DE VOLKSBANK N.V.

(incorporated as a public limited liability company under Dutch law
and having its statutory seat in Utrecht, the Netherlands)

€ 15,000,000,000 Covered Bond Programme
guaranteed as to payments of interest and principal by

VOLKS COVERED BOND COMPANY B.V.

(incorporated as a private limited liability company under Dutch law
and having its statutory seat in Amsterdam, the Netherlands)

This document constitutes the base prospectus dated 20 December 2018 of de Volksbank N.V. (the "**Base Prospectus**") within the meaning of Directive 2003/71/EC as amended or superseded (including by Directive 2010/73/EC) (the "**Prospectus Directive**"). 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 covered bonds (the "**Covered Bonds**") under the Programme (as defined below) during the period of twelve (12) months after the date hereof. This Base Prospectus will be published in electronic form on website www.devolksbank.nl//investor-relations/debt-informatie/covered-bond-programma.html. This Base Prospectus is issued in replacement of the base prospectus dated 25 January 2018 and any supplements thereto, and accordingly supersedes any earlier base prospectus.

Under this € 15,000,000,000 Covered Bond Programme (the "**Programme**") de Volksbank N.V. (the "**Issuer**" or "**de Volksbank**") may from time to time issue Covered Bonds denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below), if any. As set out herein, the maximum aggregate nominal amount of the Covered Bonds from time to time outstanding under the Programme will not exceed € 15,000,000,000 (or its equivalent in other currencies calculated as described herein) subject to any increase as described herein.

Volks Covered Bond Company B.V. (the "**CBC**") will as an independent obligation irrevocably undertake to pay interest and principal payable under the Covered Bonds pursuant to a guarantee issued under the Trust Deed (as defined below). 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 (as defined below) vested by the CBC in favour of Stichting Security Trustee Volks 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 Relevant Documents (as defined below). 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 Relevant 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 and admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or Euronext Amsterdam, as applicable, will be filed and delivered to the Luxembourg Stock Exchange and/or Euronext Amsterdam, as applicable, on or before the date of each issue of such Covered Bonds.

Application has been made for the Covered Bonds to be listed and admitted to trading on the official list of the Luxembourg Stock Exchange and/or Euronext Amsterdam, as the case may be, 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 and admitted to trading on any other EU 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).

Covered Bonds that are issued with a Specified Denomination (as defined below) of €100,000 (or its equivalent in any other currency as at the date of issue of the Covered Bonds) plus one or more higher integral multiples of another smaller amount in excess thereof will not be listed on the regulated market of Euronext Amsterdam until the Issuer has made itself aware that Covered Bonds that are purported to have a minimum denomination of €100,000 plus one or more higher integral multiples of another smaller amount in excess thereof can only be traded in such amount or any amount in excess thereof (for example €101,000 or €102,000).

The Issuer has requested the AFM to provide the competent authority in Luxembourg with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with Chapter 5.1 of the Dutch Act on Financial Supervision (*Wet op het financieel toezicht,* the "**Wft**") and related regulations which implement the Prospectus Directive in Dutch law ("**Notification**"). The Issuer may request the AFM to provide competent authorities in additional Member States within the European Economic Area (the "**EEA**") with a Notification.

The Issuer and the CBC may agree with any Dealer and the Security Trustee that Covered Bonds will 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 rating equal to the rating of the then outstanding Covered Bonds. On the date of this Base Prospectus the outstanding Covered Bonds have an "Aaa" rating by Moody's Investors Service Limited ("**Moody's**") and an "AAA" rating by Fitch Ratings Limited ("**Fitch**") and the rating will be 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 section 3 (*Risk Factors*). The Rating Agencies have been registered by the European Securities and Markets Authority as credit rating agencies in accordance with the CRA Regulation.

The Covered Bonds and the Guarantee have not been and will not be registered under the 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. The securities may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**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 depositary for Euroclear Bank S.A./N.V. ("**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 Covered Bonds*'.

An investment in the Covered Bonds involves certain risks. Prospective investors should have regard to the risk factors described in section 3 (*Risk Factors*) of this Base Prospectus.

This Base Prospectus will be made generally available on 20 December 2018 by publication on the website of the Issuer at www.devolksbank.nl. It is valid for a period of up to 12 months from the date of approval by the AFM.

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.

Prohibition of sales to EEA retail investors: The Covered Bonds shall 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**"); (ii) a customer within the meaning of Directive 2016/97/EU ("**IDD**"), 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 manufacturer('s/s') 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 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.

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 Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

Benchmark Regulation: Interest and/or other amounts payable under the Covered Bonds may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark under the Benchmark Regulation. If any such reference rate does constitute such a benchmark, the relevant Final Terms will indicate whether or not the administrator thereof is included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmark Regulation. Not every reference rate will fall within the scope of the Benchmark Regulation. Furthermore, transitional provisions in the Benchmark Regulation may have the result that an administrator and/or a benchmark is not required to appear in the register of administers 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.

For the page reference of the definitions of capitalised terms used herein see chapter 21 (*Index of Defined Terms*).

This Base Prospectus must be read and construed together with any supplements hereto and with the documents incorporated by reference herein (which can be found on the website of the Issuer, www.devolksbank.nl and may be obtained by contacting the Issuer by telephone (+31 30 291 42 46/ +31 30 291 48 07) or by e-mail: jacob.bosscha@devolksbank.nl and davey.hak@devolksbank.nl), and in relation to any Tranche, this Base Prospectus should be read and construed together with the applicable Final Terms.

The date of this Base Prospectus is 20 December 2018.

ARRANGER

NatWest Markets

DEALERS

Coöperatieve Rabobank U.A.
de Volksbank
NatWest Markets

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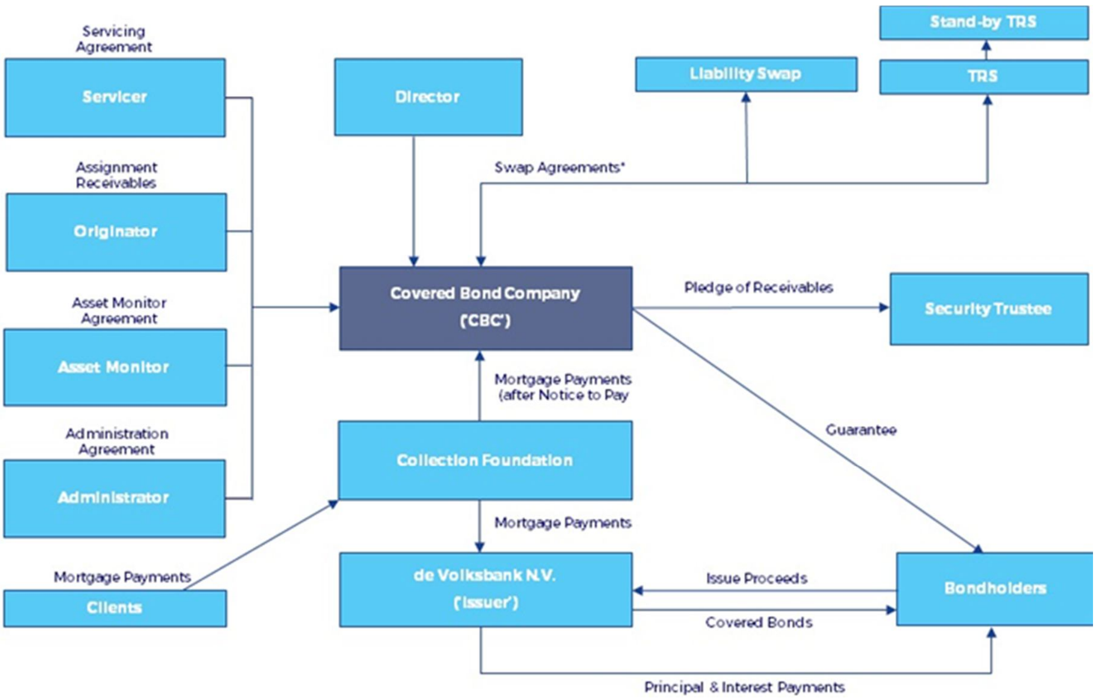
1. STRUCTURE DIAGRAM

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.



* The CBC may, but is not required to, enter into Swap Agreements, in order to hedge mismatches between the interest and principal and the currency thereof to be received on the Transferred Assets and the GIC Accounts and the amounts payable under the Covered Bonds.

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:	de Volksbank N.V., incorporated under Dutch law as a public limited liability company (*naamloze vennootschap*), having its corporate seat in Utrecht and registered with the Commercial Register of the Chamber of Commerce under number 16062338.
Originator:	de Volksbank N.V., incorporated under Dutch law as a public limited liability company (*naamloze vennootschap*) (the "**Originator**").
CBC:	Volks Covered Bond Company B.V., incorporated under Dutch law as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in Amsterdam and registered with the Commercial Register of the Chamber of Commerce under number 34286571.
Guarantor:	CBC.
Administrator:	Intertrust Administrative Services B.V. in its capacity as administrator under the Administration Agreement or its successor or successors.
Servicer:	de Volksbank 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.
Collection Foundation:	Stichting Hypotheken Incasso, established under Dutch law as a foundation (*stichting*), having its corporate seat in Amsterdam and registered with the Commercial Register at the Chamber of Commerce in Amsterdam under number 52181553.
Asset Monitor:	Ernst & Young Accountants LLP.
Arranger:	NatWest Markets, incorporated under the laws of Scotland.
Dealers:	Coöperatieve Rabobank U.A. ("**Rabobank**"), NatWest Markets, de Volksbank and any other dealer appointed to the Programme or for a particular Tranche of Covered Bonds.

Security Trustee:	Stichting Security Trustee Volks Covered Bond Company, established under Dutch law as a foundation (*stichting*), having its corporate seat in Amsterdam and registered with the Commercial Register at the Chamber of Commerce under number 34286862.
Stichting Holding:	the entire issued share capital of the CBC is held by Stichting Holding Volks Covered Bond Company, established under Dutch law as a foundation (*stichting*), having its corporate seat in Amsterdam and registered with the Commercial Register at the Chamber of Commerce under number 34286083.
Directors:	Intertrust Management B.V., the sole director of the CBC, Intertrust (Netherlands) B.V. the sole director of the Stichting Holding and SGG Securitisation Services B.V., the sole director of the Security Trustee. Intertrust Management B.V. and Intertrust (Netherlands) B.V. belong to the same group of companies.
Insurance Savings Participant:	SRLEV N.V., incorporated under Dutch law as a public limited liability company (*naamloze vennootschap*), having its corporate seat in Alkmaar and registered with the Commercial Register at the Chamber of Commerce under number 34297413 and such other saving insurance company which will enter into an Insurance Savings Participation Agreement with the CBC.
Bank Savings Participant:	de Volksbank.
Previous Transaction SPV's:	PEARL Mortgage Backed Securities 1 B.V.; Lowland Mortgage Backed Securities 4 B.V.; Lowland Mortgage Backed Securities 5 B.V.; Lowland Mortgage Backed Securities 6 B.V. and Woonhuishypotheken B.V.
Previous Transaction Security Trustees:	Stichting Security Trustee PEARL Mortgage Backed Securities 1; Stichting Security Trustee Lowland Mortgage Backed Securities 4; Stichting Security Trustee Lowland Mortgage Backed Securities 5; Stichting Security Trustee Lowland Mortgage Backed Securities 6; and Stichting Security Trustee Woonhuishypotheken.
GIC Provider:	Rabobank.
Foundation Account Providers:	de Volksbank and Rabobank.
Total Return Swap	de Volksbank.

Counterparty:

Standby Total Return Swap Providers: each of NatWest Markets and Rabobank (and together with the Total Return Swap Counterparty, all Interest Rate Swap Counterparties and all Structured Swap Counterparties, the "**Swap Counterparties**").

Principal Paying Agent: Banque Internationale à Luxembourg S.A. (the "**Principal Paying Agent**" or "**BIL**"), a company incorporated in Luxemburg.

Paying Agent: any paying agent appointed under the Agency Agreement, (and together with the Principal Paying Agent, the "**Paying Agents**").

Listing Agent: (i) BIL, with respect to listing of the Covered Bonds on the Luxembourg Stock Exchange and (ii) de Volksbank with respect to listing of the Covered Bonds on Euronext Amsterdam.

Registrar: de Volksbank.

Rating Agencies: 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 Moody's, the "**Rating Agencies**" and each a "**Rating Agency**".

<u>THE COVERED BONDS:</u>

Programme size: Up to € 15,000,000,000 outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the programme agreement dated 13 December 2007 between, *inter alia*, the Issuer, the Security Trustee, the CBC and the Dealers as the same may be amended and/or supplemented and/or restated from time to time (the "**Programme Agreement**").

Issue Price: 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.

Form: Each Covered Bond will be in a bearer or registered form.

Each Tranche of Bearer Covered Bonds will (unless otherwise specified in the applicable Final Terms) initially be represented by a Temporary Global Covered Bond or, if so indicated in the applicable Final Terms, a Permanent Global Covered Bond. Each Temporary Global Covered Bond (a) which is intended to be issued in NGN form (a

"**NGN Temporary Global Covered Bond**") will be deposited on or around the relevant Issue Date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg, (b) which is not intended to be issued in NGN form may 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 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 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 or regulations applicable to the relevant Specified 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 € 100,000 (or if the Covered Bonds are denominated in a currency other than euro, the equivalent amount in such currency).

Currencies: Subject to any applicable legal or regulatory restrictions, the Covered Bonds may be issued in euros or in other currencies as set forth in the applicable Final Terms.

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 among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer, save for any obligations preferred by a mandatory operation of applicable law.

Interest: Interest (which may be fixed or floating) shall be payable on each Series or Tranche of Covered Bonds on the Interest Payment Dates specified in the applicable Final Terms up to the Maturity Date or the Extended Due for Payment Date, if applicable. Interest shall be payable monthly, bi-monthly, quarterly, semi-annually, annually or upon redemption of the relevant Covered Bonds (other than Zero Coupon Covered Bonds).

Fixed Rate Covered Bonds: Fixed Rate Covered Bonds means Covered Bonds which will bear interest at a fixed rate, payable on such date or dates as set forth in the applicable Final Terms and on redemption and will be calculated on the basis of such Day Count Fraction as set forth in the applicable Final Terms.

Floating Rate Covered Bonds: Floating Rate Covered Bonds means Covered Bonds which will bear interest either at a rate determined on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as 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) and will be calculated on the basis of such Day Count Fraction as set forth in the applicable Final Terms. The relevant margin (the "**Margin**") (if any) relating to such floating rate will be specified as being the Margin in the applicable Final Terms.

Other provisions in relation to Floating Rate Covered Bonds may also have a maximum

Floating Rate Covered Bonds:	interest rate ("**Cap**"), a minimum interest rate ("**Floor**") or both ("**Collar**"). 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.
Zero Coupon Covered Bonds:	Zero coupon bonds means Covered Bonds which will not bear interest except in the case of late payment ("**Zero Coupon Covered Bonds**").
Redemption:	The applicable Final Terms will indicate that (a) the relevant Covered Bonds cannot be redeemed prior to their stated maturity (other than following specified events, if applicable, or for taxation reasons or following an Issuer Event of Default or a CBC Event of Default) or (b) such Covered Bonds will be redeemable at the option of the Issuer upon giving notice to the Covered Bondholders, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as set forth in the applicable Final Terms or (c) such Covered Bonds will be redeemable at the option of the Covered Bondholder upon giving notice to the Issuer, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as set forth in the applicable Final Terms.
Maturities:	Such maturities as set forth in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank or regulatory authority (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency, subject to a maximum maturity for each Series of forty (40) years.
Withholding Tax:	All payments of, or in respect of, principal and interest on the Covered Bonds will be made without withholding of, or deduction for, or on account of any present or future taxes, duties, assessments or charges of whatsoever nature imposed or levied by or on behalf of the Netherlands, any authority therein or thereof having power to tax unless the withholding or deduction of such taxes, duties, assessments or charges are required by law. In that event, the Issuer will make the required withholding or deduction of such taxes, duties, assessments or charges for the account of the Covered Bondholders, as the case may be, and the Issuer will be required to pay such additional amounts to cover such withholding or reduction to such Covered Bondholders or, if the Issuer so elects, it may redeem the Series affected. The CBC will not be required or liable to pay such additional amounts.

FATCA Withholding	Payments in respect of the Covered Bonds might be subject to any withholding or deduction required pursuant to an agreement described in section 1471(b) of the US IR Code or otherwise imposed pursuant to sections 1471 through 1474 of the US IR Code, any regulations or agreements thereunder, official interpretation thereof, or any law implementing an intergovernmental agreement thereto ("**FATCA Withholding**"). 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 the relevant currency to Euroclear Nederland or as the case may be, (ii) in the relevant currency to the Principal Paying Agent for the credit of the respective accounts of the Covered Bondholders through Euroclear and Clearstream, Luxembourg or as the case may be, (iii) in accordance with the rules of another agreed clearing system, and as set forth in the applicable Final Terms.
Use of proceeds:	The net proceeds from each issue of Covered Bonds will be used by the Issuer for its general corporate purposes.
<u>SECURITY FOR THE COVERED BONDS:</u>	
Guarantee, Security, CBC:	Pursuant to the Guarantee issued under the Trust Deed, the CBC will as an independent obligation irrevocably undertake to pay 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 Relevant 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 Post Issuer Acceleration Notice Priority of Payments or the Post CBC Acceleration Notice Priority of Payments, as applicable.
Parallel Debt Agreement:	On the Programme Date, the CBC and the Security Trustee have entered into a parallel debt agreement (the "**Parallel Debt Agreement**") 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.

Security over Collection Foundation Accounts balances:

The Collection Foundation has granted (i) a first ranking right of pledge on the balances standing to the credit of the Collection Foundation Accounts in favour of the Security Trustee and the Previous Transaction Security Trustees jointly and (ii) a second ranking right of pledge to the Issuer and the Previous Transaction SPVs jointly both under the condition that future issuers (and any future security trustees relating thereto) in subsequent securitisation transactions or covered bond transactions and future vehicles in conduit transactions or similar transactions initiated by the Issuer will after accession also have the benefit of such first ranking right of pledge, or second ranking right of pledge, respectively. Such rights of pledge have been notified to the Foundation Account Providers.

Guaranteed Amount:

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

Extendable obligations:

An Extended Due for Payment Date will apply in relation to each Series of Covered Bonds. In respect of each Series, if the CBC is obliged under the Guarantee to pay a Guaranteed Final Redemption Amount, 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, unless any amounts are available to the CBC for such purpose prior to such date and will be paid on the relevant Interest Payment Date or Extension Date; and

(b) the CBC shall under the Guarantee owe interest over the unpaid portion of the Guaranteed Final Redemption Amount.

Guarantee Support:

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

THE MORTGAGE RECEIVABLES:

Mortgage Receivables:

Under the Guarantee Support Agreement, the Originator may assign any and all of its rights against a debtor or debtors including any jointly and severally liable co-debtor or co-debtors ("**Borrowers**") of a mortgage loan granted by the Originator to such Borrowers which may consist of one or more loan parts (*leningdelen*) ("**Mortgage Loan**"), including any and all claims of the Originator on the Borrower as a result of the Mortgage Loan being terminated, dissolved or declared null and void ("**Mortgage Receivable**"), and all claims which the Originator has or will have as beneficiary vis-à-vis an Insurance Company in respect of the relevant Insurance Policy under which the Originator has 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 the assignment of Eligible Receivables has taken place and to the extent not redeemed, retransferred, sold or otherwise disposed of, be the loans entered into by the Originator and the relevant Borrowers set out in the relevant deed of assignment, re-assignment, release 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*), (iii) a long lease (*erfpacht*) or (iv) a right of superficies (*opstalrecht*), (together with real property and apartment rights, the "**Mortgaged Assets**"), situated in the Netherlands and entered into by the Originator and the relevant Borrowers. See section 10 (*Guarantee Support Agreement*).

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

Insurance Savings Participation Agreement:

The CBC has entered into an insurance savings participation agreement (the "**Insurance Savings Participation Agreement**") with the Insurance Savings Participant under which the Insurance Savings Participant will acquire participations under the condition precedent of an Assignment Notification Event in the relevant Mortgage Receivables resulting from any Insurance Savings

Mortgage Loan (the "**Insurance Savings Mortgage Receivables**") equal to amounts of Savings Premium paid by the relevant Borrower to the Insurance Savings Participant in respect of a Savings Insurance Policy, with respect to de Volksbank, with the Savings Alternative. In the Insurance Savings Participation Agreement the Insurance Savings Participant has undertaken to pay to the CBC amounts equal to all amounts received as Savings Premium on the Savings Insurance Policies, with respect to de Volksbank, with the Savings Alternative. In return, the Insurance Savings Participant is entitled to receive the Insurance Savings Participation Redemption Available Amount from the CBC. The CBC will have the right, but not the obligation, to enter into an Insurance Savings Participation Agreement with any other Insurance Company which offers a Savings Insurance Policy connected to an Insurance Savings Mortgage Receivable which has been transferred to the CBC. See further section 14 (*Participation Agreements*).

Bank Savings Participation Agreement:

The CBC has entered into a bank savings participation agreement (the "**Bank Savings Participation Agreement**") with the Bank Savings Participant under which the Bank Savings Participant will acquire participations, under the condition precedent of an Assignment Notification Event in, with respect to the Bank Savings Participant, the relevant Mortgage Receivables in connection with the relevant Bank Savings Mortgage Loans (the relevant "**Bank Savings Mortgage Receivables**") equal to amounts received as Bank Savings Deposit to the Bank Savings Participant. In the Bank Savings Participation Agreement the Bank Savings Participant has undertaken to pay to the CBC amounts equal to all amounts received as Bank Savings Deposit. In return, the Bank Savings Participant is entitled to receive the Bank Savings Participation Redemption Available Amount from the CBC. See further section 14 (*Participation Agreements*).

Administration Agreement:

Under the terms of an administration agreement entered into on the Programme Date between the CBC, de Volksbank and the Security Trustee, as amended, restated and transferred from de Volksbank to the Administrator on 30 April 2014 (the "**Administration Agreement**"), the Administrator agrees to provide certain administration, calculation and cash management services to the CBC on a day-to-day basis, including without limitation, all calculations to be made pursuant to the Conditions in connection with the Covered Bonds. The Administrator is permitted to sub-contract its administration role to a third party administrator subject to any applicable conditions in the Administration Agreement.

Servicing Agreement: Under the terms of a servicing agreement entered into on the Programme Date (the "**Servicing Agreement**") 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; (ii) to communicate with the Borrowers and (iii) to investigate payment delinquencies. The Servicer is permitted to sub-contract its servicing role to its subsidiaries and, subject to any applicable conditions in the Servicing Agreement to another third party servicer. If Substitution Assets are transferred to the CBC, the CBC will appoint a custodian to provide custody services in relation to such Substitution Assets.

GIC: The CBC and the GIC Provider have entered into a floating rate guaranteed investment contract (the "**GIC**") on the Programme Date, under which the GIC Provider agrees to pay a guaranteed rate of interest determined by reference to EONIA less a margin of 0.15% (the "**GIC Margin**") on the balance standing to the credit of the GIC Accounts from time to time (the "**GIC Funds**") or such other interest rate as may be agreed between the GIC Provider and the CBC.

"**EONIA**" means for any day, the reference rate equal to the overnight rate as calculated by the Banking Federation of the European Union, if such day is a Business Day, on such Business Day or, if such day is not a Business Day, on the first Business Day following that day, at or about 7 p.m. Brussels time on such Business Day and which appears for information purposes on the Reuters Screen EONIA (or its successor sources) (or, if not available, any other display page on any screen service maintained by any registered information vendor (including, without limitation, the Reuter Monitor Money Rate Service, the Dow Jones Telerate Service and the Bloomberg Service) for the display of the EONIA rate selected by the Administrator).

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

Collection Foundation Accounts: All payments made by the Borrowers in respect of the Mortgage Loans will be paid or have been directed to be paid into the Collection Foundation Accounts (as defined below).

Swaps: There may be certain mismatches between the interest and principal and the currency thereof to be received on the Transferred Assets and the GIC Accounts and the amounts payable under the Covered Bonds. In order to mitigate these mismatches, the CBC may, but is not required, to enter into appropriate hedging arrangements, which may be in the form of a swap transaction which may include transactions whereby the interest on the Covered Bonds will be exchanged with the income of an equivalent part of the Total Pool Assets.

The CBC has in respect of certain Covered Bonds entered into Total Return Swaps and Interest Rate Swaps and may, but is not required to, in relation to Covered Bonds to be issued, increase the amounts exchanged under the Total Return Swap Agreement to swap an equivalent part of the interest received on the Transferred Assets and the GIC Accounts to EURIBOR and may enter into Interest Rate Swaps and Structured Swaps as further described below. The Issuer may also issue new Covered Bonds which are not hedged by the CBC under any Swap Agreement, except for its obligation to enter into a Structured Swap Agreement if any Series is denominated in a currency other than euro.

The Total Return Swap Agreement has provided and will only provide a hedge in relation to the Covered Bonds that have been issued under the Programme and that have been (and continue to be) designated as "**TRS Hedged Covered Bonds**" by the Total Return Swap Counterparty (such bonds referred to as the "**TRS Hedged Covered Bonds**") under the Total Return Swap Agreement. The Issuer may agree with the CBC and the Security Trustee that Covered Bonds that are TRS Hedged Covered Bonds will no longer be hedged under the Total Return Swap and will no longer be TRS Hedged Covered Bonds.

In case a new Series is issued which has not been accepted or does no longer continue to be designated as TRS Hedged Covered Bonds and therefore has not been hedged under the Total Return Swap Agreement, the income of an equivalent part of the Total Pool Assets will not be exchanged with the interest on the Covered Bonds (unless such part of the Total Pool Assets is hedged under an Interest Rate Swap Agreement) and only a *pro rata* part of the Total Pool Assets, equal to the TRS Hedged Covered Bonds Ratio multiplied by all Total Pool Assets, will be hedged. The "**TRS Hedged Covered Bonds Ratio**" will be equal to (i) the aggregate Principal Amount Outstanding of all TRS Hedged Covered Bonds divided by (ii) the aggregate Principal Amount Outstanding of all Covered Bonds (including, for the avoidance of doubt, Covered Bonds which are no longer TRS Hedged Covered Bonds).

In order to avoid any adverse rating action in relation to the Covered Bonds, the Issuer and the CBC have entered into the Novation Agreements with each Standby Total Return Swap Provider to establish certain standby swap arrangements in relation to the Total Return Swap Agreement. Pursuant to the terms of the Novation Agreement, with effect from and including the Novation Trigger Date, the Total Return Swap Counterparty will transfer by novation to each Total Return Standby Swap Provider all of its rights and obligations under and in respect of a portion of the Total Return Swap Agreement, with the effect that the CBC, each Standby Total Return Swap Provider and the Security Trustee shall be deemed to enter into a new transaction and the rights and obligations of the CBC and the Total Return Swap Counterparty under the Total Return Swap Agreement will be released and discharged to the extent that the CBC and the relevant Standby Total Return Swap Provider have undertaken corresponding obligations to each other pursuant to the terms of the Standby Total Return Swap Agreements.

Payments under the Total Return Swap Agreement will be and under the Interest Rate Swap Agreement and Structured Swap Agreement may be made conditional upon the occurrence of an Assignment Notification Event or a Notice to Pay having been served. If Portfolio Tests are implemented as an alternative to the Total Return Swap Agreement or any Standby Total Return Swap Agreement, then the Total Return Swap Agreement and the relevant Standby Total Return Swap Agreement may be terminated and, in the case of such an alternative hedging methodology, the CBC will be required to enter into such derivative transactions as are required to comply with such alternative hedging methodology.

To enable the CBC to hedge its exposure arising from any Series denominated in a currency other than euro de Volksbank will pursuant to the Swap Undertaking Letter be required to enter into (or procure a third party that is an Eligible Swap Counterparty to enter into) Structured Swaps with the CBC in respect of such Series of Covered Bonds. The CBC may also hedge its exposure arising from any Series denominated in euro and enter into Interest Rate Swaps with de Volksbank or a third party, provided that (i) prior to the occurrence of an Issuer Event of Default de Volksbank has consented thereto, (ii) Rating Agency Confirmation has been given and (iii) the Security Trustee has given its prior consent thereto. de Volksbank is not obliged to enter into any Interest Rate Swap or, prior to the occurrence of an Issuer Event of Default, to agree to the CBC entering into such Interest Rate Swap with a third party.

Management Agreements: Each of the CBC, the Security Trustee and the Stichting Holding have entered into a management agreement (together the "**Management Agreements**") 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 NautaDutilh N.V. (the "**Agent**") have entered into a deposit agreement pursuant to which the Transferors will deposit escrow lists of loans with the Agent, which lists contain the name and address of the Borrowers (the "**Deposit Agreement**") as amended, supplemented, restated or otherwise modified from time to time.

OTHER:

Listing: Application has been made for the Covered Bonds to be issued under the Programme to be listed or admitted to trading on the official list of the Luxembourg Stock Exchange and/or Euronext Amsterdam, as the case may be. The Covered Bonds may also be listed, quoted and/or traded on or by such other or further competent listing authority(ies), stock exchange(s) and/or quoted system(s) as set forth in the applicable Final Terms in relation to each Series. Unlisted Covered Bonds may also be issued.

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).

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.

Ratings: It is expected that a Series of Covered Bonds will, on issue, be assigned a rating equal to the rating of the then outstanding Covered Bonds (in case any rating will be assigned). On the date of this Base Prospectus the outstanding Covered Bonds have an "Aaa" rating by

Moody's and an "AAA" rating by Fitch and the rating will be specified in the applicable Final Terms.

Relevant Documents:	the Programme Agreement, the Master Definitions Agreement, the Pledge Agreements, the Swap Agreements, the Administration Agreement, the Servicing Agreement, the Deposit Agreement, the GIC, the Trust Deed, the Parallel Debt Agreement, the Agency Agreement, the Guarantee Support Agreement, the Receivables Proceeds Distribution Agreement, the Collection Foundation Account Pledge Agreement, any Beneficiary Waiver Agreement, any Insurance Savings Participation Agreement, any Bank Savings Participation Agreement, the Asset Monitoring Agreement, any Calculation Agency Agreement, any Asset Monitor Appointment Agreement, the Management Agreements and any other documents relating to the Volks Covered Bond Programme (the "**Relevant Documents**").
Governing Law:	The Covered Bonds and the Relevant 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.
CB Regulations:	The primary cover assets (*primaire dekkingsactiva*) of the Programme comprise of receivables backed by residential property as referred to in article 129(1)(d)(i) CRR. Each Borrower is a resident of the Netherlands and the Mortgage Receivables are governed by Dutch law. The Extended Due for Payment Date is the date falling one (1) year after the Maturity Date, as specified in the applicable Final Terms.
Risk factors:	There are certain factors which may affect the ability of the Issuer to fulfil its obligations under the Covered Bonds issued under the Programme and/or the ability of the CBC to fulfil its obligations under the Guarantee. 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 obligations will be affected by certain factors. These include, among others, 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) standard banking risks including changes in interest and foreign exchange rates, (v) operational, credit, market, liquidity, legal risk and (vi) certain factors which are material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme (see in more detail section 3 (*Risk Factors*).

OVERVIEW OF RATING THRESHOLDS

The following overview of rating triggers does not purport to be complete and is qualified in all respects by the remainder of this Base Prospectus and the Relevant Documents. A specific rating or period in the following overview shall be deemed a reference to such other rating or period as may be determined to be applicable or agreed from time to time by the relevant Rating Agency.

Transaction Party	**Rating trigger Fitch**	**Rating trigger Moody's**	**Consequence if below rating triggers**	**Section in Base Prospectus**
GIC Provider	If rating falls below both F1 (short-term) and A (long-term)	If rating falls below Prime-1 (short-term)	Replacement gic provider or obtain a guarantee from a financial institution with GIC Provider Required Ratings.	Section 18 (*Cashflows* under *'GIC Accounts and Swap Replacement Ledger'*).
Issuer	If rating falls below BBB- (long-term)	If rating falls below Baa3 (long-term) (cr)	Asset Monitor to conduct the Asset Cover Test or the Amortisation Test following each Calculation Date.	Section 16 (*Asset Monitoring* under *'Asset Monitor'*).
Issuer	If rating falls below both F1 (short-term) and A (long-term)	If rating falls below Prime-1 (short-term)	Y1 of Asset Cover Test is triggered and Deposit Amount is deducted from the Adjusted Aggregate Asset Amount.	Section 16 (*Asset Monitoring, Asset Cover Test*).
Issuer	If rating falls below both F2 (short-term) and BBB (long-term)	If rating falls below Baa1 (long-term)	Y2 of Asset Cover Test is triggered an additional amount in connection to the commingling risk is deducted from the Adjusted Aggregate Asset Amount.	Section 16 (*Asset Monitoring* under *'Asset Cover Test'*).
Issuer	If rating falls below both F1 (short-term) and A (long-term)	If rating falls below Prime-1 (short-term) (cr)	Requirement to establish Reserve Fund up to the Reserve Fund Required Amount.	Section 18 (*Cashflows*).
Servicer	If rating falls below BBB- (long-term)	If rating falls below Baa3	Negotiate agreement with a back-up servicer.	Section 15 (*Servicing, Administration and Custody*).
Swap	Minimum rating	Minimum rating	Replacement of relevant swap provider or other remedy, subject	Section 17 (*Swaps*).

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Counterparties	specified in the relevant swap agreement	specified in the relevant swap agreement	to applicable rating criteria.	

Eligible Swap Counterparty*	**Fitch**	**Moody's**	**Consequences if below rating trigger**	**Section in Base Prospectus**
in the case of the Total Return Swap and any Standby Total Return Swap	If rating falls below both F1 (short-term) and A (long-term)	If rating falls below A2 (long-term) (cr) or Prime-1 (short-term) (cr) or, if no short-term rating is available, A1 (long-term) (cr)	Replacement of relevant swap provider or other remedy, subject to applicable rating criteria.	Section 17 (*Swaps*).
in the case of a Structured Swap	If rating falls below both F1 (short-term) and A (long-term)	If rating falls below A2 (long-term) (cr) or Prime-1 (short-term) (cr) or, if no short-term rating is available, A1 (long-term) (cr)	Replacement of relevant swap provider or other remedy, subject to applicable rating criteria.	Section 17 (*Swaps*).
in the case of an Interest Rate Swap	If rating falls below both F1 (short-term) and A (long-term)	If rating falls below A2 (long-term) (cr) or Prime-1 (short-term) (cr) or, if no short-term rating is available, A1 (long-term) (cr)	Replacement of relevant swap provider or other remedy, subject to applicable rating criteria.	Section 17 (*Swaps*).
* see for the minimum ratings specified in the relevant Swap Agreement the most recent Investor				

Report.

Collection Foundation	Fitch (to the extent if assigns to the bonds)	Moody's (to the extent if assigns to the bonds)	S&P (to the extent if assigns to the bonds)	Consequences if below rating trigger	Section in Base Prospectus
Foundation Account Providers	If rating falls below both F1 (short-term) and A (long-term)	If rating falls below Baa1 (long-term)	If rating falls below BBB (long-term) / A2 (short-term)	Post collateral, or establish reserve funds, or obtain a eligible guarantee, divert direct debits directly to the CBC or Security Trustee, or the (amounts standing to the) Collection Foundation Account will be transferred to Rabobank or the Collection Foundation Eligible Counterparty.	Section 18 (*Cashflows*).

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/or 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

The business of the Issuer is primarily concentrated in the Netherlands

The Issuer generates most of its income in the Netherlands and therefore is particularly exposed to the economic, political and social conditions in the Netherlands. Economic conditions in the Netherlands have been developing positively but may be negatively influenced by conditions in the global financial markets and economy. Partly due to the economic crisis, growth of the Dutch gross domestic product ("**GDP**") has been subdued. Following the growth of 2.0% in 2015, GDP grew 2.20% in 2016 followed by a growth of 3.20% in 2017. Any deterioration or merely a long-term persistence of a difficult economic environment in the Netherlands could negatively affect the demand for products and services of the Issuer. In addition, the Issuer is exposed to the risk of a significant deterioration of the financial position of its customers which include small and medium enterprises ("**SME**") in the Netherlands.

The Issuer faces substantial funding and liquidity risk

The Issuer's funding strategy aims at optimising and diversifying the Issuer's funding sources in order to maintain the targeted long-term funding position, liquidity profile and compliance with regulatory requirements. The Issuer's primary sources of funding are customer deposits and wholesale funding.

Customer deposits are currently the main funding source of the Issuer. The amount of such deposits is generally volatile and future amounts cannot be predicted. The amount of mortgage loans on the Issuer's balance sheet is higher than the amount of customer deposits attracted. This has resulted in a certain dependency on wholesale funding in the money markets and capital markets including the use of securitisation of the mortgage loan portfolio and the issuance of covered bonds.

Good access to the money markets and capital markets may be necessary to finance the growth of the mortgage loan portfolio and to refinance all outstanding loans of the Issuer with a shorter maturity than the mortgage loans in which the money is invested. The access to the money markets and capital markets for wholesale funding may be affected by concerns about the credit strength of the Issuer, but may also be influenced, *inter alia*, by concerns about the market segments in which the Issuer is active, or by a general market disruption. Access to the markets may be further affected by the credit ratings of the Issuer. Depending on market conditions and credit ratings of the Issuer, the possibilities to access the capital markets for funding may be limited.

Liquidity risk is the risk that the Issuer has insufficient liquid assets available in the short or long term to meet its financial obligations, under normal circumstances or in times of stress, without incurring unacceptable costs or losses. Although in addition to customer deposits and wholesale funding the Issuer may have access to the European Central Bank (the "**ECB**") facilities, the sensitivity of the Issuer to this risk is substantial.

The Issuer's business and results of operations may be adversely affected by a weakening of economic recovery in Europe, the uncertainties surrounding the United Kingdom's exit from the European Union, and any possible threat of default by certain Eurozone countries

Global markets and economic conditions have been negatively impacted in recent years by the banking and sovereign debt crisis in the EU and globally. In particular, concerns have been raised with respect to continuing economic, monetary and political conditions in the region comprised of the member states of the European Union ("**Member States**") that have adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957) as amended (the "**Eurozone**").The potential impact of a sovereign default on the Eurozone countries and the risk that some Member States could leave the Eurozone (either voluntarily or involuntarily), continues to raise concerns about the ongoing viability of the euro currency and the Economic and Monetary Union (the "**EMU**"). While the Quantitative Easing program ("**QE-program**") of the ECB is designed to improve confidence in Eurozone equities and encourage private bank lending, there remains considerable uncertainty as to whether such measures will sustain the economic recovery or avert the threat of sovereign default. The QE-program of the ECB that commenced in March 2015 entails the initiation of an asset purchase programme ("**APP**").

In June 2018, the ECB has announced in a press conference that the key ECB interest rates will remain unchanged for an extended period of time. It is currently unclear when and whether the ECB would increase the interest rates. In addition, the ECB stated that the net asset purchases under the APP are intended to run 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. The ending of the APP and any potential increase in interest rate may have a material adverse effect on the Issuer's prospects, financial condition and results of operations.

On 23 June 2016, the United Kingdom voted in a national referendum to withdraw from the European Union. On 29 March 2017, the United Kingdom has formally served the notice to the European Council of its desire to withdraw, but there remains uncertainty regarding this process. There is uncertainty relating to the negotiation and form of the United Kingdom's relationships with the European Union, other multilateral organizations and individual countries at the time of exit and beyond. The uncertainty surrounding such exit could negatively impact the European markets.

The full effects on the Dutch, European and global economies of the United Kingdom's exit from the European Union, other elections held or to be held in Europe, an exit of one or more additional Member States from the EMU, or a potential dissolution of the EMU and a consequential re-introduction of individual currencies in one or more EMU Member States, are impossible to predict. However, if any such event were to occur it may likely:

- result in significant market dislocation;
- result in significant volatility in the value of the euro against other currencies;
- significantly heighten counterparty risk;
- result in downgrades of credit ratings for European borrowers, giving rise to significant increases in credit spreads and decreases in security values;
- disrupt and adversely affect the economic activity of the Dutch and other European markets; and
- adversely affect the management of market risk and in particular asset and liability management due, in part, to the redenomination of financial assets and liabilities and the potential for mismatch.

The occurrence of any of these events or a combination thereof could have a material adverse effect on the Issuer's prospects, financial condition and results of operations.

The Issuer is exposed to the level of interest rates
The level of interest rates, credit spreads and changes in prevailing interest rates and credit spreads (including changes in the difference between the levels of prevailing short- and long-term rates) could adversely affect the results of the Issuer.

The results of the Issuer's business are affected by the management of interest rate sensitivity. The composition of the assets and liabilities of the Issuer, and any maturity gap position resulting from that composition, causes the banking business' net interest income to vary with changes in interest rates. There can be no assurance that the Issuer will be able to successfully manage interest rate spreads or the potential negative impact of risks associated with sustained low, flat and even negative interest rates (for example the inability of the Issuer to successfully charge negative interest rates on to its customers). Further, a decrease in the general level of interest rates could affect the Issuer through, among other things, increased prepayments on the loan and mortgage portfolios for instance as a result of low interest rates on saving accounts and through interest rate averaging and other measures enabling customers to benefit from the low interest rate environment.

The Issuer is exposed to the risk of a decline of and a high volatility in the securities markets and poor investment performance
The evolution and volatility of prices and indices of securities, both in terms of equity and fixed income, in which the Issuer invests, has a considerable impact on its investment income. Furthermore, securities and other financial markets can experience sustained periods of high volatility, unpredictable market movements, severe market dislocations and illiquidity or other liquidity disruptions. These market conditions can cause a reduction in the value of assets or collateral held by the Issuer, a decline in the profitability of certain assets, an increase in unrealised losses in the Issuer’s various (asset) portfolios, a reduction in unrealised gains in the Issuer’s various (asset) portfolios or in the demand for the products and services offered by the Issuer and may impede the Issuer’s timely or cost-efficient access to funding on the capital markets.

In addition, financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity. Moreover, under these conditions market participants are particularly exposed to trading strategies employed by many market participants simultaneously and on a large scale, which may further exacerbate such rapid decreases in asset values, collateral or liquidity disruptions.

Under highly volatile market conditions, funding transactions, as well as hedging and other risk management strategies may not be as effective at mitigating trading risks as they would be under more normal market conditions. The Issuer uses financial derivative measures as part of its risk management strategy and it may not be able to manage its exposures adequately through the use of such derivatives as a result of modelling, sensitivity analysis or other risk assessment method failures or as a result of appropriate derivative products not being available. Market conditions, and periods of high volatility can occur not only as a result of purely economic factors, but also as a result of war, acts of terrorism, natural disasters or other similar events outside the Issuer's control, please also see the risk factor '*Catastrophic events, terrorist attacks and similar events could have a negative impact on the business and results of the Issuer*' below. There is no assurance that market volatility will not result in a prolonged market decline, or that such market declines for other reasons will not occur in the future.

Severe market events have historically been difficult to predict and could lead to the Issuer realizing significant losses if extreme market events were to persist for an extended period of time. Therefore market volatility, liquidity disruptions or dislocations could have a material adverse effect on the Issuer's business, financial position and results of operations.

The Issuer is subject to currency-related risks
Currency risk exposure affects funding of the operations of the Issuer and part of its investment portfolios. To the extent these are not hedged or not hedged adequately, the Issuer is exposed to certain currency fluctuations between the euro and the U.S. dollar in particular, as well as other currencies, such as the Japanese yen, Hong Kong dollar, pound sterling and Australian dollar. The reporting currency of the Issuer is the euro. Non-euro income and expense items are translated into euro for consolidation of the profit and loss statement of the Issuer, on the basis of average exchange rates during the period. For the purposes of its consolidated balance sheet the Issuer converts non-euro denominated assets and liabilities into euro at the exchange rate prevailing at the balance sheet date.

The Issuer is exposed to the risk of a downgrade of any of its credit ratings
Ratings in relation to the Issuer are described in section 5 (*de Volksbank N.V.*), under *'Rating Agencies*'. A downgrade of any of these ratings (for whatever reason) would result in higher funding and refinancing costs for the Issuer in the capital markets. Such downgrade may also affect or effectively limit access to the capital markets. In addition, a downgrade of any of the Issuer's ratings may limit its opportunities to operate in certain business areas and could have an adverse effect on the Issuer's image vis-à-vis the capital markets and its customers.

A significant portion of the results of the Issuer relates to its mortgage loan products
Residential mortgage loans constitute approximately 75% of the Issuer's total assets at year-end 2017. An economic downturn, stagnation or drop in property values, changes in or abolition of the tax deductibility of interest payments on residential mortgage loans in the Netherlands, increased interest rates or a combination thereof, could lead to a decrease in the production of new mortgage loans and/or increased default rates on existing mortgage loans. Further, a decrease in the general level of interest rates could affect the Issuer through, among other things, increased prepayments on the loan and mortgage portfolio for instance as a result of low interest rates on saving accounts and through interest rate averaging and other measures enabling customers to benefit from the low interest rate environment. When low interest rates are offered on savings accounts, prepayments on mortgage loans are considered more beneficial to consumers than savings. Recently there has been a relatively high level of such prepayments. Also, fixation of lower margins for long interest rate periods on mortgage loans provided to customers may have a prolonged impact on the results of the Issuer.

The maximum permitted loan to value ("**LTV**") of newly originated mortgage loans has been lowered from 101% in 2017 to 100% in 2018. This might have a negative impact on the sale of the Issuer's principal residential mortgage products and therefore on the aggregate loan portfolio of the Issuer.

The Dutch tax system allows borrowers to deduct, subject to certain limitations, mortgage interest payments for owner-occupied residences from their taxable income. The period allowed for is restricted to a term of thirty (30) years.

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 who do not (immediately) sell their previous home.

As of 1 January 2013, interest deductibility in respect of newly originated mortgage loans originated after 1 January 2013 is further 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 or linear basis.

In addition to these changes further restrictions on interest deductibility have entered into force from 1 January 2014. The tax rate against which the mortgage interest may be deducted will be gradually reduced as of 1 January 2014. The maximum interest deductibility for mortgage loans for tax purposes decreases annually at a rate of 0.5% (i.e., 49.5% in 2018) down to 38% in 2042.

On 18 September 2018 the Dutch government presented the 2019 Dutch Tax Bill (*Belastingplan 2019*) to the Dutch Lower House. One of the proposed tax measures is to accelerate the decrease of the maximum interest deductibility for mortgage loans from 2020 with 3% annually down to 37.05% in 2023. If enacted, the mortgage interest deductibility rate will be decreased more quickly than the current annual decrease as from 2020 onwards.

These changes and any other or 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 or have an adverse effect on the value of the mortgaged assets.

A sharp increase in demands 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. As a consequence, the Issuer may not be able to capitalise all business opportunities.

The Issuer faces substantial competitive pressures which could adversely affect its results of operations

There is substantial competition in the Netherlands for the types of products and services that the Issuer distributes or provides. Competition in the financial services industry is furthered by the high level of consolidation in the Netherlands in the markets where the Issuer operates. The Issuer faces competition from banking parties such as ING Bank N.V., ABN AMRO Bank N.V. and Coöperatieve Rabobank U.A. and from non-banking parties, such as pension funds and insurance companies, with relatively new parties providing more segmented offers to its customers and clients. Technology giants, (start-up) fintech companies, payment specialists, retailers, telecommunication companies, crowd-funding initiatives and aggregators are all encroaching on traditional banking services. The clients of the Issuer, in turn, are willing to consider these offers. If the Issuer is unable to offer competing and attractive products and services that are profitable, it may lose market share or incur losses on some or all of its activities. Consumer demand, technological changes and innovations, regulatory actions and other factors also affect competition. Competitive pressures could result in increased pricing pressures, particularly as competitors seek to win market share, and may harm the ability of the Issuer to maintain or increase its market share and profitability.

The Issuer is exposed to financial risks, including counterparty exposure, and risks concerning the adequacy of its credit provisions

The Issuer is exposed to general credit risks, for example the Issuer is exposed to credit risks of borrowers. Third parties that owe the Issuer money, securities or other assets may not pay or perform under their obligations. These parties include customers (such as borrowers under loans granted, including, without limitation, to mortgage loans), the issuers whose securities are being held by an entity within the Issuer's group, trading counterparties, counterparties under swaps and credit and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. These parties may default on their obligations to the Issuer or its group companies due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other reasons.

In addition to the above, payments on mortgage loans are, *inter alia*, subject to credit, liquidity and interest rate risks. This may be due to, among other things, market interest rates, general economic conditions, the financial standing of borrowers and similar factors. The higher the loan to income ratio, the larger the proportion of the earnings of a borrower that will be needed to pay interest and principal under mortgage loans, especially when confronted with unexpected costs or expenses, or, in respect of an interest-only mortgage loan, the repayment of principal. This loan to income ratio and 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 loans.

The business of the Issuer is also subject to risks that have their impact on the adequacy of its credit provisions. These provisions relate to the possibility that a counterparty may default on its obligations to the Issuer which arise from lending or other financial transactions. Depending on the actual realisation of such counterparty default, the current credit provisions may prove to be inadequate.

If future events or the effects thereof do not fall within any of the assumptions, factors or assessments used by the Issuer to determine its credit provisions, these provisions could be inadequate.

The Issuer manages the financial risks it is exposed to and has developed a policy framework in relation thereto. These risks are subject to defined limits and guidelines. Financial risks are measured periodically to ensure compliance with such limits and guidelines.

Rates and prices include a fee for expected risks, the cost of shareholders' equity and loan capital and management expenses. Examples of such price risks are the credit risk in a loan. The structure of the shareholders' equity and the funding also affect the theoretical pricing. The actual pricing towards clients is determined on the basis of the advice of pricing committees, with account being taken of market conditions, in addition to the theoretical price. However, the rates and prices issued by the Issuer are agreed on the basis of theoretical rates and, therefore, may be insufficient to cover the actual risk and consequently the Issuer may experience unanticipated losses.

The regulatory environment to which the Issuer is subject gives rise to significant costs and management time, and non-compliance could result in monetary and reputational damages

The Issuer conducts its business in an environment that is highly regulated by financial services laws and regulations, corporate governance and administrative requirements and policies. Supervisory authorities may impose restrictions and conditions on the Issuer, including but not limited to capital, liquidity, corporate governance requirements and behavioural requirements. Interpretation of requirements by supervisory authorities and courts may change over time.

When offering new products, the Issuer may become subject to other and additional legislation and regulatory requirements. The financial services industry continues to be the focus of significant regulatory scrutiny. This has led to a more intensive approach to supervision and oversight, increased expectations, enhanced requirements and enforcement, and an increasing frequency and amount of data requests and visits from competent supervisory authorities. Implementing and monitoring compliance with applicable requirements means that the Issuer must continue to have a substantial staff dedicated to these activities and to spend monetary and management resources and to create sufficient awareness with the business staff of the products and services the Issuer offers and the rules applicable to them. Furthermore, the Issuer will also need to continue monitoring compliance of products and services that the Issuer no longer offers, which may be more complex than for products and services that are currently offered. If the Issuer is unable to commit sufficient resources for regulatory compliance, this could lead to delays and errors, and may force it to choose between prioritising compliance matters over administrative support for business activities, or may ultimately force the Issuer to cease the offering of certain products or services.

Any delays or errors in implementing regulatory compliance could lead to substantial monetary damages and fines, loss of significant assets, public reprimands, a negative effect on the Issuer's reputation, regulatory measures in the form of cease and desists orders, fines, increased regulatory compliance requirements or other potential regulatory restrictions on the Issuer's business, enforced suspension of operations and in extreme cases, withdrawal of licenses or authorisations to operate particular businesses, or criminal prosecution in certain circumstances. In addition to non-compliance by the Issuer itself, the Issuer may suffer negative consequences of non-compliance by its clients or any third parties. The Issuer may also suffer negative consequences of clients or any third parties operating businesses or schemes in violation of applicable rules and regulations whose activities the Issuer could be held to monitor and, where applicable, to denounce or to interrupt. The Issuer may be required to make greater expenditures and devote additional resources and management time to addressing these liabilities and requirements, which could have an adverse effect on the Issuer's business, financial position and results of operations.

As result of the introduction of the Single Supervisory Mechanism ("**SSM**") on 4 November 2014, the ECB is the primary prudential supervisory authority of the Issuer. For certain matters the Issuer will remain subject to supervision by local supervisory authorities such as the Dutch Central Bank (*De Nederlandsche Bank N.V.*, "**DNB**") and the AFM. The transition of prudential supervision from DNB to ECB had a significant impact and may continue to have a significant impact on supervision of the Issuer. This has also resulted in changes to local practices and in the interpretation of regulations applicable to the Issuer. The Issuer has significantly invested and may be forced to continue to significantly invest in resources to familiarise the ECB with the Issuer's business and financial position and to adapt to the ECB's supervisory approach.

The Issuer believes that oversight and scrutiny by supervisory authorities have increased significantly in recent years. This has in general led to more regulatory investigations and enforcement actions as well as an increase in the amount of fines against financial institutions. The last few years have seen a steep escalation in the severity of the terms which competent supervisory authorities and law enforcement authorities have required to settle legal and regulatory proceedings against financial institutions, with settlements including unprecedented monetary penalties as well as criminal sanctions. Non-compliance with applicable regulation may also lead to civil liability towards affected clients and, increasingly, third parties.

The regulatory environment to which the Issuer is subject gives rise to significant legal and financial compliance costs and management time, which could have an adverse effect on the Issuer's business, financial position and results of operations.

The financial services industry is subject to intensive regulation. Major changes in laws and regulations as well as enforcement action could have a negative impact on the Issuer

In pursuit of a broad reform and a restructuring of financial regulation, legislatures and supervisory authorities, continue to introduce proposals and implement standards that could result in major changes to the way the Issuer's operations are regulated and could have adverse consequences for its business, business model, financial position, results of operations, reputation and prospects. These changes could materially impact the profitability of the Issuer's businesses, the value of its assets or the collateral available for its loans, require changes to business practices or force the Issuer to discontinue businesses and expose the Issuer to additional costs, taxes, liabilities, enforcement actions and reputational risk and are likely to have a material impact on the Issuer. Current and ongoing prudential, conduct of business and more general regulatory initiatives include, but are not limited to:

- Regulatory capital requirements proposed by the Basel Committee on Banking Supervision (the "**Basel Committee**"), including its proposals set out in its paper released on 16 December 2010 (revised in June 2011) and press release of 13 January 2011 (the "**Basel III Final Recommendations**"), which are being implemented in the European Union through the Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC ("**CRD IV Directive**") and Regulation (EU) No 575/2013 ("**CRD IV Regulation**") of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ("**CRR**", and together with the CRD IV Directive, "**CRD IV**").

  The CRD IV Directive entered into force in the Netherlands on 1 August 2014. The CRR entered into effect on 1 January 2014. Certain provisions stemming from the aforementioned regulations have yet to become applicable. Since the introduction of the Basel III framework, the Basel Committee published several consultation documents for amendment of Basel III. Any amendments resulting from these and possible future consultations in the context of Basel III or its successors are likely to affect rules contained in CRD IV and/or the application of CRD IV and the rules and regulations based thereon CRD IV resulted, *inter alia*, in the Issuer becoming subject to stricter capital and liquidity requirements and has also affected the scope, coverage, and calculation of capital. In addition, more stringent rules apply to instruments in order to constitute regulatory capital (*toetsingsvermogen*). The supervisory authorities could require the Issuer to take remedial action if it breaches any of the regulatory capital requirements. The remedial action could be to work closely with the authorities to protect customers' interests and to restore the Issuer's capital and solvency positions to acceptable levels. (see below under '*Capital and/or liquidity requirements may adversely affect the business of the Issuer*').This may have a negative impact on the payments on the Covered Bonds.

  On 7 December 2017, the Basel Committee published the finalised Basel III reforms as improvements to the global regulatory framework ("**Basel III Reforms**") (informally referred to as Basel IV). Basel III Reforms seeks to restore credibility in the calculation of the risk weighted assets and improve the comparability of banks' ratio's. The most important changes involve stricter rules for internal models. Internal models for operational risk will no longer be permitted; a standardised approach must be applied instead. The rules for calculating risk weighted assets for credit risk will be tightened, under the standardised approach as well as under the internal ratings-based (IRB) approach. This includes changes to the requirements for the risk-weighting of mortgages. In the revised standardised approach mortgage risk weights depend on the LTV ratio of the mortgage. Other changes relevant for the Issuer are certain procedural aspects for being able to apply a preferential risk weight based on the LTV ratio (e.g. required documentation). The impact of Basel III Reforms on the treatment of guarantees (such as the Dutch National Mortgage Guarantee, *Nationale Hypotheek Garantie*) is not yet clear. In accordance with Basel III Reforms, the risk weighted assets of banks using internal models cannot, in aggregate, fall below 72.5% of the risk weighted assets computed by the standardised approach (the output floor will be phased-in from 50% in 2022 to 72.5% in 2027). The implementation of the Basel III Reforms will be gradual, starting from 2022 until 2027, over a five year period. The Basel III Reforms in general, and the revisions to the standardised approach for credit risk and the capital floor framework based thereon in particular will have a significant impact on the Issuer.

- The Bank Recovery and Resolution Directive (2014/59/EU, the "**BRRD**") which was published on 12 June 2014 and the European regulation establishing uniform rules and a uniform procedure for the resolution of banks and certain investment firms in the framework of the Single Resolution Mechanism Regulation (Regulation 806/2014) (the "**SRM Regulation**"), set out the European framework for the recovery and resolution of (amongst others) failing banks, certain investment firms and certain of their holding companies. The SRM Regulation was published on 30 July 2014 and entered into force on 19 August 2014, providing for a single resolution framework, a single resolution board ("**SRB**") and a single resolution fund ("**Single Resolution Fund**"). The BRRD has been transposed into Dutch law pursuant to the Act implementing the European framework for the recovery and resolution of banks and investment firms (*Implementatiewet Europees kader voor herstel en afwikkeling van banken en beleggingsondernemingen*), the "**BRRD Implementation Act**"), which entered into force on 26 November 2015. The BRRD and SRM Regulation may have a severe impact on the Issuer. See also the risk factor '*Resolution regimes may lead to fewer assets of the Issuer being available to investors for recourse for their claims, and may lead to lower credit ratings and possibly higher cost of funding*' below.

- 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 (the "**EU Banking Reforms**"). This includes changes to CRD IV, CRD IV Regulation, BRRD and SRM Regulation. In short the following key elements are included in the proposal: (a) a binding 3% leverage ratio for banks, (b) a binding detailed net stable funding ratio for banks, (c) macroprudential tools for supervisory authorities, (d) a new category of 'non-preferred' senior debt, (e) revisions in the framework for a minimum requirement for own funds and eligible liabilities, (f) 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), (g) the introduction of the new total loss absorbing capacity ("**TLAC**") standard for global systemically important institutions ("**G-SIIs**") (as discussed below under '*Capital and/or liquidity requirements may adversely affect the business of the Issuer*'), (h) a revised calculation method for derivatives exposures, (i) changes to the framework for institution-specific additional own funds ('pillar 2') and (j) the introduction of (additional) moratorium powers of competent authorities to suspend contractual obligations. This EC proposal does not yet incorporate certain amendments discussed on the level of the Basel Committee in the context of Basel IV, such as the regulatory treatment of credit and operational risk. Save 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 final implementation of these reforms as at the date hereof is unclear. The EU Banking Reforms are still subject to debate and approval at the EU Level as well as implementation and entry into force in the Member States.

  In respect of the binding leverage ratio, it was agreed in the Netherlands that the Dutch systematically important banks, including the Issuer, would ultimately in 2018 comply with a leverage ratio of at least 4%. On 10 October 2017, however, a coalition of four parties which form the current Dutch government published its government coalition agreement (*regeerakkoord*), in which it announced that the leverage ratio requirement would be brought in line with European standards. In the meantime, international discussions regarding a possible leverage ratio surcharge (compared to the 3% introduced in the EU Banking Reforms) for G-SIIs have resulted in the Basel III Reforms introducing such surcharge. The Issuer does not currently qualify as a G-SII. A potential similar surcharge for nationally systematically important banks is however being investigated.

- In addition, at the end of 2015, the ECB started a targeted review of internal models ("**TRIM**") to assess whether the internal models currently used by banks comply with regulatory requirements, and whether they are reliable and comparable. Banks may use internal models to determine their Pillar 1 own funds requirements. The ECB will initially check all banks that fall under its direct supervision and that use approved Pillar 1 internal models, which is the case for the Issuer. The ECB has indicated that TRIM could result in increases in capital needs for individual banks. The final review report from the ECB has not given reasons for the Issuer to expect any significant impact on its risk-weighted assets. However, it remains uncertain to what extend TRIM's findings may directly or indirectly affect the Issuer in the future additionally.

- The (recast) EU Directive on deposit guarantee schemes (2014/49/EU) (the "**Recast Deposit Guarantee Directive**") entered into force in July 2014. The Recast Deposit Guarantee Directive regulates among others the harmonisation of the ex-ante financing of the deposit guarantee schemes, the harmonisation of the maximum payment of € 100,000 under a deposit guarantee scheme, the cross-border cooperation of (foreign) deposit guarantee schemes, more transparency for depositors, the verification of claims by the deposit guarantee schemes and the reimbursement in the event of a bank failure. The legislation implementing the Recast Deposit Guarantee Directive in the Netherlands entered into force on 26 November 2015. Further thereto, in November 2015 the EC has proposed an euro-area wide insurance scheme for bank deposits. It is not yet clear whether and if so, when this will come into effect. See also the risk factor '*The Issuer's participation in Compensation Schemes may have a material adverse effect on its results of operations and financial condition*' below.

- The revised EU Directive on Markets in Financial Instruments (Directive 2014/65/EU) ("**MiFID**") and the accompanying regulation (Regulation (EU) No. 600/2014) "**MiFIR**" (together "**MiFID II**"), which replaces, extends and improves existing European rules on markets in financial instruments, giving more extensive powers to supervisory authorities, increasing market infrastructure and reporting requirements, more robust investor protection, increasing both equity and non-equity market transparency, introducing a harmonised position-limits regime for commodity derivatives, introducing product governance requirements and introducing the possibility to impose higher fines in case of infringement of its requirements. The directive has been implemented into national legislation as of 3 January 2018 with entry into force on 3 January 2018.

- The European Market Infrastructure Regulation ("**EMIR**") introduced new obligations relevant for the Issuer, which include (i) central clearing for certain classes of OTC derivatives, (ii) the application of risk mitigation techniques for non-centrally cleared OTC derivatives and (iii) reporting of both exchange traded and OTC derivative transactions. The obligations under (iii) have taken effect already. The central clearing obligation referred to under (i) as well as part of the risk mitigation techniques referred to under (ii) are currently being phased in gradually. See also the risk factor *'Risks in relation to EMIR'* below.

- The Mortgage Credit Directive 2014/17/EU on credit agreements for consumers relating to residential immovable property adopted on 4 February 2014 (the "**Mortgage Credit Directive**") aiming to afford high level consumer protection throughout the EEA. The act implementing the Mortgage Credit Directive in the Netherlands entered into force on 14 July 2016, introducing, among others, a licence requirement and passport regime for intermediaries of mortgage credit. Further thereto, the implementation introduced new requirements regarding pre-contractual information, the way of calculating the annual percentage rate of charge, early repayment and arrears, and foreclosure.

- Adopted legislation, introduced by the Dutch government, banning and/or restricting inducements relating to investment services and to financial services in relation to certain products, such as mortgages and complex products, reducing fee and commission income. The foregoing ban and/or restrictions, in respect of investment services, has been amended further to the implementation of MiFID II. For instance, the provision of research to investment firms may under circumstances qualify as an inducement under MIFID II, which is subject to the inducement ban.

- Restrictions applicable to the Dutch principal residential mortgage loan market for individuals, including a reduction in the maximum loan amount for government-guaranteed mortgage loans (*Nationale Hypotheekgarantie*, "**NHG**"), a reduction of the maximum permissible amount of a mortgage loan relative to the value of the property and a reduction on tax deductibility of new mortgages loans, could lead to further downward pressure on the total outstanding volume of mortgages in the Netherlands which could decrease the size of the Issuer's mortgage portfolio and to have an effect on the house prices and the rate of economic recovery which may result in an increase of defaults, prepayments and repayments.

- The mortgage lending rules and the restrictions to mortgage interest relief, applicable to the principal residential mortgage market, may have a particular impact on the Issuer's principal residential mortgage business. These measures might have a negative impact on the sale of the Issuer's principal residential mortgage products and therefore on the aggregate loan portfolio of the Issuer, on the interest margins that it is able to earn on new and existing principal residential mortgages, as well as on the ability of its clients to pay amounts due in time and in full. See also the risk factors '*The business of the Issuer is primarily concentrated in the Netherlands*' and '*A significant portion of the results of the Issuer relates to its mortgage loan products*'.

- The EC objectives for a reform of the general EU legal framework on the protection of personal data are to: (i) modernise the EU legal system for the protection of personal data, in particular to meet the challenges resulting from globalisation and the use of new technologies, (ii) strengthen individuals' rights and at the same time reduce administrative formalities to ensure a free flow of personal data within the EU and beyond, (iii) improve the clarity and coherence of the EU rules for personal data protection and achieve consistent and effective implementation of the privacy rules and application of the fundamental right to the protection of personal data in all areas of the EU's activities. The EC achieved this reform by substituting the EU Data Protection Directive of 1995 for a new EU general data protection regulation that applied directly and uniformly throughout the European Union. This reform has a major impact on the private sector and provides for significant fines, with fines that could amount to 4% of the worldwide turnover of a company or € 20 million, whichever one is higher. The General Data Protection Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the "**GDPR**") was adopted on 27 April 2016 and entered into force on 25 May 2018. The GDPR, allowed Member States to further enact local legislation on a number of aspects. In the Netherlands the legislature has made use of this possibility by means of the GDPR Implementation Act (*Uitvoeringswet Algemene verordening gegevensbescherming*).

- The new payment services directive ("**PSD II**") which imposes additional requirements on the Issuer with respect to payment services in the EEA and supports the emergence of new players and the development of innovative mobile and internet payments in Europe. Members States had to transpose PSD II into national law by 13 January 2018. The Netherlands legislature did not meet this implementation deadline. It is not clear yet when PSD II will be implemented in the Netherlands, but implementation is not expected before the end of 2018. Key elements of the PSD II that could impact the Issuer are: (i) access to payment accounts by other parties than the bank where the customer holds an account (Third Party Access), and (ii) security requirements. Third Party Access as described in the PSD II may force the Issuer to make substantial investments and expose it to more or intensified competition and can be a threat as parties other than banks focus on the customer-engagement components of the value chain and leave the commoditised transactional components to banks which could lead to disintermediation. Security is and will remain a core element in the service offering of banks whereby it is important that the security requirements in the PSD II strike the right balance between ease of use and risk.

- The EC has published a proposal on 14 February 2013 (the "**EC's Proposal**") for a Directive for a common Financial Transactions Tax ("**FTT**") in, currently, Austria, Belgium, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain (the "**participating Member States**").

  The EC's Proposal has a very broad scope and could, if introduced in its current form, apply to certain dealings in the Covered Bonds (including secondary market transactions) in certain circumstances. Under the EC'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 the Covered Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

  However, the EC's Proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Covered Bonds are advised to seek their own professional advice in relation to the FTT.

- The Dutch government aims to introduce a 'thin capitalization rule' for banks and insurers as of 2020. This new rule would limit the deduction of interest on debt exceeding 92% of the Issuer's commercial balance sheet total. This policy intention stems from the coalition agreement (*regeerakkoord*) 2017-2021 of the Dutch government as published on 10 October 2017 and the 2019 Dutch Tax Bill (*Belastingplan 2019*) as published on 18 September 2018. At the date of this Base Prospectus, no legislative proposal has been made publicly available yet and therefore many aspects of this policy intention remain unclear. A legislative proposal for the intended thin capitalization rule is expected to be published in 2019. If the new thin capitalization rule would be implemented in Dutch tax law, it may have an adverse impact on the amount of interest that the Issuer may deduct for Dutch corporate income tax purposes and thus may increase the Issuer's Dutch corporate income tax liability. However, the 2019 Dutch Tax Bill (*Belastingplan 2019*), published on 18 September 2018, also provides for a reduction of the Dutch corporate income tax rate. A letter sent to Parliament and published by the Dutch government on 15 October 2018 regarding a reconsideration of certain legislative proposals as part of the 2019 Dutch Tax Bill (*Belastingplan 2019*), provides for a further reduction of the Dutch corporate income tax rate. If enacted, the Dutch corporate income rate applicable to taxable profits up to €200,000 will be gradually reduced from currently 20% to 15% in 2021, and the Dutch corporate income tax rate applicable to taxable profits in excess of €200,000 will be gradually reduced from currently 25% to 20.5% in 2021. At the date of this Base Prospectus, the impact the proposed tax measures may have on the Issuer's financial position cannot be assessed.

- On 29 June 2018, the Dutch government published a letter stating that it intends to abolish the specific Dutch corporate income tax provision for Additional Tier 1/ restricted tier 1 instruments issued by banks and insurers. The abolition means that coupon payments under new and existing Additional Tier 1/ restricted tier 1 instruments may no longer benefit from a specific provision under Dutch corporate income tax laws. This provision allows Additional Tier 1/ restricted tier 1 instruments to be classified as debt (*geldlening*) for Dutch tax purposes. The Dutch government considers that in absence of this provision Additional Tier 1/ restricted tier 1 instruments qualify as equity, and as a result, the coupon payments may no longer be deductible for Dutch corporate income tax purposes. This position of the Dutch government has been debated in literature and it is doubtful whether it will uphold after the provision has been abolished. The abolition is part of the tax measures included in the 2019 Dutch Tax Bill (*Belastingplan 2019*) published on 18 September 2018. If enacted, the abolition will enter into force as of 1 January 2019. At the date of this Base Prospectus, the impact this tax measure may have on the Issuer's financial position cannot be assessed.

- The Regulation on transparency and reuse of securities financing transactions (2015/2365) which was published on 23 December 2015 and which is gradually phased in as from 12 January 2016. The regulation aims to improve the transparency of securities financing transactions by introducing, among others, a requirement to report certain transactions to a central database. In addition, the regulation aims to improve the transparency of the reuse of financial instruments by setting minimum conditions to be met by the parties involved, including written agreement and prior consent. The Issuer and/or the CBC will be required to satisfy the requirements arising from this Regulation that are applicable when entering into securities financing arrangements or into financial collateral arrangements under which financial instruments provided as collateral may be subject to reuse. The Issuer and/or the CBC may, amongst others, be held to amend its contracts and processes to comply with this Regulation, provide additional information to its counterparties and/or obtain access to a central database and report certain of its transactions thereto. This may give rise to additional costs and expenses.

- The Packaged retail and insurance-based investment products (PRIIPs) Regulation (1286/2014) (the "**PRIIPS Regulation**") which provides that manufacturers and distributors of investment products will have to produce and/or provide a 'Key Information Document' for investment products that fall within the scope of the PRIIPS Regulation. The PRIIPS Regulation has become directly applicable in the Member States as from 1 January 2018. As a distributor of various investment products such as investment funds, the Issuer takes into account the new requirements set out in the PRIIPS Regulation.

- The fourth Anti Money Laundering Directive (2015/849) (the "**AML Directive**") and accompanying Regulation (2015/847) (the "**AML Regulation**") were published in June 2015. The AML Regulation applies from 26 June 2017. Member States were required to implement the AML Directive into their national legislation before 26 June 2017. The Netherlands legislature did not meet this deadline. The Netherlands legislation implementing the AML Directive ("**AML Implementing Legislation**") entered into force on 25 July 2018. The AML Implementing Legislation provides for, among others, refined rules on customer due diligence requirements depending of the risk: enhanced vigilance where the risks are greater, simplified measures where risks are lower. This new requirements set out in the AML Implementing Legislation may require the Issuer to review and amend its current AML processes which will cost time and money. In 2016, DNB conducted a thematic review at de Volksbank with respect to the measures taken by the bank to prevent money laundering and terrorist financing. Based on this review, DNB concluded that de Volksbank needed to take additional measures as regards transaction monitoring and reporting unusual transactions. Following this review, DNB imposed two measures on de Volksbank. The first measure was an instruction (*aanwijzing*) to improve the processes, in particular an expansion of transaction monitoring scenarios and an improvement in scenario management. De Volksbank has implemented improvements in scenario management and has reached the desired maturity level of transaction monitoring to ensure lasting control over the ongoing monitoring of transactions and customer behaviour. As a result thereof de Volksbank complies with the instruction as of mid-April 2018. The second measure was an administrative penalty of € 500,000 for failing to (promptly) report unusual transactions. The fine related to seven transactions conducted between 6 January 2015 and 25 July 2016. Failure to comply with the anti-money laundering rules may result in further enforcement measures.

- Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts (the "**Statutory Audit Directive**") and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (the "**Statutory Audit Regulation**") have introduced new and revised requirements regarding the statutory audit of public-interest entities, such as the Issuer. The Statutory Audit Regulation has entered into force on 17 June 2016. Dutch legislation implementing the Statutory Audit Directive and giving effect, where necessary, to the Statutory Audit Regulation has been adopted on 11 October 2016.

- On 1 January 2018, the Benchmark Regulation became applicable, subject to certain transitional provisions. The Benchmark Regulation applies to 'contributors' to, 'administrators' of, and 'users' of benchmarks in the EU. The Benchmark Regulation, among other things, (a) requires EU benchmark administrators to be authorised or registered and to comply with requirements relating to the administration of benchmarks, (b) prohibits the use in the EU of benchmarks provided by EU administrators which are not authorised or registered in accordance with the Benchmark Regulation, and (c) prohibits the use in the EU of benchmarks provided by non-EU administrators which are not (i) authorised or registered and subject to supervision in a jurisdiction in respect of which an 'equivalence' decision has been adopted in accordance with the Benchmark Regulation, or (ii) where such equivalence decision is pending, 'recognised' by the competent authorities of the applicable Member State(s). In addition, supervised entities that use a benchmark have to (i) produce and maintain robust written plans setting out the actions they would take when a benchmark would change or cease to be provided, and, where feasible and appropriate, nominating one or several alternative benchmarks and indicating why these would be suitable, (ii) reflect these plans in the contractual relationship with clients and (iii) upon request sent the plans and any updates to the competent authority. In case of non-compliance with the above requirements, national authorities will have the power to impose several administrative sanctions (or in some cases criminal sanctions).

The tax regime applicable to the Issuer is to an extent based on the Issuer's interpretations of such laws and regulations. The Issuer cannot guarantee that such interpretations will not be questioned by the relevant authorities. The timing and full impact of new laws and regulations, including the initiatives described above, cannot be determined yet and are beyond the Issuer's control. The introduction of these and other new rules and requirements could significantly impact the manner in which the Issuer operates, particularly in situations where regulatory legislation can interfere with or even set aside national private law. New requirements may adversely affect the Issuer's business, capital and risk management strategies and may result in the Issuer deciding to modify its legal entity structure, capital and funding structures and business mix or exit certain business activities altogether or determine not to expand in certain business areas despite their otherwise attractive potential.

The large number of legislative initiatives requires constant attention from the Issuer's senior management and consumes significant levels of resources to identify and analyse the implications of these initiatives. The Issuer may have to adapt its strategy, operations and businesses, including policies, procedures and documentation, to comply with these and new legal requirements. Especially in view of the volume of existing initiatives, it cannot be excluded that certain new requirements will not be implemented in a timely fashion or implemented without errors or in a manner satisfactory to the applicable regulatory authority, resulting in non-compliance and possible associated negative consequences. Additionally, the Issuer may be forced to cease to serve certain types of clients or offer certain services or products as a result of new requirements. Any of the other above factors, events or developments may materially adversely affect the Issuer's businesses, financial position, credit rating and results of operations and prospects.

Due to public pressure and perceived infringements of privacy law, the Issuer may be precluded as a practical matter from implementing business models based on analysis and use of client generated data

Due to public pressure and perceived infringements of privacy law, the Issuer may be precluded as a practical matter from implementing business models based on analysis and use of client generated data. In recent years, financial institutions have attempted to introduce and explore the potential for introduction of new business models in which client behaviour is analysed – often if not always on an anonymous basis – to allow commercial use of this data by the financial institution or by third parties on a free or paid basis. Clients whose data the Issuer analyses and uses may deem the Issuer to be infringing requirements and such complaints could lead to broader calls opposing the implementation of this type of new business model, which may cause harm to the Issuer's reputation. If the Issuer were to be precluded from developing and implementing new business models based on the use and analysis of client data, this could have a material and adverse effect on its business operations and competitiveness with a material and adverse effect on the Issuer's business, results of operations and financial condition.

Capital and/or liquidity requirements may adversely affect the business of the Issuer

The Issuer is required by regulators to maintain adequate capital and liquidity levels, as such regulators may deem appropriate. Adequate capital and liquidity levels are also necessary for the Issuer's financial flexibility and to cope with adverse developments.

Changes to capital adequacy and liquidity requirements may require the Issuer to raise additional regulatory capital or hold additional liquidity buffers, for example because of different interpretations of or methods for calculating risk exposure amount, or because the Issuer does not comply with ratios and levels, or instruments and collateral requirements that currently qualify as capital or capital risk mitigating techniques no longer do so in the future. For example the Issuer is required to comply with a minimum requirement for own funds and eligible liabilities ("**MREL**") under the BRRD and the SRM Regulation set by the competent resolution authority, which should ensure the effective application of the bail-in resolution tool under the BRRD and SRM Regulation. The implementation into EU law of the TLAC standard developed globally by the Financial Stability Board ("**FSB**") is expected to entail certain changes to the current MREL-requirements.

Although the TLAC is in principle aimed at G-SII's, the EC proposed in the EU Banking Reforms, in order to prevent unwarranted legal complexity and compliance costs due to a potentially parallel application of the TLAC standard and the MREL, to merge them, by incorporating (as appropriate) the TLAC standard into the requirements regarding MREL. This will likely affect the MREL for non-G-SII's, such as the Issuer, as well. In this context, reference is also made to the final report on MREL published by the European Banking Authority ("**EBA**") on 14 December 2016 (the "**Final Report**"), which recommends certain changes to the current MREL-requirements with a view to improve its technical soundness and to implement TLAC. Certain of EBA's recommendations extend further than the changes contemplated in the EU Banking Reforms. However, these recommendations may be considered during the legislative process for that proposal. It cannot be excluded that these and other future changes may, amongst others, entail that certain capital instruments and other eligible liabilities that currently count (or, upon issue, will count) towards the Issuer's MREL may no longer qualify as MREL eligible in the future and/or the Issuer being required to issue or otherwise assume certain additional liabilities in order to comply with MREL and other capital requirements. If the Issuer is unable to raise the requisite regulatory capital in order to comply with MREL or other capital requirements, it may, amongst others, be required to reduce its risk exposure amount, restrict certain activities or engage in the disposition of core and other, non-core, businesses, which may not occur on a timely basis or at prices which would otherwise not be attractive to the Issuer. The EU Banking Reforms introduce additional powers for the relevant authorities to address a breach of MREL.

The introduction of a liquidity coverage ratio ("**LCR**"), a net stable funding ratio ("**NSFR**") and a leverage ratio under CRD IV are likely to have an impact on the Issuer's funding costs and in having to maintain buffers of liquid assets which may in turn result in lower returns than less liquid assets. Furthermore, if the Issuer is unable to adequately manage its liquidity position, this may prevent it from meeting its short-term financial obligations. In addition, the Issuer may be required to attract additional stable sources of funding or hold a higher liquidity buffer, which may result in higher costs for the Issuer. In this context reference is made to the EU Banking Reforms, which includes a binding NSFR and a binding leverage ratio.

The above changes and any other future changes which are relevant for the Issuer's liquidity and capital position could have a material adverse impact on its financial position, regulatory capital position and liquidity position, including increased costs of funding for regulatory purposes, for example in connection with the Issuer's MREL requirements.

Resolution regimes may lead to fewer assets of the Issuer being available to investors for recourse for their claims, and may lead to lower credit ratings and possibly higher cost of funding

Recovery and resolution measures; BRRD and SRM

The BRRD and the SRM Regulation set out a common European recovery and resolution framework which is composed of three pillars: (i) preparation (by requiring banks to draw up recovery plans and resolution authorities to draw up resolution plans), (ii) early intervention powers and (iii) resolution powers. The BRRD has been transposed into Dutch law pursuant to the BRRD Implementation Act, which entered into force on 26 November 2015. The Issuer is subject to the BRRD as implemented in Dutch law.

The SRM Regulation applies to banks subject to the SSM pursuant to Council Regulation (EU) No 1024/2013 and Regulation (EU) No 1022/2013, such as the Issuer, and provides for a single resolution mechanism ("**SRM**") in respect of such banks. The SRM Regulation has been fully applicable since 1 January 2016 and prevails over the implementation in national law of the BRRD where it concerns the resolution of such banks. The SRM Regulation also provides for the establishment of a SRB, which is responsible for the effective and consistent functioning of the SRM. The SRB also acts as the competent resolution authority for significant banks under the SSM, such as the Issuer, and is in that capacity responsible for adopting resolution decisions in respect of such banks.

The BRRD, as implemented in Dutch law, provides DNB in its capacity as competent national resolution authority with the powers necessary to implement the resolution decisions taken by the SRB in respect of significant banks in the Netherlands, such as the Issuer. In addition, the ECB, as the competent supervisory authority in respect of significant banks, is allowed to take certain recovery measures (also referred to as early intervention measures) in the event the financial condition of a bank is deteriorating (subject to further conditions). Such measures could pertain, amongst others, to a change of the legal or operational structure, the removal of (individuals within) senior management or the management body and the appointment of a temporary administrator.

If the Issuer would be deemed no longer viable (or one or more other conditions apply) the SRB may decide to write-down, cancel or convert relevant capital instruments of the Issuer, independently (i.e. separate from a resolution action) or do so in combination with a resolution action (such as the application of a transfer tool and/or the bail-in tool). The Issuer shall be deemed to be no longer viable only if it is failing or likely to fail and (in short) no alternative private sector measure or supervisory action would prevent its failure within a reasonable timeframe (as specified in Article 21(3) SRM Regulation). The SRB shall ensure that DNB will exercise the write-down and conversion powers pursuant to the BRRD, as implemented in Dutch law, in order to write-down, cancel or convert the relevant capital instruments into shares, into rights with respect to to-be-issued shares or other instruments of ownership and in accordance with a certain order of priority.

The implementation of the TLAC standard into EU law (see above under '*Capital and/or liquidity requirements may adversely affect the business of the Issuer*') may - further to potential changes to the MREL eligibility requirements - also entail an extension of the scope of the aforementioned write-down and conversion powers (in addition to capital instruments) to other instruments that count towards the Issuer's MREL.

If the Issuer would be deemed to fail or likely to fail and the other resolution conditions would also be met, the SRB may decide to place the Issuer under resolution. As part of the resolution scheme to be adopted by the SRB, it may decide to apply certain resolution tools, subject to the general resolution objectives and principles laid down in the SRM Regulation (such as the principle of 'no creditor worse off ("**NCWO**"), as described further below). These resolution tools include the sale of business tool, the bridge institution tool and the asset separation tool, each of which, in summary, provides for a transfer of certain assets and/or liabilities of the institution under resolution to a third party. In addition, the SRM provides for the bail-in tool. The bail-in tool may be applied to recapitalise the Issuer (whether or not in combination with one of the aforementioned transfer tools) or convert into shares or other instruments of ownership or into rights with respect to to-be-issued shares or other instruments of ownership or reduce the principal amount of claims or debt instruments of the Issuer that have been transferred pursuant to one of the aforementioned transfer tools. The bail-in tool extends further than the relevant capital instruments of the Issuer, and may also result in the write-down or conversion of eligible liabilities of the Issuer in accordance with a certain order of priority. Liabilities eligible for bail-in include all liabilities of the Issuer, except for relevant capital instruments or liabilities excluded from the scope of the bail-in tool. Moreover, the competent resolution authority may in exceptional cases exclude or partially exclude such an eligible liability or class of eligible liabilities from the application of the bail-in tool. In order to ensure the effectiveness of the bail-in tool, the SRM prescribes at all times a minimum requirement for own funds and eligible liabilities (i.e. the MREL) which may be subject to the bail-in tool.

As mentioned above, in order to ensure the effectiveness of the bail-in tool, the SRM prescribes at all times a minimum requirement for own funds and eligible liabilities (i.e. the MREL) which may be subject to the bail-in tool. As discussed above under '*Capital and/or liquidity requirements may adversely affect the business of the Issuer*', the MREL eligibility requirements will likely change in the future as a result of the implementation of the TLAC standard into EU law. The liabilities eligible for the MREL are expected to be aligned closely with the eligibility criteria provided in the TLAC standard (with certain exceptions and options for the resolution authorities), which would entail a limitation of liabilities eligible for MREL compared to the current MREL-requirements.

According to the SRM Regulation, the national resolution authorities shall take the necessary action to implement decisions of the SRB. They shall exercise their powers granted to them under the BRRD, as implemented in national law. In addition to the resolution powers described above, DNB in its capacity as national resolution authority for the Netherlands has been granted certain other resolution and ancillary powers to implement any resolution decision by the SRB in respect of the Issuer. It may for instance decide to terminate or amend any agreement (including a debt instrument) to which the Issuer is a party or replace the Issuer as a party thereto. Furthermore, DNB may, subject to certain conditions, suspend the exercise of certain rights of counterparties vis-à-vis the Issuer or suspend the performance of payment or delivery obligations of the Issuer. In addition, pursuant to Dutch law, certain counterparty rights may be excluded in the event such rights come into existence or become enforceable as a result of any recovery or resolution measure or any event in connection therewith (subject to further conditions). The aforementioned EU Banking Reforms propose to provide extended suspension powers to the relevant resolution authorities, including a new moratorium tool to be employed in the early intervention phase and a power to suspend obligations of an institution in resolution if necessary for the effective application of one or more resolution tools.

As mentioned above, resolution proceedings are subject to the general resolution objectives and principles provided for in the BRRD, as implemented in Dutch law, and the SRM Regulation. One of these principles is that no creditor shall incur greater losses because of the resolution of the Issuer - in accordance with the relevant safeguards - than it would have incurred if the Issuer had been wound up under normal insolvency proceedings or became subject to the emergency regime before resolution (defined above as NCWO). This entails that NCWO influences the application of a resolution tool (or other resolution power) by a resolution authority. If any creditor of the Issuer has inadvertently been 'worse off', it may be eligible for compensation from the Single Resolution Fund (see below). Even in circumstances where a claim for compensation is established under the NCWO principle in accordance with a valuation performed after the resolution action has been taken, it is unlikely that such compensation would be equivalent to the full losses under the Covered Bonds incurred by Covered Bondholders in the resolution of the Issuer because the compensation is in principle limited to losses incurred in resolution in excess of losses they would have incurred if the Issuer had been wound up under normal insolvency proceedings or became subject to the emergency regime before resolution and there can be no assurance that Covered Bondholders would recover such compensation promptly.

Consequently, it is possible that the resolution authority may use its powers under the BRRD or SRM Regulation in a way that could result in debt instruments of the Issuer absorbing losses. The use of certain powers pursuant to the SRM Regulation and BRRD 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 (including, but not limited to, the amendments discussed above) 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. This exemption, however, 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. 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 under the BRRD also provides for certain safeguards against a partial transfer and the exercise of certain other resolution powers in respect of covered bonds, which purport to ensure 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 yet to be adopted by European legislators and regulatory authorities on the scope and interpretation of certain aspects of the BRRD and the SRM Regulation.

Single Resolution Fund
The SRM provides for a Single Resolution Fund that will be financed by banking groups subject to the SRM. The Issuer will only be eligible for contribution to loss absorption by the Single Resolution Fund after a resolution action is taken if shareholders, the holders of relevant capital instruments and other eligible liabilities have made a contribution (by means of a write down, conversion or otherwise) to loss absorption and recapitalisation equal to an amount not less than 8% of the total liabilities (including own funds and measured at the time of the resolution action). This means that the Issuer must hold on to sufficient own funds and liabilities eligible for write down and conversion in order to have access to the Single Resolution Fund in case of a resolution. This may have an impact on the Issuer's capital and funding costs. In addition, the Single Resolution Fund must be funded in order to ensure that it has adequate financial resources to allow for an effective functioning of the resolution framework by being able to intervene, where necessary, for the effective application of the resolution tools and to protect financial stability. The Single Resolution Fund is funded by ex-ante annual contributions from credit institutions in participating EU countries, such as the Issuer. The Single Resolution Fund will be built up over a period of eight years starting from the year 2016 to reach a target level of at least 0.8% of the amount of covered deposits of all credit institutions authorised in all the participating EU countries.

Dutch Intervention Act
The Dutch Act on special measures regarding financial institutions (W*et bijzondere maatregelen financiële ondernemingen*, the "**Dutch Intervention Act**"), which has to a large extent been included in the Wft, enables the Dutch Minister of Finance to intervene with a bank established in the Netherlands, such as the Issuer, if the Minister of Finance is of the view that the stability of the financial system is in serious and immediate danger due to the situation that the bank is in. These powers consist of (i) the expropriation of assets and/or liabilities (*onteigening van vermogensbestanddelen*) of the Issuer, claims against the Issuer and securities issued by or with the cooperation of the Issuer and (ii) immediate measures (*onmiddellijke voorzieningen*), which measures may deviate from statutory provisions or the Issuer's articles of association, such as temporarily depriving the Issuer's shareholders from exercising their voting rights and suspending a board member or a supervisory board member ("**Intervention Measures**").

The entry into force of the SRM Regulation and the implementation of the BRRD has raised the question whether the powers attributed to the Minister of Finance on the basis of the Dutch Intervention Act are compatible with the SRM and implementation of the BRRD. The Dutch legislator has addressed this issue by labelling the Dutch Intervention Act as state emergency regulations (*staatsnoodrecht*). It is therefore expected that these powers will only be applied if the SRM and BRRD regime would not be effective.

The Issuer is unable to predict what effects, if any, the BRRD, the BRRD Implementation Act, the SRM Regulation and the Dutch Intervention Act as these may be amended from time to time (including under the EU Banking Reforms) may have on the financial system generally, the Issuer's counterparties, or on the Issuer or its subsidiaries, its operations and/or its financial position or the Covered Bonds.

State Aid

On 10 July 2013, the EC announced the adoption of its temporary state aid rules for assessing public support to financial institutions during the crisis (the "**Revised State Aid Guidelines**"). The Revised State Aid Guidelines impose stricter burden-sharing requirements, which require banks with capital needs to obtain additional contributions from equity holders and capital instrument holders before resorting to public recapitalisations or asset protection measures. The EC has applied the principles set out in the Revised State Aid Guidelines from 1 August 2013. The EC has made it clear that any burden sharing imposed on subordinated debt holders will be made in line with principles and rules set out in BRRD.

The BRRD, SRM, Wft (including the Dutch Intervention Act) and the Revised State Aid Guidelines may increase the Issuer's cost of funding and thereby have an adverse impact on the Issuer's funding ability, financial position and results of operations. In case of a capital shortfall, the Issuer would first be required to carry out all possible capital raising measures by private means, including the conversion of junior debt into equity, before one is eligible for any kind of restructuring State aid.

The Issuer is exposed to regulatory scrutiny and potentially significant claims for violation of the duty of care owed by it to clients and third parties

Due to their position in society (*maatschappelijke functie*) and specific expertise, financial institutions in the Netherlands owe a duty of care (*zorgplicht*). Financial institutions must also comply with duty of care rules under Dutch law, which includes provisions on client classification, disclosure requirements and know-your-customer obligations. Pursuant to the General Banking Conditions (*Algemene Bankvoorwaarden*) used by Dutch banks, a bank must always act in accordance with its duty of care, irrespective of whether the service or product is sold to a professional client or a non-professional client. The duty of care does not always end at the moment when the client has purchased a given product or service, but the financial institution may have to take action upon (known) changes in circumstances affecting the client, in particular if the product or service has a long life term. The scope of the rules and standards referred to above differs depending on the type of service rendered or product sold, and the nature of (the activities of) the clients and third parties affected. If a duty of care is violated, claims may be based on general principles of contract, tort or securities law, including for violation of standards of reasonableness and fairness, error, wrongful treatment or faulty due diligence. Actions may be brought individually by persons that suffered losses or damages, or on behalf of a large number of – sometimes initially unnamed persons – in class action style proceedings. Proceedings may be brought in court and before the Dutch financial institute for out of court settlement of financial disputes (*Klachteninstituut Financiële Dienstverlening* "**KiFiD**").

A number of proceedings have been initiated against the Issuer for violation of its duty of care. Also, a number of class action groups are actively soliciting plaintiffs for mass litigation proceedings against financial institutions in general. Accordingly, there can be no assurance that additional proceedings will not be brought. Current proceedings are still pending and their outcome is uncertain, as is the timing of reaching any finality on these legal claims and proceedings. These uncertainties are likely to continue for some time. As a result, although the consequences could be substantial for the Issuer, with a potentially material adverse effect on the Issuer's reputation, results of operations, financial position and prospects, it is not possible to reliably estimate or quantify the Issuer's exposure at this time. After the global financial crisis, the duty of care standards applicable to financial institutions have become more stringent as a result of new regulations and resulting from a more expansive interpretation of existing rules and standards by courts and supervisory authorities. The Issuer expects these trends to continue.

European and national regulations, for example, increasingly require financial institutions to provide elaborate disclosure to clients on services and products, such as through the key information document, to permit clients to more reliably assess the service or product and to enable them to compare it with similar services or products offered by other providers. Increased price transparency rules have entered into force or are envisaged by proposed European regulations for various services and products, such as those based on the Mortgage Credit Directive, MiFID II and the PRIIPS Regulation.

Where in the past the duty of care was held to apply predominantly to clients, the application of this standard has on the basis of case law been extended more broadly for the benefit of third parties that suffer damages inflicted by clients of the financial institution. In these cases, courts held, for example, that in certain circumstances financial institutions may be expected to monitor activities of their clients, denouncing or even halting any suspected illegal activity.

The developments described above could have substantial consequences for the Issuer, including an increase in claims by clients and increased costs and resources. Also, it cannot be excluded that additional sector-wide measures will be imposed by supervisory authorities or the legislator which can have a negative impact on the Issuer. All these developments may have a material adverse effect on the Issuer's business, reputation, results of operations, financial position and prospects.

The Issuer's participation in Compensation Schemes may have a material adverse effect on its results of operations and financial condition

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 institutions in the event the financial institution is unable to pay, or unlikely to pay, claims against it. In many jurisdictions these Compensation Schemes are funded, directly or indirectly, by financial institutions 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 levies in the industry may continue to rise as a result of the Compensation Schemes. In particular, the Issuer is a participant in the Dutch Deposit Guarantee Scheme (*Depositogarantiestelsel*, the "**Deposit Guarantee Scheme**"), which guarantees deposits up to an amount of € 100,000 per person per bank with a banking license (regardless of the number of accounts held). De Volksbank has four brands (ASN Bank, BLG Wonen, RegioBank and SNS) and all brands operate under the same single banking license of de Volksbank. The costs involved with making compensation payments under the Deposit Guarantee Scheme are allocated among the participating banks by DNB, based on an allocation key related to their market shares with respect to the deposits protected by the Deposit Guarantee Scheme. The ultimate costs to the industry of payments which may become due under the Compensation Schemes remain uncertain although they may be significant and the associated costs to the Issuer may have a material adverse effect on its results of operations and financial condition.

On 16 April 2014, the Recast Deposit Guarantee Directive was adopted. The Recast Deposit Guarantee Directive regulates amongst others the harmonisation of the ex-ante financing of the deposit guarantee schemes, the harmonisation of the maximum payment of € 100.000 under a deposit guarantee scheme, the cross-border cooperation of (foreign) deposit guarantee schemes, more transparency for depositors, the verification of claims by the deposit guarantee schemes and the reimbursement in the event of a bank failure. As a result the Issuer and other financial institutions are required to 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 at least 0.8% of all deposits guaranteed under the Deposit Guarantee Scheme. The target size should be reached by 2024. The costs for potential future ex-ante contributions shall be calculated based on the methodology developed and used by DNB to calculate risk-weighting and may be significant. The Recast Deposit Guarantee Directive was implemented into Dutch legislation on 26 November 2015. The Recast Deposit Guarantee Directive is implemented into the Decree on Special Prudential Measures, Investor Compensation and Deposit Guarantees (*Besluit bijzondere prudentiële maatregelen, beleggerscompensatie en depositogarantie Wft*).

Further thereto, in November 2015 the EC has proposed a euro-area wide insurance scheme for bank deposits (also referred to as the 'EDIS'). It is not yet clear whether and if so, when this will come into effect.

The Issuer is subject to stress tests

The banking sector, including the Issuer, is subject to periodic stress testing in respect of the resilience of banks to adverse market developments. Such stress tests are initiated and coordinated by the European Banking Authority ("**EBA**"). Stress tests and the announcements of their results by supervisory authorities can destabilise the banking or financial services sector and lead to a loss of trust with regard to individual banks or financial services sector as a whole. The outcome of stress tests could negatively impact the Issuer's reputation, financing costs and trigger enforcement action by supervisory authorities. The outcome of stress tests could also result in the Issuer having to meet higher capital and liquidity requirements, which could have a negative impact on the Issuer's business, results of operations, profitability or reputation. In addition, stress tests could divulge certain information that would not otherwise have surfaced or which until then, the Issuer had not considered to be material and worthy of taking remedial action on. This could lead to certain measures or capital and funding requirements by supervisory authorities being imposed or taken, which could have a negative impact on the Issuer's business, results of operations, profitability or reputation.

The Issuer is subject to changes in financial reporting standards or policies which could materially adversely affect the Issuer's reported results of operations and financial condition

The Issuer's consolidated financial statements are prepared in accordance with IFRS as adopted in the EU, which is periodically revised or expanded. Accordingly, from time to time the Issuer is required to adopt new or revised accounting standards issued by recognised bodies, including the International Accounting Standards Board (IASB). It is possible that future accounting standards which the Issuer is required to adopt, or as a result of choices made by the Issuer, could change the current accounting treatment that applies to its consolidated financial statements and that such changes could have a material adverse effect on the Issuer's reported results of operations and financial condition and may have a corresponding impact on capital ratios.

The Issuer is exposed to risks of damage to its reputation

The Issuer is exposed to the risk that, among other things, litigation, employee misconduct, operational failures, outcome of current and future investigations by regulatory authorities and press speculation and the possible negative publicity resulting therefrom, whether or not founded, will harm its reputation. The reputation of the Issuer could also be harmed if products or services developed or recommended by it do not perform as expected.

Negative publicity could, for example, be based on allegations that the Issuer does not or does not fully comply with regulatory requirements or anti-money laundering or bribery rules, or result from negative publicity about a third party linked to the Issuer (e.g. resulting from misconduct or malpractice relating to intermediaries, partners, business promoters or third party managers) or about politically exposed persons in the customer base of the Issuer. For example negative publicity could result from the fact that certain of the financial products and services of the Issuer and its subsidiaries are distributed through third parties or form part of broader products and services sold by third parties. Any negative publicity in respect of such third parties or such broader products and services could also have negative consequences for the Issuer. Furthermore, negative publicity could result from failures in the information technology systems of the Issuer, loss of customer data or confidential information, or failure in risk management procedures.

Any resulting damage to the reputation of the Issuer, in particular with a view to its focus on retail and SME customers and the concentration of its business in the Netherlands, could cause disproportionate damage to its business, regardless whether the negative publicity is factually accurate.

Any damage to the reputation of the Issuer could cause existing customers to withdraw their business from the Issuer and potential customers to be reluctant or elect not to do business with the Issuer. Furthermore, negative publicity could result in greater regulatory scrutiny and influence market or rating agency perception of the Issuer, which may make it more difficult for the Issuer to maintain its credit ratings.

Litigation or other proceedings or actions may adversely affect the business, financial condition and results of operations of the Issuer

The Issuer faces substantial legal risks in the conduct of its business. In the Netherlands, the number and size of claims that are the subject of litigation, regulatory proceedings and other adversarial proceedings (including, without limitation, class actions) against financial institutions are increasing. These legal risks could potentially involve, but are not limited to, disputes concerning violation of duty of care, the products and services in which the Issuer or any of its subsidiaries acts as principal, intermediary or otherwise. Increasingly, financial institutions are held liable by customers for actions of intermediaries even if there has been little to no control over the actions of such intermediaries. Companies in the Issuer's industry are increasingly exposed to collective claims (with or without merit) from groups of customers or consumer organisations seeking damages for an unspecified or indeterminate amount or involving novel legal claims.

As the outcomes of possible legal proceedings cannot be predicted with certainty, it is not possible to rule out that a negative outcome may have a material negative financial impact on the capital position, results and/or cash flows of the Issuer. It is inherently difficult to predict the outcome of many of the pending or future claims, regulatory proceedings and other adversarial proceedings involving the Issuer. The costs to defend future actions may be significant. There may also be adverse publicity associated with litigation that could decrease customer acceptance of the Issuer's services, regardless of whether the allegations are valid or whether the Issuer or any of its subsidiaries is ultimately found liable. As a result, litigation may adversely affect the Issuer's business, financial condition and results of operations. See also the risk factor '*The Issuer is exposed to risks of damage to its reputation*' and the paragraph '*Legal proceedings*' in the section 5 (*de Volksbank N.V.*).

The Issuer may be exposed to failures in its risk management systems

The Issuer invests substantial time and effort in its strategies and procedures including statistical models, scenario analyses and stress tests for managing not only credit risk, but also other risks, such as strategic risk, market risk, liquidity risk, operational risk, reputation risk, legal risk, compliance risk, capitalisation risk and reporting risk. These strategies and procedures could nonetheless fail or not be fully effective under some circumstances, particularly if the Issuer is confronted with risks that it has not fully or adequately identified or anticipated. Some of the methods of the Issuer for managing risk are based upon observations of historical market behaviour. Statistical techniques are applied to these observations in order to arrive at quantifications of some of the risk exposures of the Issuer. These statistical methods may not accurately quantify the risk exposure of the Issuer if circumstances arise which were not observed in its historical data. For example, as the Issuer offers new products or services, the historical data may be incomplete or not accurate for such new products or services. As the Issuer gains a more complete and accurate set of data over time, it may need to make additional provisions.

If circumstances arise which the Issuer did not identify, anticipate or correctly evaluate in developing its statistical models, scenario analyses and stress tests its losses could be greater than the maximum losses envisaged by it. Furthermore, the quantifications do not take all risks or market conditions into account. If the measures used to assess and mitigate risks prove insufficient, the Issuer may experience unanticipated losses.

The Issuer is exposed to the risk of ineffective systems and processes, and interruption, failure or breach thereof

The Issuer relies heavily on its operational processes, and communication and information systems in particular to conduct its business. Even with the back-up recovery systems and contingency plans that are in place, the Issuer cannot ensure that interruptions, failures or breaches in security of these processes and systems will not occur or, if they do occur, that they will be adequately addressed. Any such interruptions, failures or breaches, even for a limited period of time, could result in, for example:

- interruptions in the services offered or information provided to customers, or inability to serve customers' needs in a timely fashion;
- interruptions or errors in management information and/or information reported to supervisory authorities;
- a violation of applicable regulations;
- inability to identify in time or at all, inadequate, fraudulent, negligent and/or unauthorised dealings by employees of the Issuer or third parties, or telecommunication connection failures or hacking of the website portal of the Issuer or other cybercrime activities against the Issuer or its clients; and
- considerable costs in terms of, for example, information retrieval and verification.

The business operations of the Issuer are also vulnerable to interruption from fire, flood, bomb threats, explosions or other forms of terrorist activity and natural and man-made disasters. The same may apply for third parties on which the Issuer depends. Furthermore, the Issuer cannot ensure that interruptions, failures or breaches of its communication and information systems as a result of external fraud will not occur or, if they do occur, that they will be adequately addressed.

While the Issuer manages its operational risks, these risks remain an inherent part of all of the Issuer's business

The operational risks that the Issuer faces include the possibility of inadequate or failed internal or external processes or systems, human error, regulatory breaches, employee misconduct or external events such as fraud. These events may result in financial loss and may harm the reputation of the Issuer. Cybercrime risk is also a relevant and ongoing threat that may lead to an interruption of services to customers, loss of confidential information or erosion of trust and reputation. Additionally, inability to retain and attract key personnel could adversely affect its operations and results. The Issuer attempts to keep operational risks at appropriate levels by maintaining a well-controlled environment in light of the characteristics of its business, the markets and the regulatory environments in which it operates. While these control measures mitigate operational risks, they do not eliminate them.

Risks related to the decision of the Minister of Finance regarding the future of the Issuer

On 1 October 2015, SRH N.V. ("**SRH**") (formerly known as SNS REAAL N.V. ("**SNS REAAL**")) announced that it had transferred all shares of the Issuer (formerly known as SNS Bank N.V. ("**SNS Bank**")) to the Dutch State on 30 September 2015 for a sum of € 2.7 billion and announced its name change of SNS REAAL into SRH. The Dutch State immediately transferred all shares of the Issuer to holding company de Volksholding B.V. (formerly known as SNS Holding B.V.). The shares in de

Volksholding B.V. were also obtained by the Dutch State from SRH and subsequently transferred to Stichting administratiekantoor beheer financiële instellingen (NL financial investments "**NLFI**") in exchange for certificates of deposit (see the section 5 (*de Volksbank*) under '*Incorporation and ownership*').

On 1 July 2016, the Dutch Minister of Finance sent a letter to the Dutch House of Representatives (the "**House of Representatives**") on the future of and the privatisation options for the Issuer. In this letter the Minister of Finance endorsed NLFI's conclusion that it was too early to make a decision on the Issuer's future and that execution of the strategic plan of the Issuer would require two to three years to achieve long term optimal value creation. Therefore, the Minister of Finance stated he would decide on the future of the Issuer at a later stage.

On 14 September 2017, the Minister of Finance sent a letter to the House of Representatives reaffirming NLFI's conclusion in its progress report of September 2017 that the Issuer will need the remaining time of the original two to three years to create optimal long term value and that future options will be elaborated on as soon as the Issuer is sufficiently ready in order for the Minister of Finance to make a decision.

Together with the second progress report by NLFI from October 2018, the Minister of Finance sent a letter to the Dutch House of Representatives on 27 November 2018 reaffirming NLFI's conclusion in its second progress report. NLFI concluded in its second progress report that de Volksbank has made good progress with respect to its risk management, in implementing innovative technology and with respect to its standardisation of products and processes. However, NLFI is of the opinion that de Volksbank needs more time to further develop its strategy and to further strengthen its identity. Furthermore, it is important that de Volksbank strives to achieve the objectives it has set, including the intended improvement between costs and income, in order for de Volksbank to have a good proposition for privatisation. NLFI concluded that de Volksbank needs the time remaining of the original two to three years to create optimal long term value and to complete the transition it started in 2016. This term ends mid-2019. If, according to NLFI, de Volksbank is not ready for privatisation by mid-2019, NLFI will again issue a progress report in mid-2019.

In anticipation of such a decision and in order to regain a strong position in the Dutch banking landscape, the Issuer stated in 2016 that it intends to tighten its brand positioning. In addition, the Issuer intends to further simplify and enhance the efficiency of its business operations through digitalisation of processes and products, which aims to allow the Issuer to achieve a sustainable and lower cost level. Finally, to keep pace with technological developments, the Issuer intends to adopt innovations in the area of core banking functions as a smart follower, with a focus to constantly improve customer service.

In the coalition agreement of 10 October 2017, it was noted that in relation to the Issuer, future options other than State ownership are currently being analysed. When this analysis has been completed, the Dutch Government will make a decision, taking into account the desired diversity in the banking sector.

During the period in which the Issuer seeks to strengthen its position in the Dutch banking landscape and until the Minister of Finance has made a decision on the privatisation of the bank, the Issuer will examine its future options in consultation with the shareholder, potential investors, regulatory authorities and employees. When the Minister of Finance takes such a decision or if the strategy fails in execution or is ineffective, this could result in a change to the strategy, management, governance and/or risk profile of the Issuer. There can be no assurance that the decision of the Minister of Finance or a change in strategy would not adversely affect the Issuer's credit rating, the ability of the Issuer to effectively conduct its business or its ability to satisfy its obligations under the Covered

Bonds.

In addition, a change of ownership of the Issuer could result in key contracts being terminated by the counterparties to such contracts (including pursuant to termination rights that are exercisable upon such a change in ownership), which could give rise to material disruptions to the Issuer's business, additional costs to renegotiate those contracts, difficulties in managing its operations, and adverse impacts on the Issuer's customers. As a result, an eventual change in ownership could have a material adverse effect on the Issuer's business, revenues, results of operations, financial position and prospects.

The Issuer has issued guarantees

The Issuer has provided guarantees as referred to in Article 2:403 of the Dutch Civil Code (the "**403-guarantee**") (exemption from filing and publishing financial statements).

As at the date hereof, the Issuer has issued 403-guarantees for the following subsidiaries: ASN Duurzame Deelnemingen N.V., Pettelaar Effectenbewaarbedrijf N.V., SNS Mortgage Receivables B.V. and SNS Global Custody B.V. In the 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 that creditor of the relevant subsidiary. Such enforcement of the 403-guarantee could have an adverse effect on the financial position of the Issuer.

Following the transfer of the shares of SNS Property Finance B.V. (currently Propertize B.V., "**Propertize**") via the Dutch State to NLFI on 31 December 2013, the Issuer withdrew the 403-guarantee for Propertize on 31 December 2013. It also terminated the remaining liability pursuant to Article 2:404 of the Dutch Civil Code. The Issuer also withdrew the 403-guarantees for four subsidiaries of Propertize on 31 December 2013, and terminated the remaining liability.

The 403-guarantee and remaining liability were irrevocably terminated for all creditors of Propertize, with the exception of two creditors of Propertize, who successfully objected to the termination of the remaining liability of the Issuer. One of the aforementioned two creditors (i.e. the receivers in the bankruptcies of the 2SQR companies) commenced proceedings at the District Court regarding their claim they assert to have against Propertize for which they held de Volksbank liable pursuant to the 403-guarantee. They have however settled their claim with Propertize ultimo 2017 and thus ended the liablity under the 403-guarantee of de Volksbank in respect of this creditor. Against the other creditor of Propertize, the 403-guarantee issued by the Issuer remains in place. See also section 5 (*de Volksbank N.V.*) under '*Proceedings following the nationalisation*'.

On 31 December 2016, the Issuer merged with its subsidiaries ASN Bank N.V. ("**ASN Bank**") and RegioBank N.V. ("**RegioBank**") whereby ASN Bank and RegioBank as disappearing entities merged with the Issuer as acquiring entity (the "**Merger**"). This Merger resulted in the disappearance of ASN Bank and RegioBank as separate legal entities. The 403-guarantees issued for ASN Bank and RegioBank have lapsed as a result of the Merger. On 1 January 2017, the Issuer changed its legal name from SNS Bank N.V. to 'de Volksbank N.V.'. On 30 June 2018, the Issuer (as acquiring entity) merged with its subsidiary Holland Woningfinanciering N.V. ("**HWF**") (as disappearing entity). The 403-guarantee issued for HWF has lapsed as a result of the merger.

On 31 August 2018, the Issuer transferred its shares in ASN Vermogensbeheer B.V. to Quadia S.A. Following this transfer of shares, the Issuer withdrew the 403-guarantee issued for ASN Vermogensbeheer B.V. and it also terminated the remaining liability pursuant to Article 2:404 of the Dutch Civil Code.

The Issuer's extensive network of intermediaries is an important distribution channel and the Issuer may be unable to maintain a competitive distribution network

The Issuer uses a variety of distribution channels in the Netherlands for the marketing and offering of its products and services, including its network of branches, the internet, call centres, intermediaries and partnerships (special distribution).

A substantial part of the Issuer's business originates from distribution of its products and services by intermediaries who may also offer competitors' products and services. As a result, the success of the Issuer through these distribution channels depends on these intermediaries. Intermediaries' preferences are mainly determined by product quality, the services offered to customers and the support services. In light of current legislation, the level of compensation has become a less distinct feature for the intermediaries (for residential mortgages the level of compensation is not such feature anymore for intermediaries). The Issuer may not succeed to sufficiently retain intermediaries to market its products and services successfully.

In seeking to attract and retain productive intermediaries, the Issuer competes with other financial institutions primarily on the basis of their support services, product features, financial position, and to a lesser extent compensation. The Issuer may not continue to succeed in attracting and retaining new (productive) intermediaries or maintaining the current quality and/or quantity of its distribution networks.

A significant portion of the Issuer's business relates to the Issuer's dealings with third parties

A significant portion of the business of the Issuer relates to products and services which it offers in co-operation with third parties or in relation to which it depends on third parties, for example for the distribution of such products and services. The Issuer cannot assure that these third parties will continue their co-operation, that the relationships with these third parties will continue to be beneficial or that the Issuer will be able to sustain its ability to successfully develop and market the products and services which are developed together with third parties. Negative publicity about these third parties, whether or not founded, could also harm the reputation of the Issuer.

Catastrophic events, terrorist attacks and similar events could have a negative impact on the business and results of the Issuer

Catastrophic events, terrorist attacks and similar events, as well as the responses thereto may create economic and political uncertainties, which could have a negative impact on the economic conditions in the regions in which the Issuer operates and, more specifically, on the business and results of the Issuer in ways that cannot be predicted.

The performance of the Issuer depends on its ability to accurately price its products and services

The results of operations and the financial condition of the Issuer depends, among other things, on its ability to set rates and prices accurately. Rate adequacy is necessary to generate sufficient premiums to pay losses and expenses and to earn profits on income.

The ability of the Issuer to price its products and services accurately is subject to a number of uncertainties. As a result, rates and prices of products and services may be determined on the basis of inadequate or inaccurate data or inappropriate analyses, assumptions or methodologies. If the Issuer fails to establish adequate rates and prices for its products and services, its revenues could decline while its expenses increase resulting in proportionately greater losses.

Different capacities

de Volksbank acts or may act in different capacities under the Relevant Documents, including as Issuer, Originator, Servicer, Foundation Administrator, a Foundation Account Provider, Total Return

Swap Counterparty 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 de Volksbank) is acting with other parties (such as the Security Trustee and the CBC).

RISK FACTORS REGARDING THE 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, the Originator, the CBC, any Insurance Savings Participant, any Bank Savings Participant, any Swap Counterparty, the Servicer, the Administrator, the Directors, any Paying Agent, any Calculation Agent, the Arranger, any Dealer (excluding the Issuer), the GIC Provider, the Collection Foundation, the Foundation Administrator, the Foundation Account Providers and the Security Trustee. Furthermore, none of the Insurance Savings Participants, the Bank Savings Participants, the Swap Counterparties, the Servicer, the Administrator, the Directors, the Paying Agents, the Calculation Agents, the Arranger, the Dealers (excluding the Issuer), the GIC Provider, the Collection Foundation, the Foundation Administrator, the Foundation Account Providers and the Security Trustee, 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 they 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 (against the CBC only in case of a CBC Event of Default). Set out below is a description of the most common features of Covered Bonds:

Fixed/Floating Rate Covered Bonds

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

Covered Bonds 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 one year after such date (or if indicated otherwise in the final terms, such date).

Covered Bonds issued at a substantial discount or premium
The market values of Covered Bonds issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than to prices for conventional interest-bearing Covered Bonds. Generally, the longer the remaining term of the 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 the Relevant Documents without the Covered Bondholders' or other Secured Parties' prior consent, and the Standby Total Return Swap Providers consent requirement
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 Parties that are a party to such Relevant Documents (where applicable)), concur with any person in making or sanctioning any modifications to the Covered Bonds of any Series, the related Coupons or any Relevant 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 any of the Covered Bondholders of any Series or any of the other Secured Parties (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 its written consent as aforesaid), and provided that any such modification is notified to the Rating Agencies; or
- which in the opinion of the Security Trustee 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 obligations under EMIR or to comply with mandatory provisions of law; or
- in certain other circumstances as set out in Condition 15 (*Meetings of Covered Bondholders, Modification and Waiver*).

In addition the Standby Total Return Swap Providers have certain consent rights in respect of amendments to the Relevant Documents and could potentially prevent that changes beneficial to Covered Bondholders are made.

Taxation
This Base Prospectus includes a general summary of certain material Dutch tax considerations relating to an investment in the Covered Bonds issued by the Issuer. Such summary may not apply to a particular holder of Covered Bonds or to a particular issue and does not cover all possible tax

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

Potential investors should be aware that the tax laws and regulations and their application by the relevant taxation authorities may be subject to change. New tax laws or regulations may be introduced with or without retrospective effect and there may be changes in the interpretation and enforcement of such tax laws or regulations. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.

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

Tax initiatives of the Dutch government
On 18 September 2018 the Dutch government presented the 2019 Dutch Tax Bill (*Belastingplan 2019*), which includes, amongst others, certain tax measures in the form of legislative proposals for tax reform. The proposed tax measures focus, amongst others, on combating tax avoidance and tax evasion. Although not part of the legislative proposal published on 18 September 2018, one of the proposed measures as published in the 2019 Dutch Tax Bill is the introduction of a withholding tax as of 1 January 2021, on interest payments directly or indirectly made by a Dutch entity to group companies in 'low-tax jurisdictions' designated as such and included in a list as published by the Ministry of Finance as ministerial regulation or countries that are included in the EU list of non-cooperative jurisdictions. On 15 October 2018, the Dutch government published a letter sent to Parliament in which it is announced, among other things, that the introduction of the withholding tax on interest payments will not be postponed. The legislative proposal regarding the introduction of a withholding tax on interest payments is expected to be published in 2019.

The Dutch government has so far published only little guidance to this measure, but based on the limited information made publicly available at the date of this Base Prospectus, which includes, among other things, a consultation document published on 25 September 2018 (*Consultatie fiscaal verdragsbeleid en aanwijzing van laagbelaste staten*) (the "**Consultation Document**"), it seems likely that a jurisdiction will be considered to be a 'low tax jurisdiction' if the general statutory rate on business profits of such jurisdiction is lower than 7%. The Consultation Document contains a draft list of low tax jurisdictions and currently includes Anguilla, Bahamas, Bahrain, Bermuda, British Virgin Islands, Guernsey, Isle of Man, Jersey, Cayman Islands, Kuwait, Palau, Qatar, Saudi Arabia, Turks and Caicos Islands, Vanuatu, and the United Arab Emirates. The Consultation Document precedes the release of the formal list of low tax jurisdictions. The formal list of low tax jurisdictions is purported to enter into force per 1 January 2019 and it may therefor differ from the list included in the Consultation Document.

Since the legislative proposal for the introduction of a withholding tax on interest payments has not been made publicly available yet, at the date of this Base Prospectus it is not clear what the exact scope and impact of the proposed measure will be. Based on the limited information made publicly available at the date of this Base Prospectus, it seems unlikely that the proposed measure will apply to interest on debt instruments that are issued to holders unrelated to the Issuer. It can, however, not be ruled out that it will have a wider application and, as such, it could potentially be applicable to interest payments on the Covered Bonds. If the proposed withholding tax on interest payments is implemented in such a way that the Issuer would become obliged to pay additional amounts as provided for in Condition 8 (*Taxation*), the Issuer may redeem the Covered Bonds, in whole but not in part, at its option under Condition 7(b) (*Redemption for tax reasons*).

Prospective investors are advised to seek their own professional advice in relation to the proposed tax measures in the Netherlands, including the introduction of a withholding tax on interest payments as of 1 January 2021.

FATCA

Sections 1471 through 1474 of the US IR Code ("**FATCA**") imposes a reporting regime and, potentially, a 30% withholding tax with respect to certain payments to (i) any relevant non-U.S. financial institution pursuant to FATCA ("**FFI**") that does not become a "participating FFI" by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Issuer (a "**Recalcitrant Holder**"). The Issuer is an FFI for the purposes of FATCA.

The withholding regime is now in effect for payments from sources within the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 1 January 2019.

The United States and a number of other jurisdictions have announced their intention to negotiate IGAs to facilitate the implementation of FATCA. 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 an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) 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 IRS. The United States and the Netherlands have entered into an agreement (the "**U.S.-Netherlands IGA**") based largely on the Model 1 IGA.

The Issuer is a Reporting FI for the purposes of the U.S.-Netherlands IGA and does not anticipate that it will be obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA Withholding from payments it makes. The Issuer and financial institutions through which payments on the Covered Bonds are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Covered Bonds is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

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. 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.

If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments in respect of the Covered Bonds as a result of FATCA, none of the Issuer, the Guarantor, any paying agent or any other person would, pursuant to Condition 8 (*Taxation*) of the Terms and Conditions of the Covered Bonds be required to pay additional amounts as a result of such withholding or deduction. As a result, investors may receive less interest or principal than expected.

FATCA is particularly complex. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change. Prospective Covered Bondholders should consult their own tax advisors on how these rules may apply to the Issuer and regarding the possibility of withholding under FATCA, and the general effect of FATCA, in their individual circumstances.

ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PUROSES OF AVOIDING U.S. FEDERAL INCOME TAX PENATIONAL THAT MAY BE IMPOSED ON THE TAXPAYER. ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSSED HEREIN. AND THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

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.

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 depositary 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 depositary 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 safekeeper for Euroclear and/or Clearstream, Luxembourg or Euroclear Nederland, or any other agreed clearing system, shall be treated by the Issuer and any Paying Agent as the sole holder of the relevant Covered Bonds represented by such Global Covered Bond with respect to the payment of principal, interest (if any) and any other amounts payable in respect of the Covered Bonds.

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

Integral multiples of less than € 100,000 in case of Definitive Covered Bonds
In relation to any issue of Covered Bonds which have a denomination of € 100,000 (or higher or its equivalent in another currency) (in such case defined as the minimum "**Specified Denomination**") plus a higher integral multiple of another smaller amount, it is possible that the Covered Bonds be

traded in amounts in excess of € 100,000 or its equivalent that are not integral multiples of € 100,000 (or its equivalent in another currency). In such a case a Covered Bondholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination (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 a Specified Denomination. 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 (as defined in Condition 20.5), 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
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 as such or will remain to be recognised as such.

Base Prospectus to be read together with applicable Final Terms
The Terms and Conditions of the Covered Bonds included in this Base Prospectus apply to the different types of Covered Bonds which may be issued under the Programme. 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 the Programme, 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.

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 equivalent 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.

The secondary market generally

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

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Covered Bonds in the currency as specified in the applicable Final Terms (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency or other competent authorities may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency 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

One or more independent credit rating agencies may assign credit ratings to the Covered Bonds. The credit rating of each Series of the Covered Bonds, as applicable, addresses the assessments made by the Rating Agencies of the likelihood of full and timely payment of interest, to the extent applicable, and ultimate payment of principal on or before the Final Maturity Date, but does not provide any certainty nor guarantee. Credit ratings may not reflect all risks and the methodologies of determining credit ratings may be changed from time to time leading to potential downgrades.

The expected ratings of the Covered Bonds (if rated) are set out in the relevant Final Terms for each Series of Covered Bonds. Any decline in the credit ratings of the Covered Bonds or changes in credit rating methodologies may affect the market value of the Covered Bonds. Furthermore, the ratings 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. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. There is no assurance that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn by the relevant Rating Agency if, in its judgement, circumstances in the future so warrant.

Such change may, among other factors, be due to a change in the methodology applied by a Rating Agency to rating securities with similar structures to the Covered Bonds, as opposed to any revaluation of the Issuer's financial strength or other factors such as conditions affecting the financial services industry generally. Covered Bondholders and prospective investors should be aware that such a change in the methodology of a Rating Agency could result in certain series of Covered Bonds being downgraded, potentially to non-investment grade (if the relevant Covered Bonds are issued before the new methodology is applied by a Rating Agency to such Covered Bonds) or receiving a lower rating than that is currently expected from that Rating Agency (if the relevant Covered Bonds are issued after the new methodology is applied by that rating agency to such Covered Bonds).

In the event that a rating assigned to the Covered Bonds or the Issuer is subsequently lowered for any reason, the market value of the Covered Bonds is likely to be adversely affected, but no person or entity is obliged to provide any additional support or credit enhancement with respect to 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 the relevant clearing systems. Such a person or institution may charge fees for the opening and operation of an investment account, transfers of Covered Bonds, custody services and on payments of interest, principal and other amounts. Potential investors are therefore advised to investigate the basis on which any such fees will be charged on the relevant Covered Bonds.

Legal investment considerations may restrict certain investments

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

Solvency II/CRR

Financial institutions, to which Solvency II, CRR or other prudential regulations apply, might be less interested in investing in instruments such as Covered Bonds. Potential investors should consult their own advisers as to the consequences to and effect on them of Solvency II, CRR or other prudential requirements (as applicable), as a result of their holding of any Covered Bonds. Neither the Issuer, the 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, CRR or other prudential requirements in their own jurisdiction (whether or not implemented in its current form or otherwise).

Compliance of Covered Bonds with Dutch legislation, the UCITS Directive and/or CRR
The 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 Issuer will only issue Covered Bonds that obtain the status of being compliant with the CB Regulations (the "**Regulated Status**"), 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. In the Trust Deed the Issuer has undertaken to use its best efforts to procure that the Covered Bonds that have obtained the Regulated Status, will keep the Regulated Status until their Maturity Date or any earlier date on which such Covered Bonds have been redeemed 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 the CRR.

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

In addition, DNB has the authority to include in the register that the Covered Bonds are no longer or are not compliant with article 129 CRR as a result of which the Covered Bonds would no longer maintain the status of being compliant with the requirements set out in article 129 of the CRR (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 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. On 17 August 2018, the European Parliament published a draft report on the proposed directive and regulation. In that draft report, the rapporteur of the European Parliament, amongst others, proposes to gradually increase the risk weight for covered bonds which can be extended by more than a year, such as conditional pass-through covered bonds. 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.

Risk related to the ECB 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 € 30 billion until the end of September 2018. Thereafter, it is envisaged that the monthly pace of the net purchases will be reduced to € 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.

General risks
The value of the Covered Bonds may be influenced by national and international political, economic, social, environmental circumstances and developments.

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 year following approval. 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.

Risks in relation to negative interest rates on the CBC Transaction Accounts
Pursuant to the GIC the interest rate accruing on the balances standing to the credit of any of the GIC Accounts could be less than zero. Any negative interest will be payable by the CBC to the GIC Provider. If the CBC has the obligation to pay interest accruing on the balances standing to the credit of any of the GIC Accounts to the GIC Provider 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 GIC Accounts. This risk increases if the amount deposited on the GIC 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 GIC Provider could result in the CBC having insufficient funds to pay any amounts due under the Guarantee to Covered Bondholders.

Benchmark reforms impose obligations on market parties and may cause benchmarks to be materially amended or discontinued

Various benchmarks (including interest rate benchmarks such as the London Inter-Bank Offered Rate ("**LIBOR**") and the Euro Interbank Offered Rate ("**EURIBOR**")) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective such as the Benchmark Regulation (which entered into force on 1 January 2018), whilst others are still to be implemented. The Issuer closely monitors these national and international guidance and other proposals for reform, which are in constant development. Given the uncertainty in relation to the timing and manner of implementation of such reforms and in the absence of clear market consensus at this time, the Issuer is not yet in a position to determine the reforms that it will apply.

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 Benchmarks Regulation, the IOSCO Principles for Financial Benchmarks and other regulatory recommendations. 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 EMMI to develop a hybrid methodology for EURIBOR.

On 27 July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, 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

The interest payable on the Covered Bonds may be determined by reference to LIBOR, EURIBOR or another benchmark (the "**Reference Rate**").

Under the Benchmark Regulation, new requirements apply with respect to the provision of a wide range of benchmarks (such as the Reference Rate), 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) prevent 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).

Following the implementation of any such (potential) reforms or further to other pressures (including from regulatory authorities), the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, one or more benchmarks could be eliminated entirely, or there could be other consequences, including those that cannot be predicted.

Uncertainty as to the continuation of a benchmark, the availability of quotes from reference banks to allow for the continuation of rates on any Covered Bonds and the rate that would be applicable if the Reference Rate is materially amended or is discontinued, may adversely affect the trading market and the value of the Covered Bonds. Moreover, any of the above changes or any other consequential changes to the Reference Rate or any other relevant benchmark, or any further uncertainty in relation to the timing and manner of implementation of such changes could affect the ability of the Issuer to meet its obligations under the Covered Bonds and could have a material adverse effect on the value or liquidity of, and amounts payable under, the Covered Bonds based on or linked to a benchmark.

Future discontinuance of the Reference Rate and certain other events relating to the Reference Rate may adversely affect the value of Covered Bonds and/or the amounts payable thereunder

Investors should be aware that, if the Reference Rate has been discontinued or another Benchmark Event (as defined in the Terms and Conditions of the Covered Bonds) has occurred, the Rate of Interest on the Covered Bonds will be determined for the relevant period by the fallback provisions set out in Condition 5(c) applicable to such Covered Bonds. If the Principal Paying Agent or any other party appointed as being responsible for calculating the Rate of Interest and the Interest Amount in the applicable Final Terms, or the Issuer determines at any time prior to, on or following any Interest Determination Date (as defined in the applicable Final Terms), that a Benchmark Event has occurred, the Issuer may (after using reasonable endeavours to appoint and consult with an Independent Adviser (as defined in the Terms and Conditions of the Covered Bonds)) in its sole discretion, acting in good faith and in a commercially reasonable manner, determine a Replacement Reference 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 as defined in the Terms and Conditions of the Covered Bonds) and any method for calculating the Replacement Reference Rate (as defined in Condition 5(c), including any Adjustment Spread (as defined in the Terms and Conditions of the Covered Bonds)).

The use of the Replacement Reference Rate may result in the Covered Bonds that referenced the Reference Rate performing differently (including potentially paying a lower interest rate) then they would do if the Reference Rate were to continue to apply in its current form.

Furthermore, the Terms and Conditions of the Covered Bonds provide that the Issuer may vary the Terms and Conditions of the Covered Bonds, as necessary to ensure the proper operation of the Replacement Reference Rate, without any requirement for consent or approval of the Covered Bondholders.

The Terms and Conditions of the Covered Bonds also provide that an Adjustment Spread may be determined by the Issuer to be applied to the Replacement Reference Rate. The aim of the Adjustment Spread is to reduce or eliminate, so far as practicable, any economic prejudice or benefit (as the case may be) to Covered Bondholders as a result of the replacement of the Reference Rate with the Replacement Reference Rate. However there is no guarantee that such an Adjustment Spread will be determined or applied, or that the application of the Adjustment Spread will either reduce or eliminate economic prejudice to Covered Bondholders. If no Adjustment Spread is determined, the Replacement Reference Rate may nonetheless be used to determine the interest rate.

The Replacement Reference Rate and other matters referred to under Condition 5(c) will be final and binding, and will apply to the relevant Covered Bonds without any requirement that the Issuer obtains consent of any Covered Bondholders.

If the Issuer is unable to or otherwise does not determine a Replacement Reference Rate under Condition 5(c) or any of the other matters referred to under Condition 5(c), this could result in the application of the fallback provisions contained in Condition 5(b)(ii), which may result in the Interest Rate being the interest rate applicable as at the last preceding Interest Determination Date before the Benchmark Event occurred and which may ultimately result in the effective application of a fixed rate to what was previously a Floating Rate Covered Bond.

In addition, due to the uncertainty concerning the availability of a Replacement Reference Rate, the relevant fallback provisions may not operate as intended at the relevant time. In addition, the Replacement Reference Rate may perform differently from the Reference Rate. For example, several risk free rates are currently being developed, which are overnight rates, while the Reference Rate may have a certain maturity, for example a term of one, three or six months. Similarly, these risk free rates generally do not carry an implicit element of credit risk of the banking sector, which may form part of the Reference Rate. The differences between the Replacement Reference Rate and the Reference Rate 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.

There is a risk that the Issuer may be considered an 'administrator' under the Benchmark Regulation

The Issuer 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 Issuer and/or otherwise in determining the applicable Rate of Interest in the context of a fallback scenario. This would mean that the Issuer is control over the (i) administration of the arrangements for determining such rate, (ii) collection, analyses, or processing of the input data for the purposes of determining such rate and (iii) determination of such rate through the application of a method of calculation or by an assessment of input data for that purpose. Furthermore, for the Issuer 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 Issuer 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 Issuer and/or otherwise in determining the applicable Rate of Interest in the context of a fallback scenario, is published or made available to the public and regularly determined by the application of a method of calculation or by an assessment, and on the basis of certain values or surveys.

The Benchmark Regulation stipulates that each administrator of a benchmark regulated thereunder or the benchmark itself must be registered, authorised, recognised or endorsed, as applicable, in accordance with the Benchmark Regulation. There is a risk that administrators (which may include the Issuer in the circumstances as described above) of certain benchmarks will fail to obtain such registration, authorisation, recognition or endorsement, preventing them from continuing to provide such benchmarks, or may otherwise choose to discontinue or no longer provide such benchmark. In such case, this will also affect the possibility for the Issuer to apply the fallback provision of Condition 5(c) meaning that the Reference Rate will remain unchanged (but subject to the provisions of Condition 5(b)).

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 Originator, any Insurance Savings Participant, any Bank Savings Participant, any Swap Counterparty, the Servicer, the Administrator, the Directors, the Paying Agents, the Calculation

Agents, the Arranger, the Dealers, the GIC Provider, the Collection Foundation, the Foundation Administrator, the Foundation Account Providers and the Security Trustee. Furthermore, none of the Issuer, the Originator, the Insurance Savings Participants, the Bank Savings Participants, the Swap Counterparties, the Servicer, the Administrator, the Directors, the Paying Agents, the Calculation Agents, the Arranger, the Dealers, the GIC Provider, the Collection Foundation, the Foundation Administrator, the Foundation Account Providers 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 Originator, the Insurance Savings Participants, the Bank Savings Participants, the Swap Counterparties, the Servicer, the Administrator, the Directors, the Paying Agents, the Calculation Agents, the Arranger, the Dealers, the GIC Provider, the Collection Foundation, the Foundation Administrator, the Foundation Account Providers and the Security Trustee will be under any obligation whatsoever to provide additional funds to the CBC (save in the limited circumstances pursuant to the Relevant 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 including, for the avoidance of doubt, FATCA and the CBC will not be obliged to pay any additional amounts as a consequence.

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

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

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

Following service of a Notice to Pay on the CBC (provided (a) an Issuer Event of Default has occurred and an Issuer Acceleration Notice has been served and (b) no CBC Acceleration Notice has been served) under the terms of the Guarantee the CBC will be obliged to pay Guaranteed Amounts as and when the same are Due for Payment. Such payments will be subject to and will be made in accordance with the Post Issuer Acceleration Notice Priority of Payments. In these circumstances, other than in relation to 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 the Guaranteed Final Redemption Amount on the Extension Date, 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 amounts 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 the relevant Extension Date and any subsequent Interest Payment Date falling prior to the relevant Extended Due for Payment Date. Payment of the unpaid amount shall be deferred automatically until the applicable Extended Due for Payment Date. The Extended Due for Payment Date will fall one (1) year after the Maturity Date. Interest will continue to accrue and be payable on the unpaid Guaranteed Final Redemption Amount on the basis set out in the applicable Final Terms or, if not set out therein, Condition 5 (*Interest*), *mutatis mutandis*. In these circumstances, 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 Extension Date or any subsequent Interest Payment Date falling prior to the 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.

No Gross-up for Taxes

As provided in Condition 8 (*Taxation*), if withholding or deduction of any present or future taxes or duties of whatever nature are imposed or levied by or on behalf of any Tax Jurisdiction, the CBC will make the required withholding or deduction of such taxes or duties 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. 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.

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 interest in respect of the balance standing to the credit of the GIC Accounts. The CBC does not have any other resources available to it to meet its obligations under the Guarantee.

If a CBC Event of Default occurs and the Security is enforced, the proceeds may not be sufficient to meet the claims of all the Secured 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 Relevant Documents, the Secured Parties will no longer have a claim against the CBC after enforcement of the Security. The Secured Parties however may still have an unsecured claim against the Issuer for the shortfall.

Covered Bondholders should note that the Asset Cover Test has been structured to ensure that (i) the outstanding principal amount of the Transferred Assets is greater than the aggregate Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding and (ii) 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 (iii) 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 ever 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 Relevant Documents, which may result in the CBC not being able to meet its obligations under the Guarantee.

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

Neither the Servicer nor any other third parties 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 Bondholder, in some respects, the most important of which are: (i) payments made by the Borrowers to the CBC prior to notification of the relevant pledge but after bankruptcy or suspension of payments granted in respect of the CBC the amounts so paid will be part of the bankruptcy estate of the CBC, although the Security Trustee has the right to receive such amounts by preference after deduction of certain costs, (ii) a mandatory 'cool-off' period of up to four (4) months may apply in case of bankruptcy or suspension of payments involving the CBC, which, if applicable would delay the exercise of the right of pledge on the Transferred Assets 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 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 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 GIC Accounts following the CBC's bankruptcy or suspension of payments. With respect to Beneficiary Rights, reference is made to the risk factor '*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 whether a parallel debt constitutes a valid basis for the creation of security rights, such as rights of pledge (see also section 8 (*Asset Backed Guarantee*) under '*Security*'). 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 unlikely to become insolvent, *inter alia*, as a result of non-petition and limited recourse covenants and obligations. However, 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 incur a credit risk on the Security Trustee, which may lead to losses under the Covered Bonds. Should the Security Trustee become insolvent, the Secured Parties will have an unsecured claim on the bankrupt estate of 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.

RISK FACTORS REGARDING THE MORTGAGE RECEIVABLES AND OTHER ASSETS

In case the CBC is required to pay under the Guarantee, the ability to comply with such obligations will depend predominantly on the proceeds of the Transferred Assets. Payments on the Mortgage

Receivables and other assets are subject to certain risks described in more detail below.

Risk related to payments received by the Originator prior to notification to the Borrowers of the assignment to the CBC

Under Dutch law, assignment of the legal title of claims, such as the Eligible Receivables, can be effectuated by means of a notarial deed of assignment or a deed of assignment and registration thereof with the appropriate tax authorities, without notification of the assignment to the debtors being required (*stille cessie*). The legal title of the Eligible Receivables will be assigned by the Originator to the CBC through a deed of assignment, re-assignment, release and pledge and registration thereof with the appropriate tax authorities. The Guarantee Support Agreement will provide that the assignment of the Eligible Receivables by the Originator to the CBC will not be notified by the Originator 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 Originator in order to fully discharge their payment obligations (*bevrijdend betalen*) in respect thereof. The Originator has undertaken upon the earlier to occur of an Assignment Notification Event, the service of a Notice to Pay or a CBC Acceleration Notice to pay to the CBC any amounts received in respect of the Mortgage Receivables. However, receipt of such amounts by the CBC is subject to the Originator actually making such payments. If the Originator 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.

Payments made by Borrowers to the Originator prior to notification of the assignment to the CBC but after bankruptcy, suspension of payments or emergency regulations in respect of the Originator having been declared will be part of the Originator'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.

The risks set out in the preceding three paragraphs are reduced by the following structural features. The CBC has been informed by the Originator that each Borrower has given a power of attorney to the Originator or any sub-agent of the Originator respectively to collect amounts from its account due under the Mortgage Loan by direct debit. Under the receivables proceeds distribution agreement (the "**Receivables Proceeds Distribution Agreement**") entered into by, *inter alia*, the Originator, the Collection Foundation and the Foundation Account Providers on 19 December 2011 (as amended), the Originator has requested the Collection Foundation to collect by direct debit all amounts of principal and interest to the bank accounts (the "**Collection Foundation Accounts**") held and maintained by the Collection Foundation.

As a consequence, the Collection Foundation has a claim against the relevant Foundation Account Provider, in respect of the balances standing to the credit of the Collection Foundation Accounts. Prior to the transfer of the Collection Foundation Accounts to the Foundation Account Provider or a Collection Foundation Eligible Counterparty (as the case may be), de Volksbank in its capacity as Foundation Account Provider is the same legal entity as the Originator and thus the Collection Foundation will have a claim against the Originator in its capacity as Foundation Account Provider for the amount standing to the credit of the relevant Collection Foundation Accounts.

The Collection Foundation Accounts are currently held with de Volksbank and Rabobank. If and for so long as the Originator is a Foundation Account Provider of the accounts to which payments by the Borrowers are made, in the event of a bankruptcy of the Originator, any amounts standing to the credit of the Collection Foundation Accounts relating to the relevant Mortgage Receivables will form part of the bankrupt estate of the Originator. In view of such risk of bankruptcy, an additional deduction in the Asset Cover Test has been implemented as item Y2 to constitute a Collection Foundation Trigger Commingling Remedial Action. The risk is that the amount so deducted is insufficient to cater for the risk of the CBC and therefore have a negative effect on the ability of the CBC to meet its payment obligations. This may lead to losses under the Covered Bonds.

The Collection Foundation is set up as a passive bankruptcy remote foundation (*stichting*). The objects clause of the Collection Foundation is limited to collecting, managing and distributing amounts received on the Collection Foundation Accounts to the persons who are entitled to receive such amounts pursuant to the Receivables Proceeds Distribution Agreement.

Upon receipt thereof and after the Originator being obliged to pay the proceeds of the Mortgage Receivables to the CBC, 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 Agreement. Pursuant to the Receivables Proceeds Distribution Agreement, de Volksbank (the "**Foundation Administrator**"), and, after an insolvency event relating to the Foundation Administrator, a new administrator appointed for such purpose will perform such payment transaction services on behalf of the Collection Foundation (see for a description of the cash collection arrangements the chapter 18 (*Cashflows*).

There is a risk that the Originator (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, the Originator has under the Receivables Proceeds Distribution Agreement undertaken to the CBC and the Security Trustee not to instruct the Borrowers to pay any amounts under Mortgage Receivables into an account other than the Collection Foundation Accounts without (i) the prior written approval of each of the Collection Foundation, the CBC and the Security Trustee, and (ii) notification to the Rating Agencies and, if required, confirmation from the Rating Agencies that the then current ratings of the Covered Bonds would not be adversely affected upon such instructions. In addition, de Volksbank in its capacity as administrator for the Collection Foundation has undertaken in the Receivables Proceeds Distribution Agreement to disregard any instructions or orders from the Originator to cause the transfer of amounts received in respect of the Mortgage Receivables to be made to another account than the relevant Collection Foundation Accounts without prior written approval of the CBC and the Security Trustee. Regardless of the above, the Originator is obliged to pay to the CBC any amounts received in respect of the Mortgage Receivables which were not paid to the Collection Foundation Accounts but to the Originator directly upon receipt thereof and after the Originator being obliged to pay the proceeds of the Mortgage Receivables to the CBC. If the Originator or the Foundation Administrator do not comply with the relevant provisions of the Receivables Proceeds Distribution Agreement, this may lead to the Issuer or the CBC having insufficient funds available to meet its obligations under the Covered Bonds.

The Collection Foundation will grant first ranking rights of pledge on the balances standing to the credit of the Collection Foundation Accounts in favour of the Security Trustee and the Previous Transaction Security Trustees and second ranking rights of pledge to the CBC and the Previous Transactions SPV's jointly as security for (*inter alia*) any and all liabilities of the Collection Foundation to, respectively, the Previous Transaction SPVs, the CBC, the Previous Transaction Security Trustees and the Security Trustee in view of the (remote) bankruptcy risk of the Collection Foundation. The pledge is shared between the CBC, the Previous Transaction Security Trustees, the Security Trustee and the Previous Transaction SPVs, which are set up as bankruptcy remote securitisation special purpose vehicles. Each Previous Transaction Security Trustee and the Security Trustee 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 the Collection Foundation Accounts. 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 determined on the basis of the amounts in the Collection Foundation Accounts relating to the 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 balances of the Collection Foundation Accounts from time to time is equal to their entitlement in respect of the amounts standing to the credit of the Collection Foundation Accounts 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 the Collection Foundation Accounts (i.e. if the Collection Foundation defaults in forwarding or transferring the amounts received by it, as agreed), the proceeds will be divided according to each Previous Transaction Security Trustee's and the Security Trustee'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. The same applies to the pledge for the CBC and the Previous Transaction SPVs. The Collection Foundation Accounts Pledge Agreement provides that future issuers (and any related security trustees) in securitisation transactions or future similar transactions (and any security trustees relating thereto) initiated by the Originator will after accession also have the benefit of the right of pledge on the balance standing to the credit of the Collection Foundation Accounts and the relevant parties to the Collection Foundation Accounts Pledge Agreement undertake to cooperate with such provisions.

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 is due and payable which corresponds to its debt owed 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 Originator 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 the Originator to a Borrower could, *inter alia*, result from current account balances or deposits made with the Originator and, in respect of the Bank Savings Mortgage Loans, the aggregate Bank Savings Deposits (see '*Risk of set-off or defences in case of Mortgage Receivables resulting from Bank Savings Mortgage Loans*' below). Also, such claims of a Borrower could, *inter alia*, result from services rendered by the Originator to the Borrower, if rendered at all, such as investment advice rendered by de Volksbank in connection with Investment-based Mortgage Loans or services for which the Originator is responsible or held liable. As a result of the set-off of amounts due and payable by the Originator 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 and as a result lead to losses under the Covered Bonds.

Some of the conditions applicable to the Mortgage Loans provide that payments by the Borrowers should be made without set-off. Although such clause is intended as a waiver by the Borrowers of their set-off rights 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 paragraph.

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 against the Originator results from the same legal relationship as the relevant Mortgage Receivable, or (ii) the counterclaim of the Borrower has been originated (*opgekomen*) and has become 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 Originator 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, it will depend on the terms of the deposit whether the balance thereof will be due and payable at the moment of notification of the assignment. The CBC has been informed by de Volksbank that in most cases a balance on a deposit account can be withdrawn at any time and, consequently, such balance is due and payable at any time. 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 has been 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. 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, suspension of payments or emergency regulations of the Originator having become effective, it is defended in legal literature that the Borrower will, irrespective of the notification of the assignment, continue to have the broader set-off rights afforded to it in the Dutch Bankruptcy Code. Under the Bankruptcy Code a person who was, prior to notification of the assignment, 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.

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-based Mortgage Loans, reference is made to the risk factors '*Risk of set-off and defences by Borrowers in case of insolvency of Insurance Companies*' and *'Risks related to offering of Investment-based Mortgage Loans and Life Insurance Policies or Savings Insurance Policies with the Investment Alternative*' below.

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

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 by the Originator 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 Originator ("**Bank Mortgages**"). The Mortgage Loans also provide for rights of pledge granted in favour of the Originator, 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.

The mortgage conditions applicable to part of the Mortgage Loans stipulate that in case of assignment of the Mortgage Receivable, the Bank Security Right 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 the Mortgage Loans makes clear that the Bank Security Right (partially) follows the Relevant Mortgage Receivable as accessory and ancillary right upon its assignment, but that there is no case law explicitly supporting this advice.

The mortgage conditions applicable to the other part of the Mortgage Loans do not contain any explicit provision on the issue whether the Bank Security Rights follow the Mortgage Receivable upon its assignment or pledge thereof. Consequently, there is no clear indication of the intention of the parties. The Issuer and the CBC have been advised that also in such case the Bank Security 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 Dutch courts would decide if this matter were to be submitted to them, particularly taking into account the prevailing view of Dutch legal commentators on Bank Security Rights in the past as described above, which view continues to be defended by some legal commentators.

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. However, part of the mortgage conditions do not provide that in case of a pledge of the Relevant Mortgage Receivable the Mortgage will (partially) follow the Relevant Mortgage Receivable. Therefore, there is no clear indication of the intention of the parties and, consequently, the view expressed above does not apply to the pledge of the relevant Mortgage Receivables. However, a good argument can be made that the intention of the parties in case of an assignment of the Mortgage Receivable also includes the intention in case of a pledge of such Mortgage Receivable. Even if the Mortgage Conditions do not provide a clear indication on the intentions of the parties in case of pledge, the Issuer and the CBC have been advised that the Security Trustee as pledgee should have the benefit of the Mortgage as accessory and ancillary right upon notification of the assignment of the Mortgage Receivables to the CBC and the pledge to the Security Trustee. It should be noted, however, that there is no case law explicitly supporting this view. Therefore, it is not certain what the Dutch courts would decide if the matter were to be submitted to them, particularly taking into account the prevailing view of Dutch legal commentators on Bank Security Rights in the past, which view continues to be defended by some legal commentators.

Furthermore, 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 the related NHG Guarantee.

Risk related to jointly-held Bank Security Rights by the Originator, 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 Originator and will secure both the relevant Mortgage Receivables held by the CBC (or the Security Trustee, as pledgee) and any claims held by the Originator vis-à-vis the relevant Borrower (the "**Other Claims**"). This will not apply to the Mortgages securing the Mortgage Loans originated by the former SNS Bank before the end of 2005 and the Mortgage Loans originated by former BLG Hypotheekbank, since the relevant mortgage deeds relating to those Mortgage Loans provide that following assignment or pledge of the Mortgage Receivable the Mortgage no longer secures such Other Claims.

Where Bank Security Rights are jointly-held by both the CBC or the Security Trustee and the Originator, the rules applicable to a joint estate (*gemeenschap*) apply. The Dutch Civil Code provides for various mandatory rules applying to such jointly-held rights. In the Guarantee Support Agreement the Originator, 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 Originator, the Originator's bankruptcy trustee (*curator*) (in case of bankruptcy) or administrator (*bewindvoerder*) (in case of suspension of payments or emergency regulations), as the case may be, may be required for such foreclosure. The Originator, 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 Originator 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 Originator 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.

If (a bankruptcy trustee or administrator of) the Originator 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 Originator (or, as the case may be, its bankruptcy estate) for any damages as a result of a breach of the contractual arrangements, but such claim would be unsecured and non-preferred.

Risk related to partial termination of the Bank Security Rights

The Guarantee Support Agreement provides that upon the occurrence of an Assignment Notification Event the Originator is required to give notice to the Borrowers of partial termination of (i) in respect of de Volksbank (excluding in respect of Mortgage Loans originated by the former Regiobank and the former BLG Hypotheekbank), the Mortgages and Borrower Pledges securing the Relevant Mortgage Receivables originated after the end of 2005 (other than the rights of pledge (*pandrecht*) securing the relevant Mortgage Receivable, including a Borrower Insurance Pledge (each a "**Borrower Pledge**") vested on securities in respect of Investment-based Mortgage Loans (the "**Borrower Securities Pledges**")) and the Borrower Pledges securing the relevant Mortgage Receivables originated before the end of 2005 (other than Borrower Insurance Pledges and the Borrower Securities Pledges) and (ii) in respect of Mortgage Loans originated by former BLG Hypotheekbank, the Borrower Pledges securing the relevant Mortgage Receivables and (iii) in respect of Mortgage Loans originated by the former RegioBank, the Mortgages and Borrower Pledges securing the relevant Mortgage Receivables, in as far as these Mortgages and Borrower Pledges secure other debts than the relevant Mortgage Receivables. As a consequence of such partial termination, the relevant Bank Security Rights will only secure the relevant Mortgage Receivables and the joint estate will be terminated (see '*Risk related to jointly-held Bank Security Rights by the Originator, the CBC and the Security Trustee*'). The Issuer and the CBC have been advised that the Originator can effectively partially terminate the Bank Security Rights in this manner, but that there is no case law supporting this opinion.

The Originator's undertaking to partially terminate the Bank Security Rights is no longer enforceable if such Originator would be declared bankrupt or becomes subject to emergency regulations. The co-operation of the Originator's administrator (in case of suspension of payments or emergency regulations) or bankruptcy trustee (in case of bankruptcy) would be required for such act and it is not certain whether such co-operation will be forthcoming. Also, the power of attorney given to the CBC and the Security Trustee, respectively, to effectuate such partial termination on behalf of the Originator would terminate or become ineffective in such event. Also, a notice of partial termination received by the Borrower after the Originator has been declared bankrupt or subject to suspension of payments or emergency regulations, will not be effective.

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 section 13 (*Originator and Residential Mortgage Business*). A long lease will, *inter alia*, end as a result of expiration of the long lease term (in the case of a lease for a fixed period), or termination of the long lease by the leaseholder or the landowner. The landowner can terminate the long lease if the leaseholder has not paid the remuneration due for a period exceeding two (2) consecutive years or seriously breaches (*in ernstige mate tekortschiet*) other obligations under the long lease. If the long lease ends, the landowner will have the obligation to compensate the leaseholder. In such event the Mortgage will, by operation of law, be replaced by a right of pledge on the claim of the (former) leaseholder on the landowner for such compensation. The amount of the compensation will, *inter alia*, be determined by the conditions of the long lease and may be less than the market value of the long lease.

When underwriting a Mortgage Loan to be secured by a Mortgage on a long lease, the Originator will take into consideration certain conditions, in particular the term of the long lease. Therefore, the mortgage conditions used by the Originator provide that the principal sum of a Mortgage Receivable, including interest, will become immediately due and payable, *inter alia*, if the long lease terminates or if the lease holder materially breaches the conditions of the long lease.

Risk that Borrower Insurance Pledges will not be effective

All rights of a Borrower under the Insurance Policies have been pledged to the Originator (the "**Borrower Insurance Pledge**"). The Issuer and the CBC have been advised that it is probable that the right to receive payment, including the commutation payment (*afkoopsom*), under the Insurance Policies will be regarded by a Dutch court as a future right. The pledge of a future right is, under Dutch law, not effective if the pledgor is declared bankrupt, granted a suspension of payments or 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. The Borrower Insurance Pledge secures the same liabilities as the Bank Security Rights (and should therefore be regarded as Bank Pledges). The conditions applicable to the Borrower Insurance Pledges do not provide that in case of assignment or pledge of the receivable, the pledge will (partially) follow such receivable. Consequently, there is no clear indication of the intention of the parties. However, the CBC has been advised that, based upon recent legal literature the Borrower Insurance Pledges should partially follow the Mortgage Receivables upon their assignment and pledge (see '*Risk that the Bank Security Rights will not follow the Mortgage Receivables upon assignment to the CBC*').

Risks relating to Beneficiary Rights under the Insurance Policies

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 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 Originator (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 the appointment of the Originator as beneficiary will be regarded as an ancillary right and that it will follow the Mortgage Receivables upon assignment or pledge thereof to the CBC or the Security Trustee. However, in the form of the Borrower Insurance Pledge with respect to Life Insurance Policies used by former SNS Bank as of 25 September 2000 and in the forms of mortgage deeds with respect to Savings Insurance Policies used by former SNS Bank as of the end of 2005, any successor in title (*rechtsopvolgers onder algemene en bijzondere titel*) is also appointed as beneficiary, which may, subject to the legal requirements for a valid assignment and subject to any requirements stipulated by the Life Insurance Policy, or Savings Insurance Policy, as the case may be, include the CBC upon the assignment. The Beneficiary Rights will be assigned by the Originator to the CBC and will be pledged to the Security Trustee by the CBC (see section 8 (*Asset Backed Guarantee*) under '*Security*'). The assignment and pledge of the beneficiary rights must be notified 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.

The CBC and the Security Trustee will enter into a beneficiary waiver agreement (the "**Beneficiary Waiver Agreement**") with the Originator and the Insurance Savings Participant under which the Originator, without prejudice to the rights of the CBC as assignee and the rights of the Security Trustee as pledgee and subject to the condition precedent of the occurrence of an Assignment Notification Event, waives its rights as beneficiary under the Savings Insurance Policies and appoints as first beneficiary (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. It is, however, uncertain whether such waiver, and unlikely that such appointment, will be effective. In the event that such waiver and appointment are not effective in respect of the Savings Insurance Policies and, furthermore, in respect of the Life Insurance Policies, the Originator and, in respect of the Savings Insurance Policies, the Insurance Savings Participant has undertaken in the Beneficiary Waiver Agreement that they will use their best efforts upon the occurrence of an Assignment Notification Event to terminate the appointment of the Originator as beneficiary under the Insurance

Policies and to appoint the CBC or the Security Trustee, as the case may be, as first beneficiary under the Insurance Policies.

In the event that a Borrower Insurance Proceeds Instruction has been given, the Originator and, in respect of the Savings Insurance Policies, the Insurance Savings Participant, will in the Beneficiary Waiver Agreement undertake to use their best efforts following an Assignment Notification Event to withdraw the Borrower Insurance Proceeds Instruction in favour of the 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 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 Originator, it will pursuant to the Guarantee Support Agreement be obliged to pay the amount involved to the CBC or the Security Trustee, as the case may be, if an Assignment Notification Event has occurred in respect of the Originator. If the proceeds are paid to the Originator and the Originator 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 Originator, or if the proceeds are paid to another beneficiary instead of the CBC or the Security Trustee, as the case may be, this may result in the amount paid under the Insurance Policies not being applied in reduction of the 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 Originator or another beneficiary, as the case may be.

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

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

As set out in the risk factor '*Set-off by Borrowers may affect the proceeds under the Mortgage Receivables*' above, some Borrowers have waived their set-off rights, but it is uncertain whether such waiver is effective. With a view to further reducing the risk of set-off by Borrowers, the general conditions applicable to Mortgage Loans originated by former SNS Bank after the end of 2005 have been changed to provide that the Borrower will not have the right to set off claims under insurance policies with obligations under mortgage loans and confirm that (i) the bank and the relevant insurance company are different legal entities and (ii) the rights and obligations under the insurance policies are independent from the rights and obligations under the mortgage loans. This provision provides arguments for a defence against Borrowers invoking set-off rights or other defences (see below), but it is uncertain whether this provision in the general conditions will be effective.

If the provisions described above are not effective and in respect of other Mortgage Loans 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 Originator 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 Originator 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, subject, however, to what is stated above under '*Risk that Borrower Insurance Pledges will not be effective*'. However, apart from the right to terminate the Insurance Policies, the Borrowers are also likely to have the right to dissolve 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 the risk factor '*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 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 Originator, 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. A specific defence one could think of would be based upon interpretation of the Mortgage Conditions and the promotional material relating to the Mortgage Loans. Borrower 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 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 the risk of such set-off or defences being successful, as described above, if, in case of bankruptcy or emergency regulations of any of the Life Insurance Companies, the Borrowers/insured will not be able to recover their claims under their Life Insurance Policies, the Issuer and the CBC have been advised that, in view of the preceding paragraphs and the representation of the Originator that with respect to Mortgage Loans whereby it is a condition for the granting of the relevant 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 Originator (see Mortgage Loan Criteria sub (ix)), (ii) the Mortgage Loan and the Life Insurance Policy are not offered as one product or under one name, and (iii) the Borrowers are free to choose the relevant Life Insurance Company, it is unlikely that a court would honour set-off or defences of the Borrowers, as described above, if the Life Insurance Company is and at the time of origination was not a group company of the Originator within the meaning of Article 2:24b of the Dutch Civil Code. However, if the Life Insurance Company is (and on the date of origination was) a group company of the Originator, the Issuer and the CBC have been advised that the possibility cannot be disregarded (*kan niet worden uitgesloten*) that the courts will honour set-off or defences by the Borrowers.

Insurance Savings Mortgage Loans

In respect of Insurance Savings Mortgage Loans 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 Savings Insurance Policy and the wording of the mortgage deeds relating to the Insurance Savings Mortgage Loans.

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

Risk that interest rate reset rights will not follow Mortgage Receivables and Minimum Mortgage Interest Rate

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 Originator, the co-operation of the trustee (in bankruptcy) or administrator (in suspension of payments or emergency regulations) would be required to reset the interest rates.

The Servicing Agreement provides that following notification to the relevant Borrowers of the assignment of the Receivables, the Servicer, acting on behalf of the CBC, will only offer the relevant Borrowers an interest rate of at least the Minimum Mortgage Interest Rate, subject to the relevant mortgage loan agreement and applicable law (including but not limited to principles of reasonableness and fairness and applicable duties of care). The Minimum Mortgage Interest Rate may be amended by the CBC and the Issuer, subject to Rating Agency Confirmation and prior consent of the Security Trustee.

Accordingly, the ability of the CBC to reset the interest on Mortgage Loans (or relevant loan part thereof) may be limited, which might adversely affect the CBC's ability to influence the interest rates applicable to the Mortgage Loans, which could limit the CBC's ability to meet fully and/or timely its obligations under the Guarantee. In addition, if the Servicer does not comply with its obligation to set such interest rates at or above the Minimum Mortgage Interest Rate, the CBC may not receive sufficient interest to meet its obligations under the Guarantee in full and/or in time.

Risk of set-off or defences in case of Mortgage Receivables resulting from Bank Savings Mortgage Loans

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

As of 1 January 2014 the Bank Savings Deposit will be set-off with the relevant Bank Savings Mortgage Receivable by operation of law, if and when in respect of the relevant Bank Savings Participant (i) the DGS has been instituted by DNB, (ii) emergency regulations (*noodregeling*) have been declared or (iii) bankruptcy (*faillissement*) has been declared, irrespective of any rights of third parties, such as the Issuer, with respect to the Bank Savings Mortgage Receivable. In addition, in circumstances where the set-off by operation of law does not apply, since the Bank Savings Mortgage Loans have been originated by the relevant Bank Savings Participant as Originator, if the conditions for set-off by Borrowers have been met (see *Set-off by Borrowers may affect the proceeds under the Mortgage Receivables*) each Borrower under such relevant Bank Savings Mortgage Loan will be entitled to set off amounts due by the Originator under the Bank Savings Deposit, with the relevant Bank Savings Mortgage Receivable.

With a view to these risks the CBC, the Security Trustee and each Bank Savings Participant have entered into Bank Savings Participation Agreements. The obligations under the Bank Savings Participation Agreement are contingent upon the occurrence of an Assignment Notification Event. The Bank Savings Participation Agreement provides that should a Borrower invoke a defence, including but not limited to a right of set-off or counterclaim in respect of such Bank Savings Mortgage Loan if, for whatever reason, the relevant Bank Savings Participant does not pay the amount when due and payable, whether in full or in part, under the relevant Bank Savings Deposit and, as a consequence thereof, the CBC will not have received any amount outstanding prior to such event in respect of the relevant Bank Savings Mortgage Receivable, the relevant Bank Savings Participation of the relevant Bank Savings Participant will be reduced by an amount equal to the amount which the CBC has failed to receive. The amount of the Bank Savings Participation is equal to the amounts of Bank Savings Deposit received by the CBC plus the accrued yield on such amount (see section 14 (*Participation Agreements*), provided that the Bank Savings Participant will have paid all amounts equal to the amounts due under the Bank Savings Participation Agreement to the CBC. Therefore, normally the CBC would not suffer any damages if the Borrower would invoke any such right of set-off or defences, if and to the extent that the amount for which the Borrower would invoke set-off or defence does not exceed the amount of the relevant Bank Savings Participation. The amount for which the Borrower can invoke set-off or defences may, depending on the circumstances, exceed the amount of the relevant Bank Savings 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 Bank Savings Participation, such set-off or defences could lead to losses under the Covered Bonds.

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

Risk related to the value of investments under Investment-based Mortgage Loans or Life Insurance Policies
The value of investments made under the Investment-based Mortgage Loans or by one of the Life Insurance Companies in connection with the Life Insurance Policies or by the Insurance 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.

Risks related to offering of Investment-based 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-based 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 Originator or the CBC (or the Security Trustee). The merits of such claims will, to a large extent, depend on the manner in which the product was marketed and the promotional material provided to the Borrower. Depending on the relationship between the offeror and any intermediary involved in the marketing and sale of the product, the offeror may be liable for actions of the intermediaries which have led to a claim. The risk of such claims being made increases, if the value of investments made under Investment-based Mortgage Loans or Life Insurance Policies or Savings Insurance Policies with the Investment Alternative is not sufficient to redeem the relevant Mortgage Loans.

In the case of Investment-based Mortgage Loans originated by former BLG Hypotheekbank, Investment Firms provide for certain services, for example for investment advice or investment management services to the Borrowers. The Borrower may hold an Investment Firm liable if it does not meet its obligations towards the Borrower as investment adviser or investment manager, for example with respect to any investment advice or investment management services provided by such Investment Firm. In particular liability could arise if the sum of the investments is not sufficient to repay the Investment-based Mortgage Loan at maturity. Although de Volksbank has no contractual obligation to provide investment advice or investment management services to the Borrower, it cannot be excluded that the Borrower may hold de Volksbank liable for the non-fulfilment of the obligations of the Investment Firm and invoke set-off or defences similar to those described under '*Risk of set-off and defences by Borrowers in case of insolvency of Insurance Companies*'.

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 disproportionally 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. The discussion on the costs of the investment insurance policies is currently still continuing. Rulings of courts, including the Dutch Supreme Court (*Hoge Raad der Nederlanden*), and the Complaint Institute for Financial Services have been published, some of which are still subject to appeal, which were generally favourable for consumers.

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 Originator 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 Originator 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 Originator will not indemnify the Borrower. Any such set-off or defences could thus affect the proceeds under the Mortgage Receivables and may lead to losses under the Covered Bonds.

No investigations in relation to the Mortgage Loans and the Mortgaged Assets
None of the CBC, the Security Trustee, the Arranger, the Dealers or any other person has undertaken or will undertake an independent investigation, searches or other actions to verify the statements of the Originator concerning itself, the Mortgage Loans, the Mortgage Receivables and the Mortgaged Assets. The CBC and the Security Trustee will rely solely on the Representations and Warranties of the Originator.

The 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 (see section 10 (*Guarantee Support*) under '*Retransfers*'). Should the Originator 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 values of Mortgaged Assets
Payments on the Mortgage Receivables and other asset are, *inter alia*, 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. The higher the loan to income ratio, the larger the proportion of the earnings of a borrower that will be needed to pay interest and principal under mortgage loans, especially when confronted with unexpected costs or expenses, or, in respect of an interest-only mortgage loan, the repayment of principal. An additional risk with regard to interest-only mortgage loan is that the borrower may not be able to repay principal at maturity of the loan if it has not build up sufficient savings for such purpose. If this is the case, the borrower might have to sell the mortgaged asset or refinance to be able to repay principal which may not be possible or difficult at such time. 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. For example, house prices in the Netherlands have on average (regional differences in the rate of change can be noticed) declined between 2008 and 2013 and increased substantially in recent years, although there are regional differences (see in this respect section 11 *Overview of 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 Originator 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.

Limited description of the Transferred Assets
The constitution of the Transferred Assets may constantly change. Therefore, the information received by Covered Bondholders may not reflect all and/or the most recent statistics or information in relation to the Transferred Assets. However, each Eligible Receivable and Substitution Asset will be required to meet the applicable Eligibility Criteria and the Representations and Warranties set out in the Guarantee Support Agreement (although such Eligibility Criteria and Representations and Warranties may change in certain circumstances).

Risks in respect of NHG Guarantees
Mortgage Loans may have the benefit of a guarantee, a "*Nationale Hypotheek Garantie*" ("**NHG Guarantee**") issued by Stichting Waarborgfonds Eigen Woningen ("**Stichting WEW**"). Pursuant to the terms and conditions (*voorwaarden en normen*) applicable to the NHG Guarantee, Stichting WEW has no obligation to pay any loss (in whole or in part) incurred by a lender after a private or a forced sale of the mortgaged property if such lender has not complied with the terms and conditions of the NHG Guarantee. The Originator will in the Guarantee Support Agreement represent and warrant that (i) each NHG Guarantee connected to a Mortgage Receivable which has been transferred as having the benefit of a NHG Guarantee (each an "**NHG Mortgage Receivable**"), constitutes legal, valid and binding obligations of Stichting 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 Originator 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 Guarantee stipulate that the NHG Guarantee will terminate upon expiry of a period of thirty years after the issue of the NHG Guarantee. Mortgage Loans may have a maturity date which falls after the expiry date of the relevant NHG Guarantee. This will result in the Issuer, CBC or Security Trustee, as the case may be, not being able to claim for payment with Stichting WEW of a loss incurred after the term of the NHG Guarantee has expired.

Furthermore, 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 Mortgage Loan can be different. This may result in the Issuer, CBC or Security Trustee, as the case may be, not being able to fully recover a loss incurred with Stichting WEW.

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

Changes to the acceptance conditions of the Originator
Each of the Mortgage Loans originated by the Originator will have been originated in accordance with its acceptance conditions at the time of origination. It is expected that the Originator's acceptance conditions will generally consider type of Mortgaged Asset, term of loan, age of applicant, the loan-to-

value ratio, mortgage indemnity guarantee policies, high loan-to-value fees, status of applicants and credit history. In the event of a transfer of relevant Mortgage Receivables by the Originator to the CBC, the Originator will warrant only that such relevant Mortgage Receivables were originated in accordance with such Originator's acceptance conditions applicable at the time of origination. The Originator 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 Mortgage Receivables, that may lead to increased defaults by Borrowers 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. As set forth herein, however, Defaulted Receivables will be excluded from the calculation of the Asset Cover Test and the Amortisation Test.

However, some of the Mortgage Receivables may have been acquired by the Originator in the course of its business. Such Mortgage Receivables may not have been originated in accordance with the existing acceptance conditions of the Originator, but will as at the relevant Transfer Date qualify as an Eligible Receivable as long as such Mortgage Receivable meets the Eligibility Criteria.

New Originators

The Issuer may propose that any of its subsidiaries may become a new originator, each a "**New Originator**" and that such New Originator may transfer Eligible Assets to the CBC. However, such New Originator will only be permitted to become an Originator if the conditions precedent set out in the Programme Agreement relating to New Originators acceding to the Programme are met, including Rating Agency Confirmation.

Any Mortgage Receivables originated by a New Originator will have been originated in accordance with the acceptance conditions of the New Originator, which may differ from the acceptance conditions of Mortgage Receivables originated by the Originator. If the acceptance conditions differ in a way that affects the creditworthiness of 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 or the ability of the CBC to make payments under the Guarantee. This risk is mitigated to a certain extent by the fact that Defaulted Receivables will be excluded in the calculation of the Asset Cover Test and the Amortisation Test.

Limited recourse to the Originator

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

There is no further recourse to the Originator in respect of a breach of a Mortgage Receivables Warranty. There is no other recourse to the assets of the Originator 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 tax treatment of interest 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 restricted to a term of thirty (30) years and it only applies to mortgage loans secured by owner occupied properties. See also the risk factor '*A significant portion of the results of the Issuer relates to* *its mortgage loan products*' above. In addition, changes in tax treatment may lead to different prepayment behaviour by Borrowers on their Mortgage Loans resulting in higher or lower prepayment rates of such Mortgage Loans. Finally, changes in tax treatment may have an adverse effect on the value of the Mortgaged Assets, see '*Risks associated with defaults by Borrowers and declining values of Mortgaged Assets'* above.

Risks related to prepayment compensation charged by the Originator and to interest rate averaging

In the Netherlands borrowers of mortgage loans may generally prepay their mortgage loans before the maturity date. If the prepayment exceeds a certain limited amount in a year and does not result from certain predefined events, such as a sale of the mortgaged property, the provider of a mortgage loan may charge a prepayment compensation. A compensation may not only be charged for early mortgage prepayments (*vervroegde aflossing*), but may also be charged in case a borrower applies for opting out of an interest contract during a fixed-rate period, referred to as 'interim interest rate adjustment' (*tussentijdse renteaanpassing*) or when a borrower applies for interest rate averaging (*rentemiddeling*), as described below.

Pursuant to the entry into force of the Mortgage Credit Directive in the Netherlands on 14 July 2016, prepayment compensation may not exceed the financial loss incurred by the provider of the mortgage loan. In view of the new legislation the AFM investigated the calculation method for, and the prepayment compensation charged by different providers of mortgage loans. As a result, the AFM published guidelines on 20 March 2017 with principles for calculating the prepayment compensation that may be charged in case of a prepayment of a mortgage loan (*Leidraad Vergoeding voor vervroegde aflossing van de hypotheek,* the "**AFM Guidelines**"). The principles of the AFM Guidelines are also deemed applicable to the calculation of a compensation charged in relation to interim interest rate adjustment (*tussentijdse renteaanpassing*). The AFM Guidelines are not applicable to interest rate averaging (*rentemiddeling*), however, the AFM expects providers of mortgage loans to act in the best interest of the borrowers.

According to the AFM Guidelines, the guidelines are to be used for the calculation of the prepayment compensation charged as of 14 July 2016. The Originator has reviewed whether the amounts prepayment compensation charged since 14 July 2016 were calculated in accordance with the principles of the AFM Guidelines. Where the recalculation showed that a prepayment compensation charged was too high, the Originator notified the affected borrower of the mortgage loan and repaid such borrower the difference. These repayment obligations have a limited impact on the financial position of the Originator.

Some consumer organisations have argued that a recalculation of the amounts of prepayment compensation as charged should also take place over a five years period prior to 14 July 2016 and potentially be repaid to the borrowers. However, it has been decided by law and also confirmed by the KiFiD in various decisions and by the AFM that the Mortgage Credit Directive and the implementation thereof in the Netherlands together with the AFM Guidelines do not have retroactive effect. By judgment of 20 June 2018 it was ruled that prepayment compensations charged before 14 July 2016 do not have to be repaid by the Originator. Although unlikely, it cannot be ruled out that the amounts of prepayment compensation 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 event prepayment compensation, or parts thereof, charged before 14 July 2016 may also have to be repaid. The Originator decided - in close cooperation with two consumer organisations (*de Consumentenbond* and *Vereniging Eigen Huis*) - to investigate the conditions of its mortgage loans (which have been prepaid by borrowers between 14 July 2011 and 14 July 2016) and concluded that in some cases the charged prepayment compensation should be recalculated and partly repaid to such borrowers. As a result thereof a group of borrowers will receive repayments by the end of 2018 and the financial impact on the financial position of the Originator will increase and could have a negative impact on the Originator's business, result of operations or profitability.

The Originator offers interim interest rate adjustment (*tussentijdse renteaanpassing*) and interest rate averaging (*rentemiddeling*) to Borrowers. In case a borrower of a mortgage loan applies for interest rate adjustment such borrower is offered a new fixed interest rate after payment of a compensation. In case a borrower of a mortgage loan applies for interest rate averaging, 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 interim interest rate adjustment and interest rate averaging - when offered to a Borrower - may have a downward effect on the interest received on the relevant Mortgage Loans.

Furthermore, it is expected that new legislation will enter into force as of July 2019, with regard to interest rate adjustment and interest averaging. This could have a downward effect on the amounts received as interest or prepayment penalties under the Mortgage Receivables by the Originator and/or the CBC.

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.

Prior to the service of a Notice to Pay, 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 Notice to Pay, 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 Relevant Document.

Sale or refinancing of Selected Mortgage Receivables

If the CBC is required to pay under the Guarantee, the CBC may be obliged 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 Originator would give any warranties or representations in respect of the Selected Mortgage Receivables. Any Representations or Warranties previously given by the Originator in respect of the relevant Mortgage Receivables may not have value for a third party purchaser if the Originator is then subject to any insolvency proceedings. Accordingly, there is a risk that the realisable value of the Selected Mortgage Receivables could be adversely affected by the lack of representations and warranties which in turn could adversely affect the ability of the CBC to meet its obligations under the Guarantee.

License requirement under the Wft

An entity which services (*beheert*) and administers (*uitvoert*) loans granted to consumers, such as the CBC, must have a license under the Wft. An exemption from the license requirement is available, if such entity, which is not the originator, acquires the receivables and outsources the servicing of the loans and the administration thereof to an entity holding a license under the Wft. The CBC has outsourced the servicing and administration of the Mortgage Loans to the Servicer. The Servicer holds a license 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 license 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 license itself, the CBC will have to terminate its activities and settle (*afwikkelen*) its existing agreements.

Not all risks are deducted from the Asset Cover Test

As the Asset Cover Test and the Amortisation Test are composed of multiple tests, not all tests included therein provide for deduction of certain risks in the manner described herein. In particular certain set-off risks and other risks which are deducted from the Adjusted Aggregate Asset Amount are not deducted for the purpose of the calculation of the First Regulatory Current Balance Amount and the Second Regulatory Balance Amount. Therefore, the First Regulatory Current Balance Amount and the Second Regulatory Balance Amount do not include a deduction in respect of these risks. 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.

The Interest Cover Required Amount may not be sufficient to cover any shortfall between the amounts of interest received by the CBC and the rate of interest payable on the Covered Bonds

The CBC is required, among other things, to deduct an amount equal to the Interest Cover Required Amount from the Asset Cover Test to cater for certain interest rate risks. The Interest Cover Required Amount is calculated by reference to the interest received on Transferred Collateral up to the relevant final maturity date taking into account the respective contractual amortisation profile and the interest payable on the Covered Bonds up to the relevant Maturity Date. In order to calculate such amount, the Issuer will need to make certain assumptions and estimates.

The amounts deducted may be insufficient to cater for any shortfall between the actual rates of interest and revenue on the Mortgage Receivables or the rates of interest or revenue payable on the other Transferred Assets and the balance of the GIC Accounts and the actual rate of interest payable on the outstanding Covered Bonds, as well as other mismatches which may adversely affect the CBC's ability to fulfil its obligations under the Guarantee.

Thus, payments due to Covered Bondholders by the CBC may be affected by the assumptions made by the Issuer and the actual receipts of amounts of interest by the CBC and the actual amounts of interest payable by the CBC on the outstanding Covered Bonds.

RISK FACTORS REGARDING SWAPS

Risk related to the mismatches between income and liabilities

Variances are possible in (i) the rates of interest and/or the currency of the interest and/or principal 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 GIC Accounts and (ii) the rate of interest and/or the currency of the interest and/or principal payable on the outstanding Covered Bonds. The CBC has with respect to certain Series, to a certain extent, provided for a hedge against these variances (and certain other variances) by entering into the Total Return Swap Agreement, the Standby Total Return Swap Agreements and, where applicable, Interest Rate Swap Agreements and Structured Swap Agreements. The CBC may, but is not required, to enter into appropriate hedging arrangements except for the obligation of the CBC to enter into Structured Swap Agreements in case Covered Bonds are issued in another currency than euro, as further set out below.

The Issuer may issue new Covered Bonds without increasing the Total Pool Assets hedged under the Total Return Swap or the Standby Total Return Swap and which are not hedged by means of an Interest Rate Swap Agreement or Structured Swap Agreement (except, with respect to the Structured Swap Agreement, if the new Covered Bonds are issued in another currency than euro, in which case a Structured Swap may be mandatory). In addition, the Issuer may agree with the CBC and the Security Trustee that Covered Bonds that are TRS Hedged Covered Bonds will no longer be hedged under the Total Return Swap and will no longer be TRS Hedged Covered Bonds. The Total Return Swap Agreement will only hedge a portion of the Total Pool Assets, equal to the TRS Hedged Covered Bonds Ratio multiplied by all Total Pool Assets. The Total Pool Assets hedged under the Total Return Swap will not automatically increase to reflect any new issuance of Covered Bonds or any addition of Mortgage Receivables and/or Transferred Collateral to the cover pool and may also decrease. If the CBC would request to increase the Total Pool Assets hedged under the Total Return Swap, the Total Return Swap Counterparty would have to agree to such increase. Neither the Total Return Swap Counterparty nor the CBC has an obligation to increase the Total Pool Assets hedged under the Total Return Swap and/or implement adequate portfolio tests in connection with any such new issuance and/or addition of Mortgage Receivables and/or Transferred Collateral. Any risks not hedged or not catered for in respect of any portion of the Total Pool Assets will be borne by all the Covered Bondholders (including the holders of the TRS Hedged Covered Bonds).

The notional amount of the Standby Total Return Swaps will not automatically increase to reflect any new issuance of TRS Hedged Covered Bonds or any addition of Mortgage Receivables and/or Transferred Collateral after the Novation Trigger Date. Each Standby Total Return Swap Provider would have to agree to any increase of the notional amount of the relevant Standby Total Return Swap in connection with an issue of TRS Hedged Covered Bonds and/or to agree to an existing or a new Standby Total Return Swap Provider hedging such new TRS Hedged Covered Bonds, in order to hedge the increase in the notional amount. There can be no guarantee that the CBC will be able to agree with the existing Standby Total Return Swap Provider to increase the notional amount of the relevant Standby Total Return Swap or to enter into additional standby total return swap arrangements and/or implement adequate portfolio tests in connection with any such new issuance and/or addition of Mortgage Receivables and/or Transferred Collateral. Even if additional standby total return swap arrangements and/or portfolio tests are implemented, there can be no guarantee that all of the Total Pool Assets will be hedged pursuant to a standby total return swap (or similar) or be otherwise catered for by way of Portfolio Tests. Any risks not hedged or not catered for in respect of any portion of the Total Pool Assets will be borne by all the Covered Bondholders (including the holders of the Specified Bonds (as defined in section 17 (*Swaps*)).

To enable the CBC to hedge its exposure arising from any Series denominated in a currency other than euro de Volksbank will, pursuant to the Swap Undertaking Letter, be required to enter into (or procure a third party that is an Eligible Swap Counterparty to enter into) Structured Swaps with the CBC in respect of such Series of Covered Bonds. The CBC may also hedge its exposure arising from any Series denominated in euro and enter into Interest Rate Swaps with de Volksbank or a third party, provided that (i) prior to the occurrence of an Issuer Event of Default de Volksbank has consented thereto, (ii) Rating Agency Confirmation has been given and (iii) the Security Trustee has given its prior consent thereto. de Volksbank is not obliged to enter into any Interest Rate Swaps or, prior to the occurrence of an Issuer Event of Default, to agree to the CBC entering into such Interest Rate Swap with a third party. Any risks not hedged or not catered for in respect of any interest of the Covered Bonds will be borne by all the Covered Bondholders (including the holders of the Series of Covered Bonds hedged under an Interest Rate Swap or a Structured Swap).

If Portfolio Tests are implemented as an alternative to the Total Return Swap Agreement or any Standby Total Return Swap Agreement, then the Total Return Swap Agreement and the relevant Standby Total Return Swap Agreement may be terminated. If an alternative hedging strategy is put in place, then the Total Return Swap Agreement and the Standby Total Return Swap Agreements may be terminated and the CBC may be required to enter into derivatives transactions to comply with such alternative hedging strategy.

In order to mitigate these mismatches to a certain extent an amount equal to the Interest Cover Required Amount will be deducted from the Asset Cover Test.

Risk related to Tax Event and termination of a Swap Agreement

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 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 or (iii) a CBC Acceleration Notice is served. 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 and to various other mismatches associated with, for example Covered Bonds issued in a currency other than euro. As a result, unless a replacement swap agreement is entered into, the CBC may have insufficient funds to make payments under the Guarantee, if it is required to pay thereunder.

Termination payments under Swap Agreements

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

If the CBC is obliged to pay 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.

Risks relating to the Standby Total Return Swap Agreements

The notional amount of the Standby Total Return Swaps is capped by reference to the Standby TRS Calculation Amount in respect of each CBC Payment Date. Accordingly, a portion of the Total Pool Assets may not be hedged by the Standby Total Return Swaps (should novation occur). Furthermore, as the Standby TRS Calculation Amount may be reduced (but may not be increased without the consent of the relevant Standby Swap Provider), following the Novation Trigger Date the portion of the Total Pool Assets not hedged by the combined Standby Total Return Swaps may increase over time. Also, as the Issuer may decide that no hedge will be provided in respect of a new Series, the portion of the Total Pool Assets not hedged by the combined Standby Total Return Swaps may also increase over time. Any risks not hedged or not catered for in respect of any portion of the Total Pool Assets will be borne by all the Covered Bondholders (including the holders of the Specified Bonds).

Risks relating to the Novation Agreements

If any Novation Agreement is terminated prior to the occurrence of the Novation Trigger Date, the relevant Standby Total Return Swap Agreement will not become effective and will fall away. This may lead to adverse ratings action being taken by the Ratings Agencies in respect of the Covered Bonds, unless the CBC or the relevant Total Return Swap Counterparty is able to implement other remedial measures in accordance with the requirements or applicable criteria of the Rating Agencies.

There can be no guarantee that, if any Novation Agreement terminates and the relevant Standby Total Return Swap Agreement falls away, the CBC will be able to enter into a replacement standby total return swap agreement or, if it does, as to the ratings of the replacement standby total return swap provider and the terms of such replacement standby total return swap agreement.

Differences in timing of obligations of the CBC and Swap Counterparties

With respect to the Interest Rate Swaps and the Structured Swaps, the CBC (or the Issuer on its behalf) may be obliged to make monthly payments to the relevant Swap Counterparty, whereas the relevant Swap Counterparty may not be obliged to make corresponding swap payments for up to twelve (12) months. If the relevant Swap Counterparty does not meet its payment obligations to the CBC, the CBC may have a larger shortfall than it would have had if the relevant Swap Counterparty's payment obligations had coincided with CBC's payment obligations under the relevant Swap. Hence, the difference in timing between the obligations of the CBC and the relevant Swap Counterparty may affect the CBC's ability to make payments under the Guarantee.

Payments with respect to Covered Bonds, Interest Rate Swaps and Structured Swaps 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 Post Issuer Acceleration Notice 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 Interest Rate Swaps and Structured Swaps 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 an Interest Rate Swap or Structured Swap with respect to such Series of Covered Bonds, from the amounts received under the relevant Swap Agreement connected to such Series after the CBC Payment Date on which the relevant CBC Payment Period commenced;

(ii) from the amounts reserved in respect of such Series of Covered Bonds or such Swap Agreement pursuant to items (f) and (g), as applicable, of the Post Issuer Acceleration Notice 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 GIC Accounts in accordance with item (h) of the Post Issuer Acceleration Notice 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 an Interest Rate Swap Agreement or a Structured Swap Agreement, and despite the relevant mitigants described above there are insufficient funds available pursuant to items (f) and (g) of the Post Issuer Acceleration Notice Priority of Payments, one or more Series which are subject to an Interest Rate Swap Agreement or a Structured Swap Agreement may not be paid, or not be paid in full during the relevant CBC Payment Period, whereas one or more other Series may be paid in full during that same CBC Payment Period.

Risks in relation to EMIR

EMIR establishes certain requirements for over-the-counter ("**OTC**") derivative contracts, including a mandatory clearing obligation, risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty and reporting requirements.

Under EMIR, (i) financial counterparties ("**FC**") and (ii) non-financial counterparties whose positions in OTC derivatives (including the positions of other non-financial entities in its group, but excluding any hedging positions) exceed a specified clearing threshold ("**NFC+**") must clear OTC derivative contracts that are entered into on or after the effective date for the clearing obligation, provided that such class of OTC derivative contract has been declared subject to the clearing obligation. OTC derivative contracts that are not cleared by a central counterparty are subject to certain other risk-mitigation requirements. These include arrangements for timely confirmation of OTC derivative contracts, portfolio reconciliation, dispute resolution, arrangements for monitoring the value of outstanding OTC derivative contracts and the mandatory margining of non-cleared OTC derivatives contracts. Certain of these risk mitigation requirements may impose obligations on the CBC in relation to the Swap Agreements (if entered into). 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 is of the view that the CBC does not qualify as an NFC+ because its positions in OTC derivatives are below the specified clearing threshold as stipulated in Article 11 of the Commission Delegated Regulation 149/2013 of 19 December 2012. This is, because the CBC's only positions in OTC derivatives would be the positions under the Swap Agreement, 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 or the Issuer's group exceeds the clearing threshold. If the CBC does not qualify as an NFC+, the CBC has no clearing obligation in respect of the OTC derivatives declared subject thereto nor is the CBC subject to certain other risk mitigation requirements under EMIR, such as the mandatory margining of non-cleared OTC derivative contracts, under any Swap Agreement. If, however, the CBC would qualify as an NFC+, certain exemptions could apply under EMIR for OTC contracts concluded with covered bond issuers or with cover pools for covered bonds. These include an exemption from the clearing obligation for OTC derivatives such as interest rate swaps (based on Article 1(2) of the Commission Delegated Regulation 2015/2205 of 6 August 2015), provided certain conditions are met, and an exemption from the mandatory margining of non-cleared OTC derivative contracts (based on Article 30 of the Commission Delegated Regulation 2016/2251 of 4 October 2016) which allows for the risk management procedures for derivatives concluded in connection with covered bonds to provide that variation margin is not posted by the covered bond issuer or cover pool and that initial margin is not posted or not collected, provided certain other conditions are met.

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 to the Covered Bondholders. 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, and the introduction of a clearing threshold for FCs. The EMIR Amending Regulation is currently going 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.

RISK FACTOR REGARDING CASHFLOWS

For as long as no Assignment Notification Event has occurred and no Notice to Pay or CBC Acceleration Notice has been served on the CBC, the Originator will be entitled to receive and retain the proceeds from the Transferred Assets for their own benefit. In addition, the Issuer will, as consideration for the CBC issuing the Guarantee, pay all costs and expenses of the CBC and make and receive all payments to be made or received by the CBC under any swap agreement. Upon the earlier to occur of an Assignment Notification Event and service of a Notice to Pay or CBC Acceleration Notice on the CBC, these rights of the Originator will terminate and the amounts received by the CBC will be applied in accordance with the relevant Priority of Payments (except that any collateral to be provided by a Swap Counterparty following its downgrade will be delivered to the CBC irrespective of whether any Assignment Notification Event has occurred or any Notice to Pay or CBC Acceleration Notice has been served at such time).

4. IMPORTANT INFORMATION

The Issuer accepts responsibility for the information contained in this Base Prospectus and the CBC accepts responsibility for the information relating to the CBC 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 (in the case of the CBC, in respect of the information that relates to it) 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.

Each Standby Total Return Swap Provider has accepted responsibility for the information regarding itself in section 17 (*Swaps*) in the paragraph '*Standby Total Return Swap'* contained in this Base Prospectus. To the best of the knowledge of each Standby Total Return Swap Provider (having taken all reasonable care to ensure that such is the case) the information contained in section 17 (*Swaps*) in the paragraph '*Standby Total Return Swap*' is in accordance with the facts and does not omit anything likely to affect the import of such information.

Neither the Arranger, the Dealers (other than the Issuer) nor the Security Trustee have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger, 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 by the Issuer and the CBC in connection with the Programme. Neither the Arranger, the Dealers (other than the Issuer) nor the Security Trustee accepts any liability in relation to the information contained in this Base Prospectus or any other information provided by the Issuer and the CBC in connection with the Programme.

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

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

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

Covered Bonds constitutes an offer or invitation by or on behalf of the Issuer to any person to subscribe for or to purchase any Covered Bonds.

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

The distribution of this Base Prospectus and the offering, sale and delivery of the Covered Bonds may be restricted by law in certain jurisdictions. Persons into whose possession this Base Prospectus or any Covered Bonds comes must inform themselves about, and observe, any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Covered Bonds and on distribution of this Base Prospectus and other offering material relating to the Covered Bonds, see section 7 (*Covered Bonds*) under *'Subscription and Sale'*.

The Covered Bonds have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or any other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of 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 US tax regulations and the Securities Act. See *Subscription and Sale* below. The Covered Bonds and the Guarantee have not been and will not be registered under the Securities Act, or the securities laws of any state of the U.S. or other jurisdiction. The securities may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**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 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 Moody's upon registration pursuant to the CRA Regulation. The entities of each of Fitch and Moody's 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 for a Series or Tranche of Covered Bonds, the relevant Stabilising Manager will be set out in the applicable Final Terms. The Stabilising Manager or any duly appointed person acting for the Stabilising Manager may over-allot or effect transactions with a view to supporting the market price of the relevant Series of Covered Bonds at a level higher than that which might otherwise prevail. However, stabilisation may not 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 be ended at any time, but it must end no later than the earlier of thirty (30) days after the issue date and sixty (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, references to 'Sterling' and '£' refer to pounds sterling, references to 'U.S. Dollars' and '$' refer to United States dollars and references to 'JPY' and '¥' refer to Japanese Yen.

Certain of the Dealers and/or their affiliates may have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the 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 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 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 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.

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 manufacturer('s/s') 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 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.

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 Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

Benchmark Regulation: Interest and/or other amounts payable under the Covered Bonds may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark under the Benchmark Regulation. If any such reference rate does constitute such a benchmark, the relevant Final Terms will indicate whether or not the administrator thereof is included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmark Regulation. Not every reference rate will fall within the scope of the Benchmark Regulation. Furthermore, transitional provisions in the Benchmark Regulation may have the result that an administrator and/or a benchmark is not required to appear in the register of administers 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.

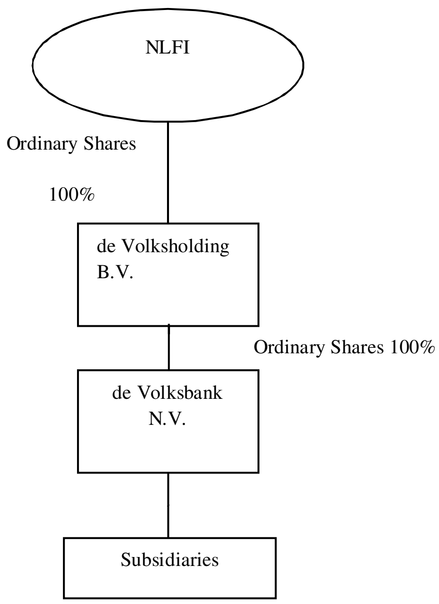
Amounts payable under the Covered Bonds may be calculated by reference to EURIBOR or LIBOR, which is provided by European Money Markets Institute (EMMI) or ICE Benchmark Administration (IBA), respectively. As at the date of this Base Prospectus, European Money Markets Institute (EMMI) does not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (ESMA) pursuant to article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011). As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmark Regulation (Regulation (EU) 2016/1011) apply, such that European Money Markets Institute (EMMI) and ICE Benchmark Administration (IBA), respectively, are not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).

5. DE VOLKSBANK N.V.

Incorporation and ownership

De Volksbank was incorporated on 18 December 1990 as a "*naamloze vennootschap*", a public limited liability company under Dutch law, as a result of the merger of several regional savings banks. Its legal name is de Volksbank N.V. and its corporate seat is in Utrecht, the Netherlands. The registered office of de Volksbank is Croeselaan 1, 3521 BJ, Utrecht, the Netherlands and de Volksbank is registered in the Commercial Register of the Chamber of Commerce (*Handelsregister van de Kamer van Koophandel*), under number 16062338. The Legal Entity Identifier (LEI) of de Volksbank is 724500A1FNICHSDF2I11. The telephone number of de Volksbank is +31(0)30 291 5200. The articles of association of de Volksbank were most recently amended by notarial deed on 1 January 2017 before Mr. J.D.M. Schoonbrood, civil law notary practising in Amsterdam, the Netherlands, following the merger whereby ASN Bank N.V. and RegioBank N.V. as disappearing entities merged with SNS Bank N.V. (the legal predecessor of de Volksbank) as acquiring entity.

As per the date of this Base Prospectus, NLFI is, on behalf of the Dutch State, and indirectly via de Volksholding B.V., the sole shareholder of de Volksbank (see chart below). This holding structure, whereby NLFI holds the shares on behalf of the Dutch State is also used by the Dutch State for certain other holdings in financial institutions.



Governance de Volksholding B.V. and de Volksbank

The board of directors and the supervisory board of de Volksholding B.V. consist of the same members as the board of directors and the supervisory board of de Volksbank (the "**Board of Directors**" and the "**Supervisory Board**").

Board of Directors

The Board of Directors consists of, and the principal activities outside de Volksbank of the members of the Board of Directors are as follows:

Mr. M.B.G.M. Oostendorp, Chief Executive Officer
Member of the Supervisory Board at Nederlandse Waterschapsbank N.V.
Member of the Advisory Board at Women in Financial Services (WIFS)
Member of the Board and treasurer of the Dutch Banking Association

Mrs. M.L. van der Meer, Chief Customer Officer

Mr. V.A. Baas, Chief Operations Officer
Member of the Board of the Dutch Payment Association

Mrs. A.T.J. van Melick, Chief Financial Officer
Member Regulatory Matters Committee of the Dutch Banking Association

Mr. J.R. Dijst, Chief Risk Officer

The positions referred to above, being 'Chief Executive Officer', 'Chief Customer Officer', 'Chief Operations Officer', 'Chief Financial Officer' and 'Chief Risk Officer' apply only to the positions held in the Board of Directors. All members of the Board of Directors have full time positions and have elected domicile at the registered office of de Volksbank.

Supervisory Board

The Supervisory Board consists of and the principal activities outside de Volksbank of the members of the Supervisory Board are as follows:

Mr. J.C.M. van Rutte, Chairman
Member Supervisory Board ORMIT Holding B.V.
Member Supervisory Board Bank Nederlandse Gemeenten N.V.
Member Supervisory Board PGGM N.V.
Member Supervisory Board Nederlandse Investeringsinstelling N.V.
Member Supervisory Council Foundation Health Center Hoenderdaal
Member of the Board of ABN AMRO Foundation
Member of the Board of Stichting Administratiekantoor Aandelen KAS Bank

Mrs. S. Barendregt-Roojers
Financial auditing examiner at the Erasmus School of Accounting & Assurance in Rotterdam
Member Supervisory Board ASR Verzekeringen N.V.
Member Supervisory Board Robeco Institutional Asset Management B.V.

Mr. J. van Lange
Member of the Board of NMB Bank in Tanzania and Chairman of the Audit, Risk and Compliance Committee
Member of the Board of Governors of Tilburg University and Chairman Audit Committee
Member of the Supervisory Board of Zuyderland Medisch Centrum and Chairman of the Audit Committee

Chairman of the Supervisory Board of the Central Bureau on Fundraising (CBF) (monitors fundraising by charities)
Chairman of the Catholic Higher Education Foundation – Tilburg University
Member of the Investment Advisory Committee of DELA (insurance company)
Chairman Stichting Landgoed Kasteel Geldrop (Geldrop Castle Foundation)

Mrs. M.R. Milz
Member Supervisory Board of Handelsveem Beheer B.V.
Member of the Supervisory Board of Zuidema Beheer B.V.
Member of the Board of Stichting Parnassia
Member of the Board Stichting Arbo Unie

Mr. A. Kregting
Chief Information Officer AkzoNobel
Member of the Supervisory Board of UMC Utrecht
Member of the Supervisory Board of Ordina (up to and including 31 December 2018)

Audit Committee
The audit committee of de Volksbank (the "**Audit Committee**") currently consists of three members (each a member of the Supervisory Board):

Mrs. S. Barendregt-Roojers, Chairman
Mr. J. van Lange
Mr. A. Kregting

The Audit Committee supports the Supervisory Board in its decision making. The Audit Committee provides advice to the Supervisory Board in, *inter alia*, the following areas:

(i) the set up and operation of the framework of the internal risk management and control systems of de Volksbank set up and maintained by the Board of Directors and senior management of de Volksbank, including the compliance with relevant laws and regulations and supervision on the functioning of internal and external codes of conduct;
(ii) the quality, completeness, accuracy and timeliness of the provision of financial information by de Volksbank on the basis of which the achievement of the objectives of de Volksbank and its business units shall be assessed;
(iii) compliance with recommendations and follow-up of observations of internal auditors, external auditors, tax advisors, actuaries and regulatory authorities;
(iv) discussions on the checks and audits performed by the Audit department in respect of the internal risk management and control systems of de Volksbank;
(v) the role and the functioning (scope, effectiveness and quality) of the Audit function of de Volksbank, including the assessment of risk analyses, annual plans, quarterly reports and performance reports prepared by the Audit function;
(vi) the policy of de Volksbank in respect of tax planning
(vii) the effectiveness, scope, independence, quality and involvement of the external auditor, including the financial reporting process;
(viii) adoption of the annual accounts, approval of the annual budget and major capital investments as well as funding of de Volksbank; and
(ix) the applications of information and communication technology.

The Audit Committee shall ensure a robust process and shall provide the Supervisory Board with advice regarding the (re)appointment, remuneration and the cancellation of the assignment of the external auditor. The chairman of the Audit Committee shall be actively involved in the appointment, assessment/remuneration, suspension and dismissal of the audit director. The Board of Directors appoints and dismisses the audit director. Both the appointment and suspension as well as the dismissal shall, together with an Audit Committee recommendation, be submitted to the Supervisory Board for approval.

The CEO, CFO, CRO, audit director and external auditor have standing invitations to attend the meetings of the Audit Committee. The chairman of the Audit Committee, the audit director and the external auditor hold a preliminary consultation prior to each meeting, unless the persons involved consider this to be unnecessary. At least once a year, a meeting of the Audit Committee takes place where only the audit director and the external auditor are present.

De Volksbank and the Banking Code

In October 2014, the Dutch Bankers Association published the revised banking code (the "**Banking Code**") as part of a package of new developments for the Dutch banking industry called 'Future-oriented Banking'. The new Banking Code came into effect on 1 January 2015. This package for sound governance is a product of self-regulation of Dutch banks. It consists of a Social Charter, the Banking Code and the rules of conduct associated with the bankers' oath, which must all be seen in conjunction with one another. All three elements of this package are clearly reflected within the internal manifesto of de Volksbank.

The Banking Code is applicable on a licensing level. It is therefore applicable to de Volksbank and to all of de Volksbank banking activities. All the principles of the Banking Code have been embedded in the Issuer's business processes.

The website of de Volksbank provides an overview of the application of the Banking Code, please refer to www.devolksbank.nl. Compliance with the Banking Code is constantly monitored and is due to its nature a dynamic process.

De Volksbank and the Dutch Corporate Governance Code

The Dutch Corporate Governance Code (the "**Code**") is a code of conduct applicable to listed companies. The Code contains principles and best practice provisions for sound governance, that regulate relations between the board of directors, the supervisory board and shareholders (including the general meeting of shareholders) and stakeholders. Although the Code is not applicable to Volksbank, de Volksbank voluntarily applies the Code. The Code is based on the principle of 'comply or explain'. Please refer to www.devolksbank.nl for an overview of how de Volksbank implements the provisions from the Code in its governance structure.

Potential conflicts of interest of the Board of Directors & Supervisory Board

There are no potential conflicts between any duties to de Volksbank and the private interests and/or other duties of the Board of Directors members and/or the Supervisory Board members of de Volksbank. These members may obtain financial services of de Volksbank. Internal rules are in place for the situation in which a conflict of interest should arise.

Independent Auditor

Ernst & Young Accountants LLP ("**Ernst & Young**") has been appointed as independent auditor to de Volksbank as of 1 January 2016. All audit partners of Ernst & Young involved in the audit of the financial statements of de Volksbank are a member of the Netherlands Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants, NBA*).

Rating Agencies

De Volksbank has been rated by independent rating agencies Moody's, Standard & Poor's Global Ratings ("**S&P**") and Fitch. The most recently published reports by these rating agencies, expressing opinions on any of the ratings assigned to de Volksbank, are made available on www.volksbank.nl under the headings 'Investor relations' > 'Credit ratings'. Please see below an overview of the ratings assigned to de Volksbank.

Ratings of de Volksbank per date of this Base Prospectus

Long-term credit ratings	**S&P**	**Moody's**	**Fitch**
de Volksbank	A- (positive)	A3 (stable)	A- (stable)

Short-term credit ratings	**S&P**	**Moody's**	**Fitch**
de Volksbank	A2	Prime-2	F2

Covered Bonds issued under the Programme may be rated or unrated. Where a Covered Bond is rated, its rating will be specified in the applicable Final Terms.

Company profile
De Volksbank has a focus on the Dutch market, offering simple and transparent mortgage, savings and payment products to private individuals. De Volksbank also offers insurance, investment and lending services through its brands and serves smaller companies in a retail manner.

De Volksbank is pursuing a multi-brand strategy with ASN Bank, BLG Wonen, RegioBank and SNS. Each
of these brands has its own distinctive profile that meets the needs of their customer group. A single back office, IT infrastructure and a central staff organisation allow de Volksbank to operate effectively and efficiently.

The mission of de Volksbank – banking with a human touch – is described in its manifesto. To live up to this mission, de Volksbank has formulated the following ambition: optimising shared value. We define shared value as de Volksbank serving the joint interest of customers, society, employees and shareholder(s).

De Volksbank has the following four bank brands each displaying its own identity and image. ASN Bank, BLG Wonen, RegioBank and SNS.

Four Bank brands:

- ASN Bank's mission is to contribute to a more sustainable society, based on its pillars of climate change, human rights and biodiversity. ASN Bank is working towards a more sustainable society in two ways. Firstly, in its banking activities, through (project) loans and the investments made by the bank and its investment funds. Secondly, in its nonbanking activities, such as collaboration with other organisations and knowledge sharing;

- BLG Wonen is the brand for the independent advisor who gives broad house and home-related financial advice to clients. BLG Wonen seeks to create a society in which every person has a house where he feels at home. BLG Wonen is known for being a personal services provider and is firmly committed to retaining this personal touch by, for example, developing campaigns geared to specific target groups and their housing needs. In addition to serving new customers, BLG Wonen will also strengthen the ties with its existing customers and advisers;

- RegioBank works with independent advisers having a franchise relationship with this brand.

RegioBank offers a range of products, serving retail customers and SME customers in the areas of payments, savings and mortgages. RegioBank will continue on the path taken, aiming for local savings to be invested locally in the form of mortgages while also focusing on the retention of mortgage customers. RegioBank will continue to promote initiatives that stimulate vitality and liveability;

- SNS is a brand for ordinary Dutch consumers and has a course that fits in well with SNS's roots as a social bank. SNS is a brand that shows that banking can be different, more normal, and that wishes to surprise its customers with this. And if it is in their customers' interests, SNS will break with traditional banking practices. Based on this 'perfectly normal' mind-set, SNS positions itself as a no-nonsense brand for ordinary Dutchmen and as a clear alternative to the major banks. SNS shows (prospective) customers that they really have a choice and proves this by offering unique products and services. It is the brand's ambition to be a larger, visible player, including in the mortgage and payments markets. Presenting a clear and simple product range, SNS offers its customers comprehensive solutions for payments, (bank) savings, mortgages, insurance, borrowing and profile investment. The objective is to intensify the relationship with the customer by proactively giving advice, listening carefully and discovering any additional wishes.

Supervision

The regulatory framework is under constant scrutiny, both at a national and international level. Many new rules and regulations have entered into force in recent years and will enter into force the following years. Important changes with respect to the supervision on the Issuer have been and will be introduced by CRD IV, the implementation of the BRRD, the SRM Regulation, the EU Banking Reforms and the Basel III Reforms (see section 2 (*Risk Factors*) under '*The financial services industry is subject to intensive regulation. Major changes in laws and regulations as well as enforcement action could have a negative impact on the Issuer*' and '*Resolution regimes may lead to fewer assets of the Issuer being available to investors for recourse for their claims, and may lead to lower credit ratings and possibly higher cost of funding*').

Within the group consisting of de Volksholding B.V. and its subsidiaries, the following entities hold licences under the Wft (excluding finance service providers licences):

<u>Bank:</u>
de Volksbank N.V.

<u>Alternative Investment Fund Manager:</u>
ASN Beleggingsinstellingen Beheer B.V.

Single Supervisory Mechanism

The SSM is one of the elements of the EU banking union. The SSM has created a new system of financial supervision comprising the ECB and the national competent authorities of participating EU countries. Among these EU countries are those whose currency is the euro and those whose currency is not the euro, but who have decided to enter into close cooperation with the SSM. Under the new system of supervision, the ECB directly supervises significant credit institutions since 4 November 2014. De Volksbank is considered a 'significant credit institution' under the SSM and is therefore since 4 November 2014 subject to direct supervision by the ECB. Specific tasks relating to the prudential supervision of credit institutions have been conferred to the ECB.

Recent developments

Additional capital buffer requirement

de Volksbank has been designated as an 'other systemically important bank'. In connection therewith, an additional capital buffer requirement under CRD IV of 1% of its risk-weighted assets has been imposed on de Volksbank. This buffer is currently being phased in and stands at 0.75% until it will apply in full as from 2019.

Tier 2 transaction
On 29 October 2015, de Volksbank placed € 500,000,000 3.75% callable resettable dated subordinated notes due 2025 (Tier 2 notes) with a wide range of institutional investors. The issue of these Tier 2 notes contributes to the strengthening and diversification of de Volksbank's capital base.

Covered Bond transactions
On 18 May 2017, de Volksbank placed € 500,000,000 0.75% Covered Bonds due May 2027 with a wide range of institutional investors. In addition, on 8 March 2018, de Volksbank placed € 500,000,000 1.00% Covered Bonds due March 2028 with a wide range of institutional investors.

Senior unsecured Euro Medium Term Notes (EMTN) transactions
On 28 September 2017, de Volksbank placed € 500,000,000 0.125% senior unsecured notes due September 2020 with a wide range of institutional investors. In addition, on 25 June 2018, de Volksbank placed € 500,000,000 0.75% senior unsecured notes due June 2023 with a wide range of institutional investors.

AFM investigation into Interest Rate Derivatives
De Volksbank has a small portfolio of interest rate derivatives entered into with customers. It stopped entering into these interest rate derivatives as of 2010. At the AFM's request, de Volksbank reassessed its customers' interest rate derivatives in 2014 and 2015 in order to establish whether customers had been adequately advised in the past. This reassessment pertained to interest rate derivatives that had not yet expired on 1 April 2014. The reassessment was completed at the beginning of 2015. De Volksbank personally informed the customers concerned of the assessment results in mid-2015.

On 4 December 2015, the AFM informed de Volksbank that a further reassessment of the interest rate derivatives may have to be carried out. Since then, de Volksbank has been in close contact with the AFM to discuss this matter. On 1 March 2016, the AFM and the Minister of Finance announced the appointment of three independent experts ("**Committee of Experts**") who on 19 December 2016 presented a so called uniform recovery framework pertaining to SME Interest Rate Derivatives (*herstelkader*) ("**Uniform Recovery Framework**") in collaboration with the banks. This Uniform Recovery Framework forms the basis on which the banks reassess the interest derivatives in order to investigate whether or not compensation has to be offered to individual clients of the bank.

The Uniform Recovery Framework mainly focuses on SME's and provides for a step-by-step plan. De Volksbank executed the Uniform Recovery Framework in 2017. At year-end 2017, de Volksbank had finalised its assessment under the Uniform Recovery Framework. It made an offer to all clients with a derivative that fall within the scope of the Uniform Recovery Framework and informed all other clients that fall outside the scope of the Uniform Recovery Framework. In 2018 de Volksbank has carried out administrative and follow-up activities in that respect. De Volksbank has recognised a provision in relation to the Uniform Recovery Framework of which € 3,3 million remains at year half 2018.

Minimum requirement for own funds and eligible liabilities (MREL)
The BRRD and the SRM Regulation resulted in the introduction of MREL as a buffer to absorb losses. This buffer applies in addition to the capital ratios under the capital requirements regulations (CRR) that de Volksbank has to adhere to. The MREL is institution-specific and set in respect of de Volksbank by the Single Resolution Board.

At the beginning of February 2017, the Single Resolution Board informed de Volksbank that it supports the designation of de Volksbank as the resolution entity. The Single Resolution Board set the MREL for de Volksbank at 8.0% of total liabilities and shareholders' equity. The Single Resolution Board also decided that de Volksbank must comply with the MREL on 1 January 2020 at the latest.

Redundancy plan

Becoming a more efficient and simple bank is part of the strategic plan of de Volksbank. This necessitates a change of work that is brought about by such activities as the further digitalisation of our processes. This change will demand other skills of the employees of de Volksbank. It also means that ultimately de Volksbank will need fewer people to do the work. As de Volksbank wants to downsize the number of employees of the company with due care, this process is expected to last several years. The Board of Directors has set frameworks and it is up to the organisation to develop the details. The departments have been given the assignment of organising the work differently together and preparing for this in good time. At the end of 2016, de Volksbank indicated that is expected that approximately 900 jobs will be lost by the end of 2020. This relates to external and internal employees, and includes a reduction in the number of management positions.

Announcement of the Dutch Minister of Finance regarding the future of de Volksbank

On 1 July 2016, the Dutch Minister of Finance sent a letter to the House of Representatives on the future of and privatisation options for de Volksbank. In this letter the Minister of Finance subscribed NLFI's conclusion that it is too early to make a decision on de Volksbank's future and that execution of the strategic plan of de Volksbank would require two to three years to achieve long term optimal value creation. The Minister of Finance will decide on the future of de Volksbank after de Volksbank has regained a strong position in the Dutch banking landscape.

On 14 September 2017, the Minister of Finance sent a letter to the Dutch House of Representatives reaffirming NLFI's conclusion in its progress report of September 2017 that de Volksbank needs the time remaining of the original two to three years to create optimal long term value and that future options will be elaborated on as soon as de Volksbank is sufficiently ready for him to make a decision.

Together with the second progress report by NLFI from October 2018, the Minister of Finance sent a letter to the Dutch House of Representatives on 27 November 2018 reaffirming NLFI's conclusion in its second progress report. NLFI concluded in its second progress report that de Volksbank has made good progress with respect to its risk management, in implementing innovative technology and with respect to its standardisation of products and processes. However, NLFI is of the opinion that de Volksbank needs more time to further develop its strategy and to further strengthen its identity. Furthermore, it is important that de Volksbank strives to achieve the objectives it has set, including the intended improvement between costs and income, in order for de Volksbank to have a good proposition for privatisation. NLFI concluded that de Volksbank needs the time remaining of the original two to three years to create optimal long term value and to complete the transition it started in 2016. This term ends mid-2019. If, according to NLFI, de Volksbank is not ready for privatisation by mid-2019, NLFI will again issue a progress report in mid-2019.

De Volksbank participated in the SSM SREP stress test

De Volksbank participated in the SSM Supervisory Review and Evaluation Process ("**SSM SREP**") stress test exercise conducted by the ECB. This stress test complements the EU-wide stress test exercise conducted by the EBA ("**EBA stress test**") and addressed banking groups other than those 37 institutions taking part in the EBA stress test. The SSM SREP stress test was performed at the highest level of consolidation (de Volksholding B.V.) and was based on the same methodology as the EBA stress test. It did not contain a pass/fail threshold. The stress test assesses the resilience of European banks to extreme but plausible adverse market developments over a period of three years.

Contrary to the EBA stress test results, the results of the SSM SREP stress test are not published. Under the assumptions and methodological restrictions of the stress test's adverse scenario, the Common Equity Tier 1 (CET1) ratio of de Volksbank remains, however, comfortably above de Volksbank's CET1 objective of more than 15%. The SSM SREP stress test results will be used in the regular SREP process, to be finalised by the end of 2018.

Stress test results for all significant institutions are used to assess the Pillar 2 capital needs of individual banks in the context of the SSM SREP. Currently, based on the SSM SREP of 2017, de Volksbank is required to maintain a minimum Common Equity Tier 1 (CET1) ratio of 9.625% as from 1 January 2018 (transitional, including the Pillar 2 requirement). This CET1 capital requirement also includes the capital conservation buffer of (currently) 1.875% and the buffer for other systemically important institutions of (currently) 0.75%.

De Volksbank's CET1 capital ratio increased from 29.2% at year-end 2016 to 34.1% at year-end 2017 to 34,3% at 30 June 2018. The ratios are therefore well above its current internal minimum target of 15.0% and the 9.625% CET1 overall capital requirement following from the SSM SREP, including applicable buffers.

Legal merger between SNS Bank, ASN Bank and RegioBank
As of 1 January 2017, and as a consequence of the Merger, the four brands ASN Bank, BLG Wonen, RegioBank and SNS operate under the banking licence of de Volksbank N.V. and the separate banking licences of ASN Bank and RegioBank ceased to exist. The Merger simplified and enhanced the efficiency of the Issuer's business operations.

Annual Results of de Volksbank
On 22 February 2018, de Volksbank published a press release regarding its 2017 full-year results and subsequently it published its 2017 annual report on 8 March 2018. In the 2017 annual report the following highlights were included.

In 2017, ASN Bank, BLG Wonen, RegioBank and SNS combined, welcomed 202,000 new customers on a gross basis. On a net basis, the number of customers rose by 51,000. Net growth was lower than 2016 (65,000), mainly due to lower growth of savings customers. This was partly attributable to the absence of major marketing campaigns and a limited outflow of customers following termination of the ZwitserlevenBank proposition.

De Volksbank's new mortgage production increased to € 5.2 billion (+41%), from € 3.7 billion in 2016. The total market share of new retail mortgages increased to 6.8% (2016: 5.7%). The market share based on the total retail mortgage portfolio remained virtually stable at 6.8% compared to year-end 2016.

In all, driven by increased production and high retention, de Volksbank's gross retail mortgage portfolio grew from € 44.9 billion at year-end 2016 to € 45.9 billion. The increased demand for longer term fixed-rate mortgages is reflected in an increased share of mortgages with a fixed-rate period of 15 years or more in the mortgage portfolio of de Volksbank. At year-end 2017, these mortgages amounted to € 8.0 billion (18% of the portfolio), compared to € 7.3 billion at year-end 2016.

De Volksbank's retail savings remained stable on € 36.6 billion, equating to a stable market share of 10.8% (year-end 2016: 10.7%). In 2017 there weren't big marketing campaigns to attract retail savings.

In 2017, net profit decreased by € 20 million to € 329 million, despite a positive swing in incidental items of € 38 million. Adjusted for one-off items, net profit fell by € 58 million to € 316 million, which was mainly attributable to a € 44 million lower net release of provisions for loans. In addition total income declined by € 24 million to € 1,011 million (-2%). Based on net profit excluding one-off items, the 8.7% return on equity[1] ("**RoE**") was lower compared to 2016 (10.8%), attributable to both a lower adjusted net profit and a higher level of average equity. The efficiency ratio[2] was 54.5% compared to 57.6% in 2016, influenced by the swing in one-off items. Adjusted for one-off items, the efficiency ratio was 55.4%, up compared to 54.2% in 2016, entirely driven by lower adjusted income (-6%). Adjusted operating expenses were 1% lower.

De Volksbank reported a risk-weighted Common Equity Tier 1 ratio (CET1 ratio), which increased from 29.2% at year-end 2016 to 34.1% at year-end 2017 (and from 29.6% to 34.3% fully phased-in). The improvement of the CET1 ratio was driven by an increase in CET1 capital and a decrease in risk-weighted assets.

The total capital ratio rose from 33.8% (fully phased-in 34.3%) at year-end 2016 to 35.7% (fully phased-in 36.0%) at year-end 2017. The EBA interpretation of CRR Article 82 (regarding financial parent holding companies) had a negative impact on the total capital ratio of approximately -3.5%-points.

The main non-risk-weighted capital ratio, the leverage ratio, rose from 5.2% at year-end 2016 to 5.5% at year-end 2017 (and from 5.3% to 5.6% fully phased-in). De Volksbank has set a dividend pay-out target range of 40% - 60% of its net adjusted result. In line with this policy, de Volksbank proposed to pay out a dividend of € 190 million from the 2017 annual profit, corresponding with a pay-out ratio of 60%.

Semi-annual results 2018 de Volksbank
On 23 August 2018, de Volksbank published its financial report regarding the 2018 half year ending on 30 June 2018. In this interim financial report 2018 the following highlights were included.

In the first half of 2018, de Volksbank brands welcomed 115,000 new customers on a gross basis. On a net basis, the number of customers rose by 32,000. Net growth was sharply higher than in the first half of 2017 (15,000), due to a higher growth in current account customers. This was mainly attributable to the success of creating a distinctive profile for ASN Bank, RegioBank and SNS.

De Volksbank's new retail mortgage production increased to € 2.9 billion, from € 2.6 billion in the first half of 2017. De Volkbank's new residential mortgage market share increased to 7.5% (first half of 2017: 6.8%). Based on the total retail mortgage portfolio, the market share remained virtually stable at 6.5%.[3]

In all, driven by increased production and a high level of customer retention, de Volksbank managed to grow its retail mortgage portfolio to € 46.7 billion, from € 45.9 billion at year-end 2017. The strong demand for longer term fixed-rate mortgages was again reflected in a high share of mortgages with a fixed-rate period of 15 years or more. At the end of June 2018, these mortgages amounted to € 8.3 billion (18% of the portfolio), compared to € 8.0 billion (18% of the portfolio) at year-end 2017.

In the first half of 2018, de Volksbank's retail savings balances increased to € 37.7 billion, from € 36.8 billion at year-end 2017, equating to a virtually stable market share of 10.6%.

In the first half of 2018, net profit decreased by € 38 million to € 149 million, almost wholly attributable

[1] Return on equity is the net profit attributable to ordinary shareholders of the parent company divided by shareholders' average equity.
[2] The efficiency ratio is the total operating expenses excluding regulatory levies divided by total income.
[3] Based on Centraal Bureau voor de Statistiek (Central Bureau of statistics) data (previously DNB-data). The market size of retail mortgages has been adjusted by CBS, historical market shares have been adjusted accordingly.

to € 49 million lower total income. The lower total income was mainly driven by lower net interest income (- € 21 million) and lower realised results on fixed-income investments (- € 32 million). Operating expenses were virtually flat and results were again supported by a release of loan loss provisions. The release was driven by a decrease in IFRS 9 stage 2 and stage 3 loans, indicating a further improvement of the quality of the mortgage loan portfolio.

Due to the lower net profit, the Return on Equity of 8.5% was lower compared to the first half of 2017 (10.5%).

Lower total income led to an increase in the cost/income ratio stood to 56.7% compared to 51.3% in the first half of 2017.

The introduction of IFRS 9 as from 1 January 2018 has allowed de Volksbank to change the accounting method of the former DBV mortgage portfolio from fair value to amortised cost, in line with other mortgages. As a result of the reclassification of the former DBV mortgages from fair value to amortised cost, volatility in the income statement on account of fair value changes of the DBV mortgage portfolio has been eliminated from 2018 onwards. De Volksbank also changed the measurement basis for part of its liquidity portfolio, as a result of which the measurement basis under IFRS 9 for part of its liquidity portfolio is amortised cost.

De Volksbank's CRD IV fully phased-in Common Equity Tier 1 (CET1) ratio remained flat compared to year-end 2017 at 34.3%, driven by a decrease in both CET1 capital and risk-weighted assets. The adoption of IFRS 9 had a negative impact of approximately 2%-points on the CET 1 ratio on 1 January 2018. De Volksbank's CET1 ratio remained well above the CET1 capital requirement following from the Supervisory Review and Evaluation Process (SREP), with effect from 1 January 2018 of 10.5% on a fully phased-in basis.

De Volksbank targets a CET1 ratio of more than 15%, based on current regulations. In addition to the 10.5% fully phased-in SREP requirement, our CET1 ratio objective includes a combined Pillar 2 Guidance and management buffer. The management buffer incorporates such aspects as the combined impact on de Volksbank's capital ratios of Basel IV and the impact of stress testing. The current capital position offers a substantial buffer against the estimated impact of developments in capital regulation on de Volksbank's risk-weighted capital ratios. Based on the finalised Basel IV reforms and on the balance sheet composition and capitalisation as at 30 June 2018, de Volksbank estimates the risk weighted assets to increase by approximately 40% and the CET1 ratio to decrease by approximately 9.5%-point accordingly. The largest effect comes from the output floor (72.5% fully phased-in) on the basis of the revised Standardised Approach (SA) for credit risk versus the current internal rating based approach applied to our retail mortgages portfolio.

In the first half of 2018, the leverage ratio decreased slightly to 5.2% (year-end 2017: 5.5%), well above the objective of more than 4.25%. The adoption of IFRS 9 had a negative impact on the leverage ratio of 0.3%-points on 1 January 2018.

Changes to the Board of Directors
On 9 October 2018, the Supervisory Board announced that Marinka van der Meer has been appointed as a member of the Board of Directors as well as Chief Customer Officer (CCO) of de Volksbank as of 28 September 2018. Marinka van der Meer succeeds Rob Langezaal, who stepped down from the Board of Directors on 1 January 2018.

On 30 October 2018, the Supervisory Board announced that it has the intention to appoint Mirjam Verhoeven as a member of the Board of Directors as well as Chief Operations Officer (COO) of de Volksbank as of 1 January 2019. Mirjam Verhoeven will succeed Alexander Baas, who will step down from the Board of Directors on 1 January 2019. The intended appointment of Mirjam Verhoeven is subject to approval by the supervisory authorities.

Changes to the Supervisory Board
On 1 May 2018, de Volksbank announced that Jos van Lange has been appointed as a member of the Supervisory Board, as well as member of the Audit Committee. Charlotte Insinger and Ludo Wijngaarden resigned as members of the Supervisory Board on 19 April 2018.

On 24 August 2018, de Volksbank announced that Aloys Kregting has been appointed as a member of the Supervisory Board as well as member of the Audit Committee and member of the Remuneration and Nomination Committee.

Sale ASN Vermogensbeheer B.V.
On 31 August 2018, de Volksbank transferred its shares in ASN Vermogensbeheer B.V. to Quadia S.A. It is now called Fair Capital Partners.

End of Restructuring Plan
In 2013, the European Commission imposed a number of conditions and restrictions on de Volksbank within the scope of the nationalisation of SNS REAAL (currently SRH N.V.). These conditions and restrictions were laid down in the so-called 'Restructuring Plan' and applied until the end of the restructuring period on 31 December 2017. The European Commission has now announced that it is satisfied with the manner in which de Volksbank has implemented the Restructuring Plan and has accordingly also confirmed the end of the restructuring period.

Legal proceedings
De Volksbank and its subsidiaries are and may become from time-to-time involved in governmental, legal and arbitration proceedings that relate to claims by and against it which ensue from its normal business operations. The most important proceedings are described below.

Madoff
In 2010, trustees of three Madoff-feeder funds (the "**Feeder Funds**") initiated legal proceedings in New York against, amongst others, the custody entity of de Volksbank, SNS Global Custody, and its clients as former beneficial owners of investments in these funds. They claim repayment of payments made by the funds for redemptions of investments by these beneficial owners. A similar proceeding was initiated by one of these funds against SNS Global Custody in the British Virgin Islands, which proceedings have ended in favour of de Volksbank. In line with these lawsuits, Bernard Madoff's trustee has also initiated proceedings in New York against, amongst others, de Volksbank and SNS Global Custody.

The aforementioned proceedings in New York, in which many financial institutions worldwide are sued in similar proceedings, are mainly in the early stages. A first decision on a preliminary issue is given in the proceedings against Madoff's trustee in favour of the banks. However Madoff's trustee appealed to this decision. The proceedings against the Feeder Funds were formally stayed, as the Feeder Funds had requested to amend their claim. Parties have agreed to continue proceedings by including the Feeder Funds' request in the Court's determination on the merit issues. De Volksbank is strongly defending itself, but cannot give a reliable estimate of possible provisions resulting from these claims at the moment.

AFM investigation into interest rate derivatives
De Volksbank has a small portfolio of interest rate derivatives entered into with customers. It stopped entering into these interest rate derivatives as of 2010. At the AFM's request, de Volksbank reassessed its customers' interest rate derivatives in 2014 and 2015 in order to establish whether

customers had been adequately advised in the past. In December 2015 the AFM announced that the reassessment of the interest rate derivatives of various banks, including de Volksbank, was not conducted in a proper manner and therefore had to be reconsidered. On 1 March 2016, the AFM and the Minister of Finance announced the appointment of a Committee of Experts to set up a Recovery Framework in collaboration with the banks. On 5 July 2016, the Committee of Experts presented the Recovery Framework to the Minister of Finance. This Recovery Framework forms the basis on which the banks reassess the interest derivatives in order to investigate whether or not compensation has to be offered to individual clients of the banks. De Volksbank participates in the Recovery Framework. See also '*AFM investigation into Interest Rate Derivatives*' under '*Recent developments*' for a more extensive description.

Proceedings following the nationalisation

General

Various former holders of the in 2013 expropriated securities and capital components have initiated legal proceedings to seek compensation for damages. At the time that the 2018 interim financial statements were drawn up, no court proceedings had (yet) been initiated against de Volksbank other than those stated below. Currently, it is not possible to make an estimate of the probability that possible legal proceedings of former holders or other parties affected by the nationalisation may result in a liability, or the level of the financial impact on de Volksbank. For this reason, at year-end 2018 no provisions were made in respect of possible legal actions by former holders concerning the expropriated securities and capital components and other affected parties. As the outcomes of possible legal proceedings cannot be predicted with certainty, it cannot be ruled out that a negative outcome may have a material negative financial impact on the capital position, results and/or cash flows of de Volksbank.

Inquiry proceedings by Dutch Investors' Association

In November 2014, the Dutch Investors' Association (*Vereniging van Effectenbezitters*; "**VEB**") filed a petition with the Enterprise Chamber for an inquiry into the management of SRH (formerly SNS REAAL), de Volksbank and Propertize (formerly SNS Property Finance) for the period 2006 – present. SRH, de Volksbank and Propertize disputed the authority to file a petition for an inquiry. The Enterprise Chamber granted the request related to SRH and rejected the request related to Propertize. The decision related to de Volksbank was deferred by the Enterprise Chamber. SRH appealed against the decision to grant the request in October 2015. De Volksbank and Propertize joined this application for cassation. On 4 November 2016, the Supreme Court held that the VEB had locus standi to request an inquiry against SRH and remitted the case back to the Enterprise Chamber. On 26 July 2018 the Enterprise Chamber granted an inquiry with respect to the management of SRH (formerly SNS REAAL) and de Volksbank in the period of 1 July 2006 until 1 February 2013. In addition, the Enterprise Chamber ruled that both SRH en de Volksbank have to bear the costs of the inquiry. SRH and de Volksbank lodged an appeal in cassation against the decision of the Enterprise Chamber. Appeal in cassation has no suspensory effect. On 2 August 2018 the Enterprise Chamber appointed three investigators. The investigators presented an action plan including a cost estimate for the inquiry which has been approved by the court on 7 November2018. The investigators have started their inquiry thereafter. It is expected that the inquiry will last until half 2020 at least.

Guarantees pursuant to Article 2:403 of the Dutch Civil Code for Propertize

In the context of the transfer of the shares of SNS Property Finance B.V. (currently Propertize) via the Dutch State to NLFI on 31 December 2013, the Issuer withdrew the 403-guarantee for Propertize on 31 December 2013. It also terminated the remaining liability pursuant to Article 2:404 of the Dutch Civil Code. The expiry of the objection period made this withdrawal irrevocable for all creditors, with the exception of two parties that assert to have claims against Propertize, being Commerzbank and – briefly put – the receivers in the bankruptcies of the 2SQR companies, as former Propertize clients.

The objection that these parties had raised against the withdrawal of the 403-guarantees was declared well-founded by the District Court and the Enterprise Chamber. On 31 March 2017 the Supreme Court rejected the appeal in cassation instituted by de Volksbank, which implicated that the 403-statement remained in place towards these two creditors.

One of the aforementioned two creditors (i.e. the receivers in the bankruptcies of the 2SQR companies) commenced proceedings at the District Court regarding the claim they assert to have against Propertize – for which they held de Volksbank liable pursuant to the 403-guarantee. They have settled their claim with Propertize ultimo 2017 and therefor also ending the 403-liability of de Volksbank in this respect. Against the other creditor of Propertize (i.e. Commerzbank) the 403-guarantee issued by de Volksbank remains in place.

Other proceedings relevant to de Volksbank
In addition, there are proceedings to which de Volksbank is not a party or in which it is not the direct subject of investigation, but the course and results of which may have a material impact on de Volksbank's position.

This applies to the compensation proceedings before the Enterprise Chamber initiated by former holders of expropriated securities and capital components of SRH and the Issuer. On 26 February 2016, the Enterprise Chamber decided that the value of the expropriated securities and assets, and consequently whether or not any compensation is due, is to be determined by court-ordered expert examination. In this context, the Enterprise Chamber appointed three experts. They delivered their draft report on 15 December 2017 and – after assessing the comments of the parties concerned - filed their final report on 27 April 2018. The Dutch State responded to this final report on 29 June 2018. The other parties to the proceedings (being the former holders of expropriated securities and capital components of SRH and the Issuer) have responded to the final report and the above response of the Dutch State. A judgment from the Enterprise Chamber is expected to be given in 2019.

6. SELECTED FINANCIAL INFORMATION

De Volkbank's publicly available financial statements and auditor's report for the years ended 31 December 2017 (set forth on pages 186 up to and including 251 (financial statements) and pages 255 up to and including 262 (auditor's report) of its 2017 annual report) and 31 December 2016 (set forth on pages 182 up to and including 244 (financial statements) and pages 248 up to and including 255 (auditor's report) of its 2016 annual report) are incorporated by reference into this Base Prospectus. The information contained in this section of the Base Prospectus is derived from the publicly available financial statements.

Key Figures of de Volksbank

(amounts in millions of EUR)	**31-12-2017**	**31-12-2016**
Total assets	60,892	61,588
Loans and advances to customers	49,322	48,620
of which mortgage loans	45,820	44,824
Amounts due to customers	46,855	47,428
of which savings	36,575	36,593
Equity distributable to Shareholders	3,714	3,561
Total capital	3,489	3,655
Common Equity Tier 1 ratio	34.1%	29.2%
Tier 1 ratio	34,1%	29.2%
Total capital ratio	35.7%	33.8%
Net interest income	924	938
Other income	104	96
of which net commission and management fees	49	57
Net profit / loss	329	349[4]
Branches in numbers (unaudited)	197	196
Cash dispensers in numbers (unaudited)	320	393
Employees in numbers (fte's, ultimo) (unaudited)	3,231	3,354

[4] De Volksbank decided to change its accounting policies regarding the timing for the recognition of interest income from penalty interest. The comparative figures 2016 have been adjusted accordingly. This change in accounting policies has a positive impact after tax of € 20 million on total equity as per 31 December 2016.

Capitalisation of de Volksbank

The following table sets forth the capitalisation and long-term indebtedness of de Volksbank on a consolidated basis:

(amounts in millions of EUR)	**31-12-2017**	**31-12-2016**
Short-term debt (remaining terms to maturity up to and including five years)		
- Savings	34,703	34,380
- Other amounts due to customers	7,219	7,682
- Derivatives	628	669
- Debt certificates	2,590	4,076
- Amounts to banks	2,580	1,278
- Subordinated debts	498	501
- Other liabilities	863	948
- Liabilities held for sale	--	--
Total short-term debt	**49,081**	**49,534**
Long-term debt (remaining terms to maturity over five years)		
- Savings	1,872	2,213
- Other amounts due to customers	3,061	3,153
- Derivatives	624	1,192
- Debt certificates	2,310	1,620
- Amounts due to banks	101	168
- Participation cert. and subordinated debts	--	--
- Other liabilities and deferred tax liabilities	129	147
- Liabilities held for sale[5]	--	--
Total long-term debt	**8,097**	**8,493**
- Savings	36,575	36,593
- Other amounts due to customers	10,280	10,835
- Derivatives	1,252	1,861
- Debt certificates	4,900	5,696
- Amounts due to banks	2,681	1,446
- Subordinated debts	498	501
- Other liabilities and provisions	992	1,095
- Liabilities held for sale	--	--
Total debt	**57,178**	**58,027**
Total equity and debt	**60,892**	**61,588**

5 Long-term debt Other liabilities includes liabilities for which the contractual maturity was not determined of € 45 million (2016 € 66 million).

* *The issued and paid-up share capital consists of 840,008 shares with a nominal value of € 453.79 each.*

Share Capital*	381	381
Cash Flow Hedge Reserve	36	44
Fair Value reserve	98	132
Other Reserves	2,870	2,655
Retained Earnings	329	349
Total equity	**3,714**	**3,561**

Financial Year
The financial year of de Volksbank is the calendar year.

Independent Auditor
The consolidated financial statements of de Volksbank for 2016 and 2017 have been audited by Ernst & Young Accountants LLP Amsterdam, the Netherlands. The independent auditor has given an unqualified opinion for each of these years.

Summary Consolidated Accounts
The 2016 and 2017 financial statements of de Volksbank have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union.

Consolidated Balance Sheet

In € millions	31-12-2017	31-12-2016
Assets		
Cash and cash equivalents	2,180	1,911
Derivatives	1,075	1,533
Investments	5,094	5,970
Loans and advances to banks	2,643	2,918
Loans and advances to customers	49,322	48,620
Property and equipment	67	73
Intangible assets	14	15
Deferred tax assets	110	137
Corporation Tax	22	-
Other assets	365	411
Assets held for sale	--	--
Total assets	**60,892**	**61,588**
Equity and liabilities		
Savings	36,575	36,593
Other amounts due to customers	10,280	10,835
Amounts due to banks	2,681	1,446
Debt certificates	4,900	5,696
Derivatives	1,252	1,861
Deferred tax liabilities	45	59
Corporate income tax	--	25
Other liabilities	822	891
Provisions	125	120
Subordinated debts	498	501
Liabilities held for sale	--	--
Share capital	381	381
Other reserves	3,004	2,831
Retained earnings	329	349
Shareholders' equity	3,714	3,561
Total equity and liabilities	**60,892**	**61,588**

Consolidated Profit And Loss Account

In € millions	**2017**	**2016**
Income		
Interest income	1,423	1,623
Interest expense	499	685
Net interest income	924	938
Fee and commission income	104	108
Fee and commission expense	55	51
Net fee and commission income	49	57
Investment income	41	57
Result on financial instruments	13	(20)
Other operating income	1	2
Total income	**1,028**	**1,034**
Expenses		
Staff costs	381	398
Depreciation and amortisation of tangible and intangible assets	21	22
Other operating expenses	201	222
Impairment charges	(24)	(68)
Other expenses	--	1
Total expenses	**579**	**575**
Result before taxation	**449**	**459**
Taxation	120	110
Net result continued operations	**329**	**349**
Net result discontinued operations	--	--
Net result for the financial year	**329**	**349**
Attribution:		
Net profit attributable to shareholder	329	349
Net profit attributable to minority interests	--	--
Net result for the financial year	**329**	**349**

Consolidated cash flow statement

In € millions	**2017**	**2016**
Cash flow from operating activities		
Operating profit before taxation	449	459
Adjustments for:		
Depreciation and amortisation of tangible and intangible assets	18	22
Changes in other provisions and deferred tax	18	4
Impairment charges and reversals	(24)	(68)
Unrealised results on investments through profit and loss	63	10
Tax paid	(131)	(140)
Change in operating assets and liabilities		
Change in advances and liabilities to customers	(1,257)	852
Change in advances and liabilities to banks	1,510	(391)
Change in savings	(18)	(267)
Change in trading portfolio	669	(150)
Change in other operating activities	(297)	(89)
Net cash flow from operating activities	**1,000**	**242**
Cash flow from investing activities		
Sale of property and equipment	1	--
Sale and redemption of investments and derivatives	2,699	3,059
Purchase of intangible assets	(2)	(4)
Purchase of property and equipment	(9)	(13)
Purchase of investments and derivatives	(2,554)	(2,337)
Net cash flow from investing activities	**135**	**705**
Cash flow from financing activities		
Issue of subordinated loans	--	--
Issues of debt certificates	5,202	545
Redemption of subordinated loans	--	--
Redemption of debt certificates	(5,933)	(1,740)
Paid dividends	(135)	(100)
Net cash flow from financing activities	**(866)**	**(1,295)**
Net decrease of cash and cash equivalents	**269**	**38**
Cash and cash equivalents as at 1 January	1,911	2,259
Change in cash and cash equivalents	269	(348)
Cash and cash equivalents as at 31 December	**2,180**	**1,911**
Additional disclosure of cash flows from operating activities		
Interest income received	1,852	2,037
Dividends received	-	1
Interest paid	916	1,104

Capitalisation

in € millions	*CRD IV transitional* 31-12-2017	31-12-2016	*CRD IV fully phased in* 31-12-2017	31-12-2016
Capital instruments	381	381	381	381
Share premium	3,787	3,787	3,787	3,787
Retained earnings	329	329	329	329
Accumulated other comprehensive income (OCI)	140	180	140	180
Other reserves	-923	-1,136	-923	-1,136
Shareholders' equity	**3,714**[1]	**3,541**	**3,714**[1]	**3,541**
Not eligible interim profits	-226	-223	-226	-223
Not eligible retained earnings previous years	-20	--	-20	--
Shareholders' equity for CRD IV purposes	**3,468**	**3,318**	**3,468**	**3,318**
Cash flow hedge reserve	-36	-44	-36	-44
Fair value reserve	-20	-54	--	--
Other prudential adjustments	-3	-3	-3	-3
Total prudential filters	**-59**	**-101**	**-39**	**-47**
Intangible assets	-14	-15	-14	-14
IRB shortfall[2]	-56	-38	-62	-47
Total capital deductions	**-70**	**-53**	**-76**	**-62**
Total regulatory adjustments to shareholders' equity	**-129**	**-154**	**-115**	**-109**
CRD IV common equity Tier 1 capital	**3,339**	**3,164**	**3,353**	**3,209**
Additional Tier 1 capital	--	--	--	--
Tier 1 capital	**3,339**	**3,164**	**3,353**	**3,209**
Eligible Tier 2	500	500	500	500
IRB shortfall [2]	-6	-9		--
Impact EBA interpretations CRR art.82	-344	--	-329	--
Total Tier 2 capital	**150**	**491**	**171**	**500**
Total capital	**3,489**	**3,655**	**3,524**	**3,709**

1. *De Volksbank changed the accounting policies for the recognition of prepayment charges on early mortgage renewals, comparative figures in the prudential overview have not been adjusted but kept the same as the figures previously reported to the regulatory authority. As a result, the comparative figures for shareholders' equity in the prudential overview are not the same as the consolidated financial statements under IFRS.*
2. *The IRB shortfall is the difference between the expected loss under the CRR/CRD IV Directives and the IFRS retail mortgages provision. During the transitional phase the shortfall (initially equally divided over Tier 1 and Tier 2 capital) is attributed for a growing part to Tier 1 capital.*

7. COVERED BONDS

FORM OF 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 (i) the *Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.* ("**Euroclear Nederland**") or (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 Exchange Date which is not less than forty (40) days (nor (if the Temporary Global Covered Bond has been deposited with Euroclear Nederland) more than ninety (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 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010), interests in such Temporary Global Covered Bond will be exchangeable (free of charge) upon a request as described therein for interests in a permanent global covered bond 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 with, where applicable, receipts, interest coupons and talons attached only upon the occurrence of an Exchange Event or, in case such Permanent Global Covered Bond is deposited with Euroclear Nederland, only upon the occurrence of a Delivery Event and in a form to then be determined, subject to mandatory provisions of applicable laws and regulations. The Issuer will promptly give notice to Covered Bondholders of each Series in accordance with Condition 14 (*Notices*) if an Exchange Event or a Delivery Event occurs. In such events, Euroclear and/or Clearstream, Luxembourg and/or, if applicable, Euroclear Nederland (acting on the instructions of any holder of an interest in such Permanent Global Covered Bond) or the Security Trustee may give notice to the Principal Paying Agent requesting exchange or delivery, as the case may be, and, in the event of the occurrence of an Exchange Event as described in (iii) of the definition, the Issuer or the CBC may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than forty-five (45) days after the date of receipt of the first relevant notice by the Principal Paying Agent. 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 have been closed for business for a continuous period of fourteen (14) days (other than by reason of holiday, statutory or otherwise) or have announced an intention to cease business permanently or have in fact done so and no successor clearing system is available or (iii) the Issuer or the CBC has or will become subject to adverse tax consequences which would not be suffered if the Covered Bonds represented by the Permanent Global Covered Bond, were in definitive form, and "**Delivery Event**" means the event that Euroclear Nederland has been closed for business for a continuous period of fourteen (14) 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 that a Permanent Global Covered Bond may be delivered (*uitgeleverd*) pursuant to the Dutch Securities Giro Transfer Act (*Wet giraal effectenverkeer*).

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

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

The following legend will appear on all Covered Bonds (other than Temporary Global Covered Bonds) which have an original maturity of more than one (1) year and on all receipts and interest coupons relating to such Covered Bonds:
"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

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

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."

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

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

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

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

FORM OF FINAL TERMS

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

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 [ ]

de Volksbank N.V.
(incorporated with limited liability under Dutch law and having its corporate seat in Utrecht)

Legal Entity Identifier (LEI): 724500A1FNICHSDF2I11

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
Volks Covered Bond Company B.V.
under de Volksbank N.V.'s € 15,000,000,000 Covered Bond Programme

This document constitutes the Final Terms of the issue of Covered Bonds under the € [15,000,000,000] Covered Bond Programme (the "**Programme**") of de Volksbank N.V. (the "**Issuer**") guaranteed by Volks Covered Bond Company B.V. (the "**CBC**"), described herein for the purposes of article 5.4 of Directive 2003/71/EC as amended, including by Directive 2010/73/EU) and including any relevant implementing measures in a relevant member state of the EEA (the "**Prospectus Directive**") as amended or superseded (including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State. This document must be read in conjunction with the base prospectus pertaining to the Programme, dated [[...]][as amended by […]] and any further supplements thereto (the "**Base Prospectus**"), which constitute a base prospectus for the purposes of the Prospectus Directive [*include the following language if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date[, refer to the relevant Terms and Conditions]:*, save in respect of the Terms and Conditions (as defined below) which are replaced by the terms and conditions set forth in the base prospectus dated [...] [which are incorporated by reference in the Base Prospectus]]. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus and any supplements thereto. The Base Prospectus (and any supplements thereto) is, in accordance with article 14 of the Prospectus Directive, available for viewing at www.devolksbank.nl as well as at the office of the Issuer at Croeselaan 1, 3521 BJ, Utrecht the Netherlands, where copies may also be obtained (free of charge).

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. The securities may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**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.

Prohibition of sales to EEA retail investors: The Covered Bonds shall not 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**"); (ii) a customer within the meaning of Directive 2016/97/EU ("**IDD**"), 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 / 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.

These Final Terms are to be read in conjunction with the Terms and Conditions (the "**Terms and Conditions**") set forth in section 7 (*Covered Bonds*) of the Base Prospectus. The Terms and Conditions as supplemented, amended and/or disapplied by these Final Terms constitute the conditions (the "**Conditions**") of the Covered Bonds. Capitalised terms not defined herein have the same meaning as in the Terms and Conditions. Certain capitalised terms in the Conditions which are not defined therein have the meaning set forth in a master definitions agreement (the "**Master Definitions Agreement**") dated 13 December 2007, as amended, supplemented, restated or otherwise modified from time to time, and signed by the Issuer, the CBC, the Security Trustee, the Originator and certain other parties. All references to numbered Conditions and sections are to Conditions and sections of the Terms and Conditions set forth in section 7 (*Covered Bonds*) of the Base Prospectus.

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

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

1.	(i) Issuer:	de Volksbank N.V.

	(ii) CBC:	Volks Covered Bond Company B.V.
2.	[(i)] Series Number:	[...]
	[(ii) Tranche Number:	[...]] *(If fungible with an existing Series, details of that Series, including the date on which the Covered Bonds become fungible)*
3.	Specified Currency:	[...]
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 to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive must be at least EUR 100,000 and integral multiples of a certain smaller amount than 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:]	[Issue Date / *specify* / Not Applicable (*for Zero Coupon Covered Bonds* [For the period where a Fixed Rate applies (the period from […] until […]): […]] [For the period where a Floating Rate applies (the period from […] until […]): […]]
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] after Maturity Date and in respect of Zero Coupon Covered Bonds or if otherwise applicable – specify interest basis as referred to in Condition 5(b)]*

If the Final Redemption Amount is not paid in full on the Maturity Date, payment of the unpaid amount will be automatically deferred until the Extended Due for Payment Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the Maturity Date may be paid by the CBC on any Specified Interest Payment Date occurring thereafter up to (and including) the Extended Due for Payment Date.

9.	Interest Basis:	[In respect of the period from and including [[…]/[Maturity Date]] to (but excluding) […]:][[...] per cent. Fixed Rate] [In respect of the period from and including [[…]/[Maturity Date] to (but excluding) […]:] [[LIBOR/EURIBOR/other benchmark] +/– [...] per cent. Floating Rate] [Zero Coupon]
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*)]
11.	Change of Interest Basis or Redemption/Payment Basis:	[*Specify details of any provision for change of Covered Bonds into another Interest Basis or Redemption/Payment Basis included in these final terms*] [*NB: no Derivatives within the meaning of the Commission Regulation (EC) 809/2004 will be issued*)][Not applicable]
12.	Put/Call Options:	[[Investor Put]] [Issuer Call] [Not Applicable] [*(further particulars specified below)*]
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**	[Applicable/Applicable from (and including) the [Issue

	Provisions	Date]/[Maturity Date/[…]] to (but excluding) the [Maturity Date]/[Extended Due for Payment Date/[…]] [(to the extent any amount representing the Final Redemption Amount remains unpaid on the [Maturity Date/[…]]]/Not Applicable] (also applicable for each Floating Rate Covered Bond which switches to a Fixed Rate Covered Bond) (If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i) Rate(s) of Interest:	[...] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]/[and] [after the Maturity Date […]]
	(ii) Interest Payment Date(s):	[[...] in each year up to and including the Maturity Date]/[Extended Due for Payment Date/[…]], if applicable [other, give details]][and] [after the Maturity Date […]] (NB: This will need to be amended in the case of long or short coupons)
	(iii) Interest Period:	Please specify [Not Applicable]
	(iv) Fixed Coupon Amount(s):	[...] per Calculation Amount
	(v) Broken Amount(s):	[[...] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [...]] [Not Applicable]
	(vi) Business Day Convention - Business Day Convention	[Following Business Day Convention/ Modified Following Business Day Convention/Unadjusted/Preceding Business Day Convention]
	- Adjustment or Unadjustment	[Adjusted/Unadjusted]
	(vii) Fixed Day Count Fraction:	[[30/360]/[Actual/Actual (ICMA)]]
17.	**Floating Rate Covered Bond Provisions**	[Applicable/Applicable from (and including) the [Issue Date]/[Maturity Date/[…]] to (but excluding) the [Maturity Date]/[Extended Due for Payment Date/[…]] [(to the extent any amount representing the Final Redemption Amount remains unpaid on the [Maturity Date/[…]]]/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Specified Period(s):	[...][*only applicable if no Specified Interest Payment Dates are set out*]

(ii) Specified Interest Payment Dates:	[...] *(Specified Interest Payment Dates and Specified Period are alternatives.)*
(iii) Business Day Convention: - Business Day Convention	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Unadjusted/ Preceding Business Day Convention]
- Adjustment or Unadjustment for Interest Period	[Adjusted/Unadjusted] […]
(iv) Additional Business Centre(s):	[Not Applicable / *give details*]
(v) Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
(vi) 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*) / Not Applicable]
(vii) Screen Rate Determination:	[Yes/No]
- Reference Rate:	[...] *(Either LIBOR or EURIBOR or other benchmark)*
- 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 Extended Due for Payment 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))*

	(viii) ISDA Determination: - Floating Rate Option: - Designated Maturity: - Reset Date:	[Yes/No] […] […] […]
	(ix) Margin(s):	[+/–] [...] per cent. per annum
	(x) Minimum Rate of Interest:	[[...] per cent. per annum / Not Applicable]
	(xi) Maximum Rate of Interest:	[[...] per cent. per annum / Not Applicable]
	(xii) Floating Day Count Fraction:	[[Actual/365 Actual/365 (Fixed) Actual/360 30/360 (or "Bond Basis") 30E/360 (or "Eurobond Basis") 30E/360 (ISDA)] [(*See Condition [5] for alternatives*)]
18.	[**Zero Coupon Covered Bond Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Accrual Yield:	[...] per cent. per annum
	(ii) Reference Price:	[…]
	(iii) Day Count Fraction in relation to Early Redemption Amounts and late payments:	[[30/360]/Actual/Actual (ICMA/ ISDA)]]

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) Higher Redemption Amount:	[...] per Calculation Amount
	(iv) Notice period (if other than as set out in the Terms and Conditions):	[…] *-(N.B. If setting notice periods which are different to those provided in the Terms and Conditions, the Issuer will consider the practicalities of distribution of information through intermediaries, for example,*

		clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)
	(v) Extended Due for Payment Date in case of exercise of the Issuer Call:	[Not Applicable / one year after the Optional Redemption Date]
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
	(iii) Notice period (if other than as set out in the Terms and Conditions):	[...] *(N.B. If setting notice periods which are different to those provided in the Terms and Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
21.	**Final Redemption Amount**	[...][per Calculation Amount]
22.	**Early Redemption Amount**	
	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:	[…]

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.] [Temporary Global Covered Bond exchangeable for Definitive Covered Bonds on and after the Exchange Date.]

		[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] (*Please refer to item 42(vi), if applicable*)
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 (iv) relates
27.	Talons for future Coupons or Receipts to be attached to Definitive Covered Bonds (and dates on which such Talons mature):	[Yes/No] (*If yes, give details*)
28.	[Intentionally left blank]	
29.	Details relating to Instalment Covered Bonds; amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
30.	Redenomination:	[Redenomination [not] applicable *(if Redenomination is applicable, include(i) either the applicable Fixed Day Count Fraction or any provisions necessary to deal with floating rate interest (including alternative reference rates) and (ii) the New Currency]*

DISTRIBUTION

31.	(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*]

32.	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).]
33.	[Total commission and concession	[...] per cent. of the Aggregate Nominal Amount/[...]]/Not Applicable]]

OTHER PROVISIONS

34.	U.S. Selling Restrictions	[Reg. S Compliance Category [2] […], TEFRA C/TEFRA D/TEFRA not applicable]
35.	Listing	
	(i) Listing	[Luxembourg Stock Exchange/ Euronext Amsterdam by Euronext /*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 [the Luxembourg Stock Exchange] [Euronext Amsterdam by Euronext] */[specify other regulated market*] with effect from [...] [Not Applicable].
	(iii) Estimate of total expenses related to admission to trading	[…]
36.	Ratings:	The Covered Bonds to be issued [are expected to be / have been] rated:
	[Moody's Investor Service Limited:]	[Aaa]
	[Fitch Ratings Ltd:]	[AAA]
	[Other*]:	[…] *(*The exact legal name of the rating agency entity providing the rating should be specified-for example "Fitch Rating Ltd.", rather than just Fitch.)*
	[Registration of Rating Agency:	[…] *(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.

37.	[Notification / Not applicable]	The Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) ("**AFM**") [has been requested to provide/has provided – include first alternative for an issue which is contemporaneous with the update of the Programme and the second alternative for subsequent issues] the [names of competent authorities of host Member States] with a notification that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.
38.	**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"] [and] ["Risk Factors" '*Risk regarding the Covered Bonds*' generally, subparagraph '*Conflicts of Interest*'], 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.)]*
39.	[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).*
40.	[[Not applicable] / [Estimated net proceeds and total expenses	
	(i) Estimated net proceeds	[…]
	(ii) Estimated total expenses:	[...] / [Include breakdown of expenses]]
41.	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.
42.	Operational Information	
	(i) ISIN Code:	[…]
	(ii) Common Code	[…]
	(iii) WKN Code:	[...] [Not Applicable]
	(iv) [Other relevant code:]	[...] [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 intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met] [Include this text if "Yes" selected in which case the Covered Bonds must be issued in NGN form]/

[No. (only include if held through or on behalf of Euroclear or Clearstream, Luxembourg) Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Covered Bonds are capable of meeting them the Covered Bonds may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] [include this text for registered Covered Bonds)]. Note that this does not necessarily mean that the Covered Bonds will then be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met]]

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

(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))* / Not Applicable]
(ix) Settlement Procedure:	[Method of settlement procedure to be included / Not

		Applicable]
	(x) Clearing System:	[Euroclear/Clearstream, Luxembourg/Euroclear Nederland/*other agreed clearing system*]
43.	Additional paying agent (if any)	[Name: [...]][Address: [...]] / Not Applicable]
44.	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 de Volksbank N.V./ Not Applicable]
45.	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 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 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 de Volksbank N.V. (the "**Issuer**" which expression shall include any Substituted Debtor pursuant to Condition 17 (*Substitution of the Issuer*)) pursuant to a trust deed (as amended, restated or otherwise modified from time to time, the "**Trust Deed**") dated 13 December 2007 (such date the "**Programme Date**") made between the Issuer, Volks Covered Bond Company B.V. (the "**CBC**") and Stichting Security Trustee Volks Covered Bond Company (the "**Security Trustee**") and Stichting Holding Volks 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 the Specified Currency;

(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 or a Delivery 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, Banque Internationale à Luxembourg as issuing and principal paying agent (the "**Principal Paying Agent**") and de Volksbank 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. Definitive Covered Bonds in the standard euromarket form repayable in instalments have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue.

The Final Terms for this Covered Bond (or the relevant provisions thereof) are (i) in the case of a Bearer Covered Bond, attached to or endorsed on 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 the holders of the Receipt (the "**Receiptholders**"), 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 Parallel Debt Agreement, the Pledge Agreements, the Master Definitions 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 Relevant 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 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 the Specified Currency and the

Specified Denomination(s). Covered Bonds of one Specified Denomination may not be exchanged for Covered Bonds of another Specified Denomination.

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

Definitive Covered Bonds are issued with Coupons attached, unless they are Zero Coupon Covered Bonds in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

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

For Covered Bonds held by Euroclear Nederland deliveries will be made in accordance with the Dutch Securities Giro Transfer Act (as amended) (*Wet giraal effectenverkeer,*"**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 S.A./N.V. ("**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.

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, the service by the Security Trustee on the Issuer of an Issuer Acceleration Notice and the service by the Security Trustee on the CBC of a Notice to Pay or (ii) the occurrence of a CBC Event of Default and the service by the Security Trustee of a CBC Acceleration Notice on the Issuer and the CBC. In addition, if the CBC is obliged under the Guarantee to pay a Guaranteed Amount relating to Scheduled Principal payable on the Maturity 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, unless on the date when the Guaranteed Final Redemption Amount is Due for Payment (the "**Extension Date**") or any subsequent Interest Payment Date which applies pursuant to paragraph (b) below and which falls prior to the Extended Due for Payment Date, any moneys are available to the CBC after the CBC shall under the relevant Priority of Payments have paid or provided for (1) all higher ranking amounts and (2) all Guaranteed Final Redemption Amounts pertaining to any Series with an Extended Due for Payment Date falling prior to the CBC Payment Period in which the Extended Due for Payment Date for this Series falls, in which case the CBC shall (i) give notice thereof to the relevant holders of the 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 on the Extension Date (whereby such notice shall be deemed to have been given on the date on which such notice was given by the CBC and/or was given to the relevant clearing system) or at least two (2) Business Days prior to such Interest Payment Date, respectively, and (ii) apply such remaining available moneys in payment, in whole or in part, of the Guaranteed Final Redemption Amount, if applicable *pro rata* with any Guaranteed Final Redemption Amount pertaining to a Series with an Extended Due for Payment Date falling in the same CBC Payment Period in which the Extended Due for Payment Date for this Series falls (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 the Extension Date and/or such Interest Payment Date, respectively; 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*), provided that for this purpose all references in Condition 5 to the Maturity Date are deemed to be references to the Extended Due for Payment Date, *mutatis mutandis*, 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 Relevant 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 Relevant 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 Trust Deed.

For the purposes of these Terms and Conditions:

"**Extended Due for Payment Date**" means, subject to Condition 7(c) (*Redemption at the option of the Issuer (Issuer Call)*), the date falling one year after the Maturity Date, as specified as such in the applicable Final Terms.

4. REDENOMINATION

(a) Redenomination

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Covered Bondholders, the Receiptholders and the Couponholders, on giving prior notice to the Principal Paying Agent, Euroclear, Clearstream, Luxembourg and, if applicable, Euroclear Nederland and at least thirty (30) days' prior notice to the Covered Bondholders in accordance with Condition 14 (*Notices*), elect that, with effect from the Redenomination Date (as defined below) specified in the notice, the Covered Bonds, the Receipts and the Coupons denominated in the Specified Currency (the "**Old Currency**") shall be redenominated in another currency (the "**New Currency**") being either euro, or, in the event of redenomination upon the occurrence of a Convertibility Event, a currency other than euro, as the case may be.
The election will have effect as follows:

(i) the Covered Bonds, the Receipts and the Coupons shall be deemed to be redenominated into the New Currency in the denomination of euro 0.01, or its equivalent in another currency, with a principal amount for each Covered Bond and Receipt equal to the principal amount of that Covered Bond or Receipt in the Specified Currency, converted into the New Currency at the Established Rate (as defined below) 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 euro 0.01 or its equivalent 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 the Specified Currency (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 (*Notices*) that replacement of Old Currency denominated Covered Bonds, Receipts 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, Coupons and Receipts so issued will also become void on that date although those Covered Bonds, Coupons and Receipts will continue to constitute valid exchange obligations of the Issuer. New Currency denominated Covered Bonds, Receipts and Coupons will be issued in exchange for Covered Bonds, Receipts and Coupons denominated in the Specified Currency in such manner as the Issuer may specify and as shall be notified to the Covered Bondholders in the Exchange Notice. No Exchange Notice may be given less than fifteen (15) 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, the Receipts 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 the Specified Currency were to the New Currency. Payments will be made in the New Currency by credit or transfer to a New Currency account (or any other account to which the New Currency may be credited or transferred) specified by the payee or, at the option of the payee, by a New Currency cheque;

(vi) if the Covered Bonds are Fixed Rate Covered Bonds and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated by applying the Rate of Interest to each Calculation Amount, multiplying such sum by the applicable Fixed Day Count Fraction (as defined in Condition 5(a) (*Interest on Fixed Rate Covered Bonds*), 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;

(vii) if the Covered Bonds are Floating Rate Covered Bonds, the applicable Final Terms will specify any relevant changes to the provisions relating to interest; and

(viii) the applicable Final Terms will specify the exact date on which the redenomination will occur in case the Covered Bonds were issued in a currency other than euro and in a country in which TARGET2 does not apply.

(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 national government of the country in the currency of which the Covered Bonds were issued, that such currency 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 relevant government of such Old Currency, but which in case the New Currency will be euro (including compliance with rules relating to roundings in accordance with applicable European Union regulations), shall be as established by the Council of the European Union pursuant to Article 140 of the Treaty;

"**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 (in the case of interest bearing Covered Bonds) any date for payment of interest under the Covered Bonds or (in the case of Zero Coupon Covered Bonds) any date, in each case specified by the Issuer in the notice given to the Covered Bondholders pursuant to paragraph (a) above and which in case of (i) the New Currency being euro, falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union and in case of (ii) the New Currency being a currency other than euro, shall be the date the relevant government of the New Currency 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

For Covered Bonds issued prior to 1 January 2017, each Covered Bond that has not been repaid on the Maturity Date will, if it is not a Floating Rate Covered Bond switch to a floating rate of interest as of such Maturity Date. As of 1 January 2017, each Covered Bond will bear the interest after the Maturity Date as set out in the applicable Final Terms. If after the Maturity

Date the interest on a Series switched from a fixed rate to a floating rate or vice versa, such Covered Bonds will become Floating Rate Covered Bonds or Fixed Rate Covered Bonds, as applicable.

(a) *Interest on Fixed Rate Covered Bonds*

Each Fixed Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) the interest commencement date as specified in the applicable Final Terms ("**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 arrear on the Interest Payment Date(s) in each year up to (and including) the date as specified in the applicable Final Terms.

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, provided that in case the Fixed Rate Interest Periods switch to monthly periods instead of annual periods after the Maturity Date, 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 according to the Fixed Day Count Fraction. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

If 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 each Calculation Amount, multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, 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, "**Fixed Day Count Fraction**" means:

(i) if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms, 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, 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) divided by 360;

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

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

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

"**Maturity Date**" means, subject to Condition 7(c) (*Redemption at the option of the Issuer (Issuer Call)*), in respect of a Series of Covered Bonds, the relevant Interest Payment Date which falls no more than forty (40) 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*

(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 0%, 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) either (1) in relation to any sum payable in a Specified Currency, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency or (2) in relation to any sum payable in euro, 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.

(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 relevant Specified Currency, 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.

"**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; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30; 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:

Day Count Fraction =

$$\frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

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; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30;

(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:

Day Count Fraction =

$$\frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

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, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Covered Bondholders, the Receiptholders 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) *Replacement 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 a Benchmark Event has occurred, the Issuer may (after using reasonable endeavours to appoint and consult with an Independent Adviser) determine in its sole discretion, acting in good faith and in a commercially reasonable manner, a substitute, alternative or successor rate for purposes of determining the relevant Reference Rate (as specified in the applicable Final Terms) on each Interest Determination Date falling on such date or thereafter that is substantially comparable to the Reference Rate or 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 Issuer has determined a substitute, alternative 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 Issuer will, following consultation with the Independent Adviser (if appointed), also determine changes (if any) to the Business Day Convention, the definition of Business Day, the Interest Determination Date, the Day Count Fraction, any method for calculating the Replacement Reference Rate, including any Adjustment Spread, in each case in a manner that is consistent with any industry-accepted practices for such Replacement Reference Rate, and any (further) amendments to the Terms and Conditions of the Covered Bonds and/or the Agency Agreement that are necessary to ensure the proper operation of the foregoing; (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 (including the Adjustment Spread); and (C) the Issuer will give notice of the foregoing as soon as reasonably practicable to the Covered Bondholders (in accordance with Condition 14 (*Notices*)), the Principal Paying Agent, the CBC and the Security Trustee specifying the Replacement Reference Rate, as well as the details described in (A) above.

The Principal Paying Agent will remain the party responsible for calculating the Rate of Interest and the Interest Amount by making use of the Replacement Reference Rate and the other matters referred to above.

The determination of the Replacement Reference Rate and the other matters referred to above by the Issuer will be final and binding on the Principal Paying Agent, the CBC, the Security Trustee and the Covered Bondholders. If the Issuer is unable to or otherwise does not determine a Replacement Reference Rate or any of the other matters referred to above, then the Reference Rate will remain unchanged (but subject to the other provisions of Condition 5(b)(ii).

As used in this Condition 5(c):

"**Adjustment Spread**" means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Issuer (following consultation with the Independent Adviser (if appointed)) determines in its sole discretion, acting in good faith, is required to be applied to the Replacement Reference Rate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Covered Bondholders as a result of the replacement of the Reference Rate with the Replacement Reference Rate and is the spread, formula or methodology which:

(a) is formally recommended in relation to the replacement of the Reference Rate with the Replacement Reference Rate by any competent authority; or (if no such recommendation has been made);

(b) the Issuer determines, following consultation with the Independent Adviser (if appointed) and acting in good faith, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Replacement Reference Rate; or (if the Issuer determines that no such industry accepted standard is recognised or acknowledged);

(c) the Issuer, in its discretion, following consultation with the Independent Adviser (if appointed) and acting in good faith, determines to be appropriate.

"**Benchmark Event**" means:

(a) the Reference Rate ceases to be an industry accepted rate for debt market instruments (as determined by the Issuer, following consultation with the Independent Adviser (if appointed) and acting in good faith) such as, or comparable to, the Covered Bonds; or

(b) it has become unlawful or otherwise prohibited (including, without limitation for the Principal Paying Agent) pursuant to any law, regulation or instruction from a competent authority, to calculate any payments due to be made to any Covered Bondholder using the Reference Rate or otherwise make use of the Reference Rate with respect to the Covered Bonds; or

(c) the Reference Rate ceasing to be published for a period of at least five (5) Business Days or ceasing to exist; or

(d) a public statement by the administrator of the Reference Rate that it will, by a specified date within the following six (6) months, cease to publish the Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed hat will continue the publication of the Reference Rate); or

(e) a public statement by the administrator of the Reference Rate that the Reference Rate has been or will, by a specified date within the following six (6) months, be permanently or indefinitely discontinued; or

(f) a public statement by the supervisor of the administrator of the Reference Rate that the Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case within the following six (6) months.

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise as reasonably determined by the Issuer in its sole discretion.

(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:

(i) payments in a Specified Currency other than euro and U.S. Dollars will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively);

(ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque; and

(iii) payments in U.S. Dollars will be made by transfer to a U.S. Dollar account maintained by the payee with a bank outside of the United States (which expression, as used in this Condition 6, means the United States of America, including the State and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction), or by cheque drawn on a United States bank.

In no event will payment be made 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 FATCA Withholding. References to Specified Currency will include any successor currency under applicable 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.

Payments of instalments of principal (if any) on the Covered Bonds, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender of the relevant Receipt. Payment of the final instalment will be made in the manner provided in paragraph (a) above against surrender of the relevant Covered Bonds. Each Receipt must be presented for payment of the relevant instalment together with the definitive Covered Bond to which it appertains. Receipts presented without the definitive Covered Bonds to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Covered Bond becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Covered Bonds in definitive form (other than Long Maturity Covered Bonds (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of five (5) years after the Relevant Date (as defined in Condition 8 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9 (*Prescription*) or, if later, five (5) years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Covered Bond in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Covered Bond or Long Maturity 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 Receipts, Coupons or Talons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require. A "**Long Maturity Covered Bond**" is a Fixed Rate Covered Bond (other than a Fixed Rate Covered Bond which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Covered Bond shall cease to be a Long Maturity Covered Bond on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the Principal Amount Outstanding of such Covered Bond.

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.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Covered Bonds is payable in U.S. Dollars, such U.S. Dollar payments of principal and/or interest in respect of such Covered Bonds will be made at the specified office of a Paying Agent in the United States if:

(i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. Dollars at such specified offices outside the United States of the full amount of principal and interest on the Covered Bonds in the manner provided above when due;

(ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. Dollars; and

(iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the CBC, adverse tax consequences to the Issuer or the CBC.

(e) *Payment Day*

If the date for payment of any amount in respect of any Covered Bond or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 9 (*Prescription*)) is:

(i) 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; and

(ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 is open.

(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) in relation to Zero Coupon Covered Bonds, the Amortised Face Amount (as defined in Condition 7(e) (*Early Redemption Amounts*));
(vi) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Covered Bonds; and
(vii) any Excess Proceeds which may be payable by the 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 (*Versicherungsaufsichtgesetz*) 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 the applicable Final Terms in the relevant Specified Currency on the Maturity Date (the "**Final Redemption Amount**").

(b) *Redemption for tax reasons*

The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Covered Bond is not a Floating Rate Covered Bond) or on any Interest Payment Date (if this Covered Bond is a Floating Rate Covered Bond), on giving not less than thirty (30) nor more than sixty (60) 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 ninety (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) (*Redemption for tax reasons*), the Issuer shall deliver to the Security Trustee a certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and the Security Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Covered Bondholders and the Couponholders.

Covered Bonds redeemed pursuant to this Condition 7(b) (*Redemption for tax reasons*) will be redeemed at their Early Redemption Amount referred to in Condition 7(d) (*Redemption at the option of the Covered Bondholders (Investor Put)*) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) *Redemption at the option of the Issuer (Issuer Call)*

If the Issuer is specified as having the option to redeem the Covered Bonds in the applicable Final Terms, the Issuer may, subject as provided in paragraph (e) below and having given:

(i) not less than fifteen (15) nor more than thirty (30) days' notice, or such other period of notice as specified in the applicable Final Terms, to the Covered Bondholders in accordance with Condition 14 (*Notices*); and

(ii) not less than fifteen (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, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date, provided that no Issuer Event of Default has occurred and is continuing.

If the Issuer is specified as having the option to redeem the Covered Bonds in the applicable Final Terms and it cannot exercise its option because an Issuer Event of Default has occurred and is continuing, then the CBC may declare with:

(i) not less than five (5) (or if the notice period of the Issuer has been shortened to five (5) days' or less, the notice period will be one (1) day less than the minimum notice period for the Issuer) nor more than thirty (30) days' notice, or such other period of notice as specified in the applicable Final Terms, to the Covered Bondholders in accordance with Condition 14 (*Notices*); and

(ii) not less than five (5) days (or if the notice period of the Issuer has been shortened to five (5) days' or less, the notice period will be one (1) day less than the minimum notice period for the Issuer) before the giving of the notice referred to in (i), notice to the Security Trustee, the Principal Paying Agent, the Issuer and the Registrar;

that all of the Covered Bonds then outstanding of such Series will mature on the optional redemption date as specified in the applicable Final Terms ("**Optional Redemption Date**") and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms, and that the Maturity Date will be such Optional Redemption Date.

Any redemption pursuant to this Condition 7(c) (*Redemption at the option of the Issuer (Issuer Call)*) must be of a nominal amount not less than the minimum redemption amount ("**Minimum**

Redemption Amount") and not more than the maximum redemption amount ("**Maximum Redemption Amount**"), in each case as may be specified in the applicable Final Terms (and subject to Condition 3 (*The Guarantee*)). In the case of a partial redemption of Covered Bonds, the Covered Bonds to be redeemed (the "**Redeemed Covered Bonds**") will be selected individually by lot, in the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, and where applicable in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) and/or Euroclear Nederland, in the case of Redeemed Covered Bonds represented by a Global Covered Bond, in each case, not more than thirty (30) 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 fifteen (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) (*Redemption at the option of the Issuer (Issuer Call)*)), then the Optional Redemption Date will for all purposes in all Relevant 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. The Extended Due for Payment Date in respect of such Covered Bonds will for all purposes in all Relevant Documents be deemed to be one year 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.

(d) *Redemption at the option of the Covered Bondholders (Investor Put)*

Subject as provided in paragraph (e) below, if the Covered Bondholders are specified in the applicable Final Terms as having an option to redeem, upon the holder of any Covered Bond giving to the Issuer in accordance with Condition 14 (*Notices*) not less than fifteen (15) nor more than thirty (30) 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 (a "**Put Notice**") 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.

(e) *Early Redemption Amounts*

For the purpose of paragraph (b) above and Condition 10 (*Events of Default and Enforcement*), each Covered Bond will be redeemed at its Early Redemption Amount calculated as follows (each, the relevant "**Early Redemption Amount**"):

(i) in the case of a Covered Bond with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(ii) in the case of a Covered Bond (other than a Zero Coupon Covered Bond) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Covered Bond is denominated, at the amount specified in, 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; or

(iii) in the case of a Zero Coupon Covered Bond, at an amount (the "**Amortised Face Amount**") equal to the product of:

(A) the Reference Price; and

(B) the sum of the figure "1" and the Accrual Yield, raised to the power of x, where "x" is a fraction the numerator of which is equal to the number of days (calculated on the basis of (i) if "**30/360**" is specified in the applicable Final Terms, a 360-day year consisting of 12 months of 30 days each, or (ii) if "**Actual/Actual ISDA**" is specified in the applicable Final Terms, the actual number of days in the relevant period and a year of 365 days (or, if any portion of that period falls in a leap year, the sum of (A) the actual number of days in that portion of the period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the period falling in a non-leap year divided by 365) from (and including) the Issue Date of the first Tranche of the Covered Bonds to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Covered Bonds become due and repayable and the denominator of which is (i) if **30/360**" is specified in the applicable Final Terms, 360, or (ii) if "**Actual/Actual ISDA**" is specified in the applicable Final Terms, 365 days (or, if any portion of the period falls in a leap year, the sum of (A) the actual number of days in that portion of the period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the period falling in a non-leap year divided by 365).

(f) [*Intentionally left blank*]

(g) *Purchases*

The Issuer, the CBC and/or any member of the group formed by de Volksholding B.V. and its subsidiaries (*dochtermaatschappijen*) (the "**de Volksbank Group**") may at any time purchase

Covered Bonds (provided that, in the case of Definitive Covered Bonds, all unmatured Receipts, 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) (*Purchases*) may be held, reissued, resold or, at the option of the Issuer or the CBC and/or such member of the de Volksbank Group, surrendered to any Paying Agent for cancellation.

(h) *Cancellation*
All Bearer Covered Bonds which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Bearer Covered Bonds so cancelled and any Bearer Covered Bonds purchased and cancelled pursuant to paragraph (g) above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

(i) *Late payment on Zero Coupon Covered Bonds*
If the amount payable in respect of any Zero Coupon Covered Bond upon redemption of such Zero Coupon Covered Bond pursuant to paragraph (a), (b) or (c) above or upon its becoming due and repayable as provided in Condition 10 (*Events of Default and Enforcement*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Covered Bond shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Covered Bond becomes due and payable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Covered Bond have been paid; and
(ii) five (5) days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Covered Bonds has been received by the Principal Paying Agent or the Security Trustee and notice to that effect has been given to the Covered Bondholders in accordance with Condition 14 (*Notices*).

(j) *Redemption due to illegality*
The Covered Bonds of all Series may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than thirty (30) nor more than sixty (60) 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(j) (*Redemption due to illegality*) will be redeemed at their Early Redemption Amount referred to in Condition 7(e) (*Early Redemption Amounts*) above together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(k) *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 of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In the event of a withholding or deduction being made by the Issuer in respect of a payment made by it in respect of 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:

(i) presented for payment outside the Netherlands; or
(ii) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Covered Bond or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Covered Bond or Coupon; or
(iii) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day; or
(iv) where such withholding or deduction is imposed pursuant to FATCA.

Should any payments made by the CBC under the Guarantee be made subject to any withholding or deduction on account of taxes or duties of whatever nature imposed or levied by or on account of any Tax Jurisdiction the CBC will not be obliged to pay any additional amounts as a consequence.

As used herein:

"**Relevant Date**" in relation to a payment means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Security Trustee or the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Covered Bondholders in accordance with Condition 14 (*Notices*); and

"**Tax Jurisdiction**" means the European part of the Kingdom of the Netherlands or any political subdivision or any authority thereof or therein having power to tax.

(b) *FATCA Withholding*

Payments in respect of the Covered Bonds might be subject to any FATCA Withholding. Any such FATCA Withholding will be treated as paid for all purposes under the Covered Bonds, and no additional amounts will be paid by the Issuer or the CBC on the Covered Bonds with respect to any FATCA Withholding.

9. PRESCRIPTION

The Covered Bonds and Coupons will become void unless presented for payment within a period of five (5) years after the Relevant Date therefore.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 9 (*Prescription*) or Condition 6(b) (*Presentation of Definitive Covered Bonds and Coupons*) or any Talon which would be void pursuant to Condition 6(b).

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) a default is made by the Issuer for a period of seven (7) calendar days or more in the payment of any principal or redemption amount of the Covered Bonds of any Series when due, or for a period of fourteen (14) calendar days or more in the payment of any interest of the Covered Bonds of any Series when due; or

(ii) a default is made in the performance by the Issuer of any material obligation (other than any obligation for the payment of principal, redemption amount or interest in respect of the Covered Bonds of any Series) under the provisions of the Covered Bonds of any Series or the Trust Deed or any other Relevant Document to which the Issuer is a party which (unless certified by the Security Trustee, in its opinion, to be incapable of remedy) shall continue for more than thirty (30) calendar days after written notification requiring such default to be remedied and indicating that this provision may be invoked if it is not so remedied, shall have been given to the Issuer by the Security Trustee in accordance with the Trust Deed; or

(iii) an order is made or an effective resolution passed for the dissolution or winding up of the Issuer (except a dissolution or winding up for the purpose of a reconstruction, amalgamation, merger or following the transfer of all or substantially all of the assets of the Issuer, the terms of which have previously been approved by an Extraordinary Resolution (as defined below) of the holders of the Covered Bonds or which has been effected in compliance with the terms of Condition 15 (*Meetings of Covered Bondholders, Modification and Waiver*)); or

(iv) a liquidator, receiver or other similar officer is appointed in relation to the Issuer or in relation to the whole of its assets; or the Issuer initiates or consents to judicial proceedings relating to its bankruptcy (*faillissement*) or equivalent or analogous proceedings under any applicable law, or shall make a conveyance, assignment or assignation for the benefit of, or shall enter into any composition (*akkoord*) with, its creditors generally; or

(v) the Issuer is adjudged or found bankrupt (*failliet*) or emergency regulations (*noodregeling*) in the interest of all creditors as referred to in 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) (*Issuer Event of Default*), 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) (*Enforcement*).

The Trust Deed provides that all moneys 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 GIC Accounts 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 GIC Accounts. Any Excess Proceeds received by the Security Trustee shall discharge the obligations of the Issuer in respect of the Covered Bonds, Receipts 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) a default is made by the CBC under the Guarantee for a period of seven (7) calendar days or more in the payment of any principal or redemption amount, or for a period of fourteen (14) calendar days or more in the payment of any interest when due; or

(ii) a default is made in the performance or observance by the CBC of any material obligation binding upon it (other than any obligation for the payment of Guaranteed

Amounts in respect of the Covered Bonds of any Series) under the Trust Deed, the Pledge Agreements or any other Relevant Document to which the CBC is a party which (unless certified by the Security Trustee, in its opinion, to be incapable of remedy) shall continue for more than thirty (30) calendar days after written notification requiring such default to be remedied and indicating that this provision may be invoked if it is not so remedied shall have been given to the CBC by the Security Trustee in accordance with the Trust Deed; or

(iii) an order is made or an effective resolution passed for the dissolution or winding up of the CBC; or

(iv) the CBC ceases to carry on its business or substantially all its business; or

(v) a liquidator, receiver or other similar officer is appointed in relation to the CBC or in relation to the whole or any major part of its assets or a conservatory attachment (*conservatoir beslag*) or an executory attachment (*executoriaal beslag*) or other process is levied or enforced upon or sued out against the whole or any major part of its assets or the CBC initiates or consents to judicial proceedings relating to its bankruptcy (*faillissement*) or suspension of payments (*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; or

(viii) the Amortisation Test (as set out in the Asset Monitoring Agreement) is not satisfied on any Calculation Date following the service of a Notice to Pay on the CBC,

provided that in case an event described in paragraph (ii) above shall occur, the 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) (*Enforcement*) and the Covered Bondholders shall have a claim against the CBC, under the Guarantee, for the Early Redemption Amount together with accrued interest as provided in the Trust Deed in respect of each Covered Bond.
In these Terms and Conditions:

"**Calculation Date**" means the date falling two (2) business days before each CBC Payment Date. The "relevant" Calculation Date in respect of any Calculation Period will be the first Calculation Date falling after the end of that period and the "relevant" Calculation Date in respect of any CBC Payment Date will be the last Calculation Date prior to that CBC Payment Date.

"**Calculation Period**" means the period from the Programme Date to the last day of December 2007 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 28th calendar day of each month or, if such day is not a business day, the next following business day unless it would thereby fall into the next calendar month, in which event such CBC Payment Date shall be brought forward to the immediately preceding business day.

"**Distribution Compliance Period**" has the meaning given to that term in Regulation S under the Securities Act.

(c) *Enforcement*
The Security Trustee may at any time after service of an Issuer Acceleration Notice (in the case of the Issuer) or a CBC Acceleration Notice (in the case of both the Issuer and the CBC), at its discretion and without further notice, take such proceedings in accordance with the relevant provisions under Dutch law against the Issuer and/or the CBC, as the case may be, to enforce the provisions of the Trust Deed, the Covered Bonds, Receipts and the Coupons, the Pledge Agreements and any other security rights of the Security Trustee on the Transferred Assets (if any) (the "**Security**") and the other Relevant Documents, but it shall not be bound to take any such enforcement proceedings in relation to the Trust Deed, the Covered Bonds, Receipts or the Coupons, the Security or any other Relevant 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 Relevant 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 Relevant 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 Relevant 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 (*Events of Default and Enforcement*) is to enforce the Security.

(e) *Limited Recourse*
The recourse of the Covered Bondholders and the Couponholders against the CBC pursuant to the Guarantee is limited. Covered Bondholder will have a right of recourse (*verhaalsrecht*) only in respect of the Security and will not have any claim, by operation of law or otherwise, against, or recourse to any of the CBC's other assets.

No amounts under the Covered Bonds and the Relevant 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, Receipts 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, Receipts or Coupons, then the Covered Bondholders, Receiptholders 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, Receipt, 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:

(i) there will at all times be a Principal Paying Agent;
(ii) as long as any Registered Covered Bonds are outstanding, there will at all times be a Registrar;
(iii) 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.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(d) (*General provisions applicable to payments*). Any variation, termination, appointment or change shall only take effect (other than in the case of a bankruptcy, an insolvency or any equivalent or analogous proceeding, when it shall be of immediate effect) after not less than thirty (30) nor more than forty-five (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 (i) if and for so long as the Covered Bonds are listed on the Luxembourg Stock Exchange in a leading daily newspaper having general circulation in Luxembourg, or the website of the Luxembourg Stock Exchange (www.bourse.lu) and (ii) 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 other place as may be required by the rules and regulations of such competent authority, stock exchange and/or quotation system. It is expected that such publication in a daily newspaper will be made in the *Luxembuger Wort* (in the case of (ii) above). Any such notice will be deemed to have been given on the date of the first publication in all the newspapers in which such publication is required to be made or on the date of publication on the website of the Luxembourg Stock Exchange.

Until such time as any definitive Covered Bonds are issued, there may (provided that, in the case of any publication required by a stock exchange, the rules of the stock exchange so permit), so long as the global Covered Bond(s) is or are held in its or their entirety with a depository or a common depositary or a common safekeeper on behalf of Euroclear and Clearstream, Luxembourg and/or any other relevant clearing system or with Euroclear Nederland, be substituted for publication in some or all of the newspapers referred to above, the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and/or Euroclear Nederland and/or any other relevant clearing system for communication by them to the holders of the Covered Bonds. Any such notice shall be deemed to have been given to the holders of the Covered Bonds on the seventh 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, except that, for so long as such Covered Bonds are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, such notices shall be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxembuger Wort*) or published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

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. 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 Relevant 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 is: (i) one or more persons holding or representing not less than fifty (50) 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; (ii) at any meeting the business of which includes the modification of certain provisions of the Covered Bonds of a Series, the related Coupons or the Trust Deed (including a reduction or cancellation of the amount payable in respect of such Covered Bonds, the alteration of the currency in which payments under such Covered Bonds are to be made, the alteration of the majority required to pass an Extraordinary Resolution, any amendment to the Guarantee or the Security (except in a manner determined by the Security Trustee not to be materially prejudicial to the interests of the Covered Bondholders of any Series) or the sanction of any scheme or proposal for the exchange of such Covered Bonds in respect of such Series (each, a "**Series Reserved Matter**" all as more particularly set out in the Trust Deed)): one or more persons holding or representing not less than two-thirds of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding.

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*.

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 is one or more persons holding or representing not less than two-thirds of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing Covered Bonds whatever the 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.
In connection with any meeting of the holders of Covered Bonds of more than one Series where such Covered Bonds are not denominated in euro, the aggregate Principal Amount Outstanding of the Covered Bonds of any Series not denominated in euro shall be converted into euro at the relevant Structured Swap Rate.

The Security Trustee, the Issuer and the CBC may also agree, without the consent of the Covered Bondholders or Couponholders of any Series (and for this purpose the Security Trustee may disregard whether any such modification relates to a Series Reserved Matter), to:

(a) any modification of the Covered Bonds of one or more Series, the related Coupons or any Relevant 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 (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 its written consent as aforesaid); or
(b) any modification of the Covered Bonds of any one or more Series, the related Coupons or any Relevant 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 obligations under EMIR or to comply with mandatory provisions of law;
(c) a replacement of a relevant counterparty provided that it has the minimum credit rating required for such role (if any); and
(d) any modification to the Covered Bonds of one or more Series, the related Coupons, and/or any Relevant 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,

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

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 Relevant 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 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).

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 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 sub-division thereof and the Security Trustee shall not be entitled to require, nor shall any Covered Bondholder or Couponholder be entitled to claim, from the Issuer, the CBC, the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Covered Bondholders or Couponholders, except to the extent already provided for in Condition 8 (*Taxation*) and/or in any undertaking or covenant given in addition to, or in substitution for, Condition 8 (*Taxation*) pursuant to the Trust Deed.

The Security Trustee shall, as regards all the powers, authorities, duties and discretions vested in it by the Covered Bonds or the other Relevant Documents or, except where expressly provided otherwise, have regard to the interests of both the Covered Bondholders and the other Secured Parties.

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 Relevant 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 Relevant 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 twenty-five (25) per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding as if they were a single Series; or

(b) an Extraordinary Resolution (with the Covered Bonds of all Series taken together as a single Series),

in each case with the aggregate Principal Amount Outstanding of Covered Bonds not denominated in euro being converted into euro at the relevant Structured Swap Rate.

"**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 Relevant Documents of their respective obligations under the Relevant 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 Relevant Documents under the Relevant Documents; (iii) monitoring the Transferred Assets, including, without limitation, whether the Transferred Assets are in compliance with the Asset Cover Test, any Portfolio Test or the Amortisation Test; or (iv) monitoring whether Mortgage Receivables 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 and the Relevant Documents.

17. SUBSTITUTION OF THE ISSUER

(a) The Issuer may, with the consent of the Covered Bondholders or Couponholders which will be deemed to have been given in respect of each issue of Covered Bonds on which no payment of principal of or interest on any of the Covered Bonds is in default and after written approval of DNB, 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 Receipts and 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 Agency Agreement as fully as if the Substituted Debtor had been named in the Covered Bonds, and the relative Receipts and Coupons and the Agency Agreement as the principal debtor in respect of the Covered Bonds and the relevant Receipts and Coupons in place of the Issuer and pursuant to which the Issuer shall guarantee, which guarantee shall be unconditional and irrevocable, (the "**Guarantee**") in favour of each Covered Bondholder and each holder of the relative Receipts and 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 Receipts and 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 sub-division or taxing authority of any country in which such Covered Bondholder or Couponholder resides or is subject to any such tax or duty and which would not have been so imposed had such substitution not been made);

(iii) the Documents shall contain a warranty and representation by the Substituted Debtor and the Issuer (a) that each of the Substituted Debtor and the Issuer has obtained all necessary governmental and regulatory approvals and consents for such substitution and the performance of its obligations under the Documents, and that all such approvals and consents are in full force and effect and (b) that the obligations assumed by each of the Substituted Debtor and the Issuer under the Documents are all valid and binding in accordance with their respective terms and enforceable by each Covered Bondholder;

(iv) each stock exchange which has Covered Bonds listed thereon shall have confirmed that following the proposed substitution of the Substituted Debtor such Covered Bonds would continue to be listed on such stock exchange;

(v) the Substituted Debtor shall have delivered to the Security Trustee or procured the delivery to the Security Trustee of a legal opinion from a leading law firm in the jurisdiction in which the Substituted Debtor is situated to the effect that the Documents and the Substituted Debtor's obligations under the Covered Bonds, Receipts 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 Security Trustee; and

(vii) 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 Guarantee) will constitute legal, valid and binding obligations of the Substituted Debtor and the Issuer, as the case may be, such opinion to be dated not more than three (3) 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 Security Trustee.

(b) In connection with any substitution effected pursuant to this Condition, neither the Issuer nor the Substituted Debtor need have any regard to the consequences of any such substitution for individual Covered Bondholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and no Covered Bondholder or Couponholder, except as provided in Condition 17(a)(ii), shall be entitled to claim from the Issuer or any Substituted Debtor under the Covered Bonds and the relative Receipts and 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 Receipts and Coupons as the principal debtor in place of the Issuer and the Covered Bonds and the relative Receipts and 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 Receipts and Coupons save that any claims under the Covered Bonds and the relative Receipts and 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 Security Trustee and 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 Receipts and 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 Receipts and 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 Relevant 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, the Receiptholders 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 and the Relevant Documents 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 and the CBC. 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 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 business day before the due date for payment (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 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 Dutch 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. Each prospective Covered Bondholder should consult its own professional adviser with respect to the tax consequences of an investment in the Covered Bonds. The discussion of certain Netherlands taxes set forth below is included for general information purposes only. In view of its general nature, this general summary should be treated with corresponding caution.

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 this summary refers to "the Netherlands" it refers only to the part of the Kingdom of the Netherlands located in Europe.

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:

(i) Covered Bondholders 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% or more of the total issued and outstanding capital of that company or of 5% 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% or more of the company's annual profits and/or to 5% 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;

(ii) 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

(iii) Covered Bondholders 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 Covered Bondholder 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% with respect to taxable profits up to € 200,000 and 25% with respect to taxable profits in excess of that amount (rates and brackets for 2018).

Netherlands Resident Individuals
If the Covered Bondholder 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 generally 51.95% in 2018), if:

(a) the Covered Bonds are attributable to an enterprise from which the Covered Bondholder 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
(b) the Covered Bondholder 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 (a) and (b) do not apply to the individual Covered Bondholder, such holder will be taxed annually on a deemed, variable return (with a maximum of 5.38% in 2018) of his or her net investment assets for the year (rendementsgrondslag) at an income tax rate of 30%. 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% up to 5.38% (depending on the aggregate amount the 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 Covered Bondholder 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:

(a) 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
(b) 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 to be resident in the Netherlands at the time of the gift or his or 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 Covered Bondholder who is neither resident nor deemed to be resident of the Netherlands, unless:

(a) 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 days after the date of the gift, while being resident or deemed to be resident of the Netherlands; or
(b) in the case of a gift of a Note is made under a condition precedent, the Covered Bondholder is resident or is deemed to be resident of the Netherlands at the time the condition is fulfilled; or
(c) 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 of 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 of 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 or 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 of 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 a Covered Bondholder 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 a Covered Bondholder 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, the CBC and the Originator 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:

(a) the expression "retail investor" means a person who is one (or more) of the following:
   (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
   (ii) a customer within the meaning of Directive 2016/97/EU (which is a recast of Directive 2002/92/EC, and as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
   (iii) not a qualified investor as defined in the Prospectus Directive; and
(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds.

France

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 and D.411-1 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 ("**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 case of the Issuer, would not, if it was not an autorised 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. The Covered Bonds may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**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 US 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 US person, except in certain transactions permitted by US Treasury regulations. Terms used in this paragraph have the meanings given to them by the US 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, within the United States or to, or for the account or benefit of, US persons. 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 Covered Bonds 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 Act (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.

Zero Coupon Covered Bonds

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that Zero Coupon Covered Bonds (as defined below) in definitive form of the Issuer may only be transferred and accepted, directly or indirectly, within, from or into the Netherlands through the mediation of either the Issuer or a member firm of Euronext Amsterdam in full compliance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations, provided that no such mediation is required: (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Covered Bond in global form, or (b) in respect of the initial issue of Zero Coupon Covered Bonds in definitive form to the first holders thereof, or (c) in respect of the transfer and acceptance of Zero Coupon Covered Bonds in definitive form between individuals not acting in the conduct of a business or profession or (d) in respect of the transfer and acceptance of such Zero Coupon Covered

Bonds within, from or into the Netherlands if all Zero Coupon Covered Bonds (either in definitive form or as rights representing an interest in a Zero Coupon Covered Bond in global form) of any particular Series are issued outside the Netherlands and are not distributed into the Netherlands in the course of initial distribution or immediately thereafter. As used herein "**Zero Coupon Covered Bonds**" are Bearer Covered Bonds and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

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 CB Regulations apply to the issuance of DNB-registered covered bonds, which are bonds included in the list made publicly available pursuant to article 52(4) of the UCITS Directive or, where such registration has not yet occurred, a covered bond which is registered by DNB in accordance with the CB Regulations. Therefore, like any other issuance of debt instruments and legal transfers of assets made in accordance with Dutch law, the issuance of a DNB-registered covered bond and the legal transfer of cover assets are subject to the provisions of the Dutch Civil Code and the Dutch Bankruptcy Code.

The CB Regulations will 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 then under the old rules. Under the CB Regulations the registration of a covered bonds issued under a programme cannot be cancelled. However, DNB can eliminate the registration of the issuer and order an issuance stop, after which the issuing bank will not be allowed to issue more covered bonds.

The CB Regulations include various requirements relating to issuers, owners of the asset pool, eligible assets and the contractual arrangements made in respect of such assets. The CB Regulations also require a valid safeguarding or sufficient cover assets for holders of DNB-registered covered bonds. Furthermore, the issuer must be a licensed bank with its registered address in the Netherlands.

As a main principle the CB Regulations require that DNB-registered covered bonds will have to comply with the conditions for preferential treatment of article 52(4) UCITS Directive. In addition the CB Regulations also includes mandatory compliance with article 129 CRR.

The CB Regulations introduce a minimum level of overcollateralisation 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 programme. An additional collateralisation requirement, which is calculated separately, is that the nominal size of the cover assets taking into account the cut-off rules for collateralised assets of article 129 CRR is at least equal to the nominal value of the outstanding covered bonds. The Issuer as part of the programme undertakes as part of the Asset Cover Test that it will meet the requirements pursuant to the Wft in respect of the collateralisation of the Covered Bonds, including, that (i) the First Regulatory Current Balance Amount will always be at least equal to 105%, or such other percentage as may be required from time to time under the CB Regulations, of the aggregate Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding and (ii) the Second Regulatory Current Balance will always be at least equal to 100%, or such other percentage as may be required from time to time under the CB Regulations, of the aggregate Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding (see section 16 (*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 GIC 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 are 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.

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 also be required to perform annual stress tests to assess whether the healthy ratio will be maintained in adverse scenarios. Risks to be taken into account include credit risk, interest rate risk, currency risk and liquidity risk.

The issuer will also need to have solid and effective strategies and procedures for verifying and procuring the sufficiency of the cover assets, taking into account the composition of the cover assets, the over-collateralisation and the applicable risks and stress tests.

Also, the CB Regulations provide for ongoing administration and reporting obligations towards DNB and include new reporting obligations towards the covered bondholders.

Compliance CB Regulations with UCITS- and/or CRR

The Issuer has obtained the Regulated Status at the date of this Base Prospectus. The Issuer will only issue Covered Bonds under this Base Prospectus that obtain the Regulated Status.

In the Trust Deed the Issuer has undertaken to utilise its best efforts to procure that the Covered Bonds that have obtained the Regulated Status, will keep the Regulated Status until their Maturity Date or any earlier date on which such Covered Bonds have been redeemed 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.

EU Proposal
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. On 17 August 2018, the European Parliament published a draft report on the proposed directive and regulation. In that draft report, the rapporteur of the European Parliament, amongst others, proposes to gradually increase the risk weight for covered bonds which can be extended by more than a year, such as conditional pass-through covered bonds.

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.

Following (i) the service of an Issuer Acceleration Notice on the Issuer, (ii) a Breach of the Asset Cover Test or (iii) a Breach of any Portfolio Test (if implemented), the Security Trustee shall serve a Notice to Pay on the CBC. However, service of a Notice to Pay under (ii) or (iii) above will not require the CBC to pay under the Guarantee, until an Issuer Acceleration Notice or a CBC Acceleration Notice has been served.

All payments of Guaranteed Amounts by or on behalf of the CBC will be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, unless such withholding or deduction is required by law. In such event, the CBC will pay the Guaranteed Amounts net of such withholding or deduction and shall account to the appropriate tax authority for the amount required to be withheld or deducted. The CBC will not be obliged to pay any additional amount to the Security Trustee or any holder of Covered Bonds in respect of the amount of such withholding or deduction.

Payments in respect of the Covered Bonds might be subject to FATCA Withholding. Any FATCA Withholding will be treated as paid for all purposes under the Covered Bonds, and no additional amounts will be paid on the Covered Bonds with respect to any FATCA Withholding.

An Extended Due for Payment Date will apply to each Series of Covered Bonds to be issued under the Programme.

In respect of each Series, if the CBC is obliged under the Guarantee to pay a Guaranteed Final Redemption Amount, then:

(a) the obligation of the CBC to pay the Guaranteed Final Redemption Amount shall be deferred to, and shall under the Guarantee be due on, the Extended Due for Payment Date, unless on the Extension Date or any subsequent Interest Payment Date which applies pursuant to paragraph (b) below and which falls prior to the Extended Due for Payment Date, any moneys are available to the CBC after the CBC shall under the relevant Priority of Payments have paid or provided for (1) all higher ranking amounts and (2) all Guaranteed Final Redemption Amounts pertaining to any Series with an Extended Due for Payment Date falling prior to the CBC Payment Period in which the Extended Due for Payment Date for this Series falls, in which case the CBC shall (i) give notice thereof to the relevant holders of the 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 on the Extension Date (whereby such notice shall be deemed to have been given on the date on which the notice was given by the CBC and/or was given to the relevant clearing system) or at least two Business Days prior to such Interest Payment Date, respectively, and (ii) apply such remaining available moneys in payment, in whole or in part, of the Guaranteed Final Redemption Amount, if applicable *pro rata* with any Guaranteed Final Redemption Amount pertaining to a Series with an Extended Due for Payment Date falling in the same CBC Payment Period in which the Extended Due for Payment Date for this Series falls (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 the Extension Date and/or such Interest Payment Date, respectively; 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*), provided that for this purpose all references in Condition 4 (*Redenomination*) to the Maturity Date are deemed to be to references the Extended Due for Payment Date, *mutatis mutandis*,

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 (2) Business Days after service of an Issuer Acceleration Notice and a Notice to Pay on the CBC or (ii) after the service of a CBC Acceleration Notice, the date on which the CBC Acceleration Notice is served (or, in either case, if such day is not a Business Day, the first following Business Day).

"**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

In the Parallel Debt Agreement the CBC has irrevocably and unconditionally undertaken to pay to the Security Trustee (the "**Parallel Debt**") an amount equal to the aggregate amount due (*verschuldigd*) by it (i) to the Covered Bondholders under the Covered Bonds, (ii) as fees or other remuneration to the Directors under the Management Agreements, (iii) as fees and expenses to the Servicer under the Servicing Agreement, (iv) as fees and expenses to the Administrator under the Administration Agreement, (v) as fees and expenses to the Paying Agents and the Registrar under the Agency Agreement, (vi) as fees and expenses to the Calculation Agents under the Calculation Agency Agreements, (vii) to the Swap Counterparties under the Swap Agreements, (viii) to any Insurance Savings Participant under an Insurance Savings Participation Agreement, (ix) as fees and expenses to the Asset Monitor under the Asset Monitor Appointment Agreement and (x) to any Bank Savings Participants under a Bank Savings Participation Agreement (the parties referred to in items (i) through (x) 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.

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 amounts due to the Insurance Savings Participant and the Bank Savings Participants in connection with, in respect of each Insurance Savings Mortgage Receivable, the Insurance Savings Participation and in respect of each Bank Savings Mortgage Receivable, the Bank Savings Participation (together the "**Participations**"). The amounts due to the Secured Parties, other than the Insurance Savings Participant and the Bank Savings Participants, will, broadly, be equal to amounts recovered (*verhaald*) by the Security Trustee (i) on 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 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 Receivables.

The amounts due to the Insurance Savings Participant and the Bank Savings Participants 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 Receivable the amount equal to the amount actually recovered.

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 Relevant 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, the pledge of the Mortgage Receivables will be an "undisclosed" right of pledge (*stil pandrecht*) within the meaning of section 3:239 of the Dutch Civil Code.

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.

In addition, a right of pledge (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**") 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) any Insurance Savings Participation Agreement, (v) any Bank Savings Participation Agreement, (vi) any Swap Agreement, (vii) the Asset Monitor Appointment Agreement; (viii) the GIC and (ix) in respect of the GIC Accounts (the "**CBC Relevant Documents**"). This right of pledge has been notified to the relevant obligors and will, therefore, be a disclosed right of pledge (*openbaar pandrecht*).

The Collection Foundation has in a collection foundation accounts pledge agreement dated 31 January 2012 (including any future collection foundation pledge agreements entered into in replacement of such agreement) (the "**Collection Foundation Accounts Pledge Agreement**") granted a first ranking right of pledge on the balances standing to the credit of the Collection Foundation Accounts in favour of, *inter alia*, the Security Trustee and the Previous Transaction Security Trustees jointly as security for any and all liabilities of the Collection Foundation to the Security Trustee and the Previous Transaction Security Trustees, and a second ranking right of pledge in favour of, *inter alia*, the CBC and the Previous Transaction SPVs jointly as security for any and all liabilities of the Collection Foundation to the CBC and the Previous Transaction SPVs, both under the condition that future issuers (and any security trustees) in securitisations or similar transactions (and any security trustees relating thereto) initiated by the Originator will after accession also have the benefit of such right of pledge. Such rights of pledge have been notified to the Foundation Account Provider.

Since the Previous Transaction SPVs and/or the Previous Transaction Security Trustees, as the case may be, and the CBC and/or the Security Trustee, as the case may be, have a second and a first ranking right of pledge, respectively, on the amounts standing to the credit of the Collection Foundation Accounts, the rules applicable to co-ownership (*gemeenschap*) apply.

THE CBC

Volks Covered Bond Company B.V. (the "**CBC**") was incorporated as a private company with limited liability under Dutch law on 7 November 2007 under number B.V. 1461439. 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 34286571.

The CBC is a special purpose vehicle, which objectives are, in the framework of a covered bond programme of the Issuer, (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 90,000, of which euro 18,000 has been issued and is fully paid. All shares of the Issuer are held by Stichting Holding Volks Covered Bond Company.

Stichting Holding Volks Covered Bond Company is a foundation (*stichting*) incorporated under Dutch law on 31 October 2007 (the "**Stichting Holding**"). The objects of Stichting Holding Volks 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 (Netherlands) B.V.

Statement by managing director of the CBC
Since 31 December 2017, the date of its last published audited financial statements, there has been no material adverse change in the financial or trading position or prospects of the CBC. There are no legal, arbitration or governmental proceedings which may have, or have had in the recent past, a significant effect on the CBC's financial position or profitability nor, so far as the CBC is aware, are any such proceedings pending or threatened.

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 Relevant Documents (see further section 7 (*Coverer Bonds*) under '*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, S.A. Jonker-Douwes and D.H. Schornagel. 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 (Netherlands) B.V. The sole shareholder of Intertrust Management B.V. is Intertrust (Netherlands) B.V. The sole shareholder of Intertrust (Netherlands) 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 Volks Covered Bond Company 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 Relevant 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 Relevant 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 2016 (set forth on pages 10 up to and including 35 of its 2016 annual report) and 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 11 up to and including 36 of its 2017 annual report), both as audited by Ernst & Young Accountants LLP, are incorporated by reference in this Base Prospectus (see section 19 (*Documents Incorporated by Reference*).

9. THE SECURITY TRUSTEE

Stichting Security Trustee Volks Covered Bond Company (the "**Security Trustee**") is a foundation (*stichting*) incorporated under Dutch law on 13 November 2007. 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, (b) to acquire, hold and administer security rights in its own name and/or as agent and/or as trustee, and if necessary to enforce such security rights, for the benefit of the creditors of the CBC, 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 and (d) 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. (as the successor of SGG Netherlands N.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 Relevant Document to which it is a party, except in the event of its wilful misconduct (*opzet*) or negligence (*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, pursuant to the Trust Deed, the Covered Bondholders can resolve to dismiss the Director of the Security Trustee as the director of the Security Trustee by a Programme Resolution. 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

TRANSFERS

As consideration for the CBC issuing the Guarantee, and so as to enable the CBC to meet its obligations under the Guarantee, the Originator has agreed in the guarantee support agreement originally dated the Programme Date between the Issuer, the Originator, the CBC and the Security Trustee, as the same may be amended and restated from time to time (the "Guarantee Support Agreement") to transfer Eligible Assets to the CBC. The transfers are effectuated as follows:

(a) in the case of Eligible Receivables, by way of undisclosed assignment (*stille cessie*). This takes place through due execution by the Originator and the CBC of a deed of assignment, re-assignment, release and pledge 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, re-assignment, release and pledge. Notification (*mededeling*) of the assignment to the Borrowers will only take place if an Assignment Notification Event occurs in respect of the Originator. 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*).

On the first Transfer Date, the Originator will transfer to the CBC the respective Eligible Receivables. Thereafter:

(i) the Originator may at any time offer to transfer further Eligible Assets to the CBC; and
(ii) the Issuer undertakes, upon request of the CBC, to offer to transfer further Eligible Assets to the CBC. The CBC will only make such a request if it (or the Administrator on its behalf) determines that the Asset Cover Test or any Portfolio Test (if implemented) has been breached under the Asset Monitoring Agreement. The Issuer will have the right to comply with this undertaking by the Originator offering to transfer (part of) such Eligible Assets to the CBC.

The CBC shall accept each such offer if the relevant conditions precedent set out in the Guarantee Support Agreement have been met, including in the case of transfer of 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.

If in respect of the Originator an Assignment Notification Event has occurred, the Issuer or, at its option, the Originator shall notify or ensure that the relevant Borrowers and, solely in relation to the Beneficiary Rights, the Insurance Companies are forthwith notified of:

(a) the partial termination of any Bank Security Rights jointly-held by the CBC and/or the Security Trustee and the Originator to the extent that such Bank Security Rights secure other debts than the relevant Mortgage Receivables; and
(b) the assignment of the relevant Mortgage Receivables and the Beneficiary Rights relating thereto.

The CBC has the right to make these notifications itself. No notification is required if the Security Trustee instructs the Issuer otherwise.

For as long as no Assignment Notification Event has occurred and no Notice to Pay and no CBC

Acceleration Notice has been served, pursuant to the Guarantee Support Agreement, the CBC is not entitled to receive or retain any proceeds from the Transferred Assets; such proceeds will all be received and retained by the Originator for its own benefit. If an Assignment Notification Event occurs or a Notice to Pay or CBC Acceleration Notice is served on the CBC, pursuant to the Guarantee Support Agreement, the CBC shall, subject to the rights of the Security Trustee as pledgee, be entitled to receive for its own benefit all proceeds of the Transferred Assets to the extent relating to the period following such Assignment Notification Event or service of such Notice to Pay or CBC Acceleration Notice.

In the Guarantee Support Agreement the Originator 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 transfer such further Eligible Receivable to the CBC as soon as reasonably practicable and, if possible, prior to the following Calculation Date, or (b) such Further Advance does not result in an Eligible Receivable, then it will request a 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 Representations and Warranties by the Originator 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 Representations and Warranties. The mortgage receivables warranties, (the "**Mortgage Receivables Warranties**" are as follows and are given on the relevant Transfer Date by the Originator in respect of the New Mortgage Receivables to be transferred by it to the CBC:

(i) each New Mortgage Receivable is an Eligible Receivable; and
(ii) the particulars of the Eligible Receivables set out in Annex 1 to the relevant deed of assignment, re-assignment, release 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, re-assignment, release and pledge.

The Programme Agreement provides a mechanism for (i) at the option of the Issuer, members of de Volksbank Group wishing to transfer Eligible Assets to the CBC, to accede to the Relevant Documents as a New Originator, subject always to a Rating Agency Confirmation and (ii) an Originator that have not originated any of the CBC's Transferred Assets held by the CBC at such time, to withdraw from the Relevant Documents as an Originator.

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 has occurred.

For the purpose hereof:

"**Assignment Notification Event**" means in respect of the Originator the earliest to occur of the following:

(i) a default is made by the Originator in the payment on the due date of any amount due and payable by it under any Relevant 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 Originator;

(ii) the Originator fails duly to perform or comply with any of its obligations under any Relevant 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 Originator or such other party;

(iii) the Originator takes any corporate action or other steps are taken or legal proceedings are started or threatened against it for its dissolution (*ontbinding*), liquidation (*vereffening*) or legal demerger (*juridische splitsing*) involving the Originator or for its being converted in a foreign entity, or its assets are placed under administration (*onder bewind gesteld*);

(iv) the Originator 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 Issuer and the CBC (but for the avoidance of doubt, not a Notice to Pay on the Issuer following a Breach of the Asset Cover Test);

(vi) a CBC Event of Default occurs; or

(vii) a Security Trustee Pledge Notification Event occurs.

"**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 Originator, whether or not under the relevant Mortgage Loan, which is only secured by the Mortgage which also secures the Mortgage Receivable.

"**Net Outstanding Principal Amount**" means in relation to a Mortgage Receivable, at any date, the Outstanding Principal Amount of such Mortgage Receivable less, if it is a Savings Mortgage Receivable 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 Receivable, including any Further Advance, and after the foreclosure of the relevant Mortgage Receivable resulting in a loss being realised, zero.

"**Rating Agency Confirmation**" means, with respect to a matter which requires Rating Agency Confirmation under the Relevant 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**");

(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 fourteen (14) 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.

"**Representations and Warranties**" means the representations and warranties given by the Originator as set out in Schedule 1 (*Representations and Warranties*) to the Guarantee Support Agreement.

"**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 Transferred Collateral.

"**Transferred Collateral**" means any Eligible Collateral transferred or purported to be transferred to the CBC pursuant to the Guarantee Support Agreement, to the extent not retransferred, sold or otherwise disposed of by the CBC.

RETRANSFERS

Pursuant to the Guarantee Support Agreement:

1. Prior to the service of a Notice to Pay and provided that the Asset Cover Test shall not be breached upon or continues to be breached after such retransfer:
   a. the CBC will retransfer a Mortgage Receivable to the Originator if (i) a material breach of the Mortgage Receivables Warranties occurs as of the relevant Transfer Date in respect of such Mortgage Receivable or (ii) if the Administrator identifies a Defaulted Receivable, subject to applicable grace periods; or
   b. the CBC will retransfer a Mortgage Receivable to the Originator if the rate of interest in respect of a Mortgage Loan (or relevant loan part thereof) falls below the Minimum Mortgage Interest Rate, provided that no such repurchase is required if the CBC has been informed by the Administrator or any other relevant person that the Asset Cover Test provides that the Current Balance is adjusted in relation thereto.
2. Prior to the occurrence of a CBC Event of Default (1) the Issuer may from time to time request a retransfer from the CBC to the Originator of any Transferred Asset, and (2) the Issuer may from time to time request a retransfer from the CBC to the Originator of other assets that did not comply with the definition of Eligible Assets, but were transferred as Eligible Assets and (3) the Issuer shall request a retransfer of a Mortgage Receivable from the CBC to the Originator if (i) the Originator makes a Further Advance, such Further Advance is secured by the same Mortgage that secures the Mortgage Receivable and such Further Advance does not result in an Eligible Receivable, and/or (ii) a Mortgage Receivable transferred by the Originator 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 Originator, 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. The CBC shall comply with such request so long as the Asset Cover Test is not breached upon or continues to be breached after such retransfer.
3. If the CBC intends to sell Mortgage Receivables on terms permitted or required by the Asset Monitoring Agreement, it shall first offer such Mortgage Receivables for sale on the same terms to the Originator (or any party appointed by the Originator) in accordance with the Guarantee Support Agreement.

A retransfer of a Mortgage Receivable will take place in accordance with the Guarantee Support Agreement. A retransfer by the CBC as abovementioned will be effectuated in substantially the same manner as the transfers to the CBC described above, *mutatis mutandis*. If the retransfer concerns Mortgage Receivables which are transferred to the Originator further to the Originator's right of pre-emption (*voorkeursrecht*), the underlying sale and purchase will be concluded through execution and registration of a deed of assignment, re-assignment, release and pledge.

"**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

Originator as irrecoverable for accounting purposes in accordance with the Originator's general accounting practices) in respect of which:

(i) a declaration has been made by the Originator that such Mortgage Receivable is irrecoverable;

(ii) legal proceedings have been commenced for its recovery;

(iii) the related Borrower is declared bankrupt (*failliet verklaard*) or has been granted a suspension of payments (*surseance van betaling*) or debt rescheduling arrangement (*schuldsaneringsregeling*) or equivalent or analogous events or proceedings have occurred in relation to the relevant Borrower; or

(iv) the relevant Borrower has not paid (including, without limitation, payments made by third parties on behalf of the Borrower) by the end of the Calculation Period during which such Mortgage Receivable becomes more than ninety (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 Originator 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 the Security Trustee has given its prior consent thereto and 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-based mortgage loans (*beleggingshypotheken*);
    e. Insurance Savings Mortgage Loans (*spaarhypotheken*);
    f. Bank Savings Mortgage Loans (*bankspaarhypotheken*);
    g. Life mortgage loans (*levenhypotheken*); or
    h. Mortgage loans which combine any of the above mentioned types of mortgage loans (*combinatiehypotheken*);

(b) the mortgage receivable and the Beneficiary Rights relating thereto are duly and validly existing;

(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 Originator, 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 Originator, 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 the Code of Conduct on mortgage loans (*Gedragscode Hypothecaire Financieringen*) and the Originator's standard underwriting criteria and procedures, including borrower income requirements, prevailing at that time and these underwriting criteria and procedures are in a form as may reasonably be expected from a lender of Netherlands residential mortgages;

(e) the interest of each mortgage receivable is either (i) fixed rate whereby the interest rates can be fixed for a specific period between one (1) to thirty (30) years; (ii) floating rate, or (iii) any other type of interest alternatives offered by the Originator;

(f) the maximum Outstanding Principal Amount of each mortgage receivable, or all mortgage receivables secured on the same Mortgaged Assets together, did not exceed a loan-to-market value ratio of 110% or its equivalent of 125% (rounded to the third decimal place) of the foreclosure value of the Mortgaged Assets upon origination of the mortgage receivable or mortgage receivables;

(g) each mortgage loan, other than mortgage loans which have the benefit an NHG Guarantee, has an original principal amount of not more than € 1,500,000;

(h) each mortgage loan which has the benefit of an NHG Guarantee has an original principal amount of not more than € 350,000 upon origination of the mortgage receivable or mortgage receivables;

(i) all mortgage loans are fully disbursed (no "*bouwhypotheken*");

(j) 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 Originator provide that certain provisions should be met and (b) becomes due if the long lease terminates for whatever reason;

(k) each Borrower is a private individual and a resident of the Netherlands and not an employee of the Originator;

(l) in the mortgage loans, other than the mortgage loans originated by former BLG Hypotheekbank N.V., it is stipulated that all payments by the Borrowers should be made without any deduction or set-off;

(m) each mortgage loan has been entered into after 1 January 1999, save for mortgage loans originated by the former RegioBank N.V. (a legal predecessor of de Volksbank) which have been entered into after September 2002;

(n) each mortgage loan is governed by Dutch law;

(o) to the best knowledge of the Originator, the Borrowers are not in any material breach of their mortgage loans;

(p) each mortgage loan (or relevant loan part thereof) bears a rate of interest equal to or exceeding the Minimum Mortgage Interest Rate, provided that the interest rate for a mortgage loan 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;

Transfer

(q) the Originator has full right and title to the mortgage receivable and the Beneficiary Rights relating thereto and no restrictions on the assignment of the mortgage receivable and the Beneficiary Rights relating thereto are in effect and the mortgage receivable and the Beneficiary Rights relating thereto are capable of being assigned, save that for assignment and pledge of a Savings Mortgage Receivable the consent of the Insurance Savings Participant is required;

(r) the Originator has power (*is beschikkingsbevoegd*) to assign the mortgage receivable and the Beneficiary Rights relating thereto;

(s) the mortgage receivable and the Beneficiary Rights relating thereto are free and clear of any encumbrances and attachments (*beslagen*) and no option rights to acquire the mortgage receivable and the Beneficiary Rights relating thereto have been granted by the Originator in favour of any third party with regard to the mortgage receivable and the Beneficiary Rights relating thereto;

(t) the mortgage conditions applicable to the mortgage loans either (i) (a) provide that in case of assignment or pledge of the mortgage receivable the assignee or pledgee will have the benefit of the Mortgage if this has been stipulated upon the assignment or pledge and that in such event the Mortgage no longer secures the other claims of the Originator, or (b) provide that in case of assignment or pledge of the receivable the Borrower and de Volksbank have the explicit intention that the assignee or pledgee will have the benefit of (a *pro rata* of) the Mortgages and rights of pledge securing such receivable, unless de Volksbank determines otherwise prior to the assignment or pledge and de Volksbank has not determined otherwise in respect of the relevant mortgage receivable prior to the assignment or pledge thereof or (ii) do not contain specific wording to the extent that the Mortgage and the Borrower Pledge will not follow the mortgage receivable if it is assigned to a third party;

Security

(u) each mortgage receivable is secured by a Mortgage on a Mortgaged Asset which is located in the Netherlands and is used for a residential purpose in the Netherlands;

(v) 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 priority 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 Originator on behalf of the Borrower;

(w) each Mortgaged Asset is not the subject of residential letting at the time of origination and is occupied by the Borrower at the moment of (or shortly after) origination;

(x) each Mortgaged Asset concerned was valued according to the then prevailing guidelines of the Originator, which guidelines are in form as may reasonably be expected from a lender of residential mortgage loans in the Netherlands. No revaluation of the Mortgaged Assets has been made for the purpose of the Programme;

(y) 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 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 Originator 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 and in a timely manner;

(z) upon creation of each Mortgage and Borrower Pledge (other than the Borrower Insurance Pledges entered into by former SNS Bank N.V. before the end of 2005 and the Borrower Securities Pledges) the power to unilaterally terminate the Mortgage and Borrower Pledge was granted to the Originator and such power has not been amended, revoked or terminated;

Insurance Policies

(aa) with respect to mortgage loans, 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 Originator (see Eligibility Criteria below), (ii) the mortgage loan and the Life Insurance Policy are not offered as one combined mortgage and life insurance product or offered under one name and (iii) the Borrowers are free to choose the relevant Life Insurance Company;

(bb) where compulsory under the acceptance conditions used by the Originator, in respect of each mortgage loan the Originator 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 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;

Insurance Savings Mortgage Loans and Bank Savings Mortgage Loans

(cc) with respect to Insurance Savings Mortgage Loans the Originator has the benefit of a valid right of pledge on the rights under the Savings Insurance Policies and either (i) the Originator has been validly appointed as beneficiary under such policy or (ii) the Insurance Savings Participant is irrevocably authorised to apply the insurance proceeds in satisfaction of the relevant Mortgage Receivables;

(dd) with respect to the relevant Bank Savings Mortgage Loans, the Originator has the benefit of a valid Borrower Pledge on the rights under the relevant Bank Savings Account;

Investment-based Mortgage Loans

(ee) with respect to Investment-based Mortgage Loans, the relevant investments held in the name of the relevant Borrower have been validly pledged to the Originator and the securities are purchased for investment purposes on behalf of the relevant Borrower by an investment firm (*beleggingsonderneming*) in the meaning ascribed thereto in the Wft, such as a securities broker or a portfolio manager, or by a bank, each of which is by law obliged to make adequate arrangements to safeguard the clients' rights to such securities;

Entire Loan

(ff) 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;

(gg) 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.

"**NHG Conditions**" means the terms and conditions (*voorwaarden en normen*) of the NHG Guarantee as set by Stichting WEW and as amended from time to time;

"**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 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%, or such other percentage as required under the Wft, of the aggregate Principal Amount Outstanding of the Covered Bonds.

11. OVERVIEW OF DUTCH RESIDENTIAL MORTGAGE MARKET

This section 11 (*Overview of the Dutch Residential Mortgage Market*) is derived from the overview which is available at the website of the Dutch Securitisation Association (https://www.dutchsecuritisation.nl) regarding the Dutch residential mortgage market over the period until August 2018. The Issuer confirms that this information has been accurately reproduced and 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 11 (*Overview of the Dutch Residential Mortgage Market*) inaccurate or misleading.

Dutch residential mortgage market

The Dutch residential mortgage debt stock is relatively sizeable, especially when compared to other European countries. Since the 1990s, the mortgage debt stock of Dutch households has grown considerably, mainly on the back of mortgage lending on the basis of two incomes in a household, the introduction of tax-efficient product structures such as mortgage loans with deferred principal repayment vehicles and interest-only mortgage loans, financial deregulation and increased competition among originators. Moreover, Loan-to-Value (LTV) ratios have been relatively high, as the Dutch tax system implicitly discouraged amortisation, due to the tax deductibility of mortgage interest payments. After a brief decline between 2012 and 2015, mortgage debt reached a new peak of EUR 698 billion in Q1 2018[6]. This represents a rise of EUR 9.2 billion compared to Q1 2017.

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%). On 18 September 2018 the Dutch government presented the 2019 Dutch Tax Bill (*Belastingplan 2019*) to the Dutch Lower House. One of the proposed tax measures is to accelerate the decrease of the maximum interest deductibility for mortgage loans as from 2020 with 3% annually down to 37.05% in 2023. If enacted, the mortgage interest deductibility rate will be decreased more quickly than the current annual decrease as from 2020 onwards.

6 Statistics Netherlands, household data.

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.

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[7]. In 2011, another revised and stricter version of the Code of Conduct was introduced. Moreover, adherence to the “comply” option was increasingly mandated by the Financial Markets Authority (*AFM*). Although the Code of Conduct is currently largely overruled by the underwriting legislation, it is still in force. The major restriction it currently regulates, in addition to the criteria in the underwriting legislation, is the cap of interest-only loan parts to 50% of the market value of the residence. This cap was introduced in 2011 and is in principle applicable to all new mortgage contracts. A mortgage lender may however diverge from the cap limitation if certain conditions have been met.

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 Q2 2018 rose by 1.8% compared to Q1 2018. Compared to Q2 2012 this increase was 8.8%. A new peak was reached this quarter. The average house average price level was 1.3% above the previous peak of 2008. 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 9.3% in Q2 2018. The twelve month total of existing home sales now stands at 232,614, which is still well above pre-crisis levels.

Forced sales

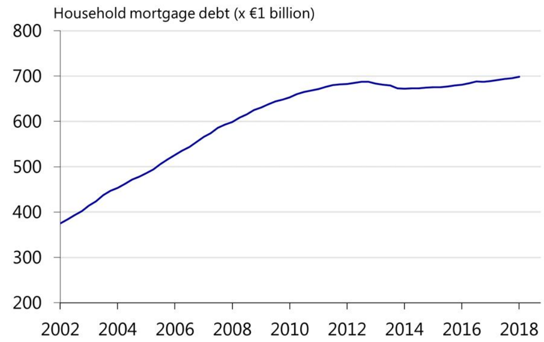
Compared to other jurisdictions, performance statistics of Dutch mortgage loans show relatively low arrears and loss rates[8]. The most important reason for default is relationship termination, although the increase in unemployment following the economic downturn in recent years is increasingly also 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 Q2 2018, only 201 sales were forced, which is 0.46% of the total number of sales in this period.

7 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.

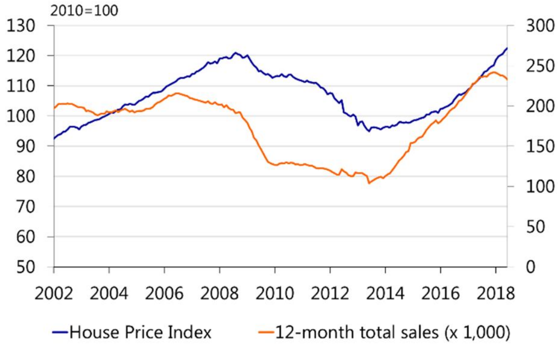
8 Comparison of S&P RMBS index delinquency data.

Chart 1: Total mortgage debt



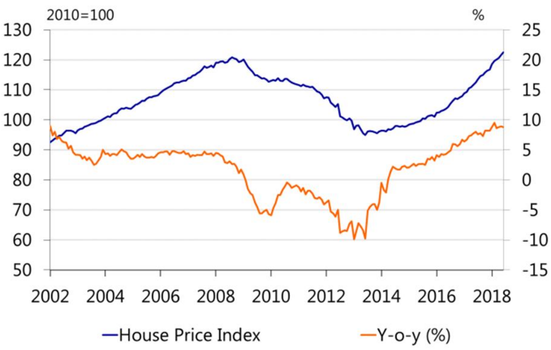
Source: Statistics Netherlands, Rabobank

Chart 2: Sales and prices



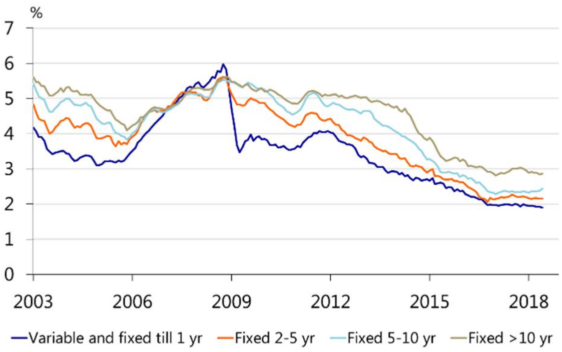
Source: Statistics Netherlands, Rabobank

Chart 3: Price index development



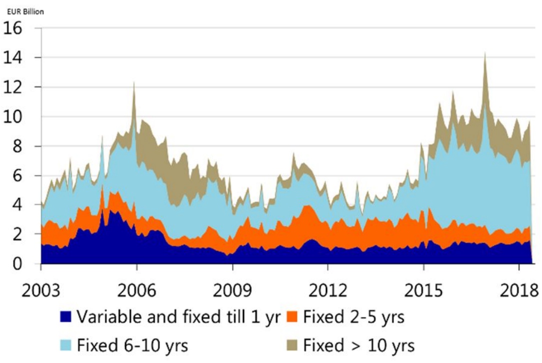
Source: Statistics Netherlands, Rabobank

Chart 4: Interest rate on new mortgage loans



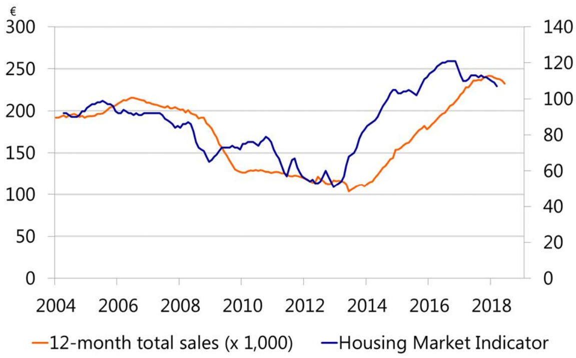
Source: Dutch Central Bank

Chart 5: New mortgage loans by interest type



Source: Dutch Central Bank

Chart 6: Confidence



Source: Delft University OTB, Rabobank

12. NHG GUARANTEE PROGRAMME

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

Since 1 January 1995 Stichting WEW (a central privatised entity) is responsible for the administration and granting of the NHG Guarantee (*Nationale Hypotheek Garantie*), under a set of uniform rules. The NHG Guarantee covers the outstanding principal, accrued unpaid interest and disposal costs. Irrespective of scheduled repayments or prepayments made on the mortgage loans, the NHG Guarantee is reduced on a monthly basis by an amount which is equal to principal repayment part of the monthly instalment as if the mortgage loan were to be repaid on a thirty year annuity basis. In respect of each mortgage loan, the NHG Guarantee decreases further to take account of scheduled repayments and prepayments under such mortgage loan. Also, amounts paid as savings or investment premium under savings insurance policies or life insurance policies, respectively, are deducted from the amount outstanding on such mortgage loans for purposes of the calculation of the amount guaranteed under the NHG Guarantee (see section 3 (*Risk Factors*).

Financing of Stichting WEW
Stichting WEW finances itself, *inter alia*, by a one-off charge to the borrower of 1.00% (0.90% as of 2019) of the principal amount of the mortgage loan at origination. 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% of the difference, and (ii) in respect of all loans issued on or after 1 January 2011, the Dutch State will provide subordinated interest free loans to Stichting WEW of up to 100 per cent of the difference between Stichting WEW's own funds and a pre-determined average loss level. Both the keep well agreement between the Dutch State and Stichting WEW and the keep well agreements between the municipalities and Stichting WEW contain general 'keep well' undertakings of the Dutch State and the municipalities to enable Stichting WEW at all times (including in the event of bankruptcy (*faillissement*), suspension of payments (*surseance van betaling*) or liquidation (*ontbinding*) of Stichting WEW) to meet its obligations under guarantees issued.

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

lender.

The specific terms and conditions for the granting of NHG Guarantees, such as eligible income, purchasing or building costs etc., are set forth in published documents by Stichting WEW.

The NHG has specific rules for the level of credit risk that will be accepted. The credit worthiness of the applicant must be verified with the BKR, a central credit agency used by all financial institutions in the Netherlands. All financial commitments over the past five (5) years that prospective borrowers have entered into with financial institutions are recorded in this register. In addition, as of 1 January 2008 the applicant itself must be verified with the Foundation for Fraud Prevention of Mortgages (*Stichting Fraudepreventie 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% 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% of the market value. In case of a forced private sale and an execution sale permission of Stichting WEW is in any case required.

Within one month after receipt of the proceeds of the private or forced sale of the mortgaged property, the lender must make a formal request to Stichting WEW for payment, using standard forms, which request must include all of the necessary documents relating to the original mortgage loan and the NHG Guarantee. After receipt of the claim and all the supporting details, Stichting WEW must make payment within two (2) months. If the payment is late, provided the request is valid, Stichting WEW must pay interest for the late payment period.

In the event that a borrower fails to meet its obligation to repay the mortgage loan and no or no full payment is made to the lender under the NHG Guarantee by Stichting WEW because of the lender's culpable negligence (*verwijtbaar handelen of nalaten*), 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% in any loss claims made under the NHG Guarantee. The lender is not entitled to recover this amount from the borrower.

Additional loans

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

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 (3) year history of income statements for workers with flexible working arrangements or during a probational period (proeftijd), or three (3) year (annual) statements for self-employed persons.
- 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 ten (10) years on the basis of a percentage determined and published by the AFM, or, in case of a mortgage loan with a fixed interest term of ten (10) years or longer or if the mortgage loan is redeemed within the fixed interest term of less than ten (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 thirty (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% if there are no energy saving improvements and 106% 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 (EUR 290,000 as of 2019); and
(ii) EUR 280,900 (EUR 307,400 as of 2019) 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% 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%.
- 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).

13. ORIGINATOR AND RESIDENTIAL MORTGAGE BUSINESS

The entity that intends to transfer Eligible Assets to the CBC under the Guarantee Support Agreement is: de Volksbank (the "**Originator**").

RegioBank N.V. and ASN Bank N.V. as disappearing entities have merged with SNS Bank N.V. as acquiring entity effective as of 1 January 2017 whereby RegioBank N.V. and ASN Bank N.V. have ceased to exist. The name of SNS Bank N.V. has of the date mentioned above changed to 'de Volksbank N.V.'.

BLG Hypotheekbank N.V. as disappearing entity has merged with SNS Bank N.V. as acquiring entity effective as of 10 October 2010 whereby BLG Hypotheekbank N.V. has ceased to exist.

A. Mortgage Origination

De Volksbank originates mortgage loans through three separate channels: directly, through its branch network and indirectly, through independent agents, such as estate agents, financial advisers and insurance intermediaries, and through its franchise network. The underwriting criteria of de Volksbank are in compliance with the Code of Conduct.

Borrower Income Requirements

The maximum amount that can be borrowed depends on, *inter alia*, the Borrower's income. The maximum loan amount is calculated on the basis of the so-called 'income ratio', which is the percentage of (gross) annual income available for mortgage loan expenses. The income ratio is established every year by NIBUD (*National Instituut voor Budgetvoorlichting*) and is applicable for all mortgage loans. Taking the relevant mortgage interest rate and the relevant income into account, this is then converted into the maximum loan amount.

Other Conditions

The following general conditions also apply to mortgage loans offered:

- the borrowers must be at least 18 years old and must have full legal capacity;
- self-employed borrowers and contractors are subject to additional income tests;
- self-employed borrowers have to provide income statements and tax assessments of at least three years;
- credit assessment of the borrower is required;
- fraud detection checks via SFH (*Stichting Fraudebestrijding Hypotheken*) and an internal fraud register are required; and
- an insurance in respect of the property against risk of fire and other accidental damage for its full restitution value is required.

B. Residential Mortgage Products

The Originator offers a full range of mortgage products with various interest rate and repayment mechanisms. Only certain specified mortgage products are intended to be assigned to the CBC. The characteristics of these products are described further below.

Legal Form

Details of all land and properties are recorded in public registers in the Netherlands. All Mortgage Loans are secured by a mortgage evidenced by a notarial mortgage deed recorded in these registers. Although other legal forms of mortgage loans are available in the Netherlands, all mortgage loans originated are "**Bank Mortgages**". A Bank Mortgage is a mortgage that secures not only the loan granted to finance a property, long lease or apartment right, but also any other liabilities owed at any time by the relevant Borrower to the Originator. Accordingly, the Mortgaged Asset provides security for all debts up to a maximum amount as registered in the relevant public registry. For a further description of Bank Mortgages see section 3 (*Risk Factors*).

Mortgaged Assets
The Mortgages securing the Mortgage Loans are vested on (i) a real property (*onroerende zaak*), (ii) an apartment right (*appartementsrecht*), (iii) a long lease (*erfpacht*) or (iv) a right of superficies (*opstalrecht*). For over a century different municipalities and other public bodies in the Netherlands have used long lease (*erfpacht*) as a system to provide land without giving up the ownership of it. There are three types of long lease: temporary (*tijdelijk*), ongoing (*voortdurend*) and perpetual (*eeuwigdurend*). A long lease is a right in rem (*zakelijk recht*) which entitles the leaseholder (*erfpachter*) to hold and use a real property (*onroerende zaak*) owned by another party, usually a municipality. The long lease can be transferred by the leaseholder without permission from the landowner being required, unless the lease conditions provide otherwise and it passes to the heirs of the leaseholder in case of his or her death. Usually a remuneration (*canon*) will be due by the leaseholder to the landowner for the long lease.

Repayment mechanism
Apart from Interest-Only mortgage loans (*aflossingsvrije hypotheek* herein "**Interest-only Mortgage Loans**") whereby principal is repaid at final maturity of the mortgage loan (which to the extent compulsory under the relevant acceptance conditions, have the benefit of combined risk and capital life insurance policies taken out by Borrowers with an insurance company), the following repayment mechanisms are offered by the Originator:

Insurance Savings Mortgage Loans (spaarhypotheek)
An Insurance Savings Mortgage Loan (the "**Insurance Savings Mortgage Loan**") consists of a Mortgage Loan entered into by the Originator (or it predecessors) and the relevant Borrower, which has the benefit of a Savings Insurance Policy taken out by the Borrower with an insurance company.

Most of the Mortgage Loans of the former SNS Bank (as the legal predecessor of de Volksbank) are documented as savings plus mortgage loans ("**Savings Plus Mortgage Loans**") (*Spaarhypotheken Plus*), whereby the Savings Premium under the Savings Insurance Policy is either (i) deposited by the Insurance Savings Participant in a savings account held with the former SNS Bank (as the legal predecessor of de Volksbank) (the "**Savings Alternative**") or (ii), at the option of the Borrower, invested in certain investment funds offered by SNS Beleggingsfondsen N.V. (the "**Investment Alternative**"). Furthermore, the terms and conditions of the Savings Insurance Policy in connection with the Savings Plus Mortgage Loans provide that on each interest rate reset date the Borrower can (i) switch whole or part of the premia accumulated in the relevant Savings Insurance Policy with the Savings Alternative into the Investment Alternative (the "**Savings Switch**") and (ii) switch whole or part of the value of the investments of the Investment Alternative into the Savings Alternative.

Bank Savings Mortgage Loans (bankspaarhypotheek)
The Mortgage Loans (or parts thereof) may be in the form of Mortgage Loans in respect of which the Borrower is not required to repay principal until maturity but instead makes a deposit into the relevant Bank Savings Account on a monthly basis (the "**Bank Savings Mortgage Loans**") entered into by the Originator and the relevant Borrower combined with a blocked Bank Savings Account. Under the Bank Savings Mortgage Loan no principal is paid by the Borrower prior to the maturity of the Mortgage Loan. Instead, the Borrower pays a monthly deposit (the "**Bank Savings Deposit**") in the relevant blocked savings account in the name of such Borrower, held with the relevant Bank Savings Participant (the "**Bank Savings Account**"). The Bank Savings Deposit is calculated in such a manner that, on an annuity basis, the balance standing to the credit of the Bank Savings Account is equal to the relevant part of the amount due by the Borrower to the Originator at maturity of the Bank Savings

Mortgage Loan. The balances standing to the credit of the Bank Savings Accounts are pledged to the Originator as security for repayment of the relevant Bank Savings Mortgage Loan.

Investment-based Mortgage Loans (beleggingshypotheek)
In case of the former SNS Bank the Borrower undertakes to invest, whether on a lump sum basis or on an instalment basis, by applying his own funds or (part of) the proceeds of the Investment-based Mortgage Loan by means of an '*SNS Rendementrekening*', an investment account held with the former SNS Bank (the legal predecessor of de Volksbank) (the "**Investment Account**") in certain investment funds of SNS Beleggingsfondsen N.V. (the "**Investment Funds**"). The investments in Investment Funds are effectuated by the Borrowers paying the relevant amount from the Investment Account to an account held with the former SNS Bank, designated by the former SNS Bank for the purchasing of securities of Investment Funds by Stichting SNS Beleggersgiro ("**SNS Beleggersgiro**"). The securities purchased by SNS Beleggersgiro, will be in the form of "*Wge-effecten*" (securities regulated under the Wge and will be administrated on the Investment Account.

With respect to the Investment-based Mortgage Loans originated by former BLG Hypotheekbank N.V., the Borrower has undertaken to invest, whether on a lump sum basis on or an instalment basis, by applying an agreed amount in certain investment funds or certain other securities selected by the Borrower out of a range of investment funds and/or securities offered by the bank or investment firm (*beleggingsonderneming*) (the "**Investment Firm**"). The Investment Firm has been notified of the fact that the Borrower is only allowed to purchase investment funds and/or securities selected by former BLG Hypotheekbank N.V. The securities purchased will be administered on an investment account held with a bank or a beleggersgiro in the Netherlands.

Life Mortgage Loans (levenhypotheek)
An Interest-only Mortgage Loan to which a life insurance policy (the "**Life Insurance Policy**" with a Life Insurance Company (the "**Life Insurance Company**" is connected (the "**Life Mortgage Loan**". Principal repayments will be paid out from the proceeds of the Life Insurance Policy.

Linear Mortgage Loans (lineaire hypotheek)
Scheduled (usually monthly) repayments of principal are fixed over the term of the mortgage.

Annuity Mortgage Loans (annuïteitenhypotheek)
Scheduled (usually monthly) repayments of principal plus interest are fixed (provided that the interest rates do not change).

Combined Mortgage Loans (combinatiehypotheken)
In order to tailor a Mortgage Loan to meet as closely as possible the specific fiscal and economic needs of a Borrower, it is common for a Mortgage Loan to be constructed from a combination of mortgage types as set out above.

Interest rate
The mortgage loans bear interest on the basis of any of the following alternatives:

- fixed rate, whereby the interest rates can be fixed for a specific period between 1 to 30 years;
- floating rate; or
- any other type of interest alternatives offered, including:

  \- Capped Interest (*Plafond Rente*). The interest payable by the Borrower is a floating interest rate with a cap. The Borrower can choose a Capped Interest for five (5) or ten (10) years. In this period the borrower pays the floating Capped Interest rate with an agreed maximum (*plafond*) interest rate.

- Interest Damper (*Rente Demper*). The interest payable by the Borrower equals the interest as described below under 'Stable Interest' with the difference that the bandwidth is not fixed for thirty (30) years but, at the option of the Borrower, for five (5), ten (10) or fifteen (15) years;

- any type of interest alternatives the Issuer used to offer, including:

- Stable Interest (*Stabiel Rente*). In such case, the interest payable by the Borrower is determined on an annual basis, whereby the Borrower chooses a bandwidth between 1.0% and 3.5%, (increased by steps of 0.5%) at the beginning of the Mortgage Loan. At any time, the Borrower is entitled to choose another bandwidth, subject to payment of certain administrative costs. Each bandwidth has its own SNS Stable Interest rate. Every year the interest rate in the contract (*contractrente*) will be compared with the actual SNS Stable Interest rate (*toetsrente*) for the applicable bandwidth. When the difference falls within the bandwidth, the interest rate for that year will be fixed at the interest rate equal to the interest rate in the contract of the Borrower (*contractrente*). When the difference falls outside the bandwidth, the interest rate for that year will be fixed at the interest rate equal to the interest rate in the contract of the Borrower (*contractrente*) adjusted for the percentage which did fall outside the bandwidth.
- Ideal Interest (*Ideaal Rente*). The interest rate is the average interest rate over five years. The interest payable by the Borrower is determined using a fraction in which the numerator is the sum of five interest percentages determined by de Volksbank as the Ideal Interest and in which the denominator is five. In the first year, the numerator equals the Ideal Interest percentage for that year multiplied by five. In the second year the numerator equals the Ideal Interest percentage for year one multiplied by four plus the Ideal Interest percentage for year two. In the years thereafter, the most recent Ideal Interest percentage is included and the oldest Ideal Interest percentage is excluded from the numerator.
- Middle Interest (*Middelrente*). The interest rate is the average interest rate over ten years. The interest payable by the Borrower is determined using a fraction in which the numerator is the sum of ten interest percentages determined by de Volksbank as the Ideal Interest and in which the denominator is ten. In the first year, the numerator equals the Middle Interest percentage for that year multiplied by ten. In the second year the numerator equals the Middle Interest percentage for year one multiplied by nine plus the Middle Interest percentage for year two. In the years thereafter, the most recent Middle Interest percentage is included and the oldest Ideal Interest percentage is excluded from the numerator.

Although the Issuer no longer offers these kinds of interest rate alternatives, it is possible that these are or will be included in the cover pool.

Prepayments

Annual prepayments of not more than 20% of the original mortgage loan are allowed without a penalty being due. In addition, full prepayments can be made without penalty in specific situations:

- at the time of an interest rate reset;
- on sale or destruction of the property;
- if the Borrower dies.

In other cases, except for Capped Interest mortgage loans and Interest Damper mortgage loans, penalty charges apply which are calculated as the net present value of the difference between the fixed rate being paid and the current mortgage rate, if lower, for the remaining term of the fixed period. For mortgage loans with a Capped Interest, the penalty is calculated by multiplying an agreed percentage with the remaining term of the Capped Interest and the loan balance.

Other mortgage products

The Issuer may originate, offer and assign to the CBC other products than described herein, provided that these comply with the Eligibility Criteria at the time.

C. Mortgage Administration

Collection Procedures

Interest payments and repayments due will be debited directly from the account of the Borrower.

The loan administration system calculates the repayment schedules and reconciles collected funds with the appropriate account. A range of exception reports are automatically produced and are used by arrears management to monitor the status of individual loans.

Arrears Management

The procedures for the monitoring and collection of late payments include the following actions:

At the beginning of each month late payments are being signalled. After ten days a reminder letter is automatically generated and sent to the Borrower. Further reminder letters are being generated if the arrear persists. Besides reminder letters the client may be contacted by phone either directly by the bank or with the use of the intermediary. In case of increasing arrears and limited possibilities to become current an attempt is made to restructure the loan and otherwise an attempt is made come to an agreement for a private sale of the property. If all negotiations with the borrower fail the civil-law notary will be instructed, who will then organise a forced sale by way of public auction.

Rate re-setting procedures

Prior to the reset date, the loan administration system automatically generates a letter to the Borrower advising that a rate re-setting is imminent and, in addition, listing the rate(s) that would apply. The Borrower does not have to choose the same fixed rate period as the previous one. If there is no response from the Borrower before the rate re-setting date, the Borrower receives the offered interest rate.

14. PARTICIPATION AGREEMENTS

Insurance Savings Participation Agreement

Under each Insurance Savings Participation Agreement entered into between the CBC, the relevant Insurance Savings Participant and the Security Trustee, the CBC grants the relevant Insurance Savings Participant a sub-participation in the Insurance Savings Mortgage Receivables, originated by de Volksbank, provided that, to the extent Savings Plus Mortgage Loans originated by the former SNS Bank N.V. are involved, this will only apply to Savings Plus Mortgage Loans to which a Savings Insurance Policy with the Savings Alternative is connected.

Savings Premium

The conditions applicable to the Insurance Savings Mortgage Loans originated by de Volksbank to which a Savings Insurance Policy is connected, stipulate that the Savings Premia paid by the Borrowers/insured will be deposited by the Insurance Savings Participant on a savings account held with de Volksbank.

de Volksbank has agreed with the Insurance Savings Participant that it shall on-lend to the Insurance Savings Participant amounts equal to the Savings Premia deposited on the savings account in order to facilitate the Insurance Savings Participant in meeting its obligations under the Insurance Savings Participation Agreement. However, the obligations of the Insurance Savings Participant under the Insurance Savings Participation Agreement are not conditional upon the receipt of such amounts from de Volksbank.

Insurance Savings Participation

Subject to the condition precedent of the occurrence of an Assignment Notification Event, in an Insurance Savings Participation Agreement the relevant Insurance Savings Participant has undertaken to pay to the CBC:

(i) at the CBC Payment Date immediately succeeding the fulfilment of the condition precedent to the Insurance Savings Participation Agreement, or if such date is a later date (a) in respect of Insurance Savings Mortgage Receivables the CBC Payment Date immediately succeeding the relevant Transfer Date or (b) in respect of a switch from any type of Mortgage Loan into an Insurance Savings Mortgage Loan, the next succeeding CBC Payment Date, an amount equal to the sum of the Savings Premia received by the Insurance Savings Participant with accrued interest up to the first day of the month in which such CBC Payment Date falls (the "**Initial Insurance Savings Participation**") in relation to each of the Insurance Savings Mortgage Receivables;

(ii) on each CBC Payment Date falling after the CBC Payment Date set out above an amount equal to the amount received by the Insurance Savings Participant as Savings Premium during the previous month in respect of the relevant Savings Insurance Policies,

provided that in respect of each relevant Insurance Savings Mortgage Receivable which is subject to a Participation, no amounts will be paid to the extent that, as a result thereof, the Insurance Savings Participation in such relevant Insurance Savings Mortgage Receivable would exceed the Outstanding Principal Amount of the relevant Insurance Savings Mortgage Receivable.

If and when such payment has been made, as a consequence of such payments the Insurance Savings Participant will acquire a participation (the "**Initial Insurance Savings Participation**") in each of the relevant Insurance Savings Mortgage Receivables, which is equal to the Initial Insurance Savings Participation in respect of the relevant Insurance Savings Mortgage Receivables increased during each month on the basis of the following formula (the "**Insurance Savings Participation Increase**"):

(P/H x R) + S, whereby:

P = the Participation on the first day of the relevant month in the relevant Insurance Savings Mortgage Receivable;

S = the amount received by the CBC from the Insurance Savings Participant in such month in respect of the relevant Insurance Savings Mortgage Receivable pursuant to the Insurance Savings Participation Agreement;

H = the Outstanding Principal Amount of the relevant Insurance Savings Mortgage Receivable on the first day of the relevant month;

R = the amount of interest, due by the Borrower on the relevant Insurance Savings Mortgage Receivable and actually received by the CBC in such month.

In consideration for the undertakings of the Insurance Savings Participant described above, the CBC has undertaken to pay to the Insurance Savings Participant on each CBC Payment Date an amount equal to the Insurance Savings Participation, in respect of each Insurance Savings Mortgage Receivable, which is subject to a participation in respect of which amounts have been received during the relevant month or, in the case of a transfer during a month, which falls in the period which commences on the date on which the condition precedent is fulfilled or if later, the Transfer Date or the date of the Savings Switch and ends on the last day of such month (i) by means of repayment and prepayment under the relevant Insurance Savings Mortgage Receivable which is subject to a Participation but excluding any prepayment penalties and interest penalties, if any, and, furthermore, excluding amounts paid as partial prepayments on the relevant Insurance Savings Mortgage Receivable which is subject to an Insurance Savings Participation (ii) in connection with the retransfer of an Insurance Savings Mortgage Receivable which is subject to an Insurance Savings Participation pursuant to the Guarantee Support Agreement to the extent such amounts relate to principal, (iii) in connection with the transfer of an Insurance Savings Mortgage Receivable which is subject to an Insurance Savings Participation pursuant to the Asset Monitoring Agreement to the extent such amounts relate to principal and (iv) as Net Proceeds on any Insurance Savings Mortgage Receivable which is subject to an Insurance Savings Participation to the extent such amounts relate to principal (the "**Insurance Savings 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 an Insurance Savings Mortgage Receivable, which is subject to an Insurance Savings Participation if, for whatever reason, the Insurance Savings Participant does not pay the insurance proceeds when due and payable, whether in full or in part, under the relevant Savings Insurance Policy, and, as a consequence thereof, the CBC will not have received any amount outstanding prior to such event in respect of such Insurance Savings Mortgage Receivable, the Insurance Savings Participation of the Insurance Savings Participant in respect of such Insurance 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 Insurance Savings Participation Redemption Available Amount shall be adjusted accordingly.

Enforcement

If a CBC Acceleration Notice is served by the Security Trustee to the CBC, then and at any time thereafter the Security Trustee on behalf of the Insurance Savings Participant may, and if so directed by the Insurance Savings Participant shall, by notice to the CBC:

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

Termination
If one or more of the Insurance Savings Mortgage Receivables which are subject to an Insurance Savings Participation are sold by the CBC to a third party pursuant to the Asset Monitoring Agreement or are retransferred to the Originator, the Insurance Savings Participation in such Insurance Savings Mortgage Receivables will terminate and the Insurance Savings Participation Redemption Available Amount in respect of such Insurance Savings Mortgage Receivables will be paid by the CBC to the Insurance Savings Participant. If so requested by the Insurance Savings Participant, the CBC will use its best efforts to ensure that the acquirer of the Insurance Savings Mortgage Receivables which are subject to an Insurance Savings Participation will enter into an insurance savings participation agreement with the Insurance Savings Participant in a form similar to the Insurance Savings Participation Agreement. Furthermore, the Insurance Savings Participation envisaged in the Insurance Savings Participation Agreement shall terminate if at the close of business of any CBC Payment Date the Insurance Savings Participant has received the Insurance Savings Participation in respect of the relevant Insurance Savings Mortgage Receivable.

If, in case of an Insurance Savings Mortgage Loan with the Savings Alternative originated by the former SNS Bank N.V., all or part of the premia accumulated in the relevant Savings Insurance Policy with the Savings Alternative are switched into the Investment Alternative, the sub-participation envisaged in the Insurance Savings Participation Agreement shall terminate, in whole or in part, and the Insurance Savings Participation Redemption Available Amount (or part thereof, if applicable) in respect of such Insurance Savings Mortgage Receivable will be paid by the CBC to the Insurance Savings Participant, but only if and to the extent that on the relevant CBC Payment Date or any later CBC Payment Date the amounts received by the CBC under the Insurance Savings Participation Agreement are sufficient for this purpose on such date.

"**Insurance Savings Participation**" means, in respect of each Insurance Savings Mortgage Receivable originated by de Volksbank (or its legal predecessors), provided that to the extent Savings Plus Mortgage Loans originated by the former SNS Bank N.V. (as legal predecessor of de Volksbank) are involved, this will only apply to Savings Plus Mortgage Loans to which a Savings Insurance Policy with the Savings Alternative is connected, an amount equal to the Initial Insurance Savings Participation in respect of the relevant Savings Mortgage Receivable increased during each month by each Insurance Savings Participation Increase.

Bank Savings Participation Agreement
Under the Bank Savings Participation Agreement the CBC will grant to each Bank Savings Participant a Bank Savings Participation in the relevant Bank Savings Mortgage Receivables.

Bank Savings Accounts
The conditions applicable to the Bank Savings Mortgage Loans stipulate that amounts paid by the Borrowers will be deposited by the relevant Bank Savings Participants on the relevant Bank Savings Account held with de Volksbank.

Bank Savings Participation
Subject to the condition precedent of the occurrence of an Assignment Notification Event, in the Bank Savings Participation Agreement each Bank Savings Participant has undertaken to pay to the CBC:

(i) at the CBC Payment Date immediately succeeding the fulfilment of the condition precedent to the Bank Savings Participation Agreement, or if such date is a later date in respect of Bank Savings Mortgage Receivables the CBC Payment Date immediately succeeding the relevant Transfer Date, an amount equal to the sum of the Bank Savings Deposits received by the Bank Savings Participant with accrued interest up to the first day of the month in which such CBC Payment Date falls (the "**Initial Bank Savings Participation**") in relation to each of the relevant Bank Savings Mortgage Receivables; and

(ii) on each CBC Payment Date falling after the CBC Payment Date set out under (i) an amount equal to the amount received by such Bank Savings Participant on the relevant Bank Savings Account in relation to the relevant Bank Savings Mortgage Receivables during the Calculation Period immediately preceding such CBC Payment Date,

provided that no amounts will be paid to the extent that, as a result thereof, an amount equal to, the Bank Savings Participation in the relevant Bank Savings Mortgage Receivable would exceed the Outstanding Principal Amount of the relevant Bank Savings Mortgage Receivable.

If and when such payment has been made, as a consequence of such payments the Bank Savings Participant will acquire a participation (the "**Initial Bank Savings Participation**") in each of the relevant Bank Savings Mortgage Receivables, which is equal to the Bank Savings Participation in respect of the relevant Bank Savings Mortgage Receivables increased during each month on the basis of the following formula (the "**Bank Savings Participation Increase**"):

(P/H x R) + S, whereby:

P = Bank Savings Participation on the first day of the relevant month;

S = the amount received by the CBC pursuant to the Bank Savings Participation Agreement on the CBC Payment Date immediately succeeding the relevant Calculation Date in respect of the relevant Bank Savings Mortgage Receivable from the Bank Savings Participant;

H = the Outstanding Principal Amount of the relevant Bank Savings Mortgage Receivable on the first day of the relevant month;

R = the amount of interest due by the Borrower on the relevant Bank Savings Mortgage Receivable and actually received by the CBC in respect of such Calculation Period;

In consideration for the undertakings of the Bank Savings Participant described above, the CBC has undertaken to pay to the Bank Savings Participant on each CBC Payment Date an amount equal to the Bank Savings Participation in each of the Bank Savings Mortgage Receivables in respect of which amounts have been received during the relevant month or, in the case of a transfer during a month, which falls in the period which commences on the date on which the condition precedent is fulfilled or if later, the Transfer Date and ends on the last day of such month (i) by means of repayment and prepayment under the relevant Bank Savings Mortgage Receivable which is subject to a Bank Savings Participation but excluding any prepayment penalties and interest penalties, if any, and, furthermore, excluding amounts paid as partial prepayments on the relevant Bank Savings Mortgage Receivable which is subject to a Bank Savings Participation (ii) in connection with the retransfer of a Bank Savings Mortgage Receivable which is subject to a Bank Savings Participation pursuant to the

Guarantee Support Agreement to the extent such amounts relate to principal, (iii) in connection with the transfer of a Bank Savings Mortgage Receivable which is subject to a Bank Savings Participation pursuant to the Asset Monitoring Agreement to the extent such amounts relate to principal and (iv) as Net Proceeds on any Bank Savings Mortgage Receivable which is subject to a Bank Savings Participation to the extent such amounts relate to principal (the "**Bank Savings Participation Redemption Available Amount**").

Reduction of Participation

If a Bank Savings Deposit is automatically set-off with the relevant Bank Savings Mortgage to which it is connected, or a Borrower invokes a defence, including but not limited to a right of set-off or counterclaim against any person in respect of a relevant Bank Savings Mortgage Receivable and if, for whatever reason, any Bank Savings Participant does not pay the amounts due under the relevant Bank Savings Mortgage Receivable, whether in full or in part, and, as a consequence thereof, the CBC will not have received any amount outstanding prior to such event in respect of such relevant Bank Savings Mortgage Receivable, the Bank Savings Participation of the Bank Savings Participants in respect of such relevant Bank Savings Mortgage Receivable, will be reduced by an amount equal to the amount which the CBC has failed to so receive and the calculation of the Bank Savings Participation Redemption Available Amount shall be adjusted accordingly.

Enforcement Notice

If a CBC Acceleration Notice is served by the Security Trustee to the CBC, then and at any time thereafter the Security Trustee on behalf of any Bank Savings Participant may, and if so directed by any Bank Savings Participants shall, by notice to the CBC:

(i) declare that the obligations of the relevant Bank Savings Participant under the Bank Savings Participation Agreement are terminated; and

(ii) declare the Bank Savings Participation in relation to the relevant Bank Savings Mortgage Receivables to be immediately due and payable, whereupon it shall become so due and payable, but such payment obligations shall be limited to the Bank Savings Participation Redemption Available Amount received or collected by the CBC or, in case of enforcement, the Security Trustee under the relevant Bank Savings Mortgage Receivables.

Termination

If one or more of the relevant Bank Savings Mortgage Receivables are sold by the CBC to a third party pursuant to the Asset Monitoring Agreement or are otherwise retransferred to the Originator, the Bank Savings Participation in such relevant Bank Savings Mortgage Receivables will terminate and the Bank Savings Participation Redemption Available Amount in respect of the relevant Bank Savings Mortgage Receivables will be paid by the CBC to the relevant Bank Savings Participant. If so requested by the relevant Bank Savings Participant, the CBC will use its best efforts to ensure that the acquirer of the Relevant Bank Savings Mortgage Receivables will enter into a bank savings participation agreement with the relevant Bank Savings Participant in a form similar to the Bank Savings Participation Agreement. Furthermore, the Bank Savings Participation envisaged in the Bank Savings Participation Agreement shall terminate if at the close of business of any CBC Payment Date the relevant Bank Savings Participants have received the Bank Savings Participation in respect of the relevant Bank Savings Mortgage Receivables.

"**Bank Savings Participation**" means, in respect of each Bank Savings Mortgage Receivable an amount equal to the Initial Bank Savings Participation in respect of the relevant Bank Savings Mortgage Receivable increased during each month by each Bank Savings Participation Increase.

15. SERVICING, ADMINISTRATION AND CUSTODY

Servicing

In the Servicing Agreement de Volksbank agrees to act as the Servicer in respect of the Mortgage Receivables and de Volksbank shall act as Servicer in respect of the Mortgage Receivables transferred by each New Originator, unless otherwise agreed between the parties. 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 section 13 (*Originator and Residential Mortgage Business*)); (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.

Pursuant to the Servicing Agreement the Servicer has covenanted that it will negotiate an agreement with a back-up servicer following a downgrade of its senior unsecured, unsubordinated long-term rating below Baa3 by Moody's or below BBB- by Fitch or any of such ratings is withdrawn.

Minimum Mortgage Interest Rate

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 upon an interest reset of at least 1.50% per annum, subject to the relevant mortgage loan agreement and applicable law (including but not limited to principles of reasonableness and fairness) (the "**Minimum Mortgage Interest Rate**"), which Minimum Mortgage Interest Rate may be amended by the CBC and the Issuer, subject to Rating Agency Confirmation and prior consent of the Security Trustee.

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 Relevant Documents and (ii) to prepare monthly asset cover reports for the CBC including the relevant calculations in respect of the Asset Cover Test.

Termination

The Servicing Agreement and the Administration Agreement may be terminated by the Security Trustee or the CBC (with the consent of the Security Trustee) in certain circumstances (in respect of the relevant party only), including (a) a default by the Servicer and/or the Administrator in the payment on the due date of any payment due and payable by it under the Servicing Agreement or, as the case may be, Administration Agreement, (b) a default is made by the Servicer and/or the Administrator in the performance or observance of any of its other covenants and obligations under the Servicing Agreement or, as the case may be, Administration Agreement, (c) the Servicer and/or the Administrator has taken any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against it for its entering into emergency regulations (*noodregeling*) as referred to in 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 administrator, as the case may be, and such substitute servicer and/or 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 administrator shall have the benefit of a servicing fee and an administration fee at a level to be then determined. Any such substitute servicer must (i) have experience of administering mortgage loans and mortgages of residential property in the Netherlands and (ii) hold a licence under the Wft. The CBC shall, promptly following the execution of such agreement, pledge its interest in such agreement in favour of the Security Trustee on the terms of the Security Trustee Rights Pledge Agreement, *mutatis mutandis*, to the satisfaction of the Security Trustee.

The Servicing Agreement and the Administration Agreement may be terminated by the CBC or the Servicer or, as the case may be, the Administrator upon the expiry of not less than twelve (12) months' notice of termination given by the Servicer or, as the case may be, the Administrator to each of the CBC and the Security Trustee or by the CBC to the Servicer or Administrator and the Security Trustee provided that, *inter alia,* (a) the Security Trustee consents in writing to such termination and (b) a substitute servicer or administrator, as the case may be, shall be appointed, such appointment to be effective not later than the date of termination of the Servicing Agreement or, as the case may be, the Administration Agreement and the Servicer or Administrator shall not be released from its obligations under the 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.

16. 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, must ensure that as at the end of each calendar month until the service of a Notice to Pay, Issuer Acceleration Notice or CBC Acceleration Notice,

(i) the Adjusted Aggregate Asset Amount will be an amount at least equal to the euro equivalent 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;

(ii) the First Regulatory Current Balance Amount will 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, all as calculated on the immediately succeeding Calculation Date; and

(iii) the Second Regulatory Current Balance Amount will 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, all as calculated on the immediately succeeding Calculation Date, (item (i) up to and including item (iii), the "**Asset Cover Test**").

If at the end of a calendar month 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 (or any other Originator) will transfer sufficient further Eligible Assets to the CBC in accordance with the Guarantee Support Agreement to ensure that the Asset Cover Test is met as 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 as calculated 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 the Asset Cover Test**") the Security Trustee will be entitled to serve a Notice to Pay on the Issuer.

As of the date of this Base Prospectus, the Asset Percentage is 82.5%. 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 (i) Fitch has been notified thereof and by the third calendar day after such notification, Fitch has not 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 and (ii) subject to confirmation in writing from Moody's that the new Asset Percentage is sufficient to maintain an Aaa rating by Moody's of the Covered Bonds on an expected loss basis (regardless of whether the actual rating of the Covered Bonds is otherwise).

The Asset Percentage will be included in the investor report, drawn up by the Administrator following the end of each Calculation Period 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, de

Volksbank and the Security Trustee, as amended, restated and transferred on 30 April 2014 from de Volksbank to Intertrust Administrative Services B.V. as administrator (the "**Administrator**"), with retroactive effect as of January 2012 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 the Asset Cover Test shall have occurred.

For the purposes hereof:

"**Adjusted Aggregate Asset Amount**" means A+ B + C + D - Y1 - Y2 - 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 α; and
   (ii) the LTV Cut-Off Percentage of the Indexed Valuation relating to such Mortgage Receivable, minus β; and

(b) the Asset Percentage of: the sum of the Current Balance minus α of all Mortgage Receivables.

"α" 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 Savings and Accrued Savings Interest in connection with such Savings Mortgage Receivable, provided that no amount will be deducted if and to the extent that a Bank Savings Participation Agreement and/or Insurance Savings Participation Agreement (each a "**Participation Agreement**" and together the "**Participation Agreements**") is in place in relation to the relevant Mortgage Receivable;

(ii) if it corresponds to a Construction Deposit: the amount of the Construction Deposit;

(iii) 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;

(iv) if it is 3 months or more in arrears and it is not a Defaulted Receivable: such amount as is necessary to arrive at 30% of its Current Balance;

(v) if it is a Defaulted Receivable: such amount as is necessary to reduce its Current Balance to zero; and/or

(vi) if it is a Mortgage Receivable with an interest rate below the Minimum Mortgage Interest Rate, an amount equal to the Minimum Mortgage Interest Rate Reduction;

"**Minimum Mortgage Interest Rate Reduction**" means, 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 1.50% 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 (rounded if necessary to the first decimal, with 0.05 being rounded upwards) or, in case of a floating interest rate where no (fixed) interest period exists, the remaining maturity of such Mortgage Loan.

"**β**" means for each Mortgage Receivable the lower of (i) the LTV Cut-Off Percentage of its Indexed Valuation and (ii) α 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 α, L shall equal α.

"**Asset Percentage**" means 82.5% 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 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 aggregate amount of all Principal Receipts on the Mortgage Receivables up to the end of the immediately preceding calendar month which have not been applied in accordance with the Trust Deed.

"**C**" means the aggregate amount of all Transferred Collateral in cash which has not been applied in accordance with the Trust Deed plus the amount deposited in the Reserve Fund and the Liquidity Reserve Fund.

"**D**" 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. 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.

"**Y1**" means, (i) zero, if the Issuer's credit rating is equal to or higher than Prime-1 (short-term) by Moody's and either F1 (short-term) or A by Fitch, or (ii) if the Issuer's credit rating from Moody's falls below Prime-1 (short-term) or if the issuer default rating falls below F1 (short-term) and A (long-term) by Fitch, the sum of all amounts (the "**Deposit Amount**") in respect of the Mortgage Receivables, which amounts are, in respect of each Mortgage Receivable separately, the lower of: (a) the aggregate amount of the deposits, to the extent the amount thereof exceeds the amount claimable under the DGS, held by the Borrower of the Mortgage Receivable(s) with the Originator on the last day of the immediately preceding month; and (b) the aggregate Outstanding Principal Amount of such Mortgage Receivable(s) on the last day of the immediately preceding month. The Deposit Amount will be adjusted as follows. If the outcome of A(a) is lower than A(b) as described above, the Deposit Amount will be reduced with an amount equal to A(b) minus A(a) provided that the Deposit Amount will always be at least 0. If the outcome of A(a) is higher than A(b) as described above, the Deposit Amount will be reduced with the amount of the Excess Credit Enhancement.

"**Y2**" means, (i) if the Issuer's deposit rating from Moody's falls below Baa1 (long-term) or if the issuer default rating falls below F2 (short-term) and BBB (long-term) by Fitch, an additional amount equal to the Outstanding Principal Amount of all Mortgage Receivables on the last day of the month immediately preceding the Calculation Date multiplied by the Monthly Payment Percentage of the prior calendar month immediately preceding the Calculation Date, in connection with the commingling risk or (ii) zero (a) if the Issuer's deposit rating from Moody's is at least equal to Baa1 (long-term) and if the issuer default rating is at least equal to F2 (short-term) or BBB (long-term) by Fitch or (b) if de Volksbank has taken alternative measures to reduce the commingling risk.

"**DGS**" means the deposit guarantee scheme (*depositogarantiestelsel*) within the meaning of the Wft;

"**Excess Credit Enhancement**" means the amount (if any) by which the outcome of A(b) above undercuts the outcome that would have resulted from A(b) above if an Asset Percentage as notified to the Rating Agencies had been used.

"**Monthly Payment Percentage**" means in respect of a month a percentage which is equal to all principal payments and interest payments made by the Borrowers in respect of the Mortgage Loans in that month divided by the Outstanding Principal Amount of all Mortgage Receivables on the last day of the immediately preceding month.

"**Z**" means an amount equal to the Interest Cover Required Amount.

"**Interest Cover Required Amount**" means an amount equal to the positive difference, if any, between:

a) the aggregate amount of Scheduled Interest for all Series outstanding; and

b) the aggregate amount of interest to be received under the Transferred Assets up to the relevant final maturity date taking into account their respective contractual amortisation profile 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 applicable Participation Fraction;

and, in each case, (i) taking into account any amount (to be) received or (to be) paid by the CBC in connection with any Swap Agreement and (ii) assuming that for any floating or fixed rate interest, that up to and including the latest Final Maturity Date, of any Covered Bond outstanding, such rates remain at the same level as at the relevant Calculation Date preceding the relevant CBC Payment Date.

"**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.

"**Original Market Value**" in relation to any Mortgaged Asset means either (as applicable) (i) the market value or (ii) the foreclosure value (*executiewaarde*) given to that Mortgaged Asset by the most recent valuation addressed to the Originator that transferred the relevant Mortgage Receivable to the CBC, divided by 0.88.

"**Indexed Valuation**" in relation to any Mortgaged Asset at any date means the Original Market Value of that Mortgaged Asset increased or decreased as appropriate by the increase or decrease in the Index since the date of the Original Market Value (and if such is required for the Covered Bonds to maintain the CRR Status, as adjusted as required pursuant to the Capital Requirement Directive).

"**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 used 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 GIC Accounts held with an entity within the de Volksbank Group, which amount will be limited to a maximum of 20%, or such other percentage as required under the Wft, of the aggregate Principal Amount Outstanding of the Covered Bonds.

"**Second Regulatory Current Balance Amount**" means an amount equal to the sum of (A) the aggregate balance of all Mortgage Receivables, excluding any Defaulted Receivables, whereby the balance is determined for each such Mortgage Receivable as the lower of (i) the Current Balance of the Mortgage Receivable and (ii) the Regulatory Cut-Off Percentage of the Indexed Valuation relating to such Mortgage Receivable and (B) the Substitution Assets Amount, or in each case such other amount as must be used 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.

PORTFOLIO TESTS

As an alternative or supplement to the Total Return Swap Agreement (and the Standby Total Return Swap Agreement) the Issuer will at any time be allowed to opt for (i) implementation of portfolio tests or (ii) an alternative hedging methodology, subject to Rating Agency Confirmation. If as a result of a rating downgrade a Swap Counterparty ceases to be an Eligible Swap Counterparty, then the CBC will be allowed to, instead of collateralisation or substitution of a Swap Counterparty, opt for implementation of portfolio tests.

If implemented, such portfolio tests (the "**Portfolio Tests**") will be carried out by the Administrator and will be required to be met by the CBC and the Issuer under the Asset Monitoring Agreement at the end of each calendar month, as calculated on the immediately succeeding Calculation Date. An example of a Portfolio Test is set out below, the final Portfolio Tests are subject to discussions with the Rating Agencies and may change:

(a) the difference between the sum of A + B + C + D + E + F + G and the net present value of the Covered Bonds ("**NPV**") is a certain amount, where:

A = the NPV of any future cash flows (interest, principal and any other payments such as prepayment penalties) resulting from the Net Outstanding Principal Amount of the Mortgage Receivables;

B = the amount of any receipts (interest, principal and any other payments such as prepayment penalties) on the Net Outstanding Principal Amount of the Mortgage Receivables up to the end of the immediately preceding calendar month which have not been applied as at the relevant Calculation Date in accordance with the Trust Deed;

C = the outstanding principal amount of any Transferred Collateral other than Substitution Assets;

D = The NPV of any future cash flows (interest, principal and any other payments) resulting from the Substitution Assets (and any interest accrued thereon);

E = without double counting, any other cash or deposits held by the CBC;

F = the mark-to-market value of any Structured Swaps that are entered into by the CBC; and

G = the mark-to-market value of any Interest Rate Swaps that are entered into by the CBC;

(b) the difference in Basis Point Duration between the sum of A + B + C + D + E + F + G and the Covered Bonds is not more than a certain percentage to be agreed upon; and

(c) the difference in Basis Point Duration between the sum of A + B + C + D + E + F + G for that Term Point and the Covered Bonds is not more than a certain percentage to be agreed upon, where the following Term Points can be defined:

- 1 to 3, 4 to 6, 7 to 9 and 10 to 12 months
- 2, 3, 4, 5, 6, 7, 8, 9, 10, 12, 15, 20, 25, 30 years.

A breach of a Portfolio Test will not constitute an Issuer Event of Default but will prevent the Issuer from issuing any further Series after such Calculation Date until remedied and, if not remedied by the next Calculation Date as calculated per such Calculation Date will constitute a "**Breach of Portfolio Test**" and will entitle the Security Trustee to serve a Notice to Pay on the Issuer.

For the purpose hereof:

"**Basis Point Duration**" means the percentage change in net present value of a financial asset due to the change of one basis point in the relevant interest rate.

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 will be an amount at least equal to the euro equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as at the end of such calendar month, as calculated on the immediately succeeding Calculation Date;
(ii) the First Regulatory Current Balance Amount will 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, all as calculated on the immediately succeeding Calculation Date; and
(iii) the Second Regulatory Current Balance Amount will 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, all as calculated on the immediately succeeding Calculation Date, (item (i) up to and including item (iii) 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 calendar 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 CBC Acceleration Notice under the Terms and Conditions.

For this purpose:

"**Amortisation Test Aggregate Asset Amount**" means A + B + C - Z.

"**A**" means the sum of all Amortisation Test Current Balances of all Mortgage Receivables. The "**Amortisation Test Current Balance**" of a Mortgage Receivable is the lower of:

(i) the Current Balance of such Mortgage Receivable minus α; and
(ii) the LTV Cut-Off Percentage (relating to such Mortgage Receivable) times the Indexed Valuation, minus β.

"**α**" 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 Savings and Accrued Savings Interest and Bank Savings Deposits in connection with such Mortgage Receivable, provided that no amount will be deducted if and to the extent that a Participation Agreement is in place in relation to the relevant Mortgage Receivable;
(ii) if it corresponds to fund a Construction Deposit: the amount of the Construction Deposit;
(iii) if it was in breach of the Receivable Warranties as of the relevant Transfer Date: such amount as is necessary to reduce its Adjusted Current Balance or Current Balance, as the case may be, to zero; and/or
(iv) if it is 3 months or more in arrears: such amount as is necessary to arrive at 30% of its Current Balance and/or
(v) if it is a Defaulted Receivable: such amount as is necessary to reduce its Current Balance to zero.

"**β**" means for each Mortgage Receivable the lower of (i) the LTV Cut-Off Percentage of its Indexed Valuation and (ii) α 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 α, L shall equal α.

"**B**" means the amount of any cash standing to the credit of the GIC Accounts (excluding any Interest Receipts received in the immediately preceding calendar month).

"**C**" means the outstanding principal balance of any Substitution Assets plus the amount deposited in the Reserve Fund and the Liquidity Reserve Fund.

"Z" means an amount equal to the Interest Cover Required Amount.

"**Interest Cover Required Amount**" means an amount equal to the positive difference, if any, between:

a) the aggregate amount of Scheduled Interest for all Series outstanding; and

b) the aggregate amount of interest to be received under the Transferred Assets up to the relevant final maturity date taking into account their respective contractual amortisation profile 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 applicable Participation Fraction;

and, in each case, (i) taking into account any amount (to be) received or (to be) paid by the CBC in connection with any Swap Agreement and (ii) assuming that for any floating or fixed rate interest, that up to and including the latest Final Maturity Date, of any Covered Bond outstanding, such rates remain at the same level as at the relevant Calculation Date preceding the relevant CBC Payment Date.

"**Structured Swap Rate**" means the currency exchange rate set out in any Structured Swap 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 used 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 GIC Accounts held with an entity within the de Volksbank Group, which amount will be limited to a maximum of 20%, or such other percentage as required under the Wft, of the aggregate Principal Amount Outstanding of the Covered Bonds.

"**Second Regulatory Current Balance Amount**" means an amount equal to the sum of (A) the aggregate balance of all Mortgage Receivables, excluding any Defaulted Receivables, whereby the balance is determined for each such Mortgage Receivable as the lower of (i) the Current Balance of the Mortgage Receivable and (ii) the Regulatory Cut-Off Percentage of the Indexed Valuation relating to such Mortgage Receivable and (B) the Substitution Assets Amount, or in each case such other amount as must be used 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 the CBC shall sell or refinance Selected Mortgage Receivables following the service of a Notice to Pay and an Issuer Acceleration Notice, but prior to the service of a CBC Acceleration Notice, if on any date the relevant Series that has the earliest Maturity Date as specified in the applicable Final Terms (ignoring any acceleration of amounts due under the Covered Bonds prior to the occurrence of a CBC Event of Default) (the "**Earliest Maturing Covered Bonds**") have an Extended Due for Payment Date which falls within twelve (12) months, or such other date as the Security Trustee may approve, of such date. 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 be obliged to sell or refinance Selected Mortgage Receivables in the Portfolio in accordance with the Asset Monitoring Agreement (as described below), subject to the rights of pre-emption enjoyed by the Originator to purchase the Selected Mortgage Receivables pursuant to the Guarantee Support Agreement.

If the CBC is required 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,

where:

"**Adjusted Required Redemption Amount**" means an amount equal to the euro equivalent of the Required Redemption Amount of the Earliest Maturing Covered Bonds less amounts standing to the credit of the GIC Accounts and Substitution Assets (excluding all amounts to be applied on the following CBC Payment Date to repay higher ranking amounts in the Post Issuer Acceleration Notice Priority of Payments and those amounts that are required to repay any Series which mature prior to or on the same date as the relevant Series).

"**Required Redemption Amount**" means in respect of a Series, the amount calculated as follows: the aggregate Principal Amount Outstanding of such Series x (1+(0.005 x (days to the Extended Due for Payment Date of such Series: 365))).

If the CBC is required or permitted 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 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) for 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) plus, in the case of each Savings Mortgage Receivable to which a Participation applies, an amount equal to the relevant Participation by the date which is six (6) months prior to the Extended Due for Payment Date of the Earliest Maturing Covered Bonds (after taking into account all payments, provisions and credits to be made in priority thereto), then the CBC will (i) offer the Selected Mortgage Receivables for sale for the best terms reasonably available, including but not limited to the best price reasonably available, or (ii) seek to refinance the Selected Mortgage Receivables on the best terms reasonably available, both (i) and (ii) subject to the consent of the Security Trustee, notwithstanding that such amount may be less than the Adjusted Required Redemption Amount plus, in the case of each Savings Mortgage Receivable to which a Participation applies, an amount equal to the relevant Participation.

In respect of the sale or refinancing of Selected Mortgage Receivables following service of a Notice to Pay on the CBC, in addition to offering Selected Mortgage Receivables for sale to purchasers in respect of the Earliest Maturing Covered Bonds, the CBC (subject to the rights of pre-emption enjoyed by the Originator pursuant to the Guarantee Support Agreement) is under the Asset Monitoring Agreement permitted to sell a portfolio of Selected Mortgage Receivables, in accordance with the provisions summarised above, in respect of other Series and the CBC shall be required to do so if the Extended Due for Payment Date falls within twelve (12) months (or such other later date as the Security Trustee may approve) of such date.

In respect of any sale or refinancing of Selected Mortgage Receivables following the service of a Notice to Pay and an Issuer Acceleration Notice, but prior to the service of a CBC Acceleration Notice, the CBC will instruct the portfolio manager to use all reasonable 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 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 Originator pursuant to the Guarantee Support Agreement, following service of an Issuer Acceleration Notice and a Notice to Pay.

ASSET MONITOR

Under the terms of an asset monitor appointment agreement entered into on the Programme Date between. 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 party 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 agreed upon procedures 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 report factual findings, with regard to such calculations, including as required by and in accordance with the Wft.

The Asset Monitor will conduct such agreed upon procedures annually (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. If the long-term unsecured, unguaranteed and unsubordinated debt obligation ratings of the Issuer falls below BBB- by Fitch or the counterparty risk assessment of the Issuer falls below Baa3 (long-term) (cr) as determined by Moody's, respectively, the Asset Monitor will be required to conduct such agreed upon procedures in respect of the Asset Cover Test following each Calculation Date.

Following the report of factual findings by the Asset Monitor on the calculations performed by the Administrator such that (a) the Asset Cover Test has been failed on the applicable Calculation Date (in respect of the previous month's end) (where the Administrator had recorded it as being satisfied) or (b) the Adjusted Aggregate Asset Amount or the Amortisation Test Aggregate Asset Amount is misstated by an amount exceeding 1% of the Adjusted Aggregate Asset Amount or the Amortisation Test Aggregate Asset Amount, as applicable, the Asset Monitor will be required to conduct such agreed upon procedures for each of the four consecutive Calculation Dates thereafter. If the agreed upon procedures in relation to the Liquidity Reserve Required Amount reveal findings in the relevant calculations and consequently, such test has failed, then the Asset Monitor shall promptly notify the CBC, the Administrator, the Security Trustee and the Issuer thereof.

The Asset Monitor is entitled, in the absence of manifest error, to assume that all information provided to it by the Administrator for the purpose of conducting such agreed upon procedures is true and correct and is complete and not misleading, and is not required to conduct a test or otherwise take steps to verify the accuracy of any such information. The results of the agreed upon procedures conducted by the Asset Monitor will be delivered to the Administrator, the CBC, the Issuer, the Security Trustee and the Rating Agencies (the "**Asset Monitor Report**") in accordance with the Asset Monitor Appointment Agreement. If the calculations performed by the Administrator have not been performed correctly, the Asset Monitor Report shall set out the factual findings of the Asset Cover Test or Amortisation Test, as applicable.

Under the terms of the Asset Monitor Appointment Agreement the CBC will pay to the Asset Monitor a fee for the agreed upon procedures 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 thirty (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 sixty (60) days' prior written notice. If a replacement asset monitor has not been found by the CBC within sixty (60) 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 thirty (30) days of the giving of notice of termination by the CBC, the Asset Monitor may identify a replacement (such replacement to be approved by the Security Trustee) which agrees to perform the duties of the Asset Monitor set out in the Asset Monitor Appointment Agreement.

In the Trust Deed the Security Trustee agrees to, upon receipt of each Asset Cover Report, verify whether it states that the Asset Cover Test or Amortisation Test, as the case may be, has been passed or failed.

Agreed upon procedures regarding mortgage files

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.

17. SWAPS

There will be differences between the amounts and/or currency of interest and/or principal (as applicable) (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 GIC Accounts and (ii) payable in respect of the outstanding Covered Bonds. The CBC may, but is not obliged to, enter into the Total Return Swap Agreement, the Standby Total Return Swap Agreements and/or, where applicable, Interest Rate Swap Agreements (such agreements together with the Structured Swap Agreements, the "**Swap Agreements**") in order to hedge these mismatches. However, the CBC is, pursuant to the Swap Undertaking Letter, required to enter into Structured Swap Agreements in case Covered Bonds are issued in another currency than euro.

The CBC is only permitted to enter into swap agreements with (a) de Volksbank (with appropriate collateralisation requirements if at such time de Volksbank is no longer an Eligible Swap Counterparty) or (b) a third party Eligible Swap Counterparty, provided that other than in respect of Structured Swaps (i) prior to the occurrence of an Issuer Event of Default de Volksbank has consented thereto, (ii) Rating Agency Confirmation has been given and (iii) the Security Trustee has given its prior consent thereto. 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 as such constitute an event of default or a termination event under any Swap Agreement for the CBC, it being noted that an event which constitutes an Issuer Event of Default may at the same time also constitute an event of default or termination event with respect to the Swap Counterparty in case de Volksbank is the Swap Counterparty.

On the Programme Date, the CBC entered into the Total Return Swap Agreement with the Issuer and the Security Trustee pursuant to which various amounts of interest received by the CBC on the Transferred Assets and the GIC Accounts are exchanged for an amount calculated with respect to EURIBOR for one month deposits (as further described in *Total Return Swap* below). In relation to certain existing Series of Covered Bonds, the CBC has entered into Interest Rate Swaps and Structured Swaps. Pursuant to a letter in which the Issuer, the Security Trustee and the CBC agree that the CBC will be required to enter into Structured Swaps with an Eligible Swap Counterparty (the "**Swap Undertaking Letter**"), de Volksbank will, to enable the CBC to continue to hedge its exposure arising from any Series denominated in a currency other than euro, be required to enter into (or procure a third party that is an Eligible Swap Counterparty to enter into) Structured Swaps with the CBC in respect of such Series of Covered Bonds. The CBC may also hedge its exposure arising from any Series denominated in euro and may enter into Interest Rate Swaps with de Volksbank or a third party in order to hedge this exposure, provided that (i) prior to the occurrence of an Issuer Event of Default de Volksbank has consented thereto, (ii) Rating Agency Confirmation has been given and (iii) the Security Trustee has given its prior consent thereto. de Volksbank is not obliged to enter into any Interest Rate Swaps or, prior to the occurrence of an Issuer Event of Default, to agree to the CBC entering into such Interest Rate Swap with a third party. Payments under the Total Return Swap will, and the Interest Rate Swaps and Structured Swaps (except if the relevant Series of Covered Bonds to which such Structured Swap relate is denominated in a currency other than euro) may, be conditional upon the occurrence of an Assignment Notification Event or a Notice to Pay having been served.

The Total Return Swap Agreement provides that in case of a sale or refinancing of Selected Mortgage Receivables, the prospective purchaser (if such purchaser has been approved by the Swap Counterparty) has the option to purchase such Selected Mortgage Receivables with or without the corresponding Total Return Swap. If the prospective purchaser of the Selected Mortgage Receivables elects to purchase such Selected Mortgage Receivables with the corresponding part of the Total Return Swap, the Total Return Swap Agreement will permit the CBC to transfer the corresponding rights and obligations thereunder to such purchaser. If the Selected Mortgage Receivables are, or part thereof is, purchased or refinanced without the corresponding (part of the) Total Return Swap, the Total Return Swap then will be terminated in relation to such (part of the) Selected Mortgage Receivables and if the purchaser purchases the Selected Mortgage Receivables with the corresponding part of the Total Return Swap the Swap Counterparty will enter into a corresponding transaction.

Rating downgrade language acceptable to the Rating Agencies other than Fitch and, with respect to Fitch, in accordance with the then current Fitch criteria, is included in the Total Return Swap and will be included in the other Swap Agreements in relation to the Swap Counterparties.

In order to reduce the likelihood of any adverse rating action in relation to the Covered Bonds, the Issuer and the CBC entered into a Novation Agreement and a Standby Total Return Swap Agreement with each Standby Total Return Swap Provider, consisting in relation to each Standby Total Return Swap Agreement of an ISDA Master Agreement, a Schedule and a Credit Support Annex thereto. The Novation Agreements establish certain standby swap arrangements in relation to the Total Return Swap Agreement and govern certain collaterisation obligations of the relevant Standby Total Return Swap Provider. Pursuant to the terms of the Novation Agreements, with effect from and including the Novation Trigger Date, the Total Return Swap Counterparty will transfer by novation to each Standby Total Return Swap Provider all of its rights and obligations under and in respect of a portion of the Total Return Swap, with the effect that the CBC and the relevant Standby Total Return Swap Provider shall be deemed to enter into a new transaction as set forth in the Standby Total Return Swap Confirmation. Simultaneously, the rights and obligations of the CBC and the Total Return Swap Counterparty under the Total Return Swap will be released and discharged to the extent that the CBC and the relevant Standby Total Return Swap Provider have undertaken corresponding obligations to each other pursuant to the terms of the Standby Total Return Swap Agreements.

Provisions further include collateralisation and counterparty substitution provisions. For the Total Return Swap there are provisions allowing the CBC to, instead of the entering into the Novation Agreements, collateralisation or counterparty substitution, opt for implementation of Portfolio Tests. The Issuer also has the right to implement the Portfolio Tests at any time.

If Portfolio Tests are implemented as an alternative or supplement to the Total Return Swap or the Standby Total Return Swap then the Total Return Swap Agreement and the Standby Total Return Swap Agreements may be terminated. Further, if an alternative hedging methodology is put in place and Rating Agency Confirmation is obtained, then the Total Return Swap Agreement and the Standby Total Return Swap Agreements may be terminated and the CBC may be required to enter into such derivatives transactions as are required to comply with such alternative hedging methodology.

Other than with respect to the Structured Swaps, the CBC has no obligation to enter into new Swap Agreements, and therefore the mismatches set out above may apply for any new Series issued. In order to mitigate these mismatches to a certain extent an amount equal to the Interest Cover Required Amount will be deducted from the Asset Cover Test.

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 interest amounts in respect of the Total

Return Swap and the Standby Total Return Swaps or principal amounts in respect of Interest Rate Swaps and Structured Swaps 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 as long as no Assignment Notification Event has occurred and no Notice to Pay has been served, all amounts to be paid and (other than in respect of any collateral arrangements) received, respectively, by the CBC under any Swap Agreement, will be paid and received, respectively, on behalf of the CBC by the Issuer for its own account, see section 18 (*Cashflows*).

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 or counterparty risk assessment as determined by Moody's, as the case may be, are rated equal to or higher than:

(a) in the case of the Total Return Swap and any Standby Total Return Swap, A2 (long-term) (cr) and Prime-1 (short-term) (cr) or, if no short-term rating is available, A1 (long-term) (cr) by Moody's and either A (long-term) or F1 (short-term) by Fitch;
(b) in the case of a Structured Swap, A2 (long-term) (cr) and Prime-1 (short-term) (cr) or, if no short-term rating is available, A1 (long-term) (cr) by Moody's and either A (long-term) or F1 (short-term) by Fitch; and
(c) in the case of an Interest Rate Swap, A2 (long-term) (cr) and Prime-1 (short-term) (cr) or, if no short-term rating is available, A1 (long-term) (cr) by Moody's and either A (long-term) or F1 (short-term) by Fitch,

or such other rating as may be approved by the Rating Agencies to maintain the then current rating of the Covered Bonds.

TOTAL RETURN SWAP

Interest will be received by the CBC in respect of the Mortgage Receivables, the other Transferred Assets and the GIC Accounts. Some of the Mortgage Receivables pay a variable rate of interest linked to an index while other Mortgage Receivables pay a fixed rate of interest for a period of time. To provide a partial hedge between possible variances between, on a monthly basis:

(a) the rates of interest received by the CBC part of the Transferred Assets and the balance of the GIC Accounts; and

(b) EURIBOR for one month deposits,

the CBC and de Volksbank (in its capacity as total return Swap Counterparty, the "**Total Return Swap Counterparty**") have entered into a swap transaction (the "**Total Return Swap**") with the Security Trustee (the "**Total Return Swap Agreement**"). Neither the CBC nor the Issuer has an obligation to provide a hedge with respect to new Series issued and an equivalent increase in the Total Pool Assets. If new Series are issued the Issuer may decide to provide a hedge with respect to new Series issued, in which case the CBC will increase the Total Pool Assets hedged under the Total Return Swap. If the Issuer decides that no such hedge will be provided with respect to a new Series issued, an equivalent part of the Total Pool Assets will not be included in the Total Return Swap. In addition, the Issuer may agree with the CBC and the Security Trustee that Covered Bonds that are TRS Hedged Covered Bonds will no longer be hedged under the Total Return Swap and will no longer be TRS Hedged Covered Bonds.

The Total Return Swap has been entered into on the Programme Date, however the effective date of this swap will be the date on which (i) an Assignment Notification Event occurs and/or (ii) a Notice to Pay has been served and therefore, the CBC will not be obliged to make any payments under the Total Return Swap (and the Issuer will not be obliged to make any payments on its behalf) until such effective date.

On the CBC Payment Date following the effective date of the Total Return Swap and on each CBC Payment Date thereafter, the following payments will be made under the Total Return Swap in respect of the immediately preceding Calculation Period:

(a) the Total Return Swap Counterparty will pay to the CBC an amount equal to (i) the sum of then Net Outstanding Principal Amount of all Mortgage Receivables (other than Defaulted Receivables) plus the balance of the GIC Accounts and (without double counting) other Transferred Assets, as calculated at the first day of the related Calculation Period (the "**Total Pool Assets**") multiplied by the TRS Hedged Covered Bonds Ratio multiplied by (ii) EURIBOR for one month deposits (the "**TRS Calculation Amount**"); and

(b) the CBC will pay to the Total Return Swap Counterparty an amount equal to (i) the sum of all Interest Receipts received in respect of Mortgage Receivables during the related Calculation Period, plus (ii) the accrued interest on the GIC Accounts and the revenue proceeds from the Transferred Assets received by the CBC during the related Calculation Period, minus (iii) an amount equal to the product of the swap margin of 90 basis points (or such other margin that may be agreed by the CBC and the Total Return Swap Counterparty under the Total Return Swap from time to time, subject to Rating Agency Confirmation), the Total Pool Assets and the relevant day count fraction, and minus (iv) an amount equal to the costs and fees paid by the CBC (or the Issuer on its behalf) to the Servicer during the related Calculation Period, (item (i) up to and including (iv) referred to as the "**Total Pool Income**") in each case multiplied by the TRS Hedged Covered Bonds Ratio.

For the purpose hereof:

The "**TRS Hedged Covered Bonds Ratio**" means (i) the aggregate Principal Amount Outstanding of the TRS Hedged Covered Bonds divided by (ii) the aggregate Principal Amount Outstanding of all Covered Bonds (including, for the avoidance of doubt, Covered Bonds which are no longer TRS Hedged Covered Bonds).

"**TRS Hedged Covered Bonds**" shall mean the Covered Bonds that have been issued under the Programme and that have been designated as "TRS Hedged Covered Bonds" by the Total Return Swap Counterparty.

The related Calculation Period means in relation to a CBC Payment Date the Calculation Period immediately preceding such date.

STANDBY TOTAL RETURN SWAP

In order to reduce the likelihood of adverse ratings action being taken by the Rating Agencies in respect of the Covered Bonds, the Issuer, the CBC, the Total Return Swap Counterparty and the Standby Total Return Swap Providers entered into Novation Agreements (as defined below) thereby putting in place certain standby swap arrangements with respect to the Total Return Swap Agreement.

In connection with these standby swap arrangements, the CBC and each relevant Standby Total Return Swap Provider have entered into a Novation Agreement and an ISDA Master Agreement (Multicurrency-Cross Border) (including the Schedule and Credit Support Annex thereto) (together a "**Standby Total Return Swap Agreement**"). Pursuant to the terms of the Novation Agreements, with effect from and including the Novation Trigger Date (as defined below), the Total Return Swap Counterparty will transfer by novation to each Standby Total Return Swap Provider all of its rights and obligations under and in respect a portion of the Total Return Swap, with the effect that the CBC, each Standby Total Return Swap Provider and the Security Trustee shall be deemed to enter into a new total return swap transaction (the "**Standby Total Return Swap**") and the rights and obligations of the CBC and the Total Return Swap Counterparty under the Total Return Swap will be released and discharged to the extent that the CBC and each Standby Total Return Swap Provider have undertaken corresponding obligations to each other pursuant to the terms of the Standby Total Return Swap Agreements and Standby Total Return Swaps. In addition, pursuant to the Standby Total Return Swap Agreements, the relevant Standby Total Return Swap Provider will be required to post collateral if the rating of such Standby Total Return Swap Provider falls below any required rating.

The notional amount of the Standby Total Return Swaps is capped by reference to the Standby TRS Calculation Amount (as defined below). In particular, for the purpose of calculating the Standby TRS Calculation Amounts in respect of any CBC Payment Date, (i) only the principal amount outstanding of the Specified Bonds (as defined below) is taken into account and (ii) any Mortgage Receivables and/or Transferred Collateral transferred to the CBC after the Novation Trigger Date are disregarded. Accordingly, for the purposes of this Section, all references to "**Mortgage Receivables**" and "**Transferred Collateral**" shall mean only those Mortgage Receivables and Transferred Collateral transferred to the CBC on or prior to the Novation Trigger Date.

Each Standby Total Return Swap Provider may, at its discretion, (but is not obliged to) extend the scope of the Standby Total Return Swap and/or enter into additional standby total return swap(s) or similar arrangements with the CBC in order to cover any new issuances of Covered Bonds. The CBC has no obligation to provide a hedge with respect to new Series issued and an equivalent increase in the Standby Total Pool Assets. Alternatively, the CBC may (i) enter into additional standby total return swap(s) or similar arrangements with other standby total return swap providers (subject to obtaining the prior written consent of the Standby Total Return Swap Provider), or (ii) implement portfolio tests as an alternative to standby total return swap arrangements, or (iii) put in place a combination of standby total return swaps and portfolio tests.

Under each Standby Total Return Swap, the following payments will be made, on each CBC Payment Date with effect from the Novation Trigger Date:

the relevant Standby Total Return Swap Provider will pay to the CBC an amount equal to the product of (i) the Standby TRS Calculation Amount, (ii) EURIBOR for one month deposits and (iii) the relevant day count fraction, where "**Standby TRS Calculation Amount**" equals the product of: (a) the Standby Total Pool Assets; (b) the Cap Percentage; and (c) the TRS Percentage, in each case calculated on the first day of the Calculation Period immediately preceding the Calculation Period in which such CBC Payment Date falls;

the CBC will pay to the relevant Standby Total Return Swap Provider an amount equal to the product of:

(1) an amount equal to (i) the aggregate sum of the Scheduled Interest Receipts as are scheduled to be received by the CBC in respect of the Relevant Mortgage Receivables (and that would have been scheduled to be received in respect of Selected Mortgage Receivables that were Relevant Mortgage Receivables and that were sold and transferred) in each case during the related Calculation Period (but excluding any prepayment penalties that have been received or recovered by the CBC in respect of the Relevant Mortgage Receivables during such Calculation Period); plus (ii) the aggregate sum of all prepayment penalties received or recovered by the CBC in respect of the Relevant Mortgage Receivables during such Fixed Rate Payer Calculation Period); plus (iii) the accrued interest on the GIC Account less the balance of the GIC Asset Sale Ledger and the revenue proceeds from the Relevant Assets received by the CBC during the Calculation Period immediately preceding the Calculation Period in which such CBC Payment Date falls; less (iv) an amount equal to any costs and fees paid by the CBC (or the Issuer on its behalf) to the service providers (including the Administrator, the Paying Agent and the Servicers) during the Calculation Period immediately preceding the Calculation Period in which such CBC Payment Date falls, subject to a maximum of 0.20 per cent of the notional amount; and

(2) the quotient of (i) the Standby TRS Calculation Amount determined for such period and (ii) the Standby Total Pool Assets, as calculated at the first day of the Fixed Rate Payer Calculation Period immediately preceding the Fixed Rate Payer Calculation Period in which the Fixed Rate Payer Payment Date falls.

If, on the Novation Trigger Date part or all of the amounts payable by the Total Return Swap Counterparty on the CBC Payment Date immediately preceding the Novation Trigger Date, remains unpaid the Relevant Portion of such payment (such amount the Due Payment) shall be discharged on behalf of the Total Return Swap Counterparty. The relevant Standby Total Return Swap Provider shall pay the Due Amount on or before the 10th Relevant Business Day following the day on which it is notified of the amount of such Due Payment.

Termination of the Novation Agreements

The Novation Agreements may be terminated if, at any time prior to the Novation Trigger Date, any of the following events occurs (a "**Novation Termination Event**"):

(a) subject to Rating Agency Confirmation being obtained from each Rating Agency, such Novation Agreement is no longer necessary for any reason;
(b) the Extended Due For Payment Date in respect of the last-to-mature Specified Bond has occurred;
(c) all Specified Bonds are irrevocably redeemed in full;
(d) subject to Rating Agency Confirmation being obtained from each Rating Agency, the relevant Total Return Swap Counterparty has found a replacement third party who has agreed to act as a Standby Total Return Swap Provider in respect of all of the Specified Bonds and has entered into replacement documentation with such replacement;
(e) an Early Termination Date or other event has occurred under the Total Return Swap Agreement which results in a termination of the entire Total Return Swap Agreement and not only a part of the Total Return Swap Agreement and no Novation Trigger Date has occurred;
(f) a date has been effectively designated for the termination of the relevant part of the Total Return Swap Agreement (relating to the relevant Standby Total Return Swap Provider) as a result of the

Total Return Swap Counterparty not having taken the appropriate remedial actions where the relevant Standby Total Return Swap Provider has ceased to have the Second Trigger Required Ratings (as defined below) or the Fitch Second Subsequent Required Ratings (as defined below);

(g) the Total Return Swap Counterparty is replaced by an eligible replacement which is an Eligible Swap Counterparty in accordance with clause 9(b) of the Novation Agreements, in a manner contrary to clause 3(g) of the Novation Agreement (which means that the consent of the Standby Total Return Swap Providers (when required) has not been obtained for such replacement); or

(h) for the Novation Agreement between the Issuer, the CBC, the Security Trustee and NatWest Markets entered into on 3 September 2014, the Transferor is rated by Moody's at or below the Second Trigger Required Ratings (as defined below) and is rated by Fitch at or below the Fitch Second Subsequent Required Ratings.

In the case of a Novation Termination Event resulting from paragraph (b), (c), (e) or (f) above the Novation Agreements shall immediately terminate upon the occurrence of such Novation Termination Event (such date a "**Novation Termination Date**"). In the case of a Novation Termination Event resulting from paragraph (a) or (d) above and which is continuing, the Standby Total Return Swap Provider may by no less than three Relevant Business Days' notice in writing to each of the Total Return Swap Counterparty, CBC and the Security Trustee designate a day not earlier than the day such notice is effective as the day on which the relevant Novation Agreement shall terminate and the relevant Novation Agreement shall terminate on such date (also a "**Novation Termination Date**"). In the case of a Novation Termination Event resulting from paragraph (g) above and which is continuing, the Standby Total Return Swap Provider may by no less than three business days' notice in writing to each of the Total Return Swap Counterparty, the CBC and the Security Trustee designate a day not earlier than the day such notice is effective as the day on which this Novation Agreement shall terminate and this Novation Agreement shall terminate on such date (also a "**Novation Termination Date**"). In the case of paragraph (d), such Novation Termination Date shall be the same date as the effective date of such replacement documentation. The Total Return Swap Counterparty agrees that it shall within three Relevant Business Days following the Novation Termination Date pay to the Standby Total Return Swap Provider any amounts due but unpaid from (and including) the date of this Novation Agreement to (and including) the Novation Termination Date.

If a Novation Agreement in relation to any Standby Total Return Swap Provider is terminated prior to the occurrence of the Novation Trigger Date, the Standby Total Return Swap Agreement in relation to such Novation Agreement in relation to any Standby Total Return Swap Provider will not become effective and will fall away. This may lead to adverse ratings action being taken by the Ratings Agencies in respect of the Covered Bonds, unless the then current ratings of the Total Return Swap Counterparty satisfy the minimum requirements of the Rating Agencies or the Total Return Swap Counterparty takes other remedial measures in accordance with the requirements of the Rating Agencies.

Rights to prevent amendments to the Relevant Documents

The Standby Total Return Swap Providers have the right to prevent amendments to the Relevant Documents being implemented without their consent, provided that the Standby Total Return Swap Providers may only prevent such amendments if these are material prejudicial to their interests.

For the purposes of the foregoing:

"**Amended Second Trigger Required Ratings**" means in respect of an entity a Moody's Long-Term Rating of "Baa2" or above.

"**Cap**" means the product of (a) the aggregate of the Outstanding Principal Balances of all Covered

Bonds for which the Extended Due for Payment Date has not occurred on the Effective Date and (b) 1.38.

"**Cap Percentage**" means min 1, X/Y where "**X**" means the Cap on the Effective Date; and "**Y**" means the Standby Total Pool Assets on the Effective Date.

"**Effective Date**" means the Novation Trigger Date.

"**Fitch Second Subsequent Required Ratings**" means (i) BBB- (long-term) by Fitch or (b) F3 (short-term) by Fitch.

"**GIC Asset Sale Ledger**" means in respect of each relevant calculation period, an amount determined by the swap calculation agent equal to the lesser of:

(a) the balance of the GIC Account; and
(b) the sum of (x) the aggregate of the proceeds of the sale of any Mortgage Receivables credited to the GIC Account during the relevant calculation period immediately preceding the last Payment Date (or, in respect of the first relevant calculation period, during the immediately preceding calendar month), (y) the balance of the GIC Asset Sale Ledger as at the last Payment Date (which shall be zero for the first Payment Date) and (z) the interest credited (which will be a negative if the applicable interest rate is negative and interest amounts are debited from the GIC Account) to the GIC Account which is attributable to that portion of the balance of the GIC Account represented by (x) above.

"**Novation Agreement**" means each of the novation agreement dated on or about 25 November 2011 as amended and restated from time to time, between the Total Return Swap Counterparty, the CBC and Coöperatieve Rabobank U.A and the novation agreement dated on or about 25 November 2011 as amended and restated from time to time, between the Total Return Swap Counterparty, the CBC and NatWest Markets.

"**Novation Trigger Date**" means, the earlier to occur of (i) the first date on which both an Issuer Acceleration Notice and a Notice to Pay have been delivered on the CBC, the Total Return Swap Counterparty and the relevant Standby Total Return Swap Provider, (ii) the first date on which a trigger notice is delivered that the Issuer has failed to comply with its obligations under the side agreements entered into by the Issuer and the Standby Total Return Swap Providers and (iii) an early termination date has been designated under the Total Return Swap Agreement as a result of either an event of default in respect of which the Issuer is the defaulting party or a termination event in respect of which the Issuer is an affected party (including an additional termination event resulting from a failure by the Issuer to transfer to the CBC any delivery amount pursuant to the terms of the Total Return Swap Agreement), but provided that no Novation Trigger Date will occur if such early termination date is designated as a result of the occurrence of (w) an illegality, (x) a tax event, (y) an additional termination event relating to the redemption of the covered bonds or (z) an additional termination event relating to the failure to transfer its rights and obligations under the Total Return Swap Agreement in circumstances where the Standby Total Return Swap Provider ceases to have the required rating to provide credit support with collateral for the obligations of the Issuer under the Total Return Swap Agreement.

"**Outstanding Principal Balance**" means the outstanding aggregate nominal amount of the relevant Covered Bond or Covered Bonds, as applicable, provided that the Outstanding Principal Balance of any Covered Bond that are not denominated in EUR shall be converted into EUR at the exchange rate applicable to such Covered Bond as agreed between the CBC and the relevant Standby Total Return Swap Provider.

"**Relevant Assets**" means the Mortgage Receivables and the Beneficiary Rights relating thereto and the Eligible Collateral, in each case transferred to the CBC pursuant to the Guarantee Support Agreement, to the extent not redeemed, retransferred, sold or refinanced pursuant to the Asset Monitor Agreement.

"**Relevant Mortgage Receivables**" means any Eligible Receivables transferred to the CBC pursuant to the Guarantee Support Agreement on or prior to the Novation Trigger Date, to the extent not redeemed, retransferred, sold or refinanced pursuant to the Asset Monitor Agreement, or otherwise disposed of by the CBC.

"**Relevant Portion**" means the fraction determined as the result of (A) the Standby TRS Calculation Amount for the Calculation Period immediately preceding the Calculation Period in which such Novation Trigger Date falls divided by (B) the TRS calculation Amount for the Calculation Period immediately preceding the Calculation Period in which such Novation Trigger Date falls.

"**Scheduled Interest Receipts**" means Interest Receipts, but where the words "scheduled to be" are deemed to be inserted before the word "received" wherever it appears in the definition of Interest Receipts, the word "Relevant" is inserted before the words "Mortgage Receivables" and sub paragraph (ii) and (iii) are deleted. For the avoidance of doubt, the Scheduled Interest Receipts in respect of a Relevant Mortgage Receivable will not include any interest arrears provided that such Mortgage Receivable is not a Defaulted Receivable.

"**Second Trigger Required Ratings**" means (a) where such entity is the subject of a Moody's Short-term Rating, if such rating is "Prime-2" or above and its long-term, unsecured and unsubordinated debt or counterparty obligations are rated "A3" or above by Moody's and (b) where such entity is not the subject of a Moody's Short-term Rating, if its long-term, unsecured and unsubordinated debt or counterparty obligations are rated "A3" or above by Moody's.

"**Specified Bonds**" means the Covered Bonds that have been issued under the Programme as of the date of this Base Prospectus and any future Covered Bonds that will be issued under the Programme after the date of this Base Prospectus and that have been accepted as Specified Bonds by the Standby Total Return Swap Providers.

"**Standby Total Pool Assets**" means the sum of (i) the Net Outstanding Principal Amount of all Relevant Mortgage Receivables other than Defaulted Receivables, (ii) the balance of the GIC Account less the balance of the GIC Asset Sale Ledger and (iii) (without double counting) the aggregate principal balance of the Relevant Assets not otherwise included under (i) or (ii), provided that if, on the date on which the Standby Total Pool Assets are being calculated, the aggregate amount of (ii) and (iii) exceeds the aggregate of the Outstanding Principal Balances of all Covered Bonds for which the Extended Due For Payment Date has not occurred, the aggregate of (ii) and (iii) will be deemed to equal the Outstanding Principal Balances of all Covered Bonds for which the Extended Due For Payment Date has not occurred for the purposes of this definition.

"**Standby Total Return Swap Provider**" means NatWest Markets and Coöperatieve Rabobank U.A, each in their capacity as standby total return swap provider.

"**Swap Provider Default**" means the occurrence of an Event of Default or Termination Event (each as defined in each of the relevant Swap Agreement) where the relevant Swap Provider is the Defaulting Party or the sole Affected Party (each as defined in the relevant Swap Agreement).

"**TRS Percentage**" means the quotient of (a) the aggregate of the Outstanding Principal Balances of each Specified Bond for which the Extended Due For Payment Date has not occurred; and (b) the aggregate of the Outstanding Principal Balances of all Covered Bonds for which the Extended Due For Payment Date has not occurred.

Standby Total Return Swap Providers

Description of NatWest Markets

NatWest Markets is a wholly-owned subsidiary of The Royal Bank of Scotland Group plc ("**RBSG**" or the "**holding company**"), a banking and financial services group. The 'Group' comprises NatWest Markets and its subsidiary and associated undertakings. The Group has a diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers. "**RBS Group**" comprises the holding company and its subsidiary and associated undertakings.

RBS Group had total assets of £783 billion and owners' equity of £49 billion as at 30 June 2017. RBS Group's capital ratios on the end-point CRR basis as at 30 June 2017 were a total capital ratio of 20.0%, a CET1 capital ratio of 14.8% and a Tier 1 capital ratio of 16.7% RBS Group's capital ratios on the PRA transitional basis as at 30 June 2017 were a total capital ratio of 22.4%, a CET1 capital ratio of 14.8% and a Tier 1 capital ratio of 18.3%.

The Group had total assets of £774 billion and owners' equity of £37 billion as at 30 June 2017. The Group's capital ratios on the PRA transitional basis as at 30 June 2017 were a total capital ratio of 21.4%, a CET1 capital ratio of 14.5% and a Tier 1 capital ratio of 16.1%.

Rabobank

Rabobank Group is an international financial services provider operating on the basis of cooperative principles. Rabobank Group comprises Rabobank and its subsidiaries. Rabobank Group operates in 38 countries. Its operations include domestic retail banking, wholesale rural and retail banking, leasing and real estate. It serves approximately 8.4 million clients around the world. In the Netherlands, its focus is on maintaining Rabobank Group's position in the Dutch market and, internationally, on food and agriculture.

Rabobank Group entities have strong inter-relationships due to Rabobank's cooperative structure. Rabobank Group's cooperative core business comprises the local Rabobanks. Clients can become members of Rabobank. With 420 branches as of 30 June 2018, the local Rabobanks form a dense banking network in the Netherlands. In the Netherlands, the local Rabobanks serve approximately 6.5 million retail customers, and approximately 0.8 million corporate clients, offering a comprehensive package of financial services.

Rabobank is the holding company of a number of specialised subsidiaries in the Netherlands and abroad.

At 30 June 2018, Rabobank Group had total assets of €607.8 billion, a private sector loan portfolio of €415.7 billion, amounts deposits from customers of €346.6 billion (of which savings deposits total €143.1 billion) and equity of €40.5 billion.

At 30 June 2018, its common equity Tier 1 ratio, which is the ratio between common equity Tier 1 capital and total risk-weighted assets, was 15.8% and its capital ratio, which is the ratio between qualifying capital and total risk-weighted assets, was 26.1%.

Source: Interim Report 2018 – Rabobank Group.

INTEREST RATE SWAPS

Interest Rate Swaps may be used to hedge mismatches between the interest received on the Transferred Assets and/or under the Total Return Swap and the GIC Accounts and the interest guaranteed by the CBC with respect to the Covered Bonds in the following manner. The CBC has entered into several Interest Rate Swaps with de Volksbank and other third parties with respect to certain Series.

The interest rate guaranteed by the CBC with respect to a Series denominated in euro may bear a rate of interest that is different from the interest received by the CBC on the Transferred Assets and/or under the Total Return Swap and the GIC Accounts. To provide a hedge against the possible variance between:

(i) the interest received on the Transferred Assets and/or under the Total Return Swap and GIC Accounts, and

(ii) the rate of interest payable by the CBC under the euro denominated Series,

(a) the CBC and (b) de Volksbank (where applicable with the appropriate collateralisation requirements) or a third party Eligible Swap Counterparty, provided that prior to the occurrence of an Issuer Event of Default only if de Volksbank has consented thereto, as the case may be, (each an "**Interest Rate Swap Counterparty**") may, but are not obliged to, enter into interest rate swap transactions (the "**Interest Rate Swaps**") with (c) the Security Trustee in relation to each relevant Series subject to Rating Agency Confirmation (the "**Interest Rate Swap Agreements**") if the Covered Bonds of such Series are denominated in euro.

Although the relevant Interest Rate Swap may be entered into on or before the date on which the relevant Series of Covered Bonds are issued, the effective date of such swap may be the date on which (i) an Assignment Notification Event and/or (ii) a Notice to Pay has been served and in such case, the CBC will not be obliged to make any payments (and the Issuer will not be obliged to make any payments on its behalf) until such effective date under the Interest Rate Swap.

The following payments will be made under each Interest Rate Swap entered into in respect of a Series:

(a) on each Interest Payment Date (or such other date falling earlier than the relevant Interest Payment Date as agreed between the parties), the relevant Interest Rate Swap Counterparty will pay the CBC an amount equal to the outstanding principal amount of such Series as at the preceding Interest Payment Date multiplied by the relevant swap rate which will correspond to the rate of interest payable pursuant to the terms of such Series; and

(b) on each CBC Payment Date (or such other date as agreed between the parties), the CBC will pay to the Interest Rate Swap Counterparty an amount equal to (i) the Outstanding Principal Amount of such Series as at the preceding Interest Payment Date multiplied by EURIBOR for one month deposits or EURIBOR for three month deposits, as the CBC may elect, plus any spread (if any) as further specified in the relevant Interest Rate Swap, or (ii) a part of the interest received on the Transferred Assets and GIC Accounts with a maximum of the interest received on the Transferred Assets and GIC Accounts multiplied by the Outstanding Principal Amount of the relevant Series divided by the Outstanding Principal Amount of all Series.

If Portfolio Tests are implemented and the Total Return Swap is terminated, Interest Rate Swaps may be used to comply with the Portfolio Tests.

A Swap Counterparty may have an option right to terminate the relevant Interest Rate Swap prior to its scheduled termination date. The Issuer and the CBC have undertaken in the Swap Undertaking Letter not to agree to any option to terminate an Interest Rate Swap prior to the Maturity Date of the relevant Series to which it is linked, unless the Issuer and the CBC have the right to exercise the Issuer Call specified in Condition 7(c) (*Redemption at the option of the Issuer (Issuer Call)*) in respect of such Series, (provided that this undertaking will not apply if another Interest Rate Swap will automatically replace such Interest Rate Swap on termination).

STRUCTURED SWAPS

Structured Swaps are used to hedge mismatches between EURIBOR and euro and the amounts guaranteed by the CBC with respect to the Covered Bonds in the following manner.

The Transferred Assets will be denominated in euro and the CBC will receive Euribor for one month deposits over the outstanding principal amount pursuant to the Total Return Swap. However, (i) the interest payable by the CBC with respect to a Series may be denominated in a currency other than euro and/or (ii) principal under a Series may be payable in a currency other than euro.

To provide a hedge against the variance between:

(a) (i) EURIBOR for one month deposits or EURIBOR for three month deposits, as the case may be; and
(ii) the euro; and

(b) (i) the rate of interest payable by the CBC in respect of a Series; and
(ii) the currency of a Series,

(a) the CBC and (b) de Volksbank (where applicable with the appropriate collateralisation requirements) or a third party Eligible Swap Counterparty, as the case may be, (each a "**Structured Swap Counterparty**") will enter into swap transactions (the "**Structured Swaps**", and together with the Interest Rate Swaps, the Total Return Swap and the Standby Total Return Swaps, the "**Swaps**") with (c) the Security Trustee in relation to each relevant Series subject to Rating Agency Confirmation (the "**Structured Swap Agreements**") if the Covered Bonds of such Series are denominated in a currency other than euro.

Notwithstanding that the CBC will with respect to the TRS Hedged Covered Bonds Ratio of the Total Pool Assets receive a rate equal to EURIBOR for one month deposits under the Total Return Swap Agreement, the CBC has a choice to set the rate payable by it under the Structured Swap Agreement at EURIBOR for one month deposits or EURIBOR for three month deposits.

Although the relevant Structured Swap will be entered into on or before the date on which the relevant Series of Covered Bonds are issued, the effective date of such swap may be the date on which (i) an Assignment Notification Event Notice and/or (ii) a Notice to Pay has been served and as a result, the CBC will not be obliged to make any payments (and the Issuer will not be obliged to make any payments on its behalf) until such effective date under such Structured Swap.

The following payments may be made under each Structured Swap entered into in respect of a Series:

(a) if such Series is denominated in a currency other than euro, which means that there is an exchange of principal, on or about the date of issue of each such Series, the Issuer on behalf of the CBC may pay the proceeds of issue of such Series to the Structured Swap Counterparty and the Structured Swap Counterparty will then pay to the CBC a euro amount in respect of such proceeds (at the exchange rate specified in the relevant confirmation);

(b) on each Interest Payment Date (or such other date falling earlier than the relevant Interest Payment Date as agreed between the parties), the Structured Swap Counterparty will pay the CBC an amount equal to the outstanding principal amount of such Series as at the preceding Interest Payment Date, multiplied by the relevant swap rate which will correspond to the rate of interest (for example the fixed or floating rate of interest) payable pursuant to the terms of such Series;

(c) on each CBC Payment Date (or such other date as agreed between the parties), the CBC will pay to the Structured Swap Counterparty an amount equal to the euro equivalent of the then outstanding principal amount of such Series multiplied by EURIBOR for one month deposits or EURIBOR for three month deposits, as the CBC may elect, plus any spread as further specified in the relevant Structured Swap;

(d) if such Series is denominated in a currency other than euro, which means that there is an exchange of principal, on the date of repayment of such Series, the CBC will pay to the Structured Swap Counterparty an amount equal to the euro equivalent of the outstanding principal amount of such Series (as determined by the relevant swap confirmation) as at the preceding Interest Payment Date (or such other date falling earlier than the relevant Interest Payment Date as agreed between the parties), and the Structured Swap Counterparty will pay the CBC an amount equal to the outstanding principal amount of such Series in the currency in which such Series is denominated.

A Swap Counterparty may have an option right to terminate the relevant Structured Swap prior to its scheduled termination date. The Issuer and the CBC have undertaken in the Swap Undertaking Letter not to agree to any option to terminate a Structured Swap prior to the Maturity Date of the relevant Series to which it is linked, unless the Issuer and the CBC have the right to exercise the Issuer Call specified in Condition 7(c) (*Redemption at the option of the Issuer (Issuer Call)*) in respect of such Series (provided that this undertaking will not apply if another Structured Swap will automatically replace such Structured Swap on termination).

18. CASHFLOWS

A. For as long as no Assignment Notification Event has occurred and no Notice to Pay or CBC Acceleration Notice has been served, pursuant to the Guarantee Support Agreement, the CBC is not entitled to receive or retain any proceeds from the Transferred Assets; such proceeds will all be received and retained by the Originator for their own benefit. Pursuant to the Trust Deed, the following will then apply:

(i) all costs and expenses of the CBC, including any costs of the Security Trustee and the Stichting Holding, will be paid on behalf of the CBC by the Issuer for its own account as consideration for the CBC issuing the Guarantee;

(ii) all amounts to be paid and received, respectively by the CBC under any Swap Agreement will be paid and received, respectively on behalf of the CBC by the Issuer for its own account, except that any collateral to be provided by a Swap Counterparty following its downgrade ("**Swap Collateral Amounts**") will be delivered directly by the relevant Swap Counterparty to the CBC irrespective of whether any Assignment Notification Event has occurred or any Notice to Pay or CBC Acceleration Notice has been served at such time and, accordingly, any payments or deliveries to be made in respect of the return of any such collateral shall be made directly by the CBC to the relevant Swap Counterparty ("**Collateral Return Payments**"); and

(iii) on each CBC Payment Date the CBC (or the Administrator on its behalf) will distribute all amounts (if any) then standing to the credit of the GIC Accounts (except for any collateral provided by a Swap Counterparty, the Reserve Fund and the Liquidity Reserve Fund) to the Issuer to the extent permitted by the Asset Cover Test; and

B. If an Assignment Notification Event occurs or a Notice to Pay or CBC Acceleration Notice is served on the CBC, pursuant to the Guarantee Support Agreement, the CBC shall, subject to the rights of the Security Trustee as pledgee, be entitled to receive for its own benefit all proceeds of the Transferred Assets to the extent relating to the period following such Assignment Notification Event or service of such Notice to Pay or CBC Acceleration Notice. Pursuant to the Trust Deed, the following will then apply:

(i) if an Assignment Notification Event has occurred but no Notice to Pay or CBC Acceleration Notice has been served, all costs, expenses and all amounts to be paid and received under the Swap Agreements and the Participation Agreements will be settled on behalf of the CBC by the Issuer except that Collateral Return Payments shall be made directly by the CBC to the relevant Swap Counterparty and all amounts standing to the credit of the GIC Accounts except for Swap Collateral Amounts will continue to be distributed as abovementioned;

(ii) if a Notice to Pay has, but no Issuer Acceleration Notice or CBC Acceleration Notice has been served, all costs, expenses and all amounts to be paid and received under the Swap Agreements and the Participation Agreements will continue to be settled on behalf of the CBC by the Issuer except that Collateral Return Payments shall be made directly by the CBC to the relevant Swap Counterparty, but no amounts standing to the credit of the GIC Accounts will be distributed to the Issuer or the Originator as mentioned under paragraph (A)(iii) above (except that Collateral Return Payments shall continue to be made directly by the CBC to the relevant Swap Counterparty).

(iii) if an Issuer Acceleration Notice and a Notice to Pay have, but no CBC Acceleration Notice has, been served, the CBC (or the Administrator on its behalf) will apply the Interest Available Amount and the Principal Available Amount in accordance with the Post Issuer Acceleration Notice Priority of Payments and the Insurance Savings Participation Redemption Available Amounts to the Insurance Savings Participant and the Bank Savings Participation Redemption Available Amounts to the Bank Savings Participant; or

(iv) 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 Insurance Savings Participation Redemption Available Amounts which will be paid to the Insurance Savings Participant and except for any Bank Savings Participation Redemption Available Amounts which will be paid to the Bank Savings Participants and except for any Swap Collateral Amounts which shall first be subject to the provisions set out in the relevant Swap Agreement.

Reserve Fund

Pursuant to the Trust Deed, if the Issuer's counterparty risk assessment falls below Prime-1 (cr) as determined by Moody's or if the short-term issuer default rating falls below both F1 (short-term) and A (long-term) by Fitch, the CBC will be required to establish a reserve fund (the "**Reserve Fund**") on the GIC Account which will be credited by the Issuer with an amount equal to the Reserve Fund Required Amount and such further amounts as are necessary from time to time to ensure that an amount up to the Reserve Fund Required Amount is credited to the Reserve Fund for as long as the above rating trigger is breached.

After a Notice to Pay has been served on the CBC, all amounts credited to the Reserve Fund will be available on any CBC Payment Date to meet items (a) to (k) inclusive of the Post Issuer Acceleration Notice Priority of Payments and will be released accordingly.

Liquidity Reserve Fund

Pursuant to the Trust Deed the CBC will be required to establish a liquidity reserve fund ("**Liquidity Reserve Fund**") on the GIC Account which shall be credited by the Issuer with an amount equal to the Liquidity Reserve Required Amount and such further amounts as are necessary from time to time to ensure that an amount required by the CB Regulations is credited to the Liquidity Reserve Fund taking into account the amount deposited in the Reserve Fund (if any). After a Notice to Pay has been served on the CBC, all amounts credited to the Liquidity Reserve Fund will be available on any CBC Payment Date to meet items (a) to (f) inclusive of the Post Issuer Acceleration Notice Priority of Payments and will be released accordingly.

Payments with respect to Covered Bonds, Interest Rate Swaps and Structured Swaps during a CBC Payment Period (other than on the CBC Payment Date on which the CBC Payment Period commences)

Following the service of an Issuer Acceleration Notice and a Notice to Pay, pursuant to the Trust Deed, the 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 Post Issuer Acceleration Notice 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 Interest Rate Swap Agreements and Structured 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 an Interest Rate Swap or Structured Swap 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 items (f) and (g) of the Post Issuer Acceleration Notice 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 GIC Accounts in accordance with item (h) of the Post Issuer Acceleration Notice 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 Calculation Period;
(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 Calculation Period;
(iv) any amount required to be transferred to the GIC Accounts in accordance with item (h) of the Post Issuer Acceleration Notice 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 Relevant Documents (other than the 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) except for any payments in respect of principal received under the Structured Swap Agreements that have been (or will, on the relevant CBC Payment Date, be) applied towards payment of a Series of Covered Bonds;
(vi) any amounts received in the preceding Calculation Period as Excess Proceeds to the extent such proceeds do not relate to interest; and
(viii) any amounts reserved on the immediately preceding CBC Payment Date to the extent not applied towards payment of the relevant Series of Covered Bonds or the relevant Swap Agreement (or a higher ranking item than payment of the relevant Series of Covered Bonds or the relevant Swap Agreement in the CBC Priority of Payments) prior to the relevant CBC Payment Date to the extent relating to principal.

"**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 Calculation Period;
(ii) other net income of the CBC including all amounts of interest received on the GIC Accounts and the Substitution Assets in the preceding Calculation Period;
(iii) all amounts in respect of interest received or to be received by the CBC under the Interest Rate Swap Agreements, the Structured Swap Agreements and the Total Return Swap Agreement and the Standby Total Return 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 Interest Rate Swap Agreements or the Structured 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) following the service on the CBC of a Notice to Pay, any amounts in the Reserve Fund and/or the Liquidity Reserve Fund 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; and

(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 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 GIC Accounts, to the extent not relating to principal, not excluded by virtue of (i) to (vi) above and not relating to Swap Replacement Amounts as have been credited to the Swap Replacement Ledger (other than Excess Swap Replacement Amounts);

less

(ix) on the first CBC Payment Date of each year, an amount equal to 10% 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 to each Savings Mortgage Receivable which is subject to a Participation, the Participation in such Savings Mortgage Receivable; and

(iii) any amounts received as Insurance Savings Participation Increase and Initial Insurance Savings Participation pursuant to any Insurance Savings Participation Agreement and any amounts received as Bank Savings Participation Increase and Initial Bank Savings Participation pursuant to any Bank Savings Participation Agreements.

"**Reserve Fund Required Amount**" means an amount equal to (i) (A) the aggregate of the Scheduled Interest due on the Interest Payment Dates for each Series falling in the next following three CBC Payment Periods, or (B) if an Interest Rate Swap and/or a Structured Swap 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 for such Series shall equal the amount payable by the CBC (or the Issuer on its behalf) pursuant to such Interest Rate Swap and/or Structured Swap 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, as calculated on each Calculation Date, plus (ii) in respect of the items specified in paragraphs (a) to (d) of the Post Issuer Acceleration Notice Priority of Payments, the greater of (a) the anticipated aggregate amount payable in the next three following CBC Payment Periods and (b) one quarter of the anticipated aggregate annual amount payable, all as calculated on each relevant Calculation Date.

"**Liquidity Reserve Required Amount**" means the higher of (i) zero and (ii) (a) 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 cash flows, or such other amount as required as liquidity pursuant to the CB Regulations, minus (b) an amount credited to the GIC Account in relation to the Reserve Fund.

"**Interest Receipts**" means:

(i) interest and fees and other amounts received by the CBC in respect of the Mortgage Receivables, 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

All payments made by the Borrowers are paid into the Collection Foundation Accounts maintained by the Collection Foundation with the Foundation Account Providers. 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 Originator is entitled *vis-à-vis* the Collection Foundation.

The Collection Foundation is set up as a passive bankruptcy remote entity. The objects clause of the Collection Foundation is limited to collecting, managing and distributing amounts received on the Collection Foundation Accounts to the persons who are entitled to receive such amounts pursuant to the Receivables Proceeds Distribution Agreement. Upon receipt of such amounts, the Collection Foundation will distribute to the Issuer or, after an Assignment Notification Event or a Notice to Pay, 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 Agreement. Pursuant to the Receivables Proceeds Distribution Agreement, de Volksbank as Foundation Administrator and, after an insolvency event relating to de Volksbank, a new foundation administrator appointed for such purpose, respectively, will perform such payment transaction services on behalf of the Collection Foundation.

The Receivables Proceeds Distribution Agreement provides that upon the occurrence of a Collection Foundation Trigger Event, the Collection Foundation and de Volksbank (in all their respective capacities) will within thirty (30) calendar days after de Volksbank has ceased to have the Collection Foundation Trigger Required Ratings or, with respect to S&P only (only to the extent S&P assigns a rating to any of the notes issued by any of the SPVs) the later of (a) thirty (30) calendar days have elapsed since de Volksbank has ceased to have the Collection Foundation Trigger Required Rating or (b) if, on or before the 30th calendar day after de Volksbanks ceases to have the Collection Foundation Trigger Required Ratings, de Volksbank has submitted a written proposal for a remedy to S&P (only to the extent S&P assigns a rating to any of the notes issued by any of the SPVs), sixty (60) calendar days have elapsed since de Volksbank has ceased to have the Collection Foundation Trigger Required Ratings, (i) have one of the Collection Foundation Trigger Commingling Remedial Actions in place or (ii) will procure that either:

(i) (a) all amounts standing to the credit of the Collection Foundation Accounts held with de Volksbank as Foundation Account Provider will be immediately transferred to the Rabobank Existing Account or the relevant Collection Foundation Eligible Counterparty Account, and (b) de Volksbank will procure and where required the Collection Foundation will undertake its best efforts that direct debits shall no longer be made to the Collection Foundation Accounts held with de Volksbank and Borrowers no longer pay any amount into such accounts and (c) where required, de Volksbank and the Collection Foundation will assist that Borrowers are informed that further payments in discharge of their obligations under the relevant Mortgage Receivables can no longer be made on the Collection Foundation Accounts held with de Volksbank as Foundation Account Provider, and that payments under the relevant Mortgage Receivables have to be made into the Rabobank Existing Account and/or Collection Foundation Eligible Counterparty Account, as applicable; or

(ii) (a) the Collection Foundation Accounts held with de Volksbank as former Foundation Account Providers will be transferred to Rabobank or a Collection Foundation Eligible Counterparty (as the case may be) or closed and new Collection Foundation Accounts with the same numbers will be opened with Rabobank and/or a Collection Foundation Eligible Counterparty (as the case may be) as the only Foundation Account Provider(s) and (b) all amounts standing to the credit of the Collection Foundation Accounts held with de Volksbank as Foundation Account Providers will be immediately transferred with or to such Collection Foundation Accounts;

If at any time (whether before or after occurrence of a Collection Foundation Trigger Event) Rabobank as Foundation Account Provider is assigned a rating below the Collection Foundation Trigger Required Ratings, the Foundation Administrator on behalf of the Collection Foundation will as soon as reasonably possible, but at least within thirty (30) calendar days, (i) ensure that payments to be made by Rabobank as Foundation Account Provider in respect of amounts received on the Collection Foundation Accounts relating to the Mortgage Receivables will be fully guaranteed pursuant to an unconditional and irrevocable guarantee which complies with the criteria of S&P and Fitch (only to the extent S&P or Fitch assigns a rating to any of the notes issued by any of the SPVs) and Moody's, if applicable, or transfer the Collection Foundation Accounts to a new account provider, provided that such guarantor or new account provider shall be a Collection Foundation Eligible Counterparty, or (ii) implement any other actions acceptable at that time to S&P (only to the extent S&P assigns a rating to any of the notes issued by any of the SPVs) and provided Fitch (only to the extent Fitch assigns a rating to any of the notes issued by any of the SPVs) and Moody's are notified of such other action. In case of a transfer to an alternative bank as referred to under (i) above, the Collection Foundation shall enter into a pledge agreement and create a right of pledge over such bank account in favour of the CBC, the Previous Transaction SPVs, the Security Trustee and the Previous Transaction Security Trustees separately upon terms substantially the same as the Collection Foundation Accounts Pledge Agreement.

Prior to a Collection Foundation Trigger Event and subject to the Originator being obliged to pay the proceeds of the Mortgage Receivables to the CBC, the Collection Foundation has undertaken to distribute all amounts of principal, interest and prepayment penalties received by the Collection Foundation in respect of the Mortgage Receivables and paid to the relevant Collection Foundation Account on the same day as these are received. Following a Collection Foundation Trigger Event, subject to the Originator being obliged to pay the proceeds of the Mortgage Receivables to the CBC, the Collection Foundation has undertaken to transfer all amounts received by the Collection Foundation in respect of the Mortgage Receivables and paid to the relevant Collection Foundation Account to the GIC Account ultimately the 5th business day following receipt.

"**Collection Foundation Eligible Counterparty Account**" means a bank account with an Eligible

Counterparty in the name of the Collection Foundation including the bank accounts in the name of the Collection Foundation if such accounts have been transferred to such Eligible Counterparty as Foundation Account Provider in accordance with the Receivables Proceeds Distribution Agreement;

"**Collection Foundation Trigger Commingling Remedial Actions**" means any of the following actions taken with respect to all transactions rated by the relevant Rating Agencies entered into by the Previous Transaction SPV's and Security Trustees and the CBC (i) with respect to a transaction where a Commingling Financial Collateral Agreement is entered into, sufficient collateral being posted or any of the alternative mitigant measures being taken under the Commingling Financial Collateral Agreements or otherwise in accordance with the relevant transaction agreements or (ii) with respect to a transaction where commingling risk may be mitigated through a reserve fund or reserve account, sufficient funds being posted on the reserve fund or reserve account to mitigate any commingling risks or otherwise in accordance with the relevant transaction agreements, or (iii) an amount equal to the collateral amount referred to in items (i) and (ii) above being guaranteed by a Collection Foundation Eligible Counterparty, or (iv) that direct debits from borrower accounts in respect of mortgage receivables will solely be made directly to the accounts of the CBC or the relevant Previous Transaction SPV or Security Trustee or the relevant Previous Transaction Security Trustee, as the case may be, and the borrowers that do not pay by means of direct debits are directed to pay to the accounts of the Issuer or the relevant Previous Transaction SPV or Security Trustee or the relevant Previous Transaction Security Trustee, as applicable, and/or amounts not paid by means of direct debits are directed to be paid to the accounts of the CBC or the relevant Previous Transaction SPV or Security Trustee or the relevant Previous Transaction Security Trustee, as applicable;

"**Collection Foundation Trigger Event**" means the event that (i) de Volksbank ceases to have the Collection Foundation Trigger Required Ratings and (ii) none of the Collection Foundation Trigger Commingling Remedial Actions are in place;

"**Collection Foundation Trigger Required Ratings**" means (i) in respect of Fitch (only to the extent Fitch assigns a rating to any of the notes issued by any of the SPVs or under the Relevant Documents), either (x) a long-term issuer default rating of at least "A" by Fitch or (y) a short-term issuer default rating of at least "F1" by Fitch and (ii) in respect of Moody's (only to the extent Moody's assigns a rating to any of the notes issued by any of the SPVs or under the Relevant Documents), a rating of its unsecured, unsubordinated and unguaranteed debt obligations of at least "Baa1" by Moody's and (iii) in respect of S&P (only to the extent S&P assigns a rating to any of the notes issued by any of the SPVs or under the Relevant Documents), (x) a rating of its long-term unsecured, unsubordinated and unguaranteed debt obligations of at least "BBB" by S&P and (y) a rating of its short-term unsecured, unsubordinated and unguaranteed debt obligations of at least "A2" by S&P;

"**Rabobank Existing Account**" means the bank account with Rabobank in its capacity as Foundation Account Provider.

POST ISSUER ACCELERATION NOTICE PRIORITY OF PAYMENTS

On each CBC Payment Date following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice and a Notice to Pay, but prior to the service of a CBC Acceleration Notice, the 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 "**Post Issuer Acceleration Notice 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:
- 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;
- amounts (if any) due and payable to the GIC Provider (including costs) pursuant to the terms of the GIC;
- 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 (l) below) pursuant to the terms of the Asset Monitor Appointment Agreement;

(e) *fifth*, in or towards satisfaction of any amounts due and payable to the Total Return Swap Counterparty and any Standby Total Return Swap Provider, as the case may be, (including any termination payment due and payable by the CBC under the Total Return Swap Agreement or any Standby Total Return Swap Agreement to the extent not paid from any Swap Replacement Amounts but excluding any Excluded Swap Termination Amount) pursuant to the terms of the Total Return Swap Agreement or, as applicable, the relevant Standby Total Return Swap Agreement;

(f) *sixth*, in or towards satisfaction or to be reserved for payment *pro rata* and *pari passu* in accordance with the respective amounts owing thereto of:

(i) to each Interest Rate Swap Counterparty, all amounts (including any termination payment due and payable by the CBC under the relevant Interest Rate 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 Interest Rate Swap Agreement;

(ii) to each Structured Swap Counterparty, all amounts (including any termination payment due and payable by the CBC under the relevant Structured Swap Agreement to the extent not paid from any Swap Replacement Amounts but excluding any Excluded Swap Termination Amount) other than in respect of principal, then due to it or becoming due and payable to it in the immediately following CBC Payment Period under the relevant Structured Swap Agreement; and

(iii) 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 each 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 Issuer 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,

provided that if the amount available for distribution under this paragraph (f) is insufficient to pay all amounts listed in this paragraph (f), but would be sufficient to pay all amounts listed in this paragraph (f) other than the Series of Covered Bonds to which a Swap Agreement is connected to the extent these are expected to be paid from the amount payable under the connected Swap Agreement or from the amounts reserved for payment of such Series (the excluded amounts), then the amount available for distribution under this paragraph (f) will be applied first to pay or provide for all amounts listed in this paragraph (f) other than the such excluded amounts and second, for the remainder, to pay or provide for such excluded amounts *pro rata* and *pari passu*;

(g) *seventh*, in or towards satisfaction or to be reserved for payment, *pro rata* and *pari passu* according to the respective amounts owing thereto:

(i) of amounts in respect of principal then due and payable or as will become due and payable in the immediately following CBC Payment Period to each Structured Swap Counterparty under the relevant Structured Swap Agreement;

(ii) of 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 each Series of Covered Bonds to the extent that such amounts (i) are not scheduled to be payable 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 payable in the immediately succeeding CBC Payment Period from the amounts received (or to be received) under the relevant Swap Agreement connected to such Series but the Issuer 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;

provided that if the amount available for distribution under this paragraph (g) is insufficient to pay all amounts listed in this paragraph (g), but would be sufficient to pay all amounts listed in this paragraph (g) other than the Series of Covered Bonds to which a Swap Agreement is connected to the extent these are expected to be paid from the amount payable under the connected Swap Agreement or from the amounts reserved for payment of such Series (the excluded amounts), then the amount available for distribution under this paragraph (g) will be applied first to pay or provide for all amounts listed in this paragraph (g) other than the such excluded amounts and second, for the remainder, to pay or provide for such excluded amounts *pro rata* and *pari passu*;

(h) *eighth*, to deposit the remaining moneys in the GIC Accounts for application on the next following the CBC Payment Date in accordance with the priority of payments described in paragraphs (a) to (g) (inclusive) above, until the Covered Bonds have been fully repaid or provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series);

(i) *ninth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any Excluded Swap Termination Amount due and payable by the CBC to the relevant Swap Counterparty under the relevant Swap Agreement;

(j) *tenth*, in or towards satisfaction of any indemnity amount due to the Originator pursuant to the Guarantee Support Agreement and certain costs, expenses and indemnity amounts due by the CBC to the Asset Monitor pursuant to the Asset Monitor Appointment Agreement; and

(k) *eleventh*, thereafter any remaining moneys will be paid to the Issuer.

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 Insurance Savings Participants and the Bank Savings Participants shall be entitled (which shall be equal to the Participation in each of the Savings Mortgage Receivables to which the 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 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:
- 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;
- 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;
- amounts (if any) due and payable to the GIC Provider (including costs) pursuant to the terms of the GIC; and
- amounts (including costs and expenses) due to the Directors;

(e) *fifth*, in or towards satisfaction of any amounts due and payable to the Total Return Swap Counterparty and the Standby Total Return Swap Providers (including any termination payment due and payable by the CBC under the Total Return Swap Agreement or the Standby Total Return Swap Agreements, as the case may be, to the extent not paid from any Swap Replacement Amounts but excluding any Excluded Swap Termination Amount) pursuant to the terms of the Total Return Swap Agreement or the Standby Total Return Swap Agreements, as the case may be;

(f) *sixth*, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts owing thereto, of any amounts due and payable to the Interest Rate Swap Counterparties under the relevant Swap Agreements (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 Amounts);

(g) *seventh*, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts owing thereto, of any amounts due and payable:

- to the Structured Swap Counterparties under the Structured Swap Agreements (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 Amounts); and
- to the Covered Bondholders *pro rata* and *pari passu* in respect of interest and principal due and payable on each Series in accordance with the Guarantee;

(h) *eighth*, 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; and

(i) *ninth*, thereafter any remaining moneys will be paid to the Issuer.

GIC ACCOUNTS AND SWAP REPLACEMENT LEDGER

GIC Account

Pursuant to the terms of the GIC entered into on the Programme Date between the CBC, Coöperatieve Rabobank U.A. as GIC Provider and the Security Trustee, the CBC will maintain, with the GIC Provider, the GIC 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.

If the deposit rating or the unsecured, unsubordinated and unguaranteed debt obligations, as the case may be, of the GIC Provider cease to be rated the required rating, being a rating equal to or higher than Prime-1 (short-term) by Moody's and either F1 (short-term) or A (long-term) by Fitch (the "**GIC Provider Required Ratings**"), then within thirty (30) calendar days of such occurrence either:

- the GIC Account will be closed and new accounts opened under the terms of a new GIC substantially on the same terms as the GIC opened with a financial institution which is rated at least the GIC Provider Required Ratings; or
- the GIC Provider will obtain a guarantee of its obligations under the GIC on terms acceptable to the Security Trustee, acting reasonably, from a financial institution which is rated at least the GIC Provider Required Ratings,

unless, (i) in case the GIC Provider is downgraded by Moody's, a Rating Agency Confirmation in respect of Moody's is available that the then current rating of the Covered Bonds will not be adversely affected as a result of the rating of the GIC Provider falling below the GIC Provider Required Ratings (or the reason for this having occurred) within fifteen (15) calendar days of such downgrade, and/or, as applicable, (ii) in case the GIC Provider is downgraded by Fitch, a Rating Agency Confirmation in respect of Fitch is available that the then current rating of the Covered Bonds will not be adversely affected as a result of the rating of the GIC Provider falling below the GIC Provider Required Ratings (or the reason for this having occurred) within fifteen (15) calendar days of such downgrade, in case of (i) and/or (ii) the GIC Accounts will continue to be held by the current GIG Account Provider. If any of the confirmation is given as set out above, reference to the "**GIC Provider Required Ratings**" shall instead deemed to be the relevant rating of the GIC Provider at the time of such confirmations, but the original rating shall be reinstated if the relevant rating of the GIC Provider is subsequently upgraded to the original level.

Pursuant to the GIC, the GIC Provider has agreed to pay interest on the GIC Funds at the rate determined in accordance with the GIC.

The CBC and the GIC Provider 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 GIC Provider (provided that the Security Trustee has consented in writing). Any such additional accounts will be kept separate from the GIC Account to which it is connected. The CBC may only transfer amounts from such additional accounts to the relevant GIC Account to which it is connected and any amount to be transferred to such additional accounts may only be transferred from the relevant GIC Account.

In the event the CBC is obliged to open any other accounts than the GIC Account, the GIC Provider will, on the instructions of the CBC, open such new accounts under the terms of this GIC in the name of the CBC.

Swap Replacement Ledger

The CBC shall maintain a ledger to the GIC 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 Total Return Swap, Interest Rate Swap or Structured Swap and (b) those amounts received from any Swap Counterparty in respect of the Total Return Swap, any Standby Total Return Swap, any Interest Rate Swap or any Structured Swap which has terminated for any reason (either such amounts "**Swap Replacement Amounts**"). 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 Total Return Swap, Standby Total Return Swap, Interest Rate Swap or Structured Swap, 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 the Total Return Swap, any Standby Total Return Swap, any Interest Rate Swap or any Structured Swap, 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 the Total Return Swap, any Standby Total Return Swap, any Interest Rate Swap or any Structured Swap 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**").

Foreign Currency Accounts

If an Assignment Notification Event occurs or a Notice to Pay or CBC Acceleration Notice is served, and the Issuer has any Covered Bonds denominated in a currency other than euro outstanding or issues such Covered Bonds at any time thereafter, the Administrator shall, on behalf of the CBC, establish and maintain an account in that currency and, unless otherwise specified in the Relevant Documents, all amounts received by the CBC in that currency shall be promptly deposited into such account.

19. DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Base Prospectus and have been approved by the AFM or filed with it shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

(a) The Issuer's publicly available financial statements and auditor's report for the year ended 31 December 2017 (set forth on pages 184 up to and including 251 (financial statements) and pages 254 up to and including 262 (auditor's report) of its 2017 annual report (English translation)), which can also be obtained from: https://www.devolksbank.nl/investor-relations-1/annual-reports.html;

(b) The Issuer's publicly available financial statements and auditor's report for the year ended 31 December 2016 (set forth on pages 182 up to and including 244 (financial statements) and pages 248 up to and including 255 (auditor's report) of its 2016 annual report (English translation)), which can also be obtained from: https://www.devolksbank.nl/investor-relations-1/annual-reports.html;

(c) The Issuer's publicly available interim financial statements for the period ended 30 June 2018 (set forth on pages 35 to 48 (financial statements) and page 49 (auditor's review report) of its interim financial report first half of 2018 (English translation)), which can also be obtained from: https://www.devolksbank.nl/investor-relations-1/copy-of-resultaten-presentaties.html;

(d) The transparency statement in respect of the consolidated and company financial statements of the Issuer issued by the Board of Directors as set forth on page 159 of its 2017 annual report (English translation)) and as set forth on page 152 of its 2016 annual report (English translation);

(e) The Issuer's articles of association as per the date of approval of this Base Prospectus (in the original Dutch language version as well as in English translation);

(f) The CBC's publicly available audited financial statements including the explanatory notes and the auditor's report for the year ended on 31 December 2017 (set forth on pages 11 up to and including 36 of its 2017 annual report);

(g) The CBC's publicly available audited financial statements including the explanatory notes and the auditor's report for the year ended 31 December 2016 (set forth on pages 10 up to and including 35 of its 2016 annual report);

(h) Chapter 3 (Risk, Capital & Liquidity management) set forth on pages 84 up to and including 159 of the Issuer's 2017 annual report (English translation) and as set forth on pages 80 up to and including 150 of the Issuer's 2016 annual report (English translation);

(i) A letter sent by the Dutch Minister of Finance to the Dutch Parliament on 1 July 2016 regarding the future of the Issuer;

(j) A press release published by the Issuer on 29 July 2016 regarding the participation of the Issuer in the SSM SREP stress test;

(k) A press release published by the Issuer on 24 August 2017 regarding the resignation of Mr. R.G.J. Langezaal as member of the Board of Directors;

(l) A press release published by the Issuer on 22 February 2018 regarding the Issuer's 2017 annual results (with the exception of page 10 'Outlook');

(m) A press release published by the Issuer on 23 August 2018 regarding the Issuer’s 2018 half-year results published on 23 August 2018;

(n) A press release published by the Issuer on 9 October 2018 regarding the appointment of Mrs. M. van der Meer as member of the Board of Directors; and

(o) A press release published by the Issuer on 30 October 2018 regarding the intended appointment of Mirjam Verhoeven as a member of the Board of Directors of de Volksbank and de Volksholding B.V. and also as Chief Operations Officer (COO) of de Volksbank, with effect from 1 January 2019.

These documents can be obtained without charge at the offices of the Issuer (Croeselaan 1, 3521 BJ Utrecht, the Netherlands, de Volksbank Investor relations, tel: +31 30 291 42 46/ +31 30 291 48 07, jacob.bosscha@devolksbank.nl and davey.hak@devolksbank.nl) and the Agent (Banque Internationale à Luxembourg SA, 69 Route d'Esch, L-2953 Luxembourg, Luxembourg, Transaction Execution Group, tel: +352 4590 1), each as set out at the end of this Base Prospectus. In addition all these documents and the Base Prospectus are available on the Issuer's website at www.devolksbank.nl/investor-relations/debt-informatie/covered-bond-programma.html.

The non-incorporated parts of the documents mentioned above are either not relevant for the investor or covered elsewhere in this Base Prospectus.

Any information contained in or accessible through any website, including www.devolksbank.nl, does not form a part of the Base Prospectus, unless specifically stated in the Base Prospectus, in any supplement hereto or in any document incorporated or deemed to be incorporated by reference in this Base Prospectus that all or any portion of such information is incorporated by reference in the Base Prospectus.

20.GENERAL INFORMATION

1. The (i) establishment of the Programme and the issue of Covered Bonds under the Programme from time to time and (ii) the update of the Programme have been duly authorised by resolutions of the Board of Managing Directors of the Issuer dated 4 December 2007 and, *inter alia*, 18 December 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 Relevant Documents.

   The issuing of the Guarantee has been duly authorised by resolutions of the Board of Managing Directors of the CBC dated 7 December 2007 and, *inter alia*, 18 December 2018 respectively.

2. Application may be made for Covered Bonds issued under the Programme to be listed on the official list of the Luxembourg Stock Exchange and/or Euronext Amsterdam during the period of twelve (12) months from the date of this Base Prospectus. Notice of any terms and conditions not contained herein which are applicable to the Covered Bonds will be set out in the Final Terms which, with respect to such Covered Bonds to be listed on Luxembourg Stock Exchange and/or Euronext Amsterdam, will be delivered to the Luxembourg Stock Exchange and/or 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 is the independent auditor of de Volksbank N.V. Ernst & Young Accountants LLP is registered at the Chamber of Commerce of Rotterdam in the Netherlands under number 24432944. The register accountants of Ernst & Young Accountants LLP are members of the (*Koninklijke Nederlandse Beroepsorganisatie van Accountants* - the Royal Netherlands Institute of Chartered Accountants). The NBA is the professional body for accountants in the Netherlands. Ernst & Young Accountants LLP has given and has not withdrawn their written consent to the issue of this Base Prospectus with their reports included herein in the form and context in which it appears.

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 Swap Agreements;
   (iv) the Administration Agreement;
   (v) the Servicing Agreement;
   (vi) the Deposit Agreement;
   (vii) the GIC;
   (viii) the Trust Deed;
   (ix) the Parallel Debt Agreement;
   (x) the Agency Agreement;
   (xi) the Guarantee Support Agreement;
   (xii) the Beneficiary Waiver Agreements;
   (xiii) the Insurance Savings Participation Agreements;

(xiv) the Bank Savings Participation Agreements;
(xv) the Asset Monitoring Agreement;
(xvi) the Asset Monitor Appointment Agreement;
(xvii) the Management Agreements; and
(xviii) the Master Definitions Agreement.

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 report on the Covered Bonds under this Programme will be published on and can be obtained at: www.devolksbank.nl.

11. Save as disclosed in this Base Prospectus in the paragraph '*Legal proceedings*' in section 5 (*de Volksbank N.V.*), there have not been any governmental, legal and arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the twelve (12) months preceding the date of this Base Prospectus which may have, or have had in such period a significant effect on the financial position or profitability of the Issuer and its subsidiaries.

12. There has been no significant change in the financial or trading position of the Issuer and its subsidiaries since 30 June 2018 and there has been no material adverse change in the prospects of the Issuer since 31 December 2017, the last day of the financial period in respect of which audited financial statements of the Issuer have been prepared.

13. Amounts payable under the Covered Bonds may be calculated by reference to EURIBOR or LIBOR, which is provided by European Money Markets Institute (EMMI) or ICE Benchmark Administration (IBA), respectively. As at the date of this Base Prospectus, European Money Markets Institute (EMMI) does do not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (ESMA) pursuant to article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011). As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmark Regulation (Regulation (EU) 2016/1011) apply, such that European Money Markets Institute (EMMI) and ICE Benchmark Administration (IBA), respectively, are not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).

21.INDEX OF DEFINED TERMS

ISSUER, SERVICER AND ORIGINATOR
de Volksbank N.V.
Croeselaan 1
3521 BJ Utrecht
The Netherlands

CBC
Volks Covered Bond Company B.V.
Prins Bernhardplein 200
1097 JB Amsterdam
the Netherlands

SECURITY TRUSTEE
Stichting Security Trustee Volks Covered Bond Company
Hoogoorddreef 15
1101 BA Amsterdam
The Netherlands

ARRANGER
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United Kingdom

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To the Issuer, the CBC and the Originator
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1082 PR Amsterdam
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To the Arranger and the Dealers
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1077 AB Amsterdam
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to the CBC and the Issuer
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1083 HP Amsterdam
The Netherlands

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