for a Mortgage Receivables may be lower than the Minimum Mortgage Interest Rate, if the Asset Cover Test provides for an adjustment of the Current Balance of such Mortgage Receivables;
  - q) the principal sum was in case of each Mortgage Loan fully disbursed to the relevant Borrower whether or not through the relevant civil law notary and no amounts are held in deposit with respect to premia and interest payments ("*rente en premiedepots*") except for any Construction Deposits;
  - r) at least the first instalment of each Mortgage Receivable is paid by the relevant Borrower;
  - s) (i) the relevant Transferor (other than NIBC Bank) owes no amounts to a Borrower under a savings account or a current account or another account relationship and (ii) no deposits have been accepted by it from any Borrower other than Construction Deposits;
  - t) other than the Mortgage Loans granted by NIBC Bank and NIBC Direct Hypotheken (A) any savings account of the Borrower held with the Issuer and the Mortgage Loan are offered in such manner that it is clear to the Borrower that (i) such savings account is held with the Issuer, (ii) the Mortgage Loan is granted by the relevant Transferor and (iii) the Issuer and the relevant Transferor are different legal entities and (B)(i) neither the Issuer nor any intermediary offer any savings accounts or the term deposits as products which are in any way connected with the Relevant Mortgage Loans, (ii) the Relevant Mortgage Loan is not connected to any savings account or any term deposit with the Issuer, for example by means of set-off provisions, (iii) the Relevant Mortgage Loan are not offered at the same time with a savings account or the term deposit with the Issuer, and (iv) no rights under a savings

account or term deposit with the Issuer will be pledged to the relevant Transferor as security for the Relevant Mortgage Loan;

#### *Transfer*

- u) the relevant Transferor has full right and title to the Mortgage Receivables and the Beneficiary Rights and ancillary rights relating thereto and no restrictions on the assignment of the Mortgage Receivables and the Beneficiary Rights relating thereto are in effect and the Mortgage Receivables and the Beneficiary Rights relating thereto are capable of being assigned, save that for assignment and pledge of some of the Savings Mortgage Receivables the consent of the Savings Participant is required, which has been obtained;
- v) the relevant Transferor has power ("*is beschikkingsbevoegd*") to assign the Mortgage Receivables and the Beneficiary Rights relating thereto;
- w) the Mortgage Receivables and the Beneficiary Rights relating thereto are free and clear of any encumbrances and attachments ("*beslagen*") and no option rights to acquire the Mortgage Receivables and the Beneficiary Rights relating thereto have been granted by the relevant Transferor in favour of any third party with regard to the Mortgage Receivables and the Beneficiary Rights relating thereto;
- x) all Mortgage Loans (i) provide that in case of assignment or pledge of the Mortgage Receivable the assignee or pledgee will have the benefit of the Mortgage, or (ii) do not contain any reference nor indication nor wording to the effect that in case of assignment or pledge of the receivable the mortgage or pledge will not follow the receivable if assigned or pledged;

#### *Security*

- y) each Mortgage Receivable is secured by a Mortgage on a Mortgaged Asset which is located in the Netherlands and is predominantly used for a residential purpose in the Netherlands;
- z) all Mortgages and rights of pledge granted to secure the Mortgage Receivable (i) constitute valid Mortgages ("*hypotheekrechten*") and rights of pledge ("*pandrechten*") respectively on the Mortgaged Assets and the assets which are the subject of the rights of pledge respectively and, to the extent relating to the Mortgages, entered into the appropriate public register ("*Dienst van het Kadaster en de Openbare Registers*"), (ii) have first or first and sequentially lower ranking priority and (iii) were vested for a principal sum which is at least equal to the Outstanding Principal Amount of the Mortgage Loan when originated, increased with interest, penalties, costs and any insurance premium paid by the relevant Transferor on behalf of the Borrower;
- aa) each Mortgaged Asset is occupied by the Borrower at the moment of (or shortly after) origination;
- bb) each Mortgaged Asset concerned was valued according to the then prevailing guidelines of the relevant Transferor, which guidelines are in a form as may reasonably be expected from a prudent lender of residential mortgage loans in the Netherlands. No revaluation of the Mortgaged Assets has been made for the purpose of the Programme;
- cc) in case of a Mortgage Loan that has the benefit of an NHG Guarantee (i) each NHG Guarantee connected to the relevant Mortgage Loan was granted for the full amount of the relevant Mortgage Loan at origination (subject to the limitations set out in the applicable terms and conditions of the NHG Guarantee) and constitutes legal, valid and binding obligations of *Stichting Waarborgfonds Eigen Woningen*, enforceable in accordance with their terms, (ii) all terms and conditions ("*voorwaarden en normen*") applicable to the NHG Guarantee at the time of origination of the Mortgage Loan were complied with and (iii) the relevant Transferor 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 Mortgage Loan should not be met in full (subject to the limitations set out in the applicable terms and conditions of the NHG Guarantee) and in a timely manner;
- dd) if the Transferor is not the originator of the Mortgage Loan, the relevant Mortgage Loan was transferred (i) by means of a contract transfer to which the relevant Borrowers have not abstained their cooperation and no longer secures any other claims of the relevant Transferor after such contract transfer or (ii) by means of a merger;

### *Insurance*

- ee) with respect to Mortgage Loans (other than these assigned by Hypinvest (to the extent it is the successor of Amstelstaete B.V. and Zwaluw Hypotheken B.V.) to the extent originated by an originator which is not the Transferor), whereby it is a condition for the granting of the Mortgage Loan that a life insurance policy is entered into by the Borrower (i) a Borrower Insurance Pledge is granted on the rights under such policy in favour of the relevant Transferor, (ii) the Mortgage Loan and the life insurance policy are in the relevant Transferor's or the Life Insurance Company's promotional materials not offered as one product or under one name except for those originated by (a) ASR Verzekeringen N.V. to the extent it is the legal successor of Falcon Leven N.V., Erasmus Leven (a trade name of Delta Lloyd Levensverzekering N.V.), (b) SRLEV N.V. to the extent it is a legal successor of Axa Leven N.V., Reaal Levensverzekering N.V., Zürich Lebensversicherungs-Gesellschaft or DBV Levensverzekeringmaatschappij N.V., or (c) Cordares Levensverzekeringen (a trade name of Loyalis Leven N.V.) or Goudse Levensverzekeringen N.V. (formally known as Goudse Levensverzekering Maatschappij N.V.), (d) APL, to the extent originated by Hypinvest, or (e) Allianz, to the extent originated by Hypinvest (to the extent it is the successor of Estate Hypotheken B.V. or Royal Residentie Hypotheken B.V.), or (f) SRLEV to the extent originated by Hypinvest (to the extent it is the successor of Seyst Hypotheken B.V.), or (g) Nederlandsche Algemeene Maatschappij van Levensverzekering "Conservatrix" N.V., to the extent originated by Hypinvest Hypotheken (to the extent it is the successor of Nationale Hypotheek Maatschappij B.V.), (iii) the Borrowers are free to choose the relevant Life Insurance Company, (iv) to the best of the Issuer's knowledge there are no circumstances resulting in a connection between the relevant Life Mortgage Loan and the relevant Life Insurance Policy other than the relevant Borrower Insurance Pledge and the relevant Beneficiary Rights, which would increase the risk that a Borrower can successfully set-off its obligations under the Life Mortgage Loans with its claims under the Life Insurance Policy or that it can invoke defences in this respect and (iv) the Life Insurance Company is not a group company of the Transferor nor of the Originator;
- ff) the relevant Insurance Company has been instructed to make all payments in respect of the Beneficiary Rights to the Collection Foundation Accounts;
- gg) in respect of each Mortgage Loan the relevant Transferor has the benefit of a valid right of pledge on the rights under a life insurance policy or risk insurance policy and either (i) the relevant Transferor (or originator) has been validly appointed as beneficiary under such policy or (ii) the relevant Insurance Company is irrevocably authorised to apply the insurance proceeds in satisfaction of the relevant Mortgage Receivables;

### *Savings Mortgage Loans*

- hh) with respect to Savings Mortgage Loans the relevant Transferor has the benefit of a valid right of pledge on the rights under the Savings Linked Insurance Policies and either (i) the relevant Transferor has been validly appointed as beneficiary under such policy or (ii) the Insurance Company is irrevocable authorised to apply the insurance proceeds in satisfaction of the relevant Mortgage Receivables;

### *Investment Mortgage Loans*

- ii) with respect to Investment Mortgage Loans, the relevant investments held in the name of the relevant Borrower have been validly pledged to the relevant Transferor and the securities are purchased for investment on behalf of the relevant Borrower by an investment firm ("*beleggingsonderneming*") in the meaning ascribed thereto in the Wft, such as a securities broker or a portfolio manager, or by a bank, each of which is by law obliged to make adequate arrangements to safeguard the clients' rights to such securities;

### *Entire Loan*

- jj) each receivable under a Mortgage Loan ("*hypothecaire lening*") which is secured by the same Mortgage is assigned to the CBC pursuant to the Guarantee Support Agreement; and
- kk) each Mortgage Loan constitutes the entire Mortgage Loan granted to the relevant Borrower and not merely one or more loan parts ("*leningdelen*");

"**Mortgage**" means a mortgage right ("*hypotheekrecht*") securing the relevant Mortgage Receivable.

"**Mortgaged Assets**" means (i) a real property ("*onroerende zaak*"), (ii) an apartment right ("*appartementsrecht*"), (iii) a long lease ("*erfpacht*"), which is subject to a Mortgage.

"**Standardised Approach**" means Chapter 2 (*Standardised Approach*) of the CRR (as amended, varied and/or supplemented from time to time), as applicable;.

"**Substitution Assets**" means the classes of assets denominated in euro from time to time eligible under the CRR and/or the Wft to collateralise covered bonds including (on the date of this Base Prospectus) and subject to certain limitations:

- (a) exposures to or guaranteed by central governments, central banks or international organisations in accordance with Article 129(1)(a) CRR;
- (b) exposures to or guaranteed by public sector entities, regional governments or local authorities in accordance with Article 129(1)(b) CRR;
- (c) exposures to institutions in accordance with Article 129(1)(c) CRR; and
- (d) exposures for which DNB has waived the application of Article 129(1)(c) CRR in accordance with Article 129(1) CRR third paragraph,

which assets are limited to 20 per cent., or such other percentage as required under the Wft, of the aggregate Principal Amount Outstanding of the Covered Bonds.



## 11. SUBORDINATED LOAN

On the first Transfer Date the Subordinated Loan Provider has and each Transfer Date thereafter it will under a subordinated loan agreement dated the Programme Date between the CBC, the Subordinated Loan Provider, the Issuer and the Security Trustee, as the same may be amended and restated from time to time, (the "**Subordinated Loan Agreement**") make available to the CBC the Subordinated Loan Facility and advance subordinated loan advances to finance the acquisition of New Mortgage Receivables (in each case with a maximum of the Initial Purchase Price for the Mortgage Receivables purchased on such date) and Substitution Assets and on any date, advance a subordinated loan advance to credit the Reserve Account up to the higher of (i) the Reserve Account Required Amount and (ii) the Liquidity Reserve Required Amount (each such subordinated loan advance a "**Subordinated Loan Advance**" and the aggregate amount of all Subordinated Loan Advances outstanding at a time together the "**Subordinated Loan**").

Each Subordinated Loan Advance will accrue interest at a rate equal to 2.50 per cent. per annum which rate will be reset on the CBC Payment Period falling in June of each year by the Subordinated Loan Provider at a rate which is in line with the last publicly issued senior unsecured debt obligations of the Issuer under its Euro Medium Term Notes programme, unless the Subordinated Loan Provider determines that such rate substantially deviates from the rate which at such date would be expected to be payable by NIBC Bank on such senior unsecured debt obligations, in which case the Subordinated Loan Provider will set the interest rate at a level which it, in its reasonable discretion, determines to be a fair interest rate for NIBC Bank's senior unsecured debt obligations. The interest rate on each Subordinated Loan Advance and the Subordinated Loan will accrue on a monthly basis. The interest payable under the Subordinated Loan and each Subordinated Loan Advance outstanding will be due on each CBC Payment Date, provided that if the amount remaining from the Principal Available Amount and the Interest Available Amount after all items ranking above (k) (payment of interest on the Subordinated Loan) or, as the case may be, item (g) of the Post CBC Acceleration Notice Priority of Payments, have been paid or provided for in full, is insufficient to pay the interest due on the Subordinated Loan, the amount available (if any) shall be applied to the amount of interest due on such Subordinated Loan. In the event of a shortfall, the CBC shall credit a ledger established for such purpose (the "**Subordinated Loan Interest Deficiency Ledger**") with an amount equal to the amount by which the aggregate amount of interest paid on the Subordinated Loan on any CBC Payment Date falls short of the aggregate amount of interest payable on the Subordinated Loan on that date. Such shortfall shall not be treated as due on that date, but shall accrue interest as long as it remains outstanding at the rate of interest applicable to the Subordinated Loan for such period and such shortfall and accrued interest thereon shall be aggregated with the amount of, and treated as if it were interest due, subject to this limitation, on the Subordinated Loan on the next succeeding CBC Payment Date.

On each CBC Payment Date the CBC will apply the Subordinated Loan Available Redemption Amount towards redemption of the Subordinated Loan up to a maximum of the Subordinated Loan Maximum Redemption Amount. Each Subordinated Loan shall be repaid ultimately on the CBC Payment Date falling in June 2060.

"**Subordinated Loan Facility**" means the subordinated loan facility made available by the Subordinated Loan Provider to the CBC under the Subordinated Loan Agreement (i) to finance the acquisition of New Mortgage Receivables (in each case with a maximum of the Initial Purchase Price for the Mortgage Receivables purchased on such date) or Substitution Assets and (ii) to credit the Reserve Account up to the higher of (i) the Reserve Account Required Amount and (ii) the Liquidity Reserve Required Amount.

"**Subordinated Loan Available Redemption Amount**" means on any CBC Payment Date the lower of (a) any amount remaining from the Principal Available Amount and the Interest Available Amount after all items ranking above item (l) (repayment of principal on the Subordinated Loan) of the CBC Priority of Payments have been paid or provided for in full and (b) the outstanding amount under the Subordinated Loan minus the sum of the Outstanding Principal Amount of the Transferred Assets.

**"Subordinated Loan Maximum Redemption Amount"** means (a) the amount outstanding under the Subordinated Loan minus (b) (i) the Outstanding Principal Amount of the Mortgage Receivables plus (ii) the Collateral Market Value of the Substitution Assets and plus (iii) the balance standing to the credit of the Reserve Account.

In connection with the CBC issuing the Guarantee, the Subordinated Loan Provider, the Issuer and the CBC will agree that each time when the CBC has paid any Guaranteed Amount under the Guarantee, the Subordinated Loan may be reduced by the CBC with notice to the Issuer and to the Subordinated Loan Provider with an amount equal to the Guaranteed Amounts to be paid by the CBC to the Covered Bondholders. The Subordinated Loan will after such notice be reduced automatically with an amount equal to the amount paid by the CBC under the Guarantee.

The obligations of the CBC under the Subordinated Loan Agreement, and recourse of the Subordinated Loan Provider to the CBC, is limited to the amounts remaining for such purpose if all higher ranking items in the relevant Priority of Payments have been paid in full and will cease if the CBC no longer holds any Transferred Assets.

If a CBC Event of Default occurs the Subordinated Loan Provider may by notice to the CBC declare that the Subordinated Loan shall become immediately due and payable upon which the Subordinated Loan shall become immediately due and payable. The CBC shall immediately notify the Subordinated Loan Provider of the occurrence of such CBC Event of Default.

## 12. OVERVIEW OF THE DUTCH RESIDENTIAL MORTGAGE MARKET

This Section 12 is derived from the overview which is available at the website of the Dutch Securitisation Association (<https://www.dutchsecuritisation.nl>) regarding the Dutch residential mortgage market over the period until May 2018. The Issuer believes that this source is reliable and as far as the Issuer is aware and is able to ascertain from the Dutch Securitisation Association, no facts have been omitted which would render the information in this Section 12 inaccurate or misleading.

### **Dutch residential mortgage market**

The Dutch residential mortgage debt stock is relatively sizeable, especially when compared to other European countries. Since the 1990s, the mortgage debt stock of Dutch households has grown considerably, mainly on the back of mortgage lending on the basis of two incomes in a household, the introduction of tax-efficient product structures such as mortgage loans with deferred principal repayment vehicles and interest-only mortgage loans, financial deregulation and increased competition among originators. Moreover, Loan-to-Value (LTV) ratios have been relatively high, as the Dutch tax system implicitly discouraged amortisation, due to the tax deductibility of mortgage interest payments. After a brief decline between 2012 and 2015, mortgage debt reached a new peak of EUR 672 billion in Q4 2017<sup>1</sup>. This represents a rise of EUR 8.2 billion compared to Q4 2016.

### *Tax system*

The Dutch tax system plays an important role in the Dutch mortgage market, as it allows for almost full deductibility of mortgage interest payments from taxable income. This tax system has been around for a very long time, but financial innovation has resulted in a greater leverage of this tax benefit. From the 1990s onwards until 2001, this tax deductibility was unconditional. In 2001 and 2004, several conditions have been introduced to limit the usage of tax deductibility, including a restriction of tax deductibility to (mortgage interest payments for) the borrower's primary residence and a limited duration of the deductibility of 30 years.

A further reform of the tax system was enforced on 1 January 2013. Since this date, all new mortgage loans have to be repaid in full in 30 years, at least on an annuity basis, in order to be eligible for tax relief (linear mortgage loans are also eligible). The tax benefits on mortgage loans, of which the underlying property was bought before 1 January 2013, have remained unchanged and are grandfathered, even in case of refinancing and relocation. As such, new mortgage originations still include older loan products, including interest-only. However, any additional loan on top of the borrower's grandfathered product structure, has to meet the mandatory full redemption standards to allow for tax deductibility.

Another reform imposed in 2013 to reduce the tax deductibility is to lower the maximum deduction percentage. This used to be equal to the highest marginal tax bracket (52%), but since 2013 the maximum deduction is lowered by 0.5% per annum (2018: 49.5%). The new government coalition has the intention to speed up this decrease. According to their policy agenda, they will reduce the maximum deduction percentage by 3.0% per annum, starting in 2020. In 2023, the maximum deduction percentage will be 37%, which will then be equal to the second highest marginal income tax rate.

There are several housing-related taxes which are linked to the fiscal appraisal value ("WOZ") of the house, both imposed on national and local level. Moreover, a transfer tax (stamp duty) of 2% is applied when a house changes hands. Although these taxes partially unwind the benefits of tax deductibility of interest payments, and several restrictions to this tax deductibility have been applied, tax relief on mortgage loans is still substantial.

### *Loan products*

The Dutch residential mortgage market is characterised by a wide range of mortgage loan products. In general, three types of mortgage loans can be distinguished.

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<sup>1</sup> Statistics Netherlands, household data.

Firstly, the “classical” Dutch mortgage product is an annuity loan. Annuity mortgage loans used to be the norm until the beginning of the 1990s, but they have returned as the most popular mortgage product in recent years. Reason for this return of annuity mortgage loans is the tax system. Since 2013, tax deductibility of interest payments on new loans is conditional on full amortisation of the loan within 30 years, for which only (full) annuity and linear mortgage loans qualify.

Secondly, there is a relatively big presence of interest-only mortgage loans in the Dutch market. Full interest-only mortgage loans were popular in the late nineties and in the early years of this century. Mortgage loans including an interest-only loan part were the norm until 2013, and even today, grandfathering of older tax benefits still results in a considerable amount of interest-only loan origination.

Thirdly, there is still a big stock of mortgage products including deferred principal repayment vehicles. In such products, capital is accumulated over time (in a tax-friendly manner) in a linked account in order to take care of a bullet principal repayment at maturity of the loan. The principal repayment vehicle is either an insurance product or a bank savings account. The latter structure has been allowed from 2008 and was very popular until 2013. Mortgage loan products with insurance-linked principal repayment vehicles used to be the norm prior to 2008 and there is a wide range of products present in this segment of the market. Most structures combine a life-insurance product with capital accumulation and can be relatively complex. In general, however, the capital accumulation either occurs through a savings-like product (with guaranteed returns), or an investment-based product (with non-guaranteed returns).

A typical Dutch mortgage loan consists of multiple loan parts, e.g. a bank savings loan part that is combined with an interest-only loan part. Newer mortgage loans, in particular those for first-time buyers after 2013, are full annuity and often consists of only one loan part. Nonetheless, tax grandfathering of older mortgage loan product structures still results in the origination of mortgage loans including multiple loan parts.

Most interest rates on Dutch mortgage loans are not fixed for the full duration of the loan, but they are typically fixed for a period between 5 and 15 years. Rate term fixings differ by vintage, however. More recently, there has been a bias to longer term fixings (10-20 years). Most borrowers remain subject to interest rate risk, but compared to countries in which floating rates are the norm, Dutch mortgage borrowers are relatively well-insulated against interest rate fluctuations.

#### *Underwriting criteria*

Most of the Dutch underwriting standards follow from special underwriting legislation (“Tijdelijke regeling hypothecair krediet”). This law has been present since 2013 and strictly regulates maximum LTV and Loan-to-Income (LTI) ratios. The current maximum LTV is 100% (including all costs such as stamp duties). The new government coalition has indicated not to lower the maximum LTV further beyond 2018. LTI limits are set according to a fixed table including references to gross income of the borrower and mortgage interest rates. This table is updated annually by the consumer budget advisory organisation “NIBUD” and ensures that income after (gross) mortgage servicing costs is still sufficient to cover normal costs of living.

Prior to the underwriting legislation, the underwriting criteria followed from the Code of Conduct for Mortgage Lending, which is the industry standard. This code, which limits the risk of over crediting, has been tightened several times in the past decade. The 2007 version of the code included a major overhaul and resulted in tighter lending standards, but deviation in this version was still possible under the “explain” clause<sup>2</sup>. In 2011, another revised and stricter version of the Code of Conduct was introduced. Moreover, adherence to the “comply” option was increasingly mandated by the Financial Markets Authority (AFM). Although the Code of Conduct is currently largely overruled by the underwriting legislation, it is still in force. The major restriction it currently regulates, in addition to the criteria in the underwriting legislation, is the cap of interest-only loan parts to 50% of the market value of the residence. This cap was introduced in 2011 and is in principle applicable to all new

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<sup>2</sup> Under the “explain” clause it is in exceptional cases possible to deviate from the loan-to-income and loan-to-value rules set forth in the Code of Conduct.

mortgage contracts. A mortgage lender may however diverge from the cap limitation if certain conditions have been met.

### Recent developments in the Dutch housing market

The Dutch housing market has shown clear signs of recovery since the second half of 2013. Important factors are among others the economic recovery, high consumer confidence and low mortgage rates.

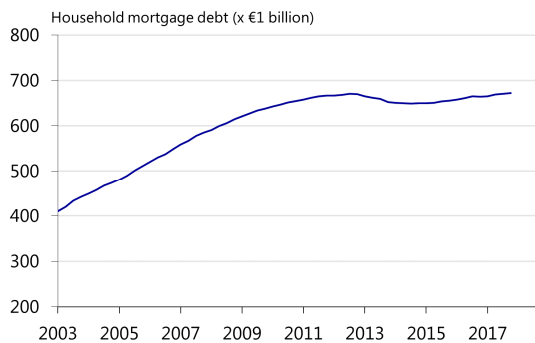
Existing house prices (PBK-index) in Q1 2018 rose by 2.7% compared to Q4 2017. Compared to Q1 2017 this increase was 8.9%. By comparison with the peak in 2008, the average price drop only amounted to 0.7%. The continued increase in house prices is mostly caused by an increasing supply scarcity in the market. Indeed, existing homes sales are trending down. Compared to a year ago, sales numbers declined by 6.8% in Q1 2018. The twelve month total of existing home sales now stands at 238,054, which is still well above pre-crisis levels.

### Forced sales

Compared to other jurisdictions, performance statistics of Dutch mortgage loans show relatively low arrears and loss rates<sup>3</sup>. The most important reason for default is relationship termination, although the increase in unemployment following the economic downturn in recent years is increasingly also a reason for payment problems. The ultimate attempt to loss recovery to a defaulted mortgage borrower is the forced sale of the underlying property.

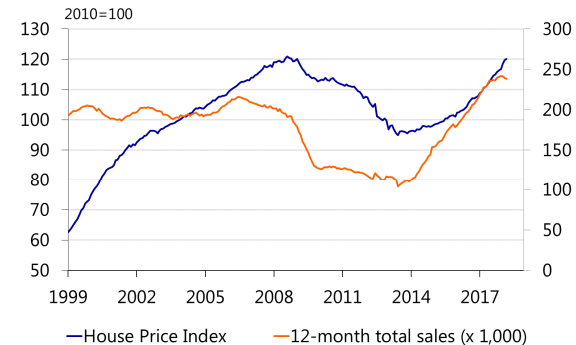
For a long time, mortgage servicers opted to perform this forced sale by an auction process. The advantage of this auction process is the high speed of execution, but the drawback is a discount on the selling price. In Q1 2018, only 265 sales were forced, which is 0.51% of the total number of sales in this period.

**Chart 1: Total mortgage debt**



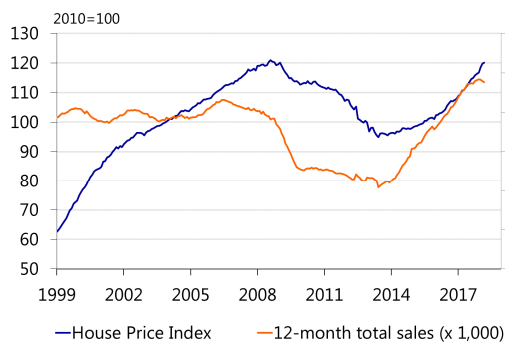
Source: Statistics Netherlands, Rabobank

**Chart 2: Sales and prices**

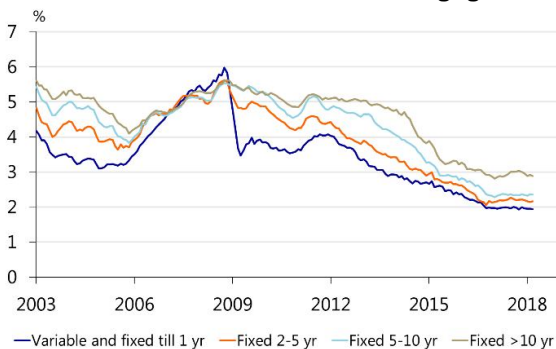


Source: Statistics Netherlands, Rabobank

**Chart 3: Price index development**



**Chart 4: Interest rate on new mortgage loans**

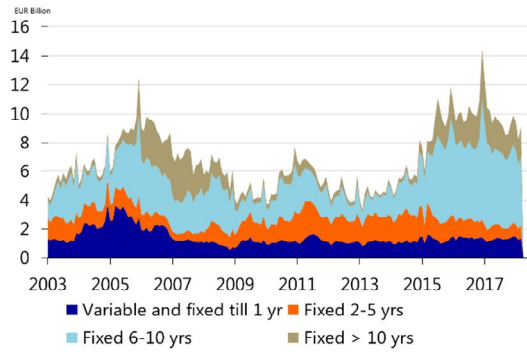


<sup>3</sup> Comparison of S&P RMBS index delinquency data.

Source: Statistics Netherlands, Rabobank

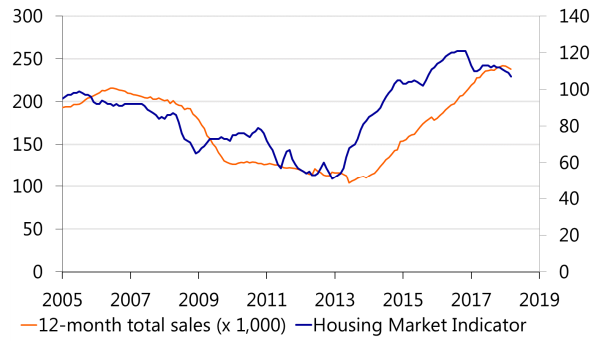
Source: Dutch Central Bank

**Chart 5: New mortgage loans by interest type**



Source: Dutch Central Bank

**Chart 6: Confidence**



Source: Delft University OTB, Rabobank

### 13. NHG GUARANTEE PROGRAMME

#### **NHG Guarantee**

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

Since 1 January 1995 'Stichting Waarborgfonds Eigen Woningen' (the "**Stichting WEW**") (a central privatised entity) is responsible for the administration and granting of the NHG Guarantee under a set of uniform rules. The NHG Guarantee covers the outstanding principal, accrued unpaid interest and disposal costs. Irrespective of scheduled repayments or prepayments made on the mortgage loans, the NHG Guarantee is reduced on a monthly basis by an amount which is equal to principal repayment part of the monthly instalment as if the mortgage loan were to be repaid on a thirty year annuity basis. In respect of each mortgage loan, the NHG Guarantee decreases further to take account of scheduled repayments and prepayments under such mortgage loan. Also, amounts paid as savings or investment premium under savings insurance policies or life insurance policies, respectively, are deducted from the amount outstanding on such mortgage loans for purposes of the calculation of the amount guaranteed under the NHG Guarantee (See *Risk Factors*).

#### **Financing of Stichting WEW**

Stichting WEW finances itself, *inter alia*, by a one-off charge to the borrower of 1.00 per cent. (as of 1 January 2014) of the principal amount of the mortgage loan. Besides this, the scheme provides for liquidity support to Stichting WEW from the Dutch State and the participating municipalities. Should Stichting WEW not be able to meet its obligations under guarantees issued, (i) in respect of all loans issued before 1 January 2011, the Dutch State will provide subordinated interest free loans to Stichting WEW of up to 50 per cent of the difference between Stichting WEW's own funds and a pre-determined average loss level and municipalities participating in the NHG Guarantee scheme will provide subordinated interest free loans to Stichting WEW of the other 50 per cent. of the difference, and (ii) in respect of all loans issued on or after 1 January 2011, the Dutch State will provide subordinated interest free loans to Stichting WEW of up to 100 per cent of the difference between Stichting WEW's own funds and a pre-determined average loss level. Both the keep well agreement between the Dutch State and Stichting WEW and the keep well agreements between the municipalities and Stichting WEW contain general 'keep well' undertakings of the Dutch State and the municipalities to enable Stichting WEW at all times (including in the event of bankruptcy ("*faillissement*"), suspension of payments ("*surseance van betaling*") or liquidation ("*ontbinding*") of Stichting WEW) to meet its obligations under guarantees issued.

#### **Terms and conditions of the NHG Guarantee**

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

The specific terms and conditions for the granting of NHG Guarantees, such as eligible income, purchasing or building costs etc., are set forth in published documents by WEW.

The NHG has specific rules for the level of credit risk that will be accepted. The credit worthiness of the applicant must be verified with the BKR, a central credit agency used by all financial institutions

in the Netherlands. All financial commitments over the past five years that prospective borrowers have entered into with financial institutions are recorded in this register. In addition, as of 1 January 2008 the applicant itself must be verified with the Foundation for Fraud Prevention of Mortgages ("*Stichting Fraudepreventie Hypotheken*", "**SFH**"). If the applicant has been recorded in the SFH system, no NHG Guarantee will be granted.

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

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

#### **Claiming under the NHG Guarantees**

When a borrower is in arrears with payments under the mortgage loan for a period of three (3) months, a lender informs Stichting WEW. When the borrower is in arrears Stichting WEW may approach the lender and/or the borrower to attempt to solve the problem and make the borrower aware of the consequences. If an agreement cannot be reached, Stichting WEW reviews the situation with the lender to endeavour to generate the highest possible proceeds from the property. The situation is reviewed to see whether a private sale of the property, rather than a public auction, would generate proceeds sufficient to cover the outstanding mortgage loan. In case of a private sale permission of Stichting WEW is required, unless the property is sold for an amount higher than 95 per cent. of the market value. In case of a forced private sale and an execution sale permission of Stichting WEW is in any case required.

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

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

For mortgage loans originated after 1 January 2014, the mortgage lender will participate for 10 per cent. in any loss claims made under the NHG Guarantee. The lender is not entitled to recover this amount from the borrower.

#### **Additional loans**

Furthermore, on 1 July 2005 provisions were added to the NHG Conditions pursuant to which a borrower who is or threatens to be in arrears with payments under the existing mortgage loan may have the right to request Stichting WEW for a second guarantee to be granted by it in respect of an



additional mortgage loan to be granted by the relevant lender. The 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 the partner.

**Main NHG underwriting criteria (Normen) as of 17 June 2018 (Normen 2018-2)**

With respect to a borrower, the underwriting criteria include, but are not limited to, the following:

- The lender has to perform a BKR check. Only under certain circumstances are registrations allowed.
- As a valid source of income the following qualifies: indefinite contract of employment, temporary contract of employment if the employer states that the employee will be provided an indefinite contract of employment in case of equal performance of the employee and equal business circumstances, a three year history of income statements for workers with flexible working arrangements or during a probational period (*proeftijd*), or three year (annual) statements for self-employed.
- The maximum loan based on the income of the borrowers is based on the '*financieringslast acceptatiecriteria*' tables and an annuity style redemption (even if the actual loan is (partially) interest only). The mortgage lender shall calculate the borrowing capacity of a borrower of a mortgage loan with a fixed interest term of less than 10 years on the basis of a percentage determined and published by the AFM or, if higher or if the mortgage loan is redeemed within the fixed interest term of less than 10 years, on the basis of the binding offer.

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

- As of 1 January 2013, for new borrowers the redemption types are limited to annuity mortgage loans and linear mortgage loans with a maximum term of 30 years.
- As of 1 January 2018, the maximum amount of the mortgage loan is dependent on the average house price level in the Netherlands (based on the information available from the Land Registry (*Kadaster*)) multiplied with the statutory loan to value, which is 100 per cent. if there are no energy saving improvements and 106 per cent. if there are energy saving improvements. As a consequence, there are two maximum loan amounts:
  - (i) EUR 265,000 for loans without energy saving improvements; and
  - (ii) EUR 280,900 for loans with energy saving improvements.

The loan amount is also limited by the amount of income and the market value of the property. With respect to the latter:

- For the purchase of existing properties, the loan amount is broadly based on the sum of (i) the lower of the purchase price and the market value based on a valuation report, (ii) the costs of improvements and (iii) an amount up to 6 per cent. of the amount under (i) plus (ii). In case an existing property can be bought without paying transfer taxes (*vrij op naam*), the purchase amount under (i) is multiplied by 97 per cent.
- For the purchase of new-build properties, the maximum loan amount is broadly based on the purchase price or amount contracted for, increased with a number of costs such as the cost of

construction interest or loss of interest during the construction period (to the extent not already included in the purchase or construction cost).

## 14. TRANSFERORS AND RESIDENTIAL MORTGAGE BUSINESS

The Mortgage Loans involved are originated by (i) the Transferors (all 100 per cent. subsidiaries of NIBC) and (ii) in the case of Mortgage Loans sold by Hypinvest (to the extent it is the successor of Amstelstaete Hypotheken B.V.) and which were originated prior to 16 December 2004, by SRLEV and (iii) in the case of Mortgage Loans sold by Hypinvest (to the extent it is the successor of Zwaluw Hypotheken B.V.) and which were originated before July 2003, by Goudse Levensverzekeringen N.V. and NN Group N.V. and (iv) in the case of Mortgage Loans sold by Hypinvest, partly by GMAC RFC Nederland B.V., and (v) in the case of Mortgage Loans sold by Quion 30 (as successor of Quion 14), partly by Quion 7 B.V.; (the Transferors, SRLEV, Goudse Levensverzekeringen N.V., NN Group N.V., GMAC RFC Nederland B.V. and Quion 7 B.V. collectively referred to as the "**Originators**"). To the extent a Relevant Mortgage Loan was not originated by the relevant Transferor, such Relevant Mortgage Loan was transferred to the relevant Transferor by means of a contract transfer to which the relevant Borrowers have not abstained their cooperation.

On 1 November 2015, Hypinvest B.V. acquired Amstelstaete Hypotheken B.V., Atrios Hypotheekfonds B.V., Capitalum Hypotheken B.V., Estate Hypotheken B.V., Muzen Hypotheken B.V., Nieuwegein Hypotheken B.V., Royal Residentie Hypotheken B.V., Seyst Hypotheken B.V., Zwaluw Hypotheken B.V., and Huizen Hypotheken B.V.. On the same date Quion 30 B.V. acquired Quion I B.V., Quion III B.V., Quion 14 B.V. and Quion 19 B.V. Next to this IKS Hypotheken B.V. acquired Nationale Hypotheek Maatschappij B.V. and changed its name to Hypinvest Hypotheken B.V. and on 1 June 2018, NIBC Direct Hypotheken B.V. merged with NIBC Direct Hypotheek B.V., whereby NIBC Direct Hypotheken B.V. was the surviving entity and NIBC Direct Hypotheek B.V. was the disappearing entity. As of such date Hypinvest B.V., Quion 30 B.V., Hypinvest Hypotheken B.V. and NIBC Direct Hypotheken B.V. are the remaining Transferors in the Programme.

The main business activity of SRLEV is providing insurance services. The registered address of SRLEV is Kruseman van Eltenweg 1, 1817 BC Alkmaar.

The main business activity of NN Group N.V. is providing insurance services and asset management activities. The registered address of NN Group N.V. is Schenkade 65, 2595 AS 's-Gravenhage.

The main business activity of Goudse Levensverzekeringen N.V. is providing life insurance services. The registered address of Goudse Levensverzekeringen N.V. is Bouwmeesterplein 1, 2801 BX Gouda.

The only business activity of the Transferors is originating mortgage loans. The registered address of the Transferors (other than Quion 30) is Carnegieplein 4, 2517 KJ The Hague. The registered address of Quion 30 is Fascinatio Boulevard 1302, 2909 VA Capelle aan den IJssel.

### **Mortgage Activities**

Against a background of institutional investors increasingly looking for direct financing relationships with individual companies, for direct purchases of assets and for increased yield, NIBC is increasingly acting as originator and arranger of structured transactions. It has played a leading role in the development of securitisation in the Netherlands. At the end of 1997, NIBC structured and placed the first pass-through residential mortgage-backed certificates in the Dutch financial market, the Dutch MBS 97-I and Dutch MBS 97-II transactions. Since then, NIBC has structured and/or placed over 20 Dutch RMBS transactions. As well as acting as arranger and (joint-) lead manager, NIBC also performs the functions of paying agent and issuer administrator in these transactions.

As a customer-focused and service-oriented bank, NIBC has originated residential mortgages since the early 1990s via the independent intermediary channel. The management of the mortgages portfolio is done by NIBC and some activities are subcontracted to specialised third parties. These third parties provide the origination systems and activities consisting of mortgage payment transactions and ancillary activities with regard to NIBC's residential mortgage loan portfolio.

## 15. SAVINGS PARTICIPATION AGREEMENTS

### Savings Mortgage Loans

A portion of the Mortgage Loans or parts thereof will be in the form of insurance savings mortgage loans (hereinafter "**Insurance Savings Mortgage Loans**") which consist of mortgage loans entered into by any of the Transferors and the relevant Borrowers combined with a savings insurance policy (a "**Savings Insurance Policy**"). A Savings Insurance Policy consists of a combined risk and capital insurance policy taken out by a Borrower with an insurance company established in the Netherlands (an "**Insurance Company**") in connection with the relevant Insurance Savings Mortgage Loan. Under an Insurance Savings Mortgage Loan no principal is paid by the Borrower prior to the maturity of the Mortgage Loan. Instead, the Borrower pays a premium on a monthly basis, which consists of a risk element and a capital element. The capital element is calculated in such a manner that, on an annuity basis, the proceeds of the Savings Insurance Policy due by the relevant Insurance Company to the relevant Borrower will be equal to the amount due by the Borrower to the Transferor at maturity of the Insurance Savings Mortgage Loan ("**Insurance Savings Mortgage Receivables**").

A portion of the Mortgage Loans or parts thereof will be in the form of switch mortgage loans with a Savings Alternative ("**Switch Mortgage Loans**"). Under a Switch Mortgage Loan with a Savings Alternative, no principal is paid by the Borrower prior to the maturity of the Mortgage Loan as in case of an Insurance Savings Mortgage Loan. The capital element of the insurance premium is invested by the relevant Insurance Company either (i) in such a way that the return on investment is equal to the interest rate on the related Mortgage Receivables or (ii) in certain investment funds selected by the Borrower. The Borrowers have the possibility to switch ("*omzetten*") their investments among the two categories.

The CBC and the Issuer will use their best efforts to procure that a Savings Participation Agreement is entered into with each Insurance Company with whom Borrowers have taken out a Savings Linked Insurance Policy and of which the related Mortgage Receivables are transferred to the CBC, in order to continue the investments in the relevant Mortgage Loans.

The rights and obligations of the Savings Participant and the CBC under the Savings Participation Agreement will be effective as from the date of signing of the relevant Savings Participation Agreement.

### Participations

Under each Savings Participation Agreement the relevant Savings Participant will undertake to pay to the CBC:

- (a) on the Transfer Date on which the Savings Mortgage Receivable is transferred to the CBC, or, if applicable, in respect of a switch from any type of Mortgage Loan into a Savings Mortgage Loan, on the immediately succeeding CBC Payment Date following such switch (i) an amount equal to the sum of the Savings Premia received by the Savings Participant with accrued interest up to the first day of the calendar month in which the relevant Transfer Date falls; or (ii) in respect of Switch Mortgage Receivables with a Savings Alternative, amounts switched under the relevant Savings Investment Insurance Policies from investments into a deposit into the Savings Alternative during the month immediately preceding such CBC Payment Date (the "**Initial Participation**") in relation to each of the Savings Mortgage Receivables; and
- (b) on each CBC Payment Date, after the Transfer Date, an amount equal to the amount received by the Savings Participant as Savings Premium during the calendar month immediately preceding such CBC Payment Date in respect of the relevant Savings Insurance Policies

provided that in respect of each relevant Savings Mortgage Receivable no amounts will be paid to the extent that, as a result thereof, the Participation in such relevant Savings Mortgage Receivable would

exceed the Outstanding Principal Amount of the relevant Savings Mortgage Receivable (the "**Participation Maximum Amount**").

If and when such payment has been made, as a consequence of such payments the Savings Participant will acquire a participation (the "**Participation**") in each of the relevant Savings Mortgage Receivables. The Participation will be equal to (i) the Initial Participation and (ii) the monthly increases calculated as follows (the "**Participation Increase**");

$(P/O \times I) + S$ , whereby:

P = the Participation on the first day of the relevant month in the relevant Savings Mortgage Receivable;

S = the Savings Premium received by (or on behalf of) the CBC from the Savings Participant in such month in respect of the relevant Savings Mortgage Receivable;

O = the Outstanding Principal Amount of the relevant Savings Mortgage Receivable on the first day of the relevant month;

I = the amount of interest, due by the Borrower on the relevant Savings Mortgage Receivable and actually received by the CBC in such month.

#### **Entitlement of Savings Participants**

In consideration for the undertakings of the Savings Participant described above, the CBC will undertake to pay to the Savings Participant on each CBC Payment Date an amount equal to, in respect of each Savings Mortgage Receivable in respect of which amounts have been received during the month immediately preceding such CBC Payment Date (up to the relevant Maximum Savings Participation Amount):

- (i) repayments and prepayments under the relevant Savings Mortgage Receivable but excluding any prepayment penalties and interest penalties, if any, and, furthermore, excluding amounts paid as partial prepayments on the relevant Savings Mortgage Receivable which is subject to a Participation;
- (ii) amounts received (if any) in connection with a sale or repurchase of the related Savings Mortgage Receivable pursuant to the Guarantee Support Agreement to the extent such amounts relate to principal;
- (iii) amounts received in connection with the sale of a Savings Mortgage Receivable pursuant to the Asset Monitoring Agreement to the extent such amounts relate to principal; and
- (iv) amounts received as Net Proceeds on any Savings Mortgage Receivable to the extent such amounts relate to principal ((i) up to and including (iv) together the "**Participation Redemption Available Amount**").

#### **Reduction of Participation**

If a Borrower invokes a defence, including but not limited to a right of set-off or counterclaim against any person in respect of a relevant Savings Mortgage Receivable and if, for whatever reason any Savings Participant does not pay the insurance proceeds when due and payable, whether in full or in part, under the relevant Savings Linked Insurance Policy and, as a consequence thereof, the CBC will not have received any amount outstanding prior to such event in respect of such relevant Savings Mortgage Receivable, the Participation of the relevant Savings Participant with respect to such Savings Mortgage Receivable will be reduced by an amount equal to the amount which the CBC has failed to so receive and the calculation of the Participation Redemption Available Amount shall be adjusted accordingly.

## **Enforcement**

If a CBC Acceleration Notice is served by the Security Trustee to the CBC, then and at any time thereafter the Security Trustee on behalf of each of the Savings Participants may, and if so directed by a Savings Participant shall, by notice to the CBC:

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

## **Termination**

If one or more of the Savings Mortgage Receivables are (i) sold by the CBC to a third party pursuant to the Asset Monitoring Agreement or (ii) retransferred to the relevant Transferor, the Participation in such Savings Mortgage Receivables will terminate and the Participation Redemption Available Amount with respect to such Savings Mortgage Receivables will be paid by the CBC to the relevant Savings Participant. If so requested by the relevant Saving Insurance Company, the CBC will use its best efforts to ensure that the acquirer of the Savings Mortgage Receivables will enter into a Savings Participation Agreement with the relevant Savings Participant in a form similar to the Savings Participation Agreement entered into with such Savings Participant. Furthermore, the Participation envisaged in the Savings Participation Agreement shall terminate if at the close of business of any CBC Payment Date the relevant Savings Participants have received the Participation Maximum Amount in respect of the relevant Savings Mortgage Receivables.

If, in case of a Switch Mortgage Loan with a Savings Alternative, all or part of the premia accumulated in the relevant Savings Investment Policy are switched from investment in the Switch Mortgage Loan with a Savings Alternative into other investment funds, the sub-participation envisaged in the Savings Participation Agreement shall terminate, in whole or in a part, and the Participation Redemption Available Amount (or part thereof, if applicable) in respect of such Switch Mortgage Receivable with a Savings Alternative will be paid by the CBC to the Savings Participant, but only if and to the extent that on the relevant CBC Payment Date or any later CBC Payment Date the amounts received by the CBC from the relevant Savings Participant under the Savings Participation Agreement are sufficient for this purpose on such date.

## 16. SERVICING, ADMINISTRATION AND CUSTODY

### **Servicing**

In the Servicing Agreement NIBC Bank agrees to act as the Servicer in respect of the Mortgage Receivables. The Servicer will agree (i) to provide management services to the CBC on a day-to-day basis in relation to the Mortgage Loans and the Mortgage Receivables, including, without limitation, the collection and recording of payments of principal, interest and other amounts in respect of the Mortgage Receivables and the implementation of arrears procedures including the enforcement of Mortgages (see further *Transferors and Residential Mortgage Businesses* above); (ii) to communicate with the Borrowers and (iii) to investigate payment delinquencies.

The Servicer will be obliged to service the Mortgage Loans and the Mortgage Receivables with the same level of skill, care and diligence as mortgage loans in its own portfolio.

The Servicer is permitted to sub-contract its servicing role to any affiliate of the Issuer and, subject to any applicable conditions in the Servicing Agreement, to another third party servicer and provided that the Servicer shall continue to be liable as if no such appointment had been made. Additional servicers may be appointed, subject to Rating Agency Confirmation having been obtained.

The Servicer will initially appoint (a) STATER Nederland B.V. as the Sub-servicer to provide certain of the Pool Services in respect of the Mortgage Loans originated by Hypinvest and NIBC Direct Hypotheken (or its legal predecessors), (b) Quion Hypotheekbemiddeling B.V. as the Sub-servicer to provide certain of the Pool Services in respect of the Mortgage Loans originated by Quion 30 (or its legal predecessors) and (c) Quion Hypotheekbegeleiding B.V. and Quion Services B.V. as the Sub-servicers to provide certain of the Pool Services in respect of the Mortgage Loans originated by Hypinvest Hypotheken and NIBC Hypotheken (or its legal predecessors).

### **Administration**

In the Administration Agreement the Administrator will agree to provide certain administration, calculation and cash management services to the CBC, including (i) all calculations to be made in respect of the Covered Bonds and the Transaction Documents and (ii) to prepare monthly asset cover reports for the CBC including the relevant calculations in respect of the Asset Cover Test.

### **Back-up Administration**

In the Back-up Administration Agreement the Back-up Administrator is appointed as substitute administrator to perform certain administration, calculation and cash management services for the CBC on a day-to-day basis, in accordance with and subject to the provisions of the Administration Agreement and the provisions of the Back-up Administration Agreement under the condition precedent ("*opschortende voorwaarde*"), that the appointment of NIBC Bank N.V. as administrator under the Administration Agreement has been terminated.

### **Termination**

The Servicing Agreement and the Administration Agreement may be terminated by the Security Trustee or the CBC (with the consent of the Security Trustee) in certain circumstances (in respect of the relevant party only), including (a) a default by the Servicer and/or the Administrator in the payment on the due date of any payment due and payable by it under the Servicing Agreement or, as the case may be, Administration Agreement, (b) a default is made by the Servicer and/or the Administrator in the performance or observance of any of its other covenants and obligations under the Servicing Agreement or, as the case may be, Administration Agreement, (c) the Servicer and/or the Administrator has taken any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against it for its entering into emergency regulations ("*noodregeling*") as referred to in Chapter 3 of the Wft) or suspension of payments, as applicable, or for any analogous insolvency proceedings under any applicable law or for bankruptcy or for the appointment of a receiver or a similar officer of its or any or all of its assets or (d) the Servicer is no longer licensed to act as intermediary ("*bemiddelaar*") or offeror ("*aanbieder*") under the Wft.

Upon termination of the Servicing Agreement or, as the case may be, the Administration Agreement in respect of the Administrator or the Servicer, the Security Trustee and the CBC undertake to appoint

a substitute servicer and/or substitute administrator, as the case may be, and such substitute servicer and/or substitute administrator, as the case may be, shall enter into an agreement with the CBC and the Security Trustee substantially on the terms of the Servicing Agreement or, as the case may be, Administration Agreement, provided that such substitute servicer and/or substitute administrator shall have the benefit of a servicing fee and an administration fee at a level to be then determined. Any such substitute servicer must (i) have experience of administering mortgage loans and mortgages of residential property in the Netherlands and (ii) hold a licence under the Wft. The CBC shall, promptly following the execution of such agreement, pledge its interest in such agreement in favour of the Security Trustee on the terms of the Security Trustee Rights Pledge Agreement, *mutatis mutandis*, to the satisfaction of the Security Trustee.

The Servicing Agreement and the Administration Agreement may be terminated by the CBC or the Servicer or, as the case may be, the Administrator upon the expiry of not less than 12 months' notice of termination given by the Servicer or, as the case may be, the Administrator to each of the CBC and the Security Trustee or by the CBC to the Servicer or Administrator and the Security Trustee provided that – *inter alia* – (a) the Security Trustee consents in writing to such termination and (b) a substitute servicer or administrator, as the case may be, shall be appointed, such appointment to be effective not later than the date of termination of the Servicing Agreement or, as the case may be, the Administration Agreement and the Servicer or Administrator shall not be released from its obligations under the Servicing Agreement or, as the case may be, the Administration Agreement until such substitute servicer or administrator has entered into such new agreement.

#### **Custody**

If Substitution Assets are transferred to the CBC, the CBC will appoint a custodian to provide custody services in relation to such Substitution Assets. The Substitution Assets will be serviced in accordance with a custody agreement to be entered into between the CBC and an eligible custodian (the "**Custody Agreement**") the terms and conditions of which will be agreed with the Security Trustee.



## 17. ASSET MONITORING

### *ASSET COVER TEST*

Under the asset monitoring agreement entered into on the Programme Date between the Issuer, the CBC and the Security Trustee (the "**Asset Monitoring Agreement**") and the Guarantee Support Agreement, the CBC and the Issuer, respectively, have undertaken on a reasonable efforts and best efforts basis, respectively, that as at the end of each calendar month until the service of a Notice to Pay or CBC Acceleration Notice:

- (i) the Adjusted Aggregate Asset Amount shall be an amount at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds at the end of such calendar month (or with respect to item B as defined below, up to the date specified in item (B)), all as calculated on the immediately succeeding Calculation Date;
- (ii) the Net Outstanding Principal Amount of all Mortgage Receivables, excluding any Defaulted Receivables, plus (a) the Collateral Market Value of all Transferred Collateral in the form of Substitution Assets plus (b) all amounts standing to the balance of the CBC Transaction Accounts, excluding Swap Collateral and excluding amounts standing to the balance of the Construction Account, shall be at least equal to 115% of the aggregate Principal Amount Outstanding of the Covered Bonds at the end of such calendar month all as calculated on the immediately succeeding Calculation Date;
- (iii) the First Regulatory Current Balance Amount shall be at least equal to 105%, or such other percentage as may be required from time to time under the CB Regulations, of the aggregate Principal Amount Outstanding of the Covered Bonds at the end of such calendar month (or with respect to item B as defined below, up to the date specified in item (B)) all as calculated on the immediately succeeding Calculation Date; and
- (iv) the Second Regulatory Current Balance Amount shall be at least equal to 100%, or such other percentage as may be required from time to time under the CB Regulations, of the aggregate Principal Amount Outstanding of the Covered Bonds at the end of such calendar month (or with respect to item B as defined below, up to the date specified in item (B)) all as calculated on the immediately succeeding Calculation Date, (item (i) up to and including item (iv), the "**Asset Cover Test**").

Pursuant to the Administration Agreement the Administrator will calculate the Asset Cover Test on each Calculation Date. If at the end of a calendar month (or with respect to item (B) as defined below, up to the date specified in item (B)) the Asset Cover Test has not been met, then the Administrator will notify the CBC thereof under the Asset Monitoring Agreement, and the CBC will notify the Issuer thereof under the Guarantee Support Agreement, and the Issuer will undertake its best efforts to transfer or procure the transfer of sufficient further Eligible Receivables to the CBC in accordance with the Guarantee Support Agreement to ensure that the Asset Cover Test is met at the end of the next succeeding calendar month.

Such a breach of the Asset Cover Test will not constitute an Issuer Event of Default. However, it will prevent the Issuer from issuing any further Series after such Calculation Date, until remedied and, if it is not remedied on the next Calculation Date (such failure to remedy the Asset Cover Test as calculated on the next succeeding Calculation Date being a "**Breach of Asset Cover Test**") the Security Trustee will be entitled to serve a notice of breach (a "**Breach of Asset Cover Test Notice**") on the Issuer and the CBC. Upon receipt of such a Breach of Asset Cover Test Notice the Issuer will (continue to) use its best efforts to transfer or procure the transfer of sufficient Eligible Receivables to the CBC, either directly by the Issuer or, upon instruction of the Issuer, by the other Transferors to the CBC. A Breach of Asset Cover Test may be remedied and after being remedied the Issuer may issue new Series subject to other conditions being met. After the service of a Breach of Asset Cover Test Notice and provided that the Breach of Asset Cover Test has not been cured, the CBC is not allowed to make any payments to the Issuer and the Subordinated Loan Provider.

As of the date of this Base Prospectus, the Asset Percentage is 95%. The Issuer may request the CBC to increase or decrease the Asset Percentage. The CBC will accept any request for a decrease of the Asset Percentage and the Asset Percentage will be adjusted accordingly. The CBC will only accept

any request for an increase of the Asset Percentage and the Asset Percentage will only be adjusted accordingly if each of the Rating Agencies has been notified thereof and by the third business day after such notification, none of the Rating Agencies has communicated that any such increase of the Asset Percentage will have a negative effect on the then current ratings assigned by it on the Covered Bonds.

The Asset Percentage will be included in the investor report, drawn up by the Administrator following the end of each calendar month in the form set out in a Schedule to the Administration Agreement and delivered to, *inter alia*, the CBC and the Security Trustee two business days prior to the immediately succeeding CBC Payment Date (the "**Investor Report**").

In the Administration Agreement entered into on the Programme Date between the CBC, the Administrator and the Security Trustee, the Administrator agrees to prepare monthly asset cover reports for the CBC including the relevant calculations in respect of the Asset Cover Test (each an "**Asset Cover Report**") and to provide certain administration, calculation and cash management services for the CBC on a day-to-day basis, including without limitation, all calculations to be made pursuant to the Conditions in connection with the Covered Bonds, subject to and in accordance with the Administration Agreement. Each Asset Cover Report will be included in the Investor Report. In the Trust Deed, the Security Trustee agrees to, upon receipt of each Asset Cover Report, verify whether such Asset Cover Report states that the Asset Cover Test has been passed or failed and, if failed, whether the following Asset Cover Report states that the Asset Cover Test has been failed for the second time, meaning that a Breach of Asset Cover Test shall have occurred.

For the purposes hereof:

"**Adjusted Aggregate Asset Amount**" means  $A + B + C - Z$ .

"**A**" means the lower of:

- (a) the sum of all Adjusted Current Balances of all Mortgage Receivables. The "**Adjusted Current Balance**" of a Mortgage Receivable is the lower of:
  - (i) the Current Balance of such Mortgage Receivable minus  $\alpha$ ; and
  - (ii) the LTV Cut-Off Percentage of the Indexed Valuation relating to such Mortgage Receivable, minus  $\beta$ ; and
- (b) the Asset Percentage of: the Current Balance minus  $\alpha$  of all Mortgage Receivables.

" $\alpha$ " means for each Mortgage Receivable the lower of its Current Balance and the sum of the following elements, to the extent applicable to it:

- (i) if it is a Savings Mortgage Receivable an amount calculated on the basis of a method proposed to the Rating Agencies, related to the built-up of savings in connection with such Savings Mortgage Receivable, provided that no amount will be deducted if and to the extent that a Savings Participation Agreement (a "**Savings Participation Agreement**") is in place in relation to the Savings Mortgage Receivable;
- (ii) if it was in breach of the Mortgage Receivable Warranties as of the relevant Transfer Date: such amount as is necessary to reduce its Adjusted Current Balance or Current Balance, as the case may be, to zero;
- (iii) if it is 3 months or more in arrears or it is a Defaulted Receivable: such amount as is necessary to reduce its Adjusted Current Balance or Current Balance, as the case may be, to zero;
- (iv) if the related Mortgage Loan (or a relevant loan part thereof) has a fixed interest rate or a floating interest rate which is lower than the Minimum Mortgage Interest Rate, an amount equal to: the product of (i) the difference between 3.00 per cent. and the actual interest rate of

such Mortgage Loan (or the relevant loan part thereof); and (ii) the Current Balance of such Mortgage Loan (or the relevant loan part thereof); and (iii) the remaining (fixed) interest period in years (unless such period is less than 5 years, in which case such period is set to 5 years) (rounded if necessary to the first decimal, with 0.05 being rounded upwards); and/or

- (v) if the Issuer's rating from S&P falls below A-1 or from Fitch falls below A (long-term) or F1 (short-term), an additional amount in connection with the possible set-off risk pertaining to deposits maintained by Borrowers with the Issuer for mortgage loans issued by NIBC Direct Hypotheken (the "**Deposit Amount**") being equal to (i) the amount deposited with the Issuer or (ii) such lower amount as long as this will not adversely affect the rating of any Series.

**"Construction Account"** means the account maintained by the CBC with the CBC Account Bank to which all amounts corresponding to the aggregate Construction Deposits will be credited.

**"Construction Deposit"** means in relation to a Mortgage Loan, that part of the Mortgage Loan which the relevant Borrower requested to be disbursed into a blocked account held in his name with the relevant Transferor, the proceeds of which can only be applied towards construction of, or improvements to, the relevant Mortgaged Asset.

**"β"** means for each Mortgage Receivable the lower of (i) the LTV Cut-Off Percentage of its Indexed Valuation and (ii)  $\alpha$  minus L.

**"L"** means for each Mortgage Receivable its Current Balance minus the LTV Cut-Off Percentage of its Indexed Valuation provided that if the result is negative, L shall be zero and if the result exceeds  $\alpha$ , L shall equal  $\alpha$ .

**"Asset Percentage"** means 95 % or such other percentage figure as is determined from time to time in accordance with the Asset Monitoring Agreement as described above.

**"Current Balance"** means in relation to an Eligible Receivable at any date, the aggregate (without double counting) of the Net Outstanding Principal Amount, Accrued Interest (unless it concerns calculations for either the Asset Cover Test or the Amortisation Test Aggregate Asset Amount, in which case Accrued Interest will not be included) and Arrears of Interest as at that date.

**"LTV Cut-Off Percentage"** means 80 % for all Mortgage Receivables or such other percentage as may be notified to the Rating Agencies from time to time in respect of the relevant Mortgage Receivables, or such lower percentage as is (a) required from time to time for Covered Bonds to qualify as 'covered bonds' as defined in the CRR or (b) otherwise determined from time to time in accordance with the Asset Monitoring Agreement.

**"B"** means the amount of any cash standing to the credit of the CBC Transaction Accounts (other than the Swap Collateral Account and the Construction Account but including any amounts on the Reserve Account) including on the relevant Calculation Date on which the Asset Cover Test is calculated any Principal Receipts and Interest Receipts related to the calendar month preceding such Calculation Date paid by the relevant Borrowers and received by the CBC on its CBC Accounts up to the business day immediately preceding such Calculation Date.

**"C"** means the aggregate outstanding principal amount of all Transferred Collateral in Substitution Assets and accrued interest thereon which has not been applied in accordance with the Trust Deed (to the extent not included in B). Substitution Assets will be valued on a monthly basis and be taken into account for their mark-to-market value at a discount based on a methodology notified to the Rating Agencies.

**"Z"** means an amount equal to the Interest Reserve Required Amount.

**"Interest Reserve Required Amount"** means on the date with respect to which the Asset Cover Test is calculated (i.e. the end of each calendar month), the higher of zero and (i) U plus V minus W on such date; or (ii) such lower amount as long as this will not adversely affect the rating of any Series; whereas

"U" means the sum of the aggregate amount of interest payable in respect of all Series of Covered Bonds from the relevant date up to and including the relevant Maturity Date.

"V" means the product of:

- (i) the higher of (a) zero; and (b) the difference between (i) the Portfolio Weighted Average Life and (ii) the Series Weighted Average Life,
- (ii) the aggregate Principal Amount Outstanding of all Series on the last day of the previous calendar month, and
- (iii) the Weighted Average Series Post Maturity Interest Rate.

"W" means the Estimated Portfolio Interest Income.

**"Series Weighted Average Life"** means the weighted average remaining life (expressed in years) remaining from the relevant date until the relevant Maturity Dates in respect of all outstanding Series.

**"Portfolio Weighted Average Life"** means the expected remaining weighted average life (expressed in years) of all Mortgage Receivables and Substitution Assets.

**"Weighted Average Series Post Maturity Interest Rate"** means the weighted average (expressed as a percentage) of the interest due on all outstanding Series of Covered Bonds, after the Maturity Date.

**"Estimated Portfolio Interest Income"** means on the date with respect to which the Asset Cover Test is determined (i.e. the end of each calendar month), the aggregate amount, as determined by the CBC (or the Administrator on its behalf) (and such estimation, absent manifest error, being final and binding), of future interest receipts on the Mortgage Receivables and future interest income derived from Substitution Assets on such date, and such estimation to be calculated as the sum of:

- (i) all Fixed Interest Loan Payment Amounts;
- (ii) all Variable Interest Loan Payment Amounts; and
- (iii) all Substitution Assets Payment Amounts.

**"Fixed Interest Loan Payment Amount"** means (as determined by the CBC (or the Administrator on its behalf) and such determination, absent manifest error, being final and binding), with respect to each outstanding Mortgage Receivable with a fixed interest rate, the product of (x) the expected weighted average life (expressed in years) of all Mortgage Receivables with a fixed interest rate; and (y) the weighted average interest rate (expressed as a percentage) of all Mortgage Receivables (where upon the interest reset date of such Mortgage Receivable the interest rate is assumed to be reset at the Minimum Mortgage Interest Rate); and (z) the aggregate Outstanding Principal Amount of such Mortgage Receivable.

**"Variable Interest Loan Payment Amount"** means (as determined by the CBC (or the Administrator on its behalf) and such determination, absent manifest error, being final and binding), with respect to each outstanding Mortgage Receivable with a variable interest rate, the product of (x) the expected weighted average life (expressed in years) of all Mortgage Loans with a variable interest rate, (y) the Minimum Mortgage Interest Rate; and (z) the aggregate Outstanding Principal Amount of such outstanding Mortgage Receivable.

**"Substitution Assets Payment Amount"** means (as determined by the CBC (or the Administrator on its behalf) and such determination, absent manifest error, being final and binding), with respect to each Substitution Asset the sum of the aggregate interest expected to be received up to and including the maturity date of the respective Substitution Asset.

**"Original Market Value"** in relation to any Mortgaged Asset means the foreclosure value ("*executiewaarde*") given to that Mortgaged Asset by the most recent valuation addressed to the Transferor that transferred the relevant Mortgage Receivable to the CBC, divided by 0.85.

**"Indexed Valuation"** in relation to any Mortgaged Asset at any date means:

- (a) where the Original Market Value of that Mortgaged Asset is equal to or greater than the Price Indexed Valuation as at that date, the Price Indexed Valuation; or
- (b) where the Original Market Value of that Mortgaged Asset is less than the Price Indexed Valuation as at that date, the Original Market Value plus 90% (or, if a different percentage is required or sufficient from time to time for the Covered Bonds to qualify as "covered bonds" as defined in the CRR and the Issuer wishes to apply such different percentage, then such different percentage) of the difference between the Price Indexed Valuation and the Original Market Value.

**"Price Indexed Valuation"** in relation to any property at any date means the Original Market Value of that property increased or decreased as appropriate by the increase or decrease in the Index since the date of the Original Market Value.

**"Index"** means the index of increases or decreases, as the case may be, of house prices issued by the Dutch land registry ("*kadaster*") in relation to residential properties in the Netherlands.

**"Selected Mortgage Receivables"** means Mortgage Receivables to be sold or refinanced by the CBC pursuant to the terms of the Asset Monitoring Agreement.

**"First Regulatory Current Balance Amount"** means an amount equal to sum of (i) the aggregate amount of the Current Balance of the Mortgage Receivables, excluding any Defaulted Receivables, and (ii) the Substitution Assets Amount, or in each case such other amount as must be calculated in accordance with the CB Regulations.

**"Substitution Assets Amount"** means an amount equal to the sum of (i) B (as defined above) and (ii) C (as defined above), less any cash standing to the credit of the CBC Transaction Accounts held with an entity within the NIBC Group, which amount will be limited to a maximum of 20%, or such other percentage as required under the CB Regulations, of the aggregate Principal Amount Outstanding of the Covered Bonds.

**"Second Regulatory Current Balance Amount"** means an amount equal to the sum of (A) the aggregate balance of all Mortgage Receivables, excluding any Defaulted Receivables, whereby the balance is determined for each such Mortgage Receivable as the lower of (i) the Current Balance of the Mortgage Receivable and (ii) the Regulatory Cut-Off Percentage of the Indexed Valuation relating to such Mortgage Receivable and (B) Substitution Assets Amount, or in each case such other amount as must be calculated in accordance with the CB Regulations.

**"Regulatory Cut-Off Percentage"** means 80% for all Mortgage Receivables, or such other percentage as may be required from time to time under the CB Regulations.

## **AMORTISATION TEST**

Under the Asset Monitoring Agreement and the Guarantee Support Agreement, the CBC must ensure that as at the end of each calendar month following service of a Notice to Pay (but prior to service of a CBC Acceleration Notice),

- (i) the Amortisation Test Aggregate Asset Amount shall be an amount at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds as at the end of such calendar month (or with respect to item B as defined below, up to the date specified in item B), all as calculated on the immediately succeeding Calculation Date
- (ii) the Net Outstanding Principal Amount of all Mortgage Receivables, excluding any Defaulted Receivables, plus (a) the Collateral Market Value of all Transferred Collateral in the form of Substitution Assets plus (b) all amounts standing to the balance of the CBC Transaction Accounts, excluding Swap Collateral and excluding amounts standing to the balance of the Construction Account, shall be at least equal to 115% of the aggregate Principal Amount Outstanding of the Covered Bonds at the end of such calendar month all as calculated on the immediately succeeding Calculation Date;
- (iii) the First Regulatory Current Balance Amount shall be at least equal to 105%, or such other percentage as may be required from time to time under the CB Regulations, of the aggregate Principal Amount Outstanding of the Covered Bonds at the end of such calendar month (or with respect to item B as defined below, up to the date specified in item B) all as calculated on the immediately succeeding Calculation Date; and
- (iv) the Second Regulatory Current Balance Amount shall be at least equal to 100%, or such other percentage as may be required from time to time under the CB Regulations, of the aggregate Principal Amount Outstanding of the Covered Bonds at the end of such calendar month (or with respect to item B as defined below, up to the date specified in item B) all as calculated on the immediately succeeding Calculation Date, (item (i) up to and including item (iv), the "**Amortisation Test**").

If on any Calculation Date following the service of a Notice to Pay the Amortisation Test is not met per the end of the previous month, then that shall constitute a "**Breach of the Amortisation Test**" and the CBC (or the Administrator on its behalf) shall immediately notify the Security Trustee thereof, and the Security Trustee shall be entitled to serve a breach of amortisation test notice ("**Breach of Amortisation Test Notice**") on the Issuer and the CBC.

For this purpose:

"**Amortisation Test Aggregate Asset Amount**" means  $A + B + C - Z$ .

"**A**" means the sum of all Amortisation Test Current Balances of all Mortgage Receivables. The "**Amortisation Test Current Balance**" of a Mortgage Receivable is the lower of:

- (i) the Current Balance of such Mortgage Receivable minus  $\alpha$ ; and
- (ii) the LTV Cut-Off Percentage (relating to such Mortgage Receivable) times the Indexed Valuation, minus  $\beta$ .

"**LTV Cut-Off Percentage**" means 80 % for all Mortgage Receivables or such other percentage as may be notified to the Rating Agencies from time to time in respect of the relevant Mortgage Receivables, or such lower percentage as is (a) required from time to time for Covered Bonds to qualify as 'covered bonds' as defined in the CRR or (b) otherwise determined from time to time in accordance with the Asset Monitoring Agreement.

" **$\alpha$** " means for each Mortgage Receivable the lower of its Current Balance and the sum of the following elements, to the extent applicable to it:

- (i) if it is a Savings Mortgage Receivable an amount calculated on the basis of a method notified to the Rating Agencies, related to the built-up of savings in connection with such Savings

Mortgage Receivable, provided that no amount will be deducted if and to the extent that a Savings Participation Agreement is in place in relation to the relevant Savings Mortgage Receivable;

- (ii) if it was in breach of the Mortgage Receivable Warranties as of the relevant Transfer Date: such amount as is necessary to reduce its Adjusted Current Balance or Current Balance, as the case may be, to zero;
- (iii) if it is 3 months or more in arrears or it is a Defaulted Receivable: such amount as is necessary to reduce its Adjusted Current Balance or Current Balance, as the case may be, to zero.

"**β**" means for each Mortgage Receivable the lower of (i) the LTV Cut-Off Percentage of its Indexed Valuation and (ii)  $\alpha$  minus L.

"**L**" means for each Mortgage Receivable its Current Balance minus the LTV Cut-Off Percentage of its Indexed Valuation provided that if the result is negative, L shall be zero and if the result exceeds  $\alpha$ , L shall equal  $\alpha$ .

"**B**" means the amount of any cash standing to the credit of the CBC Transaction Accounts (other than the Swap Collateral Account and the Construction Account but including any amounts on the Reserve Account) including on the relevant Calculation Date on which the Amortisation Test is calculated any Principal Receipts and Interest Receipts related to the calendar month preceding such Calculation Date paid by the relevant Borrowers and received by the CBC on its CBC Accounts up to the business day immediately preceding such Calculation Date.

"**C**" means the aggregate outstanding principal amount of all Transferred Collateral in Substitution Assets and accrued interest thereon which has not been applied in accordance with the Trust Deed (to the extent not included in B). Substitution Assets will be valued on a monthly basis and be taken into account for their mark-to-market value at a discount based on a methodology notified to the Rating Agencies.

"**Z**" means an amount equal to the Interest Reserve Required Amount.

"**Interest Reserve Required Amount**" means on the date on which the Amortisation Test is calculated, the higher of zero and (i) U plus V minus W; or (ii) such lower amount as long as this will not adversely affect the rating of any Series; whereas

"**U**" means the sum of the aggregate amount of interest payable in respect of all Series of Covered Bonds from the date of the relevant calculation up to and including the relevant Maturity Date.

"**V**" means the product of:

- (i) the higher of (a) zero; and (b) the difference between (i) the Portfolio Weighted Average Life and (ii) the Series Weighted Average Life,
- (ii) the aggregate Principal Amount Outstanding of all Series on the last day of the previous calendar month, and
- (iii) the Weighted Average Series of Post Maturity Interest Rate.

"**W**" means the Estimated Portfolio Interest Income.

"**First Regulatory Current Balance Amount**" means an amount equal to sum of (i) the aggregate amount of the Current Balance of the Mortgage Receivables, excluding any Defaulted Receivables, and (ii) the Substitution Assets Amount, or in each case such other amount as must be calculated in accordance with the CB Regulations.

"**Substitution Assets Amount**" means an amount equal to the sum of (i) B (as defined above) and (ii) C (as defined above), less any cash standing to the credit of the CBC Transaction Accounts held with

an entity within the NIBC Group, which amount will be limited to a maximum of 20%, or such other percentage as required under the CB Regulations, of the aggregate Principal Amount Outstanding of the Covered Bonds.

**"Second Regulatory Current Balance Amount"** means an amount equal to the sum of (A) the aggregate balance of all Mortgage Receivables, excluding any Defaulted Receivables, whereby the balance is determined for each such Mortgage Receivable as the lower of (i) the Current Balance of the Mortgage Receivable and (ii) the Regulatory Cut-Off Percentage of the Indexed Valuation relating to such Mortgage Receivable and (B) Substitution Assets Amount, or in each case such other amount as must be calculated in accordance with the CB Regulations.

**"Regulatory Cut-Off Percentage"** means 80% for all Mortgage Receivables, or such other percentage as may be required from time to time under the CB Regulations.



## ***SALE OR REFINANCING OF SELECTED ASSETS***

The Asset Monitoring Agreement provides that, if an Issuer Event of Default occurs, then the CBC shall undertake its best efforts to sell or refinance Selected Transferred Assets as soon as possible upon the earliest to occur on or after such Issuer Event of Default of (such date the first "**Refinance Date**") (i) any amount remaining unpaid in respect of a Series on the Maturity Date, (ii) any Maturity Date of a Series of Covered Bonds falling within a period of six (6) calendar months of such date and (iii) a Breach of Amortisation Test Notice. If an Issuer Event of Default has occurred and a Notice to Pay and a Breach of Amortisation Test Notice have been served, all Covered Bonds become Pass-Through Covered Bonds.

The proceeds from any such sale or refinancing will, in the case of each Mortgage Receivable, and in respect of a Savings Mortgage Receivable to which a Participation applies, after deduction of an amount equal to such Participation, form part of the Principal Available Amount. The CBC will undertake its best efforts to sell or refinance Selected Mortgage Receivables in the portfolio in accordance with the Asset Monitoring Agreement (as described below) on (or directly after) every sixth (6th) CBC Payment Date after the first Refinance Date (each such date a "**Refinance Date**"), subject to the rights of first refusal enjoyed by the Transferors to purchase the Selected Mortgage Receivables pursuant to the Guarantee Support Agreement. Failure by the CBC to sell or refinance Selected Mortgage Receivables in the portfolio in accordance with the Asset Monitoring Agreement (as described below) will not constitute a CBC Event of Default.

If the CBC undertakes to sell or refinance Selected Mortgage Receivables as abovementioned, the Asset Monitoring Agreement provides that the CBC shall ensure that Selected Mortgage Receivables will be selected on a random basis as described in the Asset Monitoring Agreement, provided that no more Selected Mortgage Receivables will be selected than are necessary for the estimated sale or refinancing proceeds to equal the Adjusted Required Redemption Amount as reduced by or increased with, as the case may be, any swap termination payment due by the CBC to the relevant Swap Counterparty, or by the relevant Swap Counterparty to the CBC, in connection with the termination of the Swap Agreement related to the relevant Series or a relevant part thereof (if any), and the aggregate Current Balance of such Selected Mortgage Receivables shall never exceed the Adjusted Required Redemption Amount multiplied by A/B,

where:

**"Adjusted Required Redemption Amount"** means an amount equal to the euro equivalent of the aggregate Required Redemption Amount of all Covered Bonds in respect of which the CBC is required to undertake a sale pursuant to the Asset Monitoring Agreement, less amounts standing to the credit of the CBC Account and the principal amount of any Substitution Assets (excluding all amounts to be applied on the following CBC Payment Date to repay higher ranking amounts in the CBC Priority of Payments).

**"Required Redemption Amount"** means in respect of a Series, the aggregate Principal Amount Outstanding of such Series.

**"A"** means an amount equal to the aggregate of the Current Balance of all Mortgage Receivables and the market value of all other Transferred Assets.

**"B"** means the euro equivalent of the Required Redemption Amount in respect of all Series then outstanding less the euro equivalent of the Required Redemption Amount in respect of all Series outstanding which has been provided for in cash.

Such sale or refinance and subsequent redemption of the respective bonds may not result in a deterioration of the quotient of (i) the Amortisation Test Aggregate Asset Amount; and (ii) the Principal Amount Outstanding of all Series outstanding.

If the CBC undertakes to sell or refinance Selected Mortgage Receivables, the CBC will offer the Selected Mortgage Receivables for sale to purchasers for the best terms reasonably available but in any

event for an amount not less than the Adjusted Required Redemption Amount as reduced by or increased with, as the case may be, any swap termination payment due by the CBC to the relevant Swap Counterparty, or by the relevant Swap Counterparty to the CBC, in connection with the termination of the Swap Agreement related to the relevant Series or a relevant part thereof (if any), plus, in the case of Savings Mortgage Receivables which are subject to a Participation, an amount equal to the aggregate Participations.

If the Selected Mortgage Receivables have not been sold or refinanced (in whole or in part) in an amount equal to the Adjusted Required Redemption Amount (or a proportional part thereof if only a part of the Selected Mortgage Receivables have been sold) as reduced by or increased with, as the case may be, any swap termination payment due by the CBC to the relevant Swap Counterparty, or by the relevant Swap Counterparty to the CBC, in connection with the termination of the Swap Agreement related to the relevant Series or a relevant part thereof (if any) plus, in the case of each Savings Mortgage Receivable to which a Participation applies, an amount equal to the relevant Participation, the CBC will undertake its best efforts to sell or refinance Selected Mortgage Receivables on every sixth CBC Payment Date following such attempt to sale or refinance as set forth above.

If the CBC intends to sell Selected Mortgage Receivables to a third party, it may appoint a portfolio manager to arrange the sale of such portfolio on behalf of the CBC (each a "**Portfolio Manager**"). The CBC shall pay to the Portfolio Manager a success fee, which may consist of a percentage of the portfolio as agreed between the CBC and the Portfolio Manager and which shall only be payable upon sale of such portfolio.

In respect of any sale or refinancing of Selected Mortgage Receivables following the service of an Issuer Acceleration Notice, but prior to the service of a CBC Acceleration Notice, or upon the service of a Breach of Amortisation Test Notice, the CBC will instruct the Portfolio Manager to use all best efforts to procure that Selected Mortgage Receivables are sold as quickly as reasonably practicable (in accordance with the recommendations of the Portfolio Manager) taking into account the market conditions at that time and the scheduled repayment dates of the Covered Bonds and the terms of the Guarantee Support Agreement and the Asset Monitoring Agreement.

#### **General Sales Requirements**

The CBC shall ensure that the purchaser to which it sells the Selected Mortgage Receivables shall on or before the date of such purchase represent that it has not been granted a suspension of payments ("*surseance van betaling verleend*"), been declared bankrupt ("*failliet verklaard*") or become subject to analogous insolvency proceedings under applicable law or otherwise be limited in its right to dispose of its assets.

The terms of any sale and purchase agreement with respect to the sale of Selected Mortgage Receivables or the terms of any refinancing will be subject to the prior written approval of the Security Trustee.

If purchasers accept the offer or offers from the CBC, then the CBC will, subject to the foregoing paragraph, enter into a sale and purchase agreement with the relevant purchasers which will require, among other things, a cash payment from the relevant purchasers.

Any such sale or any refinancing will not include any representations or warranties from the CBC in respect of the Selected Mortgage Receivables unless expressly agreed by the Security Trustee.

After a CBC Acceleration Notice has been served on the CBC, the Security Trustee may institute such proceedings or take such action as it thinks fit against the Issuer and the CBC to enforce its rights under the Trust Deed and the Security in accordance with the terms of the Trust Deed.

#### **Sale of Substitution Assets**

The Asset Monitoring Agreement provides that the CBC (or the Administrator on its behalf) shall sell all Substitution Assets as quickly as reasonably practicable, subject to the pre-emption rights enjoyed

by the Transferors pursuant to the Guarantee Support Agreement, following service of an Issuer Acceleration Notice, a Notice to Pay or a Breach of Amortisation Test Notice.

Such sale or refinance of Substitution Assets and subsequent redemption of the respective bonds shall not result in a deterioration of the quotient of (i) the Amortisation Test Aggregate Asset Amount; and (ii) the Principal Amount Outstanding of all Series outstanding.

### **ASSET MONITOR**

On 19 July 2017, (i) the asset monitor agreement with PricewaterhouseCoopers Accountants N.V. was terminated and (ii) under the terms of a new asset monitor appointment agreement between Ernst & Young Accountants LLP (the "**Asset Monitor**"), the CBC, the Administrator, the Issuer and the Security Trustee (the "**Asset Monitor Appointment Agreement**"), the Asset Monitor has been appointed as an independent auditor to perform the role as Asset Monitor. The Asset Monitor has agreed, subject to due receipt of the information to be provided by the Administrator to the Asset Monitor, to conduct tests on the arithmetic accuracy of certain calculations performed by the Administrator in respect of the Asset Cover Test, the Amortisation Test and the Liquidity Reserve Required Amount with a view to confirmation of the accuracy of such calculations, including as required by and in accordance with the Wft.

Pursuant to the Asset Monitor Appointment Agreement, the Asset Monitor will conduct such tests (i) in respect of the Asset Cover Test conducted by the Administrator on or before the Calculation Date immediately preceding each anniversary of the Programme Date; (ii) in respect of the Amortisation Test conducted by the Administrator on or before each Calculation Date; and (iii) in respect of the Liquidity Reserve Required Amount calculated by the Administrator on or before the Calculation Date immediately preceding each anniversary of the Programme Date.

Following a determination by the Asset Monitor of any material errors in the arithmetic accuracy of the calculations performed by the Administrator such that (a) the Asset Cover Test was not executed correctly on the applicable Calculation Date (in respect of the previous month's end) (where the Administrator had recorded it as being executed correctly) or (b) the Adjusted Aggregate Asset Amount or the Amortisation Test Aggregate Asset Amount differs by an amount exceeding 1% of the Adjusted Aggregate Asset Amount or the Amortisation Test Aggregate Asset Amount, as applicable, the Asset Monitor will be required to conduct such tests for each of the four consecutive Calculation Dates thereafter. If the test in relation to the Liquidity Reserve Required Amount reveal different outcomes in the relevant calculations and consequently, such test has not been executed correctly, then the Asset Monitor shall promptly notify the CBC, the Administrator, the Security Trustee and the Issuer thereof.

The Asset Monitor is entitled, in the absence of manifest error, to assume that all information provided to it by the Administrator for the purpose of conducting such tests is true and correct and is complete and not misleading, and is not required to conduct a test or otherwise take steps to verify the accuracy of any such information. The factual findings of the tests conducted by the Asset Monitor will be delivered to, *inter alia*, the Administrator, the CBC, the Issuer and the Security Trustee (the "**Asset Monitor Report**") in accordance with the Asset Monitor Appointment Agreement.

Under the terms of the Asset Monitor Appointment Agreement the CBC will pay to the Asset Monitor a fee per test for the tests to be performed by the Asset Monitor.

The CBC may, at any time, but subject to the prior written consent of the Security Trustee, terminate the appointment of the Asset Monitor by providing at least 30 days' prior written notice to the Asset Monitor, provided that such termination may not be effected unless and until a replacement asset monitor has been found by the CBC (such replacement to be approved by the Security Trustee) which agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Appointment Agreement.

The Asset Monitor may, at any time, resign from its appointment under the Asset Monitor Appointment Agreement upon providing the CBC and the Security Trustee (copied to the Rating Agencies) with 30 days' prior written notice. If a replacement asset monitor has not been found by the CBC within 30 days of notice of resignation by the Asset Monitor, the Asset Monitor shall immediately undertake to seek a replacement (such replacement to be approved by the Security

Trustee) which agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Appointment Agreement.

If a replacement asset monitor has not been found by the CBC within 30 days of the giving of notice of termination by the CBC, the Asset Monitor may, but will have no obligation to, identify a replacement which agrees to perform the duties of the Asset Monitor set out in the Asset Monitor Appointment Agreement.

In the Trust Deed the Security Trustee agrees to, upon receipt of each Asset Cover Report, verify whether it states that the Asset Cover Test or Amortisation Test, as the case may be, has been passed or failed.

**Pool Audit**

Under the terms of the Trust Deed and pursuant to the Wft, the Issuer shall undertake to request an independent auditor to perform an agreed upon procedure on a sample of randomly selected mortgage files at least once a year.

## 18. SWAPS

There may be differences between the amounts of interest (i) received in respect of the Mortgage Receivables (the rates applicable to which may, for instance, include variable rates of interest, discounted rates of interest, fixed rates of interest or rates of interest which track a base rate), the other Transferred Assets and the CBC Transaction Accounts and (ii) payable in respect of the outstanding Covered Bonds. The CBC may at the instruction of the Issuer elect to enter into interest rate swap agreements (such agreements the "**Swap Agreements**") in order to hedge certain mismatches in respect of one or more Series.

The CBC is only permitted to enter into swap agreements with (a) NIBC Bank (with appropriate collateralisation requirements if at such time NIBC Bank is no longer an Eligible Swap Counterparty) or (b) third party Eligible Swap Counterparties, as the case may be. The Security Trustee shall be a party to such Swap Agreements only for the purposes of taking certain benefits and assuming certain obligations with respect to making determinations on behalf of the CBC. An Issuer Event of Default will not constitute an event of default or a termination event under any Swap Agreement.

Rating downgrade language acceptable to the Rating Agencies will be included in the Swap Agreements in relation to the Swap Counterparties.

Upon the termination of a Swap Agreement, the CBC or any Swap Counterparty may be liable to make a termination payment to the other party in accordance with the provisions of the relevant Swap Agreement. The amount of this termination payment will be calculated and made in euro or such other currency as may be agreed. In the event that such a termination payment is payable by the CBC following the service of an Issuer Acceleration Notice, such amount will in most cases (see the applicable priority of payments below) rank ahead of any principal amounts in respect of Swap Agreements due on the Covered Bonds except where default by, or downgrade of, the relevant Swap Counterparty has caused the relevant Swap Agreement to terminate.

For the purpose hereof:

**"Eligible Swap Counterparty"** means a financial institution which is permitted under Dutch law to enter into derivative contracts with Dutch residents and whose unsecured, unsubordinated and unguaranteed debt obligations are rated not lower than the minimum ratings as amended from time to time, as at the date of this Base Prospectus being A (long-term) and A-1 (short-term) by S&P and A (long-term) and F1 (short-term) by Fitch, or such other rating as the Rating Agencies may be comfortable with to maintain the then current rating of the Covered Bonds.

## 19. CASHFLOWS

The CBC shall, subject to the rights of the Security Trustee as pledgee, be entitled to receive for its own benefit all proceeds of the Transferred Assets. Pursuant to the Trust Deed, the following will apply:

- (i) the CBC (or the Administrator on its behalf) will apply the Interest Available Amount and the Principal Available Amount in accordance with the CBC Priority of Payments and pay the Participation Redemption Available Amounts to the relevant Savings Participant; and
- (ii) if a CBC Acceleration Notice has been served, all moneys received or recovered by the Security Trustee or any other Secured Party and all moneys held by or on behalf of the CBC will be applied in accordance with the Post CBC Acceleration Notice Priority of Payments except for any Participation Redemption Available Amounts which will be paid to the Savings Participant and except for any collateral to be provided by a Swap Counterparty following its downgrade ("**Swap Collateral Amounts**") which shall first be subject to the provisions set out in the relevant Swap Agreement.

Any amounts drawn under the Subordinated Loan will either be deposited by the CBC on the Reserve Account to fund the Reserve Account up to the higher of (i) the Reserve Account Required Amount and (ii) the Liquidity Reserve Required Amount or be used to fund the Initial Purchase Price for the New Mortgage Receivables.

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

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

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

For the purposes hereof:

**"Principal Available Amount"** means on a Calculation Date an amount equal to the aggregate of (without double counting):

- (i) the amount of Principal Receipts received during the previous calendar month;

- (ii) any amounts of principal received from any Substitution Asset (not forming part of the Interest Available Amount);
- (iii) the principal amount of any Transferred Collateral in the form of cash (other than pursuant to a Swap Agreement) received during the previous calendar month;
- (iv) any amount required to be transferred to the CBC Account in accordance with item (h) of the CBC Priority of Payments (for the purpose of determining such amount this item (iv) will not be included in the Principal Available Amount for determining the amount available for application to such item (h));
- (v) all amounts in respect of principal (if any) received or to be received by the CBC under the Transaction Documents (other than the Savings Participation Agreements and other than any Swap Collateral Amounts posted under the Swap Agreements) on the relevant CBC Payment Date (or in the CBC Payment Period immediately preceding the relevant CBC Payment Date but excluding the preceding CBC Payment Date);
- (vi) any amounts received in the preceding calendar month as Excess Proceeds to the extent such proceeds do not relate to interest;
- (vii) any amounts reserved on the immediately preceding CBC Payment Date to the extent not applied towards payment of the relevant Series of Covered Bonds or the relevant Swap Agreement (or towards a higher ranking item than payment of the relevant Series of Covered Bonds or the relevant Swap Agreement in the CBC Priority of Payments) prior to the relevant CBC Payment Date to the extent relating to principal; and
- (viii) as amounts released from the Construction Account on the preceding CBC Payment Date from the credit balance of the Construction Account in cases where the relevant Construction Deposit is paid to the relevant Borrower by means of set-off with the Mortgage Receivables.

**"Interest Available Amount"** means on a Calculation Date an amount equal to the aggregate of (without double counting):

- (i) the amount of Interest Receipts received during the previous calendar month;
- (ii) other net income of the CBC including all amounts of interest received on the CBC Transaction Accounts (excluding the Swap Collateral Account) and the Substitution Assets in the preceding calendar month;
- (iii) all amounts in respect of interest received or to be received by the CBC under the Swap Agreements on the relevant CBC Payment Date (or in the CBC Payment Period immediately preceding the relevant CBC Payment Date but excluding the preceding CBC Payment Date) except for any payments in respect of interest received under the Swap Agreements that have been applied towards payment of a Series of Covered Bonds (and, for the avoidance of doubt, excluding Swap Collateral Amounts);
- (iv) any amounts on the Reserve Account released in accordance with the Trust Deed;
- (v) any amounts received as Excess Proceeds in the CBC Payment Period immediately preceding the relevant CBC Payment Date to the extent such proceeds do not relate to principal;
- (vi) any amounts to the extent not relating to principal, reserved on the immediately preceding CBC Payment Date to the extent not applied towards payment of the relevant Series of Covered Bonds or the relevant Swap Agreement or towards a higher ranking item than payment of the relevant Series of Covered Bonds or the relevant Swap Agreement in the CBC Priority of Payments prior to the relevant CBC Payment Date;
- (vii) any Excess Swap Replacement Amounts as shall be standing to the credit of the Swap Replacement Ledger on the relevant CBC Payment Date; and
- (viii) any other amounts standing to the credit of the CBC Account, to the extent not relating to principal, not excluded by virtue of (i) to (vii) above;

less

- (ix) on the first CBC Payment Date of each year, an amount equal to 10 per cent. of the annual fixed operational expenses of the CBC, with a minimum of euro 2,500.

**"Principal Receipts"** means:

- (i) any amount received as principal under the Mortgage Receivables (as repayment, prepayment, sale, refinancing, including payments of arrears, Accrued Interest and Arrears of Interest as at the relevant Transfer Date of a Receivable, but excluding prepayment penalties), less in respect of each Savings Mortgage Receivable which is subject to a Participation, the Participation in such Savings Mortgage Receivable;
- (ii) any amounts received or recovered as Net Proceeds to the extent relating to principal, less in respect of each Savings Mortgage Receivable which is subject to a Participation, the Participation in such Savings Mortgage Receivable; and
- (iii) any amounts received as Participation Increase and Initial Participation pursuant to any Savings Participation Agreement.

**"Reserve Account Required Amount"** means the sum of:

- (i) the higher of:
  - a. the aggregate of the expected interest payments for each Series for the immediately succeeding three months, as calculated as:
    - (A) if no Swap Agreement has been entered into or if such Swap Agreement has been terminated in relation to a Series (or part thereof), the aggregate amount of the Scheduled Interest due falling in the next following three CBC Payment Periods, or
    - (B) if a Swap Agreement has been entered into in relation to a Series or a part of such Series (which has not been terminated) with a party other than the Issuer, the amount payable by the CBC (or the Issuer on its behalf) pursuant to such Swap Agreement in the three following CBC Payment Periods for such Series prior to netting of any payments thereunder (excluding any Collateral Return Payments as may fall due thereunder), plus, in the case of a partial hedge, any amount described in (A) not covered by such hedge; and
  - b. the aggregate of the accrued interest for all Series since the last Interest Payment Date of each respective Series (or in case of the first interest period for a Series, the Issue Date);
- as calculated on the later to occur of each Calculation Date and the last issue date; and
- (ii) 0.03 per cent. of the Principal Amount Outstanding of the Covered Bonds on such Calculation Date (or, as applicable, such last issue date); and
- (iii) EUR 62,500.

**"Liquidity Reserve Required Amount"** means, on any date, such amount as required for registered covered bonds pursuant to the CB Regulations to meet the interest payment obligations under the Covered Bonds for the following six (6) months including higher ranking items in the relevant Priority of Payments and taking into account the expected cashflows or such other amount as required as liquidity pursuant to the CB Regulations.

**"Interest Receipts"** means:

- (i) interest and fees and other amounts received by the CBC in respect of the Mortgage Receivables (including any penalties for late payments), other than Principal Receipts and less in respect of each Savings Mortgage Receivable which is subject to a Participation, an amount equal to the net amount received or recovered multiplied by the Participation divided by the Outstanding Principal Amount of such Savings Mortgage Receivable (the **"Participation Fraction"**);
- (ii) prepayment penalties received or recovered by the CBC in respect of the Mortgage Receivables; and
- (iii) any amounts received as Net Proceeds to the extent such proceeds do not relate to principal less, in respect of each Savings Mortgage Receivable which is subject to a Participation, an amount equal to the amount received or recovered multiplied by the Participation Fraction.



**"Net Proceeds"** means in respect of a Mortgage Receivable the sum of (a) the proceeds of a foreclosure on the Mortgage, (b) the proceeds of foreclosure on any other collateral securing the Mortgage Receivable, (c) the proceeds, if any, of collection of any insurance policies in connection with the Mortgage Receivable, including but not limited to life insurance and fire insurance, (d) the proceeds of any guarantees or sureties in relation to the relevant Mortgage Receivables, and (e) the proceeds of foreclosure on any other assets of the relevant debtor, after deduction of foreclosure costs.

#### **Cash Collection Arrangements**

Payments by the Borrowers under the Mortgage Loans are due on the first day of each month, interest being payable in arrear. All payments made by the Borrowers in respect of the Mortgage Receivables sold by the Transferors will be paid into the Collection Foundation Accounts maintained by the Collection Foundations with ABN AMRO Bank N.V.. The Collection Foundation Accounts are also used for the collection of moneys paid in respect of mortgage loans other than the Mortgage Loans and in respect of other moneys to which the Transferors are entitled vis-à-vis the relevant Collection Foundation.

If at any time the unsecured, unsubordinated and unguaranteed debt obligations of ABN AMRO Bank N.V. (or a successor bank where the Collection Foundation Accounts are held) are assigned a rating of less than the Collection Foundation Provider Rating (as defined below), the Collection Foundations will as soon as reasonably possible, but at least within 30 days either (i) transfer the Collection Foundation Accounts to an alternative bank with at least the Collection Foundation Provider Rating or (ii) ensure that payments to be made in respect of amounts received on a Collection Foundation Account relating to Mortgage Receivables will be guaranteed by a third party with at least the Collection Foundation Provider Rating, a copy of which guarantee shall in advance be submitted for approval to the relevant credit rating agencies and shall otherwise meet the relevant credit rating agency requirements, where applicable, or (iii) implement any other actions agreed at that time with the relevant credit rating agency.

**"Collection Foundation Provider Rating"** means the rating of (i) 'Prime-1' (short-term) by Moody's, (ii) 'F-1' (short-term issuer default rating) and 'A' (long-term issuer default rating) by Fitch Ratings Ltd. and (iii) BBB (long term) by S&P Global Ratings, a division of Standard & Poor's Credit Market Services Europe Ltd.

All reasonable costs and expenses, if any, incurred by the relevant Collection Foundation relating to the transfer of the Collection Foundation Account resulting from a downgrading below the Collection Foundation Provider Rating, shall be borne by the relevant bank where the Collection Foundation Accounts are held and such bank shall reimburse the relevant Collection Foundation for such costs and expenses immediately after it will have received a written statement from such Collection Foundation, detailing such costs and expenses

Each Collection Foundation has undertaken to distribute all amounts of principal, interest and prepayment penalties received by the relevant Collection Foundation in respect of the Mortgage Receivables and paid to the relevant Collection Foundation Accounts ultimately the 5th business day following receipt.

### ***CBC PRIORITY OF PAYMENTS***

On each CBC Payment Date prior to the service of a CBC Acceleration Notice, the Interest Available Amount and the Principal Available Amount (less any amounts payable to third parties incurred by the CBC in its ordinary course of its business, which may be paid on each day by the CBC) will pursuant to the Trust Deed be applied or reserved (in respect of the immediately following CBC Payment Period (which, for the avoidance of doubt, in this priority of payments commences on such CBC Payment Date)), as the case may be, in the following order of priority (the "**CBC Priority of Payments**" and together with the Post CBC Acceleration Notice Priority of Payments (the "**Priority of Payments**"), in each case only if and to the extent that payments or provisions of a higher priority have been made in full:

- (a) *first*, in or towards satisfaction of all amounts due and payable or to become due and payable to the Security Trustee in the immediately following CBC Payment Period under the provisions of the Trust Deed, together with interest;
- (b) *second*, in or towards satisfaction of taxes owing by the CBC to any tax authority accrued and unpaid (to the extent such amounts cannot be paid out of item (ix) of the Interest Available Amount);
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts owing thereto of any remuneration and any costs, charges, liabilities and expenses then due and payable to the Paying Agents or the Registrar under or pursuant to the Agency Agreement and to any Calculation Agent under any Calculation Agency Agreement;
- (d) *fourth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts owing thereto of:
  - (i) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicer in the immediately following CBC Payment Period under the provisions of the Servicing Agreement;
  - (ii) any remuneration then due and payable to the Administrator and any costs, charges, liabilities and expenses then due or to become due and payable to the Administrator in the immediately following CBC Payment Period under the provisions of the Administration Agreement;
  - (iii) any remuneration then due and payable to the Back-up Administrator and any costs, charges, liabilities and expenses then due or to become due and payable to the Back-up Administrator in the immediately following CBC Payment Period under the provisions of the Back-up Administration Agreement;
  - (iv) amounts (if any) due and payable to the CBC Account Bank (including costs) pursuant to the terms of the CBC Account Agreement;
  - (v) any amounts (including costs and expenses) due and payable to the Directors; and
  - (vi) any amounts due and payable to the Asset Monitor (other than the amounts referred to in paragraph (j) below) pursuant to the terms of the Asset Monitor Appointment Agreement;
- (e) *fifth*, in or towards satisfaction or to be reserved for payment *pro rata* and *pari passu* in accordance with the respective amounts owing thereto of:
  - (i) to each Swap Counterparty, all amounts (including any termination payment due and payable by the CBC under the relevant Swap Agreement to the extent not paid from any Swap Replacement Amounts but excluding any Excluded Swap Termination Amount) then due to it or as will become due and payable to it in the immediately following CBC Payment Period under the relevant Swap Agreement; and
  - (ii) all Scheduled Interest that is Due for Payment or will become Due for Payment in the immediately succeeding CBC Payment Period under the Guarantee in respect of any Series of Covered Bonds to the extent that such amounts (i) are not scheduled to be paid in the relevant CBC Payment Period from amounts received (or to be received) under any Swap Agreement connected to such Series or (ii) are scheduled to be paid in the

immediately succeeding CBC Payment Period from amounts received (or to be received) under any Swap Agreement connected to such Series but the Administrator determines in its sole discretion may not be available as scheduled due to the potential non-performance by a Swap Counterparty of its obligations pursuant to the relevant Swap Agreement;

- (f) *sixth*, in or towards satisfaction of any sums required to replenish the Reserve Account up to the amount equal to the higher of (i) the Reserve Account Required Amount and (ii) the Liquidity Reserve Required Amount;
- (g) *seventh*, in or towards satisfaction or to be reserved for payment, *pro rata* and *pari passu* according to the respective amounts owing thereto, of all Scheduled Principal that is Due for Payment or will become Due for Payment in the immediately succeeding CBC Payment Period under the Guarantee in respect of any Series of Covered Bonds;
- (h) *eighth*, after the earlier to occur of (i) service of a Breach of Asset Cover Test Notice (to the extent the Breach of Asset Cover Test is not remedied on such date) and (ii) service of an Issuer Acceleration Notice and a Notice to Pay on the CBC, to deposit the remaining moneys in the CBC Account for application on the next following CBC Payment Date in accordance with the this priority of payments, until the Covered Bonds have been fully repaid or provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series);
- (i) *ninth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any Excluded Swap Termination Amount due and payable by the CBC to the relevant Swap Counterparty under the relevant Swap Agreement;
- (j) *tenth*, in or towards satisfaction of any indemnity amount due to the Transferors pursuant to the Guarantee Support Agreement and certain costs, expenses and indemnity amounts due by the CBC to the Asset Monitor pursuant to the Asset Monitor Appointment Agreement;
- (k) *eleventh*, in or towards satisfaction of any interest due on the Subordinated Loan;
- (l) *twelfth*, in or towards satisfaction of any principal due on the Subordinated Loan; and
- (m) *thirteenth*, in or towards satisfaction of a Deferred Purchase Price Instalment to the Issuer for the benefit of the Transferors.

For the purposes hereof:

**"CBC Payment Period"** means each period from (and including) a CBC Payment Date to (but excluding) the next CBC Payment Date.

**"Excluded Swap Termination Amount"** means, in relation to a Swap Agreement, an amount equal to the amount of any termination payment due and payable to the relevant Swap Counterparty as a result of a of an Event of Default or Termination Event (each as defined in such Swap Agreements) where the relevant Swap Counterparty is the Defaulting Party or the sole Affected Party.

## ***POST CBC ACCELERATION NOTICE PRIORITY OF PAYMENTS***

Under the terms of the Trust Deed, each of the Secured Parties agrees that all moneys received or recovered by the Security Trustee or any other Secured Party (whether in the administration, liquidation of the CBC or otherwise) following the occurrence of a CBC Event of Default and service of a CBC Acceleration Notice, less an amount to which the Savings Participants shall be entitled (which shall be equal to the Participation in each of the Insurance Savings Mortgage Receivables to which the Savings Participation Agreements apply or if the amount recovered in respect of such Savings Mortgage Receivables is less than the Participation, an amount equal to the amount actually recovered and except for Swap Collateral Amounts (which shall first be subject to the provisions set out in the relevant Swap Agreement) will be applied following the enforcement of the security rights in the following order of priority (the "**Post CBC Acceleration Notice Priority of Payments**"), in each case only if and to the extent that payments or provisions of a higher priority have been made in full:

- (a) *first*, in or towards satisfaction of all amounts due and payable or to become due and payable to the Security Trustee under the provisions of the Trust Deed together with interest;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts owing thereto, of any remuneration and any costs, charges, liabilities and expenses then due and payable to the Paying Agents or the Registrar under or pursuant to the Agency Agreement and to any Calculation Agent under any Calculation Agency Agreement or Agency Agreement;
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts owing thereto, of:
  - (i) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicer under the provisions of the Servicing Agreement;
  - (ii) any remuneration then due and payable to the Administrator and any costs, charges, liabilities and expenses then due or to become due and payable to the Administrator under the provisions of the Administration Agreement;
  - (iii) any remuneration then due and payable (if any) to the Back-up Administrator and any costs, charges, liabilities and expenses then due or to become due and payable to the Back-up Administrator under the provisions of the Back-up Administration Agreement;
  - (iv) amounts (if any) due and payable to the CBC Account Bank (including costs) pursuant to the terms of the CBC Account Agreement; and
  - (v) amounts (including costs and expenses) due to the Directors;
- (d) *fourth*, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts owing thereto, of any amounts due and payable:
  - (i) to the Swap Counterparties under the relevant Swap Agreements (including, but not limited to, any termination payment due and payable by the CBC under the relevant Swap Agreement to the extent not paid from any Swap Replacement Amounts but excluding any Excluded Swap Termination Amounts); and
  - (ii) to the Covered Bondholders *pro rata* and *pari passu* in respect of interest due and payable on each Series in accordance with the Guarantee;
- (e) *fifth*, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts owing thereto, of any amounts due and payable to the Covered Bondholders *pro rata* and *pari passu* in respect of principal due and payable on each Series in accordance with the Guarantee;

- (f) *sixth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts owing thereto, of any Excluded Swap Termination Amounts due and payable by the CBC to the relevant Swap Counterparty under the relevant Swap Agreement;
- (g) *seventh*, in or towards satisfaction of any interest due on the Subordinated Loan;
- (h) *eighth*, in or towards satisfaction of any principal due on the Subordinated Loan; and
- (i) *ninth*, in or towards satisfaction of a Deferred Purchase Price Instalment to the Issuer for the benefit of the Transferors.

The Security Trustee shall give notice to the Covered Bondholders in accordance with Condition 14 of the date fixed for any payment under the Priorities of Payments. Any payment to be made in respect of the Covered Bonds or Coupons of any Series by the Issuer, the CBC or the Security Trustee may be made in the manner provided in the Conditions, the Agency Agreement and the Trust Deed and any payment so made shall discharge ("*kwijten*") the Security Trustee to the extent made.

## ***CBC TRANSACTION ACCOUNTS AND SWAP REPLACEMENT LEDGER***

### **CBC Account**

Pursuant to the terms of the CBC Account Agreement entered into on the Programme Date between the CBC, Société Générale S.A., Amsterdam Branch as CBC Account Bank and the Security Trustee, the CBC will maintain, with the CBC Account Bank, the CBC Account:

- into which are paid all amounts received by the CBC in respect of Transferred Assets; and
- moneys standing to the credit of which will on each CBC Payment Date be applied by the Administrator in accordance with the relevant Priority of Payments as described above in more detail.

### **Construction Account**

The CBC will maintain with the CBC Account Bank a Construction Account. The CBC and the Transferors have agreed in the Guarantee Support Agreement that the CBC will be entitled to withhold from the relevant Initial Purchase Price an amount equal to the aggregate Construction Deposits. Such amount will be deposited on the Construction Account. On each CBC Payment Date, the CBC will release from the Construction Account such part of the relevant Initial Purchase Price which equals the difference between the aggregate Construction Deposits relating to the relevant Mortgage Receivables and the balance standing to the credit of the Construction Account and pay such amount to the relevant Transferor, except if and to the extent that the Borrower has invoked defences or set-off and, as a result, in respect of which the CBC has no further obligation to pay such part of the remaining Initial Purchase Price. Such amount will be credited to the Collection Account and will form part of the Principal Available Amount.

Construction Deposits have to be paid out after the building activities or renovation activities have been finalised. Upon the expiry of such period, the remaining Construction Deposit will be set-off against the relevant Mortgage Receivable up to the amount of the Construction Deposit, in which case the CBC shall have no further obligation towards the relevant Transferor to pay the remaining part of the relevant Initial Purchase Price, and consequently any remaining part of the relevant Initial Purchase Price standing to the credit of the Construction Account will form part of the Principal Available Amount. If an Assignment Notification Event set out under (iv) (see Chapter 10 (*Guarantee, Cashflows*)) has occurred, the CBC will no longer be under the obligation to pay such remaining part of the relevant Initial Purchase Price.

If the short term, unsecured, unsubordinated and unguaranteed debt obligations of the CBC Account Bank cease to be rated certain ratings, as the date of this Base Prospectus being at least A (long-term) or (A+ if the unsecured, unsubordinated and unguaranteed debt obligations do not have a short-term rating of at least 'A-1') by S&P and F1 (short-term) and A (long-term) by Fitch (the "**Requisite Credit Rating**") then within the Relevant Remedy Period of such occurrence either:

- the CBC Account will be closed and new accounts opened under the terms of a new CBC Account Agreement substantially on the same terms as the CBC Account Agreement opened with a financial institution whose short term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least the Requisite Credit Rating; or
- the CBC Account Bank will obtain a guarantee of its obligations under the CBC Account Agreement on terms acceptable to the Security Trustee, acting reasonably, from a financial institution whose short term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least the Requisite Credit Rating.

Pursuant to the CBC Account Agreement, the CBC Account Bank has agreed to pay interest on the CBC Transaction Accounts Funds at the rate determined in accordance with the CBC Account Agreement.

The CBC and the CBC Account Bank may from time to time agree to create additional accounts for the purpose of making deposits with a different interest rate in the name of the CBC with the CBC Account Bank (provided that the Security Trustee has consented in writing). Any such additional accounts will be kept separate from the CBC Account to which it is connected. The CBC may only transfer amounts from such additional accounts to the relevant CBC Account to which it is connected

and any amount to be transferred to such additional accounts may only be transferred from the relevant CBC Account.

In the event the CBC is obliged to open any other accounts than the CBC Account, the CBC Account Bank will, on the instructions of the CBC, open such new accounts under the terms of this CBC Account Agreement in the name of the CBC.

### **Reserve Account**

The CBC has opened a reserve account (the "**Reserve Account**") which is, on the Programme Date, credited by the CBC from the proceeds of a Subordinated Loan with an amount equal to the Reserve Account Required Amount. From the date of this Base Prospectus, the CBC will ensure that the amount credited to the Reserve Account is equal to the higher of (i) the Reserve Account Required Amount and (ii) the Liquidity Reserve Required Amount to the extent (a) any amounts are available after payment of all items ranking above item (f) of the CBC Priority of Payments have been paid or provided and (b) any Subordinated Loan Advance is drawn under the Subordinated Loan for the purpose of funding the Reserve Account.

The CBC may request new Subordinated Loan Advances to fund the Reserve Account up to the higher of (i) Reserve Account Required Amount and (ii) Liquidity Reserve Required Amount. The Issuer will ensure that the amount credited to the Reserve Account is equal to the higher of (i) the Reserve Account Required Amount and (ii) the Liquidity Reserve Required Amount by making available sufficient funds under the Subordinated Loan for such purpose.

In case the Interest Available Amount and the Principal Available Amount are, on a CBC Payment Date, insufficient to meet items (a) to (e) inclusive of the CBC Priority of Payments, all amounts credited to the Reserve Account will be available on such CBC Payment Date to meet items (a) to (e) inclusive of the CBC Priority of Payments and will be released accordingly and form part of the Interest Available Amount.

In case a Notice to Pay is served on any day in the period from the day of the service of a Notice to Pay up to the immediately succeeding CBC Payment Date (the "**Interim Period**") all amounts credited to the Reserve Account will be available to meet any amount of interest due on any Series of Covered Bonds in such Interim Period and will be released accordingly to pay directly, outside any Priority of Payments, any amount of Scheduled Interest due on the Covered Bonds. If the amount credited to the Reserve Account exceeds the higher of (i) Reserve Account Required Amount and (ii) the Liquidity Reserve Required Amount, such excess will be released and will form part of the Interest Available Amount.

### **Swap Replacement Ledger**

The CBC shall maintain a ledger to the Swap Collateral Account to which shall be credited (a) those amounts received from any replacement Swap Counterparty in consideration of the entry into between the CBC and such replacement Swap Counterparty of a swap transaction to replace any Swap Agreement and (b) those amounts received from any Swap Counterparty in respect of any Swap Agreement which has terminated for any reason (such amounts "**Swap Replacement Amounts**") (such ledger the "**Swap Replacement Ledger**"). Pursuant to the Administration Agreement, the CBC has agreed that it shall only debit to the Swap Replacement Ledger the following amounts:

- (i) those amounts payable to the replacement Swap Counterparty by the CBC in consideration of the entry into between the CBC and such replacement Swap Counterparty of a swap transaction to replace any Swap Agreement, to the extent that Swap Replacement Amounts have been received by the CBC in respect to such swap transaction as is being so replaced; and
- (ii) those amounts payable by the CBC to a Swap Counterparty in respect of the termination of any Swap Agreement, to the extent that Swap Replacement Amounts have been received by the CBC in respect to such swap transaction as is being so terminated,

provided that in the event that any Swap Agreement has been replaced and the Swap Replacement Amounts received by the CBC with respect to such transaction as is being so replaced exceed the amounts debited to the Swap Replacement Ledger under paragraphs (i) or (ii) above in respect of the replacement of such transaction, then such excess proceeds shall be debited from the Swap Replacement Ledger and shall form part of the Interest Available Amount on the immediately succeeding CBC Payment Date and shall be distributed on such CBC Payment Date accordingly (such amounts "**Excess Swap Replacement Amounts**").



## 20. DOCUMENTS INCORPORATED BY REFERENCE

The following documents have been filed with the AFM and shall be deemed to be incorporated in, and form part of, this Base Prospectus:

- (a) The Issuer's articles of association (in the original Dutch language version as well as in English translation).
- (b) The Issuer's annual reports for the years ended 31 December 2016 and 31 December 2017, including the audited financial statements (including the notes) and the independent auditor's reports, as set out on the following pages:

<i>Annual Report</i>	<i>Key Figures</i>	<i>Consolidated Financial Statements</i>	<i>Auditor's report</i>	<i>Alternative Performance Measures</i>
2016	-	Pages 104-319	Pages 322-329	-
2017	Pages 8 - 10	Pages 105-315	Pages 317-323	Pages 325 - 333

- (c) The CBC's annual reports for the years ended 31 December 2016 and 31 December 2017, including the audited financial statements (including the notes) and the independent auditor's reports, as set out on the following pages:

<i>Annual Report</i>	<i>Financial Statements</i>	<i>Auditor's report</i>
2016	Pages 8-26	Pages 29-40
2017	Pages 8-27	Pages 30-34

- (d) The terms and conditions set out on (i) pages 96 up to and including 130 of the base prospectus dated 22 July 2013, (ii) pages 99 up to and including 132 of the base prospectus dated 23 July 2014, (iii) pages 102 up to and including 136 of the base prospectus dated 29 July 2015, (iv) pages 99 up to and including 132 of the base prospectus dated 28 July 2016 and (v) pages 99 up to and including 132 of the base prospectus dated 21 July 2017, each under the heading "Terms and Conditions of Conditional Pass-Through Covered Bonds".

These documents can be obtained, without charge, at the offices of the Issuer (NIBC Bank N.V., Carnegieplein 4, 2571 KJ The Hague, the Netherlands, +31 70 342 5552, info@nibc.com) and the Principal Paying Agent (Citibank, N.A., London Branch, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom, +3531-622-2240), each as set out at the end of this Base Prospectus.

In addition, the documents referred to under (a), (b) and (c) are available on the website [www.nibc.com](http://www.nibc.com). The Base Prospectus is available on the website [www.nibc.com](http://www.nibc.com) and on the website [www.assetbacked.nl](http://www.assetbacked.nl).

## 21. GENERAL INFORMATION

1. The establishment of the Programme and the issue of Covered Bonds under the Programme from time to time and (ii) the update of the Programme have been duly authorised by a resolution of the Board of Managing Directors of the Issuer dated 16 July 2013, 10 July 2014, 23 July 2015, 1 April 2016, 21 April 2017 and 6 April 2018, respectively. All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under Dutch law have been given for the issue of Covered Bonds and for the Issuer to undertake and perform its obligations under the Transaction Documents.

The issuing of the Guarantee has been duly authorised by a resolution of the Board of Managing Directors of the CBC dated 16 July 2013, 18 July 2014, 24 July 2015, 27 July 2016, 19 July 2017 and 17 July 2018.

2. Application may be made for Covered Bonds issued under the Programme to be listed on the official list of Euronext Amsterdam during the period of 12 months from the date of this Base Prospectus. Notice of any terms and conditions not contained herein which are applicable to the Covered Bonds will be set out in the Final Terms which, with respect to such Covered Bonds to be listed on Euronext Amsterdam, will be delivered to Euronext Amsterdam on or before the date of issue. Covered Bonds issued under the Programme may also be listed on any other stock exchange specified in the applicable Final Terms or be unlisted.
3. Ernst & Young Accountants LLP has given and have not withdrawn its written consent to the issue of this Base Prospectus with its auditors' reports incorporated by reference herein in the form and context in which it appears. The auditors signing the auditor's reports on behalf of Ernst & Young Accountants LLP are a member of the Netherlands Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*).
4. Copies of the following documents may for the life of the Base Prospectus be inspected at the specified offices of the Security Trustee and the Principal Paying Agent during normal business hours:
  - (i) the Deed of Incorporation, including the Articles of Association of the Issuer, the Security Trustee and the CBC;
  - (ii) the Pledge Agreements;
  - (iii) the Administration Agreement;
  - (iv) the Back-up Administration Agreement;
  - (v) the Servicing Agreement;
  - (vi) the CBC Account Agreement;
  - (vii) the Trust Deed;
  - (viii) the Parallel Debt Agreement;
  - (ix) the Agency Agreement;
  - (x) the Guarantee Support Agreement;
  - (xi) the Savings Participation Agreements;
  - (xii) the Asset Monitoring Agreement;
  - (xiii) the Asset Monitor Appointment Agreement;
  - (xiv) the Master Definitions Agreement;
  - (xv) the Subordinated Loan Agreement; and
  - (xvi) the Management Agreements.

5. The audited annual financial statements of the Issuer prepared annually will be made available, free of charge, at the specified offices of the Issuer.
6. A copy of the Issuer's articles of association is available, free of charge, at the office of the Issuer.
7. The audited annual financial statements of the CBC prepared annually will be made available, free of charge, at the specified offices of the CBC.
8. A copy of the CBC's articles of association is available, free of charge, at the office of the CBC.
9. Application will be made for the Covered Bonds to be accepted for clearance through Euroclear and Clearstream, Luxembourg or Euroclear Nederland, or any other agreed clearing system, as the case may be. The appropriate common code, ISIN and security code allocated by Euroclear and Clearstream, Luxembourg or Euroclear Nederland, or any other agreed clearing system, as the case may be, will be specified in the applicable Final Terms.
10. A monthly investor report on the Covered Bonds under this Programme will be published on and can be obtained at: [www.assetbacked.nl](http://www.assetbacked.nl).

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