PROSPECTUS
FOR ADMISSION TO TRADING
ON EURONEXT BRUSSELS

EUR 8,077,500,000 Class A Mortgage-Backed Floating Rate Notes due 2045
Issue Price 100 per cent.
EUR 472,500,000 Class B Mortgage-Backed Floating Rate Notes due 2045
Issue Price 100 per cent.
EUR 450,000,000 Class C Mortgage-Backed Floating Rate Notes due 2045
Issue Price 100 per cent.
EUR 117,000,000 Class D Mortgage-Backed Floating Rate Notes due 2045
Issue Price 100 per cent.
issued by

PENATES FUNDING N.V. / S.A.
(*Institutionele VBS naar Belgisch recht / SIC institutionnelle de droit belge*)
Acting through its Compartment PENATES-4

(a Belgian public limited liability company (*naamloze vennootschap / société anonyme*))

The date of this Prospectus is 13 December 2011 (the ***Prospectus***).

Penates Funding N.V. – S.A., *Institutionele VBS naar Belgisch recht / SIC institutionnelle de droit belge*, acting through its Compartment Penates-4 (the ***Issuer***) will issue the Notes, comprising the EUR 8,077,500,000 Class A Mortgage-Backed Floating Rate Notes due 2045 (the ***Class A Notes***), the EUR 472,500,000 Class B Mortgage-Backed Floating Rate Notes due 2045 (the ***Class B Notes***), the EUR 450,000,000 Class C Mortgage-Backed Floating Rate Notes due 2045 (the ***Class C Notes***), and the EUR 117,000,000 Subordinated Class D Floating Rate Note due 2045 (the ***Subordinated Class D Notes*** or the ***Class D Notes*** and together with the Class A Notes and the Class B Notes and the Class C Notes, the ***Notes***, and ***Class*** or ***Class of Notes*** means, in respect of the Notes, the class of Notes being identified as the Class A Notes, the Class B Notes, the Class C or the Class D Notes of the Issuer). The Class A Notes, the Class B Notes and the Class C Notes shall collectively be referred to as the ***Collateralized Notes***. The Notes will be issued on or about 19 December 2011 (the ***Closing Date***).

Application has been made to Euronext Brussels to admit the Class A Notes to trading on Euronext Brussels (***Euronext Brussels***). Prior to admission to trading there has been no public market for the Notes.

This Prospectus constitutes a prospectus for the purposes of the Act of 16 June 2006 on public offerings of investment instruments and the admission of investment instruments to trading on a regulated market (the ***Prospectus Act***) and the listing and issuing rules of Euronext Brussels (the ***Listing Rules***). No application will be made to list the Notes on any other stock exchange.

The Notes may only be subscribed for, purchased or held by Eligible Holders such as defined in this Prospectus.

The Notes will be solely the obligations of Compartment Penates-4 and have been allocated to Compartment Penates-4. The Notes will not be obligations or

responsibilities of, or guaranteed by, any other entity or person, in whatever capacity acting, including, without limitation, the Seller, the Arranger, the Security Agent, the Manager, the Servicer, the Administrator, the Senior Swap Counterparty, the Junior Swap Counterparty, the Account Bank, the Domiciliary Agent, the Calculation Agent, the Listing Agent, the Accounting Services Provider, the Corporate Services Provider, the Issuer Directors and the Security Agent Directors (each as defined herein). Furthermore, the Seller, the Arranger, the Security Agent, the Manager, the Servicer, the Administrator, the Senior Swap Counterparty, the Junior Swap Counterparty, the Account Bank, the Domiciliary Agent, the Calculation Agent, the Listing Agent, the Accounting Services Provider, the Corporate Services Provider, the Issuer Directors, the Security Agent Director or any other person in whatever capacity acting will not accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amounts due under the Notes. None of the Seller, the Arranger, the Security Agent, the Manager, the Servicer, the Administrator, the Senior Swap Counterparty, the Junior Swap Counterparty, the Account Bank, the Domiciliary Agent, the Listing Agent, the Accounting Services Provider, the Corporate Services Provider, the Issuer Directors or the Security Agent Director will be under any obligation whatsoever to provide additional funds to the Issuer (save in the limited circumstances described in this Prospectus).

Each of the Notes shall bear interest on its Principal Amount Outstanding from (and including) the Closing Date. Interest on the Notes is payable by reference to successive quarterly Interest Periods. Each successive quarterly Interest Period will commence on (and include) a Quarterly Payment Date and end on (but exclude) the next following Quarterly Payment Date (each an ***Interest Period***) *except* for the first Interest Period which will commence on (and include) the Closing Date and end on (but exclude) the first Quarterly Payment Date.

Interest on each of the Notes shall be payable quarterly in arrears in euro, in each case in respect of its Principal Amount Outstanding on the 25th day of February, May, August and November in each year (or, if such day is not a Business Day, the next following Business Day) (each a ***Quarterly Payment Date***) commencing on the Quarterly Payment Date falling on 25 May 2012. Interest in respect of any Interest Period (or any other period) will be calculated on the basis of the actual number of days elapsed in the Interest Period (or such other period) and a year of 360 days.

Interest in respect of each Class of Notes for each Interest Period will accrue at an annual rate equal to the sum of: (a) the European Interbank Offered Rate (***EURIBOR***) (as more particularly described in, calculated in accordance with, and subject to, the terms and conditions of the Notes, (the ***Conditions*** and each a ***Condition***)) for three (3) month euro deposits (except for the first quarterly Interest Period in which case the Euro Reference Rate shall be the rate which represents the linear interpolation between EURIBOR for the relevant period deposits in euro) (the ***Euro Reference Rate***); plus (b)(i) for the Class A Notes, a margin of 1.20 per cent. per annum; (ii) for the Class B Notes, a margin of 1.85 per cent. per annum; (iii) for the Class C Notes a margin of 2.30 per cent. per annum; and (iii) for the Subordinated Class D Notes a margin of 2.50 per cent. per annum.

Unless previously redeemed, the Issuer shall redeem the Notes in full on the Quarterly Payment Date falling in November 2045 (the ***Final Redemption Date***).

On the Quarterly Payment Date falling on 25 November 2012 (or, if such day would at that time not be a Business Day, the next following Business Day) (the ***First Optional Redemption Date***) and on each Quarterly Payment Date thereafter (each such date an

Optional Redemption Date), the Issuer will have the option to redeem all of the Notes of the relevant Classes at their Principal Amount Outstanding provided that it has sufficient funds available to redeem all the Collateralized Notes on such date, subject to and in accordance with the Conditions.

If there is any withholding or deduction of taxes, duties, assessments or charges required by law in respect of payments of principal and/or interest of the Notes, such withholding or deduction will be made without an obligation of the Issuer to pay any additional amount to the holders of the Notes (***Noteholders)***.

It is a condition to the issue that the Class A Notes, on issue, be assigned a rating of AAAsf by Fitch Ratings Limited France (***Fitch***), Aaasf by Moody's Investors Limited (***Moody's***) and AAAsf by DBRS Ratings Limited (***DBRS***).

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. Particular attention is drawn to the section entitled *Risk Factors*.

The Class A Notes and the Class B Notes will be issued in the form of dematerialised notes under the Belgian Company Code (*Wetboek van Vennootschappen* / *Code des Sociétés*) (the ***Belgian Company Code***). The Class A Notes and the Class B Notes will be represented exclusively by book entries in the records of the X/N securities and cash clearing system operated by the National Bank of Belgium (the ***Clearing System***).

The Class C Notes and the Class D Notes will be issued in the form of registered notes (*obligaties op naam/obligations nominatives*) under the Belgian Company Code.

Unless otherwise stated, capitalised terms used in this Prospectus have the meanings set out in this Prospectus. The section entitled *Index of Defined Terms* at the back of this Prospectus specifies on which page a capitalised word or phrase used in this Prospectus is defined.

This Prospectus has been approved by the Financial Services and Markets Authority (***FSMA***) on 13 December 2011 in accordance with the procedure set out in article 32 of the Prospectus Act. This approval cannot be considered a judgement as to the quality of the transaction, or on the situation or prospects of the Issuer.

For a discussion of certain risks that should be considered in connection with an investment in any of the Notes, see S*ection 4 "Risk Factors"*.

Manager and Arranger

Dexia Bank Belgium N.V. – S.A.

IMPORTANT INFORMATION

Selling and holding restrictions – Only Institutional Investors

The Notes offered by the Issuer may only be subscribed, purchased or held by investors (***Eligible Holders***) that qualify both as:

(a) institutional or professional investors within the meaning of Article 5 § 3 of the Belgian Act of 20 July 2004 on certain forms of collective management of investment portfolios (*Wet betreffende bepaalde vormen van collectief beheer van beleggingsportefeuilles/Loi relative à certaines formes de gestion collective de portefeuilles d'investissement),* as amended from time to time (the ***UCITS Act***) (***Institutional Investors***) as described in Part 2, paragraph 1.4 (*Selling, Holding and Transfer Restrictions - Only Eligible Holders*) to Annex 1 (*Terms and Conditions of the Notes*) to this Prospectus that are acting for their own account (see for more detailed information *Section 4*); and

(b) (i) in respect of the Class A Notes and the Class B Notes, a holder of an exempt securities account (***X-Account***) with the Clearing System operated by the National Bank of Belgium or (directly or indirectly) with a participant in such system; or

(ii) in respect of the Class C Notes and the Class D Notes, a holder that certifies to the Issuer that it qualifies for an exemption from Belgian withholding tax on interest payments under the Class C Notes and the Class D Notes and shall comply with any procedural formalities necessary for the Issuer to obtain the authorisation to make a payment to which that holder is entitled without a tax deduction.

For each Note in respect of which the Issuer becomes aware that it is held by an investor other than an Eligible Holder, the Issuer will suspend interest payments until such Note will have been transferred to and held by an Eligible Holder. Any transfers of Notes effected in breach of the above requirement will be unenforceable vis-à-vis the Issuer.

Selling restrictions

General

This Prospectus does not constitute an offer or an invitation to sell or a solicitation of an offer to buy Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus (or any part thereof) comes are required to inform themselves about, and to observe, any such restrictions. A fuller description of the restrictions on offers, sales and deliveries of the Notes and on the distribution of this Prospectus is set out in *Section 18.1*. No one is authorised to give any information or to make any representation concerning the issue of the Notes other than those contained in this Prospectus in accordance with applicable laws and regulations. Neither this Prospectus nor any other information supplied constitutes an offer or invitation by or on behalf of the Issuer or the Manager to any person to subscribe for or to purchase any Notes.

United States

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the ***U.S. Securities Act***) and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the U.S. Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

The Class A Notes and the Class B Notes are or may be deemed to be in bearer form for U.S. tax law purposes and could therefore be subject to certain U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or its possessions, or to U.S. Persons (including, for purposes of this paragraph, persons treated as United States persons under the U.S. tax laws). For a more complete description of restrictions on offers and sales and applicable U.S. tax law requirements, see *Section18.1*.

Neither the US Securities and Exchange Commission, nor any state securities commission or any other regulatory authority, has approved or disapproved the Notes or determined that this Prospectus is truthful or complete. Any representation to the contrary is a criminal offence.

Excluded holders

Notes may not be acquired by a Belgian or foreign transferee who is not subject to income tax or who is, as far as interest income is concerned, subject to a tax regime that is deemed by the Belgian tax authorities to be significantly more advantageous than the common Belgian tax regime applicable to interest income (within the meaning of Articles 54 and 198, 11° of the Belgian Income Tax Code 1992).

Responsibility Statements

The Issuer is responsible for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus, is in accordance with the facts, is not misleading and is true, accurate and complete, and does not omit anything likely to affect the import of such information. Any information from third-parties identified in this Prospectus as such, has been accurately reproduced and as far as the Issuer is aware and is 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 Seller accepts responsibility solely for the information contained in Sections 13, 14 and 16 of this Prospectus. To the best of the knowledge and belief of the Seller (having taken all reasonable care to ensure that such is the case), the information contained in Sections 13, 14 and 16 of this Prospectus is in accordance with the facts, is not misleading and is true, accurate and complete, and does not omit anything likely to affect the import of such information. Any information in these sections and any other information from third-parties identified as such in these sections has been accurately reproduced and as far as the Seller is aware and is able to ascertain from information published by that third-party, does not omit any facts which would render the reproduced information inaccurate or misleading.

The Servicer is responsible solely for the information contained in Section 15 and 22.2 of this Prospectus. To the best of the knowledge and belief of the Servicer (having taken all reasonable care to ensure that such is the case) the information contained in these sections is in accordance with the facts, is not misleading and is true, accurate and complete, and does not omit anything likely to affect the import of such information. Any information in these

sections and any other information from third-parties identified as such in these sections has been accurately reproduced and as far as the Servicer is aware and is able to ascertain from information published by that third-party, does not omit any facts which would render the reproduced information inaccurate or misleading.

The Security Agent is responsible solely for the information contained in Section 22.3 of this Prospectus. To the best of the knowledge and belief of the Security Agent (having taken all reasonable care to ensure that such is the case) the information contained in this section is in accordance with the facts, is not misleading and is true, accurate and complete, and does not omit anything likely to affect the import of such information. Any information in this section and any other information from third-parties identified as such in this section has been accurately reproduced and as far as the Security Agent is aware and is able to ascertain from information published by that third-party, does not omit any facts which would render the reproduced information inaccurate or misleading.

Representations about the Notes

No person is, or has been authorised by the Issuer or the Seller to give any information or to make any representation concerning the issue and sale of the Notes which is not contained in or not consistent with this Prospectus or any other information supplied in connection with the offering of the Notes and, if given or made, any such information or representation must not be relied upon as having been authorised by, or on behalf of, the Issuer or the Seller, the Security Agent, the Manager, the Arranger, the Administrator, the Servicer, the Account Bank, the Senior Swap Counterparty, the Junior Swap Counterparty, the Domiciliary Agent, the Calculation Agent, the Listing Agent, the Accounting Services Provider, the Corporate Services Provider, the Issuer Directors, the Security Agent Director or any of their respective affiliates. Neither the delivery of this Prospectus nor any offer, sale, allotment or solicitation made in connection with the offering of the Notes shall, in any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer or the Seller or the information contained herein since the date hereof or that the information contained herein is correct at any time subsequent to the date hereof.

Financial Condition of the Issuer

Neither the delivery of this Prospectus at any time nor any sale made in connection with the offering of the Notes shall imply that the information contained in this Prospectus is correct at any time after the date of this Prospectus. The Issuer and the Seller have no obligation to update this Prospectus, except when required by any regulations, laws or rules in force, from time to time.

The Arranger, the Manager and the Seller expressly do not undertake to review the financial conditions or affairs of the Issuer during the life of the Notes. Investors should review, amongst other things, the most recent financial statements of the Issuer when deciding whether or not to purchase any Notes.

Related or additional information

The deed of incorporation and the by-laws (*statuten/statuts*) of Penates Funding N.V. / S.A. will be available at the specified offices of the Domiciliary Agent and the registered office of the Issuer and will be available on the website: www.dexia.be/penatesfunding.

Every significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the Notes and

which arises or is noted between the time when this Prospectus is approved and the time when trading on a regulated market begins, shall be mentioned in a supplement to this Prospectus.

Such a supplement, if any, shall be approved in the same way in a maximum of seven Business Days and published in accordance with at least the same arrangements as of the publication of this Prospectus. The summary shall also be supplemented, if necessary to take into account the new information included in the supplement.

Investors who have already agreed to purchase or subscribe for the Notes before the supplement is published shall have the right, exercisable within a time limit which shall not be shorter than two Business Days after the publication of the supplement, to withdraw their acceptances. The investors must be notified of the possibility to withdraw their acceptances at the moment of the publication of any supplement.

Stabilisation

In connection with the issue of the Notes and in accordance with applicable law, the Manager or any duly appointed person acting for it (on its own account and not as agent of the Issuer), may over-allot or effect transactions in the over-the-counter market or otherwise with a view to stabilise or maintain the market price of the Notes at a level higher than that which might otherwise prevail in the open market (provided that the aggregate Principal Amount Outstanding of the Notes allotted does not exceed 105 per cent. of the aggregate Principal Amount Outstanding of the Notes). However, there is no obligation on the Manager (or any agent of the Manager) to do so. Such stabilisation, if commenced, may be discontinued at any time and will in any event be discontinued no later than the earlier of 30 days after the issue date and 60 days after the date of the allotment of the Notes. Such stabilising, if commenced, will be in compliance with all applicable laws, regulations and rules (including without limitation the Buy-back and Stabilisation Regulations (Commission Regulation (EC) No 2273/2003).

Cancellation of the Offer

The Manager shall be entitled to cancel its obligations to subscribe the Notes in certain circumstances by notice to the Issuer, the Seller and the Security Agent at any time on or before the Closing Date. As a consequence of such cancellation, the issue of the Notes and all acceptances and sales shall be cancelled automatically and the Issuer and Manager shall be released and discharged from their obligations and liabilities in connection with the issue and the sale of the Notes.

Contents of the Prospectus

The contents of this Prospectus should not be construed as providing legal, business, accounting or tax advice. Each prospective investor should consult its own legal, business, accounting and tax advisers prior to making a decision to invest in the Notes.

Currency

Unless otherwise stated, references to ***€***, ***EUR*** or ***Euro*** are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Communities, as amended by the Treaty on European Union.

Compartments

Penates Funding N.V. / S.A. *institutionele VBS naar Belgisch recht / SIC institutionnelle de droit belge* consists of several subdivisions (each subdivision a ***Compartment***) (see *Sections 4.3 and 6.7* below). In this Prospectus the term "Issuer" shall generally refer only to Penates Funding N.V. / S.A. *institutionele VBS naar Belgisch recht / SIC institutionnelle de droit belge* acting through and for the account of its Compartment Penates-4, unless where the context requires, such term may refer to the entire company as such, but in each case without prejudice to the limitation of recourse set out in *Section 5.5.4* below.

Capitalised Terms

Capitalised terms that are not defined in the body of the Prospectus shall have the meaning given to them in the Conditions of the Notes attached as Annex 1 to this Prospectus.

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SECTION 1 - OVERVIEW OF THE FEATURES OF THE NOTES

The information on this page is an overview and summary of the features of the Notes. This overview does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by reference to, the detailed information presented elsewhere in this Prospectus.

Whenever an action at law is filed with respect to the information in a prospectus, the plaintiff should, according to the national law of the state in which the court is situated and as the case may be, bear the costs of translation that are required to file the action at law. The Issuer cannot be held responsible on the basis of the summary or a translation thereof, unless its content is misleading, false, or inconsistent when read in conjunction with other parts of the Prospectus.

Certain features of the Notes are summarised below (see further *Section 7* below):

	Class A	**Class B**	**Class C**	**Class D**
Principal amount	EUR 8,077,500,000	EUR 472,500,000	EUR 450,000,000	EUR 117,000,000
Issue Price	100%	100%	100%	100%
Credit Enhancement (provided by other Classes of Notes subordinated to the relevant Class)	subordination of Class B Notes and Class C Notes	subordination of Class C Notes	Nil	Nil
Margin	1.20 per cent. p.a. or, after the Step-Up Margin Date, 2.40 per cent. p.a.	1.85 per cent. p.a.	2.30 per cent. p.a.	2.50 per cent. p.a.
Interest Accrual	Act/360	Act/360	Act/360	Act/360
Quarterly Payment Dates	Interest and principal will be payable quarterly in arrears on the twenty-fifth (25^{th}) day of February, May, August and November of each year (or the first following Business Day if such day is not a Business Day), commencing on the Quarterly Payment Date falling on 25 May 2012.			
Principal payments	No scheduled amortisation. Full sequential amortisation of the Collateralized Notes (in order of seniority) based on the Principal Available Amount on each Quarterly Payment Date, with the Notes within each of the Class A Notes, the Class B Notes and the Class C Notes ranking *pari passu* and being repaid *pro rata* and without preference among themselves.			

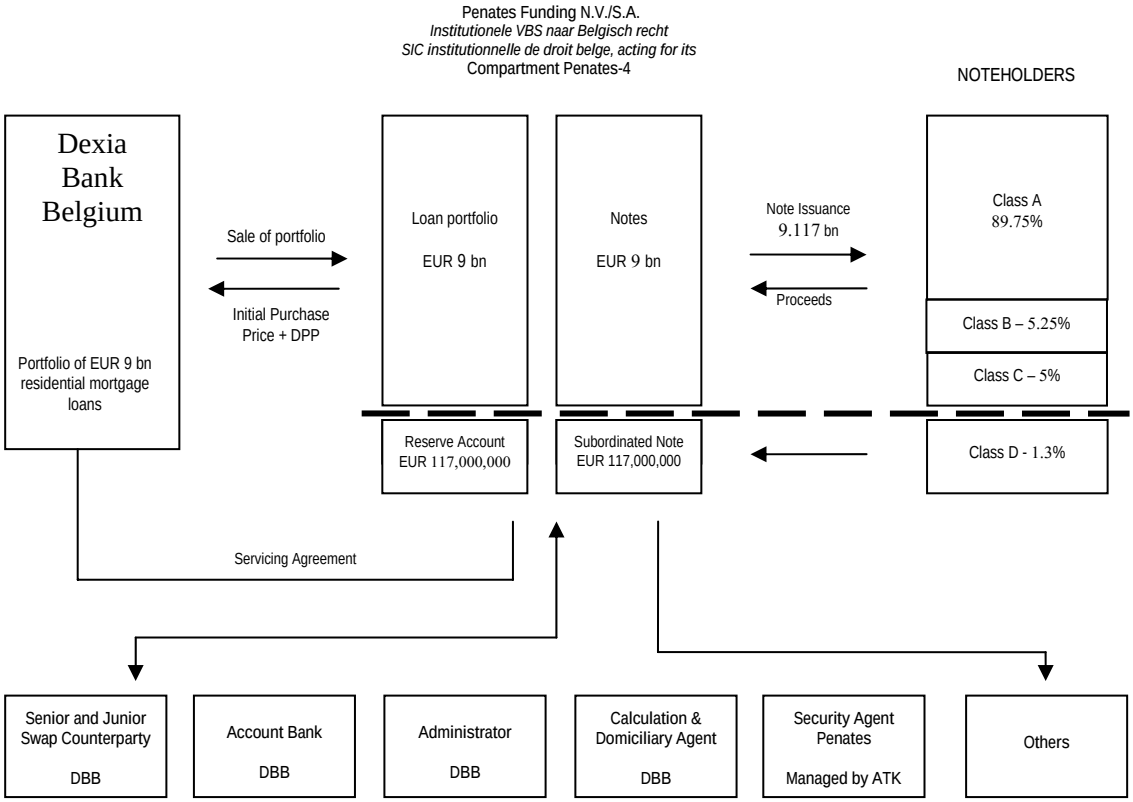
	Class A	**Class B**	**Class C**	**Class D**
Prepayments	Notes may be subject to voluntary and mandatory prepayment on any Quarterly Payment Date as described herein, with prepayments applied to the Collateralized Notes in sequential order starting with the most senior Class of Notes then outstanding.			
Final Redemption Date	Quarterly Payment Date falling in November 2045			
Optional Redemption Date	The Quarterly Payment Date falling in November 2012 (***First Optional Redemption Date***) and any Quarterly Payment Date thereafter	The Quarterly Payment Date falling in November 2012 (***First Optional Redemption Date***) and any Quarterly Payment Date thereafter	The Quarterly Payment Date falling in November 2012 (***First Optional Redemption Date***) and any Quarterly Payment Date thereafter	The Quarterly Payment Date falling in November 2012 (***First Optional Redemption Date***) and any Quarterly Payment Date thereafter
Denomination	EUR 250,000	EUR 250,000	EUR 250,000	EUR 250,000
Form	The Notes will be issued in the form of dematerialised notes under the Belgian Company Code and will be represented exclusively by book entries in the records of Clearing System operated by the National Bank of Belgium.		The Notes will be issued in the form of registered notes under the Belgian Company Code.	
Listing	Euronext Brussels	Not listed.	Not listed.	Not Listed.
Expected Rating	Fitch AAAsf Moody's Aaasf DBRS AAAsf	Fitch Asf Moody's A3sf DBRS Asf	NR	NR
ISIN	BE0002408806	BE6228345722	BE6228366934	BE6228367940
Common Code	072055403	072056477	N.A.	N.A.

SECTION 2 - TRANSACTION STRUCTURE DIAGRAM

The information on this page is a summary of and introduction to the transaction and the Transaction Parties. This summary does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by reference to, the detailed information presented elsewhere in this Prospectus.

Whenever an action at law is filed with respect to the information in a prospectus, the plaintiff should, according to the national law of the state in which the court is situated and as the case may be, bear the costs of translation that are required to file the action at law. The Issuer cannot be held responsible on the basis of the summary or a translation thereof, unless its content is misleading, false, or inconsistent when read in conjunction with other parts of the Prospectus.

This basic structure diagram below describes the principal features of the transaction. The diagram must be read in conjunction with, and is qualified entirely by the detailed information presented elsewhere in this Prospectus.



SECTION 3 - SUMMARY OF THE TRANSACTION AND THE TRANSACTION PARTIES

The information in this Section 3 is a summary of and introduction to the transaction and the Transaction Parties. This summary does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by reference to, the detailed information presented elsewhere in this Prospectus.

Whenever an action at law is filed with respect to the information in a prospectus, the plaintiff should, according to the national law of the state in which the court is situated and as the case may be, bear the costs of translation that are required to file the action at law. The Issuer cannot be held responsible on the basis of the summary or a translation thereof, unless its content is misleading, false, or inconsistent when read in conjunction with other parts of the Prospectus.

THE PARTIES

Issuer:

Penates Funding N.V. / S.A., *Institutionele vennootschap voor belegging in schuldvorderingen naar Belgisch recht / société d'investissement en créances institutionnelle de droit belge* organised as a Belgian public limited liability company (*naamloze vennootschap / société anonyme*), registered with the Belgian Federal Public Service for Finance (*Federale overheidsdienst Financiën / Service Public Fédéral Finances*) as an institutional company for investment in receivables (*institutionele vennootschap voor belegging in schuldvorderingen naar Belgisch recht / société d'investissement en créances institutionnelle de droit belge*) (an ***Institutional VBS***) since 26 August 2008 and acting through its Compartment Penates-4 (registered with the Belgian Federal Public Service for Finance (*Federale overheidsdienst Financiën / Service Public Fédéral Finances*) as a compartment of an Institutional VBS since 18 October 2011, is the Issuer of the Notes. Such registration cannot be considered as a judgement as to the quality of the transaction or on the situation or prospects of the Issuer. The Issuer has been incorporated under Belgian law and has its registered office at 1050 Brussels, Louizalaan 486, Belgium. It is registered with the Crossroad Bank for Enterprises under n° 0899.763.684. The Issuer is a special purpose vehicle.

Since 5 September 2008, the Issuer is licensed as a mortgage institution by the FSMA (the Financial Services and Markets Authority) in accordance with article 43 of the law of 4 August 1992 on mortgage credit (*Wet op het hypothecair krediet/Loi relative au crédit hypothécaire*), as amended from time to time (the ***Belgian Mortgage Credit Act***).

The Issuer is, as an Institutional VBS, subject to the rules set out in the UCITS Act.

Seller:

Dexia Bank Belgium N.V. - S.A. (***DBB*** or the ***Seller***) is organised as a limited liability company (*naamloze vennootschap / société anonyme*) under Belgian law with its registered office at 1000 Brussels, Pachecolaan 44, Belgium, registered with the

	Crossroad Bank for enterprises under number RPM 0403.201.185, licensed as a mortgage institution by the FSMA and licensed as a consumer credit provider by the Ministry of Economic Affairs. DBB will act as Seller of the Loans pursuant to the Mortgage Loan Sale Agreement to be entered into on or before the Closing Date. See *Section 12*, below.
Originator:	DBB and its legal predecessors Bacob Bank C.V. (***BACOB***) and Gemeentekrediet van België N.V.
Manager:	DBB, acting through its office at 1000 Brussels, Pachecolaan 44, Belgium, will act as manager (the ***Manager***).
Servicer:	DBB, acting through its office at 1000 Brussels, Pachecolaan 44, Belgium, will act as servicer pursuant to the Servicing Agreement to be entered into on or before the Closing Date (acting in its capacity as the ***Servicer***). See *Section 15.1* below.
Security Agent:	Stichting Security Agent Penates (the ***Security Agent***), organised as a foundation (*stichting*) under the laws of the Netherlands, and established in Olympic Plaza, Fred Roeskestraat 123, 1076 EE Amsterdam, the Netherlands. The Security Agent represents the interests of the holders of the Notes, holds the security granted under the Pledge Agreement in its own name, as creditor of the Parallel Debt, and as representative of the Noteholders and will be entitled to enforce the security granted in its favour and in favour of the Noteholders and the other Secured Parties under the Pledge Agreement.
Administrator:	DBB, acting through its office at 1000 Brussels, Pachecolaan 44, Belgium, will act as administrator of the Issuer pursuant to the Administration, Corporate and Accounting Services Agreement to be entered into on or before the Closing Date (the ***Administrator***).
Senior Swap Counterparty:	DBB, will act as swap counterparty pursuant to the Senior Swap Agreement to be entered into on or before the Closing Date (in its capacity as the ***Senior Swap Counterparty***).
Junior Swap Counterparty:	DBB, will act as swap counterparty pursuant to the Junior Swap Agreement to be entered into on or before the Closing Date (in its capacity as the ***Junior Swap Counterparty***).
Listing Agent	DBB, acting through its office at 1000 Brussels, Pachecolaan 44, Belgium, will act as listing agent (the ***Listing Agent***).
Domiciliary Agent:	DBB, acting through its office at 1000 Brussels, Pachecolaan 44, Belgium, will act as domiciliary agent pursuant to the Domiciliary Agency Agreement to be entered into on or before the Closing Date (in its capacity as the ***Domiciliary Agent***).
Calculation Agent:	DBB, acting through its office at 1000 Brussels, Pachecolaan 44, Belgium, will act as the calculation agent pursuant to the Domiciliary Agency Agreement to be entered into on or before

	the Closing Date (in its capacity as the ***Calculation Agent***).
Account Bank:	DBB, acting through its office at 1000 Brussels, Pachecolaan 44, Belgium, will act as account bank pursuant to the Account Bank Agreement to be entered into on or before the Closing Date (in its capacity as the ***Account Bank***).
Rating Agencies:	FITCH RATINGS LIMITED FRANCE, with its registered office at 60 rue de Monceau, 75008 Paris, France (***Fitch***), and MOODY'S INVESTORS SERVICE LIMITED, with its registered office at Canada Square, London E14 5FA, the United Kingdom (***Moody's***), and DBRS RATINGS LIMITED, with its registered office at 10th Floor, 1, Minster Court, Mincing Lane, London. EC3R 7AA, the United Kingkom (***DBRS***), (together the ***Rating Agencies***).
Auditor:	Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA, with its registered office at Berkenlaan 8b, 1831 Diegem, Belgium has been appointed as statutory auditor of the Issuer (the ***Auditor***). See *Section 6.5*, below.
Corporate Services Provider:	Dexia Fiduciaire Belgium N.V. - S.A, acting through its office at 1000 Brussels, Pachecolaan 44, Belgium, will provide general corporate services to support the Issuer in terms of the corporate management of the Issuer, pursuant to the Administration, Corporate and Accounting Services Agreement to be entered into on or before the Closing Date (the ***Corporate Services Provider***).
Accounting Services Provider	Dexia Fiduciaire Belgium N.V. - S.A, acting through its office at 1000 Brussels, Pachecolaan 44, Belgium, will provide certain accounting and bookkeeping services to the Issuer, pursuant to the Administration, Corporate and Accounting Services Agreement to be entered into on or before the Closing Date (the ***Accounting Services Provider***).
Transaction Parties	The Issuer, the Seller, the Servicer, the Security Agent, the Administrator, the Senior Swap Counterparty, the Junior Swap Counterpary, the Listing Agent, the Domiciliary Agent, the Account Bank, the Auditors, the Calculation Agent, the Corporate Services Provider, the Accounting Services Provider, the Manager, the Issuer Directors and the Security Agent Director, together the ***Transaction Parties,*** which term, where the context permits, shall include their permitted assigns and successors.
THE NOTES	
The Notes:	The Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes will be issued by the Issuer on the Closing Date. The aggregate Principal Amount Outstanding of the Class A

	Notes on the Closing Date will be EUR 8,077,500,000. The aggregate Principal Amount Outstanding of the Class B Notes on the Closing Date will be EUR 472,500,000. The aggregate Principal Amount Outstanding of the Class C Notes on the Closing Date will be EUR 450,000,000. The aggregate Principal Amount Outstanding of the Class D Notes on the Closing Date will be EUR 117,000,000. See *Sections 5* and *7* below.
Closing Date:	The date on which the Notes will be issued, being 19 December 2011, or such later date as may be agreed between the Issuer and the Manager. See *Section 18.1*, below.
Status, Ranking and Subordination:	The Notes of each Class rank *pari passu* without any preference or priority among Notes of the same Class. Redemption of and interest payments on the Class B Notes will be subordinated to redemption of and interest payments on the Class A Notes. Redemption of and interest payments on the Class C Notes will be subordinated to redemption of and interest payments on the Class A Notes and the Class B Notes. Prior to enforcement, interest and principal on the Class D Notes will only be paid in accordance with the Notes Interest Priority of Payment whereby interest payments on and redemption of the Class D Notes will be subordinated to interest payments on the Class A Notes, the Class B Notes and the Class C Notes. Upon enforcement, interest and principal on the Class D Notes will only be paid in accordance with the Post-enforcement Priority of Payment whereby interest payments on and redemption of the Class D Notes will be subordinated to interest payments on and redemption of the Class A Notes, the Class B Notes and the Class C Notes. See *Section 5.5*, below.
Denomination:	The Notes will be issued in denominations of EUR 250,000. See *Section 7 – Description of the Notes* below.
Issue Price:	The Issue Price of each Note shall be 100 per cent. of the denomination of the Note (the ***Issue Price***).
Dematerialised Notes:	The Class A Notes and the Class B Notes will be issued in the form of dematerialised notes under the Belgian Company Code and will be represented exclusively by book entries in the records of the Clearing System. Access to the Clearing System is available through its Clearing System Participants whose membership extends to securities such as the Notes (the ***Clearing System Participants***). Clearing System

Participants include certain Belgian banks, stock brokers (*beursvennootschappen /sociétés de bourse*), Clearstream and Euroclear Bank.

Transfers of interests in the Class A Notes and the Class B Notes will be effected between the Clearing System Participants in accordance with the rules and operating procedures of the Clearing System. Transfers between investors will be effected in accordance with the respective rules and operating procedures of the Clearing System Participants through which they hold their Notes.

The Issuer and the Domiciliary Agent will not have any responsibility for the proper performance by the Clearing System or its Clearing System Participants of their obligations under their respective rules and operating procedures.

Investors will only be able to hold the Class A Notes and the Class B Notes through an X-account with Euroclear or Clearstream or with a Clearing System Participant. The Investors will therefore need to confirm their status as Eligible Investor (as defined in Article 4 of the Royal Decree of 26 May 1994 on the deduction and indemnification of withholding tax (*Koninklijk Besluit van 26 mei 1994 over de inhouding en de vergoeding van de roerende voorheffing/Arrêté Royal du 26 mai 1994 relatif à la perception et à la bonification du précompte mobilier*)) in the account agreement to be entered into with Euroclear or Clearstream or with a Clearing System Participant.

Registered Notes: The Class C Notes and the Class D Notes will be issued in the form of registered notes under the Belgian Company Code and will be represented exclusively by book entries in the notes register held by the Issuer.

Transfers of interests in the Class C Notes and the Class D Notes will be effected by registration of such transfer in the notes register in accordance with the provisions of the Belgian Company Code.

Conditions: The Conditions of the Notes are set out in full in *Annex 1* to this Prospectus. Capitalised terms that are not defined in the body of the Prospectus shall have the meaning given to them in the Conditions of the Notes attached as *Annex 1* (*Terms and Conditions of the Notes*).

Interest Rate: Each Note shall bear interest on its Principal Amount Outstanding from (and including) the Closing Date. Interest on the Notes will accrue by reference to successive Interest Periods. Interest on the Notes will be payable quarterly in arrears in Euros on the 25th calendar day of February, May, August and November (or, if such day is not a Business Day, the next succeeding Business Day) in each year (each a ***Quarterly Payment Date***) commencing on the Quarterly Payment Date falling on 25 May 2012. Interest on the Notes will be calculated on the basis of the actual number of days

elapsed in an Interest Period and a year of 360 days.

A ***Business Day*** means a day (other than a Saturday or Sunday) on which:

(a) banks are open for business in Brussels; and

(b) the Trans-European Automated Real-Time Gross Settlement Express Transfer System (***TARGET System***) or any successor TARGET System is operating credit or transfer instructions in respect of payments in Euros.

Interest on the Notes will accrue at an annual rate equal to the sum of:

(a) the Euro Reference Rate determined in accordance with *Condition 4.4*; plus

(b) a margin (the ***Margin***) on the Notes which will be:

(i) in respect of the Class A Notes: 1.20% per annum;

(ii) in respect of the Class B Notes: 1.85% per annum;

(iii) in respect of the Class C Notes: 2.30% per annum; and

(iv) in respect of the Class D Notes: 2.50% per annum.

Interest Rate Step-Up

If on the Optional Redemption Date falling in November 2015 (the ***Step-Up Margin Date***) the Issuer has not exercised the Optional Redemption Call, the Margin payable on the Class A Notes will increase. After the Step-Up Margin Date, interest on the Class A Notes will accrue at an annual rate equal to the sum of:

(a) the Euro Reference Rate determined in accordance with *Condition 4.4*; plus

(b) an increased margin (the ***Step-Up Margin***) on the Class A Notes which will be reset from 1.20% to 2.40% per annum.

Interest Payments:

Interest on the Notes will be paid on each Quarterly Payment Date in accordance with the Notes Interest Priority of Payments under *Section 5.7.7* below.

To the extent that the Notes Interest Available Amount is insufficient on any Quarterly Payment Date to pay the interest due on any Class of Notes, with the exception of the Class A Notes, the payment of the amount of such shortfall shall be deferred and such amount shall be debited to the relevant Interest Deficiency Ledger in order to record the interest deficiency incurred.

Mandatory Redemption Provisions:

Prior to enforcement and subject to, and in accordance with the Principal Priority of Payments, the Issuer will be obliged to apply the Principal Available Amount on the first Quarterly Payment Date falling on 25 May 2012 and on each Quarterly Payment Date thereafter in or towards satisfaction of:

(a) *first*, on a *pari passu* and *pro rata* basis, any amount of interest shortfall and any other amount as referred to in item (i) of the Notes Interest Priority of Payments on such Quarterly Payment Date;

(b) *second*, all amounts of principal on the Class A Notes;

(c) *third*, if, and to the extent the Class A Notes have been fully redeemed, in or towards satisfaction of all amounts of principal on the Class B Notes;

(d) *fourth*, if, and to the extent the Class B Notes have been fully redeemed, in or towards satisfaction of all amounts of principal on the Class C Notes; and

(e) *fifth*, if, and to the extent the Class C Notes have been fully redeemed, any remaining amount will be added to the Notes Interest Available Amount.

The Class D Notes will, on each Quarterly Payment Date, be repaid for an amount up to the Class D Redemption Amount from the amount (if any) of the Notes Interest Available Amount available to the Issuer after satisfaction of the amounts due in respect of all items listed at items (i) to (and including) (xi) of the Notes Interest Priority of Payments and available prior to the payment of the Senior Subordinated Swap Amounts (if any), the Junior Subordinated Swap Amounts (if any) and the Deferred Purchase Price in accordance with the Notes Interest Priority of Payments set out under *Section 5.7.7* below (the ***Excess Cash***).

Optional Redemption Call:

Unless previously redeemed in full, the Issuer shall, upon giving not more than sixty (60) calendar days' notice and not less than thirty (30) calendar days' notice in accordance with Condition 5.11 have the right (but not the obligation) to redeem all the Notes on the First Optional Redemption Date and on any Quarterly Payment Date falling thereafter, provided that it has sufficient funds available to redeem all the Collateralized Notes on such date (the ***Optional Redemption Call***). In such circumstances, the redemption of the Collateralized Notes will be for an amount equal to the Principal Amount Outstanding of such Collateralized Notes plus accrued but unpaid interest thereon, after payment of all amounts that are due and payable in priority to such Collateralized Notes. See the detailed provisions contained in Conditions 5.11 and 5.13 to 5.16.

Principal Amount Outstanding of a Note on any date shall be the principal amount of that Note upon issue less the aggregate amount of all payments of principal in respect of such Note that

have been paid by the Issuer since the Closing Date and on or prior to such date.

Clean-Up Call: The Issuer shall, upon giving not more than sixty (60) calendar days' notice and not less than thirty (30) calendar days' notice in accordance with Condition 5.12, have the right (but not the obligation) to redeem all the Notes on a Quarterly Payment Date if on the Quarterly Calculation Date immediately preceding such Quarterly Payment Date the aggregate Principal Amount Outstanding of the Collateralized Notes is less than 10 per cent of the aggregate Principal Amount Outstanding of the Collateralized Notes on the Closing Date (being the ***Clean-Up Date***), after payment of all amounts that are due and payable in priority to the Notes subject to and in accordance with the Conditions and provided that it has sufficient funds available to redeem all the Collateralized Notes on such date (the ***Clean-Up Call***) See the detailed provisions contained in Conditions 5.12 to 5.16.

Optional Redemption for Tax Reasons: The Issuer shall have the right (but not the obligation) to redeem all of the Notes, on any Quarterly Payment Date, upon the occurrence of one or more of the following circumstances:

(a) if, on the next Quarterly Payment Date, the Issuer, the Clearing System Operator, the Domiciliary Agent or any other person is or would become required to deduct or withhold for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed by the Kingdom of Belgium (or any sub-division thereof or therein) from any payment of principal or interest in respect of Notes of any Class held by or on behalf of any Noteholder who would, but for any amendment to, or change in, the tax laws or regulations of the Kingdom of Belgium (or any sub-division thereof or therein) or of any authority therein or thereof having power to tax or in the interpretation by a revenue authority or a court of, or in the administration of, such laws or regulations after the Closing Date, have been an Eligible Investor; or

(b) if, on the next Payment Date, the Issuer, the Senior Swap Counterparty or the Junior Swap Counterparty or any other person would be required to deduct or withhold for or on account of any present or future taxes, duties assessments or governmental charges of whatever nature imposed by the Kingdom of Belgium (or any sub-division thereof or therein), or any other sovereign authority having the power to tax, any payment under the Swap Agreement; or

(c) if, the total amount payable in respect of a Quarterly Collection Period as interest on any of the Loans ceases to be receivable by the Issuer during such Quarterly Collection Period due to withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature in respect of such

payments; or

(d) if, after the Closing Date, the Belgian tax regulations introducing income tax, withholding tax and VAT concessions for Belgian companies for investment in receivables (including the Issuer) are changed (or their application is changed in a materially adverse way to the Issuer or in the event that the IIR Tax Regulations would no longer be applicable to the Issuer);

after payment of all amounts that are due and payable in priority to the Notes subject to and in accordance with the Conditions and provided that it has sufficient funds available to redeem all the Collateralized Notes on such date (an ***Optional Redemption for Tax Reasons***). See the detailed provisions contained in Conditions 5.17 and 5.18.

Optional Redemption in case of Change of Law:

On each Quarterly Payment Date, the Issuer may (but is not obliged to) redeem all of the Notes subject to and in accordance with the Conditions if there is a change in, or any amendment to the laws, regulations, decrees or guidelines of the Kingdom of Belgium or of any authority therein or thereof having legislative or regulatory powers or in the interpretation by a relevant authority or a court of, or in the administration of, such laws, regulations, decrees or guidelines after the Closing Date which would or could affect the Issuer or the Noteholders in a materially adverse way (an ***Optional Redemption in case of Change of Law***). No Class of Notes may be redeemed under such circumstances unless all Classes of Collateralized Notes (or such of them as are then outstanding) are also redeemed in full at the same time. See the detailed provisions contained in Conditions 5.19 and 5.20.

Regulatory Call Option:

On each Quarterly Payment Date, the Issuer has the option (but not the obligation) to redeem all of the Notes, if the Seller exercises its option to repurchase the Loans from the Issuer upon the occurrence of a Regulatory Change (the ***Regulatory Call Option***). No Class of Notes may be redeemed under such circumstances unless all Classes of Collateralized Notes (or such of them as are then outstanding) are also redeemed in full at the same time. See the detailed provisions contained in Conditions 5.21 and 5.22.

Optional Redemption in case of Ratings Downgrade Event

On each Quarterly Payment Date, the Issuer may (but is not obliged to) redeem all of the Notes subject to and in accordance with the Conditions upon the occurrence of a downgrade of the Seller by a Rating Agency on or after the Closing Date as a result of which:

(i) the long-term, unsecured and unsubordinated debt obligations of the Seller cease to be rated (or, in case of DBRS, assigned a credit view equivalent to a rating of) as high as BBB(low) by DBRS, Baa3 by Moody's and BBB- (or if rated BBB-, this rating is being put on Rating Watch

Negative) by Fitch or such rating is withdrawn; or

(ii) the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Seller cease to be rated as high as F3 by Fitch or such rating is withdrawn,

(an ***Optional Redemption in case of Rating Downgrade Event***). No Class of Notes may be redeemed under such circumstances unless all Classes of Collateralized Notes (or such of them as are then outstanding) are also redeemed in full at the same time. See the detailed provisions contained in Conditions 5.23 and 5.24.

Withholding Tax: All payments of, or in respect of, principal of and interest on, the Notes will be made without withholding of, or deduction for, or on account of any present or future taxes, duties, assessments or charges (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same) of whatever nature (a ***Tax Deduction***, unless the Tax Deduction is required by law. In that event, the Issuer, the Clearing System Operator, the Domiciliary Agent or any other person (as the case may be) will make the required Tax Deduction for the account of the Noteholders, as the case may be, and shall not pay any additional amounts to such Noteholders in respect of any such Tax Deduction. Neither the Issuer, the Clearing System Operator, the Domiciliary Agent nor any other person will be obliged to gross up the payments in respect of the Notes of any Class or to make any additional payments to any Noteholders. The Issuer, the Clearing System Operator, the Domiciliary Agent or any other person being required to make a Tax Deduction shall not constitute an Event of Default. See *Sections 11.2.1* and *11.3*, below.

Final Redemption Date: Unless previously redeemed in full, the Issuer will redeem the Notes at their respective Principal Amount Outstanding, together with accrued interest thereon on the Quarterly Payment Date falling in November 2045.

Use of Proceeds: The Issuer will use the proceeds from the issue of the Collateralized Notes to pay to the Seller the Initial Purchase Price for the Loans transferred to the Issuer by the Seller pursuant to the MLSA. See *Section 19*, below. The proceeds from the issue of the Class D Notes will be credited to the Reserve Fund on the Closing Date. See *Section 5.4*, below.

TRANSACTION STRUCTURE AND DOCUMENTS

Mortgage Loan Sale Agreement (or the MLSA): On or before the Closing Date, the Seller, the Security Agent and the Issuer will enter into the Mortgage Loan Sale Agreement (the ***Mortgage Loan Sale Agreement*** or the ***MLSA***) pursuant to which the Issuer purchases the Loans from the Seller. See *Section 12*, below.

Mandatory Repurchase If, at any time after the Closing Date any of the representations, warranties and Eligibility Criteria relating to the Loan(s) as set out

under the MLSA: in the MLSA proves to be untrue, incorrect or incomplete and the Seller has not remedied this within five (5) Business Days after being notified thereof in writing or it cannot be remedied, the Seller shall (at the direction of the Issuer or the Security Agent) on the next Monthly Payment Date following expiry of the five (5) Business Days period mentioned above:

(a) indemnify the Issuer for all damages, costs, expenses and losses; and

(b) repurchase the relevant Loan(s) and the Loan(s) Security at a price equal to the aggregate of the then Current Balance of the repurchased Loan(s) plus accrued interest thereon and reasonable *pro rata* costs up to (but excluding) the date of completion of the repurchase. See *Section 12.3.1*, below.

In addition, if a variation proposed by a borrower under any Loan (a ***Borrower***) to the Servicer is not a Permitted Variation (a ***Non-Permitted Variation***), then the Servicer shall (a) on a monthly basis inform the Seller, the Security Agent and the Administrator and (b) if, and to the extent the Servicer, in concertation with the Seller, were to decide to accept such Non-Permitted Variation, no later than 45 calendar days after the date that the Non-Permitted Variation was accepted and implemented (or, in case such day would not fall on a Business Day, the immediately succeeding Business Day), repurchase and accept re-assignment of the relevant Loan at a price equal to the aggregate of:

(i) the then Current Balance of such Loan(s);

(ii) *plus* accrued interest thereon and reasonable *pro rata* costs up to (but excluding) the date of completion of the repurchase. See *Section 12.3.1*, below.

Servicing Agreement: On or before the Closing Date, *inter alios*, the Issuer, the Servicer and the Security Agent will enter into the Servicing Agreement pursuant to which the Servicer will be responsible for the performance of administration and management services to the Issuer with respect to the Loans on a day-to-day basis, including, without limitation, the collection of payments of interest, principal and all other amounts by Borrowers in respect of the Loans (the ***Servicing Agreement***). See *Section 15*, below.

Collections: Principal and interest payments made by the Borrowers in respect of Loans collected by the Servicer during a Collection Period will be transferred by the Servicer to the Transaction Account on a daily basis. See *Section 5.2*, below.

Reserve Fund: On the Closing Date, the Issuer will use the proceeds of the issue of the Class D Notes to establish and maintain a reserve fund held at the Account Bank, initially in the amount of EUR 117,000,000 (equal to 1.3% of the Principal Amount Outstanding of the Collateralized Notes on the Closing Date) (the ***Reserve Fund***).

The purpose of the Reserve Fund will be to enable the Issuer to meet the Issuer's payment obligations: (a) under item (i) of the Notes Interest Priority of Payments (as longs as the Class A Notes have not been redeemed in full) and under items (i) up to and including (vi) in the Notes Interest Priority of Payments (in case the Class A Notes have been redeemed in full) in the event of a shortfall of the Notes Interest Available Amount on a Quarterly Payment Date, and (b) under items (i) up to and including (vii) of the Monthly Interest Priority of Payment in the event of a shortfall of the Monthly Interest Available Amount on a Monthly Payment Date.

If on any Quarterly Calculation Date the amount standing to the credit of the Reserve Fund (subject to Condition 5.7) exceeds the Reserve Fund Required Amount, the excess will be drawn from the Reserve Fund and will form part of the Notes Interest Available Amount to be allocated in accordance with the Notes Interest Priority of Payments on the immediately succeeding Quarterly Payment Date. For the Reserve Fund Required Amount, see *Section 5.4.3* below.

All amounts standing to the credit of the Reserve Fund may be released and thus the Reserve Fund Required Amount will be reduced to zero, save for any amounts reasonably determined by the Administrator on any Calculation Date, if the Collateralized Notes have been redeemed in full and all other obligations in respect of the Collateralized Notes have been satisfied on the Quarterly Payment Date immediately before such Calculation Date. In such circumstances, all amounts standing to the credit of the Reserve Fund will thereafter be credited to and form part of the Notes Interest Available Amount and will be available towards the satisfaction of the Issuer’s obligations under the Notes Interest Priority of Payments.

The Reserve Fund will be replenished up to the Reserve Fund Required Amount in accordance with the Notes Interest Priority of Payments.

See *Section 5.4* below.

Senior Swap Agreement:

On or before the Closing Date, the Issuer and the Security Agent will enter into a 2002 ISDA Master Agreement (including a schedule, credit support annex and a confirmation documenting the transaction entered into thereunder) governed by English law with the Senior Swap Counterparty to hedge the risk between the interest the Issuer will receive under the Loans and the floating rate interest the Issuer must pay under the Class A Notes (the ***Senior Swap Agreement***). See *Section 5.8* below.

Junior Swap Agreement:

On or before the Closing Date, the Issuer and the Security Agent will enter into a 2002 ISDA Master Agreement (including a schedule and a confirmation documenting the transaction entered into thereunder) governed by English law with the Junior Swap Counterparty to hedge the risk between the interest the Issuer will

receive under the Loans and the floating rate interest the Issuer must pay under the Class B and Class C Notes (the ***Junior Swap Agreement***). See *Section 5.8* below.

Transaction Documents

The MLSA, the Account Bank Agreement, the Administration, Corporate and Accounting Services Agreement, the Domiciliary Agency Agreement, the Servicing Agreement, the Parallel Debt Agreement, the Pledge Agreement, the Subscription Agreement, the Senior Swap Agreement, the Junior Swap Agreement, the Clearing Agreement, the Master Definitions Agreement, the Issuer Management Agreements, the Stichting Vesta Management Agreements and all other agreements, forms and documents executed pursuant to or in relation to such documents (collectively referred to as the ***Transaction Documents***)

THE SECURITY

Parallel Debt Agreement:

On or before the Closing Date, the Issuer, the Security Agent and the other Secured Parties (other than the Noteholders) will enter into a parallel debt agreement (the ***Parallel Debt Agreement***) pursuant to which the Issuer shall undertake to pay to the Security Agent amounts (the ***Parallel Debt***) equal to the amounts, from time to time, payable by the Issuer to the Secured Parties.

Collateral:

On or before the Closing Date, the Issuer, the Security Agent and the other Secured Parties (other than the Noteholders) will enter into a pledge agreement (the ***Pledge Agreement***) pursuant to which the Notes and the obligations owed by the Issuer to the other Secured Parties, including the Parallel Debt, will be secured by a first ranking commercial pledge by the Issuer to the Secured Parties, including the Security Agent acting in its own name, as creditor of the Parallel Debt, and as representative of the Noteholders over:

(a) the Loans, all Loan Security and all Additional Security;

(b) the Issuer's rights under or in connection with the Transaction Documents and under all other documents to which the Issuer is a party;

(c) the Issuer's rights and title in and to any Issuer Accounts; and

(d) any other assets of the Issuer (including, without limitation, the Loan Documents and the Contract Records).

Notification Events:

The Borrowers will not be notified of the sale and the assignment of the Loans to the Issuer and the pledge over the Loans and the relevant Loan Security in favour of the Secured Parties. Upon the occurrence of certain events (including the service of an Enforcement Notice), the Seller, unless otherwise instructed by the Security Agent, will be required (and, failing which, the Issuer and the Security Agent shall be entitled) to notify the Borrowers of such sale and assignment (a ***Notification Event***) and/or the pledge (a ***Pledge Notification Event***) of the Loans and the

relevant Loan Security in favour of the Secured Parties. See *Section 12.4*, below.

Limited Recourse and Non-Petition:

To the extent that the Principal Available Amount and the Notes Interest Available Amount are insufficient to repay any principal or accrued interest outstanding on any Class of Notes on the Final Redemption Date, any amount of the Principal Amount Outstanding of, and accrued interest on, such Notes in excess of the amount available for redemption or payment at such time, will cease to be payable by the Issuer.

Obligations of the Issuer to the Noteholders and all other Secured Parties are allocated exclusively to Compartment Penates-4 and the recourse for such obligations is limited so that only the assets of Compartment Penates-4 subject to the relevant Security will be available to meet the claims of the Noteholders and the other Secured Parties. Any claim remaining unsatisfied after the realisation of the Security and the application of the proceeds thereof in accordance with the Post-enforcement Priority of Payments shall be extinguished and all unpaid liabilities and obligations of the Issuer acting through its Compartment Penates-4 will cease to be payable by the Issuer.

Except as otherwise provided by Conditions 11 and 12, none of the Noteholders or any other Secured Party shall be entitled to initiate proceedings or take any steps to enforce any relevant Security. See *Sections 4.3* and *5.5.5* and *Condition 11*, below.

THE LOANS

The Loans:

The Loans to be sold by the Seller to the Issuer under the MLSA are all loans that:

were originated by the Seller or its legal predecessors Gemeentekrediet van België N.V. and Bacob Bank C.V. in their capacity as Originator (the ***Originators***, and Originator shall mean any of them); and

on 31 October 2011 (the ***Cut-Off Date***), meet the Eligibility Criteria.

Representations, Warranties and Eligibility Criteria:

A Loan transferred pursuant to the MLSA will satisfy all of the representations, warranties and Eligibility Criteria. See *Section 12.2*, below.

CORPORATE AND ADMINISTRATIVE

Administration, Corporate and Accounting Services Agreement:

On or before the Closing Date, the Administrator, the Corporate Services Provider, the Accounting Services Provider, the Issuer, the Seller, the Servicer, the Security Agent and the Domiciliary Agent will enter into the Administration, Corporate and Accounting Services Agreement relating to, *inter alia*, the provision of certain administration, corporate and accounting services to the Issuer (the ***Administration, Corporate and***

Accounting Services Agreement).

Master Definitions Agreement: On or before the Closing Date, the Issuer and all Secured Parties (other than the Noteholders) will enter into the Master Definitions Agreement (the ***Master Definitions Agreement***).

Domiciliary Agency Agreement: On or before the Closing Date, the Issuer, the Security Agent, the Calculation Agent and the Domiciliary Agent will enter into the Domiciliary Agency Agreement pursuant to which the Domiciliary Agent will act as domiciliary agent in respect of the Notes, provide certain payment services in respect of the Notes on behalf of the Issuer and pursuant to which the Calculation Agent will provide interest rate determination services to the Issuer (the ***Domiciliary Agency Agreement***).

Account Bank Agreement: On or before the Closing Date, the Account Bank, the Issuer, the Administrator and the Security Agent will enter into the Account Bank Agreement relating to, *inter alia*, the duties of the Account Bank in relation to the Issuer Accounts on the terms and subject to the conditions set out in the Account Bank Agreement (the ***Account Bank Agreement***).

GENERAL INFORMATION

Clearing: On or before the Closing Date, the Issuer, the Domiciliary Agent and the National Bank of Belgium will enter into the Clearing Agreement pursuant to which the Class A Notes and the Class B Notes will be cleared (the ***Clearing Agreement***).

The Class A Notes and the Class B Notes will be cleared through the X/N securities and cash clearing system currently operated by the National Bank of Belgium and accepted by certain Belgian credit institutions, stockbrokers (*beursvennootschappen/sociétés de bourse*), Euroclear Bank N.V. (***Euroclear***) and Clearstream Bank S.A. (***Clearstream***), each of them in their capacity as Clearing System Participants.

Expected Rating: It is expected that the Class A Notes will be assigned a rating of AAAsf by DBRS, AAAsf by Fitch and of Aaasf by Moody's.

It is expected that the Class B Notes will be assigned a rating of Asf by DBRS, of Asf by Fitch and of A3 by Moody's.

The Class C Notes and the Class D Notes will not be rated.

Governing Law: The Notes will be governed by, and construed in accordance with, Belgian law. The Transaction Documents will also be governed by Belgian law, save for the Senior Swap Agreement and the Junior Swap Agreement that will be governed by, and construed in accordance with English law.

SECTION 4 - RISK FACTORS

The risk factors described below represent the principal risks inherent in the transaction for Noteholders, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Although the Issuer believes that the various structural elements described in this Prospectus mitigate some of these risks for Noteholders there can be no assurance that these measures will be sufficient to ensure payments to Noteholders of interest, principal or any other amounts on or in connection with the Notes on a timely basis or at all. Prospective Noteholders should read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decisions. If you are in any doubt about the contents of this Prospectus, you should consult an appropriate professional adviser.

4.1 Status of the Issuer

4.1.1 Belgian regulatory framework for securitisation vehicles

Belgian law provides for a specific legal framework designed to facilitate securitisation transactions. These rules are set out in the UCITS Act. This legislation provides for a dedicated category of collective investment undertakings, which are designed for making investments in receivables. These vehicles can be set up as an investment company (*vennootschap voor belegging in schuldvorderingen* (or ***VBS***) / *société d'investissement en créances* (or ***SIC***)), i.e. as a commercial company under Belgian law in the form of a public limited liability company (*naamloze vennootschap/société anonyme)* or in the form of a limited liability partnership *(commanditaire vennootschap op aandelen/société commandite en actions).* The operations of a VBS are mainly governed by the UCITS Act, its by-laws (*statuten/statuts*) and, except to the extent provided in the UCITS Act, the Belgian Company Code.

The legislation provides for two types of VBS: a "public VBS" and an "institutional VBS". If a VBS wishes to offer its securities and/or to attract funding from parties who are not solely institutional or professional investors, it must be licensed by the FSMA as a "public VBS". A VBS that attracts its funding exclusively from institutional or professional investors is an ***Institutional VBS***.

In order to facilitate securitisation transactions, a VBS benefits from certain special rules for the assignment of receivables (see *Section 4.9* below) and from a special tax regime (see *Section 6.8* below). The status of Institutional VBS is in particular a requirement for the true sale of the Loans, for the absence of corporate tax on the revenues of the Issuer and for an exemption of VAT on certain expenses of the Issuer. The loss of such Institutional VBS status would impact adversely on the Issuer's ability to satisfy its payment obligations to the Noteholders.

4.1.2 Status of the Issuer as an Institutional VBS

The Issuer has been established so as to have and maintain the status of an Institutional VBS. Under the UCITS Act, the regulatory status of an Institutional VBS *inter alia* depends on the securities it issues being acquired and held at all times by Institutional Investors only.

Measures to safeguard the Issuer's status as an Institutional VBS

Article 103 of the UCITS Act provides expressly that a listing on a regulated market accessible to the public (such as Euronext Brussels) and/or the acquisition of securities

(including shares) of an institutional VBS by investors that are not Institutional Investors outside the control of the VBS, would not adversely affect the status of an investment vehicle as an Institutional VBS, provided that:

(a) the VBS has taken "adequate measures" to guarantee that the investors of the VBS are Institutional Investors acting for their own account; and

(b) the VBS does not contribute to the fact that securities are held by investors that are not Institutional Investors acting for their own account and does not promote in any way the holding of its securities by investors that are not Institutional Investors acting for their own account.

The "adequate measures" the Issuer has undertaken and will undertake for such purposes are described below.

The Royal Decree of 15 September 2006 relating to some measures on institutional companies for collective investment in receivables (*Arrêté royal portant certaines mesures d'exécution relatives aux organismes de placement collectif en créances institutionnels / Koninklijk besluit houdende bepaalde uitvoeringsmaatregelen voor de institutionele instellingen voor collectieve belegging in schuldvorderingen*) (the ***2006 Royal Decree VBS***) sets out the circumstances and conditions in which a VBS will be deemed to have taken such "adequate measures".

In order to procure that the securities issued by the Issuer are held only by Institutional Investors acting for their own account, the Issuer has taken the following measures:

(a) in respect of the shares of the Issuer:

  (i) the shares of the Issuer will be registered shares; and

  (ii) the by-laws of the Issuer contain transfer restrictions stating that its shares can only be transferred to Institutional Investors acting for their own account, with the sole exception, if the case arises, of shares which in accordance with Article 103, second section of the UCITS Act, would be held by the Seller as credit enhancement; and

  (iii) the by-laws of the Issuer provide that the Issuer will refuse the registration (in its share register) of the prospective purchase of shares, if it becomes aware that the prospective purchaser is not an Institutional Investor acting for its own account (with the sole exception, if the case arises, of shares which in accordance with Article 103, second section of the UCITS Act, would be held by the Seller as credit enhancement); and

  (iv) the by-laws of the Issuer provide that the Issuer will suspend the payment of dividends in relation to its shares of which it becomes aware that these are held by a person who is not an Institutional Investor acting for its own account (with the sole exception, if the case arises, of shares which in accordance with Article 103, second section of the UCITS Act, would be held by the Seller as credit enhancement); and

(b) in respect of the Notes:

  (i) the Notes will have the selling and holding restrictions described in *Section 18.1- Subscription and Sale*; and

(ii) the Manager will undertake pursuant to the Subscription Agreement in respect of primary sales of the Notes, to sell the Notes solely to Institutional Investors acting on their own account; and

(iii) the Class A Notes and the Class B Notes are issued in dematerialised form and will be included in the X/N clearing system operated by the National Bank of Belgium; and

(iv) the Class C Notes and the Class D Notes are issued in registered form;

(v) the nominal value of each individual Note is EUR 250,000 upon issuance; and

(vi) in the event that the Issuer becomes aware that Notes are held by investors other than Institutional Investors acting for their own account in breach of the above requirement, the Issuer will suspend interest payments relating to these Notes until such Notes will have been transferred to and are held by Institutional Investors acting for their own account; and

(vii) the Conditions of the Notes, the by-laws of the Issuer, the Prospectus and any other document issued by the Issuer in relation to the issue and initial placing of the Notes will state that the Notes can only be acquired, held by and transferred to Institutional Investors acting for their own account; and

(viii) all notices, notifications or other documents issued by the Issuer (or a person acting on its account) and relating to transactions with the Notes or the trading of the Notes on Euronext Brussels will state that the Notes can only be acquired, held by and transferred to Institutional Investors acting for their own account; and

(ix) the Conditions provide that (°) the Class A Notes and the Class B Notes may only be held by persons that are holders of an X-Account with the Clearing System operated by the National Bank of Belgium or (directly or indirectly) with a participant in such system and (°°) the Class C Notes and the Class D Notes may only be held by a person that certifies to the Issuer that is an Institutional Investor and qualifies for an exemption from Belgian withholding tax on interest payments under the Class C Notes and the Class D Notes and shall comply with any procedural formalities necessary for the Issuer to obtain the authorisation to make a payment to which that holder is entitled without a tax deduction.

By implementing these measures, the Issuer has complied with the conditions set out in the 2006 Royal Decree VBS. Without prejudice to the obligation of the Issuer not to contribute or to promote the holding of the Notes by investors other than Institutional Investors, the measures guarantee to the Issuer, provided that it complies with these measures, that its status as Institutional VBS will not be challenged as a result of the admission to trading of the Notes on Euronext Brussels or if it would appear that Notes are held by investors other than Institutional Investors. The Issuer has undertaken in the Transaction Documents to comply at all times with the requirements set out in the 2006 Royal Decree VBS in order to qualify and remain qualified as an Institutional VBS.

4.2 Liabilities under the Notes

The Notes will be solely obligations of the Issuer. The Notes will not be obligations or responsibilities of, or guaranteed by, any other entity or person, in whatever capacity acting, including (without limitation), any of the Transaction Parties (other than the Issuer). Furthermore, none of the Transaction Parties (other than the Issuer) or any other person, in whatever capacity acting, will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amounts due under the Notes.

4.3 Compartments - Limited recourse nature of the Notes

The Issuer consists of separate subdivisions, each a Compartment, and each such Compartment, legally constitutes a separate group of assets to which corresponding liabilities are allocated. (see *Section 6.7* below)

The Notes are issued by the Issuer, acting through its Compartment Penates-4.

Article 26 § 4 of the UCITS Act, which applies to an Institutional VBS pursuant to article 106 § 1 of the UCITS Act, has the effect that:

(a) the rights of the shareholders and the creditors, which have arisen in respect of a particular compartment or in relation to the creation, operation or liquidation of such compartment, only have recourse to the assets of such compartment. Similarly, the creditors in relation to liabilities allocated or relating to other compartments of the same VBS only have recourse against the assets of the compartment to which their rights or claims have been allocated or relate;

(b) in case of the dissolution and liquidation (*ontbinding en vereffening* / *dissolution et liquidation*) of a compartment the rules on the dissolution and liquidation of companies must be applied mutatis mutandis. Each compartment must be liquidated separately and such liquidation does not entail the liquidation of any other compartment. Only the liquidation of the last compartment will entail the liquidation of the VBS; and

(c) the Belgian law rules on insolvency proceedings (judicial reorganization) (*gerechtelijke reorganisatie* / *réorganization judiciaire*) and bankruptcy (*faillissement* / *faillite*) are to be applied separately for each compartment and a judicial composition or bankruptcy of a compartment does not as a matter of law entail the judicial composition or the bankruptcy to the other compartments or of the VBS.

All obligations of the Issuer to the Noteholders and the other Secured Parties have been allocated exclusively to Compartment Penates - 4 of the Issuer and the Noteholders and the other Secured Parties only have recourse to the assets of Compartment Penates - 4.

Article 26 § 2 of the UCITS Act provides that the articles of association of the VBS determine the allocation of costs to the VBS and each compartment.

However, when no clear allocation of liabilities (including costs and expenses) to compartments of the Issuer has been made in a particular contract entered into by the VBS, it is unclear under Belgian law whether in such case the relevant creditor would have recourse to all compartments of the Issuer. A similar uncertainty exists in relation to creditors whose claims are not based on a contractual relationship (e.g. social security authorities or creditors with claims in tort) and cannot be clearly allocated to a particular compartment. However, the parliamentary works to the predecessor of the UCITS Act (whose provisions have been incorporated in the UCITS Act) and legal writers suggest that, in the absence of clear allocation, the relevant creditor may claim against all compartments and the investors of these compartments would only have a liability claim against the directors of the VBS. Consequently and from that perspective, the liabilities of one compartment of the Issuer may affect the liabilities of its other compartments.

In this respect, the by-laws of the Issuer provide that the costs and expenses which cannot be allocated to a compartment, will be allocated to all compartments *pro rata* the outstanding balance of the receivables of each compartment.

The obligations of the Issuer under the Notes are limited recourse obligations and the ability of the Issuer to meet its obligations to pay principal of, and interest on, the Notes will be dependent on the receipt by it of funds under the Loans, the proceeds of the sale of any Loans, the receipt by the Issuer of payments under the Swap Agreement, the receipt by it of interest in respect of the balances standing to the credit of the Issuer Accounts (other than the Swap Collateral Account, the Deposit Account and the Share Capital Account) and the availability of amounts standing to the credit of the Reserve Fund and Deposit Account. See further under *Section 5- Credit Structure*, below.

Security for the payment of principal and interest on the Notes will be given by the Issuer to the Secured Parties, including the Security Agent acting in its own name, as creditor of the Parallel Debt, and as representative of the Noteholders of the Notes pursuant to the Pledge Agreement. If the Security granted pursuant to the Pledge Agreement is enforced and the proceeds of such enforcement are insufficient, after payment of all other claims ranking in priority to amounts due under the Notes, to repay in full all principal and to pay in full all interest and other amounts due in respect of the Notes, then, as the Issuer acting through Compartment Penates-4 has no other assets, it may be unable to satisfy claims in respect of any such unpaid amounts. Enforcement of the Security (based on assets belonging to Compartment Penates-4) by the Security Agent pursuant to the terms of the Pledge Agreement and the Notes is the only remedy available to Noteholders for the purpose of recovering amounts owed in respect of the Collateralized Notes.

4.4 Insolvency of the Issuer

The Issuer has been incorporated in Belgium under the laws of Belgium as a commercial company and is subject to Belgian insolvency legislation. There can be no legal assurance that the Issuer will not be declared insolvent.

However, limitations on the corporate purpose of the Issuer are included in the articles of association, so that its activities are limited to the issue of negotiable financial instruments for the purpose of acquiring receivables. Outside the framework of the activities mentioned above, the Issuer is not allowed to hold any assets, enter into any agreements or carry out any other activities. The Issuer may carry out the commercial and financial transactions and may grant security to secure its own obligations or to secure obligations under the Notes or the other Transaction Documents, to the extent only that they are necessary to realise the corporate purposes as described above. The Issuer is not allowed to have employees.

Pursuant to the Pledge Agreement, none of Secured Parties, including the Security Agent, (or any person acting on their behalf) shall until the date falling one year after the latest maturing Note is paid in full, initiate or join any person in initiating any insolvency proceeding or the appointment of any insolvency official in relation to the Issuer or any of its compartments.

4.5 Limited capitalisation of the Issuer

The Issuer is incorporated under Belgian law as a limited liability company (*naamloze vennootschap* / *société anonyme*) with a share capital of EUR 62,000. In addition, the main shareholder is a Belgian *stichting / fondation* which has been capitalised for the purpose of its shareholding in the Issuer. There is no assurance that the shareholder will be in a position to

recapitalise the Issuer, if the Issuer's share capital falls below the minimum legal share capital.

4.6 Risks inherent to the Notes

By acquiring the Notes, the Noteholders shall be deemed to have knowledge of, accept and be bound by, the Conditions. The Issuer or the Domiciliary Agent will not have any responsibility for the proper performance by the Clearing System or the Clearing System Participants of their obligations under their respective rules, operating procedures and calculation methods. See *Section 7,* below.

4.6.1 Subordination

The subordination of the Class C Notes and the Class B Notes with respect to Class A Notes ranking higher in point of payment and security is designed to provide credit enhancement to the Class A Notes. If, upon default by the Borrowers, the Issuer does not receive the full amount due from such Borrowers under and in respect of the relevant Loans, Noteholders may receive an amount that is less than what is due and payable by the Issuer in respect of the Principal Amount Outstanding and/or interest owed in respect of the Notes. Any losses on the Loans will be allocated as described in *Section 5 – Credit Structure,* below.

4.6.2 Credit Risk

The security for the Notes created under the Pledge Agreement may be affected by, among other things, a decline in the value of the Collateral given as security for the Notes. No assurance can be given that values of the Collateral have remained or will remain at the level at which they were on the date of origination of the related Loans. A decline in value may result in losses to the Noteholders if any of the relevant security rights over the Collateral are required to be enforced.

There is, in particular, a risk of loss on principal and interest on the Notes due to losses on principal and interest on the Loans. This risk is addressed and mitigated by:

(a) in the case of the Class A Notes, the subordinated ranking of the Class B Notes and Class C Notes;

(b) the funds standing to the credit of the Reserve Fund;

(c) the share capital of the Issuer;

(d) funds standing to the credit of the Transaction Account;

(e) an aggregate amount obtained by applying an excess spread margin of 45 bps. per annum to the Current Portfolio Amount (excluding all Delinquent Loans and all Defaulted Loans) on the first day of the relevant Monthly Collection Period, multiplied by 30/360 (or, in case of the first Monthly Collection Period, multiplied by 49/360) (the ***Guaranteed Excess Margin***), which the Issuer is entitled to deduct from the Monthly Interest Available Amount payable on each Monthly Payment Date to the Senior Swap Counterparty in accordance with the Senior Swap Agreement and to the Junior Swap Counterparty in accordance with the Junior Swap Agreement;

(f) the fact that the Class D Notes may only be redeemed on a Quarterly Payment Date from available Excess Cash, which means that such redemption is subordinated to all other liabilities (except for the Subordinated Swap Amounts) of the Issuer other than the Deferred Purchase Price; and

(g) the daily sweep of amounts received under the Loans to the Transaction Account.

4.6.3 Liquidity Risk

There is a risk that interest and/or principal on the underlying Loans is not received (or transferred into the Transaction Account) on a timely basis thus causing temporary liquidity problems to the Issuer. This risk is addressed and mitigated by: (a) the Guaranteed Excess Margin to be retained by the Issuer from the Monthly Interest Available Amount payable by the Issuer to the Senior Swap Counterparty under the Senior Swap Agreement and Junior Swap Counterparty under the Junior Swap Agreement, (b) the Reserve Fund, (c) the payments due by the Senior Swap Counterparty on each Quarterly Payment Date to the Issuer under the Senior Swap Agreement, (d) the payments due by the Junior Swap Counterparty on each Quarterly Payment Date to the Issuer under the Junior Swap Agreement and (e) the Principal Available Amount which in accordance with the Principal Priority of Payments can be applied to cover any Class A Interest Shortfall. See *Sections 5.4* and *5.8,* below.

4.6.4 Prepayment Risk

The ability of the Issuer to meet its obligations in full to pay principal on each of the Notes on the maturity of each Class of Notes will depend on, *inter alia*, the amount and timing of payment of principal (including full and partial prepayments) in respect of the Loans and the net proceeds upon enforcement of the Loan Security relating to a Loan and the repurchase by the Seller of the Loans.

The average maturity of the Notes may be affected by a higher or lower than anticipated rate of prepayments on the Loans. The rate of prepayment of Loans is influenced by a wide variety of economic, social and other factors. No guarantee can be given as to the level of prepayments of principal on any Loan prior to its scheduled due date in accordance with the provisions for prepayments provided for in the relevant Loan Documents (each a ***Prepayment***) that the Loans may experience, and variation in the rate of prepayments of principal on the Loans may affect each Class of Notes differently.

This risk is mitigated by (i) the contractual penalty in the event of a Prepayment (each a ***Prepayment Penalty***) which in most cases of prepayment is payable by the Borrower (in some cases no Prepayment Penalty is due if the Prepayment is made in the context of the refinancing of a mortgage loan by a new mortgage loan originated under the same Credit Facility) and (ii), in case of prepayment in view of a refinancing on the basis of a new mortgage loan which is not covered by the Shared Mortgage securing the existing mortgage loan, the notarial and tax costs related to the origination of a new mortgage loan.

In accordance with article 26 §1 of the Belgian Mortgage Credit Act, the Borrower may at any time prepay the entire outstanding amount of the Loans. In relation to Loans governed by the Belgian Mortgage Credit Act, full or partial prepayment is in principle also allowed at any time, unless the loan documentation contains restrictions in this respect. The Seller's general conditions provide that full or partial prepayments are always possible subject to certain conditions or prepayment penalties.

In the case of a prepayment of a Loan subject to the Belgian Mortgage Credit Act, a Prepayment Penalty of no more than three (3) months interest on the prepaid amount, calculated at the interest rate then applicable to the Loan, is payable (except in case of: (a) the death of a Borrower if the Loan is repaid from the proceeds of the life insurance taken out in relation to the Loan; or (b) in case of destruction of or damage to the property because of hazard, to the extent that the prepayment occurs with funds paid pursuant to a hazard insurance policy relating to the Loan).

4.6.5 Maturity Risk

The ability of the Issuer to redeem all the Collateralized Notes in full/or to pay all amounts due to the Noteholders of the Collateralized Notes on the Optional Redemption Date, or on the Final Redemption Date will depend on whether the value of the Loans sold or otherwise realised is sufficient to redeem the Collateralized Notes and on its ability to find a purchaser for the Loans.

4.6.6 Interest and Interest Rate Risk

The Issuer will receive, amongst other things, interest payments pursuant to the Loans calculated by reference to fixed interest rates (subject to reset from time to time). The Notes will bear a floating rate of interest based on three-month EURIBOR plus a margin.

Interest rate risk

The Issuer will enter into the Senior Swap Agreement with the Senior Swap Counterparty and into the Junior Swap Agreement with the Junior Swap Counterparty on the Closing Date in order to mitigate its interest rate risk, as the Loans owned by the Issuer bear interest at fixed rates or fixed rates subject to reset from time to time while the Collateralized Notes will bear interest at floating rates.

If the floating rate payable by the Senior Swap Counterparty and the Junior Swap Counterparty under respectively the Senior Swap Agreement and the Junior Swap Agreement is substantially higher than the fixed rate payable by the Issuer, the Issuer will be more dependent on receiving payments from the Senior Swap Counterparty and the Junior Swap Counterparty in order to make interest payments on respectively (i) the Class A Notes and (ii) the Class B Notes and the Class C Notes.

If the floating rate payable by the Senior Swap Counterparty or the Junior Swap Counterparty under respectively the Senior Swap Agreement and the Junior Swap Agreement is less than the fixed rate payable by the Issuer, the Issuer will be obliged to make payments to the Senior Swap Counterparty and/or Junior Swap Counterparty, as the case may be. The amounts payable to the Senior Swap Counterparty and the Junior Swap Counterparty are ranked higher in priority than payments on the Collateralized Notes, except on Quarterly Payment Dates when certain swap termination amounts will rank *pari passu* with interest payable on Class A Notes and Class B Notes respectively.

The Issuer makes payments under the Senior Swap Agreement to the Senior Swap Counterparty and under the Junior Swap Agreement to the Junior Swap Counterparty on each Monthly Payment Date whereas the Senior Swap Counterparty and the Junior Swap Counterparty only make payments on Quarterly Payment Dates. If the Senior Swap Counterparty and/or Junior Swap Counterparty fails to make payments required under the Senior Swap Agreement or Junior Swap Agreement, respectively, when due, the Issuer may lose the amounts paid to the Swap Counterparty on the preceding Monthly Payment Dates and payments on the Collateralized Notes may be reduced or delayed.

The Senior Swap Agreement generally may not be terminated except upon, inter alia:

(a) the failure of either party to make payments when due;

(b) the occurrence of an Event of Default that results in acceleration of the Collateralized Notes;

(c) the early redemption of the Class A Notes (i) following the exercise of an Optional Redemption Call, (ii) following the exercise of the Clean Up Call, (iii) following the exercise of a Regulatory Call, (iv) as a result of an Optional Redemption in case of Change of Law, (v) as a result of an Optional Redemption for Tax Reasons or (vi) as a result of an Optional Redemption in case of a Ratings Downgrade Event;

(d) the insolvency of either party,

(e) illegality;

(f) certain tax events;

(g) the making of an amendment to the Transaction Documents that adversely affects the Senior Swap Counterparty without its consent; or

(h) the failure of the Senior Swap Counterparty to post collateral, to assign the Senior Swap Agreement to an eligible substitute swap counterparty or to take other remedial action if the Senior Swap Counterparty's credit ratings drop below the minimum swap counterparty rating levels or would result in a downgrade of the then current ratings of the Class A Notes.

The Junior Swap Agreement generally may not be terminated except upon, inter alia:

(a) the failure of either party to make payments when due;

(b) the occurrence of an Event of Default that results in acceleration of the Collateralized Notes;

(c) the early redemption of the Class B Notes and the Class C Notes (i) following the exercise of an Optional Redemption Call, (ii) following the exercise of the Clean Up Call, (iii) following the exercise of a Regulatory Call, (iv) as a result of an Optional Redemption in case of Change of Law, (v) as a result of an Optional Redemption for Tax Reasons or (vi) as a result of an Optional Redemption in case of a Ratings Downgrade Event;

(d) the insolvency of either party,

(e) illegality;

(f) certain tax events;

(g) the making of an amendment to the Transaction Documents that adversely affects the Junior Swap Counterparty without its consent.

Upon termination of the Senior Swap Agreement or Junior Swap Agreement, a termination payment may be due to the Issuer or due to the Senior Swap Counterparty or the Junior Swap Counterparty, as the case may be. Any such termination payment could be substantial if market interest rates and other conditions have changed materially. To the extent not paid by a replacement Senior Swap Counterparty or Junior Swap Counterparty, any termination payment will be paid by the Issuer from funds available for such purpose, and payments on the Collateralized Notes may be reduced or delayed unless such termination payment arises as a result of a default by the Senior Swap Counterparty or Junior Swap Counterparty, as the

case may be, and constitutes a Senior Subordinated Swap Amount or Junior Subordinated Swap Amount, as the case may be.

If the Senior Swap Counterparty's credit rating falls below certain ratings and a termination event occurs under the Senior Swap Agreement because the Senior Swap Counterparty fails to take one of the possible corrective actions, the Rating Agencies may place the ratings on the Class A Notes on watch or reduce or withdraw their ratings if the Issuer does not replace the Senior Swap Counterparty. In these circumstances, ratings on the Class A Notes could be adversely affected.

Whereas the ratings of the Class B Notes reflect the ratings of the long term, unsecured, unsubordinated and unguaranteed debt obligations of the Junior Swap Counterparty rating and the Class C Notes are unrated, the Junior Swap Counterparty will not be subject to rating triggers.

If the Senior Swap Counterparty or Junior Swap Counterparty fails to make a termination payment, as the case may be, owed to the Issuer, the Issuer may not be able to enter into a replacement Senior Swap Agreement and/or Junior Swap Agreement. If the Issuer has Collateralized Notes outstanding and does not have an interest rate swap arrangement in place for that floating rate exposure, the amount available to pay interest on the Notes may be reduced or delayed.

Taxation

All payments by the Issuer or the Senior Swap Counterparty or the Junior Swap Counterparty under respectively the Senior Swap Agreement and the Junior Swap Agreement will be made without any deduction or withholding for or on account of tax unless such deduction or withholding is required by law. The Issuer will not in any circumstances be required to gross up if deductions or withholding taxes are imposed on payments made under the Senior Swap Agreement or the Junior Swap Agreement.

If any withholding or deduction is required by law, the Senior Swap Counterparty and/or the Junior Swap Counterparty, as the case may be, will be required to pay such additional amounts as are necessary to ensure that the net amount received by the Issuer under the Senior Swap Agreement and/or the Junior Swap Agreement will equal the amount that the Issuer would have received had no such withholding or deduction been required. The Senior Swap Agreement and the Junior Swap Agreement will provide, however, that if due to:

(a) action taken by a relevant taxing authority or brought in a court of competent jurisdiction; or

(b) any change in tax law,

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

Failing such remedy, such Senior Swap Agreement and/or Junior Swap Agreement may be terminated and, if terminated, the Notes will become subject to Optional Redemption unless a replacement swap agreement is entered into.

Novation

Except as expressly permitted in the Senior Swap Agreement and/or the Junior Swap Agreement as the case may be, the Issuer, the Senior Swap Counterparty and the Junior Swap Counterparty are not permitted to assign, novate or transfer as a whole or in part any of their rights, obligations or interests under the relevant Swap Agreement. The Senior Swap Agreement and the Junior Swap Agreement will provide that the Senior Swap Counterparty and the Junior Swap Counterparty may novate or transfer the relevant Swap Agreement to another swap counterparty with the minimum swap counterparty rating.

See further *Section 5.8 - Interest Rate Hedging.*

4.6.7 Optional Redemption of all Notes

There is no guarantee that the Issuer will exercise its right to redeem the Notes on the First Optional Redemption Date or on any later Optional Redemption Date. The exercise of such option will, *inter alia*, depend on whether or not the Issuer has sufficient funds available to redeem the Collateralized Notes, for example, through a sale or other realisation of Loans still outstanding at that time and on its ability to find a purchaser for the Loans.

4.6.8 Commingling Risk

The Issuer's ability to make payments in respect of the Notes and to pay its operating and administrative expenses depends on funds being made available by the Borrowers and such funds subsequently being swept on a daily basis by the Servicer to the Issuer's Transaction Account. In case of insolvency of the Seller, the recourse the Issuer would have against the Seller would be an unsecured claim against the insolvent estate of the Seller for collection moneys obtained by the Seller from the Borrowers (by direct debit of the accounts of the Borrowers) in connection with the Loans and not yet transferred to the Issuer’s Transaction Account . This risk is mitigated by:

(i) a daily sweep of the cash representing the collection of moneys in respect of the Loans by the Servicer on behalf of the Issuer to the Transaction Account;

(ii) a rating trigger on the Seller according to which a downgrade below a rating (or, in case of DBRS, credit view equivalent to a rating) of F3 or BBB- (or, if rated BBB-, this rating is being put on Rating Watch Negative) by Fitch, BBB(low) by DBRS or Baa3 by Moody’s constitutes a Notification Event;

(iii) a rating trigger according to which the Seller is required to make a deposit on a cash deposit account to be held in the name of the Issuer in accordance with the provisions of Clause 5 of the MLSA in order to indemnify the Issuer against losses resulting from, *inter alia*, commingling risk.

See also *Section 12.5 – Mitigation of Commingling Risk and Set-off Risk*

4.6.9 Weighted Average Life of the Collateralized Notes

Details of the Weighted Average Life of the Collateralized Notes can be found in *Section 8 – Weighted Average Life* of this Prospectus. The Weighted Average Life of the Collateralized

Notes is subject to factors largely outside the control of the Issuer and consequently no assurance can be given that the estimates and assumptions in *Section 8* will prove in any way to be correct. The estimated Weighted Average Life must therefore be viewed with considerable caution and Noteholders should make their own assessment thereof.

4.6.10 No Gross-Up for Taxes

If withholding of, or deduction for, or on account of any present or future taxes, duties, assessments or charges of whatever nature are imposed or levied by or on behalf of the Kingdom of Belgium, any authority therein or thereof having power to tax, the Issuer will make the required withholding or deduction of such taxes, duties, assessments or charges for the account of the Noteholders, as the case may be, and shall not be obliged to pay any additional amounts to the Noteholders.

4.6.11 Reliance on third parties

Counterparties to the Issuer may not perform or may be prevented from performing their obligations under the Transaction Documents due to, inter alia, a force majeure event out of their control which may result in the Issuer not being able to meet its obligations under the Notes and the Transaction Documents to which it is a party.

4.6.12 The Security Agent may agree to modifications without the Noteholders' prior consent

Pursuant to the terms of the Pledge Agreement, the Security Agent may agree without the consent of the Noteholders and (subject to *Section 4.6.13 below*) the other Secured Parties, to (i) any modification of any of the provisions of the Pledge Agreement, the Notes or any other Transaction Documents which is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification, and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Pledge Agreement, the Notes or any other Transaction Documents which is in the opinion of the Security Agent not materially prejudicial to the interests of the Noteholders and the other Secured Parties and *provided that* the Security Agent has not been notified that such modification will adversely affect the then solicited applicable ratings of the Class A Notes. Any such modification, authorisation or waiver shall be binding on the Noteholders and the other Secured Parties.

4.6.13 Modifications to the Transaction Documents

If in the Security Agent's opinion any proposed variation or amendment of, or addition to, any of the Transaction Documents can lead to a material negative change in cash flows under respectively the Senior Swap Agreement and/or the Junior Swap Agreement, it will determine in its full discretion whether to submit the proposal to the prior approval of the Senior Swap Counterparty and/or the Junior Swap Counterparty, as applicable. If the Security Agent would agree to such modifications, amendments and waivers of provisions of the Transaction Documents (including modifications, waivers and amendments resulting from noteholder meetings) without the consent of the Senior Swap Counterparty and/or Junior Swap Counterparty, this could lead to an Additional Termination Event under the Senior Swap Agreement and/or Junior Swap Agreement.

4.7 Rating of the Class A Notes and the Class B Notes

The ratings address timely payment of interest and ultimate repayment of principal at the Final Redemption Date, in accordance with the Conditions of respectively the Class A Notes and the Class B Notes. Class B Interest, Class C Interest and Class D Interest can be deferred.

The ratings expected to be assigned to the Class A Notes and the Class B Notes by the Rating Agencies are based on the value and cash flow generating ability of the Loans and other relevant structural features of the Transaction, including, *inter alia*, the short-term and long-term unsecured and unsubordinated debt rating of the other parties involved in the Transaction, such as, for the Class A Notes, the Senior Swap Counterparty and for the Class B Notes, the Junior Swap Counterparty, and reflect only the views of the Rating Agencies.

The ratings expected to be assigned to the Class B Notes by the Rating Agencies are linked to the rating of the Transaction Parties.

There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the Rating Agencies as a result of changes in or unavailability of information or if, in the Rating Agencies' judgement, circumstances so warrant. Any rating agency other than the Rating Agencies could seek to rate the Class A Notes and/or the Class B Notes and if such unsolicited ratings are lower than the comparable ratings assigned to the Class A Notes and/or the Class B Notes by the Rating Agencies, such unsolicited ratings could have an adverse effect on the value of the Class A Notes and/or the Class B Notes. For the avoidance of doubt, any references to "ratings" or "rating" in this Prospectus are to ratings assigned by the Rating Agencies only. Future events and/or circumstances relating to the Loans and/or the Belgian residential mortgage market, in general could have an adverse effect on the rating of the Class A Notes and/or the Class B Notes.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time.

4.8 Value of the Notes and limited liquidity of the Notes

Prior to this offering, there has been no public secondary market for the Notes and there can be no assurance that the issue price of the Notes will correspond with the price at which the Notes will be traded after the offering of the Notes. Furthermore, there can be no assurance that active trading in the Notes will commence or continue after the offering. A lack of trading in the Notes could adversely affect the price of the Notes, as well as the Noteholders' ability to sell the Notes.

There can be no assurance that a secondary market for the Notes will develop or, if a secondary market does develop that it will provide Noteholders with liquidity of investment or that it will continue for the life of the Notes. The Manager has not entered into an obligation to establish and/or maintain a secondary market in the Notes.

4.9 True Sale of Loans and the Security

4.9.1 True Sale

Pursuant to the MLSA, the Seller shall transfer to the Issuer the full economic benefit of, and the legal title to, the Loans and all other Collateral. The sale of the Loans and the Collateral will be a true sale to the effect that, upon an insolvency or bankruptcy of the Seller, the Loans will not form part of the insolvent estate or be subject to claims by the Seller's liquidator or creditors except as set out in *Section 12.2.1*.

The sale shall have the following characteristics:

(a) the Issuer shall have no recourse to the Seller except that (i) the Seller may be required to repurchase Loans in relation to which there is a breach of representation, warranty and Eligibility Criteria at the time of the transfer of the Loans or in the case of a Non-Permitted Variation; and (ii) the Seller may be required to indemnify the Issuer for all costs, loss and damages incurred as a consequence of such breach; and

(b) the sale will be for the Current Balance of the Loans including accrued interest and default interest.

For further details on the MLSA, see *Section 12*, below.

4.9.2 Effectiveness of sale of and pledge over Loans

The effectiveness of a transfer or pledge of mortgage loans towards third parties, including the creditors of the Seller, is subject to article 5 of the Belgian Act of 16 December 1851 on liens and mortgages (the ***Mortgage Act***) which prescribes a notary deed and marginal notation of the transfer or pledge in the local mortgage register. Articles 50 and following of the Belgian Mortgage Credit Act grant an exemption from article 5 of the Mortgage Act in relation to a transfer and pledge of mortgage loans by or to a (public or institutional) VBS, so that a transfer or pledge of mortgage loans to or by a VBS is enforceable against third parties (*tegenwerpelijk aan derden/opposable aux tiers*) without marginal notation.

As to the (maintenance of) the status of the Issuer as an Institutional VBS, see *Section 4.1.2*. A loss of the status as an Institutional VBS would result in the exemption set out in Article 50 of the Belgian Mortgage Credit Act not being available and therefore in an absence of an effective sale of and pledge over the Loans.

4.9.3 No notification of the Sale and Pledge

Article 1690 of the Belgian Civil Code (*Belgisch Burgerlijk Wetboek* / *Code Civil Belge*) will apply to the transfer of the Loans. Between the Seller and the Issuer, as well as against third parties (other than the Borrowers) the Loans are transferred on the Closing Date without the need for Borrowers' involvement. The sale of the Loans to the Issuer and the pledge of the Loans to the Noteholders and the other Secured Parties will not be notified to the Borrowers or to the Insurance Companies or third party providers of additional collateral.

Until such notice to the Borrowers, the Insurance Companies and third party providers of collateral:

(a) the liabilities of the Borrowers under the Loans (and the liabilities of the Insurance Companies or, as the case may be, the third party providers of additional collateral) will be validly discharged by payment to the Seller. The Seller, having transferred all rights, title, interest and the benefit in and to the Loans to the Issuer, will however, be the agent of the Issuer (for so long as it remains Servicer under the Servicing Agreement) for the purposes of the collection of moneys relating to the Loans and will be accountable to the Issuer accordingly. The failure to give notice of the transfer also means that the Seller can agree with the Borrowers, the Insurance Companies or the other collateral providers to vary the terms and conditions of the Loans, the Mortgages, the Insurance Policies or the other collateral and that the Seller in such capacity may waive any rights under the Loans, the Loan Security and the Additional Security. The Seller will, however, undertake for the benefit of the Issuer that it will not vary, or waive any rights under any of the Loan Documents, the Mortgages, the

Insurance Policies or the other collateral other than in accordance with the MLSA and the Servicing Agreement;

(b) if the Seller were to transfer or pledge the same Loans, Insurance Policies or other collateral to a party other than the Issuer either before or after the Closing Date (or if the Issuer were to transfer or pledge the same to a party other than the Security Agent) the assignee who first notifies the Borrowers or, as the case may be, the Insurance Companies or, as the case may be, the other collateral providers and acts in good faith would have the first claim to the relevant Loan, Insurance Policies or the additional collateral. The Seller will, however, represent to the Issuer and the Security Agent that it has not made any such transfer or pledge on or prior to the Closing Date, and it will undertake to the Issuer and the Security Agent that it will not make any such transfer or pledge after the Closing Date and the Issuer will make a similar undertaking to the Security Agent;

(c) payments made by Borrowers, Insurance Companies or other collateral providers to creditors of the Seller, will validly discharge their respective obligations under the Loans, the Insurance Policies or the additional collateral provided the Borrowers or, as the case may be, the Insurance Companies or, as the case may be, the other collateral providers and such creditors act in good faith. However, the Seller will undertake:

(i) to notify the Issuer of any *bewarend beslag / saisie conservatoire* or *uitvoerend beslag / saisie exécutoire* (attachment) by its creditors to any Loan, Insurance Policy or other collateral which may lead to such payments;

(ii) not to give any instructions to the Borrowers, Insurance Companies or other collateral providers to make any such payments; and

(iii) to indemnify the Issuer and the Security Agent against any reduction in the obligations to the Issuer of the Borrowers, Insurance Companies or other collateral providers due to payments to creditors of the Seller; and

(d) Borrowers, Insurance Companies or other collateral providers may raise against the Issuer (or the Security Agent) all rights and defences which existed against the Seller prior to notification of the transfer or pledge. Under the MLSA, the Seller will warrant in relation to each Loan and the Insurance Policies and the other collateral relating thereto that no such rights and defences have arisen in favour of the Borrower, Insurance Company or other collateral provider up to the Closing Date. If a Borrower, Insurance Company or other collateral provider subsequently fails to pay in full any of the amounts which the Issuer is expecting to receive, claiming that such a right or defence has arisen in his favour against the Issuer, the Seller will indemnify the Issuer and the Security Agent against the amount by which the amounts due under the relevant Loan, Insurance Policy or other collateral are reduced (whether or not the Seller was aware of the circumstances giving rise to the Borrower's, Insurance Company's or other collateral provider's claim at the time it gave the warranty described above).

The MLSA provides that upon the occurrence of certain Notification Events, including the giving of a notice by the Security Agent under Condition 9 declaring that the Notes are immediately due and repayable (an ***Enforcement Notice***), the Seller, unless otherwise instructed by the Security Agent, will be required to give notice to the Borrowers, the Insurance Companies or any other debtor of any assigned right or collateral (as described in

Section 12.3.4, below). If the Seller fails to comply with any such request of the Security Agent forthwith upon (a) receipt of such Enforcement Notice or (b) the occurrence of another Notification Event, the Issuer and the Security Agent shall (at the expense of the Seller) be entitled to give such notice(s).

4.10 No Searches and Investigations

None of the Issuer or the Security Agent have made or caused to be made or will make or cause to be made, any enquiries, investigations or searches to verify the details of the mortgage loans originated by DBB (or any of the other Originators) and sold by the Seller pursuant to the MLSA (the ***Loans***) or the Loan Security, or to establish the creditworthiness of any Borrower, or any other enquiries, investigations or searches which a prudent purchaser of the Loans would ordinarily make, and each will rely instead on the representations and warranties given by the Seller in the MLSA. These representations and warranties will be given in relation to the Loans, Loan Security and all rights related thereto.

If there is an unremedied material breach of any representation and/or warranty in relation to any Loan and Loan Security relating thereto and the Seller has not remedied this within five (5) Business Days after being notified thereof in writing by the Issuer or it cannot be remedied, the Seller shall (at the direction of the Issuer or the Security Agent) on the next Monthly Payment Date following expiry of the five (5) Business Day period mentioned above, indemnify the Issuer for all damages, loss and costs caused by the breach of representation or warranty; and the Seller will be required to repurchase such Loans and Loan Security (including all other Loans covered by the same Mortgage, if any). The Loans and Loan Security will be repurchased for an aggregate amount equal to the aggregate of the Current Balance of the repurchased Loan(s) plus accrued interest thereon and reasonable *pro rata* costs up to (but excluding) the date of completion of the repurchase. Such repurchase will be subject to the conditions set out below under *Section 12.3.1* below.

4.11 Set-Off

Set-off following the sale of the Loans

The sale of the Loans to the Issuer and the pledge of the Loans to the Security Agent and the other Secured Parties will not be notified to the Borrowers or to the Insurance Companies or third party providers of Loan Security, except in certain circumstances. Set-off rights may therefore continue to arise in respect of cross-claims between a Borrower (or the Insurance Company or third party provider of collateral) and the Seller, potentially reducing amounts receivable by the assignee and the beneficiaries of the Pledge. To mitigate this risk under the MLSA and the Servicing Agreement the Seller will agree to indemnify the Issuer if a Borrower, Insurance Company or provider of Loan Security, claims a right to set-off against the Issuer. The rights to payment of such indemnity will be pledged in favor of the Secured Parties.

As from the date on which a Borrower is notified of the assignment, the Issuer will only be subject to rights of set-off: (a) accrued prior to the receipt of the notice (i.e. to the extent that both debts were due and payable prior to the receipt of the notice) and will thus no longer be subject to rights of set-off for which the conditions are only met after the receipt of the notice (i.e. where at least one of the debts only becomes due and payable after such notice) or which arise in relation to transactions between the Seller and such Borrower after such notice has been given (Article 1295, Belgian Civil Code) or (b) to the extent that the Loan Documents provide for a contractual right of set-off for the Borrower (see *Set-off upon or following*

insolvency of the Seller below). As to the set-off rights in case of closely related debts, see *Set-off upon or following insolvency of the Seller* below.

Set-off upon or following insolvency of the Seller

As from the insolvency of the Seller, set-off will no longer be permitted, except where (a) rights of set-off have accrued prior to the Seller's insolvency (i.e. to the extent that both debts were due and payable prior to the Seller's insolvency), (b) both debts are "closely connected" (*verknochtheid/connexité*) or (c) the Loan Documents contain provisions that give the Borrower a contractual set-off right.

The standard documents and forms used for originating Loans through the network and according to the procedures of the Originators (***Standard Loan Documentation***) do not contain express provisions giving the Borrower a contractual set-off right.

The exception for *verknochtheid/connexité* is not laid down in any statute but has been developed by case law. Different opinions exist as to the precise conditions, but it is generally accepted that under the exception of *verknochtheid/connexité,* post-insolvency set-off (and arguably post-notification of assignment set-off) is allowed on the condition that the mutual debts are so closely interrelated or connected that they should be considered as originating from one and the same source (*ex eadem causa*) or as constituting a single, indivisible economic whole. These criteria will need to be assessed by a court in its full discretion on a case by case basis.

It has been argued that clauses of unicity of accounts (*eenheid van rekening/unicité de comptes*) and set-off clauses may constitute *verknochtheid/connexité* between the mutual debts of a bank and its borrower irrespective of whether or not there exist more inherent, objective links between the mutual debts. According to this argument, even if these clauses are stipulated for the benefit of the bank only (and not for the benefit of the borrower), such clauses could be interpreted as characterizing the relationship between the bank and a borrower as such and such characterization should not be different when looked at from the point of view of the bank or from the point of view of the borrower. The Standard Loan Documentation contains provisions stating that, unless otherwise agreed, the different accounts between the Borrower and the Seller must be deemed to constitute a single account (*eenheid van rekening/unicité de compte*) and that the Seller has the right to set-off all its claims against the Borrower against all amounts owing by the Seller to the Borrower from time to time.

Moreover, the same publications have stated that, upon insolvency of the Seller, a Borrower could invoke its right of set-off even if the claim the Seller holds against it has not yet become due and payable provided that the mutual debts between the Borrower and the Seller are closely connected. In this view, based on the defense of "non-performance" (*exceptio non adimpleti contractus*), the Borrower would have the right to withhold payment of its debts to the Seller in order to set-off its debts against any claims it may hold against the Seller, as and when its debts owed to the Seller fall due.

The Issuer has been advised that to date it is not established that the opinion that a contractual extension of connection between debts (i.e. by way of general provisions of unicity of accounts or a unilateral set-off provision as such, without the confirmation of the existence of more inherent links between the debts involved) would in itself constitute *verknochtheid/connexité,* is the prevailing position under Belgian law.

Furthermore, the rights of the Borrower to invoke set-off upon or following insolvency of the Seller are further subject to Article 1295 of the Belgian Civil Code (see above *Set-off*

following the sale of Mortgage Receivables). This means that, also in case of insolvency of the Seller, the Borrower may no longer exercise its rights of set-off where the conditions for such set-off would only be met after receipt of the notice of the transfer of the Loans or where such set-off would arise in relation to transactions between the Seller and the Borrower after such notice has been given. Based on case law of the Belgian Supreme Court (*Hof van Cassatie/Cour de Cassation*) in respect of Article 1295 of the Belgian Civil Code, this would apply even if the claims are closely connected.

A set-off following the insolvency of the Seller would result in a loss of collections for the Issuer and could therefore adversely affect the Issuer's ability to make full payments of principal and interest to the Noteholders.

This risk is, however, mitigated by the following considerations:

(a) the Transaction Documents provide mechanics to procure that notice of the assignment is to be given by the Seller, the Issuer or the Security Agent prior to insolvency of the Seller;

(b) as from the date of receipt of such notice a Borrower will no longer be entitled to set-off amounts not yet due and payable on such date (see above);

(c) that notice of the assignment can still be validly given following the commencement of insolvency proceedings in respect of the Seller; and

(d) a rating trigger on the Seller according to which the Seller is required to create a Risk Mitigation Deposit in order to indemnify the Issuer against losses resulting from, *inter alia*, set-off risk (See also *Section 12.5 – Mitigation of Commingling Risk and Set-off Risk*).

Defense of non-performance

Under Belgian law a debtor may in certain circumstances in case of default of its creditor invoke the defense of non-performance, pursuant to which it would be entitled to suspend payment under its obligations until its counterparty has duly discharged its obligations due and payable to the debtor. The exception of non-performance is subject to various conditions, the most important ones being: (a) the debt in respect of which payment is suspended must be due and must be conditional upon payment of a debt owed by the other party; (b) the other party must have defaulted on its debt, in a material way; (c) the amount/value involved in the suspension must be in proportion to the amount/value of the default; (d) finally, there must be a close interrelationship between the two debts, typically such close interrelationship is accepted to exist where both debts arise under the same contract or otherwise are so closely interrelated that they are a part of a single transaction (as to the possible existence of closely interrelated debts, see *Set-off upon or following insolvency of the Seller* above). If all such conditions are met, the defense of non-performance may be invoked by a Borrower in respect of an Loan.

The Issuer has been advised that:

(a) to date it is not established that the opinion that a contractual extension of connection between debts (i.e. by way of general provisions of unicity of accounts or a unilateral set-off provision as such, without the confirmation of the existence of more inherent links between the debts involved) would in itself constitute *verknochtheid/connexité*, is the prevailing position under Belgian law

(b) as far as the combination of the contractual extension of the concept of close connection as set forth above with the defense of non performance is concerned:

(i) such analysis has not been confirmed as such by case law;

(ii) such analysis in most cases assumes the acceptance by courts that a contractual extension of close connection would in itself constitute *verknochtheid/connexité*, whereas to date it is not established that such acceptance is the prevailing position under Belgian law; and

(iii) the view could be taken that the contractual extension of close connection is not consistent with the use of the defense of non performance because such defense traditionally implies an inherent reciprocity of debts.

The risk that a Borrower would seek to invoke the defence of non-performance in order to suspend payments under a Loan is furthermore mitigated by the compensation available from the Protection Fund for deposits and financial instruments (instaured by the Belgian act of 17 December 1998) and the Special Protection Fund for deposits and life insurances (instaured by the Belgian royal decree of 14 November 2008)(hereinafter the ***Protection Fund***). In case of insolvency of the Seller, each Borrower may apply to receive a compensation from the Protection Fund for eligible deposits held with the Seller of up to a maximum of EUR 100,000.

In accordance with the rules applicable to interventions by the Protection Fund (as most recently updated on 1 January 2011, the ***Intervention Rules***), the actual amount for which a compensation may be claimed by a client is determined by aggregating all eligible claims of the client against the insolvent institution, per category, after applying legal or contractual set-off against the debts of the client (Intervention Rule 22). Furthermore, in the event the client owes debts or obligations to the insolvent institution in respect of which no set-off as referred to in Intervention rule 22 is possible, reimbursement by the Protection Fund is only made after deduction of the amount thereof (unless such debts or obligations are secured by acceptable security interests other than the deposits in respect of which is compensation claim is made). In order to receive its compensation payment by the Protection Fund, the client needs to explicitly and simultaneously agree with a subrogation of the Protection Fund in its claims and possible revindication rights against the institution. In the event the payment by the Protection Fund only results in a partial reimbursement or compensation, the Intervention Rules nevertheless provide that the excess can still be claimed against the insolvent institution *pari passu* with the claims of the Protection Fund.

The Intervention Rules provide for strict deadlines to make a compensation claim with the Protection Fund (in principle two or five month following the publication by the the Protection Fund of the occurrence of insolvency in the Official Belgian Gazette, depending on the type of claim for which compensation is sought), upon the expiration of which the possibility to make a claim with the Protection Fund will lapse. Taking into account the straightforward procedure and the predictable outcome of a guaranteed reimbursement, it is to be anticipated that a Borrower will make a claim for a compensation payment with the Protection Fund. Invoking the defence of non-performance on the contrary exposes the Borrower to litigation with an uncertain outcome, the risk of default under its Loan and risk of losing the opportunity to claim against the Protection Fund.

However, if a court would accept that the conditions of the defense of non-performance are satisfied (amongst others that both debts are “closely connected”, also from the point of view

of the Borrower), such defense may be enforceable against the Issuer following notification of the transfer of the Loans and is not addressed by Article 1295 of the Belgian Civil Code and the Supreme Court case law referred to above.

In case of insolvency of the Seller, those Borrowers which are employees of the Seller will have a general statutory lien (*voorrecht/privilège*) on all the movable assets of the Seller for unpaid amounts of salary and certain related amounts. However, such statutory lien does not provide such Borrowers with an enhanced right of set-off with the amounts owing by them in respect of their Loans.

4.12 Parallel Debt

Under Belgian law no 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 security in favour of the Security Agent and the other Secured Parties, the Issuer has in the Parallel Debt Agreement, as a separate and independent obligation, by way of parallel debt, undertaken to pay to the Security Agent amounts equal to the amounts due by it to all the Secured Parties.

Any payments in respect of the Parallel Debt and any proceeds received by the Security Agent may in the case of an insolvency of the Security Agent not be separated from the Security Agent's other assets, so the Secured Parties accept a credit risk on the Security Agent.

In addition, the Security Agent has been (i) designated as representative (*vertegenwoordiger* / *représentant*) of the Noteholders in accordance with article 27 § 1, first to seventh indent and article 106 of the UCITS Act and (ii) as irrevocable agent (*mandataris* / *mandataire*) of the other Secured Parties. In each case its powers include the acceptance of the pledges and the enforcement of the rights of the Secured Parties.

Based on the above and even though there is no Belgian statutory law or case law in respect of parallel debt or case law in respect of Articles 27 and 106 of the UCITS Act to confirm this, the Issuer has been advised that such a parallel debt creates a claim of the Security Agent thereunder which can be validly secured by a pledge such as the pledge created by the Pledge Agreement and that, even if that were not the case, the pledges created pursuant to the Pledge Agreement should be valid and enforceable in favour of the Security Agent and the other Secured Parties.

4.13 Enforcement of Security

The Pledge Agreement is governed by Belgian law. Under Belgian law, upon enforcement of the security for the Notes, the Security Agent, acting in its own name, as creditor of the Parallel Debt, as representative of the Noteholders and as agent of the other Secured Parties, will be permitted to collect any moneys payable in respect of the Loans, any moneys payable under the Transaction Documents pledged to it and any moneys standing to the credit of the Issuer Accounts and to apply such moneys in satisfaction of obligations of the Issuer which are secured by the Pledge Agreement. The Security Agent will also be permitted to apply to the president of the commercial court (*rechtbank van koophandel*/*tribunal de commerce*) for authorisation to sell the pledged assets. The Secured Parties will have a first ranking claim over the proceeds of any such sale. Other than claims under the MLSA in relation to a material breach of a warranty and a right to be indemnified for all damages, loss and costs caused by such breach and a right of action for damages in relation to a breach of the

Servicing Agreement, the Issuer and the Security Agent will have no other recourse to the Seller.

The terms on which the Security will be held will provide that upon enforcement, certain payments (including *inter alia* all amounts payable to the Security Agent, the Servicer, the Account Bank, the Senior Swap Counterparty, the Junior Swap Counterparty, the Administrator, the Corporate Services Provider, the Accounting Services Provider and the Issuer Directors by way of fees, costs and expenses) will be made in priority to payments of interest and principal on the Notes. All such payments which rank in priority to the Notes and all payments of interest and principal on the Notes will rank ahead of all amounts then owing to the Seller under the MLSA.

The ability of the Issuer to redeem all the Notes in full (including after the occurrence of an event of default in relation to the Notes) while any of the Loans are still outstanding, may depend upon whether the Loans can be sold, otherwise realised or refinanced so as to obtain an amount sufficient to redeem the Notes. There is not an active and liquid secondary market for residential mortgage loans in Belgium. Accordingly, there is a risk that neither the Issuer nor the Security Agent will be able to sell or refinance the Loans on appropriate terms should either of them be required to do so.

The enforcement rights of creditors are stayed during bankruptcy proceedings. The Secured Parties will be entitled to enforce their security, but only after the verification of claims submitted in the bankrupt estate has been completed and the liquidator (*curator/curateur*) and the supervising judge have drawn up a record of all liabilities. This normally implies a stay of enforcement of about two (2) months, but the liquidator may ask the court to suspend individual enforcement for a maximum period of one year from the date of the bankruptcy judgement. This stay of enforcement does not apply, however, to the enforcement of a pledge over a bank account and would not be applicable to the Issuer Accounts.

4.14 Foreclosure of the Loan Security

Without prejudice to the information set out in *Section 14* below, in case of the procedures set out in Schedule 1 to the Servicing Agreement (***Foreclosure Procedures***), the sale proceeds of the sale of the Loan Security may not entirely cover the outstanding amount under such Loan. Subject to the availability of credit enhancement, there is a risk that a shortfall will affect the Issuer's ability to make the payments due to the Noteholders. Moreover, if action is taken by a third party creditor against a Borrower prior to DBB acting as Servicer following the sale of the Loans to the Issuer, the Seller will not control the Foreclosure Procedures but rather will become subjected to any prior foreclosure procedures initiated by a third party creditor prior to the institution of Foreclosure Procedures by DBB.

4.15 Shared Mortgages

All the Loans constitute term advances under a revolving credit facility (*kredietopening* / *ouverture de crédit*) (a ***Credit Facility***). The mortgages (*hypotheek* / *hypothèque*) (***Mortgage***) securing such Loans secure all advances made from time to time under such Credit Facility and in addition all other amounts which the Borrower owes or in the future may owe to the Seller. As a consequence of the sale of a Loan to the Issuer, the Issuer and the Seller shall thus share the benefit of the same Mortgage (a ***Shared Mortgage***) since it will secure both the Loan (security in favour of the Issuer) and other loans originating under the same Credit Facility, if any, or any other obligations owing from time to time to the Seller, if any (security in favour of the Seller).

A Mortgage which secures all other amounts which the Borrower owes or in the future may owe to the Seller in addition to the Loan or the Credit Facility is called an all sums mortgage (*alle sommen hypotheek/hypothèque pour toute somme*) (an ***All Sums Mortgage***).

Pursuant to articles 51 and 51bis of the Belgian Mortgage Credit Act, a loan secured by an All Sums Mortgage which is transferred to a VBS, such as the Issuer, shall rank in priority to any debt which arises after the date of the transfer and which is also secured by the same All Sums Mortgage. Whereas the transferred loan ranks in priority to further loans, it will have equal ranking with loans or debts which existed at the time of the transfer and which were secured by the same All Sums Mortgage.

Pursuant to article 51 of the Belgian Mortgage Credit Act, advances granted under a revolving facility secured by a mortgage can be transferred to a VBS, such as the Issuer. The advance will benefit from all security provided in respect of the Credit Facility. Upon transfer to the VBS an advance shall rank in priority to any advances made under the Credit Facility after the date of the transfer. However, a transferred advance will have equal ranking with other advances which existed at the time of the transfer and which were secured by the same mortgage.

To mitigate any competing claims in respect of Loans secured by an All Sums Mortgage or in respect of Loans originated under the same Credit Facility, the MLSA provides that all loans or other debts existing at the time of the transfer of a Loan and which are secured by the same Mortgage are subordinated to the Loan in relation to all sums received out of the enforcement of the Mortgage and any Additional Security. This subordination could be considered as an intercreditor arrangement which is subject to article 5 of the Mortgage Law. Pursuant to article 5 the effectiveness of an intercreditor arrangement in respect of the ranking of a mortgage requires a notarial deed and marginal notation of the transfer or pledge in the local mortgage register. The subordination provided for in the MLSA will not be notarised and will not be registered in the local mortgage register. As a consequence, under current legislation there is a risk that such subordination may not be enforceable against third parties, including third party creditors of the Seller. Draft legislation has however been proposed which would make such subordination enforceable against third parties including third party creditors of the Seller.

See the representations and warranties given pursuant to the MLSA in this effect (see *Section 12.2*).

4.16 Loans only partially secured by a Mortgage

Certain Mortgage Loans are only partly secured by a Mortgage. Where a Mortgage Loan is only partly secured by a Mortgage, the Borrower of the relevant Mortgage Loan or a third party provider of Loan Security has granted a Mortgage Mandate. A Mortgage Mandate does not constitute an actual security which creates a priority right of payment out of the proceeds of a sale of the Mortgaged Property, but is an irrevocable power of attorney granted by a Borrower or a third party provider of Loan Security to certain attorneys enabling them to create a Mortgage as security for the Loan (or Credit Facility) (***Mortgage Mandate***). The Issuer has been advised that the benefit of a Mortgage that has been created upon a conversion of the Mortgage Mandate in the name and for the benefit of the Seller after the assignment of the Loan, can most likely not be conferred upon the Issuer.

4.17 Preferred Creditors under Belgian Law

Belgian law provides that certain preferred rights (*privilèges/voorrechten*) may rank ahead of a mortgage or other security interest. These liens include the lien for legal costs incurred in the interest of all creditors, or the lien for the maintenance or conservation of an asset.

In addition, if a debtor is declared bankrupt (or a decision to liquidate a debtor is taken) while or after being subject to a judicial reorganization with creditors (*gerechtelijke reorganisatie* / *réorganization judiciaire*), then any new debts incurred during the judicial reorganization procedure may be regarded as being debts incurred by the bankrupt estate ranking ahead of debts incurred prior to the judicial reorganization. These debts may rank ahead of debts secured by a security interest to the extent they contributed to safeguarding such security interest. Similarly, debts incurred by the liquidator of a debtor after such debtor's declaration of bankruptcy may rank ahead of debts secured by a security interest if the incurring of such debts were beneficial to the secured creditor.

In addition, pursuant to the Conditions, the claims of certain creditors will rank senior to the claims of the Noteholders by virtue of the relevant priority of payment referred to therein. See further *Section 5*.

4.18 Insurance Policies

4.18.1 Life Insurance

Article 22 §3 of UCITS Act provides that, in case of assignment of a receivable to a VBS, the assignment of all rights in the insurance policies which have been conferred to an originator as collateral for the assigned receivable is governed by the general principles applying to all receivables (i.e. Article 1690, Belgian Civil Code). The specific formalities and approvals required by the Belgian law of 25 June 1992 on terrestrial insurance contracts (*Wet van 25 Juni 1992 op de Landverzekeringovereenkomst/Loi du 25 juin 1992 sur le contrat d'assurance terrestre*) (the ***Insurance Act***) need therefore not be complied with or be obtained for the effectiveness of the assignment to the Issuer.

Because the exemption provided by article 22 §3 only expressly refers to an assignment of the receivables it could be argued that it does not apply to pledging of the receivables. If so the creation of a pledge over the policy to the benefit of the Noteholders would still require compliance with the Insurance Act. The Issuer has been advised a view could be taken that if the exemption applies to a full transfer of the benefit it should apply to the granting of a more limited interest therein, such as a pledge.

4.18.2 Hazard Insurance

The same consideration as the one under *Section 4.18.1* in respect of life insurance policies also applies to the hazard insurance policies. Moreover, the Issuer as mortgagee enjoys statutory protection under Article 10 of the general law on mortgages and Article 58 of the Insurance Act pursuant to which any indemnity which third parties (including Insurance Companies) owe for the reason of the destruction of or damage to the mortgaged property will be allocated to the mortgagee-creditors to the extent these indemnities are not used for the reconstruction of the mortgaged property.

Article 58 §2 of the Insurance Act, however, provides that the Insurance Company can pay out the indemnity to the insured in case the holder of an unpublished/undisclosed security over the property does not oppose this by prior notification. As the assignment of the Loan and the Mortgage to the Issuer will not be noted in the margin of the mortgage register, the question arises to what extent the lack of disclosure of the assignment could prejudice the

Issuer's rights to the insurance proceeds. Although there are no useful precedents, the assignment should not prejudice the Issuer's position because (i) the Mortgage will remain validly registered notwithstanding the assignment and (ii) the Issuer would be the assignee and successor of the Seller. Whether the Insurance Company needs to pay to the Seller or to the Issuer would not be of any interest to the Insurance Company.

A notification issue also arises in connection with Article 66 §1 of the Insurance Act which provides that the Insurance Company cannot invoke any defences which derive from facts arising after the accident has occurred (for instance a late filing of a claim) against mortgagee-creditors the mortgages of whom *are known to* the insurance company. Again, for the same reasons set out above, the Insurance Company should not have a valid interest in disputing the rights of the Issuer.

Pursuant to Article 66 §2 of the Insurance Act:

(a) the Insurance Company can invoke the suspension, reduction or termination of the insurance coverage only after having given the Seller one month prior notice; and

(b) if the suspension or termination of the insurance coverage is due to the non-payment of premiums, the Seller has the right to pay the premiums within the one-month notice period and thus avoid the suspension or termination of the insurance coverage.

Insurance Company means any insurance company granting a hazard insurance or a life insurance (in respect of a Loan);

Insurance Policy/ies means any and all hazard insurance(s), fire insurance(s) or life insurance(s)

4.19 Risks of losses associated with declining values of Mortgaged Properties

The security for the Notes created under the Pledge Agreement may be affected by, among other things, a decline in the value of the Mortgaged Properties. No assurance can be given that values of the Mortgaged Properties have remained or will remain at the level at which they were on the date of origination of the related Loans. A decline in value of the relevant Mortgaged Properties may result in losses to the relevant Noteholders if the relevant security rights on the relevant Mortgaged Property are required to be enforced. The Seller will not be liable for any losses incurred by the Issuer in connection with the Loans.

4.20 Payments on the Loans are subject to credit, liquidity and interest rate risks

Payments on the Loans are subject to credit, liquidity and interest rate risks. This may be due to, among other things, general economic conditions, the financial standing of Borrowers, market interest rates and similar factors. Other factors such as loss of earnings may lead to an increase in delinquencies by Borrowers and could ultimately have an adverse impact on the ability of Borrowers to repay their Loans. The ultimate effect of this could be to delay or reduce the payments on the Notes.

4.21 Employee Loans

A limited part of the Loans in the Portfolio consists of Loans granted to employees of the Seller. In the event of a bankruptcy or other insolvency event affecting the Seller, an

increased risk of delinquencies could arise in respect of such part of the Portfolio increasing the risk on the Collateral of the Noteholders.

4.22 Assignment of salary

The assignment by a Borrower (who is an employee) of his/her salary is governed by special legislation (articles 27 to 35 of the Belgian Act of 12 April 1965 on the protection of the salary of employees). In the absence of reported precedents, it is not certain to which extent the Seller can validly assign the benefit of an assignment of salary by a Borrower to the Issuer. Therefore, there is the risk that the Issuer may not have the benefit of such arrangement in case of insolvency of the Seller, which may adversely impact on the ability of the Issuer to meet its obligations in full to pay interest and principal in respect of the Notes.

Moreover:

(a) the Borrower may have assigned his salary as security for debts other than the Loans; the assignee who first starts actual enforcement of the assignment against the Borrower would have priority over the other assignees; and

(b) there are arguments that a transfer of salary in a notarised deed still requires a bailiff notification to be enforceable against third parties.

4.23 Change in law

The structure of the transaction described in this Prospectus and, *inter alia*, the issue of the Notes are based on law, tax rules, regulations, guidelines, rates and procedures, and administrative practice in effect at the date of this Prospectus. No assurance can be given that there will be no change to such law, tax rules, rates, procedures or administrative practice after the date of this Prospectus which change might have an adverse impact on the Notes and the expected payments of interest and repayment of principal in respect of the Notes. See also *Condition 5.18* on Optional Redemption in case of Change of Law.

4.24 Data Protection

To the extent the transfer of Loans entails the transfer of personal data in relation to the Borrowers, the transfer of Loans by the Seller to the Issuer in connection with the Transaction includes a processing of personal data under the Belgian Act of 8 December 1992 on the protection of privacy (the ***Belgian Privacy Act***).

The Belgian Privacy Act permits the processing of personal data under several permissibility grounds, including (a) the prior consent of the data subject, (b) the necessity to process the personal data in order to execute an agreement to which a data subject is a party, and (c) the necessity to process the personal data for legitimate interests of the controller of the processing (insofar as these interests are not outweighed by the legitimate interests of the data subject). It seems reasonable to take the view that the transfer of data relating to the Loans by the Seller to the Issuer is permitted under the latter two grounds, so that the prior consent of the Borrowers must not be obtained. Moreover, the Standard Loan Documentation in relation to the more recently originated Loans explicitly include the possibility of a transfer (including to a *vennootschap voor belegging in schuldvorderingen*/*société d'investissement en créances* such as the Issuer) of the Loans.

Without regulatory guidance, there is however no complete certainty whether this is sufficient to fully comply with the Belgian Privacy Act and its implementing regulations.

4.25 Reliance on Dexia Bank Belgium N.V. – S.A.

The ability of the Issuer to duly perform its obligations under the Notes will depend to a large extent on the due performance by other transaction parties of their obligations and duties under the Transaction Documents. Thus the Issuer will in particular be dependent on Dexia Bank Belgium N.V.-S.A. as Account Bank, Servicer, Administrator, Senior Swap Counterparty, Junior Swap Counterparty, Calculation Agent and Domiciliary Agent.

4.26 Limited provision of information

Except if required by law, the Issuer will not be under any obligation to disclose to the Noteholders any financial information in relation to the Loans. The Issuer will not have any obligation to keep any Noteholder or any other person informed as to matters arising in relation to the Loans, except for the information provided in the Quaterly Investor Report produced by the Administrator and which will be made available as set out in *Section 21 - General Information*.

4.27 Portfolio Information

An audit has been performed by Deloitte on a statistically significant sample randomly selected out of the Seller's eligible residential mortgage loan pool, as selected by applying the Eligibility Criteria to the total mortgage loan pool as existed on 31 August 2011. The size of the sample has been determined on the basis of a confidence level of 99% and an accepted error rate of 1%. The audit assessed the consistency in data as registered in the systems of the Seller with the data as provided for in the physical files. The outcome of the audit showed that not in all cases a full consistency could be found or that not in all files all required documents were available to perform such audit.

4.28 Force Majeure

Belgian law recognised the doctrine of *overmacht/force majeure*, permitting a party to contractual obligation to be freed from such obligation upon the occurrence of an event which renders impossible the performance of such contractual obligation. There can be no assurance that any of the parties to the Transaction Documents will not be subject to a *overmacht/force majeure* event leading them to be freed from their obligations under the Transaction Documents to which it is a party. This could prejudice the ability of the Isseur to meet its obligations.

4.29 Eurosystem collateral

The European Central Bank does not provide any pre-issuance advice regarding the eligibility of assets as Eurosystem collateral. The Eurosystem does only provide counterparties with advice regarding the eligibility of assets as Eurosystem collateral if such assets are submitted to it as collateral. No representations or warranties are therefore given by the Issuer, the Manager or any affiliated person as to whether the Notes will be accepted as eligible collateral within the Eurosystem and none of the Issuer and the Manager nor any affiliated person will have any liability or obligation in relation thereto if the Notes are at any time deemed ineligible for such purposes.

4.30 Factors which might affect an investor's ability to make an informed assessment of the risks associated with Notes issued under the Transaction

Investors in the Notes must be able to make an informed assessment of the Notes, 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 below, placing such investor at a greater risk of receiving a lesser return on his investment:

(a) if such an investor does not have sufficient knowledge and experience to make a meaningful evaluation of the Notes and the merits of investing in the Notes in light of the risk factors outlined below;

(b) 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 Notes will have on his overall investment portfolio;

(c) if such an investor does not have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

(d) if such an investor does not understand thoroughly the terms of the Notes and is not familiar with the behaviour of any relevant indices in the financial markets (including the risks associated thereof) as such investor is more vulnerable from any fluctuations in the financial markets generally; and

(e) 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.

4.31 Implementation of regulatory changes that may affect the liquidity of the Notes

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

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

Article 122a applies in respect of the Notes. Investors should therefore make themselves

aware of the requirements of Article 122a (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other regulatory requirements applicable to them with respect to their investment in the Notes.

The Seller has undertaken to retain a material net economic interest of not less than 5% in the securitisation transaction in accordance with Article 122a of the EU Capital Requirements (Directive numbers 2006/48/EC and 2006/49/EC (as amended, including by EU Directive 2009/111/EC)) (the ***Capital Requirements Directive***) (which does not take into account any corresponding implementing rules or other measures made in any EEA state). As at the Closing Date, such interest will be comprised of entire Class C Notes and the Class D Notes. Any change in the manner in which this interest is held shall be notified to investors. The Seller has provided a corresponding undertaking with respect to the interest to be retained by it during the period wherein the Notes are outstanding to the Issuer and the Security Agent in the MLSA. In addition to the information set out herein and forming part of this Prospectus, the Seller has undertaken to make available materially relevant data with a view to complying with Article 122a, which can be obtained from the Seller upon request. After the Closing Date, the Issuer will prepare Quarterly Investor Reports wherein relevant information with regard to the loans will be disclosed publicly together with an overview of the retention of the material net economic interest by the Seller as confirmed to the Issuer for each Quarterly Investor Report. Such information can be obtained from the website *www.dexia.be/penatesfunding*. For the avoidance of doubt, none of the Issuer, the Seller, the Arranger or the Manager makes any representation as to the accuracy or suitability of any financial model which may be used by a prospective investor in connection with its investment decision. Each prospective investor is required to independently assess and determine the sufficiency of the information described above for the purposes of complying with Article 122a of the Capital Requirements Directive and none of the Issuer, the Seller (in its capacity as the Seller and the Servicer), the Administrator, the Arranger nor the Manager makes any representation that the information described above or in the Prospectus is sufficient in all circumstances for such purposes. In addition, each prospective noteholder should ensure that it complies with the implementing provisions in respect of Article 122a of the Capital Requirements Directive in its relevant jurisdiction. Investors who are uncertain as to the requirements which apply to them in respect of their relevant jurisdiction should seek guidance from their regulator.

The Issuer believes that the risks described above are certain of the principal risks inherent in the Transaction for the Noteholders but the inhability of the Issuer to pay interest or repay principal on the Notes may occur for other reasons and, accordingly, the Issuer does not represent that the above statements of the risks of holding the Notes are comprehensive. While the various structural elements described in the Prospectus are intended to lessen some of these risks for Noteholders there can be no assurance that these measures will be sufficient or effective to ensure payment to the Noteholders of interest and principal on such Notes on a timely basis at all.

SECTION 5 - CREDIT STRUCTURE

The following section is a summary of certain aspects of the issue of the Notes and the transaction in connection with the issue of the Notes of which prospective Noteholders should be aware, but it is not intended to be exhaustive. Prospective Noteholders should also read the detailed information set out elsewhere in this Prospectus. If you are in any doubt about the contents of this Prospectus, you should consult an appropriate professional adviser.

5.1 Interest and interest rates on the Loans

5.1.1 Interest and interest rates

The Loans sold and assigned to the Issuer at the Closing Date bear fixed rate interest whereby the rate can be:

(a) fixed for the entire term of the Loan; or

(b) fixed subject to a reset from time to time, with the period between two reset dates being no less than one (1) year and no more than thirty (30) years.

The actual amount of revenue received by the Issuer under the Loans will vary during the life of the Notes as a result of the level of delinquencies, defaults, repurchases, repayments and prepayments in respect of the Loans. Similarly, the actual amounts payable under the Monthly Interest Priority of Payments and the Notes Interest Priority of Payments will vary during the life of the transaction as a result of possible variations in certain costs and expenses of the Issuer and fluctuations in EURIBOR. The eventual effect of such variations could lead to drawings, and the replenishment of such drawings, under the Reserve Fund and to non-payment of certain items under the Monthly Interest Priority of Payments and the Notes Interest Priority of Payments.

5.1.2 Prepayment Penalties and default interest

In accordance with applicable law, the Loan Documents allow for Prepayment Penalties equal to three (3) months interest on the prepaid amount, calculated at the interest rate then applicable to the prepaid Loan (except in case of: (a) the death of a Borrower if the Loan is repaid from the proceeds of the Life Insurance taken out in relation to the Loan; or (b) in case of destruction of or damage to the property because of hazard, to the extent that the repayment occurs with funds paid pursuant to a Hazard Insurance Policy relating to the Loan).

5.1.3 Default interest

In respect of arrears on the Loans, default interest (*nalatigheidsinterest/intérêt moratoire*) at a rate of up to 0.5% per annum is charged/applied in addition to the interest rate then applicable to the Loan.

5.2 Cash Collection

5.2.1 Seller Cash Collection

For each Loan, there exists a separate account of the Borrower held with Dexia Bank Belgium with an account number corresponding to the relevant Loan number. Before the occurrence of a Notification Event, the Servicer, on behalf of the Seller, shall procure that all due amounts of principal, interest, Prepayment Penalties and default interest made available (by way of direct debit) by the Borrowers to the Seller in respect of the Loans are swept on a daily basis

to the Transaction Account held by the Issuer at the Account Bank (the ***Transaction Account***).

5.2.2 Collection Period

In respect of any relevant Monthly Payment Date, the period from (and including) the sixth (6^{th}) calendar day of the month in which the immediately preceding Monthly Payment Date fell to (but excluding) the sixth (6^{th}) calendar day of the month in which such relevant Monthly Payment Date falls shall be the ***Monthly Collection Period*** except for the first Monthly Collection Period which shall be the period from (and including) 19 December 2011 to (but excluding) 6 February 2012.

The ***Monthly Payment Date*** falls on the 25th day of each month (or, if such day is not a Business Day, the next following Business Day) commencing on 25 February 2012.

In respect of any relevant Quarterly Payment Date, the period from (and including) the sixth (6^{th}) calendar day of the month in which the immediately preceding Quarterly Payment Date fell to (but excluding) the sixth (6^{th}) calendar day of the month in which such relevant Quarterly Payment Date falls shall be the ***Quarterly Collection Period*** except for the first Quarterly Collection Period which shall be the period from (and including) 19 December 2011 to (but excluding) 6 May 2012.

A ***Collection Period*** shall mean a Monthly Collection Period or a Quarterly Collection Period, as the case may be.

5.2.3 Replacement of the Account Bank

The Transaction Account, the Share Capital Account, the Swap Collateral Account (if any), the Deposit Account (if any) and the Reserve Account (together the ***Issuer Accounts***) will be held at the Account Bank.

If at any time

(i) the short term, unsecured, unsubordinated and unguaranteed debt obligations of the Account Bank are rated less than P1 by Moody's or F1 by Fitch; or

(ii) the long term, unsecured, unsubordinated and unguaranteed debt obligations of the Account Bank are rated less than A by Fitch (or, if rated A, such rating is being put on Rating Watch Negative) or A (or assigned a credit view equivalent of a rating of less than A) by DBRS,

or another rating (or, in case of DBRS, credit view) which is otherwise acceptable to the Rating Agencies under (i) or (ii) or according to their most recent published counterparty criteria (such ratings or credit views collectively, the ***Minimum Ratings***), or the Account Bank ceases to be rated or ceases to be authorised to conduct business as a credit institution in Belgium, then within 30 calendar days, the Account Bank and the Issuer will (x) procure the transfer of all the Issuer Accounts (other than the Share Capital Account, which can remain at DBB unless DBB ceases to be authorised to conduct business as a credit institution in Belgium) to another bank or banks approved in writing by the Security Agent, which have the Minimum Ratings and which are credit institutions authorised to conduct business as a credit institution in Belgium or (y) find any other solution or take any other suitable action that will not, in and of itself and at that time, negatively impact the rating of the Class A Notes then outstanding.

5.3 The Transaction Account

5.3.1 Funds to be credited to the Transaction Account

The Issuer will maintain with the Account Bank the Transaction Account into which in addition to any interest accrued on the Transaction Account, the Servicer, on a daily basis on behalf of the Issuer, or the Administrator shall credit all amounts received:

(i) in respect of the Loans;

(ii) from the Senior Swap Counterparty under the Senior Swap Agreement (except funds related to the Swap Collateral Account);

(iii) from the Junior Swap Counterparty under the Junior Swap Agreement;

(iv) from any of the other parties to the Transaction Documents (except funds related to the Deposit Account);

(v) as accrued interest on the Reserve Fund or as funds drawn from the Reserve Fund; and

(vi) as retained interest for non-Eligible Holders.

Prior to an Enforcement Event, payments will be made from the Transaction Account during each Interest Period on the Monthly Payment Date in accordance with the Monthly Interest Priority of Payments and on the Quarterly Payment Date in accordance with the Notes Interest Priority of Payments and the Principal Priority of Payments as set out in *Section 5.7*.

5.4 Reserve Fund

5.4.1 Reserve Fund

The Issuer will on the Closing Date establish and maintain the Reserve Fund and the net proceeds of the Class D Notes will be credited to and fund the Reserve Fund. Amounts will be credited to the Reserve Fund as funds become available for such purpose in accordance with the Notes Interest Priority of Payments until the balance standing to the credit of the Reserve Fund equals the Reserve Fund Required Amount.

5.4.2 Utilising the Reserve Fund

If the Monthly Interest Available Amount (excluding any amounts available to the Issuer from the Reserve Fund) is insufficient to meet the Issuer's obligations under items (i) to (vii) (inclusive) of the Monthly Interest Priority of Payments in full, or if the Notes Interest Available Amount (excluding any amounts available to the Issuer from the Reserve Fund and amounts to be drawn in accordance with item (a) of the Principal Priority of Payments) is insufficient to meet the Issuer's obligations in full under item (i) of the Notes Interest Priority of Payments as long as the Class A Notes have not been redeemed in full and items (i) up to (and including) (vi) of the Notes Interest Priority of Payments if the Class A Notes have been redeemed in full, then amounts standing to the credit of the Reserve Fund will be available to the Issuer to satisfy such obligations on the relevant Payment Date. See *Interest Priority of Payments* in *Section 5.7* below.

5.4.3 Reserve Fund Required Amount

If, and to the extent that the Notes Interest Available Amount (excluding any amounts available to the Issuer from the Reserve Fund and any double counting) calculated on any Quarterly Calculation Date exceeds the amount required by the Issuer to satisfy its obligations in full under item (i) of the Notes Interest Priority of Payments for as long as the Class A Notes have not been redeemed in full and under item (i) to and (including) (vi) of the Notes Interest Priority of Payments if the Class A Notes have been redeemed in full, such excess amounts will be credited, on the immediately following Quarterly Payment Date to the Reserve Fund (to replenish the Reserve Fund, as the case may be) in accordance with item (iii) of the Notes Interest Priority of Payments as long as the Class A Notes have not been redeemed in full and in accordance with item (vii) of the Notes Interest Priority of Payments if the Class A Notes have been redeemed in full, until the balance standing to the credit of the Reserve Fund is an amount not less than the Reserve Fund Required Amount.

Reserve Fund Required Amount shall*:*

(a) be equal to zero, on the date on which the Collateralized Notes stand to be redeemed in full;

(b) on each Quarterly Calculation Date, for so long as:

(i) the aggregate Current Balance of all Delinquent Loans (but for the avoidance of doubt excluding Defaulted Loans), as of the end of the relevant Quarterly Collection Period, does not exceed 2.5% of the Current Portfolio Amount (as of the end of the Quarterly Collection Period and including for the avoidance of doubt all Delinquent and Defaulted Loans); and

(ii) the sum of the Current Balances of all Defaulted Loans since the Closing Date until the end of the relevant Quarterly Collection Period does not exceed 2% of the Principal Amount Outstanding of the Collateralized Notes as of Closing Date;

be equal to the higher amount of:

(x) 0.5% of the Principal Amount Outstanding of the Collateralized Notes on the Closing Date; and

(y) the lower of:

(I) 1.30% of the Principal Amount Outstanding of the Collateralized Notes on the Closing Date; and

(II) 2.36% of the Principal Amount Outstanding of the Collateralized Notes on the preceding Quarterly Payment Date; and

(c) otherwise on each future Quarterly Calculation Date until the Final Redemption Date (or such other date upon which the Collateralized Notes are to be redeemed in full) be equal to the Reserve Fund Required Amount as of the preceding Quarterly Calculation Date (for the avoidance of doubt, even if the ratio referred to in (i) above were to drop at a future date below the stated threshold, the Reserved Fund Required Amount will no longer amortise).

In respect of (b) above the Reserve Fund Required Amount may only amortise if and when:

(i) 50% of the Class A Notes have been repaid in principal;

(ii) no amounts are recorded on the Principal Deficiency Ledgers on such Quarterly Calculation Date; and

(iii) the balance standing to the credit of the Reserve Fund on the immediately preceding Monthly Payment Date is equal to or exceeds the Reserve Fund Required Amount.

Excess funds in the Reserve Fund

If the balance standing to the credit of the Reserve Fund on any Quarterly Calculation Date (following any credits of excess Notes Interest Available Amount in the circumstances described in this paragraph 5.4.3), exceeds the Reserve Fund Required Amount, such excess amount shall be drawn from the Reserve Fund on the following Quarterly Payment Date and be credited to the Transaction Account, and form part of the Notes Interest Available Amount, to be applied in accordance with the Notes Interest Priority of Payments, subject to the provisions of the paragraph above.

Reduction of Reserve Fund Required Amount

If the Collateralized Notes have been redeemed in full and all other obligations in respect of the Collateralized Notes have been satisfied on the Quarterly Payment Date immediately preceding a particular Calculation Date or will be satisfied on the next Quarterly Payment Date, all amounts standing to the credit of the Reserve Fund may be released and thus the Reserve Fund Required Amount will be reduced to zero, save for any amounts reasonably determined by the Administrator. In such circumstances, all amounts standing to the credit of the Reserve Fund will thereafter be credited to and form part of the Notes Interest Available Amount and will be available towards the satisfaction of the Issuer's obligations under the Notes Interest Priority of Payments.

5.5 Subordination

5.5.1 Class A Notes

The Class A Notes will be senior to each of the Class B Notes, the Class C Notes and the Class D Notes.

5.5.2 Class B Notes

The Class B Notes will be subordinated to the Class A Notes as follows:

(a) no payment of principal by the Issuer on the Class B Notes will be made whilst any Class A Note remains outstanding;

(b) interest on the Class B Notes will only be paid in accordance with the Notes Interest Priority of Payments; and

(c) in case of enforcement of the Security by the Security Agent, any amounts due in respect of the Class A Notes will rank in priority to any amounts due in respect of the Class B Notes, in accordance with the Post-enforcement Priority of Payments.

5.5.3 Class C Notes

The Class C Notes will be subordinated to the Class A Notes and the Class B Notes as follows:

(a) no payment of principal by the Issuer on the Class C Notes will be made whilst any Class A Note and Class B Note remain outstanding;

(b) interest on the Class C Notes will only be paid in accordance with the Notes Interest Priority of Payments; and

(c) in case of enforcement of the Security by the Security Agent, any amounts due in respect of the Class A Notes and the Class B Notes will rank in priority to any amounts due in respect of the Class C Notes, in accordance with the Post-enforcement Priority of Payments.

5.5.4 Subordinated Class D Notes

The Class D Notes will be subordinated to the Class A Notes, the Class B Notes and the Class C Notes as follows:

(a) principal and interest on the Class D Notes will only be paid by the Issuer in accordance with the Notes Interest Priority of Payments; and

(b) in case of enforcement of the Security by the Security Agent any amount due in respect of the Class D Notes will rank below in priority after any amounts due in respect of the Class A Notes, the Class B and the Class C Notes in accordance with the Post-enforcement Priority of Payments.

5.5.5 General Subordination

In the event of insolvency (which term includes bankruptcy (*faillissement / faillite*), winding-up (*vereffening / liquidation*)) and judicial reorganization (*gerechtelijke reorganisatie / réorganization judiciaire*) of the Issuer:

(a) any amount due or overdue in respect of the Class B Notes will:

  (i) rank lower in priority in point of payment and security than any amount due or overdue in respect of the Class A Notes; and

  (ii) shall only become payable after any amounts due in respect of any Class A Notes have been paid in full;

(b) any amount due or overdue in respect of the Class C Notes will:

  (i) rank lower in priority in point of payment and security than any amount due or overdue in respect of the Class A Notes and the Class B Notes; and

  (ii) shall only become payable after any amounts due in respect of any Class A Note and any Class B Note sequentially have been paid in full;

(c) any amount due or overdue in respect of the Class D Notes will:

  (i) rank lower in priority in point of payment and security than any amount due or overdue in respect of the Class A Notes , the Class B Notes and the Class C Notes; and

(ii) shall only become payable after any amounts due in respect of any Class A Note and any Class B Note and any of the Class C Note sequentially have been paid in full;

5.5.6 Limited Recourse - Compartments

To the extent that Principal Available Amount and Notes Interest Available Amount are insufficient to repay any principal and accrued interest outstanding on any Class of Notes on the Final Redemption Date, any amount of the Principal Amount Outstanding of, and accrued interest on, such Notes in excess of the amount available for redemption or payment at such time, will cease to be payable by the Issuer.

Obligations of the Issuer to the Noteholders and all other Secured Parties are allocated exclusively to Compartment Penates-4 and the recourse for such obligations is limited so that only the assets of Compartment Penates-4 subject to the relevant Security will be available to meet the claims of the Noteholders and the other Secured Parties. Any claim remaining unsatisfied after the realisation of the Security and the application of the proceeds thereof in accordance with the Post-enforcement Priority of Payments shall be extinguished and all unpaid liabilities and obligations of the Issuer acting through its Compartment Penates-4 will cease to be payable by the Issuer. Except as otherwise provided by Conditions 11 and 12, none of the Noteholders or any other Secured Party shall be entitled to initiate proceedings or, in case of a the Secured Parties, take any steps to enforce any relevant Security. See *Section 4.3, 5.5.3* and *Condition 11*, below.

5.6 Principal Deficiency

5.6.1 Principal Deficiency Ledgers

Principal deficiency ledgers will be established on behalf of the Issuer by the Administrator in respect of the Class A Notes (***Class A Principal Deficiency Ledger***) and the Class B Notes (***Class B Principal Deficiency Ledger***) and the Class C Notes (***Class C Principal Deficiency Ledger***) (together, the ***Principal Deficiency Ledgers***) in order to record (i) the Current Balance of any Defaulted Loan(s); and (ii) any Principal Available Amount which in accordance with the Principal Priority of Payments is used to cover any Class A Interest Shortfall and any other amount as referred to in item (i) of the Notes Interest Priority of Payments.

Class A Interest Shortfall means, in relation to any Quarterly Payment Date, any shortfall of the aggregate amount under items (a) to (h) of Notes Interest Available Amount to pay Accrued Interest on the Class A Notes on the relevant Quarterly Payment Date.

5.6.2 Allocation

The Current Balance of Loans which have become Defaulted Loans during the relevant Quarterly Collection Period and any Principal Available Amount which in accordance with the Principal Priority of Payments is used to cover any Class A Interest Shortfall on the following Quarterly Payment Date and any other amount as referred to in item (i) of the Notes Interest Priority of Payments, will, on the relevant Quarterly Calculation Date, be debited to the Principal Deficiency Ledgers sequentially as follows:

(a) *first*, to the Class C Principal Deficiency Ledger up to an amount equal to the aggregate Principal Amount Outstanding of the Class C Notes, and if there is sufficient Notes Interest Available Amount then any debit balance on Class C

Principal Deficiency Ledger shall be reduced by crediting such funds at item (viii) of the Notes Interest Priority of Payments; and

(b) *second*, to the Class B Principal Deficiency Ledger up to an amount equal to the aggregate Principal Amount Outstanding of the Class B Notes, and if there is sufficient Notes Interest Available Amount then any debit balance on the Class B Principal Deficiency Ledger shall be reduced by crediting such funds at item (v) of the Notes Interest Priority of Payments.

(c) *third*, to the Class A Principal Deficiency Ledger up to an amount equal to the aggregate Principal Amount Outstanding of the Class A Notes, and if there is sufficient Notes Interest Available Amount then any debit balance on the Class A Principal Deficiency Ledger shall be reduced by crediting such funds at item (iv) of the Notes Interest Priority of Payments.

Any debit balance recorded on the respective Principal Deficiency Ledgers shall be a ***Class A Principal Deficiency,*** a ***Class B Principal Deficiency***, a ***Class C Principal Deficiency***, each a ***Principal Deficiency***, as applicable and as the context requires.

Defaulted Loan means a Loan which:

(i) either, is in arrears for 90 days or more;

(ii) or, has been assigned an internal code "D1" or "D2" by the Servicer, whereby in accordance with the Servicer's current criteria (subject to future modification):

(x) "D1" indicates that decision has been taken by the Servicer in its sole discretion to treat the Loan as defaulted following an assessment that the Loan has become subject to an increased risk of default;

(y) "D2" indicates that:

(1°) the amounts made available by the Borrower for payments on the Loan have been irregular (e.g. insufficient provision of the due dates) and the Loan is in arrears for 90 days or more; or

(2°) three monthly instalments are unpaid; or

(3°) the Loan is cancelled before being 90 days in arrears; or

(4°) the Loan is registered as a loss before being 90 days in arrears; or

(5°) the Borrower becomes subject to a collective reorganisation of its debts.

Delinquent Loan means a Loan which is in arrears and which is not a Defaulted Loan.

5.6.3 Calculation of Principal Available Amount, Monthly Interest Available Amount and Notes Interest Available Amount

The Monthly Calculation Date shall be, in relation to any Monthly Payment Date, the third (3rd) Business Day preceding the relevant Monthly Payment Date (the ***Monthly Calculation Date***). The Quarterly Calculation Date shall be, in relation to any Quarterly Payment Date, the third Business Day preceding the relevant Quarterly Payment Date (the ***Quarterly***

Calculation Date). On each Monthly Calculation Date the Administrator will calculate the amount of the Monthly Interest Available Amount which will be available to the Issuer in the Transaction Account on the immediately following Monthly Payment Date to satisfy its obligations in respect of certain expenses and costs to the Transaction Parties in accordance with the Monthly Interest Priority of Payments. On each Quarterly Calculation Date the Administrator will calculate the amount of the Notes Interest Available Amount and the Principal Available Amount which will be available to the Issuer in the Transaction Account on the following Quarterly Payment Date to satisfy its obligations under the Notes.

The Monthly Interest Available Amount shall be calculated by reference to the interest receipts and other amounts received by the Issuer during the previous Monthly Collection Period.

The Notes Interest Available Amount shall be calculated by reference to the payment from the Senior Swap Counterparty and Junior Swap Counterparty to be received on the related Quarterly Payment Date and other amounts received by the Issuer during the previous Quarterly Collection Period.

The Principal Available Amount shall be calculated by reference to principal amounts and other amounts received by the Issuer during the previous Quarterly Collection Period.

5.7 Application of cash flow and Priority of Payments

5.7.1 Payments during any Interest Period

Provided no Enforcement Notice has been given, amounts due and payable by the Issuer in respect of:

(a) obligations incurred under the Issuer's business to third parties (except as already provided for under the Transaction Documents); and

(b) payments to the Servicer of any amount previously credited to the Issuer Accounts in error;

may be paid by the Issuer on a date that is not a Payment Date provided there are sufficient funds available in the Transaction Account or (solely for the purposes of (a) above) can be drawn from the Reserve Fund.

Dividends may be paid annually out of the Dividend Reserve held in the Share Capital Account and interest accrued thereon.

Share Capital Account means the bank account opened by the Issuer in which (i) the share capital portion allocated to Compartment Penates-4, (ii) the Dividend Reserve and (iii) the interests accrued on the Share Capital Account are held.

5.7.2 Monthly Interest Available Amount

On each Monthly Calculation Date, the Administrator will calculate the amount of interest funds which will be available to the Issuer in the Transaction Account on the following Monthly Payment Date by reference to the applicable Monthly Collection Period, and such interest funds (the ***Monthly Interest Available Amount***) shall be the sum of the following:

(a) any interest received by the Issuer on the Loans;

(b) any Prepayment Penalties and default interest under the Loans;

(c) the aggregate amount of any amounts received:

(i) in respect of a repurchase by the Seller under the MLSA; and

(ii) in respect of any other amounts received by the Issuer under the MLSA in connection with the Loans;

in each case, to the extent such amounts do not relate to principal amounts or amounts received in respect of any Defaulted Loan (including the Recoveries);

(d) any amounts (as indemnity for losses of scheduled interest on the Loans as a result of Commingling Risk and/or Set-Off Risk, or amounts for Liquidity Shortfall Risk) to be received and transferred from the Deposit Account to the Transaction Account in accordance with clause 5.3 of the MLSA; and

(e) any amounts to be applied from the Reserve Fund (to the extent available) on the immediately following Monthly Payment Date to cover any shortfalls that would otherwise exist on items (i) to (vii)(inclusive) of the Monthly Interest Priority of Payments (which are to be transferred to the Transaction Account);

minus,

funds deducted from the Transaction Account during the applicable Monthly Collection Period in accordance with *Section 5.7.1*.

5.7.3 Pre-enforcement Monthly Interest Priority of Payments

On each Monthly Calculation Date the Administrator shall calculate the amount of Monthly Interest Available Amount which is to be applied on the immediately succeeding Monthly Payment Date.

On each Monthly Payment Date prior to the issuance of an Enforcement Notice, the Administrator on behalf of the Issuer shall apply the Monthly Interest Available Amount in making the following payments or provisions, in the following order of priority (in each case, only if, and to the extent that the Transaction Account would not be overdrawn, and to the extent that payments or provisions of a higher order or priority have been made in full, and to the extent that such liabilities are due by and recoverable against the Issuer) (the ***Monthly Interest Priority of Payments***):

(i) *first*, in or towards satisfaction of all amounts due and payable to the Security Agent;

(ii) *second*, in or towards satisfaction of all amounts due and payable to the Administrator acting in that capacity;

(iii) *third*, in or towards satisfaction of, *pari passu* and *pro rata*, of:

(A) all amounts due and payable to the Servicer;

(B) all amounts due and payable to the Corporate Services Provider and the Accounting Services Provider; and

(C) all amounts due and payable to the directors of the Issuer, if any;

(iv) *fourth*, in or towards satisfaction of, *pari passu* and *pro rata*, of:

(A) all amounts due and payable to the National Bank of Belgium in relation to the use of X/N Clearing System;

(B) all amounts due and payable to the FSMA;

(C) all amounts due and payable to Euronext Brussels;

(D) all amounts due and payable to the CFI (*Controledienst voor Financiële Informatie/Service de Contrôle de l'Information Financière*);

(E) all amounts due and payable to the Auditor;

(F) all amounts due and payable to the *Fonds voor bestrijding van de overmatige schuldenlast/Fonds de Traitement du Surendettement*;

(G) all amounts due and payable to the Rating Agencies;

(H) all amounts due and payable to the Account Bank;

(I) all amounts due and payable to the Domiciliary Agent;

(J) all other amounts due and payable to third parties for any payment of the Issuer's liability, if any, for taxes; and

(K) on the first Monthly Payment Date only of each accounting year (and for the first time, on the first Monthly Payment Date in 2012), funding the Dividend Reserve;

(v) *fifth*, in or towards satisfaction of, *pari passu* and *pro rata*, all amounts that the Administrator certifies are due and payable by the Issuer to third parties (other than any Secured Parties) that are not yet included in item (iv) above in the normal course of its business conducted in accordance with its by-laws and the Transaction Documents;

(vi) *sixth*, in or towards reservation in the Transaction Account of an amount equal to the Guaranteed Excess Margin for the relevant Monthly Payment Date;

(vii) *seventh*, in or towards satisfaction of all amounts due and payable to the Senior Swap Counterparty (other than any Excess Swap Collateral or any Senior Swap Replacement Premium which will be paid directly and only to the Senior Swap Counterparty under the terms of the Senior Swap Agreement); and

(viii) *eighth*, as long as a Junior Swap Agreement is entered into, in or towards satisfaction of all amounts due and payable to the Junior Swap Counterparty (other than any Junior Swap Replacement Premium which will be paid directly and only to the Junior Swap Counterparty under the terms of the Junior Swap Agreement).

If on any Monthly Payment Date prior to repayment in full of the principal of the Collateralized Notes, the Junior Swap Agreement has been terminated prior to and no replacement agreement is entered into with a new Junior Swap Counterparty, the Monthly Interest Available Amount remaining after satisfaction of items (i) to (vii)(including), will remain in the Transaction Account and be included in the Notes Interest Available Amount on

the immediately following Quarterly Payment Date (the ***Remaning Monthly Interest Amount***).

5.7.4 Notes Interest Available Amount

On each Quarterly Calculation Date, the Administrator will calculate the amount of interest funds which will be available to the Issuer in the Transaction Account on the following Quarterly Payment Date by reference to the applicable Quarterly Collection Period, and such interest funds (the ***Notes Interest Available Amount***) shall be the sum of the following:

(a) any amounts to be received from the Senior Swap Counterparty under the Senior Swap Agreement on the immediately following Quarterly Payment Date (other than any Excess Swap Collateral or any Senior Swap Replacement Premium which will be paid directly and only to the Senior Swap Counterparty under the terms of the Senior Swap Agreement);

(b) any amounts to be received from the Junior Swap Counterparty under the Junior Swap Agreement on the immediately following Quarterly Payment Date (other than any Junior Swap Replacement Premium which will be paid directly and only to the Junior Swap Counterparty under the terms of the Junior Swap Agreement), or, any Remaining Monthly Interest Amount on such Quarterly Payment Date and/or any of the two immediately preceding Monthly Payment Dates;

(c) any interest accrued on sums standing to the credit of the Issuer Accounts (other than the Share Capital Account, the Swap Collateral Account and the Deposit Account);

(d) any amounts to be applied from the Reserve Fund (to the extent available) on the immediately following Quarterly Payment Date to cover any shortfalls that would otherwise exist on item (i) of the Notes Interest Priority of Payments as long as the Class A Notes have not been redeemed in full and on items (i) to (vi) (inclusive) of the Notes Interest Priority of Payments if the Class A Notes have been redeemed in full (which are to be transferred to the Transaction Account);

(e) any amounts received in respect of any Defaulted Loan including Recoveries;

(f) any remaining amount (other than (i) an amount included in the Monthly Interest Available Amount or the Principal Available Amount, (ii) amounts received in respect of the new running Quarterly Collection Period and (iii) amounts of retained interest for non-Eligible Holders) standing to the credit of the Transaction Account;

(g) any amount standing to the credit of the Reserve Fund in excess of the Reserve Fund Required Amount;

(h) the Guaranteed Excess Margin reserved in the Transaction Account on the two (2) previous Monthly Payment Dates and to be reserved (in accordance with the Monthly Interest Priority of Payments on such date) on the immediately succeeding Quarterly Payment Date (or, in respect of the first Quarterly Calculation Date, the Guaranteed Excess Margin reserved in the Transaction Account on the three (3) previous Monthly Payment Dates and to be reserved on the first Quarterly Payment Date);

(i) any amounts to cover for Liquidity Shortfall Risk, to be received and transferred from the Deposit Account to the Transaction Account in accordance with clause 5.3 of the MLSA;

(j) as long as any Class A Notes are outstanding, the Principal Available Amount that may be used to fund a Class A Interest Shortfall and any other amount as referred to in item (i) of the Notes Interest Priority of Payments in accordance with the Principal Priority of Payments, to the extent that the sum of items (a) to (i) (inclusive) above is not sufficient to cover item (i) of the Notes Interest Priority of Payment; and

(k) if, and to the extent the Class C Notes have been fully redeemed, any amount as referred to in item (v) of the Principal Priority of Payments.

Recoveries means any amounts received in respect of Defaulted Loans in respect of which the Servicer has decided to suspend or to abandon any further enforcement action.

5.7.5 Interest Deficiency Ledgers

Interest Deficiency Ledgers will be established by the Administrator on behalf of the Issuer in respect of the Class B Notes (the ***Class B Interest Deficiency Ledger***), the Class C Notes (the ***Class C Interest Deficiency Ledger***) and the Class D Notes (***Class D Interest Deficiency Ledger***) in order to record any shortfalls in the payment of interest on the Class B Notes, the Class C Notes and the Class D Notes, as applicable.

5.7.6 Interest Deficiency Allocation

Event of Default in respect of failure to pay the interest due under Class A Notes

Subject to Condition 9, it shall be an Event of Default under the Class A Notes if on any Quarterly Payment Date, the interest amounts then due and payable under and in respect of the Class A Notes have not been paid in full.

Interest Deficiency Ledger and interest roll-over

To the extent that on any Quarterly Payment Date, the Notes Interest Available Amount is not sufficient to pay the Accrued Interest in respect of all Class B Notes, the amount of such shortfall (the ***Class B Interest Deficiency***) shall be recorded in the Class B Interest Deficiency Ledger. The balance of the Class B Interest Deficiency Ledger existing on any Quarterly Calculation Date shall on the next succeeding Quarterly Payment Date be reduced with the Class B Interest Surplus, if any.

Class B Interest Surplus means, on any Quarterly Calculation Date, the Notes Interest Available Amount to be allocated to the Class B Interest Deficiency Ledger on the next succeeding Quarterly Payment Date in accordance with the Notes Interest Priority of Payments.

To the extent that on any Quarterly Payment Date, the Notes Interest Available Amount is not sufficient to pay the Accrued Interest in respect of all Class C Notes, the amount of such shortfall (the ***Class C Interest Deficiency***) shall be recorded in the Class C Interest Deficiency Ledger. The balance of the Class C Interest Deficiency Ledger existing on any Quarterly Calculation Date shall on the next succeeding Quarterly Payment Date be reduced with the Class C Interest Surplus, if any.

Class C Interest Surplus means, on any Quarterly Calculation Date, the Notes Interest Available Amount to be allocated to the Class C Interest Deficiency Ledger on the next succeeding Quarterly Payment Date in accordance with the Notes Interest Priority of Payments.

To the extent that on any Quarterly Payment Date, the Notes Interest Available Amount is not sufficient to pay the Accrued Interest in respect of all Class D Notes, the amount of such shortfall (the ***Class D Interest Deficiency***) shall be recorded in the Class D Interest Deficiency Ledger. The balance of the Class D Interest Deficiency Ledger existing on any Quarterly Calculation Date shall on the next succeeding Quarterly Payment Date be reduced with the Class D Interest Surplus, if any.

Class D Interest Surplus means, on any Quarterly Calculation Date, the Notes Interest Available Amount to be allocated to the Class D Interest Deficiency Ledger on the next succeeding Quarterly Payment Date in accordance with the Notes Interest Priority of Payments.

Interest Deficiency Ledgers

The Issuer shall establish and maintain the Class B Interest Deficiency Ledger, the Class C Interest Deficiency Ledger and the Class D Interest Deficiency Ledger to record and monitor any interest deficiency as described in the preceding section *Interest Deficiency Ledgers and interest roll-over*.

5.7.7 Pre-enforcement Notes Interest Priority of Payments

On each Quarterly Calculation Date, the Administrator shall calculate the Notes Interest Available Amount which is to be applied on the immediately succeeding Quarterly Payment Date.

On each Quarterly Payment Date prior to the issuance of an Enforcement Notice, the Administrator, on behalf of the Issuer, shall apply the Notes Interest Available Amount in making the following payments or provisions, in the following order of priority (in each case, only if, and to the extent that the Transaction Account would not be overdrawn, and to the extent that payments or provisions of a higher order or priority have been made in full, and to the extent that such liabilities are due by and recoverable against the Issuer) (the ***Notes Interest Priority of Payments***):

(i) *first*, in or towards satisfaction of, *pari passu* and *pro rata*,

  (A) all amounts of Accrued Interest due in respect of the Class A Notes; and

  (B) all Senior Swap Termination Amounts (other than the Senior Subordinated Swap Amounts);

(ii) *second*, in or towards satisfaction of all amounts required to replenish the Risk Mitigation Deposit Amount for funds used with respect to Liquidity Shortfall Risk;

(iii) *third*, as long as the Class A Notes have not been redeemed in full, in or towards satisfaction of all amounts required to replenish (as the case may be) the Reserve Fund up to the Reserve Fund Required Amount;

(iv) *fourth*, in or towards satisfaction of all amounts debited to the Class A Principal Deficiency Ledger, until any debit balance on the Class A Principal Deficiency Ledger is reduced to zero;

(v) *fifth*, in or towards satisfaction of all amounts debited to the Class B Principal Deficiency Ledger, until any debit balance on the Class B Principal Deficiency Ledger is reduced to zero;

(vi) *sixth*, in or towards satisfaction of, *pari passu* and *pro rata*,

(A) all amounts of Accrued Interest in respect of the Class B Notes;

(B) all amounts debited to the Class B Interest Deficiency Ledger, until any debit balance on the Class B Interest Deficiency Ledger is reduced to zero;

(C) all Junior Swap Termination Amounts (other than the Junior Subordinated Swap Amounts);

(vii) *seventh*, as soon as the Class A Notes have been redeemed in full, in or towards satisfaction of all amounts required to replenish (as the case may be) the Reserve Fund up to the Reserve Fund Required Amount;

(viii) *eighth*, in or towards satisfaction of all amounts debited to the Class C Principal Deficiency Ledger, until any debit balance on the Class C Principal Deficiency Ledger is reduced to zero;

(ix) *ninth*, in or towards satisfaction of, *pari passu* and *pro rata*,

(A) all amounts of Accrued Interest in respect of the Class C Notes;

(B) all amounts debited to the Class C Interest Deficiency Ledger, until any debit balance on the Class C Interest Deficiency Ledger is reduced to zero;

(x) *tenth*, in or towards satisfaction of, *pari passu* and *pro rata*, all amounts of Accrued Interest in respect of the Class D Notes;

(xi) *eleventh*, in or towards satisfaction of all amounts debited to the Class D Interest Deficiency Ledger, until any debit balance on the Class D Interest Deficiency Ledger is reduced to zero;

(xii) *twelfth*, in or towards satisfaction of, *pari passu* and *pro rata*, amounts of principal due and unpaid in respect of the Class D Notes, in accordance with Condition 5.3;

(xiii) *thirteenth*, in or towards satisfaction of all Senior Subordinated Swap Amounts due or overdue to the Senior Swap Counterparty;

(xiv) *fourteenth*, in or towards satisfaction of all Junior Subordinated Swap Amounts due or overdue to the Junior Swap Counterparty; and

(xv) *fifteenth*, in or towards satisfaction of the Deferred Purchase Price then due and payable to the Seller.

5.7.8 Pre-enforcement Principal Priority of Payments

Principal Available Amount

On each Quarterly Calculation Date, prior to the issuance of an Enforcement Notice, the Administrator shall calculate the amount of principal funds which will be available to the Issuer in the Transaction Account on the following Quarterly Payment Date to satisfy its obligations under the Notes by reference to the applicable Quarterly Collection Period, and such principal funds (the ***Principal Available Amount***) shall be the sum of the following:

(a) the aggregate amount of any repayment and prepayment of principal amounts under the Loans from any person, whether by set-off or otherwise (but excluding Prepayment Penalties, if any);

(b) the aggregate of any amounts received:

(i) in respect of a repurchase of Loans by the Seller under the MLSA; and

(ii) in respect of any other amounts received by the Issuer under the MLSA in connection with the Loans;

in each case, to the extent such amounts relate to principal amounts and do not relate to amounts received in respect of any Defaulted Loan including Recoveries;

(c) any amounts to be credited to the Principal Deficiency Ledgers on the immediately following Quarterly Payment Date pursuant to items (iv), (v) and (viii) of the Notes Interest Priority of Payments;

(d) any Principal Available Amount calculated on the immediately preceding Quarterly Calculation Date which has not been applied towards satisfaction of the items set forth in the Principal Priority of Payments on the immediately preceding Quarterly Payment Date;

(e) any amounts (as indemnity for losses of scheduled principal on the Loans as a result of Commingling Risk and/or Set-Off Risk) to be received from the Risk Mitigation Deposit in accordance with clause 5.3 of the MLSA, which are to be transferred from the Deposit Account to the Transaction Account; and

(f) in respect of the first (1^{st}) Quarterly Payment Date, the difference between the Principal Amount Outstanding of the Collateralized Notes on the Closing Date and the Current Balances of all Loans on the Closing Date.

On each Quarterly Payment Date prior to the issuance of an Enforcement Notice, the Issuer shall apply the Principal Available Amount (if any) in making the following payments or provisions, in the following order of priority (in each case, only if, and to the extent that the Transaction Account would not be overdrawn, and to the extent that payments or provisions of a higher order or priority have been made in full, and to the extent that such liabilities are due by and recoverable against the Issuer) (the ***Principal Priority of Payments***):

(i) for so long as any Class A Notes are outstanding, *first*, in or towards funding, *pari passu* and *pro rata*, any Class A Interest Shortfall and any shortfall to pay Senior Swap Termination Amounts (other than Senior Subordinated Swap Amounts) which have become due during the relevant Interest Period in accordance with the Notes Interest Priority of Payments;

(ii) *second*, in redeeming, *pari passu* and *pro rata*, all principal amounts outstanding in respect of the Class A Notes until all of the Class A Notes have been redeemed in full;

(iii) *third*, in redeeming, *pari passu* and *pro rata*, all principal amounts outstanding in respect of the Class B Notes until all of the Class B Notes have been redeemed in full;

(iv) *fourth*, in redeeming, *pari passu* and *pro rata*, all principal amounts outstanding in respect of the Class C Notes until all of the Class C Notes have been redeemed in full;

(v) *fifth*, if, and to the extent the Class C Notes have been fully redeemed, any remaining amount will be added to the Notes Interest Available Amount.

Principal Available Amount shall not be used to redeem the Class D Notes. Amounts due and payable under the Class D Notes shall be paid from the Notes Interest Available Amount under item (x) to (xii) of the Notes Interest Priority of Payments in accordance with Condition 5.3.

5.7.9 Post-enforcement Priority of Payments

Following the issue of an Enforcement Notice, all monies standing to the credit of the Issuer Accounts and received by the Issuer (or the Security Agent or the Administrator) will be applied in the following priority (the ***Post-enforcement Priority of Payments*** and, together with the Monthly Interest Priority of Payments, the Notes Interest Priority of Payments and the Principal Priority of Payments, the ***Priority of Payments***) (if and to the extent that payments or provisions of a higher order have been made and to the extent that such liabilities are due by and recoverable against the Issuer):

(i) *first*, in or towards satisfaction of all amounts due and payable to any receiver or agent appointed by the Security Agent for the enforcement of the security and any costs, charges, liabilities and expenses incurred by such receiver or agent;

(ii) *second*, in or towards satisfaction of all amounts due and payable to the Security Agent;

(iii) *third*, in or towards all amounts due to the Administrator acting in that capacity;

(iv) *fourth*, in or towards satisfaction of *pari passu* and *pro rata*:

(A) all amounts due and payable to the Servicer; and

(B) all amounts due and payable to the Corporate Services Provider and the Accounting Services Provider; and

(C) all amounts due and payable to the directors of the Issuer, if any;

(v) *fifth*, in or towards satisfaction of *pari passu* and *pro rata*:

(A) all amounts due and payable to the National Bank of Belgium in relation to the use of X/N Clearing System;

(B) all amounts due and payable to the FSMA;

(C) all amounts due and payable to Euronext Brussels;

(D) all amounts due and payable to the CFI (*Controledienst voor Financiële Informatie/Service de Contrôle de l'Information Financière*);

(E) all amounts due and payable to the Auditor;

(F) all amounts due and payable to the *Fonds voor bestrijding van de overmatige schuldenlast/ Fonds de Traitement du Surendettement*;

(G) all amounts due and payable to the Rating Agencies;

(H) all amounts due and payable to the Account Bank;

(I) all amounts due and payable to the Domiciliary Agent;

(J) all other amounts due and payable to third parties for any payment of the Issuer's liability, if any, for taxes;

(vi) *sixth,* in or towards satisfaction of, pari passu and pro rata, all amounts that the Administrator certifies are due and payable by the Issuer to third parties (other than any Secured Parties) that are not yet included in item (v) above in the normal course of its business conducted in accordance with its by-laws and the Transaction Documents;

(vii) *seventh*, in or towards satisfaction of, *pari passu* and *pro rata*, (a) all amounts of interest due or overdue in respect of the Class A Notes and (b) all amounts due or overdue to the Senior Swap Counterparty (other than the Senior Subordinated Swap Amounts);

(viii) *eighth*, in or towards redemption of, *pari passu* and *pro rata*, all amounts of principal outstanding in respect of the Class A Notes until redeemed in full;

(ix) *ninth*, in or towards satisfaction of, *pari passu* and *pro rata*, (a) all amounts of interest due or overdue in respect of the Class B Notes and (b) all amounts due or overdue to the Junior Swap Counterparty (other than the Junior Subordinated Swap Amounts);

(x) *tenth*, in or towards redemption of, *pari passu* and *pro rata*, all amounts of principal outstanding in respect of the Class B Notes until redeemed in full;

(xi) *eleventh,* in or towards satisfaction of, *pari passu* and *pro rata*, all interest due in respect of the Class C Notes;

(xii) *twelfth*, in or towards satisfaction of, *pari passu* and *pro rata,* all principal due in respect of the Class C Notes

(xiii) *thirteenth*, in or towards satisfaction of, *pari passu* and *pro rata*, all interest and principal due in respect of the Class D Notes

(xiv) *fourteenth*, in or towards satisfaction of all Senior Subordinated Swap Amounts due or overdue to the Senior Swap Counterparty;

(xv) *fifteenth,* in or towards satisfaction of all Junior Subordinated Swap Amounts due or overdue to the Junior Swap Counterparty;

(xvi) *sixteenth,* in or towards reservation of an amount available for repayment to the shareholders of the Issuer up to the initial capital contribution allocated to Compartment Penates-4 (EUR 1,000);

(xvii) *seventeenth*, in or towards satisfaction of the Deferred Purchase Price then due and payable to the Seller; and

(xviii) *eightteenth*, finally, to pay the surplus (if any) to the Issuer,

it being understood that:

(1) amounts resulting from collateral standing to the credit of the Swap Collateral Account shall only be applied in accordance with the Post-enforcement Priority of Payments to the extent such amounts cover the Senior Swap Counterparty's liability to the Issuer under the Senior Swap Agreement as at the date of termination of the transaction under the Senior Swap Agreement, the remainder of the amount standing to the credit of the Swap Collateral Account shall be released directly to the Senior Swap Counterparty; and

(2) amounts standing to the credit of the Deposit Account shall only be applied in accordance with the Post-enforcement Priority of Payments to the extent such amounts cover for losses incurred by the Issuer of scheduled interest or principal on the Loans as a result of Commingling Risk and/or Set-Off Risk and/or Liquidity Shortfall Risk, the remainder of the amount standing to the credit of the Deposit Account shall be released directly to the Seller.

5.8 Interest Rate Hedging

Interest Rate Hedging Strategy

The Issuer will receive, amongst other things, interest payments pursuant to the Loans calculated by reference to fixed interest rates (subject to reset from time to time). With respect to interest payable on the outstanding Notes, the Issuer will pay the Euro Reference Rate plus a fixed margin subject to, as far as the Class A Notes are concerned, a Step-Up Margin. To hedge the interest rate mismatch between the interest income the Issuer is entitled to receive under the Loans and the interest payments the Issuer is obliged to make under the Notes, the Issuer shall on or before the Closing Date enter into the Senior Swap Agreement and Junior Swap Agreement.

Senior Swap Ratio

The ***Senior Swap Ratio*** on each Monthly Calculation Date will be equal to the ratio between:

(a) the Principal Amount Outstanding of the Class A Notes less any amounts standing to the credit of the Principal Deficiency Ledger of the Class A Notes as determined on the preceding Quarterly Calculation Date (or, in respect of the determination of the Senior Swap Ratio for the first Monthly Calculation Date, on the Closing Date); and

(b) the sum of the Principal Amount Outstanding of the Collateralized Notes less the sum of any amounts standing to the credit of the Class A Principal Deficiency Ledger and any amounts standing to the credit of the Class B Principal Deficiency Ledger and any amounts standing to the credit of the Class C Principal Deficiency Ledger as determined on the preceding Quarterly Calculation Date (or, in respect of the determination of the Senior Swap Ratio for the first Monthly Calculation Date, the Closing Date).

Junior Swap Ratio

The ***Junior Swap Ratio*** on each Monthly Calculation Date will be equal to one (1) less the Senior Swap Ratio.

5.8.1 The Senior Swap Agreement

Under the Senior Swap Agreement, the Issuer will pay the Senior Swap Counterparty on each Monthly Payment Date and in respect of the relevant Monthly Collection Period an amount equal to the product of the Senior Swap Ratio and:

(a) the Monthly Interest Available Amount in respect of the immediately preceding Monthly Collection Period; *less*

(b) an amount equal to the sum of all operating costs, fees and expenses due and payable at items (i) to (and including) (v) of the Monthly Interest Priority of Payments; *less*

(c) the Guaranteed Excess Margin.

In return, the Senior Swap Counterparty will pay the Issuer on each Quarterly Payment Date an amount equal to the scheduled interest due and payable under the Class A Notes which shall be calculated by reference to the floating rate of interest applied to the aggregate Principal Amount Outstanding of the Class A Notes on the immediately preceding Quarterly Calculation Date, in each case subject to the following paragraph.

The notional amount of the Class A Notes (being the aggregate Principal Amount Outstanding of such Class) under the Senior Swap Agreement will be reduced to the extent there is, and by an amount equal to, any amount outstanding on the Class A Principal Deficiency Ledger on the immediately preceding Quarterly Payment Date, as applicable.

On the Closing Date, the Senior Swap Counterparty will pay to the Issuer an amount equal to the product of 0.8975 and the accrued interest and default interest on the Loans up to the Closing Date.

See also *Senior Subordinated Swap Amounts* in this section below.

Downgrade of the Senior Swap Counterparty by Fitch

In the event (such event, an ***Initial Fitch Rating Event***) that, at any time (x) the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Senior Swap Counterparty (and, if applicable, its Credit Support Provider) are assigned a rating of less than F1 by Fitch (or such rating which is otherwise acceptable to Fitch or according to its most recently published hedge counterparty criteria); or (y) the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Senior Swap Counterparty (and, if applicable, its Credit Support Provider) are assigned a rating of less than A by Fitch (or, if rated A, such rating is being put on Rating Watch Negative)(or such rating which is otherwise acceptable to Fitch or according to its most recently published hedge counterparty criteria)(such ratings, the ***Fitch Ratings***); or (z) any such rating is withdrawn by Fitch, then the Senior Swap Counterparty will at its own cost within thirty (30) days of such reduction or withdrawal of any such rating (or, in case (A) is chosen or pending compliance with the actions under (B), (C) or (D) within fourteen (14) calendar days of such reduction or withdrawal of such rating):

(A) post collateral to cover the potential replacement costs of the swap at a minimum amount in accordance with the credit support annex to the Senior Swap Agreement; or

(B) transfer all of its rights and obligations under the Senior Swap Agreement to a replacement third party with a rating at least as high as the Fitch Ratings; or

(C) procure that a third party that has the Fitch Ratings, unconditionally guarantees the obligations of the Senior Swap Counterparty under the Senior Swap Agreement; or

(D) find any other solution or take any other suitable action that will not, in and of itself and at that time, negatively impact the rating of the Class A Notes then outstanding.

In the event (such event, a ***Subsequent Fitch Rating Event***) that, at any time (x) the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Senior Swap Counterparty (and, if applicable, its Credit Support Provider) are assigned a rating of less than F2 by Fitch (or such rating which is otherwise acceptable to Fitch or according to its most recently published hedge counterparty criteria); or (y) the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Senior Swap Counterparty are assigned a rating of less than BBB+ by Fitch (or, if rated BBB+, such rating is being put on Rating Watch Negative) (or such rating which is otherwise acceptable to Fitch or according to its most recently published hedge counterparty criteria); or (z) any such rating is withdrawn by Fitch, then the Senior Swap Counterparty will, at its own cost, within thirty (30) days of such reduction or withdrawal of any such rating (or, in case (A) is chosen or pending compliance with the actions under (B), within fourteen (14) calendar days of such reduction or withdrawal of such rating):

(A) post collateral in accordance with the Credit Support Annex into the Swap Collateral Account (or, if at the time such Subsequent Fitch Rating Event occurs, the Senior Swap Counterparty has posted collateral under the Credit Support Annex following an Initial Fitch Rating Event, as the case may be, post additional collateral in accordance with the Credit Support Annex); and

(B) use commercially reasonable efforts to:

(i) transfer all of its rights and obligations under the Senior Swap Agreement to a replacement third party with a rating at least as high as the Fitch Ratings; or

(ii) procure that a third party that has the Fitch Ratings, unconditionally guarantees the obligations of the Senior Swap Counterparty under the Senior Swap Agreement; or

(iii) find any other solution or take any other suitable action that will not, in and of itself and at that time, negatively impact the rating of the Class A Notes then outstanding.

If the Senior Swap Counterparty chooses to assign its rights and obligations to a replacement Senior Swap Counterparty, or procures a guarantee or finds any other solution or takes such other suitable action, any collateral that it may have previously posted will be returned to the Senior Swap Counterparty, provided that the collateral is not required to be posted as a remedial measure under the criteria set forth by Moody's or DBRS.

Downgrade of the Senior Swap Counterparty by Moody's

In the event that, at any time, the Senior Swap Counterparty and, if applicable, the guarantor who guarantees the obligations of the Senior Swap Counterparty in accordance with the requirements of the Senior Swap Agreement do not have the First Moody's Trigger Required Ratings, then the Senior Swap Counterparty will at its own cost within thirty (30) local business days (as defined in the credit support annex to the Swap Agreement) post collateral

to cover the potential replacement costs of the swap at a minimum amount in accordance with the credit support annex to the Senior Swap Agreement.

In the event that, at any time, the Senior Swap Counterparty or the guarantor who guarantees the obligations of the Senior Swap Counterparty in accordance with the requirements of the Senior Swap Agreement do not have the Second Moody's Trigger Required Ratings, the Senior Swap Counterparty will, at its own cost, use commercially reasonable efforts to:

(i) transfer all of its rights and obligations with respect to this Senior Swap Agreement to a suitable replacement swap counterparty as more particularly described in the Senior Swap Agreement; or

(ii) procure a guarantee in respect of all of the Senior Swap Counterparty's present and future obligations under the Senior Swap Agreement to be provided by a guarantor with at least the Second Moody's Trigger Required Ratings in accordance with the requirements of the Swap Agreement;

and, as the case may be, post or continue to post collateral in accordance with the credit support annex to the Senior Swap Agreement pending compliance with such remedial action.

If the Senior Swap Counterparty is able to assign its rights and obligations to a replacement Senior Swap Counterparty or procures a guarantee, any collateral that it may have previously posted will be returned to the Senior Swap Counterparty.

The Issuer and the Security Agent shall use their reasonable endeavours to co-operate with the Senior Swap Counterparty in connection with any transfer of the rights and obligations of the Senior Swap Counterparty under the Senior Swap Agreement pursuant to any downgrade as set out above.

If the Senior Swap Counterparty elects to transfer all of its rights and obligations pursuant to the provisions above, the Senior Swap Counterparty shall procure that any such replacement third party agrees to accede to the terms of the Pledge Agreement and agrees to be bound by its terms.

An entity shall have the ***First Moody's Trigger Required Ratings***) (A) where the short-term unsecured, unsubordinated and unguaranteed debt obligations of such entity are rated "Prime-1" and its long-term, unsecured and unsubordinated debt or counterparty obligations are rated "A2" or above by Moody's and (B) where the short-term unsecured, unsubordinated and unguaranteed debt obligations of such entity are not rated by Moody's, if its long-term, unsecured and unsubordinated debt or counterparty obligations are rated "A1" or above by Moody's (or such ratings which are otherwise acceptable to Moody's or according to its most recently published hedge counterparty criteria as First Moody's Trigger Required Ratings).

An entity shall have the ***Second Moody's Trigger Required Ratings*** (A) where the short-term unsecured, unsubordinated and unguaranteed debt obligations of such entity are rated "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 the short-term unsecured, unsubordinated and unguaranteed debt obligations of such entity are not rated by Moody's, if its long-term, unsecured and unsubordinated debt or counterparty obligations are rated "A3" or above by Moody's (or such ratings which are otherwise acceptable to Moody's or according to its most recently published hedge counterparty criteria as Second Moody's Trigger Required Ratings).

Downgrade of the Senior Swap Counterparty by DBRS

In the event (such event, an ***Initial DBRS Rating Event***) that, at any time (x) the long-term, unsecured, unsubordinated and unguaranteed debt obligations of the Senior Swap Counterparty and, if applicable, its Credit Support Provider are assigned a rating or a credit view equivalent to a rating of less than A by DBRS (or such rating or credit view which is otherwise acceptable to DBRS or according to its most recently published hedge counterparty criteria)(such ratings, the ***DBRS Rating***); or (y) such rating or credit view is withdrawn by DBRS, then the Senior Swap Counterparty shall, at its own cost and as soon as praticable, but in any event no later than thirty (30) Business Days:

(A) provide collateral in such amount as is set out in the credit support annex to the Senior Swap Agreement, or

(B) provide for a guarantee by a third party with a rating at least as high as the DBRS Ratings, or

(C) arrange for the transfer of its rights and obligations with respect to the Senior Swap Counterparty to a replacement third party with a rating at least as high as the DBRS Ratings, or

(D) find any other solution or take any other suitable action that will not, in and of itself and at that time, negatively impact the rating of the Class A Notes then outstanding.

If the Senior Swap Counterparty chooses to assign its rights and obligations to a replacement Senior Swap Counterparty, or procures a guarantee or finds any other solution or takes such other suitable action in line with DBRS' policies, any collateral that it may have previously posted will be returned to the Senior Swap Counterparty, provided that the collateral is not required to be posted as a remedial measure under the criteria set forth by Moody's or Fitch.

In the event (such event, a ***Subsequent DBRS Rating Event***) that, at any time (x) the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Senior Swap Counterparty are assigned a rating or a credit view equivalent to a rating of less than BBB by DBRS (or such rating or credit view which is otherwise acceptable to DBRS or according to its most recently published hedge counterparty criteria); or (y) such rating or credit view is withdrawn by DBRS, then the Senior Swap Counterparty will, at its own cost:

(A) as soon as practicable but in any event within thirty (30) Business Days as of the occurrence of such Subsequent DBRS Rating Event post collateral in accordance with the provisions of Credit Support Annex (or, if at the time such Subsequent DBRS Rating Event occurs, the Senior Swap Counterparty has posted collateral under the Credit Support Annex following an Initial DBRS Rating Event, as the case may be, post additional collateral in accordance with the Credit Support Annex); and

(B) use commercially reasonable efforts as of the occurrence of any such Subsequent DBRS Rating Event to:

(i) obtain a guarantee of its rights and obligations with respect to the Senior Swap Agreement from a third party with a rating at least as high as the DBRS Ratings; or

(ii) transfer all of its rights and obligations with respect to the Senior Swap Agreement to a replacement third party with a rating at least as high as the DBRS Ratings; or

(iii) find any other solution or take any other suitable action that will not, in and of itself and at that time, negatively impact the rating of the Class A Notes then outstanding.

If the Senior Swap Counterparty chooses to assign its rights and obligations to a replacement Senior Swap Counterparty, procures a guarantee or finds any other solution or takes such other suitable action, any collateral that it may have previously posted will be returned to the Senior Swap Counterparty, provided that the collateral is not required to be posted as a remedial measure under the criteria set forth by Moody's or Fitch.

The Issuer and the Security Agent shall use their reasonable endeavours to co-operate with the Senior Swap Counterparty in connection with any transfer of the rights and obligations of the Senior Swap Counterparty under the Senior Swap Agreement pursuant to any downgrade as set out above.

Other Termination Events

The Senior Swap Agreement may also be terminated early in the following circumstances by one or both parties depending on the grounds for termination:

(a) the failure of either party to make payments when due;

(b) the occurrence of an Event of Default that results in acceleration of the Notes;

(c) the early redemption of the Notes (i) following the exercise of an Optional Redemption Call; (ii) following the exercise of the Clean Up Call, (iii) following the exercise of a Regulatory Call, (iv) as a result of an Optional Redemption in case of Change of Law, (v) as a result of an Optional Redemption for Tax Reasons or (vi) as a result of an Optional Redemption in case of Ratings Downgrade Event;

(d) the insolvency of either party;

(e) illegality;

(f) certain tax events; and

(g) the making of an amendment to the Transaction Documents that adversely affects the Senior Swap Counterparty without its consent.

Upon any such termination of the Senior Swap Agreement, the Issuer or the Senior Swap Counterparty may be liable to make an early termination payment to the other party. Such early termination payment will be calculated on the basis of market quotations obtained in accordance with provisions of the Swap Agreement.

Any such amount payable by the Issuer (a ***Senior Swap Termination Amount***) will be payable as item (i)(b) of the Notes Interest Priority of Payments and as item (vii)(b) of the Post-enforcement Priority of Payments unless it is a Senior Subordinated Swap Amount. A ***Senior Subordinated Swap Amount*** is any amount due and payable by the Issuer to the Senior Swap Counterparty under a Senior Swap Agreement where:

(a) the Defaulting Party (as defined in the Senior Swap Agreement) is the Senior Swap Counterparty under the Senior Swap Agreement; and/or

(b) a Termination Event (as defined in the Senior Swap Agreement) has occurred and the Senior Swap Counterparty is the sole Affected Party (as defined in the Senior Swap Agreement),

other than an amount due as a result of a termination following a Tax Event or Illegality, which will be payable as item (xiii) of the Notes Interest Priority of Payments and as item (xiv) of the Post-enforcement Priority of Payments.

If the Senior Swap Agreement is terminated prior to repayment in full of the principal of the Class A Notes, the Issuer will be required to enter into an agreement on similar terms with a new Senior Swap Counterparty.

Swap collateral

If the Senior Swap Counterparty posts collateral, the collateral will be credited to the Swap Collateral Account. Collateral and income arising from collateral will be applied solely in returning collateral or paying income attributable to collateral to the Senior Swap Counterparty. Any Excess Swap Collateral or Senior Swap Replacement Premium will be paid directly to the Senior Swap Counterparty and not in accordance with any Priority of Payments.

Swap Collateral Account means a bank account to be held with a financial institution with the Minimum Ratings, in the name of the Issuer in which cash or securities relating to any collateral in accordance with the Senior Swap Agreement are deposited.

Excess Swap Collateral means an amount equal to the value of the collateral (or the applicable part of any collateral) provided by any Senior Swap Counterparty to the Issuer in respect of the Senior Swap Counterparty's obligations to transfer collateral to the Issuer under a Senior Swap Agreement (as a result of the ratings downgrade provisions in that Senior Swap Agreement), which is in excess of the Senior Swap Counterparty's liability to the Issuer under a Senior Swap Agreement as at the date of termination of the transaction under a Senior Swap Agreement, or which the Senior Swap Counterparty is otherwise entitled to have returned to it under the terms of the Senior Swap Agreement.

Senior Swap Replacement Premium means a premium or upfront payment received by the Issuer from a replacement swap counterparty under a replacement swap agreement corresponding to any termination payment due to the Senior Swap Counterparty under the Senior Swap Agreement.

Taxation

All payments by the Issuer or the Senior Swap Counterparty under the Senior Swap Agreement will be made without any deduction or withholding for or on account of tax unless such deduction or withholding is required by law. The Issuer will not in any circumstances be required to gross up if deductions or withholding taxes are imposed on payments made under the Senior Swap Agreement.

If any withholding or deduction is required by law, the Senior Swap Counterparty will be required to pay such additional amounts as are necessary to ensure that the net amount received by the Issuer under the Senior Swap Agreement will equal the amount that the Issuer would have received had no such withholding or deduction been required. The Senior Swap Agreement will provide, however, that if due to:

(a) action taken by a relevant taxing authority or brought in a court of competent jurisdiction; or

(b) any change in tax law,

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

Failing such remedy, such Senior Swap Agreement may be terminated and, if terminated, the Notes will become subject to Optional Redemption for Tax Reasons unless a replacement Senior Swap Agreement is entered into.

Novation

Except as expressly permitted in the Senior Swap Agreement, neither the Issuer nor the Senior Swap Counterparty are permitted to assign, novate or transfer as a whole or in part any of their rights, obligations or interests under the Senior Swap Agreement. The Senior Swap Agreement will provide that the Senior Swap Counterparty may novate or transfer the Senior Swap Agreement to another Senior Swap Counterparty with the minimum Senior Swap Counterparty rating.

For further discussion of termination payments under the Senior Swap Agreement, please see *Section 4 – Interest and Interest Rate Risk.*

5.8.2 The Junior Swap Agreement

General

Under the Junior Swap Agreement, the Issuer will pay the Junior Swap Counterparty on each Monthly Payment Date and in respect of the relevant Monthly Collection Period an amount equal to the product of the Junior Swap Ratio and:

(a) the Monthly Interest Available Amount in respect of the immediately preceding Monthly Collection Period; *less*

(b) an amount equal to the sum of all operating costs, fees and expenses due and payable at items (i) to (and including) (v) of the Monthly Interest Priority of Payments; *less*

(c) the Guaranteed Excess Margin.

In return, the Junior Swap Counterparty will pay the Issuer on each Quarterly Payment Date an amount equal to the scheduled interest due and payable under each Class B Notes and Class C Notes which shall be calculated by reference to the floating rate of interest applied to the aggregate Principal Amount Outstanding of the relevant Class B Notes and Class C Notes on the immediately preceding Quarterly Calculation Date, in each case subject to the following paragraph.

The notional amount of the Class B Notes (being the aggregate Principal Amount Outstanding of such Class) under the Junior Swap Agreement will be reduced to the extent there is, and by an amount equal to, any amount outstanding on the Class B Principal Deficiency Ledger on the immediately preceding Quarterly Payment Date, as applicable. The notional amount of the

Class C Notes (being the aggregate Principal Amount Outstanding of such Class) under the Junior Swap Agreement will be reduced to the extent there is, and by an amount equal to, any amount outstanding on the Class C Principal Deficiency Ledger on the immediately preceding Quarterly Payment Date, as applicable.

On the Closing Date, the Junior Swap Counterparty will pay to the Issuer an amount equal to the product of 0.1025 and the accrued interest and default interest on the Loans up to the Closing Date.

See also *Junior Subordinated Swap Amounts* in this section below.

Termination Events

The Junior Swap Agreement may also be terminated early in the following circumstances by one or both parties depending on the grounds for termination:

(a) the failure of either party to make payments when due;

(b) the occurrence of an Event of Default that results in acceleration of the Notes;

(c) the early redemption of the Notes (i) following the exercise of an Optional Redemption Call; (ii) following the exercise of the Clean Up Call, (iii) following the exercise of a Regulatory Call, (iv) as a result of an Optional Redemption in case of Change of Law, (v) as a result of an Optional Redemption for Tax Reasons or (vi) as a result of an Optional Redemption in case of Ratings Downgrade Event;

(d) the insolvency of either party;

(e) illegality;

(f) certain tax events; and

(g) the making of an amendment to the Transaction Documents that adversely affects the Junior Swap Counterparty without its consent.

Upon any such termination of the Junior Swap Agreement, the Issuer or the Junior Swap Counterparty may be liable to make an early termination payment to the other party.

Any such amount payable by the Issuer (a ***Junior Swap Termination Amount***) will be payable as item (vi)(C) of the Notes Interest Priority of Payments and as item (ix)(b) of the Post-enforcement Priority of Payments unless it is a Junior Subordinated Swap Amount. A ***Junior Subordinated Swap Amount*** is any amount due and payable by the Issuer to the Junior Swap Counterparty under a Junior Swap Agreement where:

(a) the Defaulting Party (as defined in the Junior Swap Agreement) is the Junior Swap Counterparty under the Junior Swap Agreement; and/or

(b) a Termination Event (as defined in the Junior Swap Agreement) has occurred and the Junior Swap Counterparty is the sole Affected Party (as defined in the Junior Swap Agreement),

other than an amount due as a result of a termination following a Tax Event or Illegality, which will be payable as item (xiv) of the Notes Interest Priority of Payments and as item (xv) of the Post-enforcement Priority of Payments.

If the Junior Swap Agreement is terminated prior to repayment in full of the principal of the Collateralized Notes, the Issuer may (but is not obliged to) enter into an agreement on similar terms with a new Junior Swap Counterparty.

Taxation

All payments by the Issuer or the Junior Swap Counterparty under the Junior Swap Agreement will be made without any deduction or withholding for or on account of tax unless such deduction or withholding is required by law. The Issuer will not in any circumstances be required to gross up if deductions or withholding taxes are imposed on payments made under the Junior Swap Agreement.

If any withholding or deduction is required by law, the Junior Swap Counterparty will be required to pay such additional amounts as are necessary to ensure that the net amount received by the Issuer under the Junior Swap Agreement will equal the amount that the Issuer would have received had no such withholding or deduction been required. The Junior Swap Agreement will provide, however, that if due to:

(a) action taken by a relevant taxing authority or brought in a court of competent jurisdiction; or

(b) any change in tax law,

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

Failing such remedy, such Junior Swap Agreement may be terminated and, if terminated, the Notes will become subject to Optional Redemption for Tax Reasons unless a replacement Junior Swap Agreement is entered into.

Novation

Except as expressly permitted in the Junior Swap Agreement, neither the Issuer nor the Junior Swap Counterparty are permitted to assign, novate or transfer as a whole or in part any of their rights, obligations or interests under the Junior Swap Agreement. The Junior Swap Agreement will provide that the Junior Swap Counterparty may novate or transfer the Junior Swap Agreement to another Junior Swap Counterparty.

Junior Swap Replacement Premium means a premium or upfront payment received by the Issuer from a replacement swap counterparty under a replacement swap agreement corresponding to any termination payment due to the Junior Swap Counterparty under the Junior Swap Agreement.

For further discussion of termination payments under the Junior Swap Agreement, please see *Section 4 – Interest and Interest Rate Risk.*

SECTION 6 - THE ISSUER

6.1 Status

The Issuer is acting exclusively through its Compartment Penates-4.

The Issuer and its Compartment Penates-4 are duly registered by the Belgian Federal Public Service Finance (the *Federale Overheidsdienst Financiën / Service Public Fédéral Finances*) as an *institutionele vennootschap voor belegging in schuldvorderingen naar Belgisch recht / société d'investissement en créances institutionnelle de droit belge)*. The registration cannot be considered as a judgement as to the quality of the transaction, nor on the situation or prospects of the Issuer. The Issuer is duly incorporated since 11 August 2008 as a public limited liability company which has made a solicitation for the public savings (*naamloze vennootschap die een publiek beroep op het spaarwezen doet*/*société anonyme qui fait appel public à l'épargne*) within the meaning of article 438 of the Belgian Company Code.

Its registered office is at Louizalaan 486, 1050 Brussels, Belgium and it is registered with the Crossroad Bank for Enterprises under 0899.763.684, with telephone number +32 2 649.54.46.

The Issuer is subject to the rules applicable to *institutionele vennootschappen voor belegging in schuldvorderingen naar Belgisch recht* / *sociétés d'investissement en créances institutionnelles de droit belge* as set out in the UCITS Act.

The Issuer is duly licensed by the FSMA since 5 September 2008 as a mortgage institution in accordance with article 43 of the Belgian Mortgage Credit Act and complies with the relevant corporate governance requirements of the Belgian Company Code.

6.2 Incorporation

The Issuer is incorporated since 11 August 2008 for an unlimited period of time.

A copy of the by-laws of the Issuer are available together with this Prospectus at the registered office of the Issuer and at the specified offices of the Domiciliary Agent. The Issuer has the corporate power and capacity to issue the Notes, to acquire the Loans and to enter into and perform its obligations under the Transaction Documents.

The founders of the Issuer are Stichting Vesta and Dexia Crédit Local S.A.

6.3 Share Capital and Dividend

6.3.1 Share Capital

The Issuer has a total issued share capital of EUR 62,000, which is divided into 62,000 ordinary registered shares, each fully paid-up, without fixed nominal value. It does not have any authorised capital which is not fully paid up.

The shares of the Issuer are owned as follows:

(a) Stichting Vesta, a foundation (*stichting / fondation*) incorporated under the laws of Belgium on 23 July 2008 and having its registered office at 1050 Brussels, Louizalaan 486, Belgium and holding 55,800 shares; and

(b) Dexia Crédit Local S.A., a limited liability company, under the laws of France, with registered office at 1 Passerelle des Reflets, Tour Dexia La Défense 2, 92913 La Défense Cedex, France, and holding 6,200 shares.

The directors of Stichting Vesta are:

- Johan Dejans, resident at 58, Rue de la Victoire, L-8047 Strassen, Grand-Duchy of Luxembourg, national register number 661117 323 48;

- BVBA Sterling Consult, registered with the Crossroads Bank for Enterprises under number 0861.696.827 (LPR Antwerp), with registered office at 2020 Antwerpen, Camille Huysmanslaan 91, having appointed as permanent representative Mr. De Booseré Georges Marie Thérèse Jeanne Gaston Edgard Ghislain, resident at 2020 Antwerp, Camille Huysmanslaan 91, with national registration number 411025 273 05;

- Dirk Peter Stolp, resident at 1181 PK Amstelveen (Nederland), Meester Sixlaan 32, with bis-registernummer 594310 015 67,

(the ***Vesta Directors***).

Each of Stichting Vesta, the Security Agent and the Vesta Directors has entered into a management agreement (the ***Stichting Vesta Management Agreements***) pursuant to which the Vesta Director agrees and undertakes to, *inter alia*, (i) do all that an adequate director should do or should refrain from doing, and (ii) refrain from taking certain actions (a) detrimental to the obligations of the Issuer under any of the Transaction Documents or (b) which it knows would or could reasonably result in a downgrade of the ratings assigned to the Notes outstanding.

In addition, each of the Vesta Directors agrees in the relevant management agreement that it will not enter into any agreement in relation to Compartment Penates-4 of the Issuer other than the Transaction Documents to which it is a party, without the prior written consent of the Security Agent and without first having notified Fitch, DBRS and Moody's thereof.

6.3.2 Dividend Reserve

The Issuer will in accordance with the Monthly Interest Priority of Payments reserve an amount of distributable profit of no more than EUR 9,300 to be distributed to the shareholders annually (the ***Dividend Reserve***).

This Dividend Reserve shall be reserved by the Issuer on the first Monthly Payment Date only of each accounting year (and for the first time on the first Monthly Payment Date in 2012) on the basis of the following formula:

A x B

whereby

A = the aggregate of the Current Balances of all the Loans held by Compartment Penates-4 on the first calendar day of such accounting year divided by the aggregate of the Current Balances of the aggregate of all Loans held by all compartments of Penates Funding N.V. / S.A., *Institutionele vennootschap voor belegging in schuldvorderingen naar Belgisch recht / société d'investissement en créances institutionnelle de droit belge* on the first calendar year of such accounting year; and

B = EUR 9,300.

6.4 Capitalisation

The following table shows the expected capitalisation of the Issuing Company as of 19 December 2011 as adjusted to give effect to the issue of the Notes (the other compartments of the Issuing Company have no borrowings):

Share Capital

Issued Share Capital:	Euro 62,000
of which:	Euro 1,000 allocated to compartment Penates-1
	Euro 1,000 allocated to compartment Penates-2
	Euro 1,000 allocated to compartment Penates-3
	Euro 1,000 allocated to compartment Penates-4
	Euro 1,000 allocated to compartment Penates-5
	Euro 57,000 allocated to compartment Penates-6

Borrowings Compartment Penates-1

Class A Notes:	Euro 5,156,876,640
Class B Notes:	Euro 160,000,000
Class C Notes:	Euro 120,000,000
Class D Notes:	Euro 120,000,000
Class E Notes:	Euro 80,000,000

Borrowings Compartment Penates – 3 (which are to be repaid on or about 19 December 2011)

Class A1 Notes:	Euro 1.059.431.850,00
Class A2 Notes:	Euro 3,195,000,000
Class B Notes:	Euro 555,000,000
Class C Notes:	Euro 60,000,000

Borrowings Compartment Penates-4

Class A Notes:	Euro 8,077,500,000
Class B Notes:	Euro 472,500,000
Class C Notes:	Euro 450,000,000
Class D Notes:	Euro 117,000,000

6.5 Auditors' Report

Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA, incorporated under Belgian law with registered office at Berkenlaan 8b, 1831 Diegem, Belgium and member of the *Instituut der Bedrijfsrevisoren* has been appointed as statutory auditor of the Issuer.

6.6 Corporate purpose and permitted activities

The corporate purpose of the Issuer as set out in article 3 of its articles of association consists exclusively in the collective investment of financial means that are exclusively collected with institutional or professional investors for the purposes of Article 103 of the UCITS Act, in receivables that are assigned to it by third parties.

The securities issued by the Issuer can only be acquired by those institutional or professional investors.

The Issuer may carry out all activities and take all measures that can contribute to the realisation of its corporate purpose, such as e.g., but not exclusively, to issue financial instruments whether or not negotiable, contract loans or credit agreements in order to finance its portfolio of receivables or to manage payment default risks on the receivables and pledge the receivables it holds in its portfolio and its other assets. The Issuer may hold additional or temporary term investment, liquidities and securities. The Issuer may purchase, issue or sell all sorts of financial instruments, purchase or sale options relating to financial instruments, interest instruments or currencies, as well as enter into swaps, interest swaps or term contracts relating to currencies or interest and negotiate options on such contracts, provided that the transaction serves to cover a risk linked to one or more assets on its balance sheet.

Outside the scope of the securitisation transactions carried out by it and outside the investments permitted by law, the Issuer may not hold any assets, enter into any agreements or engage in any other activities. It may not engage personnel.

Any amendment of the corporate purpose of the Issuer requires a special majority of 80 percent of the voting rights.

The corporate purpose of Compartment Penates-4 consists exclusively in the collective investment of financial means collected in accordance with the articles of association of the Issuer in a portfolio of selected mortgage loans.

6.7 Compartments

The articles of association of the Issuer authorise the Issuer's to create several Compartments within the meaning of article 26 § 4 of the UCITS Act, which applies to an Institutional VBS pursuant to article 106 § 1 of the UCITS Act.

The creation of Compartments means that the Issuer is internally split into subdivisions and that each such subdivision, a Compartment, legally constitutes a separate group of assets to which corresponding liabilities are allocated.

The liabilities allocated to a Compartment are exclusively backed by the assets of a Compartment.

To date six Compartments have been created, Compartment Penates-1, Compartment Penates-2, Compartment Penates-3, Compartment Penates-4, Compartment Penates-5 and Compartment Penates-6 each for the purpose of collective investment of funds collected in accordance with the articles of association of the Issuer in a portfolio of selected loans.

To date only the first four Compartments have effectively started their activities (as to which reference is made to (i) the transaction described in the Prospectus for admission of EUR 8,080,000,000 of mortgage backed notes to trading on Euronext Brussels dated 21 October 2008 (the ***Penates-1 Securitisation***) as far as Compartment Penates-1 is concerned, (ii) to the transaction described in the Prospectus for admission of EUR 3,636,000,000 of mortgage

backed notes to trading on Euronext Brussels dated 9 December 2008 (the ***Penates-2 Securitisation***), (iii) to the transaction described in the Prospectus for admission of EUR 6,060,000,000 of mortgage backed notes to trading on Euronext Brussels dated 22 June 2010 (the ***Penates-3 Securitisation***), (iv) and to the current Prospectus as far as Compartment Penates-4 is concerned (the ***Penates-4 Securitisation***). As far as the Penates-2 Securitisation is concerned, to date all notes issued under this transaction have been repaid. As far as the Penates-3 Securitisation is concerned, all notes issued under this transaction shall be repaid on or about the closing date of the Penates-4 Securitisation on the basis of the repurchase price paid by DBB in order to repurchase the mortgage loan portfolio remaining outstanding in Compartment Penates-3.

The Collateral and all liabilities of the Issuer relating to the Notes and the Transaction Documents will be exclusively allocated to Compartment Penates-4. Unless expressly provided otherwise, all appointments, rights, title, assignments, obligations, covenants and representations, assets and liabilities, relating to the issue of the Notes and the Transaction Documents are exclusively allocated to Compartment Penates-4 and will not extend to other transactions or other Compartments of the Issuer or any assets of the Issuer other than those allocated to Compartment Penates-4 under the Transaction Documents. The Issuer will enter into other securitisation transactions only through other Compartments and on such terms that the debts, liabilities or obligations relating to such transactions will be allocated to such other Compartments and that parties to such transactions will only have recourse to such other Compartments of the Issuer and not to the Collateral or to Compartment Penates-4.

6.8 Belgian Tax Position of the Issuer

6.8.1 Withholding tax on moneys collected by the Issuer

Receipts of moveable income (in particular interest, and with the exception of Belgian source dividends) by the Issuer are exempt from Belgian withholding tax. Therefore no such tax is due in Belgium on interest payments received under any Loan by the Issuer from a Borrower.

Similarly a withholding tax exemption will be available for interest paid to the Issuer on investments or cash balances.

6.8.2 Corporate income tax

The Issuer is subject to corporate income tax at the current ordinary rate of 33.99 per cent. However its tax base is notional: it can only be taxed on any disallowed business expenses and any abnormal or gratuitous benefits received by it. The Issuer does not anticipate incurring any such expenses or receiving any such benefits.

6.8.3 Value added tax (*VAT*)

The Issuer qualifies in principle, as a VAT taxpayer but is fully exempt from VAT in respect of its operations. Any VAT payable by the Issuer is therefore not recoverable under the VAT legislation. The current ordinary VAT rate is 21 per cent.

Services supplied to the Issuer by the Servicer, the Seller, the Security Agent, the Issuer Directors, the Manager, any Originator, the Administrator, the Account Bank, the Senior Swap Counterparty, the Junior Swap Counterparty, the Domiciliary Agent, the Corporate Services Provider, the Accounting Services Provider, the Calculation Agent, the Rating Agencies, the Auditors are, in general, subject to Belgian VAT provided that the services are located for VAT purposes in Belgium. However, fees paid in respect of the financial and

administrative management of the Issuer and its assets (including fees paid for the receipt of payments on behalf of the Issuer and the forced collection of receivables) in accordance with article 44, §3, 11° of the Belgian VAT Code are exempt from Belgian VAT.

6.9 Administrative, management and supervisory bodies

6.9.1 Board of Directors

The board of directors of the Issuer ensures the management of the Issuer. Pursuant to article 18 of its articles of association, the board consists of a minimum of 3 directors and a maximum of 5 directors. The Issuer's current board of directors consists of the following persons:

- BVBA Sterling Consult, registered with the Crossroads Bank for Enterprises under number 0861.696.827 (LPR Antwerp), with registered office at 2020 Antwerp, Belgium, Camille Huysmanslaan 91, having appointed as permanent representative Mr. De Booseré Georges Marie Thérèse Jeanne Gaston Edgard Ghislain, resident at 2020 Antwerp, Belgium, Camille Huysmanslaan 91, with national registration number 41.10.25-273.05.

- Jan Ottoy, resident at at 9420 Erpe-Mere, Gentsestraat 148, Belgium, with national registration number 59.10.28-371.01.

- Stichting Vesta, *private stichting naar Belgisch recht / foundation privée de droit belge* registered with the Crossroad Bank for Enterprises under number 0899.631.745 (LRP Brussels), with registered office at 1000 Brussels, Belgium, Terkamerenlaan 74, having appointed as permanent representative Dirk Peter Stolp, resident at 1181 PK Amstelveen (Nederland), Meester Sixlaan 32, with bis-registernummer 594310 015 67.

(the ***Issuer Directors***).

The current term of office of the Issuer Directors expires after the annual shareholders meeting to be held in 2014.

Companies of which BVBA Sterling Consult (or Georges De Booseré) has been a member of the administrative, management or supervisory bodies or partner at any time in the previous five years are: BASS Master Issuer NV/SA, BASS, Stichting Holding, Belgian Lion N.V., Belgian Lion, Stichting Holding, Noor Funding, Stichting Holding, Quantesse Fondation Privee, Record Lion, Stichting Holding, Vesta, Stichting, AGFA FinCo NV SA, GAAF, Stichting, Penates Funding N.V./S.A., B-Arena N.V., Loan Invest NV/SA, Noor Funding NV, Record Lion NV.

Companies of which Dirk P. Stolp has been a member of the administrative, management or supervisory bodies or partner at any time in the previous five years are: ATC Corporate Services (Netherlands) B.V., B.V. Administratiekantoor van het Amsterdamsch Trustee's Kantoor, Algemeen Kantoor van Administratie te Amsterdam B.V., Amsterdamsch Trustee's Kantoor B.V., ATC Investments B.V., ATK, Stichting, Atruka B.V., Green Tower B.V., Nederlandsche Trust-Maatschappij B.V., Rokin Corporate Services B.V., B-Arena N.V., BCR Finance B.V., Credit Suisse Euro Senior Loan Fund (Netherlands) B.V., Euro-Galaxy CLO B.V., Euro-Galaxy II CLO BV, Grosvenor Place CLO I B.V., Grosvenor Place CLO II B.V., Grosvenor Place CLO III B.V., Grosvenor Place CLO IV B.V. in Liquidatie, Invesco Coniston B.V., Invesco Garda B.V, Invesco Mezzano B.V., Leoforos B.V. , Leveraged Finance Europe Capital V B.V., Loan Invest NV/SA, Alandes B.V., AGFA FinCo NV SA, BASS Master Issuer NV/SA, BASS, Stichting Holding, Bachelier, Stichting, Beleggersgiro

DBnl, Stichting, Belgian Lion, Stichting Holding, Dalradian European CLO V B.V. , Dexia Secured Funding Belgium NV/SA, Euro-Galaxy III CLO B.V. , GAAF, Stichting, HCK Structured Finance B.V., Immorent Aktiengesellschaft, Leoforos B.V., Noor Funding N.V., Noor Funding, Stichting Holding, North Westerly CLO I B.V., North Westerly CLO II B.V., North Westerly CLO III B.V., Quantesse Fondation Privee, Quares Retail Fund, Stichting Administratiekantoor, Record Lion, Stichting Holding, Renoir CDO B.V., Royal Street NV/SA, SCUTE Bali B.V., Vesta, Stichting, Windermere III CMBS B.V. , Adaltis (Holding) B.V., Advanced World Transport B.V., Alkmaar Export B.V., Andarton B.V., Argenta Nederland, N.V., ATC Capital Markets (UK) Limited, ATC Corporate Services (UK) Limited, ATC Financial Services B.V., Bakery Finance, Stichting, Barclays (Netherlands) N.V., , Barclays Investments (Netherlands) N.V. , Belgelectric Philippines B.V., BioChem Vaccines B.V. , BLT Depot Stichting, Bulgari Holding Europe B.V., Bulgari International Corporation (BIC) N.V., Burani Designer Holding N.V., BXR Green B.V., BXR Logistics B.V., BXR Mining B.V., BXR Partners B.V., BXR Real Estate B.V., BXR Real Estate Investments B.V., BXR Tower B.V., CB Richard Ellis Investors Holdings B.V., Cheniere International Investments, B.V., Cispadan Investment B.V., Coyote Europe Coöperatieve U.A, Cresta, Stichting LIQUIDATED, Danel Medical B.V., DC Japan Holdings BV, DC Metals Holdings B.V., DC MIT Holdings BV, DC Netherlands Holding BV, Deepwater B.V., Dow Corning Korea Holdings B.V., Dow Corning Netherlands B.V., DP Acquisitions B.V., DP Coinvest B.V., Dresser - Rand International BV, Edo Properties, Stichting, EGS Dutchco B.V., Electrabel Invest B.V. , EPL Acquisitions (Sub) N.V., EPL Acquisitions B.V., Erjaco B.V, Beheer- en Beleggingsmaatschappij, Erste GCIB Finance I B.V., Euromedic Diagnostics B.V., Euromedic International B.V., Euromedic International Holdings B.V. , Euromedic Management Holding B.V., Felding Finance B.V., FinanCell B.V., FN Cable Coöperatief U.A., FN Cable Holdings B.V., Friction Netherlands I B.V. , Friction Netherlands II B.V., GDF Suez Energy Asia, Turkey and Southern Africa BV, Global Connexion B.V., Gordon Holdings (Netherlands) B.V., Green Gas International B.V., GTS Dutchco BV, HEMA B.V., International Dialysis Centers B.V., International Dialysis Centers Russia Holding B.V., Inven, Stichting, John Laing and Son B.V., Kazak Energo Invest B.V., Laing Projects B.V. , Leciva CZ a.s., Ledima B.V., Beheer- en Beleggingsmaatschappij, Lion / Mustard B.V., Lion Adventure B.V., Lion Adventure Coöperatief U.A., Lion Adventure Holding B.V., Lion/Hotel Dutch 1 B.V., Mexelectric Cooperatieve U.A., MFO Strategic Global Investment B.V., MGIC Capital Funding B.V. , MGIC International Investment B.V., Montequity B.V., New World Resources N.V., Orchid Netherlands (No.1) B.V., Parker Drilling Dutch BV, Parker Drilling International BV, Parker Drilling Kazakhstan B.V., Parker Drilling Netherlands BV, Parker Drilling Offshore BV, Parker Drilling Overseas BV, Parker Drilling Russia BV, Petreven B.V., Primerofin B.V., Purple Narcis Finance B.V., RECP III Properties Dutch, Coöperatieve U.A., RPG Property B.V., RPGT (Netherlands) B.V. , Sodibo B.V., Beheer- en Beleggingsmij., Soilmec International B.V., South Pacific Investments BV, Stopper Finance B.V., Suez-Tractebel Energy Holdings Cooperatieve U.A., Sunwood Properties Asia B.V., Sunwood Properties Korea B.V., Tageplan B.V., Tanaud International B.V., Tata Steel Netherlands B.V., TMG Holdings Coöperatief U.A, Tornier N.V., Tractebel Energia de Monterrey B.V., Tractebel Energia de Monterrey Holdings B.V., Tractebel Invest International B.V., Trevi Contractors B.V., Tulip Netherlands [No.1] B.V., Tulip Netherlands [No.2] B.V., TWMB Holdings B.V., Vaco B.V., Valsana Beheer B.V., Warburg Pincus B.V., WP Holdings I B.V., WP Holdings II B.V., WP Holdings III B.V., WP Holdings IV B.V., WP Holdings V B.V., WP Holdings VI B.V., WP Holdings VII B.V., WP Holdings VII BV, WP IX Holdings B.V., WP Lexington Private Equity B.V., WP RE Holdings B.V., WP X Holdings BV, APF II, Stichting Bewaarder Vastgoed Maatschap, APF III, Stichting Bewaarder Vastgoed CV, APF International Vastgoedfondsen, Stichting Bewaarder, APF IV, STAK Vastgoedbeleggingsmaatschappij, APF V, Stichting Administratiekantoor Vastgoedfonds, APF VI, Stichting Bewaarder Vastgoed Maatschap, APF VII, Stichting Bewaarder Vastgoed CV, APF VIII, Stichting Bewaarder, Bewaarder Vastgoed Maatschap

APF I, Stichting, Hypolan N.V., Optimix Beleggersgiro, Stichting, Enova International, JP Morgan Commodities Holdings IV B.V., RBS Sempra Commodities Cooperatief W.A., RBS Sempra Commodities Holdings I B.V., Sempra Energy Holdings III B.V., Sempra Energy Holdings IX B.V., Sempra Energy Holdings V B.V., Sempra Energy Holdings VI B.V., Sempra Energy Holdings VII B.V., Sempra Energy Holdings VIII B.V., Sempra Energy Holdings X B.V., Sempra Energy Holdings XI BV, Sempra Energy International Chile Holdings I B.V., Sempra Energy International Holdings N.V., Yarmoland B.V., Home Credit Finance 1 B.V., Home Credit Finance 2 B.V.

Companies of which Jan Ottoy has been a member of the administrative, management or supervisory bodies or partner at any time in the previous five years are: Crefius (formerly Dexia Woonkredieten/Dexia Crédits Logement); Elantis (formerly Dexia Kredietmaatschappij/Dexia Société de Crédit).

Companies of which Stichting Vesta has been a member of the administrative, management or supervisory bodies or partner at any time in the previous five years are: the Issuer and Dexia Secured Funding Belgium NV.

None of the Issuer Directors have been subject to official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies), nor have they been disqualified by a court from acting as member of the administrative, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

During the last full financial year, Stichting Vesta and Sterling Consult received 8,125 euro in remuneration. Jan Ottoy did not receive any remuneration during the last full financial year.

6.9.2 Other administrative, management and supervisory bodies

The Issuer has no other administrative, management or supervisory bodies than the board of directors. The board of directors will delegate some of its management powers to the Administrator for the purpose of assisting it in the management of the affairs of the Issuer but it will retain overall responsibility for the management of the Issuer, in accordance with the UCITS Act. For more information about the Administrator, see below *Section 22.4*.

6.9.3 Conflicts of interest

Mr. Jan Ottoy is an employee of the Seller. In order to mitigate any potential conflict of interest that may arise from his function as employee of the Seller and his capacity as Issuer Director, Mr. Jan Ottoy has like the other Issuer Directors entered into an Issuer Management Agreement (see *Section 6.9.4* below).

None of the other Issuer Directors has any conflict of interest between its duties as director and its other duties or private interests.

None of the Issuer or Stichting Vesta have a conflict of interest with any of its directors with respect to the entering into the Transaction Documents.

6.9.4 Issuer Management Agreements

BVBA Sterling Consult and Stichting Vesta each have entered into a management agreement on 27 October 2008 with the Issuer and the Security Agent. These management agreements have been supplemented on 15 December 2008 for the purpose of activating Compartment Penates-2, on 28 June 2010 for the purpose of activating Compartment Penates-3 and on the

Closing Date for the purpose of activating Compartment Penates-4.

Mr. Jan Ottoy has entered into a management agreement on 1 July 2011 with the Issuer and the Security Agent. This management agreement has been supplemented and amended on the Closing Date for the purpose of activating Compartment Penates-4.

In each of the aforementioned management agreements, as supplemented (the ***Issuer Management Agreements***), each of the Issuer Directors agrees and undertakes to, *inter alia*, (i) act as director of the Issuer and to perform certain services in connection therewith, (ii) do all that an adequate director should do or should refrain from doing, and (iii) refrain from taking any action detrimental to the obligations under any of the Transaction Documents.

In addition each of the Issuer Directors agrees in the relevant Issuer Management Agreements that it will not enter into any agreement relating to the Issuer other than the Transaction Documents to which it is a party, without the prior written consent of the Security Agent.

6.10 General Meeting of the Shareholders

The shareholders' meeting has the power to take decisions on matters for which it is competent pursuant to the Belgian Company Code. In addition, the articles of association provide that if as a result of a conflict of interest of one or more directors with respect to a decision to be taken by the board of directors of the Issuer, such decision cannot be validly taken due to the applicable legal provisions with respect to conflicts of interests in public companies, the matter will be submitted to the shareholders' meeting and the shareholders' meeting will have the power to appoint a direction *ad hoc* or to take a decision on such matter.

The annual shareholders' meeting will be held each year on the last Business Day of the month of June at the registered office of the Issuer. The shareholders' meetings are held at the Issuer's registered office. A general meeting may be convened at any time and must be convened whenever this is requested by shareholders representing 1/5th of the share capital.

Furthermore, a general meeting of shareholders of a specific Compartment may be held regarding subjects matters which only concern such Compartment. A general meeting of shareholders of a specific Compartment may be convened at any time and must be convened whenever this is requested by shareholders representing 1/5th of the share capital attributed to the specific Compartment. Such meeting only represents the shareholders of the specific Compartment.

Shareholders' meetings are convened upon convening notice of the board of directors (or the auditor or liquidator). Such notices contain the agenda as well as the proposals of resolutions and are made in accordance with the Belgian Company Code. Copies of the documents to be provided by law are provided with the convening notice.

A shareholder may be represented at a meeting of shareholders by a proxyholder. In order to be valid, the proxy must state the agenda of the meeting and the proposed resolutions, a request for instruction for the exercise of the voting right for each item on the agenda and the information on how the proxyholder must exercise his voting right in the absence of restriction of the shareholders.

The shareholders' meeting may validly resolve irrespective of the number of shares present or represented, unless otherwise provided by law. Any resolution is validly adopted at the majority of the votes. Amendments of the articles of association require a majority of 75 per cent of the votes (and a majority of 80 per cent for the amendment of the corporate purpose).

6.11 Changes to the rights of holders of shares

The board of directors is authorised to create various categories of shares, where a category coincides with a separate part or Compartment of the assets of the Issuer. The board of directors can make use of this authorisation to decide to create a Compartment by reallocating existing shares in different categories, in compliance with the equality between shareholders, or by issuing new shares. The rights of the holders of shares and creditors with respect to a Compartment or that arise by virtue of the creation, the operation or the liquidation of a Compartment are limited to the assets of such compartment.

Upon the creation of a Compartment via (re)allocation of existing shares or via the issue of new shares, the board of directors shall ensure that the shares of that Compartment, except with the prior written consent of all shareholders of the category concerned, are assigned to the shareholders in the same proportion as the other compartments.

6.12 Share Transfer Restrictions

Given the specific purpose of the Issuer and article 103, 2° of the UCITS Act, the shares in the Issuer can only be held by institutional or professional investors within the meaning of article 5, §3 of the UCITS Act. Each transfer in violation of the share transfer restrictions contained in article 13 of the articles of association of the Issuer, is null and is not enforceable against the Issuer. In addition:

(a) if shares are transferred to a transferee who does not qualify as an institutional or professional investor within the meaning of article 5, §3 of the UCITS Act, the Issuer will not register such transfer in its share register; and

(b) as long as shares are held by a shareholder who does not qualify as an institutional or professional investor within the meaning of article 5, §3 of the UCITS Act, the payment of any dividend in relation to the shares held by such shareholder will be suspended.

Share transfers are further subject to authorisation by the board of directors. If a proposed transfer of shares is not authorised by the board of directors, the board of directors will have to propose one or more alternative transferees for the shares.

The shares may not be pledged or be the subject matter of another right in rem other than the property interest, unless approved by the board of directors.

6.13 Corporate Governance

The Issuer complies with all binding regulations of corporate governance applicable to it in Belgium.

6.14 Accounting Year

The Issuer’s accounting year ends on 31 December of each year.

6.15 Information to investors – availability of information

The Administrator will prepare quarterly reports to be addressed to the Security Agent, the Rating Agencies and the Domiciliary Agent on or about each Quarterly Payment Date (the ***Quarterly Investor Report***) .

The Quarterly Investor Reports will be made available by the Administrator on the website www.dexia.be/penatesfunding and will be made available upon request free of charge to any person at the office of the Domiciliary Agent.

In addition, the Accounting Services Provider and the Auditor will assist the Issuer in the preparation of the annual reports to be published in order to inform the Noteholders.

6.16 Notices

For notices to Noteholders see Condition 14.

6.17 Negative statements

As at the date of this Prospectus, Penates Funding N.V. / S.A., *Institutionele vennootschap voor belegging in schuldvorderingen naar Belgisch recht / société d'investissement en créances institutionnelle de droit belge* (the ***Issuing Company***) has not commenced any operations other than the Penates-1 Securitisation, the Penates-2 Securitisation, the unwinding of the Penates-2 Securitisation, the Penates-3 Securitisation and the Transaction.

The Issuing Company has not been involved in any governmental, legal or arbitration proceedings (including proceedings which are pending or threatened of which the Issuer is aware), during a period since its incorporation, which may have or have had in the recent past significant effects on the Issuer or its financial position or profitability.

6.18 Valuation rules

The financial statements of the Issuer are prepared in accordance with following principles.

6.18.1 Basic principles

The valuation rules are prepared in a going concern principle by the Board of Directors and in accordance with the Royal Decree of 30 January 2001, and are subject to modifications related to the specific activities of the entity.

The characteristics of the entity are, in accordance with articles 28 et seq. of the Royal Decree of 30 January 2001, translated in a set of accounts. This set of accounts is the basis to establish the financial statements (in euro).

On a regular basis and at least once a year an inventory is prepared of all costs, arising from the exercise of the previous accounting year, from which the amount on closing date can reliably be measured, but the time of the settlement is uncertain. Provisions are made on a consequent basis.

6.18.2 General principles to present the annual accounts

The annual accounts are established according to the scheme in annex to the Royal Decree of 30 January 2001 and contain all the information which is necessary according to the Royal Decree of 29 November 1993 on the investment funds in debt securities (see article 47).

The establishment costs are booked in the profit and loss account, in the year they were expended.

In the disclosures, all information is reflected, so that the reader of the annual accounts will have a fair and true picture of the financial situation of the Issuer and the financial performance of the Issuer.

6.18.3 Specific valuation rules

Cost of first establishment

The cost of first establishment are activated and subsequently taken into the profit and loss account in the year they were expended.

Amounts to be received over more than one year

The Loans sold by DBB to Issuer are booked at their purchase price. This is the nominal value of the loans outstanding at such date. For amounts to be received impairments are recorded at the moment that for the whole or a part of the Loan(s), there is an uncertainty that the Loan(s) will be recovered at the maturity date.

Amounts to be received within one year

Amounts to be received within one year are posted at nominal value and impairments are recorded at the moment that for the whole or a part of the Loan(s), there is an uncertainty that the receivable will be recovered at the maturity date. Amounts to be received over more than one year, which matures in the balancesheet within one year are booked in the item “Amounts receivable within one year”.

Short term investments and cash at bank

Cash and short term deposits are recorded at nominal value.

Fixed income securities are booked at their purchase price. The difference between the nominal yield and the effective yield, at such purchase date, is deferred over the remaining life of the securities.

Deferred charges and accrued income

Under the item “Accrued income”are booked: the accrued interest on the purchased Loans and the interest rate swap which have not become due..

Amounts payable.

The Notes issued are recorded at nominal value.

Accruals and deferred income

Under the item “Accruals” all the charges concerning the financial year are booked, which are not yet paid.

Hedging Derivates

The notional amounts of the derivates are posted in the off balance sheet accounts. The income and the charges related to hedging derivatives are recorded in the income statement in a similar way as the income and the charges of the hedged item.

The items of the profit and loss account

The cost of first establishment are taken into the profit and loss account in the year they where expended, under the item "amortised intangible fixed assets".

All costs, arising from the exercise of the previous accounting year, from which the amount on closing date can reliable be measured, but the time of the settlement is uncertain will be taking into account.

Provisions on defaults are made on a consequent basis. The provisions are written off at the moment they were not necessary anymore.

The servicing fees are deferred taking into account the outstanding amount of the Loans.

The interest received and the deferred interest on the Loans is recognised as a financial revenue. The interest paid and the deferred interest on the outstanding Notes is recognised as a financial expense.

The income and the charges related to hedging derivatives are recorded in the income statement in a similar way as the income and the charges of the hedged item.

6.19 Financial Information concerning the Issuing Company and the Issuer

Since the date of its incorporation, the Issuing Company has not commenced operations other than the Penates-1 Securitisation, the Penates-2 Securitisation, the unwinding of the Penates-2 Securitisation, the Penates-3 Securitisation and the Transaction.

Pursuant to Article 41 of the articles of association of the Issuing Company, the profit of the Issuing Company may (after constitution of the legal reserve) either be distributed as dividend or reserved for later distribution or for the cover of risk of default of payment of the Loans.

The Issuing Company has as such no borrowing or leverage limits. Pursuant to its articles of association, the Issuing Company may however only invest in receivables that are assigned to it by third parties as well as in temporary investments. The Issuing Company may not hold other assets than those necessary for the realisation of its corporate purpose.

Compartment Penates-4 of the Issuing Company (the Issuer) has been set up with as purpose the collective investment of financial means collected in accordance with the articles of association in a portfolio of selected mortgage loans.

The Issuing Company has started its operations in September 2008. Since the date of its incorporation, audited financial statements have been prepared for the Issuing Company in relation to the first accounting year (started on 11 November 2008 and ended on 31 December 2009) and the second accounting year (started on 1 January 2010 and ended on 31 December 2010)). The auditor has confirmed that the annual accounts for first and the second accounting year provide a true and fair view as of respectively 31 December 2009 and 31 December 2010 in accordance with the accounting standards applicable in Belgium.

Pursuant to Article 27, § 2, (c) of the Prospectus Act, the FSMA has by decision of 13 December 2011 granted an exemption with respect to the obligation to provide historical financial information (under items 3 and 20.1 of Annex I, items 8.2 and 8.2 bis of Annex VII and item 8.3 of Annex XV of Regulation (EC) 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements) in relation to the Issuing Company and its Compartment Penates-1, Compartment Penates-2, Compartment 3 and the Issuer. This exemption also applies to any related information requirements where such information relates to Issuing Company and its Compartment Penates-1, Compartment Penates-2, Compartment 3 and the Issuer.

SECTION 7 - DESCRIPTION OF THE NOTES

7.1 Authorisation

The issue of the Notes is to be authorised by a resolution of the board of directors of the Issuer to be passed on or about 15 December 2011.

7.2 Dematerialised Notes

The Class A Notes and the Class B Notes will be issued in the form of dematerialised notes under the Belgian Company Code and will be represented exclusively by book entries in the records of the Clearing System.

Access to the Clearing System is available through its Clearing System Participants whose membership extends to securities such as the Notes. Clearing System Participants include certain Belgian banks, stock brokers (*beursvennootschappen / sociétés de bourse*), Clearstream and Euroclear Bank.

Transfers of interests in the Class A Notes and the Class B Notes will be effected between the Clearing System Participants in accordance with the rules and operating procedures of the Clearing System. Transfers between investors will be effected in accordance with the respective rules and operating procedures of the Clearing System Participants through which they hold their Notes.

The Issuer and the Domiciliary Agent will not have any responsibility for the proper performance by the Clearing System or its Clearing System Participants of their obligations under their respective rules and operating procedures.

7.3 Registered Notes

The Class C Notes and the Class D Notes will be issued in the form of registered notes under the Belgian Company Code and will be represented exclusively by book entries in the notes registered held at the registered seat of the Issuer.

Transfers of interests in the Class C Notes and the Class D Notes will be effected by registration of such transfer in the notes register in accordance with the provisions of the Belgian Company Code.

7.4 Terms and Conditions

The Conditions of the Notes are set out in full in Annex 1 to this Prospectus.

SECTION 8 - WEIGHTED AVERAGE LIFE

Weighted average life refers to the average number of years that each euro amount of principal of the Collateralized Notes will remain outstanding (***Weighted Average Life***). The Weighted Average Life of the Collateralized Notes cannot be predicted accurately as it will be affected by various factors largely outside the control of the Issuer, including the actual rate of repayment of the Loans, prepayments, and the extent to which the Notes Interest Available Amount is sufficient to cover any Principal Deficiencies.

The model used in this Prospectus for the Loans assumes a constant per annum rate of prepayment (***CPR***) each month relative to the then outstanding principal balance of the pool. CPR does not purport to be either a historical description of the prepayment experience of any pool of mortgage loans or a prediction of the expected rate of prepayment of the Loans.

The following tables were prepared based on the characteristics of the Loans included in the Provisional Pool and the following additional assumptions:

(a) there are no Loans in arrears or in default;

(b) the Issuer exercises its Optional Redemption Call on the Step-up Margin Date;

(c) all payments on the Notes are received on the 25th day of every third calendar month commencing in May 2012;

(d) no Loan shall be sold by the Issuer;

(e) the interest rate applicable to a Loan prior to a reset date is equal to the interest rate following such reset date;

(f) the Annual Default Rate (ADR) is equal to 0%; and

(g) the day count for average life calculations is Act/Act.

The Weighted Average Lives shown below were determined by (i) multiplying the net reduction, if any, of the Principal Amount Outstanding of each Class of Collateralized Notes by the number of years from the date of issuance of the Collateralized Notes to the related Quarterly Payment Date, (ii) adding the results and dividing the sum by the aggregate of the net reductions of the Principal Amount Outstanding described in (i) above.

The following tables are hypothetical in nature and are provided only to give a general sense of how the principal cash flows might behave under the varying prepayment scenarios. See further *paragraph 4.6.9* of the section *Risk Factors*.

Average Life in function of CPR

CPR	0%	2%	4%	6%	8%	10%	15%	20%
Class A Notes	3.48	3.34	3.21	3.09	2.97	2.85	2.57	2.31
Class B Notes	3.93	3.93	3.93	3.93	3.93	3.93	3.93	3.93
Class C Notes	3.93	3.93	3.93	3.93	3.93	3.93	3.93	3.93

SECTION 9 - ISSUER SECURITY

As security for the performance by the Issuer of its obligations under the Transaction Documents, the Issuer acting through its Compartment Penates-4 will grant rights of pledge on its assets in favour of the Security Agent and the other Secured Parties. As part of creation of these pledges, the Issuer will undertake as a separate and independent obligation, by way of parallel debt, to pay to the Security Agent amounts equal to amounts due to the Secured Parties.

The Issuer will enter into a Parallel Debt Agreement. In the Parallel Debt Agreement the Issuer will irrevocably and unconditionally undertake to pay to the Security Agent (the ***Parallel Debt***) amounts which will be equal to the aggregate amount due (*verschuldigd* / *dû*) by the Issuer:

(i) as fees or other remuneration to the Issuer Directors, under the Issuer Management Agreement;

(ii) as fees and expenses to the Servicer under the Servicing Agreement;

(iii) as fees and expenses to the Administrator, the Corporate Services Provider and the Accounting Services Provider under the Administration, Corporate and Accounting Services Agreement;

(iv) as fees and expenses to the Domiciliary Agent and the Calculation Agent under the Domiciliary Agency Agreement;

(v) to the Seller under the Mortgage Loan Sale Agreement;

(vi) to the Senior Swap Counterparty under the Senior Swap Agreement;

(vii) to the Junior Swap Counterparty under the Junior Swap Agreement;

(viii) to the Account Bank under the Account Bank Agreement;

(ix) to the Noteholders; and

(x) to the Security Agent under the Pledge Agreement;

(the parties referred to in item (i) through (x), together the ***Secured Parties***).

The Parallel Debt constitutes the separate and independent obligations of the Issuer and constitutes the Security Agent's own separate and independent claim (*eigen en zelfstandige vordering* / *créance propre et indépendante*) to receive payment of the Parallel Debt from the Issuer. Upon receipt by the Security Agent of any amount in payment of the Parallel Debt, the payment obligations of the Issuer to the Secured Parties shall be reduced by an amount equal to the amount so received.

To the extent that the Security Agent irrevocably and unconditionally receives any amount in payment of the Parallel Debt, the Security Agent shall distribute such amount among the Secured Parties in accordance with the then applicable Priority of Payments.

In addition, the Security Agent has been designated as representative of the Noteholders, in accordance with articles 27 § 1, first to seventh indent and 106 of the UCITS Act which states

that the representative (the Security Agent) may bind all Noteholders and represent them vis-à-vis third parties or in court, in accordance with the terms of its mission. The Security Agent has also been appointed as irrevocable agent (*lasthebber / mandataire*) of the other Secured Parties in respect of the performance of certain duties and responsibilities in relation to the pledged collateral.

Pursuant to the Pledge Agreement, the Notes will be secured by a first ranking commercial pledge created by the Issuer in favour of the Secured Parties, including the Security Agent acting in its own name, as creditor of the Parallel Debt and as representative on behalf of the Noteholders (the ***Security***) over:

(a) all right and title of the Issuer to, and under, or in connection with all the Loans, all Loan Security and all Additional Security;

(b) the Issuer's rights under or in connection with the Transaction Documents and all other documents to which the Issuer is a party;

(c) the Issuer's right and title in and to the Issuer Accounts and any amounts standing to the credit thereof from time to time; and

(d) any other assets of the Issuer (including, without limitation, the completed loan documents and ancillary documents in respect of a Loan which set out the terms and conditions of the Loan, the Loan Security and the Additional Security (the ***Loan Documents***) and the file(s), books, magnetic tapes, disks, cassette or other such method of recording or storing information from time to time relating to each Loan and the Loan Security related thereto containing, *inter alia*, (A) all material records and correspondence relating to the Loans, the Loan Security and Additional Security and/or the Borrower and (B) any payment, status or arrears reports maintained by the Servicer (the ***Contract Records***)).

The assets over which the Security is created are referred to herein collectively as the ***Collateral***. The Collateral will also provide security for the Issuer's obligation to pay amounts due to the Secured Parties under the Notes and the Transaction Documents, in accordance with the applicable Priority of Payments set out in *Section 5.7*, above.

The Noteholders will be entitled to the benefit of the Pledge Agreement, and by subscribing for or otherwise acquiring the Notes, the Noteholders shall be deemed to have knowledge of, accept, and be bound by, the terms and conditions set out therein, including the appointment of the Security Agent to hold the Security and to exercise rights arising under the Pledge Agreement for only the benefit of the Noteholders and the other Secured Parties. The Noteholders shall have limited recourse against only the Collateral and the assets of the Issuer.

The Pledge Agreement provides that the pledge over the Loans and Loan Security will not be notified to the Borrowers, the Insurance Companies or other relevant parties, except in case certain notification events occur, which include the Notification Events and the giving of an Enforcement Notice and certain other events, (the ***Pledge Notification Events***). Prior to notification of the pledge to the Borrowers, the pledge on the Loans will be an undisclosed pledge.

The pledge created pursuant to the Pledge Agreement over the rights referred to in paragraphs (b) and (c) above will be acknowledged by the relevant obligors and will therefore be a disclosed pledge.

The Pledge Agreement is governed by Belgian law. Under Belgian law, upon enforcement of the security for the Notes, the Security Agent acting on its own behalf and on behalf of the other Secured Parties, will be permitted to collect any moneys payable in respect of the Loans, any moneys payable under the Transaction Documents pledged to it and any moneys standing to the credit of the Issuer Accounts and to apply such moneys in satisfaction of obligations of the Issuer which are secured by the Pledge Agreement. The Security Agent will also be permitted to apply to the president of the commercial court (*rechtbank van koophandel / tribunal de commerce*) for authorisation to sell the Collateral (with the exception of the Issuer rights relating to the Issuer Accounts).

In addition to other methods of enforcement permitted by law, article 27 §2 of the UCITS Act also permits the Noteholders (acting together) to request the president of the commercial court to attribute to them the Collateral in payment of an amount estimated by an expert. In accordance with the terms of the Pledge Agreement only the Security Agent shall be permitted to exercise such rights.

The security rights described above shall serve as security for the benefit of the Secured Parties, including each of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders, but, *inter alia*, amounts owing to Noteholders of a lower ranking Class of Notes will rank in priority of payment after amounts owing to the Noteholders of a higher ranking Class of Notes (see *Section 5- Credit Structure* above).

See also Section 4.9 - True Sale of Loans and the Security.

Loan Security means in respect of any Loan, any Mortgage(s) and all rights, title, interest and benefit relating to any payments under Insurance Policies, any guarantee provided for such Loan, any assignment of salaries (*loonsoverdracht / cession de salaire*) that the Borrower may earn and any other type of security interest granted in respect of the Loan.

Additional Security means with regard to any Loan, all claims, whether contractual or in tort, against any Insurance Company, notary public, mortgage registrar, public administration, property expert, broker or any other person in connection with such Loans or the related Mortgaged Property or Loan Security or in connection with the Seller's decision to grant such Loans and in general, any other security or guarantee other than the Loan Security created or existing in favour of the Seller as security for a Loan.

SECTION 10 - SECURITY AGENT

Stichting Security Agent Penates is a foundation (*stichting*) incorporated under the laws of the Netherlands on 20 October 2008. It has its registered office at Olympic Plaza, Fred Roeskestraat 123, 1076 EE Amsterdam, the Netherlands.

The objects of the Security Agent are (a) to act as agent and/or Security Agent; (b) to acquire, keep and administer security rights in its own name, and if necessary to enforce such security rights, for the benefit of creditors of legal entities amongst which the Issuer (including the holders of notes to be issued by the Issuer) and to perform acts and legal acts, including the acceptance of a parallel debt obligation and guarantees from, the aforementioned entities, which are conducive to the holding of the abovementioned 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 sole director of the Security Agent is Amsterdamsch Trustee's Kantoor B.V., having its statutory seat and registered office in Amsterdam at Frederik Roeskestraat 123, 1076 EE in Amsterdam, the Netherlands (the ***Security Agent Director***). The managing directors of Amsterdamsch Trustee's Kantoor B.V. are D.P. Stolp and F.E.M. Kuypers.

For more information on the role and liabilities of the Security Agent, see Section *22.3*.

SECTION 11 – TAX

This section provides a general description of the main Belgian tax issues and consequences of acquiring, holding, redeeming and/or disposing of the Notes. This summary provides general information only and is restricted to the matters of Belgian taxation stated herein. It is intended neither as tax advice nor as a comprehensive description of all Belgian tax issues and consequences associated with or resulting from any of the above-mentioned transactions. Prospective acquirers are urged to consult their own tax advisors concerning the detailed and overall tax consequences of acquiring, holding, redeeming and/or disposing of the Notes.

The summary provided below is based on the information provided in this Prospectus and on Belgium's tax laws, regulations, resolutions and other public rules with legal effect, and the interpretation thereof under published case law, all as in effect on the date of this Prospectus and with the exception of subsequent amendments with retroactive effect.

11.1 General rule

Any taxes which may be due relating to payments of interest and/or principal in respect of the Notes will be borne by the beneficiary of those payments.

If the Issuer, the National Bank of Belgium, its legal successor or any operator of any Alternative Clearing System (the ***Clearing System Operator***), the Domiciliary Agent or any other person is required to make any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or charges of whatever nature in respect of any payment in respect of the Notes, the Issuer, the Clearing System Operator, the Domiciliary Agent or such other person (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer, the Clearing System Operator, any Domiciliary Agent nor any other person will be obliged to gross up the payment in respect of the Notes or make any additional payments to holders of Notes in respect of such withholding or deduction. If any such withholding or deduction is required by law, the Issuer may, at its option, redeem the Notes.

11.2 Belgian Tax

11.2.1 Belgian withholding tax

The interest component of the payments on the Notes will, as a rule, be subject to Belgian withholding tax on the gross amount of the interest, currently at the rate of 15 per cent (in the fiscal reform measures which were proposed during the government formation discussion in November 2011, this rate is increased to 21 per cent). Tax treaties may provide for a lower rate subject to certain conditions.

Payments of interest by or on behalf of the Issuer on the Class A Notes and the Clas B Notes may be made without deduction of withholding tax for Notes held by Eligible Investors in an X-Account with the Clearing System or with a Clearing System Participant in the Clearing System.

Eligible Investors are those persons referred to in Article 4 of the *Koninklijk Besluit van 26 mei 1994 over de inhouding en de vergoeding van de roerende voorheffing/Arrêté Royal du 26 mai 1994 relatif à la perception et à la bonification du précompte mobilier* (Royal Decree of 26 May 1994 on the deduction and indemnification of withholding tax) which include, inter alios:

(a) Belgian resident corporations subject to Belgian corporate income tax within the meaning of Article 2, §1, 5°, b) of the Income Tax Code 1992 (***ITC 1992***);

(b) without prejudice to Article 262, 1° and 5° of ITC 1992, institutions, associations and companies provided for in Article 2, paragraph 3 of the Belgian law of 9 July 1975 on the control of insurance companies (other than those referred to in (a) and (c));

(c) state regulated institutions for social security, or institutions assimilated therewith, provided for in Article 105, 2º of the Royal Decree of 27 August 1993 implementing ITC 1992;

(d) non-resident investors provided for in Article 105, 5º of the same decree;

(e) investment funds provided for in Article 115 of the same decree;

(f) companies, associations and other tax payers provided for in article 227, 2º of ITC 1992, whose Notes are held for the exercise of their professional activities in Belgium and which are subject to non-resident income tax in Belgium pursuant to Article 233 ITC 1992;

(g) the Belgian State with respect to its investments which are exempt from withholding tax in accordance with Article 265 of ITC 1992;

(h) investment funds organized under foreign law which are an undivided estate managed by a management company on behalf of the participants, when their participation rights are not publicly issued in Belgium and are not traded in Belgium; and

(i) Belgian resident companies, not provided for under (a), whose sole or principal activity consists in the granting of credits and loans.

Eligible Investors do not include, *inter alios*, Belgian resident investors who are individuals or non-profit organisations, other than those referred to under (b) and (c) above.

Upon opening an X-Account with the Clearing System or a Clearing System Participant, an Eligible Investor is required to provide a statement of its eligible status on a form approved by the Belgian Minister of Finance. There are no ongoing certification requirements for Eligible Investors save that they need to inform the Clearing System Participants of any change of the information contained in the statement of its eligible status. However, Clearing System Participants are required to annually report to the Clearing System as to the eligible status of each investor for whom they hold Notes in an X-Account.

These reporting and certification requirements do not apply to Notes held by Eligible Investors through Euroclear or Clearstream, Luxembourg in their capacity as Participants to the Clearing System, or their sub-participants outside of Belgium, provided that Euroclear or Clearstream, Luxembourg or their sub-participants only hold X-Accounts and are able to identify the accountholder. The Eligible Investors will need to confirm their status as Eligible Investor (as defined in Article 4 of the *Koninklijk Besluit van 26 mei 1994 over de inhouding en de vergoeding van de roerende voorheffing/Arrêté Royal du 26 mai 1994 relatif à la perception et à la bonification du précompte mobilier* (Royal Decree of 26 May 1994 on the deduction and indemnification of withholding tax)) in the account agreement to be concluded with Euroclear or Clearstream.

In the event of any changes made in the laws or regulations governing the exemption for Eligible Investors, neither the Issuer nor any other person will be obliged to make any additional payment in the event that the Issuer, the Clearing System or its Clearing System Participants, the Domiciliary Agent or any other person is required to make any withholding or deduction in respect of the payments on the Notes. If any such withholding or deduction is required by law, the Issuer may, at its option, redeem the Notes.

In accordance with the rules and procedures of the Clearing System, a Noteholder who is withdrawing Notes from an X-Account will, following payment of interest accrued on those Notes from the last preceding Payment Date, be entitled to claim an indemnity from the Belgian tax authorities of an amount equal to the withholding tax, if any, on the interest payable on the Notes from the last preceding Payment Date until the date of withdrawal of the Notes from the Clearing System.

Payments of interest by or on behalf of the Issuer on the Class C Notes and the Clas D Notes may be made without deduction of withholding tax provided that the holder qualifies for an exemption from Belgian withholding tax on interest payments (e.g. Article 107, §2, 8° of the Royal Decree in execution of the Income Tax Code 92) under the Class C Notes and the Class D Notes and complies with any procedural formalities necessary for the Issuer to obtain the authorisation to make a payment to which that holder is entitled without a tax deduction.

11.2.2 Belgian income tax

(a) Belgian resident corporations

Interest on the Notes received by a Noteholder subject to Belgian corporate income tax (*vennootschapsbelasting / impôt des sociétés*) (*i.e.*, a company having its registered seat, principal establishment or seat of management or administration in Belgium) is subject to corporation tax at the current rate of 33.99 per cent. (*i.e.*, the standard rate of 33% increased by the crisis contribution of 3 per cent. of the corporation tax due). Any capital gains (over and above the *pro rata* interest included in a capital gain on the Notes) realised on the Notes will be subject to the same corporation tax rate. Any capital loss on the Notes should be tax deductible.

(b) Belgian resident legal entities

Belgian resident entities subject to the legal entities tax (*rechtspersonenbelasting / impôt des personnes morales*) (*i.e.*, an entity other than a company subject to corporate income tax having its registered seat, principal establishment or seat of management or administration in Belgium) receiving interest on the Notes will, subject to the exemptions mentioned above, be subject to the interest withholding tax at the rate of 15 per cent. In case of an exemption under the rules of the Clearing System, the resident legal entities will have to pay themselves the withholding tax to the Belgian tax authorities. The withholding tax will be the final tax. Any capital gains (over and above the *pro rata* interest included in a capital gain on the Notes) realised on the Notes will be exempt from the legal entities tax. Capital losses incurred will not be tax deductible.

(c) Non-residents of Belgium

Noteholders who are not residents of Belgium for Belgian tax purposes and are not holding the Notes as part of a taxable business activity in Belgium will not incur or become liable for any Belgian tax on income or capital gains or other like taxes by reason only of the

acquisition, ownership or disposal of the Notes provided that they hold their Notes in an X-account.

11.2.3 Miscellaneous Taxes

(a) The sale of the Notes on the secondary market executed in Belgium through a financial intermediary will trigger a tax on stock exchange transactions of 0.07% (due on each sale and acquisition separately) with a maximum of EUR 500 per party and per transaction (in the fiscal reform measures which were proposed during the government formation discussion in November 2011, the tax on stock exchange transactions is modified). An exemption is available for non-residents and certain Belgian institutional investors acting for their own account provided that certain formalities are respected.

(b) The *reportverrichtingen* / *opérations de reports* through the intervention of a financial intermediary are subject to a tax of 0.085% (due per party and per transaction) with a maximum of EUR 500 per party and per transaction. An exemption is available for non-residents and certain Belgian institutional investors provided that certain formalities are respected.

SECTION 12 - MORTGAGE LOAN SALE AGREEMENT

12.1 Sale - Purchase Price

On the Closing Date, the Loans will be sold to the Issuer pursuant to the terms of the Mortgage Loan Sale Agreement and title thereto shall be deemed to have passed from the Seller to the Issuer as from the Closing Date.

The purchase price of the Loans (including the related Loan Security) shall consist of (a) the initial purchase price for the Loans plus (b) an entitlement to a deferred purchase price payable by the Issuer in respect of the Loans pursuant to the MLSA (the ***Deferred Purchase Price***) on each Quarterly Payment Date as set out below.

The initial purchase price shall be equal to the sum of:

(i) the aggregate of the Current Balances of all Loans on the Closing Date;

(ii) the accrued interest on all the Loans up to (but excluding) the Closing Date; and

(iii) any amounts of principal or interest due but unpaid on the Closing Date,

but will exclude all amounts of principal and interest paid in advance (i.e. paid when not yet due, without being a Prepayment) as received up to the Closing Date (but excluding such day),

(the ***Initial Purchase Price***).

The current balance in respect of any Loan (including fully performing Loans and Loans in arrears) at any particular date shall be the outstanding principal amount in respect of such Loan as of the Closing Date *less* any amount applied to reduce such principal amount since the Closing Date (the ***Current Balance***) (for the avoidance of doubt, in case of a Defaulted Loan in respect of which the Servicer has decided to suspend and abandon any further enforcement action, Recoveries are not taken into account in order to determine the Current Balance).

Current Portfolio Amount at any particular date shall be the aggregate of the Current Balances of all Loans outstanding on such date.

The amount of Deferred Purchase Price payable on any Quarterly Payment Date shall be equal to the Notes Interest Available Amount available after satisfaction of all liabilities ranking higher in the Notes Interest Priority of Payments (see *Section 5.7*, above) and will be calculated in accordance with the terms of the MLSA. No interest shall be payable by the Issuer in respect of the Deferred Purchase Price.

The sale of the Loans shall include, and the Issuer shall be fully entitled to, ancillary items (*bijhorigheden/accessoires*) in respect of such Loans and in particular, but not limited to:

(a) all right and title of the Seller in and under the Loans including for the avoidance of doubt, but not limited to:

  (i) the right to demand, sue for, recover, receive and give receipts for all principal moneys payable or to become payable under the Loans or the unpaid part thereof and the interest to become due thereon;

(ii) the benefit of and the right to sue on all covenants with the Seller in respect of each Loan and the right to exercise all powers of the Seller in relation to each Loan;

(iii) the right to demand, sue for, recover, receive and give receipts for all prepayment indemnities (*wederbeleggingsvergoeding/indemnité de remploi*) or fees to the extent they relate to the Loans; and

(iv) the right to exercise all express and implied rights and discretions of the Seller in, under or to the Loans and each and every part thereof (including, if any, the right, subject to and in accordance with the terms respectively set out therein, to set and to vary the amount, dates and number of payments of interest and principal applicable to the Loans);

(b) all right and title of the Seller to the Loan Security;

(c) all rights and title of the Seller to Additional Security;

(d) all right, title, interest and benefit of the Seller in any hazard insurance and life insurance in so far as it relates to the Loans including but without limitation the right to receive the proceeds of any claim thereunder;

(e) all documents, computer data and records on or by which each of the above is recorded or evidenced, to the extent that they relate to the above;

(f) all causes and rights of action against any notary public in connection with the execution of the Loans, the researches, opinions, certificates or confirmations in relation to any Loan or Loan Security or otherwise affecting the decision of the Seller to offer to make or to accept any Loan;

(g) all causes and rights of action against any valuer/appraiser in connection with the investigation and appraisal of any property, any researches, opinions, certificates or confirmations in relation to any Loan or Loan Security or otherwise affecting the decision of the Seller to offer to make or to accept any Loan or Loan Security relating thereto; and

(h) all causes and rights of action against any broker, lawyer or other person in connection with any report, valuation, opinion, certificate or other statement of fact or opinion given in connection with any of the above, or affecting the decision of the Seller to offer to make or to accept any of the above.

12.2 Representations, Warranties and Eligibility Criteria

12.2.1 Seller's Representations and Warranties

The Seller will represent and warrant on the Closing Date that, *inter alia*:

(a) the Seller is a corporation duly organised and validly existing under the laws of Belgium with full power and authority to execute, deliver, and perform all of its obligations under the MLSA and such execution and delivery does not violate any applicable laws;

(b) the Seller has obtained all necessary corporate authority and taken all necessary action (including, but not limited to all necessary consents, licenses and approvals), for the Seller to sign the MLSA and to perform the transactions contemplated herein;

(c) the Seller is duly licensed as a credit institution by the NBB under the Credit Institutions Supervision Law and as mortgage institution by the FSMA under the Belgian Mortgage Credit Law;

(d) the Seller:

(i) is not in a situation of cessation of payments within the meaning of Belgian insolvency laws;

(ii) has not resolved to enter into liquidation (*vereffening / liquidation*),

(iii) has not filed for bankruptcy or for a moratorium (*uitstel van betaling / sursis de paiement*);

(iv) is not subject to emergency regulations (*saneringsmaatregel / mesure d'assainissement*);

(v) has not been adjudicated bankrupt or annulled as legal entity;

(vi) the Seller has not taken any corporate action nor is any corporate action pending in relation to any of the matters specified in this paragraph (d);

(e) the MLSA constitutes the Seller's valid and binding obligations enforceable in accordance with its terms; and

(f) no Notification Event relating to the Seller has occurred or will occur as a result of the entering into or performance of the MLSA.

12.2.2 Eligibility Criteria

The Seller will represent and warrant on the Closing Date with respect to each Loan, the Mortgages and the other Loan Security and the Additional Security, as the case may be, that as at the Cut-off Date (together the ***Eligibility Criteria***), *inter alia*:

(a) Portfolio Schedule

(i) The information relating to

(1) the residential mortgage loans listed in Schedule 8 to the MLSA (the ***Initial Portfolio***);

(2) the procedures, policies and practices from time to time applied by the Seller with regard to the origination, credit collection and administration and underwriting criteria of its Loans as set out in Schedule 7 to the MLSA;

(3) any additional note on credit repayment capacity, certified by the Seller to be a true, accurate and up-to-date statement of the Seller's credit policies ((2) and (3) together being the ***Credit Policies***); and

provided by the Seller to the Issuer, the Security Agent, the Investors or otherwise are complete, true and accurate in all material respects as of the Cut-Off Date.

(b) Valid existence

(i) Each Loan, Loan Security and Additional Security exists and are valid and binding obligations of the relevant Borrower(s), or as the case may be, the relevant Insurance Company, and are enforceable in accordance with the terms of the relevant Loan Documents, provided, however, that the Seller has made no investigations as to the existence of the Insurance Policies after the date of origination of each Loan;

(ii) each Loan has been granted with respect to real property located in Belgium;

(iii) no Loan has an origination date prior to 1 January 1995;

(iv) each Loan was granted by the Seller or, as the case may be, another Originator as the original lender as a loan secured by one or more real properties located in Belgium over which there is a Mortgage securing such Loan (each such property a ***Mortgaged Property***) and, in the latter case, acquired by the Seller as a true sale and in accordance with the then prevailing credit policies of the original lender;

(v) the originator code of each Loan is Dexia Bank Belgium or BACOB;

(vi) the Loans are either Annuity Mortgage Loans, Linear Mortgage Loans, Interest-only Mortgage Loans or Progressive Loans;

Annuity Mortgage Loan means a mortgage loan under which the Borrower has to make a monthly payment which remains the same (subject to adjustments however in case of interest rate resets) for the duration of the loan consisting of (a) an interest portion which is initially high and subsequently gradually decreases and (b) a principal portion which is initially low and a subsequently gradually increases, and which is calculated in such a way that the mortgage loan will be fully reimbursed at maturity;

Interest-only Mortgage Loan means a mortgage loan under which the Borrower does not have to reimburse principal amount until maturity of such loan, but only makes interest payments during the lifetime of the loan;

Linear Mortgage Loan means a mortgage loan under which the Borrower makes a decreasing monthly payment consisting of an interest portion which is initially high and subsequently decreases and which is calculated in such a way that the loan will be fully reimbursed at maturity;

Progressive Mortgage Loan means a mortgage loan in respect of which the monthly instalment is calculated in such a way that it will increase annually with a predetermined percentage;

(vii) each Loan is granted under a Credit Facility;

(viii) at origination, each Borrower in respect of a Loan, was an individual resident (*domicilié / woonachtig*) in Belgium.

(c) Governing Legislation

(i) each Loan, related Mortgage and other Loan Security is governed by Belgian law and no Loan or relating Mortgage expressly provides for the jurisdiction of any court or arbitral tribunal other than Belgian courts or tribunals;

(ii) each Loan is subject to the Belgian Mortgage Credit Act;

(iii) each Loan and relating Mortgage complies in all material respects with the requirements of the Belgian Mortgage Credit Act and implementing regulations;

(iv) each Loan complies with any and all applicable consumer protection rules and in general, with the common rules of law (*regels van gemeen recht / règles de droit commun*);

(v) all Standard Loan Documentation relating to the Loans has been duly and timely submitted to the FSMA in accordance with the relevant provisions in the Belgian Mortgage Credit Act;

(vi) the Consumer Credit Act of 12 June 1991 does not apply to any Loan or any other loan or advance made under the Credit Facility under which the Loan has been originated;

(vii) no Loan is granted (x) with the benefit of a guarantee extended by the Walloon Region under the applicable housing promotion programme for building or acquiring houses by young persons (the so-called ***Prêts Jeunes***), in application of the Decree of the Walloon Government on 20 July 2000 determining the conditions to intervene for the benefit of young people obtaining a mortgage credit or (y) under a housing promotion for building or acquiring houses by mine worker.

(d) Free from third party rights

(i) each Loan has been granted by the Seller (or, if applicable, its predecessor) for its own account;

(ii) the Seller has exclusive, good, and marketable title to each Loan;

(iii) immediately before and upon the entry into effect of the sale on the Closing Date pursuant to the MLSA, the Seller has the absolute property right over each Loan and the other rights, interests and entitlements sold pursuant to the MLSA, in each case, free from all liens, charges, pledges, pre-emption rights, options or other rights or security interests of any nature whatsoever in favour of, or claims of, third parties including, but without limitation, any attachment (*derdenbeslag/saisie-arrêt*) or any floating charge (*pand op de handelszaak/gage sur fonds de commerce)*;

(iv) immediately before and upon the entry into effect of the sale on the Closing Date pursuant to the MLSA and the pledging pursuant to the Pledge Agreement, the Seller has not assigned, transferred, pledged, disposed of, dealt with, otherwise created, allowed to arise, or subsist, any security interest (or other adverse right, or interest, in respect of the Seller's right, title, interest and benefit) in or to, any Loan, Loan Security, Additional Security, the rights relating thereto or with respect to any property and asset, right, title, interest or benefit sold or assigned pursuant to the MLSA or pledged pursuant to the Pledge Agreement, in any way whatsoever other than pursuant to the MLSA or the Pledge Agreement;

(v) in respect of any Credit Facility or Shared Mortgage relating to a Loan, the Seller has the absolute right on and interest in all rights arising under such Credit Facility (including any loans or advances granted thereunder) and such Shared Mortgage, other than the interests and entitlements sold pursuant to the MLSA (the ***Retained Rights***);

(vi) the Seller has not given any instructions to any Borrower, Insurance Company or any provider of Loan Security or Additional Security to make any payments in relation to any Loan to any of the Seller's creditors;

(vii) the Seller has not done anything that would render any Loan Security or Additional Security ineffective, or omitted to do anything necessary to render or keep them effective; and

(viii) each Loan can be easily segregated and identified by the Seller for ownership and collateral security purposes;

(e) Ranking

Each Loan is secured by (i) a first ranking Mortgage, and, as the case may be, (ii) (A) a sequentially lower ranking Mortgage, and/or (B) a mandate to create such Mortgages.

(f) Fully disbursed loans

The proceeds of each Loan have been fully released (at the latest 3 months prior to the Closing Date) and the Seller has no further obligation to release further funds relating to the Loan.

(g) No set-off or other defence

(i) none of the Loans are subject to any reduction resulting from any valid and enforceable *exceptie / exception* or *verweermiddel / moyen de défense* (including *schuldvergelijking / compensation*) available to the relevant Borrower, the Insurance Company or third party provider of Loan Security and arising from any act, event, circumstance or omission on the part of or attributable to the Seller which occurred prior to the execution of the MLSA (except any *exceptie / exception* or *verweermiddel / moyen de défense* based on the provisions of Article 1244, alinea 2 of the Belgian Civil Code or the provisions of Belgian insolvency laws);

(ii) no pledge, lien or counterclaim (except for commercial discounts, as applicable) or other security interest has been created, or arisen, or now exists, between the Seller and any Borrower or Insurance Company which would entitle such Borrower or Insurance Company to reduce the amount of any payment otherwise due under its Loan.

(iii) none of the Loans is part of an actual current account ("*rekening courant/compte courant*").

(h) No Subordination

The Seller has not entered into any agreement, which would have the effect of subordinating the Seller's right of payment under any of the Loans to any other indebtedness or other obligations of the Borrower.

(i) No limited recourse

The Seller has not entered into any agreement, which would have the effect of limiting the Seller's rights to any assets of the Borrower in respect of any Loan repayment.

(j) No abstraction

The Seller has not issued or subscribed any bills of exchange or promissory notes in connection with any amounts owing under any Loan and none of the Loans is incorporated in a negotiable instrument (*grosse aan order* / *grosse à ordre*).

(k) No waiver

The Seller has not knowingly waived or acquiesced in any breach of any of the Seller's rights under or in relation to a Loan, any Loan Security or any Additional Security except for Permitted Variations made in accordance with the Transaction Documents which shall not constitute a breach of this representation and warranty.

(l) Performing Loan

(i) No event has occurred that has not been cured prior to the Cut-Off Date that would entitle the Seller to accelerate the repayment of any Loan;

(ii) on the Cut-Off Date, no Loan is in arrears for more than 1 month or is a Defaulted Loan;

(iii) on the Cut-Off Date, the Seller has not received notice of intended prepayment of all or any part of any Loan.

(m) Litigation

The Seller has not received written notice of any litigation or claim that challenges or potentially challenges the Seller's title to any Loan, Loan Security or Additional Security or which would have a material adverse effect on its ability to perform its obligations under the MLSA.

(n) Insolvency

On the Cut-Off Date, the Seller has not received notice or is not otherwise aware, that any Borrower:

(i) is bankrupt;

(ii) is in a situation of cessation of payments;

(iii) has entered into, or has filed for, a rescheduling of repayments (*betalingsfaciliteiten / facilités de paiement*), a judicial composition (*gerechtelijk akkoord / concordat judiciaire*) or judicial reorganisation (*gerechtelijke reorganisatie* / *réorganisation judiciaire*), a moratorium (*uitstel van betaling / sursis de paiement*) or a collective reorganisation of its debts (*collectieve schuldenregeling / règlement collectif*) pursuant to the Belgian Act of 5 July 1998, on the collective organisation of debts

(iv) has otherwise become insolvent; or

(v) has any reason to believe that such Borrower is about to enter into, or to file for, any of the procedures specified in this paragraph 12.2.2(n).

(o) Incapacity

On the Cut-Off Date, the Seller has not received notice of the death or any other legal incapacity (*onbekwaamheid / incapacité*) of any Borrower.

(p) No Withholding Tax

(i) The Seller is not required to make any withholding or deduction for, or on account of, tax in respect of any payment in respect of the Loans;

(ii) no withholding or deduction for, or on account of, tax in respect of any payment under a Loan is required to be made by any Borrower.

(q) Assignability of the Loans

(i) Each Loan, secured by the Loan Security and Additional Security, may be validly assigned to the Issuer and pledged by the Issuer in accordance with the Pledge Agreement;

(ii) each Loan, secured by the related Loan Security and Additional Security, is legally entitled to be being transferred by way of sale, and the transfer by way of sale is not subject to any contractual or legal restriction, other than the notification to the Borrower;

(iii) the sale of each Loan in the manner contemplated in the MSLA will not be recharacterised as any other type of transaction other than a sale;

(iv) the sale of each Loan will be effective to pass to the Issuer full and unencumbered title and benefit, and no further act, condition or thing will be required to be done in connection with the Loan to enable the Issuer to require payment of each Loan, or the enforcement of each Loan, in any court other than the giving of notice to the Borrower of the sale of such Loan by it to the Issuer;

(v) upon the sale of any Loan such Loan will no longer be available to the creditors of the Seller on its liquidation.

(r) Security and the Mortgaged Properties

(i) Each Mortgage exists and constitutes or, upon registration at the office (*hypotheekkantoor/bureau des hypothèques*) where mortgages are or, are to be, registered in accordance with the Mortgage Act (the ***Mortgage Registration Office***) will constitute, a valid, enforceable and subsisting mortgage over the relevant Mortgaged Property;

(ii) each Mortgage which has been registered at the relevant Mortgage Registration Office, is first ranking over any other mortgage or security interest attached to any Mortgaged Property, save in case the Seller also has first ranking Mortgage and such Mortgage is/are also transferred to the Issuer;

(iii) no other mortgage or security interest attaches to any Mortgaged Property other than any:

(1) mortgages and liens which apply to the Mortgaged Property by operation of law;

(2) higher ranking mortgages as envisaged in paragraph (r)(ii) above; and

(3) any lower ranking mortgages, liens, encumbrances, claims or mortgage mandates;

(iv) if, at the Cut-Off Date, the registration of any Mortgage created in favour of the Seller is pending at the Mortgage Registration Office:

(1) the Seller shall have, and be capable of having, an absolute right to be registered as mortgagee of the relevant Mortgaged Property;

(2) such Mortgage shall have no condition, notice or other entry which will prevent such registration;

(3) the Seller has instructed the relevant notary to take all action to effectively register the Seller as mortgagee of the relevant Mortgaged Property; and

(4) such registration will be accomplished ultimately before the Loan is in arrears for more than two (2) months;

(v) all steps necessary with a view to perfecting the Seller's title to each Mortgage were duly taken at the appropriate time or are in the process of being taken without undue delay on the part of the Seller and those within its control;

(vi) as at the date of origination of the Mortgage Loan the immovable property over which such Mortgage has been granted existed or was under construction and the Seller has received no notice nor has it any reason to believe that it does not exist;

(vii) subject to (vi) above, each Loan is secured on and each Mortgage relating thereto relates to one or more Mortgaged Properties situated in Belgium for residential use by the Borrowers.

(s) Valid Hazard Insurance Policy

Under the current Standard Loan Documentation the Borrowers are required to have the relevant Mortgaged Properties adequately insured under a home owners' hazard insurance policy against all risks usually covered by a comprehensive hazard insurance policy.

(t) Valid Life Insurance Policy

In accordance with the current Credit Policies each Borrower, either individually or jointly with its co-borrowers and for amounts to be apportioned between them, are requested to insure Loans under a Life Insurance Policy executed as collateral security to the Originator for each such Mortgage Loan or, in relation to which the Originator is mentioned as loss payee.

(u) Loan Security

The Seller has not received notice of any material breach of the terms of any Loan Security or Additional Security.

(v) The Mortgaged Properties

(i) Prior to providing a Loan to a Borrower, the Seller instructed the notary public to conduct a search of origin and validity of the Borrower's title to the Mortgaged Property and such search did:

(1) not disclose anything material which would cause a reasonably prudent lender to decline to proceed with the Loan on the proposed terms;

(2) disclose that the Borrower or a third party provider of Loan Security had the exclusive, absolute and unencumbered title over the Mortgaged Property; and

(3) not disclose any tax liabilities or, if applicable, any social security (*sociale zekerheid / sécurité sociale*) liabilities, registrations, annotations, transcriptions or deficiencies in the title of property which may impair the rights of the Seller, including, but not limited to, deferred payment of the purchase price, reservation of title (*eigendomsvoorbehoud / réserve de propriété*), any condition precedent or any resolutive condition, usufruct (*vruchtgebruik / usufruit*) or negative undertakings not to transfer or mortgage;

(ii) the public notary has not been dispensed from any of its responsibilities and/or liabilities in relation to any Loan and Mortgage;

(iii) none of the Mortgages has been created over a part in an undivided property, a collective property (*mede-eigendom / co-propriété*) or a property which has been purchased pursuant to a purchase agreement which results in an effective *tontine* or a similar arrangement, except:

(1) in case there is another first-ranking Mortgage relating to the same Borrower that meets all representations and warranties set out herein; or

(2) in case of a *tontine* or a similar arrangement, each of the Borrowers under the same Loan has granted the relevant Mortgage with respect to all their present and future rights in respect of the Mortgaged Property and, such Mortgage is still in full force and effect for each such Borrower;

(iv) the Seller has not received any notice requiring the compulsory acquisition (*expropriation / onteigening*) of any Mortgaged Property.

(w) The Seller's compliance with laws

The Seller has complied in all material respects with all relevant banking, consumer protection, privacy, money laundering and other laws in relation to the origination, the servicing and the assignment of any Loan.

(x) Servicing

No other person has been granted or conveyed the right to service any Loan and/or to receive any consideration in connection with it, unless agreed otherwise between the parties to the MLSA.

(y) Selection Process

The Seller has not taken any action in selecting any Loan which, to the Seller's knowledge, would result in delinquencies or losses on such Loan being materially in excess of the average delinquencies or losses on the Seller's total portfolio of loans of the same type.

(z) Origination and Standard Loan Documentation

(i) Prior to making each Loan, the Seller carried out or caused to be carried out all investigations, searches and other actions and made such enquiries as to the Borrower's status and obtained such consents (if any) as would a reasonably prudent lender and nothing which would cause such a lender to decline to proceed with the initial loan on the proposed terms was disclosed;

(ii) prior to making each Loan, the Seller's lending criteria laid down in the Credit Policies or, as the case may be, the lending criteria of the Seller applicable at the time or the lending criteria of the relevant original lender, were satisfied (as applicable) subject to such waivers as may be exercised by a reasonably prudent lender;

(iii) each Loan has been granted and each of the Loan Security has been created, subject to the general terms and conditions and materially in the forms of the Standard Loan Documentation (so far as applicable) and any amendment to the terms of the Loans has been made substantially in accordance with the Credit Policies or the then prevailing credit policies of the Seller or the original lender;

(iv) for each Loan the Borrower completed a loan request form;

(v) each Loan has been confirmed by way of a separate advance offer to which a repayment schedule is attached;

(vi) in respect of each Loan the Seller has made searches on the Borrower's identity in the Negative Database and, to the extent following such verification, the Borrower's name appeared for any reason in the Negative Database, the Loan contracted by such Borrower was originated by the Seller in accordance with the Credit Policies acting as a prudent lender . The ***Negative Database*** (*negatieve kredietcentrale / centrale negative des crédits*) has the meaning given thereto in the Belgian Act of 10 August 2001 on the database for credit to private individuals, as implemented by the Royal Decree of 7 July 2002 on the regulation of the database for credit to private individuals.

(aa) Proper Accounts and Records

Each Loan and the related Loan Security is properly documented in the Contract Records relating to such Loan. The relevant transactions, payments, receipts, proceedings and notices relating to such Loan are properly recorded in the Contract Records and in the possession of the Seller or held to its order.

(bb) Data Protection and privacy laws

The Seller and the databases it maintains, in particular with regard to the Loans and the Borrowers, fully comply with the data protection and privacy laws and regulations.

(cc) Missing data

As for any Loan where the Seller confirms that no actual or complete data are available, the characteristics of those Loans are substantially the same as the ones under the Credit Policies.

(dd) Financial Criteria

(i) The interest rate on each Loan was market conform at its origination date(subject to a reduction in case the Borrower is an employee of Dexia Bank Belgium);

(ii) each Loan, except Interest-Only Mortgage Loans, is repayable by way of monthly Instalments, interest being payable in arrears (in some cases, with different payment frequencies as payments of principal);

(iii) each Loan is denominated exclusively in euro (including any Loan historically denominated in Belgian frank);

(iv) as of the Cut-Off Date, no Loan is a Loan in respect of which payment is disputed (in whole or in part, with or without justification) by the Borrower or any guarantor of such Loan, or in respect of which a set-off or counterclaim is being claimed by such Borrower or guarantor, provided that a Loan shall not be a disputed loan by reason merely of the fact that any payment thereunder is not made at its due date, that the Borrower is in default, that the Borrower is insolvent, that the Borrower is seeking from the courts the benefit of a grace period, or that there is a conciliation procedure (whether successful or not) in respect of this Loan under article 59 of the Belgian Mortgage Credit Act (a ***Disputed Loan***);

(v) each Loan has a fixed rate period that is not less than one (1) year;

(vi) each Loan has a fixed rate period that does not exceed thirty (30) years;

(vii) no Loan has an initial maturity in excess of thirty (30) years;

(viii) each Interest-Only Mortgage Loan has an initial maturity in excess of 24 months;

(ix) in respect of each Loan, at least one (1) Instalment has been received on the Closing Date;

Instalment shall mean, in respect of any Loan, the aggregate amount of principal and interest which is scheduled to be payable by a Borrower on a particular repayment date or after a particular period in accordance with the contractual terms of such Loan (as amended from time to time),

(x) each Loan has a current loan to current value (CLTCV) equal to or less than 125%; ***CLTCV*** means the ratio between (i) the Current Balance of the Loans of the Borrower increased by aggregate outstanding principal amount of all other loans secured by the same Mortgage that already exist on the Closing Date and (ii) the aggregate of the current market value(s) of the Mortgaged Property(ies) obtained after indexation (based on indexes determined by Stadim);

(xi) each Loan has a current LTM (CLTM) equal to or less than 1000%. ***LTM*** means the ratio between (i) the Current Balance of the Loans of the Borrower increased by aggregate outstanding principal amount of all other loans existing at the time of Closing secured by the same Mortgage and (ii) the secured amount (including an

amount for accessories equal to 10% of the secured principal amount) for which the Originator benefits from a registered first ranking Mortgage or from several Mortgages registered successively so as to provide an effective first rank for their aggregate amount;

(xii) a Loan does not have a connection with a loan of a different client (meaning that in case different clients each have been granted a loan in respect of which the Mortgage securing each such loans is registered on, or the Mortgage Mandate is granted on, the same Mortgaged Property, the loans of both clients will not be eligible).

(ee) Reconstitution Loans

None of the Loans is a reconstitution loan (*reconstitutielening / crédit de reconstitution*) within the meaning set out in the Belgian Mortgage Credit Act.

12.3 Repurchases and Permitted Variations of Loans

12.3.1 Breach of Representations and Warranties

If at any time after the Closing Date:

(a) any of the representations, warranties and Eligibility Criteria relating to the Loans, as set out in the MLSA proves to be untrue, incorrect or incomplete; and

(b) the Seller has not remedied this within five (5) Business Days after being notified thereof in writing by the Issuer or it has become clear that the matter cannot be remedied within the said period of five (5) Business Days;

then, the Seller shall:

(i) indemnify the Issuer for all damages, costs, expenses and losses; and

(ii) repurchase the relevant Loan and Loan Security (including all other Loans secured by the same Mortgage, if any) at a price equal to the aggregate of the then Current Balance of the repurchased Loan(s) plus accrued interest thereon and reasonable *pro rata* costs up to (but excluding) the date of completion of the repurchase.

The indemnification or completion of any repurchase and re-assignment as referred to herein shall be completed on the next Monthly Payment Date following expiry of the five (5) Business Day period referred to herein.

Alternatively the Issuer may agree to a Permitted Variation of the Loan after satisfaction of the Conditions in *Section 12.3.2* below.

12.3.2 Permitted Variations

The Secured Parties agree that upon the request of a Borrower, the Servicer shall be entitled to consent on behalf of the Issuer to a requested variation of the terms or conditions of or in relation to a Loan or any rights in relation thereto if all the conditions below are satisfied.

Conditions

In relation to any Loan, the Servicer shall be entitled to consent to such variation to the extent the conditions contained in this *Section 12.3.2* under headings *Conditions* or *Amicable Settlement* below are satisfied:

(a) no Enforcement Notice has been given by the Security Agent at the date of the relevant variation;

(b) the variation will not provide for a full or partial release of the Mortgage related to the Loan as a result of which the CLTM immediately following such variation will be higher than 100%;

(c) the Current Balance of the Loan shall not be reduced otherwise than as a result of an effective payment of principal;

(d) in case of a substitution (or release of any) of the Mortgaged Property(ies) (*pandwissel / substitution de gage, vrijgave / main levée*) relating to such Loan, the CLTCV will not be higher than the CLTCV immediately preceding such variation;

(e) in case of a Loan other than an Interest-Only Mortgage Loan, any variation in the amortisation profile of the Loan will not cause the Loan to be no longer payable by way of monthly Instalments or will imply a residual value payment at the final redemption date of such varied loan;

(f) any variation in the amortisation profile of the Loan will not cause the repayment of principal to be concentrated around the maturity date of the Loan;

(g) in case of a maturity extension of the Loan, such extension will be in accordance with the terms of Loan Documents of the relevant Loan and the final redemption date of such varied Loan would as a consequence of the variation not be extended beyond the Quarterly Payment Date falling 4 years prior to the final maturity of the Notes;

(h) any variation in the fixed interest rate (excluding contractual resets) in respect of the Loan without interest rate reset will be in accordance with the terms of the Standard Loan Documentation, as amended from time to time, will be market conform at the time of such variation and will not cause the fixed interest rate to fall below 2.5% per annum;

(i) any variation in respect of a fixed rate loan with reset, will not result in a change to the periodicity of the resets of the interest rate applicable to the Loan;

(j) the Borrower will not become an employee of the Seller;

(k) the variation would not cause the Loan to no longer comply with all the Eligibility Criteria; and

(l) such variation shall be considered by the Servicer acting as a reasonably prudent mortgage lender (*bonus pater familias*).

If any of the conditions set out above are considered not to be satisfied, such variation shall be deemed to be a Non-Permitted Variation as set out below.

Amicable Settlement

If at any time after the Closing Date, the Servicer is confronted with a proposed amicable settlement relating to a Loan that is in arrears resulting in a variation of the repayment schedule relating to such Loan, the Servicer may consent on behalf of the Issuer to such proposed settlement if and to the extent he confirms that such settlement takes full account of the chances for recoveries relating to such Loan.

A variation that meets the conditions set out in this Section *12.3.2* under the heading - *Conditions* or a variation described in this Section *12.3.2* under the heading – *Amicable Settlement* is referred to as a ***Permitted Variation***.

The Servicer shall keep a note of any variation, amendment or waiver in the relevant Contract Records relating to the relevant Loans.

The Issuer or the Security Agent shall be entitled to terminate the powers of the Servicer to consent to Permitted Variations with three (3) months prior notice and for good cause, provided another procedure or powers are put into place to deal with variations without any additional cost or expense for the Servicer and subject to the rating of the Collateralized Notes not being adversely affected.

Non-Permitted Variations

If the proposed variation is not a Permitted Variation, then the Servicer shall:

(a) inform the Seller, the Security Agent and the Administrator on a monthly basis of such Non-Permitted Variations, and

(b) if and to the extent that the Servicer, in accordance with the Seller, were to decide to accept such Non-Permitted Variation, then the Seller shall no later than 45 calendar days after such Non-Permitted Variation has been accepted and implemented (or, in case such day would not fall on a Business Day, on the immediately succeeding Business Day), repurchase and accept re-assignment of the relevant Loan together with other Loans covered by the same Mortgage, if any, at a price equal to:

(i) the then Current Balance of the Loan(s);

(ii) *plus* accrued interest thereon and *pro rata* costs, fees and expenses up to (but excluding) the date of completion of the repurchase.

The Issuer, the Administrator and the Seller shall then ensure that the repurchase and re-assignment relating to such Loan shall have been completed no later than 45 calendar days after such Non-Permitted Variation as requested by the Borrower has been accepted and implemented (or, in case such day would not fall on a Business Day, on the immediately succeeding Business Day) and that any cost associated with such variation, amendment or waiver is paid by the Borrower. All costs arising in relation to the variation, amendments or waiver shall, to the extent not paid by the Borrower, be paid and borne by the Servicer or the Seller.

In the event the credit rating of the Seller's long term, unsecured, unsubordinated and unguaranteed debt obligations falls below P-2 by Moody’s or such rating is withdrawn, the repurchase and re-asssignment of a Loan in respect of which the Seller wishes to accept a Non-Permitted Variation will be subject to the delivery of a solvency certificate by the Seller signed by two directors of the Seller.

The Servicer may not waive any Prepayment Penalty in connection with the full or partial prepayment of any Loan. For the avoidance of doubt, any Prepayment Penalties collected shall be transferred to the Issuer in accordance with the Servicing Agreement.

12.3.3 Option to repurchase

The Seller has the option to repurchase the Portfolio from the Issuer upon the occurrence of a Regulatory Change in which case, the Issuer shall be obliged to sell and assign the Loans to the Seller, or any third party appointed by the Seller in their sole discretion. See detailed provisions in Conditions 5.21 and 5.22.

In the event the credit rating of the Seller's long term, unsecured, unsubordinated and unguaranteed debt obligations falls below P-2 by Moody’s or such rating is withdrawn, such repurchase and re-assignment of the Portfolio will be subject to the delivery of a solvency certificate by the Seller signed by two directors of the Seller.

12.4 Notification Events

The sale of the Loans under the MLSA and pledge of the Loans under the Pledge Agreement will be notified to any relevant Borrowers and any other relevant parties by the Issuer (acting on the instructions of the Security Agent) pursuant to the terms and conditions set out in the MLSA and the Pledge Agreement.

Each of the following events, except for the event in (q), is a Notification Event under the MLSA:

(a) a default is made by the Seller in the payment on the due date of any amount due and payable by it under the MLSA or under any Transaction Document to which it is a party and such failure is not remedied within fifteen (15) Business Days after notice thereof has been given by the Issuer or the Security Agent to such Seller; or

(b) the Seller fails duly to perform or comply with any of its obligations under the MLSA or under any other Transaction Document to which it is a party and if such failure, capable of being remedied, is not remedied within fifteen (15) Business Days after having knowledge of such failure or notice thereof has been given by such Issuer or the Security Agent to such Seller; or

(c) any representation, warranty or statement made or deemed to be made by the Seller in the MLSA, other than the representations and warranties made in respect of the Loans (which the Seller consequently repurchases), or under any of the other Transaction Documents to which it is or will be a party or if any notice or other document, certificate or statement delivered by it pursuant hereto proves to have been, and continues to be after the expiration of any applicable grace period provided for in any Transaction Document, untrue or incorrect in any material respect. A representation or warranty will be considered to be untrue or incorrect in a material respect if it affects the validity of the obligations of the Seller under the Transaction Documents; or

(d) an order being made or an effective resolution being passed for the winding up (*ontbinding/dissolution*) of the Seller except a winding up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Security Agent in writing or by an Extraordinary Resolution of Noteholders; or

(e) the Seller, otherwise than for the purpose of such an amalgamation or reconstruction as referred to in paragraph (d) above, ceases or, through an official action of the board or directors of the Seller, threatens to cease to carry on business or the Seller is unable to pay its debts as and when they fall due or the value of its assets falling to less than the amount of its liabilities or otherwise becomes insolvent;

(f) any steps have been taken or legal proceedings have been instituted or threatened by the Seller for the bankruptcy (*faillissement* / *faillite*), stay of payment (*uitstel van betaling / sursis de paiement*) or for any analogous insolvency proceedings under any applicable law, or an administrator, receiver or like officer (including a *voorlopig bewindvoerder* / *administrateur provisoire* (ad hoc administrator)) has been appointed in respect of the Seller or any of its assets, the Seller 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 (*saneringsmaatregel/mesure d'assainissement*) as referred to in article 3, §1, 8° of the Credit Institutions Supervision Law, as amended from time to time, or for bankruptcy or for any analogous insolvency proceedings under any applicable law or for the appointment of a receiver or a similar officer of it or of any or all of its assets; or

(g) at any time it becomes unlawful for the Seller to perform all or a material part of its obligations hereunder or under any Transaction Document to which it is a party; or

(h) any action is taken by any authority, court or tribunal, which results or may result in the revocation of the license of the Seller (i) to act as a credit institution within the meaning of the Credit Institutions Supervision Law or (ii) as a mortgage institution under the Belgian Mortgage Credit Act;

(i) the Seller becomes subject to any reorganisation measure (*saneringsmaatregelen* / *mesures d'assainissement*) within the meaning of Article 3 § 1, 8° of the Credit Institutions Supervision Law, or winding-up procedures (*liquidatieprocedures* / *procédures de liquidiation*) within the meaning of Article 3 § 1, 9° of the Credit Institutions Supervision Law; or

(j) the credit rating of the Seller's short term, unsecured, unsubordinated and unguaranteed debt obligations falls below a rating of F3 by Fitch (or such rating which is otherwise acceptable to Fitch or according to its most recently published criteria) or such rating is withdrawn; or

(k) the credit rating of the Seller's long term, unsecured, unsubordinated and unguaranteed debt obligations falls below a rating of BBB- by Fitch (or, if rated BBB-, such credit rating is put on Rating Watch Negative by Fitch)(or such rating which is otherwise acceptable to Fitch or according to its most recently published criteria) or such rating is withdrawn; or

(l) the credit rating of the Seller's long term, unsecured, unsubordinated and unguaranteed debt obligations falls below Baa3 by Moody's (or such rating which is otherwise acceptable to Moody's or according to its most recently published criteria) or such rating is withdrawn; or

(m) the credit rating of the Seller's long term, unsecured, unsubordinated and unguaranteed debt obligations falls below a rating or a credit view equivalent to a rating of BBB(low) by DBRS (or such rating or credit view which is otherwise

acceptable to DBRS or according to its most recently published criteria) or such rating or credit view is withdrawn; or

(n) a Pledge Notification Event occurs; or

(o) a Servicing Termination Event has occurred; or

(p) the Issuer is so required by an order of any court or supervisory authority; or

(q) an attachment or similar claim in respect of any Loan is received, in which case notice shall be given only to the Borrower of the Loan concerned; or

(r) whether as a reason of a change in law (or case law) or for any other reason and to the extent notified thereof by the Servicer, the Security Agent reasonably considers it necessary to protect the interests of the Secured Parties in the Loans, the Loan Security or the Additional Security to do so, and serves notice on the Seller to such effect (setting out its reasons therefor);

Each of the events under (j), (k), (l) and (m) will only remain a Notification Event as longs as the Issuer has not exercised the Optional Redemption in case of a Ratings Downgrade Event in accordance with Condition 5.23.

Each of the following is a Pledge Notification Event under the Pledge Agreement:

(a) the occurrence of a Notification Event other than as referred to under 12.4 (q); or

(b) the service of an Enforcement Notice by the Security Agent.

12.5 Mitigation of Commingling Risk and Set-off Risk

In case, for as long as the Class A Notes are outstanding,

(a) the credit rating of the Seller's short term, unsecured, unsubordinated and unguaranteed debt obligations falls below a rating of F1 by Fitch (or such rating which is otherwise acceptable to Fitch) or such rating is withdrawn; or

(b) the credit rating of the Seller's long term, unsecured, unsubordinated and unguaranteed debt obligations falls below a rating of A by Fitch (or, if rated A, such credit rating is put on Rating Watch Negative by Fitch)(or such rating which is otherwise acceptable to Fitch) or such rating is withdrawn; or

(c) the credit rating of the Seller's short term, unsecured, unsubordinated and unguaranteed debt obligations falls below P-1 by Moody's (or such rating which is otherwise acceptable to Moody's); or

(d) the credit rating of the Seller's short term unsecured, unsubordinated and unguaranteed debt obligations falls below a rating or a credit view equivalent to a rating of R-1(low) by DBRS (or such rating or credit view which is otherwise acceptable to DBRS),

the Seller shall as soon as reasonably possible following the occurrence of any of the rating events listed in items (a), (b), (c) or (d) above (each of such events, a ***Risk Mitigation Deposit***

Trigger Event), credit to a bank account (the ***Deposit Account***) to be held in the name of the Issuer with a third party account bank having the Minimum Ratings, the Risk Mitigation Deposit Amount.

The Risk Mitigation Deposit Amount shall be an amount as determined by the Administrator as follows:

(i) upon the first occurrence of a Risk Mitigation Deposit Trigger Event, the Risk Mitigation Deposit Amount shall be equal to the higher of (x) zero and (y) the sum of (A) the aggregate amount of the first scheduled interest and principal payment becoming due and payable on each Loan on or immediately following the occurrence of the Risk Mitigation Deposit Trigger Event *plus* (B) an amount determined as the higher of:

(°) in case of the occurrence of a Risk Mitigation Deposit Trigger Event under (a) or (b) above, to the extent at such time and as long as no change of law has entered into effect abolishing Set-off Risk, an amount determined as: 50% *(1-10.8%) * the sum over all Borrowers of the minimum of (Current Balance, maximum(0, deposits – amount covered under the deposit guarantee scheme)). In all other circumstances, the amount under this paragraph (°) will be equal to zero; *and*

(°°) in case of the occurrence of a Risk Mitigation Deposit Trigger Event under (c) above, to the extent at such time and as long as no change of law has entered into effect abolishing Set-off Risk, an amount determined as: 50% of the sum over all Borrowers of the minimum of (Current Balance, maximum(0, [deposits – amount covered under the deposit guarantee scheme] plus any amount of salary due and payable, but unpaid on such date to employees which were hired after 1 January 2008)). In all other circumstances, the amount under this paragraph (°°) will be equal to zero.

(ii) on the first calendar day of each month following the month in which the Risk Mitigation Deposit Trigger Event occurred (the ***Adjustment Date***) and provided no Notification Event has occurred, the Risk Mitigation Deposit Amount shall be adjusted and be equal to the higher of (x) zero and (y)the sum of (A) the aggregate amount of the first scheduled interest and principal payment becoming due and payable on each Loan on or immediately following such Adjustment Date *plus* (B) an amount determined as the higher of:

(°) in case of the occurrence of a Risk Mitigation Deposit Trigger Event under (a) or (b) above, to the extent at such time and as long as no change of law has entered into effect abolishing Set-off Risk, an amount determined as: 50% *(1-10.8%) * the sum over all Borrowers of the minimum of (Current Balance, maximum(0, deposits – amount covered under the deposit guarantee scheme)). In all other circumstances, the amount under this paragraph (°) will be equal to zero; *and*

(°°) in case of the occurrence of a Risk Mitigation Deposit Trigger Event under (c) above, to the extent at such time and as long as no change of law has entered into effect abolishing Set-off Risk, an amount determined as: 50% of the sum over all Borrowers of the minimum of (Current Balance, maximum(0, [deposits – amount covered under the deposit guarantee scheme] plus any amount of salary due and payable, but unpaid on such date

to employees which were hired after 1 January 2008)). In all other circumstances, the amount under this paragraph (°°) will be equal to zero.

To the extent the balance on the Deposit Account exceeds the Risk Mitigation Deposit Amount calculated on the Adjustment Date, the Administrator will immediately (and in any event no later than five (5) Business Days following the Adjustment Date) release the amount in excess to the Seller. To the extent the balance on the Deposit Account is less than the Risk Mitigation Deposit Amount calculated on the Adjustment Date, the Administrator will notify the Seller thereof and the Seller will immediately (and in any event no later than five (5) Business Days following the notification of the adjusted Risk Mitigation Deposit Amount by the Administrator) credit such shortfall to the Deposit Account;

(iii) as from the time a Notification Event has occurred, the Risk Mitigation Deposit Amount will become fixed and may no longer be adjusted in accordance with paragraph (ii) above. Furthermore, as from the time a Notification Event has occurred, the Risk Mitigation Deposit Amount may no longer be released (other than to the Issuer for the purposes set out under (a), (b) or (c) below) unless the Class Notes have been fully and finally repaid.

The Risk Mitigation Deposit Amount as determined by the Administrator for each first calendar day of the month following the occurrence of a Risk Mitigation Deposit Trigger Event (and as long as the Risk Mitigation Deposit Trigger Event continues) will be reported by the Administrator in the Quarterly Investor Report. In addition thereto, a set-off exposure file will be provided by the Administrator to Fitch and Moody's on a quarterly basis. If a change of law has entered into effect abolishing Set-off Risk and the Administrator has given prior written notice of such change of law (including a legal opinion) to Fitch and Moody's, then the Administrator will, as long as the Risk Mitigation Deposit Trigger Event continues, determine the Risk Mitigation Deposit Amount without taking into account the components (i)(y)(B) or (ii)(y)(B), as the case may be, in the formulas above (i.e. these components will be equal to zero).

The funds credited to the Deposit Account will not be included as Principal Available Amount and/or Monthly Interest Available Amount and/or Notes Interest Available Amount and will not form part of the Priority of Payments, unless if used to mitigate Commingling Risk and/or Set-off Risk and/or Liquidity Shortfall Risk in which case the Issuer will be required to add such funds to the Monthly Interest Available Amount and/or the Notes Interest Available Amount and/or Principal Available Amount, as the case may be. The Risk Mitigation Deposit Amount will not serve as general credit enhancement to the Issuer and can only be used by the Issuer to mitigate Commingling Risk and/or Set-off Risk and/or Liquidity Shortfall Risk.

The funds credited to the Deposit Account may only be applied by the Issuer for the purpose of:

(a) indemnifying the Issuer against any losses of the Issuer resulting from the fact that following an insolvency of the Seller the recourse the Issuer would have against the Seller for amounts paid into the accounts held with the Seller at such time would be an unsecured claim against the insolvent estate of the Seller for moneys due at such time (***Commingling Risk***)(See also *Section 4.6.8 – Commingling Risk*); and

(b) indemnifying the Issuer against any losses of the Issuer resulting from a Borrower or provider of Loan Security claiming a right to set-off with the Seller or defences related to the Seller for which the Issuer is not indemnified by the Seller in

accordance with the Transaction Documents (***Set-off Risk***)(See also *Section 4.11 – Set-off*);

(c) covering any liquidity shortfall (for the avoidance of doubt, after application of any funds available in the Reserve Fund) that would result for the Issuer (x) from the Monthly Interest Available Amount on a Monthly Payment Date being below the level required to meet items (i) to (vii)(inclusive) of the Monthly Interest Priority of Payments or (y) from the Notes Interest Available Amount on a Quarterly Payment date being below the level required to meet item (i) of the Notes Interest Priority of Payments (***Liquidity Shortfall Risk***).

However the funds standing to the credit of the Deposit Account that on any Payment Date can be used to cover for a Liquidity Shortfall Risk will be limited to an amount equal to the lower of (i) the balance standing to the credit of the Deposit Account on such date and (ii) an amount equal to the aggregate amount of the first scheduled interest and principal payment becoming due and payable on each Loan on or immediately following the occurrence of the Risk Mitigation Deposit Trigger Event.

In such event, the Issuer (or the Administrator on behalf of the Issuer) will transfer the relevant amounts from the Deposit Account to the Transaction Account.

Unless applied in order to indemnify Commingling Risk or Set-Off Risk, the funds credited to the Deposit Account shall remain credited to the Deposit Account until (the earlier of):

(i) the Seller no longer being subject to any Risk Mitigation Deposit Trigger Event; or

(ii) a full and final repayment of the Class A Notes on the Final Redemption Date (or such other date upon which the Class A Notes are to be redeemed in full).

If any of the above conditions under (i) or (ii) is fulfilled, the Administrator will immediately release the funds credited to the Deposit Account to the Seller (including, for the avoidance of doubt, any amounts as might be credited to this Deposit Account at a later date).

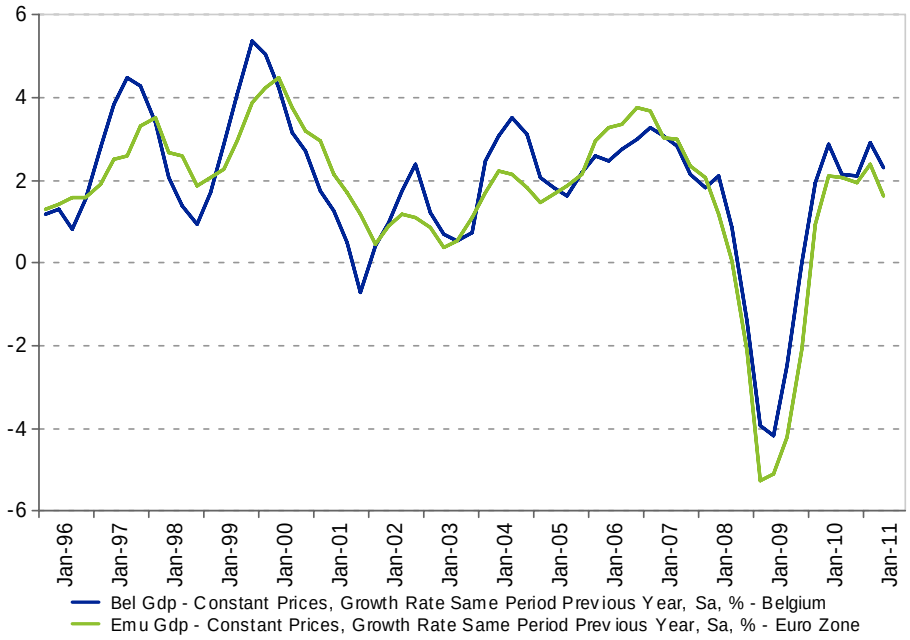
SECTION 13 - OVERVIEW OF THE MORTGAGE AND HOUSING MARKET IN BELGIUM

13.1Economic environment

Belgium has 10.92 million inhabitants on a surface of only 30,528 km², thereby being the third most densely populated country in Europe after Malta and the Netherlands.

In 2009 Belgian GDP declined by -2.7% in comparison to a decline of 4.1% for Euro area. In 2010 Belgium succeeded in its return to growth with a GDP of +2.1% outperforming the Euro average of +1.7% GDP growth.

Graph 1: Belgian GDP Growth Year on Year



Source: Factset

Belgium's average annual inflation rate (reflected by the Harmonized Indices of Consumer Prices) in 2010 was 2.3% compared to 1.6% for the Euro area.

The unemployment rate declined from 8.5% in April 2010 to 6.8% in August 2011. This is slightly higher than the 6.6% that was reached in May 2008.

13.2 The Belgian Banking sector

In the nineties, the Belgian banking landscape changed from being predominantly dominated by public credit institutions to a consolidated environment controlled by a handful of major banking groups.

The four biggest players, Dexia Bank Belgium, KBC Bank, BNP Paribas Fortis and ING control about two-third of the mortgage lending market, whereas other credit and financial institutions (smaller banks, insurance companies, savings banks) and mortgage facilitators cover the remainder.

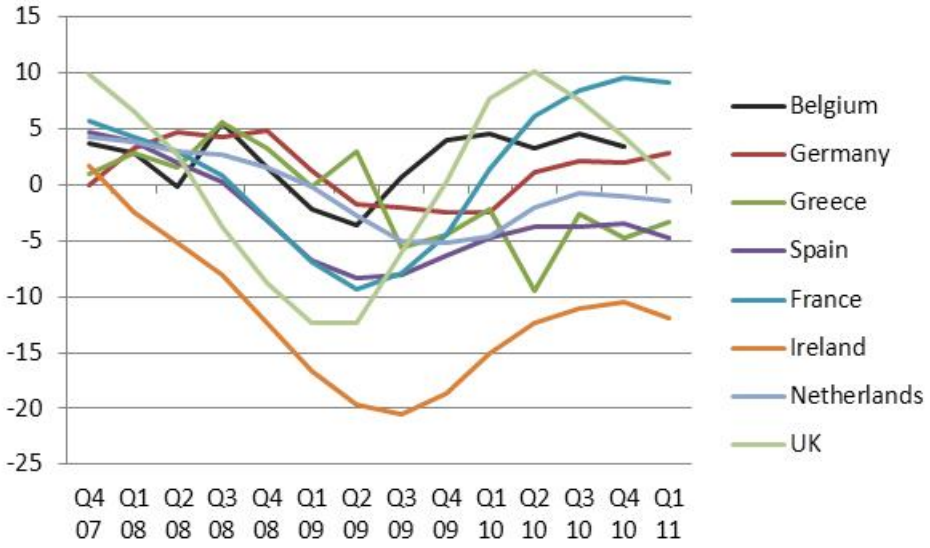
13.3 The Belgian Housing market

Traditionally, home-ownership is quite high in Belgium (78%). The government continues to promote home-ownership actively. The new fiscal treatment as of January 2005 allows for tax deduction of interests and capital payments up to a certain indexed maximum amount, thus increasing the affordability of a house.

Belgian housing prices have seen a boost in the period 2005 up until the 2008 financial crisis, due to the extension of the tax deduction and a tax amnesty, which included a preferential rate for repatriated capital being reinvested in Belgian real estate. It is noteworthy that the average size of new mortgage loans did not keep pace with the growth of house prices after 2005, leading to a decline in the average loan-to-value (LTV) ratio of new mortgage loans from around 80 % in 2004 to 65 % in 2010.[1]

The economic recession following the global financial crisis of 2008 has led to a decrease of the real estate prices in Belgium in 2009. However compared to the evolution of the real estate prices in other European countries, the decrease experienced in Belgium was rather modest (cfr.graph).

Graph 2: House Price Growth Year on Year



Source: EMF Quarterly Review – Q1 2011

After a small decrease in 2009, the housing market quickly recovered, supported by low interest rates and a relatively modest increase of the unemployment rate. The number of mortgage transactions increased by 17.7%[2] in Q2 2009 on the through of Q4 2008. The strong rise in mortgage transactions can partly be explained by an acceleration in renovation activity in 2009, supported by temporary tax incentives.

In the first two quarters of 2011, mortgage activity remained strong. In anticipation of interest rate hikes by the ECB, Belgian households rushed to take a mortgage at low interest rates. However, the number of registered new mortgage transactions declined by 7.5% in Q3 2011 on the previous quarter. This is due to a decline in consumer confidence, in a context of

[1] Source: National Bank of Belgium

[2] Source: www.notaris.be

financial market volatility (Eurozone sovereign debt crisis) and a rise in mortgage rates since the end of 2010.

Despite tax advantages for mortgage borrowing, Belgian households are not overly leveraged. Residential mortgage debt stood at 43.3% of GDP in 2009, which is lower than the 51.9% for the EU.[3] Households' net financial assets stood at 208.2% of GDP in 2009, compared to 130.9 for the Eurozone.

[3] Source: EMF Hypostat 2009 – November 2010

SECTION 14 - THE SELLER

14.1 General

Dexia Bank Belgium N.V./S.A. (***DBB***) is a limited liability company of unlimited duration incorporated under Belgian law and registered with the Crossroads Bank for Enterprises under business identification number 0403.201.185 and with VAT number BE 403.201.185. Its registered office is located at 1000 Brussels, Pachecolaan 44, Belgium.

14.2 Company History

DBB was created and developed as the financial institution of municipalities. The bank has also approached the market of private individuals and set up a network of branches. From 1990 onwards it has been operating on the international market and in 1996 it has joined Crédit Local de France, now Dexia Crédit Local S.A. (***Dexia CL***) and Banque Internationale à Luxembourg, now Dexia Banque Internationale à Luxembourg, société anonyme (***Dexia BIL***) to create the Dexia Group (***Dexia*** or the ***Group***), a European banking group.

Following the merger with Artesia Banking Corporation (Banque Artesia, BACOB, Artesia Services) in 2002, DBB became one of the major players in the Belgian retail market and strengthened its activity in the field of insurance, financial markets, social profit as well as private and corporate banking.

14.3 Company Description

DBB's object is to carry on the business of a credit institution and it has in furtherance of its object all the necessary powers, including the power to enter into transactions on financial derivatives. As such DBB may - for its own account and for the account of third parties or in cooperation with third parties - even by intermediary of a natural person or a legal entity, both in Belgium and abroad, undertake any and all activities and carry out all banking transactions including *inter alia*:

(1) transactions regarding deposits, credits within the broadest sense, brokerage, stock exchange related operations, launches of issues, guarantees and surety;

(2) short, medium and long-term credit transactions, sustain investments by provinces, municipalities and organisations of a regional and local character, and likewise investments effected by all public establishments, companies, associations and organisations, which are constituted for regional and local purposes, and which provinces, municipalities and organisations of a regional and local character are authorised to support;

(3) to further, by means of appropriate credit transactions, the day-to-day operation of the budgets of provinces, municipalities and organisations of a regional and local character, and of all other institutions referred to in 2° above, and likewise the day-to-day management of their concerns, public companies and enterprises.

Furthermore, DBB may distribute insurance products from third party insurance companies. DBB may acquire, own and sell shares and participations in one or more companies, within the limits provided for by the legal status of credit institutions.

DBB is entitled to carry out any transactions of whatever nature, *inter alia* financial, commercial, including goods and estate, relating directly or indirectly to the furtherance of its object or of such a nature as to facilitate the achievement thereof. All the provisions of the present article must be interpreted in the broadest sense and within the context of the laws and regulations governing transactions of credit institutions.

14.4 Shareholders of DBB (since 20/10/2011)

	Shareholding in DBB
Belgian State (via Federale Participatie en Investeringsmaatschappij)	100% (359,412,616 shares)

14.5 Rating

The actual ratings of DBB are A3/P1 (Moody's), A-/A-2 (S&P), A/F1 (Fitch), A (high)/ R-1 (middle) (DBRS).

The auditor of DBB is Deloitte Réviseurs d'Entreprises (Member of Deloitte Touche Tohmatsu International), Berkenlaan 8B, 1831 Diegem (member of IBR – IRE Instituut der Bedrijfsrevisoren/ Institut des Réviseurs d'Entreprises), represented by Messrs Frank Verhaegen and Bernard De Meulemeester.

14.6. Recent developments relating to Dexia S.A. and Dexia group

(i) Press Release 10 October 2011

The Belgian, French and Luxembourg states provide strong support to Dexia in the implementation of the restructuring plan announced on 4 October

Within the context of a global restructuring plan responding to the worsening of the sovereign debt crisis and to the pressures that it has caused on the interbank market, today the Board of Directors examined a first set of measures in line with the decisions taken by the French, Belgian and Luxembourg states aimed at stabilising the Group's liquidity situation.

Today the Board of Directors:

- considered that in the current circumstances it was in the social interest of Dexia SA and its subsidiaries to accept the offer submitted from the Belgian state for the acquisition of 100% of the shares of Dexia SA in its subsidiary Dexia Bank Belgium, and instructed the Group management to handle the consequences of the disposal in the interests of its clients, staff members of the Group and shareholders;

- approved Dexia's participation in the funding guarantee mechanism decided by the Belgian, French and Luxembourg states in the amount of maximum EUR 90 billion for Dexia SA and its subsidiary Dexia Crédit Local;

- instructed the CEO to enter into exclusive negotiations with the Caisse des Dépôts et Consignations and La Banque Postale with a view to the conclusion of an agreement relating to the French local public finance sector;

- was informed of the progress made in the exclusive discussions with the group of international investors, including the Luxembourg state, interested in the acquisition of Dexia Banque Internationale à Luxembourg, as announced on 6 October 2011.

Sale of Dexia Bank Belgium to the Belgian state

Considering the risks and the difficulties arising for Dexia Bank Belgium from the situation of the Dexia Group, and the systemic nature of Dexia Bank Belgium for the Belgian financial sector, the Belgian state has decided to offer to purchase Dexia's holding in Dexia Bank Belgium (see appendix). The Board of Directors of Dexia SA examined the offer made by the Belgian state which in particular includes the acquisition of Dexia SA's entire holding in Dexia Bank Belgium and its subsidiaries, with the exception of Dexia Asset Management, for an amount of EUR 4 billion and an earn-out mechanism in favour of Dexia SA in the event of a potential resale within a deadline of five years.

The Board of Directors has analysed this offer and independent experts have been consulted. Aware of the social interest of the Group and also of its subsidiaries, it has approved the purchase of Dexia Bank Belgium by the Belgian state.

Based on the numbers on 30 June 2011, this transaction would have led to a EUR 155 billion decrease of the balance sheet and a EUR 42 billion reduction of the weighted risks. It would have resulted in a loss of around EUR 3.8 billion and a simultaneous improvement of the negative AFS reserve of EUR 2.2 billion.

This sale will be finalised in the very near future. It will enable the Dexia Group to reduce its short-term funding requirement by more than EUR 14 billion, to improve the Group's solvency by more than 200 basis points and to reduce its portfolio of non-strategic assets by EUR 18 billion.

This purchase will strengthen Dexia Bank Belgium in the interests of its clients and its staff members.

Considering the links which exist between Dexia Bank Belgium and the various entities of the Dexia Group, service agreements will be put in place very shortly to accompany this sale and to maintain operational continuity during the transitional phase.

State guarantee on the funding issued by Dexia SA and its subsidiary Dexia Crédit Local

In order to implement the various steps of its restructuring plan, Dexia benefits from significant support from the Belgian, French and Luxembourg states which have undertaken to guarantee the Group's funding.

The Belgian, French and Luxembourg states have in fact decided to guarantee severally the interbank and bond funding for a period of up to ten years raised by Dexia SA and its subsidiary Dexia Crédit Local, this guarantee being divided between the states as follows: 60.5% Belgium, 36.5% France and 3% Luxembourg.

The ceiling for this refinancing guarantee will be equal to EUR 90 billion. The term is ten years and this could be extended, if necessary, by new authorisations.

It will be subject to remuneration in accordance with European requirements. This remuneration will be communicated as soon as the protocol with the States is concluded.
The main terms of this guarantee have been accepted by the Board of Directors.

The implementation of this direct and autonomous guarantee, payable on first demand, will be validated in Belgium by Royal Decree deliberated on by the Council of Ministers, in France

by a provision in the Finance Act and in Luxembourg by a Grand Ducal Regulation deliberated on in Council. As the states wish, the guarantee will be validated in the very near future and reassures depositors and creditors of the Group that Dexia will have sufficient liquidity.

Negotiating an agreement with Caisse des Dépôts et Consignations and La Banque Postale in relation to the financing of local authorities in France

The Board of Directors has instructed the CEO to pursue negotiations with Caisse des Dépôts et Consignations and La Banque Postale and to conclude rapidly an agreement in relation to the financing of French local authorities, including the backing of Dexia Municipal Agency by Caisse des Dépôts et Consignations.

This backing operation would enable Dexia Municipal Agency to benefit from the support of Caisse des Dépôts et Consignations and would reduce Dexia's short-term funding requirement by almost EUR 10 billion.

Confirmation of exclusive negotiations with a view to the disposal of Dexia Banque Internationale à Luxembourg

The Board of directors confirms the continuation of negotiations on an exclusive basis with a view to the disposal of Dexia Banque Internationale à Luxembourg to a group of international investors with the participation of the Grand Duchy of Luxembourg. A binding offer will be submitted at the end of the two-week exclusivity period beginning on 10 October.

The implementation of these measures will respect social dialogue and the interests of staff members. The three states will be attentive to the fact that the rights and interests of employees of the Group and its subsidiaries are protected. Members of staff of the holding company Dexia SA will be offered the opportunity to join the main subsidiaries of Dexia SA, namely Dexia Crédit Local, Dexia Bank Belgium and Dexia Banque Internationale à Luxembourg, depending on their respective location.

(ii) Press Release 18 October 2011

Dexia confirms that the signature of the definitive agreement governing the terms of the agreement for the sale of Dexia Bank Belgium to the Belgian state concluded and announced on 9 October last is expected to be released after approval by the Board of Directors of Dexia SA to be held on 19 October next.

(iii) Press Release 20 October 2011

Ongoing restructuring of the Dexia Group

The Board of Directors of Dexia met today and noted the evolution of the various aspects of the Group restructuring. The Board of Directors has:

- validated the sale agreement of Dexia Bank Belgium to the Belgian State;
- approved the terms of a negotiation protocol with Caisse des Dépôts and La Banque Postale in relation to the financing of French local authorities;
- empowered the Chief Executive Officer to commence the disposal process of certain of the Group's operating entities.

It was also informed of the progress made in discussions with the European Commission, which will have to approve the envisaged structural measures.

Closing of the sale of Dexia Bank Belgium to the Belgian State

Dexia and the Belgian State have today finalised the sale agreement of Dexia Bank Belgium to the Société Fédérale de Participations et d'Investissement (SFPI), acting on behalf of the Belgian State, under the terms and conditions of the offer made to Dexia SA on 9 October last.

Dexia Bank Belgium's 49% holding in Dexia Asset Management will be transferred to the Dexia Group prior to the Closing of the transaction subject to the approval of the banking supervisory authorities. Therefore, the disposal relates to all assets and liabilities and all subsidiaries and holdings of Dexia Bank Belgium at the closing date to the exception of its stake in Dexia Asset Management.

As soon as the transaction is closed the SFPI will hold 100% of the shares of Dexia Bank Belgium.

The sale price is set at EUR 4 billion and Dexia SA will benefit from an earn-out mechanism, under certain conditions, in the event of a later sale of Dexia Bank Belgium (cf. offer attached to the Dexia press release dated 10 October 2011).

The proceeds of the sale will be principally allocated to the early repayment of loans granted by Dexia Bank Belgium to Dexia SA and Dexia Credit Local.

Intra-group financing granted by Dexia Bank Belgium to other Group entities will be maintained and gradually reduced according to the terms of the sale agreement.

On the basis of the figures as at 30 June 2011, this sale would have had for the Dexia Group the effect of reducing:

- the size of its balance sheet by EUR 144 billion, to EUR 374 billon,
- its weighted risks by EUR 45 billion, to EUR 82 billion,
- its short-term funding requirement by EUR 16 billion, to EUR 80 billion,
- the nominal amount of its bond portfolio in run-off by EUR 19 billion, to EUR 76 billion,
- the outstanding of government bonds from PIIGS countries, expressed in MCRE**, by EUR 9 billion, to EUR 12 billion.

In accordance with the terms of the sale agreement, the Belgian State will indemnify the Dexia group against any risk of loss associated to the performance of or other responsibilities arising from outstanding loans granted to Arco, Ethias and Holding Communal.

More detailed information on Dexia Group pro-forma figures after the sale of Dexia Bank Belgium is available in the appendices.

A transition committee, composed of representatives of the SFPI, the Dexia Group and Dexia Bank Belgium, will be set up to supervise the unwinding of the existing tight operational links between Dexia Bank Belgium and the rest of the Group. In particular, this committee will be in charge of maintaining operational continuity in key fields such as funding, human resources and Operations & IT.

Negotiation agreement between Caisse des Dépôts, Dexia and La Banque Postale

Dexia, Caisse des Dépôts and La Banque Postale have finalised the terms of a negotiation agreement in the field of the financing of French local authorities. This agreement was approved today by the Board of Directors of the Dexia Group, after taking into consideration an independent fairness opinion. It will be submitted to the approval of the European Commission.

The negotiation agreement contains two main features:

- *The acquisition by Caisse des Dépôts and La Banque Postale of respectively 65% and 5% of the shares in Dexia Municipal Agency, the Société de Crédit Foncier of the Dexia Group dedicated to the refinancing of loans to local authorities*

  Since its creation in 1999, Dexia Municipal Agency has had the sole object of refinancing loans to the public sector or guaranteed exposures to the public sector, by the issuance of covered bonds (obligations foncières). It is the only Société de Crédit Foncier dedicated exclusively to the public sector. As a 100% subsidiary of Dexia Crédit Local, Dexia Municipal Agency had a total balance sheet of EUR 89.9 billion as at 30 June 2011 and outstanding covered bonds of EUR 63.4 billion.

  The backing by Caisse des Dépôts of Dexia Municipal Agency would reinforce the solidity of its AAA/AAA/Aaa rating.

  The negotiation agreement would also provide for the acquisition by Caisse des Dépôts and La Banque Postale of certain tools and management systems necessary to perform the above-mentioned activity.

  Operational management of Dexia Municipal Agency would nobaly rely on a service agreement with Dexia Credit Local.

- *A new commercial tool serving local authorities in France*

  A joint venture held by Caisse des Dépôts (for 65%) and La Banque Postale (for 35%) would be created. This joint venture would be dedicated to designing and originating loans to French local authorities, refinanced through Dexia Municipal Agency. This new tool would rely, through a service agreement, on the combined know-how of Dexia Crédit Local, Caisse des Dépôts and La Banque Postale.

Impact for Dexia

As at 30 June 2011, this operation would have had the effect of reducing the Dexia Group balance sheet by about EUR 65 billion and its liquidity requirement by more than EUR 10 billion. It would have resulted in a capital loss on disposal of around EUR 680 million.

The agreement provides that Dexia would extend to Dexia Municipal Agency, on the one hand, a guarantee with respect to the performance and the legal risks associated to a portfolio

of EUR 10 billion of structured loans to French local authorities and, on the other hand, an indemnity against losses in excess of 10 basis points on all outstanding loans, which represents 10 times more than the losses faced by Dexia Municipal Agency on an historical basis. Dexia would moreover benefit from a counter-guarantee from the French State on this same portfolio of structured loans up to 70% of losses over and above EUR 500 million. This counter-guarantee is subject to the approval of the European Commission.

Beyond the mechanism described in the protocol, Dexia Crédit Local remains involved in local finance and will continue to offer a wide range of financial products and services to its public sector clients, particularly via the collection of deposits, the distribution of insurance contracts (via Sofaxis), the provision of real estate services (via Exterimmo) and automobile leasing (via Dexia LLD) as well as the provision of personal services (via Domiserve). Dexia Crédit Local would maintain a lender relationship with its clients not covered by the joint venture, under terms to be specified in a later agreement.

Timetable

Dexia, Caisse des Dépôts and La Banque Postale will continue to discuss with a view to submitting a final draft agreement as soon as possible to their relevant staff representative bodies and the respective governance bodies. The implementation of this negotiation protocol will remain subject to the approval of the relevant supervisory and competition authorities.

Negotiations with a view to the possible disposal of the Group's operational entities

The Board of Directors of the Dexia Group has empowered the Chief Executive Officer to examine the conditions under which its 50% participation in RBC Dexia Investor Services, held as joint venture, is likely to be disposed of and to start the disposal process.

The Board of Directors of the Dexia Group has moreover empowered the Chief Executive Officer to launch, in the framework of an open and competitive procedure, the disposal process of Dexia Asset Management and of its 99.84% stake in DenizBank.

The Board of Directors has also been informed of the progress of the discussions relating to the sale of Dexia Banque Internationale à Luxembourg.

All those disposals will be subject to prior approval by the European Commission.

Publication of the quarterly results of the Dexia Group

Dexia does not plan to modify the timetable for publication of its quarterly results. In accordance with legal provisions, the communication of the results for the third quarter 2011, planned for 9 November 2011, will nonetheless be in the form of an "interim statement" and not that of a financial report, considering the in-depth restructuring throughout the Group.

14.7. Financial overview

The financial statements for the financial years 31 December 2009 and 31 December 2010 of DBB can be found on: www.dexia.be.

14.8 Mortgage loan business of DBB

(i) Origination

DBB offers a full range of residential mortgage loans via its branch network. All mortgage loan products offered by DBB need to be approved by the FSMA and any changes made to the tariff list or the prospectus (the originator is obliged to provide information under the form of a prospectus related to the product it offers) are subject to approval by the FSMA as well. Such prospectus and tariff lists can be obtained in every DBB branch in Belgium and will be handed over to all clients at the moment a loan application is made.

(ii) Decision Process

Credit decisions are made at the branch level. The branches are supported by an integrated mortgage system, Krok. The Krok enables an automatic granting of the loans, by checking loan criteria and standard parameters against input data (decentralised decision taking). Decisions on loan applications that do not meet the Krok loan criteria and standard parameters are to be made at centralised level by credit analysts or by the credit committee.

After the applicant has been interviewed by the local branch, the most suitable loan is proposed. All material data on the loan application is thereafter checked and kept in the borrower's file.

Before a loan can be granted, there is a mandatory consultation of the credit register of the National Bank of Belgium (***NBB***). The Central Register became operational in 1987 and recorded only payment defaults relating to instalment sales (*verkopen op afbetaling / paiement relatifs aux ventes à tempérament*) instalment loans (*lening op afbetaling / prêts à tempérament*). Since 1 January 2003, the NBB established a positive and no longer solely a negative central individual credit register. The NBB keeps a track of all loans (consumer loans and mortgage loans) granted to natural persons for private purposes, and hence no longer just loans that are delinquent or defaulted as was the case before 2003. Consultation of the information recorded by lenders prior to the conclusion or amendment of a consumer credit or mortgage loan contract subject to the Law on the Central Individual Credit Register is mandatory. This registration aims to strengthen the means of preventing the excessive indebtedness of private individuals.

An independent external appraiser values the property and draws up a report which describes the property or such value is determined by the internal appraisal system. The appraiser has to respect strict guidelines on how to perform the valuation. Furthermore, DBB requires a valid hazard insurance for coverage of the property being used as collateral and also a life insurance is requested. The insurance policy ought to name DBB as the beneficiary. Additional guarantees - beyond the mortgage and the insurance contracts - may be asked taking into account the client's repayment capacity. Furthermore, each client has to agree on a declaration of loan assignment which enables DBB to undertake immediate action in case of default of payment.

After the mortgage offer (including the amortisation scheme) has been made and accepted, a notary drafts the deed and confirms the registration of the mortgage (inscription). The Loan is only advanced after the mortgage deed has been signed by all parties. Once the mortgage origination process has been completed, the file is sent to DBB's central archive centre.

(iii) Loan Administration Procedures

Virtually all borrowers have a bank account with DBB (99% of the borrowers). Monthly payments are generally made by automatic debit from these accounts. Interest and principal amounts are due on the first day of every month.

Under current legislation, each client has the right to prepay the whole of its loan. Partial prepayments are allowed subject to paying a prepayment penalty of three months interest (at the rate applicable to the loan) on such prepaid amount.

(iv) Late payment and follow up procedures

The follow up by reminder letters is fully automated. Late payment penalties apply when any payment is 1 day past its due date for payment and such sums being payable as of 15 days in arrears. After 15 days past the due date for payment, the first reminder letter is automatically generated by the loan servicing system and sent to the borrower notifying him that his payment is late. This is followed after 45 days (after the due date for payment) by a second letter via registered mail indicating that payment is still delinquent and stating that a default to pay can give rise to the issuing of a notice of default. This letter will inform the borrower that the delinquency will be reported to the Credit Register at NBB when the loan will be 90 days delinquent.

When the loan is two payments in arrears, after 75 days a third letter is sent by registered mail declaring the borrower in default and requiring that all payments and late fees be paid within 8 days otherwise the loan will be accelerated and be payable immediately. DBB also informs the borrower that the delinquency will be reported to the Credit Register at NBB when the loan will be 90 days delinquent.

When the repayment is 90 days past its due date for payment, the loan will be accelerated and declared fully payable if the amount unpaid equals or exceeds the amount of three instalments due. The department ‘default management’ and the branch have the opportunity to try and resolve the delinquency with the borrower. If there is no repayment plan, or any other agreement to settle the arrears, reached during the 15 day period after the loan has been declared due and payable, a lawyer is appointed by the bank to start foreclosure procedure.

Any workout agreement or debt restructuring with the borrower must be approved by the head of the department ‘default management’. The final auction and liquidation process is completed solely under the direction of this department. The foreclosure procedures takes around 19 months on average (from the date of the default notice to the sale of the property). If the entire loan is not satisfied once the property has been sold, the bank can have the bailiff seize the borrower’s wages and other income according to a government prescribed sliding scale.

(v) Write-offs

A borrower’s file will be transferred to the write-off phase if there is no longer any possibility of recovering the debt via the foreclosure procedure, i.e. when the balance remaining after the mortgaged property has been sold. The claims outstanding will in this case be written off.

14.9 Miscellaneous

More information on DBB can be found in the annual report 2009 on: www.dexia.be

SECTION 15 - SERVICING

15.1 The Servicer

Dexia Bank Belgium N.V.- S.A. with its registered office at Pachecolaan 44, B-1000 Brussels, Belgium.

In the Servicing Agreement the Servicer will agree to provide administration and management services to the Issuer on a day-to-day basis in relation to the Loans, including, without limitation, the collection of payments of principal, interest and other amounts in respect of the Loans and the transfer of such amounts on a daily basis to the Transaction Account (see also *Cash Collection Arrangements* in *Credit Structure*) and the implementation of arrear procedures including the enforcement of mortgage rights (see further *Mortgage Loan Underwriting and Servicing* above). The Servicer will be obliged to administer the Loans at the same level of skill, care and diligence as mortgage loans in its own or, as the case may be, the Seller's portfolio.

Taking into account potential conflicts of interest and for as long as the Seller is the same entity as the Servicer, the Servicing Agreement sets out in detail the respective rights and obligations of the Servicer and the reporting requirements of the Issuer and the Servicer.

The Servicing Agreement obliges the Issuer (thereby assisted by the Seller) to appoint a back-up servicer facilitator within 45 calendar days as from a downgrade of the long-term, unsecured and unsubordinated debt obligations of the Servicer below A3 by Moody’s. The back-up servicer facilitator (e.g. a leading audit or consultancy firm) shall assist the Issuer in appointing a third party back-up servicer in the event the Servicer needs to be replaced upon termination of its appointment by the Issuer following the occurrence of one of the servicing termination events listed in clause 10 of the Servicing Agreement. The Security Agent may be appointed as back-up servicer facilitator.

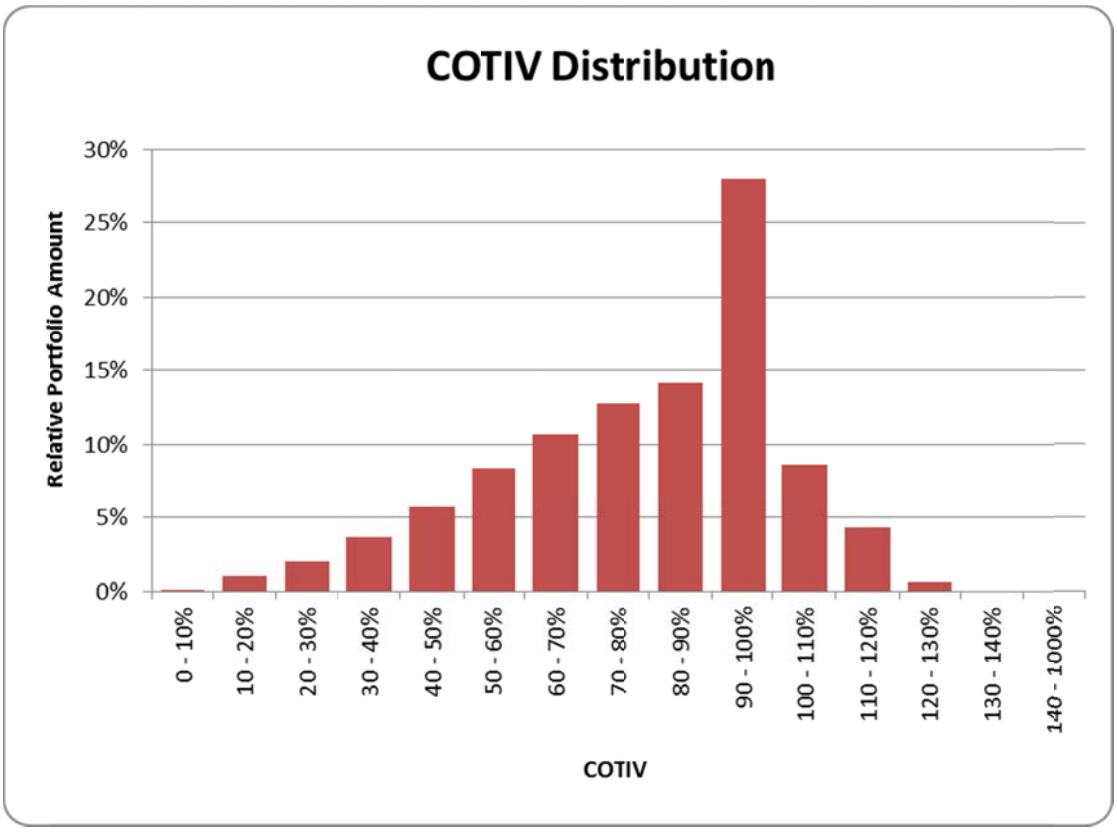
SECTION 16 - DESCRIPTION OF THE PORTFOLIO

The Initial Portfolio will be selected from a pool of Loans owned by the Seller on 31 October 2011 with an aggregate Current Balance on such date of approximately EUR 9.425 bn ((the ***Provisional Pool***), which has the characteristics as indicated in Tables A to P (inclusive) below.

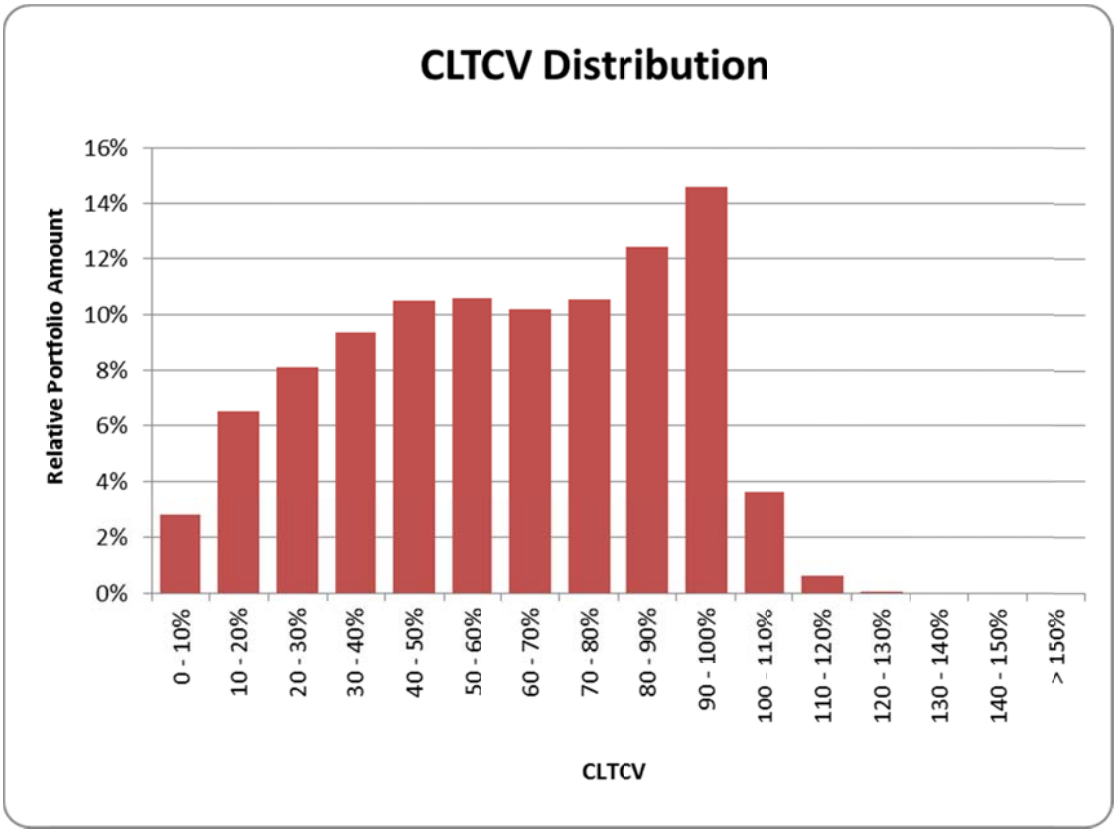
The Initial Portfolio will be selected so that it complies with the representations and warranties and the Eligibility Criteria specified in *Sections 12.2.1 and 12.2.2* of this Prospectus. The selection will be made such that at the Closing Date the Current Balance of the aggregate of all Loans that have been purchased by the Issuer pursuant to the MLSA and that are at the relevant time still owned by the Issuer (the ***Portfolio***) will be approximately equal to EUR 9.000 bn.

A. Summary Statistics	
Outstanding balance of Loans	9,425,259,779.55
Number of Loans	153,975
Number of borrowers	96,630
Number of borrowers with mandates	20,577
Average outstanding balance per borrower	97,540
Weighted average current Interest Rate	4.00%
Weighted average Seasoning (months)	43.47
Weighted average Remaining Term to Maturity (months)	208.64
Weighted average Credit Opening to Initial Value (COTIV)	79.75 %
Weighted average Current Loan to Current Value (CLTCV)	60.71 %
Weighted average Current Loan to Mortgage Inscription ratio (CLTM)	112.54 %
Weighted average Debt to Income	44.51 %*

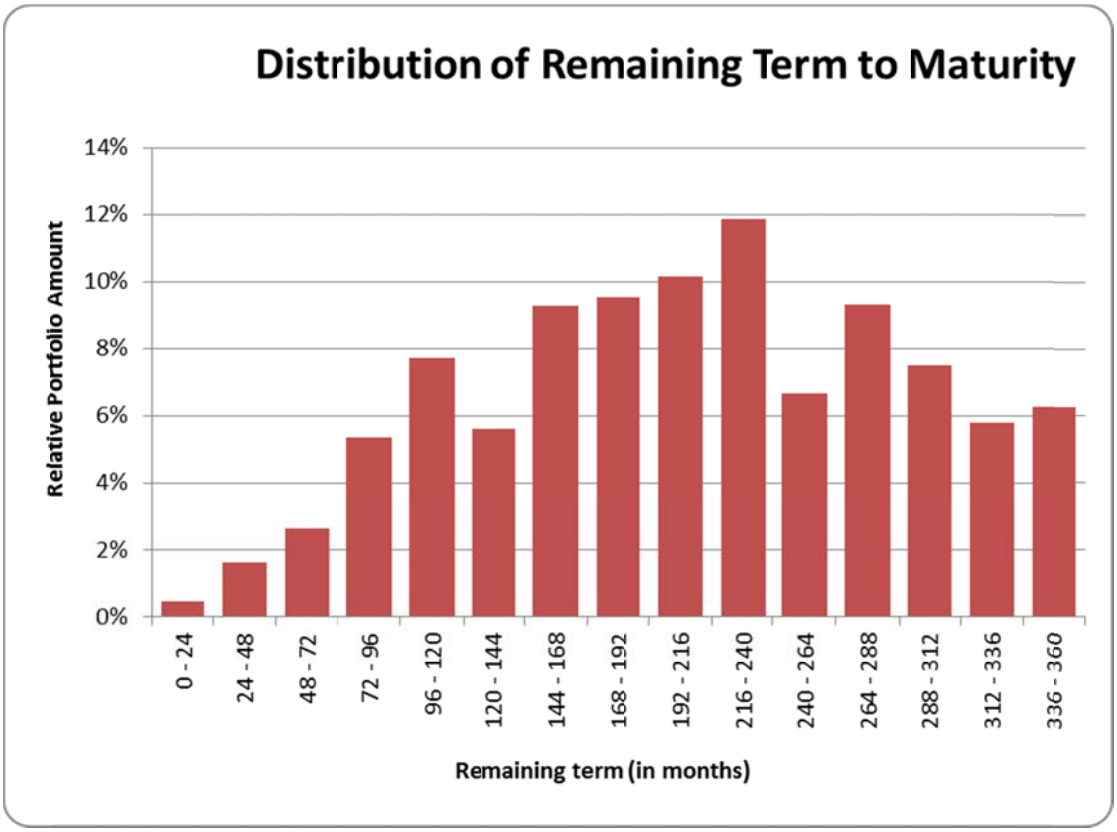
B. Credit Opening to Initial Value (COTIV)	Balance in EUR	average 79,75%	
0 - 10%	12.654.073,85	0,13%	
10 - 20%	96.462.620,27	1,02%	
20 - 30%	191.158.517,31	2,03%	
30 - 40%	349.327.733,42	3,71%	
40 - 50%	538.995.639,10	5,72%	
50 - 60%	789.102.769,95	8,37%	
60 - 70%	1.003.870.785,12	10,65%	
70 - 80%	1.200.862.546,72	12,74%	
80 - 90%	1.333.992.401,96	14,15%	
90 - 100%	2.630.688.780,00	27,91%	--> 86,43%
100 - 110%	811.651.573,05	8,61%	
110 - 120%	407.674.724,54	4,33%	
120 - 130%	58.817.614,26	0,62%	
130 - 140%	0,00	0,00%	
140 - 1000%	0,00	0,00%	
	9.425.259.779,55		



C. Current Loan to Current Value (CLTCV)	Balance in EUR	average 60,71%	
0 - 10%	264.440.388,96	2,81%	
10 - 20%	613.050.835,07	6,50%	
20 - 30%	762.921.527,43	8,09%	
30 - 40%	882.892.370,24	9,37%	
40 - 50%	990.646.028,45	10,51%	
50 - 60%	999.290.075,58	10,60%	
60 - 70%	962.788.082,07	10,21%	
70 - 80%	994.459.894,90	10,55%	
80 - 90%	1.172.560.638,99	12,44%	
90 - 100%	1.375.010.943,08	14,59%	--> 95,67%
100 - 110%	343.878.884,54	3,65%	
110 - 120%	60.172.230,93	0,64%	
120 - 130%	3.147.879,31	0,03%	
130 - 140%	0,00	0,00%	
140 - 150%	0,00	0,00%	
> 150%	0,00	0,00%	
	9.425.259.779,55	100,00%	

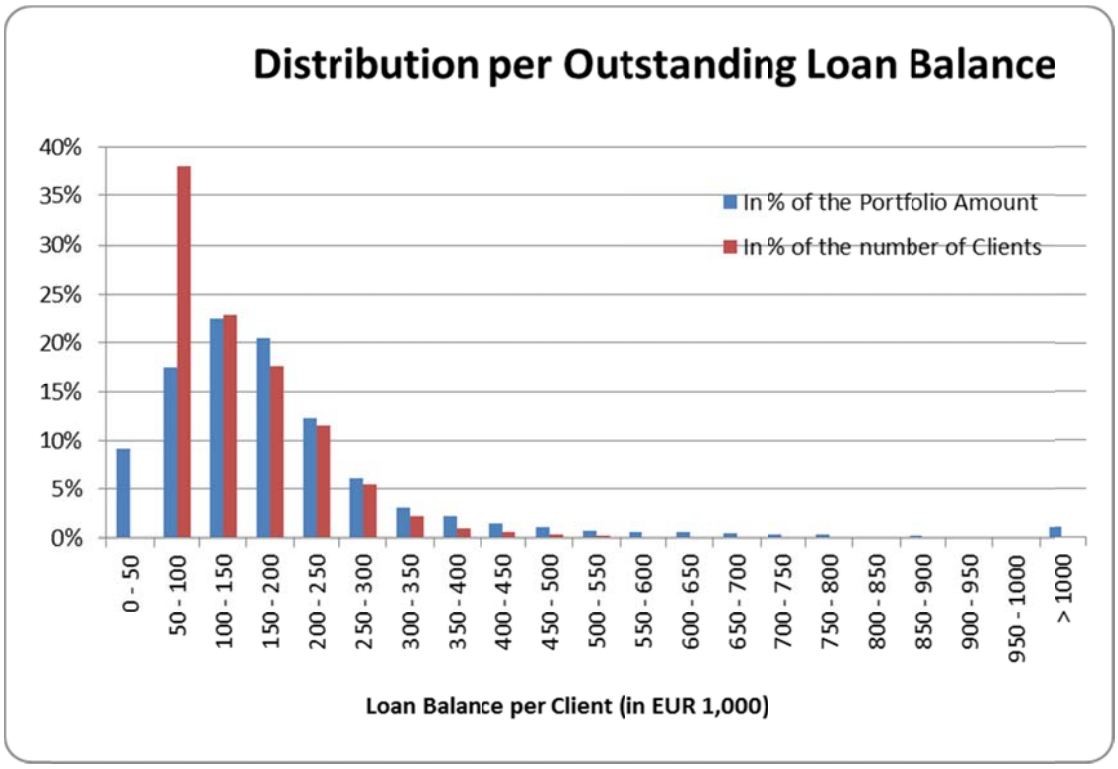


D. Remaining term to maturity		average
in months	Balance in EUR	208,64
0 – 24	44.442.209,54	0,47%
24 – 48	154.276.062,01	1,64%
48 – 72	249.517.462,44	2,65%
72 – 96	504.853.024,81	5,36%
96 – 120	728.397.048,73	7,73%
120 – 144	530.946.167,70	5,63%
144 – 168	874.936.450,42	9,28%
168 – 192	901.677.872,53	9,57%
192 – 216	957.469.371,53	10,16%
216 – 240	1.120.721.066,55	11,89%
240 – 264	629.922.921,78	6,68%
264 – 288	877.861.187,37	9,31%
288 – 312	709.556.566,21	7,53%
312 – 336	547.725.664,38	5,81%
336 – 360	592.956.703,55	6,29%
	9.425.259.779,55	100,00%



E. Distribution of Outstanding Loan Balance

in EUR 1000	Balance in EUR			
0 – 50	859.991.503,78	9,12%	36.704	37,98%
50 – 100	1.640.694.841,09	17,41%	21.960	22,73%
100 – 150	2.110.608.973,51	22,39%	17.003	17,60%
150 – 200	1.923.403.835,69	20,41%	11.111	11,50%
200 – 250	1.157.268.124,37	12,28%	5.208	5,39%
250 – 300	567.153.898,88	6,02%	2.084	2,16%
300 – 350	288.957.867,66	3,07%	896	0,93%
350 – 400	202.925.933,07	2,15%	543	0,56%
400 – 450	133.484.423,02	1,42%	316	0,33%
450 – 500	99.738.349,34	1,06%	211	0,22%
500 – 550	72.425.753,96	0,77%	138	0,14%
550 – 600	54.638.009,07	0,58%	95	0,10%
600 – 650	50.001.627,89	0,53%	80	0,08%
650 – 700	45.833.106,37	0,49%	68	0,07%
700 – 750	34.679.352,42	0,37%	48	0,05%
750 – 800	26.297.801,81	0,28%	34	0,04%
800 – 850	14.062.476,55	0,15%	17	0,02%
850 – 900	16.616.914,19	0,18%	19	0,02%
900 – 950	12.033.884,78	0,13%	13	0,01%
950 - 1000	8.785.139,47	0,09%	9	0,01%
> 1000	105.657.962,63	1,12%	73	0,08%
	9.425.259.779,55	100,00%	96.630	100,00%

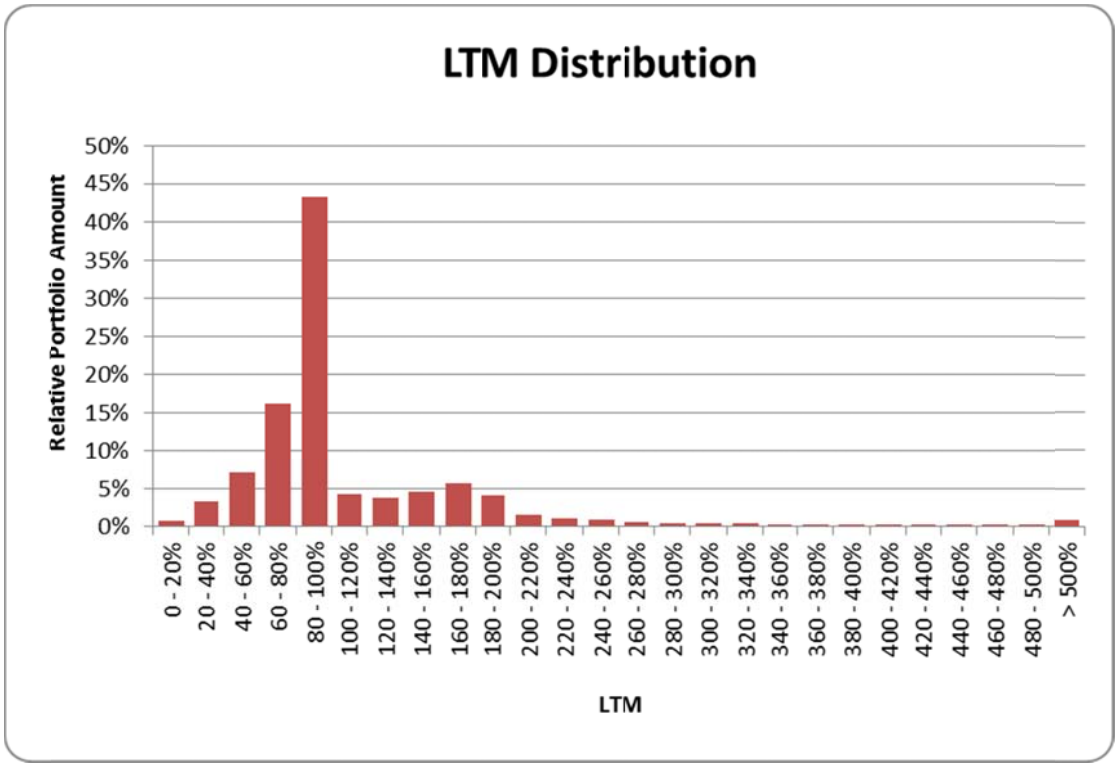


F. Mandate Amounts

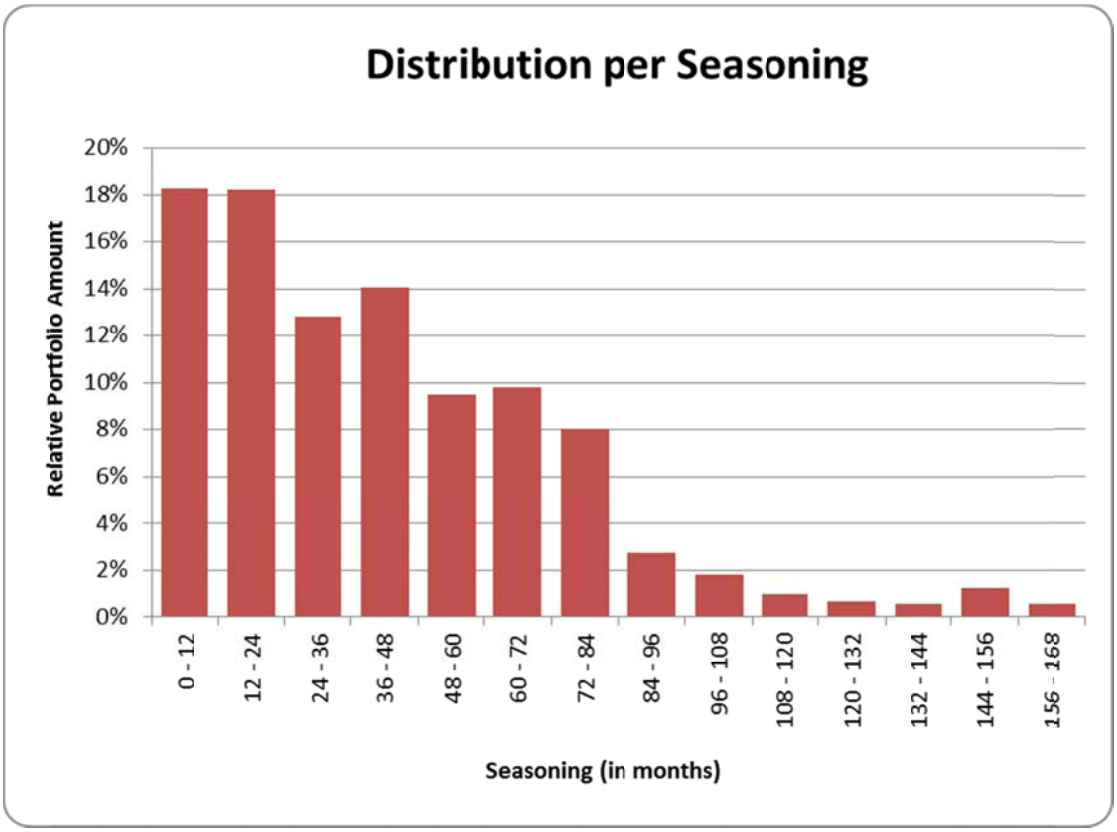
in EUR 1000	Balance in EUR		Number of Clients	
0	6.113.585.946,58	64,86%	76.053	78,71%
0 - 50	427.868.189,56	4,54%	4.566	4,73%
50 - 100	905.244.142,48	9,60%	6.776	7,01%
100 - 150	818.990.788,56	8,69%	4.671	4,83%
150 - 200	379.253.117,12	4,02%	1.966	2,03%
200 - 250	236.134.811,86	2,51%	1.067	1,10%
250 - 300	134.737.247,47	1,43%	528	0,55%
300 - 350	85.311.547,52	0,91%	304	0,31%
350 - 400	63.174.902,47	0,67%	188	0,19%
400 - 450	50.846.033,46	0,54%	135	0,14%
450 - 500	29.971.073,89	0,32%	80	0,08%
500 - 550	30.293.802,62	0,32%	74	0,08%
550 - 600	17.471.167,31	0,19%	39	0,04%
600 - 650	15.043.160,75	0,16%	34	0,04%
650 - 700	13.989.098,76	0,15%	26	0,03%
700 - 750	18.618.817,23	0,20%	28	0,03%
750 - 800	11.839.505,65	0,13%	18	0,02%
800 - 850	10.775.390,23	0,11%	14	0,01%
850 - 900	3.858.863,85	0,04%	6	0,01%
900 - 950	6.359.517,57	0,07%	10	0,01%
950 - 1000	6.384.527,78	0,07%	11	0,01%
> 1000	45.508.126,83	0,48%	36	0,04%
	9.425.259.779,55	100,00%	96.630	100,00%

average mandate per client (over all clients):	29.911,14
total amount of mandates granted:	2.407.163.030,05

G. LTM	Balance in EUR	average 112,54%	
0 - 20%	72.973.029,85	0,77%	
20 - 40%	307.706.842,21	3,26%	
40 - 60%	664.764.142,30	7,05%	
60 - 80%	1.524.436.420,33	16,17%	
80 - 100%	4.070.002.038,95	43,18%	--> 70,44%
100 - 120%	398.426.112,57	4,23%	
120 - 140%	358.528.834,56	3,80%	
140 - 160%	429.677.570,37	4,56%	
160 - 180%	529.254.108,88	5,62%	
180 - 200%	381.948.080,86	4,05%	
200 - 220%	144.315.153,97	1,53%	
220 - 240%	93.802.477,95	1,00%	
240 - 260%	78.371.332,69	0,83%	
260 - 280%	58.948.267,54	0,63%	
280 - 300%	42.999.563,57	0,46%	
300 - 320%	32.482.248,00	0,34%	
320 - 340%	31.048.702,11	0,33%	
340 - 360%	28.803.900,93	0,31%	
360 - 380%	24.755.721,61	0,26%	
380 - 400%	19.242.342,73	0,20%	
400 - 420%	18.950.055,37	0,20%	
420 - 440%	9.756.142,76	0,10%	
440 - 460%	11.106.630,55	0,12%	
460 - 480%	5.934.015,90	0,06%	
480 - 500%	5.884.917,00	0,06%	
> 500%	81.141.125,99	0,86%	
	9.425.259.779,55	100,00%	



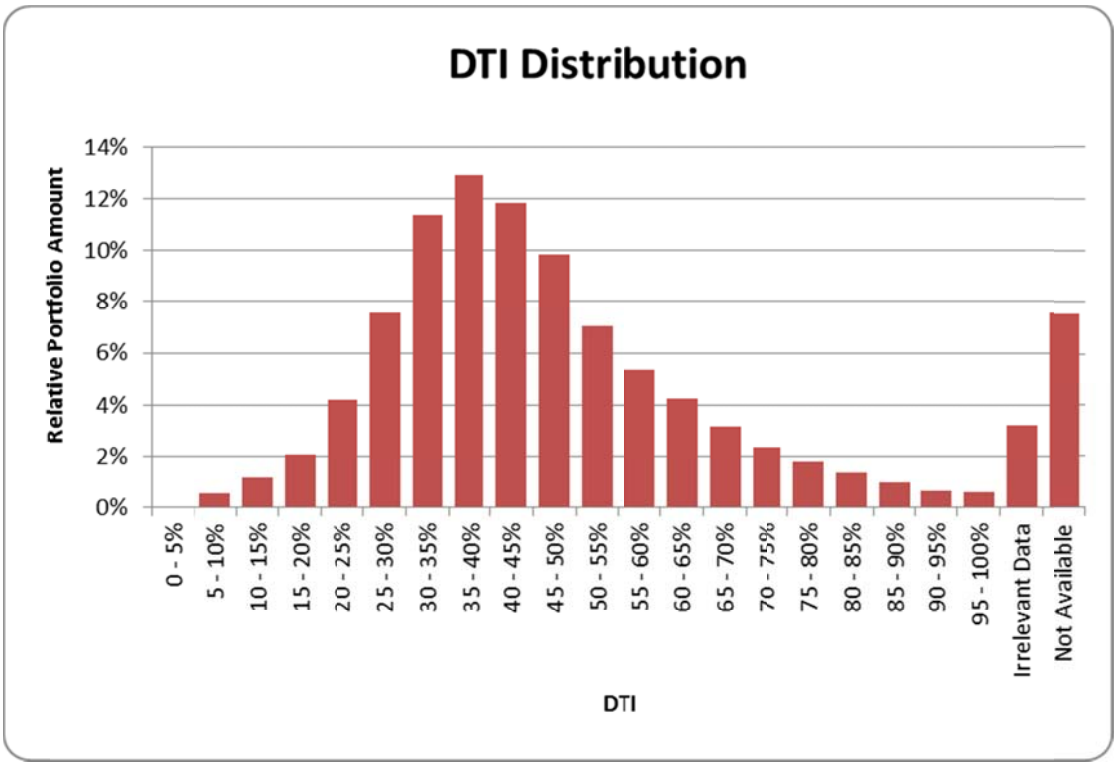
H. Seasoning		average
in months	Balance in EUR	29,21
0 – 12	1.721.064.833,10	18,26%
12 – 24	1.715.055.735,53	18,20%
24 – 36	1.210.029.334,57	12,84%
36 – 48	1.327.355.341,35	14,08%
48 – 60	894.855.841,50	9,49%
60 – 72	923.201.141,13	9,79%
72 – 84	756.720.995,22	8,03%
84 – 96	261.287.863,77	2,77%
96 – 108	172.658.539,16	1,83%
108 – 120	90.926.617,83	0,96%
120 – 132	61.579.623,46	0,65%
132 – 144	54.086.708,48	0,57%
144 – 156	118.712.200,20	1,26%
156 – 168	55.448.536,80	0,59%
168 – 180	33.429.143,76	0,35%
180 – 192	20.805.504,80	0,22%
192 – 204	8.041.818,89	0,09%
	9.425.259.779,55	100,00%



I. Months behind

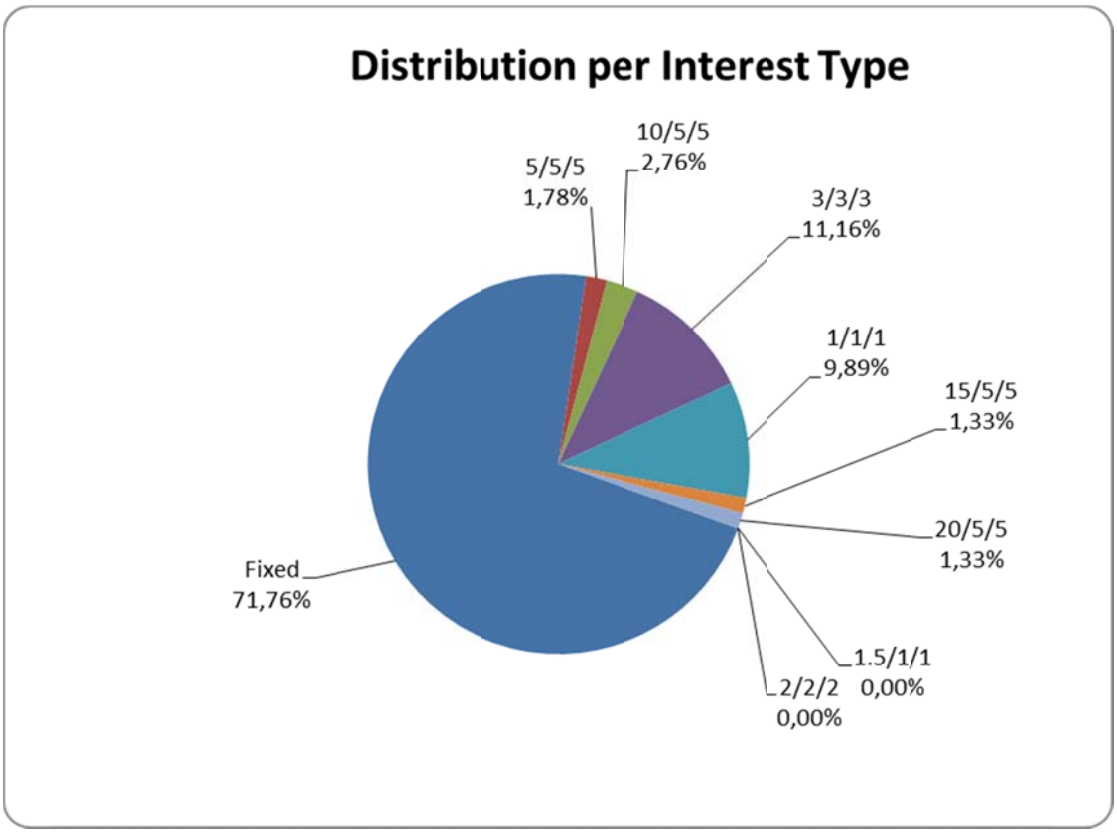
in months	Balance in EUR	
0	9.425.113.442,05	100,00%
1	146.337,50	0,00%
2	0,00	0,00%
3	0,00	0,00%
	9.425.259.779,55	100,00%

J. DTI	Balance in EUR	average 44,74%	
0 - 5%	5.497.586,12	0,06%	
5 - 10%	53.943.643,98	0,57%	
10 - 15%	111.765.786,29	1,19%	
15 - 20%	195.478.800,23	2,07%	
20 - 25%	397.080.033,91	4,21%	
25 - 30%	711.401.221,39	7,55%	
30 - 35%	1.069.873.714,79	11,35%	
35 - 40%	1.218.302.133,83	12,93%	
40 - 45%	1.115.615.020,88	11,84%	
45 - 50%	925.380.714,54	9,82%	--> 61,58%
50 - 55%	665.713.573,87	7,06%	
55 - 60%	502.103.891,52	5,33%	
60 - 65%	401.248.144,49	4,26%	
65 - 70%	298.922.705,70	3,17%	
70 - 75%	222.012.752,05	2,36%	
75 - 80%	170.227.666,32	1,81%	
80 - 85%	126.905.487,41	1,35%	
85 - 90%	94.828.741,56	1,01%	
90 - 95%	62.896.258,26	0,67%	
95 - 100%	59.397.439,25	0,63%	
Irrelevant Data	304.351.516,01	3,23%	
Not Available	712.312.947,15	7,56%	
	9.425.259.779,55	100,00%	

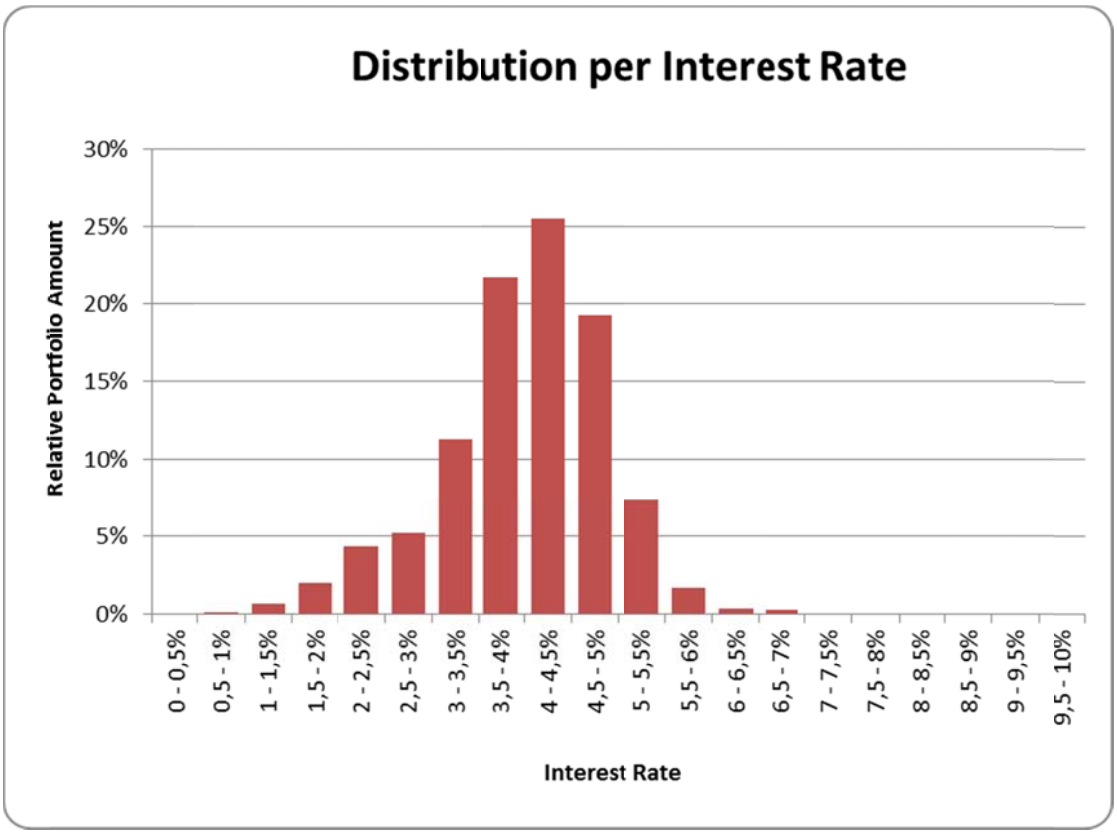


K. Interest Type

Type	Balance in EUR	
Fixed	6.763.636.033,87	71,76%
5/5/5	167.368.027,25	1,78%
10/5/5	260.280.592,30	2,76%
3/3/3	1.051.623.861,62	11,16%
1/1/1	932.144.808,49	9,89%
15/5/5	124.962.143,70	1,33%
20/5/5	125.023.540,70	1,33%
1.5/1/1	154.616,97	0,00%
2/2/2	66.154,65	0,00%
	9.425.259.779,55	

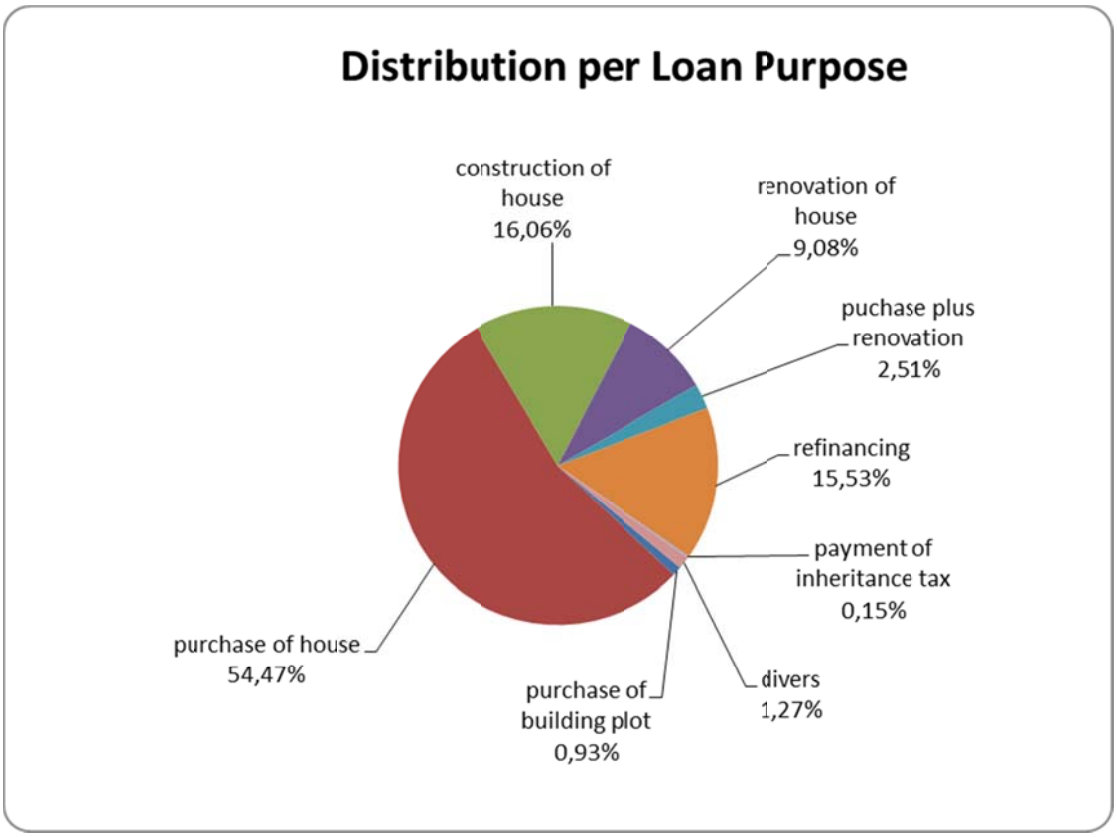


L. Interest Rate		average
Rate	Interest Rate	4,00%
0 - 0,5%	1.790.683,48	0,02%
0,5 - 1%	15.276.502,22	0,16%
1 - 1,5%	65.066.882,21	0,69%
1,5 - 2%	189.959.006,85	2,02%
2 - 2,5%	412.343.468,94	4,37%
2,5 - 3%	492.754.848,00	5,23%
3 - 3,5%	1.062.348.257,46	11,27%
3,5 - 4%	2.047.260.992,73	21,72%
4 - 4,5%	2.398.872.660,65	25,45%
4,5 - 5%	1.818.620.563,06	19,30%
5 - 5,5%	690.335.079,40	7,32%
5,5 - 6%	161.776.120,39	1,72%
6 - 6,5%	34.287.208,37	0,36%
6,5 - 7%	23.696.535,58	0,25%
7 - 7,5%	6.866.802,01	0,07%
7,5 - 8%	2.556.904,86	0,03%
8 - 8,5%	727.139,51	0,01%
8,5 - 9%	514.697,61	0,01%
9 - 9,5%	17.197,75	0,00%
9,5 - 10%	79.454,19	0,00%
> 10%	108.774,28	0,00%
	9.425.259.779,55	



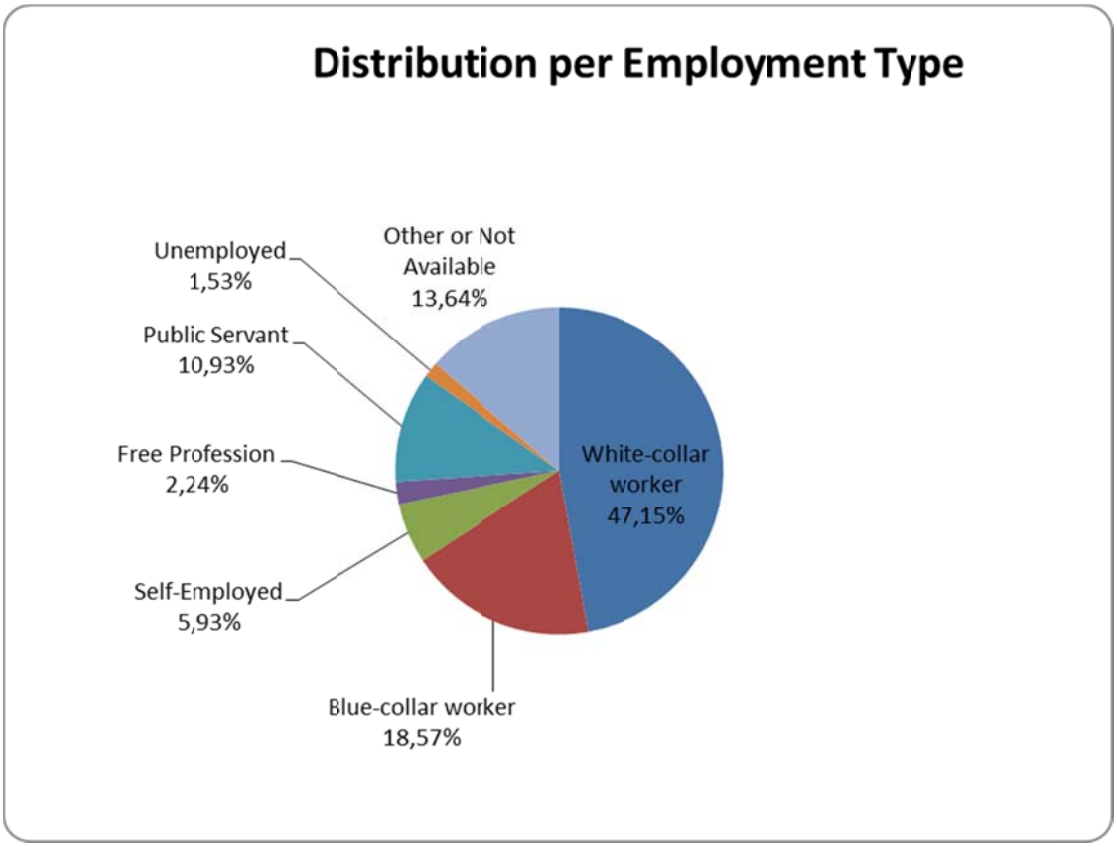
M. Loan Purpose

Purpose	Balance in EUR	
purchase of building plot	87.838.345,59	0,93%
purchase of house	5.134.313.756,51	54,47%
construction of house	1.514.092.815,26	16,06%
renovation of house	856.007.643,88	9,08%
puchase plus renovation	236.225.294,39	2,51%
refinancing	1.463.386.176,91	15,53%
payment of inheritance tax	14.155.143,21	0,15%
divers	119.240.603,80	1,27%
	9.425.259.779,55	100,00%



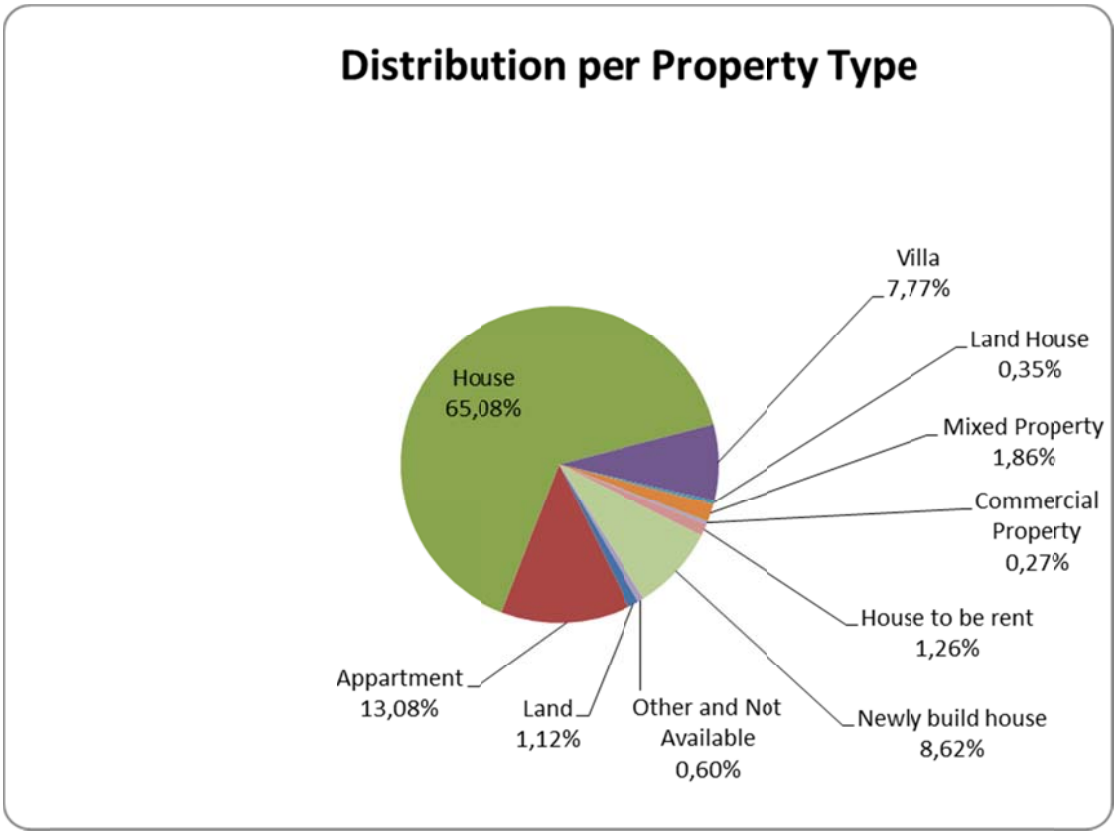
N. Employment Type

Type	Balance in EUR	
White-collar worker	4.444.100.186,49	47,15%
Blue-collar worker	1.750.546.398,92	18,57%
Self-Employed	559.103.793,38	5,93%
Free Profession	210.822.226,15	2,24%
Public Servant	1.030.396.288,07	10,93%
Unemployed	144.362.783,14	1,53%
Other or Not Available	1.285.928.103,40	13,64%
	9.425.259.779,55	100,00%



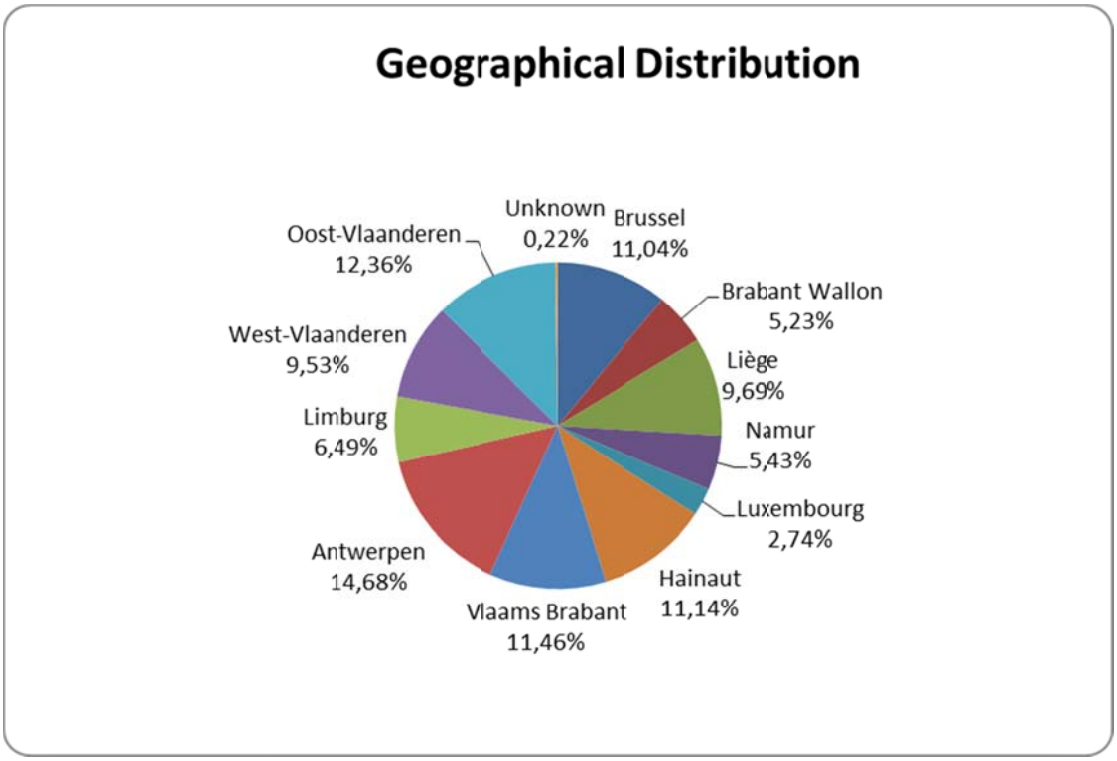
O. Property Type

Type	Balance in EUR	
Land	105.130.154,26	1,12%
Appartment	1.232.473.492,51	13,08%
House	6.133.985.536,75	65,08%
Villa	732.182.854,72	7,77%
Land House	33.195.667,73	0,35%
Mixed Property	175.033.944,56	1,86%
Commercial Property	25.414.607,23	0,27%
House to be rent	119.050.096,28	1,26%
Newly build house	812.677.023,49	8,62%
Other and Not Available	56.116.402,02	0,60%
	9.425.259.779,55	100,00%



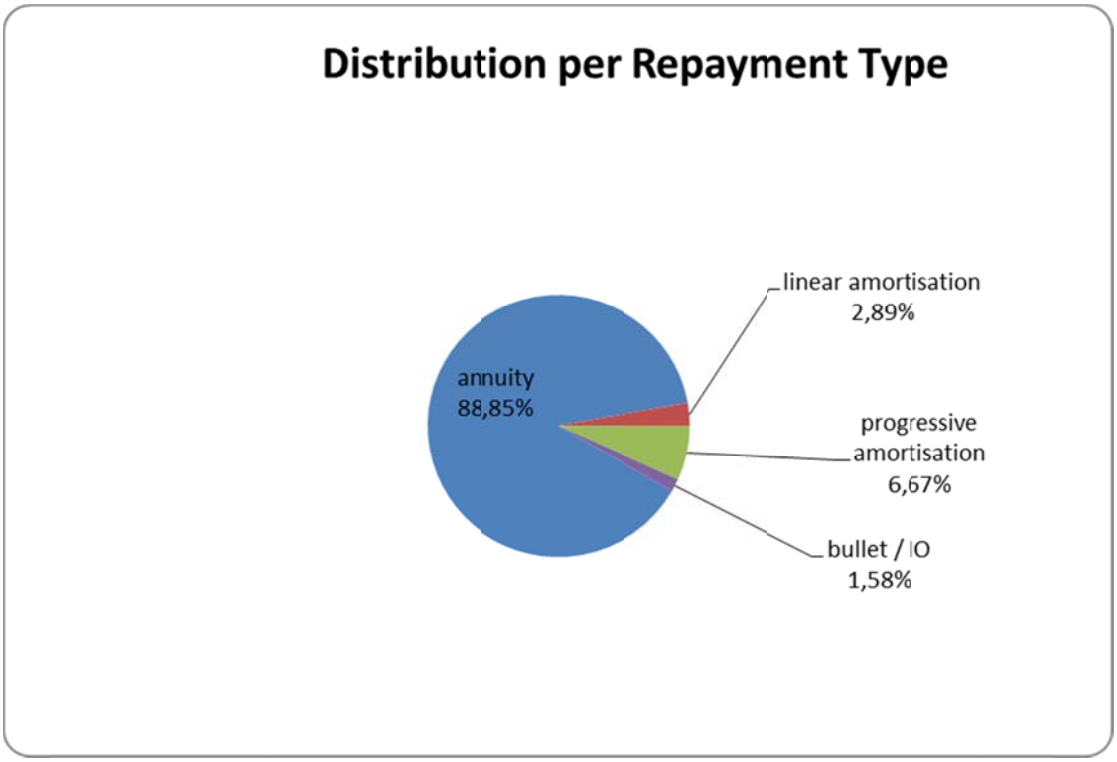
P. Geographic distribution

Province	Balance in EUR	
Brussel	1.040.167.444,83	11,04%
Brabant Wallon	492.865.535,59	5,23%
Liège	913.045.706,01	9,69%
Namur	512.231.013,62	5,43%
Luxembourg	258.426.288,79	2,74%
Hainaut	1.049.905.132,13	11,14%
Vlaams Brabant	1.079.976.639,01	11,46%
Antwerpen	1.383.203.189,76	14,68%
Limburg	611.532.223,31	6,49%
West-Vlaanderen	898.035.244,31	9,53%
Oost-Vlaanderen	1.164.775.484,66	12,36%
Unknown	21.095.877,53	0,22%
	9.425.259.779,55	100,00%



Q. Repayment Type

Type		
annuity	8.374.609.156,53	88,85%
linear amortisation	272.777.310,79	2,89%
progressive amortisation	628.999.730,69	6,67%
bullet / IO	148.873.581,54	1,58%
	9.425.259.779,55	100,00%



R. Loan and borrower count

Number of Loans	153.975
Number of borrowers	96.630
Number of borrowers with mandates	20.577

S. Dexia Employee information

	in Number	in %
Number of Loans to Dexia Employees	9.996	6,49%
Number of Dexia Employee Borrowers	4.872	5,04%

	in EUR	in %
Outstanding Loan Balance Dexia Employees	549.257.583,03	5,83%

SECTION 17 - PAYMENTS

In order to provide for the payment of principal, interest and other amounts (if any) in respect of the Notes as the same shall become due, the Domiciliary Agent at the direction of the Administrator shall pay or cause to be paid (i) in respect of the Class A Notes and the Class B Notes, to the National Bank of Belgium and (ii) in respect of the Class C Notes and the Class D Notes, directly to the holder of such Notes as identified in the notes registered held by the Issuer, in Euro in same day funds on each date on which any payment in respect of the Notes becomes due, an amount, to the extent made available to it by or on behalf of the Issuer, sufficient to pay all amounts becoming due in respect of the Notes.

Upon receipt of such payment, the National Bank of Belgium shall cause the amounts due to the relevant Noteholders of the Class A Notes and the Class B Notes to be credited to the accounts of the Clearing System Participants through which the Noteholders hold their Notes, who shall cause the same amounts to be credited to the Noteholder's accounts with such Clearing System Participants.

If the due date for payment of any amount of principal or interest in respect of the Notes is not a Business Day, payment will be made on the next Business Day, but the Noteholders shall not be entitled to any further interest or other payment in respect of such delay.

SECTION 18 - SUBSCRIPTION AND SALE

18.1 Subscription and sale

The Manager will enter into a subscription agreement (the ***Subscription Agreement***) with the Issuer, the Seller and the Security Agent, pursuant to which the Manager will agree to subscribe for the Notes at their issue price on the Closing Date.

The Issuer and the Seller have each severally agreed to reimburse the Manager for certain of its costs and expenses in connection with the issue of the Notes. The Manager is entitled to terminate the offering of, and refuse receipt of acceptances in respect of, the Notes and be released and discharged from its obligations from the Subscription Agreement in certain circumstances at any time prior to or on the Closing Date. Any decision to terminate the offering early will be communicated promptly to the Issuer, the Seller, the Security Agent and those that have duly entered an acceptance. As a consequence of such termination, the issue of the Notes and all acceptances and sales shall be cancelled automatically and the Issuer and the Manager shall be released and discharged from their obligations and liabilities in connection with the issue and sale of the Notes. The Issuer and the Seller have each agreed to indemnify the Manager against certain liabilities in connection with the offer and sale of the Notes.

Dexia Bank Belgium N.V.-S.A. intends to purchase a substantial part of the Notes.

Sales (in any jurisdiction) only permitted to Eligible Holders

The Notes offered by the Issuer may only be subscribed, purchased or held by investors that are (***Eligible Holders***):

(a) Institutional Investors that are acting for their own account (See for more detailed information *Section 4.1);* and

(b) (i) in respect of the Class A Notes and the Class B Notes, a holder of an X-Account with the Clearing System operated by the National Bank of Belgium or (directly or indirectly) with a participant in such system; and

(ii) in respect of the Class C Notes and the Class D Notes, a holder that certifies to the Issuer that it qualifies for an exemption from Belgian withholding tax on interest payments under the Class C Notes and the Class D Notes and shall comply with any procedural formalities necessary for the Issuer to obtain the authorisation to make a payment to which that holder is entitled without a tax deduction.

In the event that the Issuer becomes aware that particular Notes are held by an investor other than an Eligible Holder, the Issuer will suspend interest payments relating to these Notes until such Notes will have been transferred to and held by an Eligible Holder.

The Manager has represented and agreed that in respect of the initial distribution, it has not and will not sell any Notes to parties who are not Institutional Investors.

European Economic Area Standard Selling Restriction

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a ***Relevant Member State***), the Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the ***Relevant Implementation Date)*** it has not

made and will not make an offer of the Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes, which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Notes to the public in that Relevant Member State at any time:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities:

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR 43,000,000 and (3) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts; or

(c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive,

provided always that such offering shall be restricted to Eligible Holders only.

For the purposes of this provision, the expression an "offer of the Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression ***Prospectus Directive*** means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

18.2 United States of America

The Notes have not been and will not be registered under the U.S. Securities Act and may not be offered, sold or delivered within the United States or to, or for the account of, a U.S. person, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

In addition, until 40 days after the later of the commencement of the offering of the Notes and the Closing Date, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act.

The Class A Notes and the Class B Notes are or may be registration-required obligations not issued in registered form ("bearer form") and are therefore subject to certain U.S. tax law requirements. The Manager has agreed that it will not offer, sell or deliver a Note in bearer form within the United States or to U.S. Persons (including, for purposes of this paragraph and of the immediately succeeding paragraph, persons treated as United States persons under the U.S. tax laws).

The Issuer and the Manager agree that, pursuant to section 1.163-5(c)(2)(i)(C) of the U.S. Treasury Regulations (the "C Rules"), Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. The Issuer and the Manager represent and agree severally but not jointly that each of them has not

offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Notes in bearer form within the United States or its possessions in connection with their original issuance. Further, in connection with the original issuance of any Notes that are in bearer form, the Issuer and the Manager represent and agree severally but not jointly that each of them (i) has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if (A) such prospective purchaser is a U.S. Person or (B) any of the Issuer, the Manager or the prospective purchaser is within the United States or its possessions, and (ii) has not involved and will not involve a U.S. office of the Issuer or the Manager in the offer and sale of any Notes in bearer form. Terms used in this paragraph and the immediately preceding paragraph have the respective meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and the U.S. Treasury Regulations issued thereunder, including the C Rules.

18.3 United Kingdom

The Manager represents and agrees that:

(a) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of *Section 21* of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of any Notes in circumstances in which *Section 21(1)* of the Financial Services and Markets Act 2000 does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

18.4 General

The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law; persons into whose possession this Prospectus comes are required by the Issuer and the Manager to inform themselves about and to observe any such restrictions.

This Prospectus does not constitute, and may not be used for the purpose of, an offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised. Persons into whose hands this Prospectus comes are required by the Issuer to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver the Notes or have in their possession or distribute such offering material in all cases at their own expense.

No general action has been or will be taken in any country or jurisdiction by the Issuer or the Manager that would permit a public offering of the Notes or possession or distribution of this Prospectus or any other offering material relating to the Notes in any country or jurisdiction where action for that purpose is required.

Accordingly, the Manager has undertaken that it will not, directly or indirectly, offer, sell or deliver Notes or distribute or publish any preliminary or other Prospectus, advertisement or other material relating to the Notes in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

18.5 Excluded holders

Notes may not be acquired by a Belgian or foreign transferee who is not subject to income tax or who is, as far as interest income is concerned, subject to a tax regime that is deemed by the Belgian tax authorities to be significantly more advantageous than the common Belgian tax regime applicable to interest income (within the meaning of Articles 54 and 198, 11° of the Belgian Income Tax Code 1992).

SECTION 19 - USE OF PROCEEDS

19.1 Use of Proceeds

The Issuer will use the proceeds from the issue of the Notes other than the Class D Notes, to pay to the Seller the Initial Purchase Price for the Loans pursuant to the MLSA. See further *Section 12*. The net proceeds from the issue of the Class D Notes will be credited to the Reserve Fund.

SECTION 20 - MEETINGS OF NOTEHOLDERS

20.1 General

The Conditions and the Pledge Agreement contain provisions for convening meetings of the Noteholders to consider matters affecting the interests of the Noteholders.

Articles 568 to 580 of the Belgian Company Code shall only apply to the extent the Conditions, the by-laws of the Issuer or the Transaction Documents do not contain provisions that differ from the provisions contained in such articles.

The Transaction Documents contain in particular, but without limitation, the following provisions that differ from the provisions of the Belgian Company Code:

(a) the board of directors or the Auditors will be required to convene a meeting of the Noteholders at the request of the Security Agent or of Noteholders representing not less than one-tenth of the aggregate Principal Amount Outstanding of the Notes;

(b) notwithstanding the provisions of article 570 of the Belgian Company Code, the notices in relation to meetings of the Noteholders will be published as set out in Condition 20; and

(c) notwithstanding the provisions of article 568 of the Belgian Company Code, the meeting of Noteholders and the Security Agent shall have all the powers given to them in the Transaction Documents, including, but not limited to, those given to them in the Conditions.

Below is a summary of the rules concerning meetings of Noteholders set out in the Pledge Agreement and the Conditions. Save where provided otherwise or required otherwise by the content, these rules will apply to all meetings of Noteholders, whether meetings of holders of Class A Notes (***Class A Noteholders***), holders of Class B Notes (***Class B Noteholders***), holders of Class C Notes (***Class C Noteholders***) or holders of Class D Notes (***Class D Noteholders***).

20.2 Access to Meetings

Save as expressly provided otherwise herein, no person shall be entitled to attend or vote at any general meeting of the Noteholders unless he produces an appropriate voting certificate or block voting certificate which has been issued by its custodian.

The Security Agent and the Issuer (through their respective officers, employees, advisers, agents or other representatives) and their respective financial and legal advisers shall be entitled to attend and speak at any meeting of the Noteholders. Proxyholders need not be Noteholders.

20.3 Quorums and majorities

The Pledge Agreement and Conditions contain provisions for convening meetings of the Noteholders to consider any matter affecting the interests of Noteholders, including proposals by Extraordinary Resolution to modify, or to sanction the modification of the Notes or the provisions of any of the Transaction Documents.

Where the business of a meeting includes a Basic Term Modification (as defined in Condition 13), the quorum at such meeting shall be one or more persons present in person holding Notes

and/or voting certificates and/or being proxies and being or representing in the aggregate the holders of 75 per cent. or more of the aggregate Principal Amount Outstanding of the relevant Class of Notes at the time of the meeting. The quorum at any other meeting shall be one or more persons present in person holding Notes and/or voting certificates and/or being proxies and being or representing in the aggregate the holders of 50 per cent. or more of the aggregate Principal Amount Outstanding of the relevant Class of Notes at the time of the meeting.

At any adjourned meeting, other than a meeting convened at the request of the Noteholders, the presence quorum for:

(a) approving a Basic Term Modification at the general meeting shall be one or more persons present in person holding Notes and/or voting certificates and/or being proxies and being or representing in the aggregate the holders of not less than twenty-five (25) per cent. of the aggregate Principal Amount Outstanding of the relevant Class of Notes; and

(b) approving any other resolution shall be one or more persons present in person holding Notes and/or voting certificates and/or being proxies.

At any meeting (a) on a show of hands every Noteholder (being an individual) who is present in person and produces a declaration of a Clearing System Participant of its Notes being blocked until that date of the meeting (***blocking certificate***) or is identified as a Noteholder in the notes registered held with the Issuer or is a proxy shall have one vote in respect of each Note and (b) on a poll every person who is so present shall have one vote in respect of each EUR 10,000 of Principal Amount Outstanding of Notes referred to on the blocking certificate or registered in the notes registered or in respect of which that person is a proxy.

20.4 Binding resolutions

Any resolution passed at a meeting of the Noteholders of a particular Class duly convened and held in accordance with the Conditions shall be binding upon all the Noteholders of such Class whether present or not present at such meeting and whether or not voting, provided that:

(a) no Basic Term Modification (as defined in Condition 13) shall be effective unless the modification is approved by a resolution with a majority consisting of not less than 75 per cent. of the votes cast of the Notes thereat, whether by show of hand or a poll (an ***Extraordinary Resolution***) passed at a general meeting of the Noteholders of the relevant Classes duly convened and held in accordance with the rules set out in Schedule 4 of the Pledge Agreement for approving a Basic Term Modification;

(b) no Extraordinary Resolution of the Class B Noteholders shall be effective unless (a) the Security Agent is of the opinion that it will not be materially prejudicial to the interests of the Class A Noteholders; (b) it is sanctioned by an Extraordinary Resolution of the Class A Noteholders; or (c) none of the Class A Notes remain outstanding;

(c) no Extraordinary Resolution of the Class C Noteholders shall be effective unless (a) the Security Agent is of the opinion that it will not be materially prejudicial to the interests of the Class A Noteholders and the Class B Noteholders; (b) it is sanctioned by an Extraordinary Resolution of the Class A Noteholders and the Class B Noteholders; or (c) none of the Class A Notes and the Class B Notes remain outstanding;

(d) no Extraordinary Resolution of the Class D Noteholders shall be effective unless (a) the Security Agent is of the opinion that it will not be materially prejudicial to the interests of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders; (b) it is sanctioned by an Extraordinary Resolution of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders; or (c) none of the Class A Notes, the Class B Notes and the Class C Notes remain outstanding; and

(e) any resolution passed at a meeting of the Class A Noteholders duly convened and held as aforesaid shall also be binding upon all the Class B Noteholders, the Class C Noteholders and the Class D Noteholders irrespective of its effect upon such persons, except an Extraordinary Resolution to sanction a Basic Terms Modification, which shall not take effect unless it shall have been sanctioned by an Extraordinary Resolution of the Class B Noteholders, an Extraordinary Resolution of the Class C Noteholders and an Extraordinary Resolution of the Class D Noteholders.

A resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a general meeting in accordance with the provisions contained in the conditions shall for all purposes be as valid and effectual as an Extraordinary Resolution passed at a meeting of the Noteholders duly convened and held in accordance with the provisions contained in the Conditions.

20.5 Powers of the Meeting

The meeting shall have all the powers expressly given to it in the Conditions, the by-laws of the Issuer, the Pledge Agreement or any other Transaction Document. The following powers may only be exercised by way of an Extraordinary Resolution:

(a) power to sanction any proposal by the Issuer for any alteration, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Noteholders against the Issuer, whether such rights shall arise under the Conditions, the Notes or otherwise;

(b) power to sanction the exchange or substitution of the Notes or the conversion of the Notes into shares, stock, convertible Notes, or other obligations or securities of the Issuer or any other body corporate formed or to be formed;

(c) power to assent to any alteration of the provisions contained in these Conditions, the Notes, the Pledge Agreement or any of the Transaction Documents or which shall be proposed by the Issuer and/or the Security Agent;

(d) power to authorise the Security Agent to concur in and execute and do all such documents, acts and things as may be necessary to carry out and give effect to any Extraordinary Resolution;

(e) power to discharge or exonerate the Security Agent from any liability in respect of any act or omission for which the Security Agent may have become responsible under or in relation to these Conditions, the Notes, the Pledge Agreement or any of the Transaction Documents;

(f) power to give any authority, direction or sanction, which under the provisions of the Conditions or the Notes is required to be given by Extraordinary Resolution;

(g) power to appoint any persons (whether Noteholders or not) as a committee or committees to represent the interests of the Noteholders and to confer upon such

committee or committees any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution;

(h) power to sanction the release of the Issuer or of the whole or any part of the Collateral from all or any part of the principal moneys and interest owing in respect of the Notes; and

(i) power to authorise the Security Agent or any receiver appointed by it where it or he shall have entered into possession of the Collateral or otherwise enforced the Security in relation thereto to discontinue enforcement of any security constituted by the Pledge Agreement either unconditionally or upon any Conditions.

20.6 Compliance

The Issuer may with the consent of the Security Agent and without the consent of the Noteholders prescribe such other or further regulations regarding the holding of meetings of Noteholders and attendance and voting thereat as are necessary to comply with Belgian law.

20.7 Conflict of interest

In order to avoid any potential conflict of interest, if and as long as any Notes are held by DBB or any of its affiliates (***DBB Related Noteholders***), all quorums and voting majorities set out above required to pass a Noteholders' resolution, will have to be met in respect of the group consisting of DBB Related Noteholders on the one hand and the group of all other Noteholders (excluding the DBB Related Noteholders).

SECTION 21- GENERAL INFORMATION

The issue of the Notes is to be authorised by a resolution of the board of directors of the Issuer to be adopted on 15 December 2011.

The Class A Notes and the Class B Notes have been accepted for clearance through the X/N clearing system operated by the National Bank of Belgium and by the Clearing System Participants with the following ISIN and Common Codes:

(i) the ISIN Code for the Class A Notes is BE0002408806 and the Common Code is 072055403;

(ii) the ISIN Code for the Class B Notes is BE6228345722 and the Common Code is 072056477.

The Class C Notes and the Class D Notes can be transferred by registration of such transfer in the notes register held with the Issuer in accordance with the provisions of the Belgian Company Code. The ISIN Code for the Class C Notes is BE6228366934 and for the Class D Notes is BE6228367940.

As of the date of this Prospectus, the last audited financial statements of the Issuing Company are those in relation to the accounting year that started on 1 January 2010 and ended on 31 December 2010, approved by the general meeting of shareholders of 30 June 2011. See also *Section 6.19*.

The Issuer is not involved in any legal or arbitration proceedings which may have, or have had, since the date of its incorporation, a significant effect on its financial position nor is the Issuer aware that any such proceedings are pending or threatened against the Issuer.

To date only the first four Compartments have effectively started their activities (the Penates-1 Securitisation as far as Compartment Penates-1 is concerned, the Penates-2 Securitisation as far as Compartment Penates-2 is concerned, the Penates-3 Securitisation as far as Compartment Penates-3 is concerned and the transaction described in the current Prospectus as far as Compartment Penates-4 is concerned). To date the notes that were issued under Penates-2 Securitisation Transaction have been repaid. Furthermore, the notes that were issued under Penates-3 Securitisation Transaction shall be repaid on or about the issue date of the Notes by the Issuer under the Transaction.

Since the date of its incorporation, the Issuer has not entered into any material contract other than a contract entered into in its ordinary course of business (including the transaction documents under the Penates-1 Securitisation, the Penates-2 Securitisation, the unwinding of the Penates 2-Securitisation and the Penates-3 Securitisation).

Since 11 August 2008 (being the date of incorporation of the Issuer), there has been:

(i) no material adverse change in the financial position or prospects of the Issuer; and

(ii) other than the Penates-1 Securitisation, the Penates-2 Securitisation, the unwinding of the Penates-2 Securitisation, the Penates-3 Securitisation and the Transaction no significant change in the trading or financial position of the Issuer.

The Issuer has no outstanding loan capital, borrowings, indebtedness or contingent liabilities, and the Issuer has not created any mortgages, charges or given any guarantees other than

under the transaction described in this Prospectus, the Penates-1 Securitisation, the Penates-2 Securitisation and the Penates-3 Securitisation.

The Issuer shall publish the following accounts and reports and shall make available to the public as a whole on *www.dexia.be/penatesfunding* the Quarterly Investor Reports to be prepared by the Administrator pursuant to the Administration, Corporate and Accounting Services Agreement. In addition, the Issuer is required to make available certain other information in particular information in respect of important facts that are not known to the public and that, due to their impact on the assets, financial situation or general state of the Issuer, could influence the price of the relevant Notes (privileged information as defined in the law of 2 August 2002 on the supervision of the financial sector and financial services) and mandatory information such as described in the royal decree of 14 November 2007 on the obligations of issuers of financial instruments which are admitted to trading on a Belgian regulated market (including information as to modifications to the conditions, rights or guarantees attached to the Notes).

The audited annual financial statements of the Issuer prepared annually will be made available, free of charge, at the specified offices of the Domiciliary Agent and on *www.dexia.be/penatesfunding*.

A copy of the Issuer's articles of association is available, free of charge, at the office of the Issuer and at the offices of the Domiciliary Agent and on *www.dexia.be/penatesfunding*.

Copies of the following documents may be inspected during usual business hours on any weekday (excluding Saturdays, Sundays and public holidays) at the registered office of the Issuer and at the specified offices of the Domiciliary Agent at any time after the Closing Date:

(a) Account Bank Agreement;

(b) Administration, Corporate and Accounting Services Agreement;

(c) Clearing Agreement;

(d) Master Definitions Agreement;

(e) MLSA;

(f) Pledge Agreement;

(g) Servicing Agreement;

(h) Swap Agreement;

(i) the most recent balance sheet of the Issuer and the auditors' report thereon.

SECTION 22 - RELATED PARTY TRANSACTIONS – MATERIAL CONTRACTS

22.1 The Seller

22.1.1 Name and Status

The Loans have been originated by the Seller or the other Originators as legal predecessors of the Seller.

For a description of the Seller, see *Section 14* above.

22.1.2 Mortgage Loan Sale Agreement

Under the MLSA, the Issuer will on the Closing Date purchase and accept the transfer by way of assignment of legal title to the Loans and Loan Security.

For a description of the Mortgage Loan Sale Agreement, see above in *Section 12.*

22.2 Servicer

22.2.1 Name and Status

The Seller has been appointed as Servicer.

For a description of the Seller, see *Sections 22.1 and 14* above.

22.2.2 The Servicing Agreement

Pursuant to the Servicing Agreement the Seller has been appointed as Servicer and, in this capacity as Servicer, will agree to provide loan administration and collection services and the other services as agreed in the Servicing Agreement in relation to the Loans.

Under the Servicing Agreement the Servicer will be entitled to delegate the performance of its obligations thereunder to a sub-contractor, agent or delegate. The Servicer shall thereby however not be released or discharged from any liability under the Servicing Agreement and shall remain responsible for the performance of the obligations of the Servicer thereunder and the performance or non-performance or the manner of performance of any sub-contractor, agent or delegate of any of the Services shall not affect the Servicer's obligations thereunder.

For a description of the Servicer Agreement, see above in *Section 15*.

22.2.3 Remuneration

In consideration of the Servicer's agreement to carry out certain services as agreed in the Servicing Agreement, the Issuer shall pay quarterly in arrears on each Quarterly Payment Date to the Servicer a servicing fee of 5.3bps per annum (exclusive of taxes, if any) calculated (on the basis of the actual number of calendar days elapsed during the immediately preceding Interest Period and a calendar year of 360 calendar days) over the aggregate Current Balance of all Loans as determined at the beginning of the relevant Quarterly Collection Period (or, in respect of the first Quarterly Payment Date, the Closing Date).

22.2.4 Termination

In certain circumstances, the Security Agent or the Issuer (with the prior consent of the Security Agent) may terminate the appointment of the Servicer.

22.2.5 Conflict of Interest

The Servicer may have a conflict of interest resulting from its responsibilities as Servicer for the Issuer pursuant to the Servicing Agreement, on the one hand, and its concern to preserve its commercial relations with the Borrowers, on the other hand. This conflict of interest risk is mitigated by the terms of the Servicing Agreement. The Servicing Agreement provides, among other things, that the Servicer must at all times act in such a manner as would be reasonable to expect from a reasonably prudent professional of high standing in providing services similar to the services provided by the Servicer. In addition, the Servicing Agreement contains certain specific undertakings to protect the interests of the Issuer.

22.3 The Security Agent

22.3.1 Name and Status

Stichting Security Agent Penates is a foundation (*stichting / fondation*) incorporated under the laws of the Netherlands on 20 October 2008, with its registered office at Olympic Plaza, Fred Roeskestraat 123, 1076 EE Amsterdam, the Netherlands has been appointed as representative of the Noteholders and as agent of the Secured Parties on terms and subject to the conditions set out in the Security Agent Agreement.

22.3.2 Remuneration

The Issuer shall pay to the Security Agent for the performance of the Security Agent Services as described in the Pledge Agreement an annual fee of Euro 5.280,- exclusive of VAT (if any), which shall be paid annually up front starting from the day of incorporation of the Security Agent and which shall be increased annually with a percentage equal to the Consumer Price Index ("*Geharmoniseerd indexcijfer der consumptieprijzen / Index des prix à la consummation harmonisé"*).

22.3.3 Replacement

See Conditions 12.14 to 12.16

22.4 The Administrator, Corporate Services Provider and Accounting Service Provider

22.4.1 Name and Status

The Seller has been appointed as Administrator.

Dexia Fiduciaire N.V. – S.A. has been appointed as Corporate Services Provider and as Accounting Services Provider.

22.4.2 The Administration, Corporate and Accounting Services Agreement

Under the Administration, Corporate and Accounting Services Agreement, the Administrator will agree to provide certain administration, calculation and cash management services for the

Issuer and the Corporate Services Provider will agree to provide general corporate services to support the Issuer in terms of the corporate and bookkeeping management of the Issuer.

Under the Administration, Corporate and Accounting Services Agreement, the Accounting Services Provider will agree to provide certain accounting and bookkeeping services for the Issuer.

22.4.3 Remuneration

On each Quarterly Payment Date (starting on the first Quarterly Payment Date falling on 25 May 2012), the Issuer shall pay in arrears to the Administrator and the Corporate Services Provider for the performance of the Administrator's and corporate services a fee of respectively 1.5 bps per annum (calculated over the aggregate Current Balance of all Loans as determined at the beginning of the relevant Quarterly Collection Period or, in case of the First Quarterly Payment Date, the Closing Date) and Euro 2,500 per annum exclusive of VAT (if any), which shall be paid to respectively the Administrator and the Corporate Services Provider.

The Issuer shall pay to the Accounting Services Provider a minimum annual fee of EUR 20,000 and a maximum annual fee of EUR 34,050 per annum, exclusive of VAT (if any) which shall be paid quarterly in arrears on each Quarterly Payment Date starting on the first Quarterly Payments Date falling on 25 May 2012.

In addition, the Issuer will reimburse to the Administrator, the Corporate Services Provider and the Accounting Services Provider all reasonable out-of pocket costs, expenses and charges properly incurred by the Administrator, the Corporate Services Provider or the Accounting Services Provider in connection with the services and the preparation, execution, delivery, administration, modification or amendment in respect of its rights, obligations and responsibilities under the Administration, Corporate and Accounting Services Agreement.

22.4.4 Replacement

In certain circumstances, the Security Agent or the Issuer (with the prior consent of the Security Agent) may terminate the appointment of the Administrator, the Corporate Services Provider and/or the Accounting Services Provider.

Furthermore, the Administration, Corporate and Accounting Services Agreement obliges the Issuer and/or the Security Agent (as applicable), thereby assited by the Administrator, to appoint a third party back-up administrator and a third party back-up calculation agent and to enter into back-up administration agreement within 30 calendar days after the long-term credit rating of Dexia Bank Belgium being downgraded below Baa3 by Moody's.

22.5 Account Bank

22.5.1 Name and Status

Pursuant to the Account Bank Agreement the Seller has been appointed as the Account Bank to hold the Issuer Accounts.

For a description of the Seller, see *Sections 22.1* and *14* above.

22.5.2 Remuneration

The Issuer shall pay any costs and expenses related to the management of the Issuer Accounts. Such amounts will be paid upon receipt of an invoice sent by the Account Bank or will be directly debited from the Issuer Accounts by the Account Bank in accordance with the general terms and conditions of the Account Bank for current accounts.

22.5.3 Replacement

The Issuer may at any time (but, if prior to the date on which the Notes are redeemed or written off in full, only with the prior written consent of the Security Agent), by written notice terminate the appointment of the Account Bank with immediate effect upon the occurrence of certain events.

See further Section 5.2.3 – Replacement of the Account Bank.

22.6 The Senior Swap Counterparty & the Junior Swap Counterparty

22.6.1 Name and Status

The Issuer will enter into the Senior Swap Agreement with the Seller and into the Junior Swap Agreement with the Seller.

For a description of the Seller, see *Sections 22.1* and *14* above.

22.6.2 The Senior Swap Agreement and the Junior Swap Agreement

For a description of the Senior Swap Agreement, the Junior Swap Agreement and the termination thereof and the hedging of interest rates, see *Section 5.9*, above.

22.7 The Domiciliary Agent, the Listing Agent and the Calculation Agent

22.7.1 Name and Status

The Seller has been appointed as Domiciliary Agent, Listing Agent and Calculation Agent.

For a description of the Seller, see *Sections 22.1* and *14* above.

22.7.2 The Domiciliary Agency Agreement

Under the Domiciliary Agency Agreement, the Domiciliary Agent will undertake to ensure the payment of the sums due on the Notes and perform all other obligations and duties imposed on it by the Conditions and the Domiciliary Agency Agreement.

The Domiciliary Agent will also perform the tasks described in the Clearing Agreement, which comprise inter alia providing the Clearing System Operator with information relating to the issue of Notes, the Prospectus and other documents required by law.

The Listing Agent will cause an application to be made to Euronext Brussels N.V./S.A. for the admission to trading of the Class A Notes.

The Calculation Agent shall determine rates of interest and perform other duties in respect of the Notes as set out in the Conditions and the Domiciliary Agency Agreement.

22.7.3 Remuneration

An annual fee of Euro 10,000 per annum, exclusive of VAT (if any).

22.7.4 Replacement

The Issuer and each of these agents may at any time, subject to prior written notice, terminate the appointment of a relevant agent. In certain events, the Issuer may terminate the appointment of an agent forthwith, subject to the prior approval of the Security Agent.

The termination of the appointment of an agent (whether by the Issuer or by the resignation of the agent) shall not be effective unless upon the expiry of the relevant notice a suitable replacement has been appointed.

22.8 The Rating Agencies

At the Closing Date, the following rating agencies have been requested to rate the Class A and the Class B Notes:

(a) DBRS;

(b) Fitch; and

(c) Moody's

22.9 The Clearing System Operator

Pursuant to the Clearing Agreement, the Clearing System Operator will provide clearing services to the Issuer.

SECTION 23- MAIN TRANSACTION EXPENSES

23.1 General Income and Expenses

In addition to the expenses relating specifically to the Issuer (see below), the Issuer will need to pay the expenses relating to its operations generally (including its possible liquidation). The expenses of the transaction payable in respect of the Closing of the transaction will be paid by the Seller in consideration of the Deferred Purchase Price. All other expenses shall be paid by the Issuer.

23.2 The Administrator, the Corporate Services Provider and the Account Services Provider

(a) Administrator: a fee of 1.5 bps per annum payable quarterly in arrears on each Quarterly Payment Date (starting on the first Quarterly Payment Date falling on 25 May 2012) calculated over the aggregate Current Balance of all Loans as determined at the beginning of the relevant Quarterly Collection Period or, in case of the First Quarterly Payment Date, the Closing Date.

(b) Corporate Services Provider: an annual fee of Euro 2,500 per annum, exclusive of VAT (if any) (see *Section 22.4.3 above).*

(c) Accounting Services Provider: a minimum annual fee of EUR 20,000 and a maximum annual fee of EUR 34,050, exclusive of VAT (if any).

See *Section 22.4.3* above.

23.3 The Security Agent

An annual fee of Euro 5,280 (indexed),- exclusive of VAT (if any) (see *Section 22.3 above*).

23.4 The Servicer

A servicing fee of 5.3 bps per annum (exclusive of taxes, if any) payable quarterly in arrears on each Quarterly Payment Date and calculated (on the basis of the actual number of calendar days elapsed during the immediately preceding Interest Period and a calendar year of 360 calendar days) over the aggregate Current Balance of all as determined at the beginning of the relevant Quarterly Collection Period (or, in respect of the first Quarterly Payment Date, the Closing Date). (see *Section 22.2 above*).

23.5 Other expenses payable by the Issuer

The Issuer shall, in addition, also pay expenses to the following parties:

(a) the Domiciliary Agent and the Calculation Agent;

(b) the Issuer Directors (whereby each Issuer Director is entitled to a yearly fee; as from 2009 each active Compartment shall pay a *pro rata* share of such fee, which *pro rata* shall be calculated on the basis of the aggregate Current Balances of all the Loans held by the relevant Compartment on the first calculation date for such Compartment in each calendar year);

(c) the Auditor;

(d) the Rating Agencies;

(e) the National Bank of Belgium; and

(f) Euronext Brussels.

The total amount of expenses related to the admission to trading are such as described in Euronext “The Book: Listing Fees.”

ANNEX 1: TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions (the ***Conditions***, and each a ***Condition***) *of the Notes. They will be incorporated by reference into the Notes. Except where the context otherwise requires, each of the Conditions will apply to each Class of the Notes and any reference herein to the Notes means the Notes of that Class.*

The Notes are obligations solely of the Issuer and are not obligations of, or guaranteed by, any of the other parties to the Transaction Documents. In particular, the Notes will not be the obligations or responsibilities of the Seller and the Seller will not be under any obligation whatsoever to provide additional funds to the Issuer.

The Issuer may be organised into separate subdivisions, each a Compartment. On the date of issuance of the Notes, six Compartments have been created: Compartment Penates-1, Compartment Penates-2, Compartment Penates-3, Compartment Penates-4, Compartment Penates-5 and Compartment Penates-6 each for the purpose of collective investment of funds collected in accordance with the articles of association of the Issuer in a portfolio of selected loans. Obligations of the Issuer to the Noteholders and all other Secured Parties are allocated exclusively to Compartment Penates-4 and the recourse for such obligations is limited so that only the assets of Compartment Penates-4 subject to the relevant Security will be available to meet the claims of the Noteholders and the other Secured Parties.

By subscribing or otherwise acquiring the Notes, the Noteholders (i) shall be deemed to have acknowledged receipt of, accept and be bound by the Conditions, (ii) acknowledge and accept that the Notes are allocated to Compartment Penates-4, (iii) acknowledge that they are Eligible Holders and that they can only transfer their Notes to Eligible Holders and (iv) shall be deemed to have undertaken that they will comply (and arrange for any transferee to comply) with any procedural formalities necessary for the Issuer to obtain the authorisation to make a payment to which that holder is entitled without a tax deduction.

Except as expressly provided otherwise, all Conditions apply exclusively to the Notes as allocated to Compartment Penates-4 of the Issuer and all appointments, rights, title, assignments, covenants, representations, assets and liabilities generally in relation to this transaction are exclusively allocated to, or binding on, Compartment Penates-4 and will not be recoverable against any other compartments of the Issuer or any assets of the Issuer other than those allocated to Compartment Penates-4.

Unless otherwise stated, defined terms used in these Conditions shall have the meaning given to them in the Master Definitions Agreement. In this Prospectus the term "Issuer" shall generally refer only to Penates Funding N.V. / S.A. *institutionele VBS naar Belgisch recht / SIC institutionnelle de droit belge* acting through and for the account of its Compartment Penates-4, unless where the context requires, in which case such term may refer to the entire company as such, but in each case without prejudice to the limitation of recourse set out in Condition 11.4.

PART 1 DESCRIPTION OF THE NOTES

General

1. The issue of EUR 8,077,500,000 Class A Mortgage-Backed Floating Rate Notes due 2045 (the ***Class A Notes***), the EUR 472,500,000 Class B Mortgage-Backed Floating Rate Notes due 2045 (the ***Class B Notes***), the EUR 450,000,000 Class C Mortgage-Backed Floating Rate Notes due 2045 (the ***Class C Notes***) and the EUR 117,000,000 Class D Subordinated Floating Rate Notes due 2045 (the ***Subordinated Class D Notes*** or the ***Class D Notes*** and together with the Class A Notes, the Class B Notes and the Class C Notes, the ***Notes***), is to be authorised by a resolution of the board of directors of Penates Funding N.V. / S.A., an *institutionele VBS naar Belgisch recht / SIC institutionnelle de droit belge* (an institutional company for investment in receivables under Belgian law) (the ***Issuer***) and to be adopted on 15 December 2011.

2. The Notes will be issued on 19 December 2011, in accordance with the provisions of a domiciliary agency agreement to be entered into on or before the Closing Date (the ***Domiciliary Agency Agreement***) between the Issuer, Dexia Bank Belgium N.V. - S.A., (the ***Domiciliary Agent*** and the ***Calculation Agent***) and Stichting Security Agent Penates (the ***Security Agent***) as security agent for, *inter alios*, the holders for the time being of the Notes (the ***Noteholders***).

3. Pursuant to the Domiciliary Agency Agreement, provision is made for the payment of principal and interest in respect of the Notes and for the determination of the rate of interest payable on the Notes.

4. The Notes are secured by the security created pursuant to, and on the terms set out in, an agreement for the creation of a parallel debt (the ***Parallel Debt Agreement***) and a Belgian law pledge agreement establishing security over certain assets of the Issuer (the ***Pledge Agreement***) to be entered into on or before the Closing Date between, *inter alios*, the Issuer, the Security Agent, the Seller and the Servicer.

5. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of:

(i) the Domiciliary Agency Agreement;

(ii) the Parallel Debt Agreement;

(iii) the Pledge Agreement;

(iv) the administration, corporate and accounting services agreement (the ***Administration, Corporate and Accounting Services Agreement***) to be entered into on or before the Closing Date between the Issuer, the Security Agent and Dexia Bank Belgium N.V. - S.A. (***DBB***) in its capacity as administrator (the ***Administrator***) and Dexia Fiduciaire N.V. - S.A. as corporate services provider (the ***Corporate Services Provider***) and as accounting services provider (the ***Accounting Services Provider***);

(v) the account bank agreement (the ***Account Bank Agreement***) to be entered into on or before the Closing Date between, *inter alios*, the Issuer, the Security Agent and DBB in its capacity as the account bank (the ***Account Bank***);

(vi) the servicing agreement (the ***Servicing Agreement***) to be entered into on or before the Closing Date between the Issuer, the Security Agent and DBB in its capacity as the servicer (the ***Servicer***);

(vii) the Mortgage loan sale agreement (the ***Mortgage Loan Sale Agreement*** or the ***MLSA***) to be entered into on or before the Closing Date between DBB in its capacity as seller (the ***Seller***), the Security Agent and the Issuer;

(viii) the clearing agreement (the ***Clearing Agreement***) to be entered into on or before the Closing Date between the Issuer, the Domiciliary Agent and the Clearing System Operator;

(ix) the master definitions agreement (the ***Master Definitions Agreement***) to be entered into on or before the Closing Date between, *inter alios*, the Issuer, the Seller and the Security Agent;

(x) the senior swap agreement (the ***Senior Swap Agreement***) to be entered into on or before the Closing Date between the Issuer, the Security Agent and DBB in its capacity as the senior swap counterparty (the ***Senior Swap Counterparty***);

(xi) the junior swap agreement (the ***Junior Swap Agreement***) to be entered into on or before the Closing Date between the Issuer, the Security Agent and DBB in its capacity as the junior swap counterparty (the ***Junior Swap Counterparty***)

(xii) the issuer management agreements

(a) entered into on 27 October 2008 between the Issuer, the Security Agent and (i) Stichting Vesta and (ii) Sterling Consult BVBA, each as Issuer directors, as supplemented on 15 December 2008 for the purpose of activating Compartment Penates-2, on 28 June 2010 for the purpose of activating Compartment Penates-3, and to be supplemented on or before the Closing Date for the purpose of activating Compartment Penates-4, and

(b) entered into on 1 July 2011 between the Issuer, the Security Agent and Mr. Ottoy Jan as Issuer director , to be supplemented and amended on the Closing Date for the purpose of activating Compartment Penates-4;

together the ***Issuer Management Agreements***; and

(xiii) the Stichting Vesta management agreements (the ***Stichting Vesta Management Agreements***) entered into on 27 October 2008 between Stichting Vesta, the Security Agent and each of the Stichting Vesta Directors, as supplemented on 15 December 2008 for the purpose of activating Compartment Penates-2, on 28 June 2010 for the purpose of activating Compartment Penates-3, and to be supplemented on or before the Closing Date for the purpose of activating Compartment Penates-4.

6. Pursuant to the MLSA, a portfolio of Belgian mortgage loans (the ***Loans***) will be sold by the Seller to the Issuer acting through its Compartment Penates-4 on the Closing Date.

7. The Issuer, the Seller and the Manager will enter into a subscription agreement on or before the Closing Date (the ***Subscription Agreement***).

8. The MLSA, the Account Bank Agreement, the Administration, Corporate and Accounting Services Agreement, the Domiciliary Agency Agreement, the Servicing

Agreement, the Parallel Debt Agreement, the Pledge Agreement, the Subscription Agreement, the Senior Swap Agreement, the Junior Swap Agreement, the Clearing Agreement, the Master Definitions Agreement, Issuer Management Agreements, the Stichting Vesta Management Agreements and all other agreements, forms and documents executed pursuant to or in relation to such documents collectively, will be referred to as the ***Transaction Documents***.

9. Any reference in these Conditions to any Transaction Document, is to such document, as may be from time to time amended, varied or novated in accordance with its provisions and includes any deed or other document expressed to be supplemental to it, as from time to time so amended.

10. References to the Transaction Parties shall, where the context permits, include references to its successors, transferees and permitted assigns.

11. The Issuer has been incorporated subject to the provisions of the Act of 20 July 2004 on certain forms of collective management of investment portfolios (*Wet betreffende bepaalde vormen van collectief beheer van beleggingsportefeuilles / Loi relative à certaines formes de gestion collective de portefeuilles d'investissement*), as amended from time to time (the ***UCITS Act***).

12. Copies of the Transaction Documents are available for inspection at the specified offices of the Domiciliary Agent as of the Closing Date. By subscribing for, or otherwise acquiring the Notes, the Noteholders and all persons claiming through them or under the Notes will be deemed to have notice of, accept and be bound by all the provisions of the Conditions, the Pledge Agreement, the Parallel Debt Agreement, the Domiciliary Agency Agreement, the Servicing Agreement, the Account Bank Agreement, the Administration, Corporate and Accounting Services Agreement, the Subscription Agreement, the Clearing Agreement, the MLSA, the Senior Swap Agreement, the Junior Swap Agreement, the Issuer Management Agreements, the Stichting Vesta Management Agreements and all the other Transaction Documents.

PART 2 TERMS AND CONDITIONS OF THE NOTES

1. FORM, DENOMINATION, TITLE AND SELLING RESTRICTIONS - ELIGIBLE HOLDERS

Form

1.1 The Class A Notes and the Class B Notes are issued in dematerialised form under the Belgian Company Code as amended from time to time. The Notes are accepted for clearance through the clearing system operated by the National Bank of Belgium or any successor thereto (the ***Clearing System***), and are accordingly subject to the applicable clearing regulations of the National Bank of Belgium. The Notes may be cleared through the X/N accounts system organised within the Clearing System in accordance with the Act of 6 August 1993 on transactions in certain securities (*loi relative aux opérations sur certaines valeurs mobilières / wet betreffende de transacties met bepaalde effecten*) and the corresponding royal decrees of 26 May 1994 and 14 June 1994. The Noteholders will not be entitled to the exchange of the Notes into bearer or registered notes.

1.2 If at any time the Class A Notes and the Class B Notes are transferred to another clearing system, not operated or not exclusively operated by the National Bank of Belgium, these provisions shall apply *mutatis mutandis* to such successor clearing system and successor clearing system operator or any additional clearing system and additional clearing system operator (any such clearing system, an ***Alternative Clearing System***).

1.3 The Class A Notes and the Class B Notes are issued in registered form under the Belgian Company Code as amended from time to time. The Class C Notes and the Class D Notes can be transferred by registration of such transfer in the notes register held by the Issuer in accordance with the provisions of the Belgian Company Code and the selling restrictions set out in these Conditions.

Denomination

1.4 The Notes will be issued in denominations of EUR 250,000.

Selling, Holding and Transfer Restrictions - Only Eligible Holders

1.5 The Notes may only be acquired, by subscription, transfer or otherwise and may only be held by Eligible Holders. ***Eligible Holders*** are holders who qualify both as:

(a) institutional or professional investor for the purpose of the UCITS Act (***Institutional Investors***), acting for their own account; and

(b) (i) holders of an exempt securities account (***X-Account***) with the Clearing System operated by the National Bank of Belgium or (directly or indirectly) with a participant in such system;

(ii) in respect of the Class C Notes and the Class D Notes, a holder that certifies to the Issuer that it qualifies for an exemption from Belgian withholding tax on interest payments under the Class C Notes and the Class D Notes and shall comply with any procedural formalities necessary for the Issuer to obtain the authorisation to make a payment to which that holder is entitled without a tax deduction.

1.6 In the event that the Issuer becomes aware that any Notes are held by an investor other than Eligible Holder, the Issuer will suspend interest payments relating to these Notes

until such Notes have been transferred to, and are held by Institutional Investors acting for their own account.

Excluded holders

1.7 Notes may not be acquired by a Belgian or foreign transferee who is not subject to income tax or who is, as far as interest income is concerned, subject to a tax regime that is deemed by the Belgian tax authorities to be significantly more advantageous than the common Belgian tax regime applicable to interest income (within the meaning of Articles 54 and 198, 11° of the Belgian Income Tax Code 1992).

2. STATUS, SECURITY AND PRIORITY

Status and Priority

2.1 (a) The Class A Notes constitute direct, secured and unconditional obligations of the Issuer and rank (subject to the provisions of Condition 10) *pari passu* without preference or priority amongst themselves. The rights of the Class A Notes, in respect of priority of payment and security are set out in Conditions 2 and 10.

(b) The Class B Notes constitute direct and unconditional obligations and are equally secured by the Security as the Class A Notes. The Class B Notes rank *pari passu*, without preference or priority amongst themselves. The Class B Notes are subordinated to the Class A Notes in the event of the Security being enforced as well as prior to such event, as set out in Conditions 2 and 10.

(c) The Class C Notes constitute direct and unconditional obligations and are equally secured by the Security as the Class A Notes and the Class B Notes. The Class C Notes rank *pari passu*, without preference or priority amongst themselves. The Class C Notes are subordinated to the Class A Notes and the Class B Notes in the event of the Security being enforced as well as prior to such event, as set out in Conditions 2 and 10.

(d) The Class D Notes constitute direct and unconditional obligations and are equally secured by the Security as the Class A Notes, the Class B Notes and the Class C Notes. The Class D Notes rank *pari passu*, without preference or priority amongst themselves. The Class D Notes are subordinated to the Class A Notes, the Class B Notes and the Class C Notes in the event of the Security being enforced as well as prior to such event, as set out in Conditions 2 and 10.

(e) The Notes are obligations solely of the Issuer and are not obligations of, or guaranteed by, any of the other parties to the Transaction Documents.

(f) The Notes are allocated exclusively to Compartment Penates-4.

Security

2.2 As Security for the obligations of the Issuer under the Notes and the Transactions Documents, the Issuer will pursuant to the Pledge Agreement, create a first ranking commercial pledge in favour of the Secured Parties, including the Security Agent acting in its own name, as creditor of the Parallel Debt, and as representative of the Noteholders over:

(a) all right and title of the Issuer to and under or in connection with all the Loans, all Loan Security and all the Additional Security;

(b) all right and title of the Issuer to and under all the Transaction Documents and all other documents to which the Issuer is a party;

(c) the Issuer's right and title in and to the Issuer Accounts and any amounts standing to the credit thereof from time to time; and

(d) all other assets of the Issuer (including, without limitation, the Loan Documents, the Contract Records and any other documents).

2.3 The security created by the Issuer (in favour of all the Secured Parties) pursuant to the Pledge Agreement is collectively referred to herein as the ***Security***. The assets over which the Security is created are referred to herein as the ***Collateral***. The Collateral will, amongst other things, provide security for the Issuer's obligation to pay amounts due to the Secured Parties under the Transaction Documents, including amounts payable to:

(a) the Noteholders;

(b) the Security Agent under the Parallel Debt Agreement and Pledge Agreement;

(c) the Servicer under the Servicing Agreement;

(d) the Administrator, the Corporate Services Provider and the Accounting Services Provider under the Administration, Corporate and Accounting Services Agreement;

(e) the Seller under the MLSA;

(f) the Account Bank under the Account Bank Agreement;

(g) the Domiciliary Agent and the Calculation Agent under the Domiciliary Agency Agreement;

(h) the Senior Swap Counterparty under the Senior Swap Agreement;

(i) the Junior Swap Counterparty under the Junior Swap Agreement; and

(j) Sterling Consult BVBA and Stichting Vesta in their capacity as Issuer Directors under the Issuer Management Agreements,

(all such beneficiaries of such security referred to as the ***Secured Parties***), in accordance with the applicable Priority of Payments, but only to the extent that such amounts have been properly and specifically allocated to Compartment Penates-4.

2.4 The Noteholders will be entitled to the benefit of the Pledge Agreement and the Parallel Debt Agreement and by subscribing for or otherwise acquiring the Notes, the Noteholders shall be deemed to have knowledge of, accept and be bound by, the terms and conditions set out therein, including the appointment of the Security Agent to hold the Security and to exercise the rights arising under the Pledge Agreement for the benefit of the Noteholders and the other Secured Parties.

2.5 The Pledge Agreement also contains provisions regulating the priority of the application of amounts forming part of the Security among the persons entitled thereto.

Pre-enforcement Interest Priority of Payments

2.6 On each Monthly Calculation Date, the Administrator shall calculate the amount of interest funds which will be available to the Issuer in the Transaction Account on the following Monthly Payment Date. The interest funds available shall be calculated by reference to the interest receipts received in respect of any relevant Monthly Payment Date, as from the period from (and including) the sixth (6^{th}) calendar day of the month in which the immediately preceding Monthly Payment Date fell to (but excluding) the sixth (6^{th}) calendar day of the month in which such relevant Monthly Payment Date falls, which shall be the ***Monthly Collection Period*** except for the first Monthly Collection Period which shall be the period from (and including) 19 December 2011 to (but excluding) 6 February 2012. Such interest funds (the ***Monthly Interest Available Amount***) shall be the sum of the following:

(a) any interest received by the Issuer on the Loans;

(b) any Prepayment Penalties and default interest under the Loans;

(c) the aggregate amount of any amounts received:

(i) in respect of a repurchase by the Seller under the MLSA; and

(ii) in respect of any other amounts received by the Issuer under the MLSA in connection with the Loans;

in each case, to the extent such amounts do not relate to principal amounts or amounts received in respect of any Defaulted Loan (including the Recoveries);

(d) any amounts (as indemnity for losses of scheduled interest on the Loans as a result of Commingling Risk and/or Set-Off Risk, or amounts for Liquidity Shortfall Risk) to be received and transferred from the Deposit Account to the Transaction Account in accordance with clause 5.3 of the MLSA; and

(e) any amounts to be applied from the Reserve Fund (to the extent available) on the immediately following Monthly Payment Date to cover any shortfalls that would otherwise exist on items (i) to (vii)(inclusive) of the Monthly Interest Priority of Payments (which are to be transferred to the Transaction Account),

minus

funds deducted from the Transaction Account during the applicable Monthly Collection Account in accordance with Condition 2.10.

2.7 On each Monthly Payment Date prior to the issuance of an Enforcement Notice, the Administrator, on behalf of the Issuer, shall apply the Monthly Interest Available Amount in making the following payments or provisions, in the following order of priority (in each case, only if, and to the extent that the Transaction Account would not be overdrawn, and to the extent that payments or provisions of a higher order or priority have been made in full, and to the extent that such liabilities are due by and recoverable against the Issuer) (the ***Monthly Interest Priority of Payments***):

(i) *first*, in or towards satisfaction of all amounts due and payable to the Security Agent;

(ii) *second*, in or towards satisfaction of all amounts due and payable to the Administrator acting in that capacity;

(iii) *third*, in or towards satisfaction of, *pari passu* and *pro rata*, of:

(A) all amounts due and payable to the Servicer; and

(B) all amounts due and payable to the Corporate Services Provider and the Accounting Services Provider; and

(C) all amounts due and payable to the directors of the Issuer, if any;

(iv) *fourth*, in or towards satisfaction of, *pari passu* and *pro rata*, of:

(A) all amounts due and payable to the National Bank of Belgium in relation to the use of X/N Clearing System;

(B) all amounts due and payable to the FSMA;

(C) all amounts due and payable to Euronext Brussels;

(D) all amounts due and payable to the CFI (*Controledienst voor Financiële Informatie / Service de Contrôle de l'Information Financière*);

(E) all amounts due and payable to the Auditor;

(F) all amounts due and payable to the *Fonds voor bestrijding van de overmatige schuldenlast; / Fonds de Traitement du Surendettement*;

(G) all amounts due and payable to the Rating Agencies;

(H) all amounts due and payable to the Account Bank;

(I) all amounts due and payable to the Domiciliary Agent;

(J) all other amounts due and payable to third parties for any payment of the Issuer's liability, if any, for taxes; and

(K) on the first Monthly Payment Date only of each accounting year (and for the first time, on the Monthly Payment Date immediately succeeding the distribution of dividend in 2012), funding the Dividend Reserve;

(v) *fifth*, in or towards satisfaction of, pari passu and pro rata, of all amounts that the Administrator certifies are due and payable by the Issuer to third parties (other than any Secured Parties) that are not yet included in item (iv) above, in the normal course of its business conducted in accordance with its by-laws and the Transaction Documents;

(vi) *sixth*, in or towards reservation in the Transaction Account of an amount equal to the Guaranteed Excess Margin for the relevant Monthly Payment Date;

(vii) *seventh*, in or towards satisfaction of all amounts due and payable to the Senior Swap Counterparty (other than any Excess Swap Collateral or any Senior Swap Replacement Premium which will be paid directly and only to the Senior Swap Counterparty under the terms of the Senior Swap Agreement); and

(viii) *eighth*, as long as a Junior Swap Agreement is entered into, in or towards satisfaction of all amounts due and payable to the Junior Swap Counterparty (other than any Junior Swap Replacement Premium which will be paid directly and only to the Junior Swap Counterparty under the terms of the Junior Swap Agreement).

If on any Monthly Payment Date prior to repayment in full of the principal of the Collateralized Notes, the Junior Swap Agreement has been terminated prior to and no replacement agreement is entered into with a new Junior Swap Counterparty, the Monthly Interest Available Amount remaining after satisfaction of items (i) to (vii)(including) of the Monthly Interest Priority of Payments, will remain in the Transaction Account and be included in the Notes Interest Available Amount on the immediately following Quarterly Payment Date (the ***Remaining Monthly Interest Amount***)

2.8 On each Quarterly Calculation Date, the Administrator shall calculate the amount of interest funds which will be available to the Issuer in the Transaction Account by reference to the applicable Quarterly Collection Period, which are to be applied on the immediately succeeding Quarterly Payment Date. Such interest funds (the ***Notes Interest Available Amount***) shall be the sum of the following:

(a) any amounts to be received from the Senior Swap Counterparty under the Senior Swap Agreement on the immediately following Quarterly Payment Date (other than any Excess Swap Collateral or any Senior Swap Replacement Premium which will be paid directly and only to the Senior Swap Counterparty under the terms of the Senior Swap Agreement);

(b) any amounts to be received from the Junior Swap Counterparty under the Junior Swap Agreement on the immediately following Quarterly Payment Date (other than any Junior Swap Replacement Premium which will be paid directly and only to the Junior Swap Counterparty under the terms of the Junior Swap Agreement), or, any Remaining Monthly Interest Amount on such Quarterly Payment Date and/or any of the two immediately preceding Monthly Payment Dates;

(c) any interest accrued on sums standing to the credit of the Issuer Accounts (other than the Share Capital Account, the Swap Collateral Account and the Deposit Account);

(d) any amounts to be applied from the Reserve Fund (to the extent available) on the immediately following Quarterly Payment Date to cover any shortfalls that would otherwise exist on item (i) of the Notes Interest Priority of Payments as long as the Class A Notes have not been redeemed in full and on items (i) to (vi) (inclusive) of the Notes Interest Priority of Payments if the Class A Notes have been redeemed in full (which are to be transferred to the Transaction Account);

(e) any amounts received in respect of any Defaulted Loan including Recoveries;

(f) any remaining amount (other than (i) an amount included in the Monthly Interest Available Amount or the Principal Available Amount, (ii) amounts received in respect of the new running Quarterly Collection Period and (iii) amounts of retained interest for non-Eligible Holders) standing to the credit of the Transaction Account;

(g) any amount standing to the credit of the Reserve Fund in excess of the Reserve Fund Required Amount;

(h) the Guaranteed Excess Margin reserved in the Transaction Account on the two (2) previous Monthly Payment Dates and to be reserved (in accordance with the Monthly Interest Priority of Payments on such date) on the immediately succeeding Quarterly Payment Date (or, in respect of the first Quarterly Calculation Date, the Guaranteed Excess Margin reserved in the Transaction Account on the three (3) previous Monthly Payment Dates and to be reserved on the first Quarterly Payment Date);

(i) any amounts to cover for Liquidity Shortfall Risk, to be received and transferred from the Deposit Account to the Transaction Account in accordance with clause 5.3 of the MLSA;

(j) as long as any Class A Notes are outstanding, the Principal Available Amount that may be used to fund a Class A Interest Shortfall and any other amount as referred to in item (i) of the Notes Interest Priority of Payments in accordance with the Principal Priority of Payments, to the extent that the sum of items (a) to (i) (inclusive) above is not sufficient to cover item (i) of the Notes Interest Priority of Payment; and

(k) if, and to the extent the Class C Notes have been fully redeemed, any amount as referred to in item (v) of the Principal Priority of Payments.

Recoveries means any amounts received in respect of Defaulted Loans in respect of which the Servicer has decided to suspend or to abandon any further enforcement action.

2.9 On each Quarterly Payment Date prior to the issuance of an Enforcement Notice, the Administrator, on behalf of the Issuer, shall apply the Notes Interest Available Amount in making the following payments or provisions, in the following order of priority (in each case, only if, and to the extent that the Transaction Account would not be overdrawn, and to the extent that payments or provisions of a higher order or priority have been made in full, and to the extent that such liabilities are due by and recoverable against the Issuer) (the ***Notes Interest Priority of Payments***):

(i) *first*, in or towards satisfaction of, *pari passu* and *pro rata:*

(A) all amounts of Accrued Interest due in respect of the Class A Notes; and

(B) all Senior Swap Termination Amounts (other than the Senior Subordinated Swap Amounts);

(ii) *second*, in or towards satisfaction of all amounts required to replenish the Risk Mitigation Deposit Amount for funds used with respect to Liquidity Shortfall Risk;

(iii) *third*, as long as the Class A Notes have not been redeemed in full, in or towards satisfaction of all amounts required to replenish (as the case may be) the Reserve Fund up to the Reserve Fund Required Amount;

(iv) *fourth*, in or towards satisfaction of all amounts debited to the Class A Principal Deficiency Ledger, until any debit balance on the Class A Principal Deficiency Ledger is reduced to zero;

(v) *fifth*, in or towards satisfaction of all amounts debited to the Class B Principal Deficiency Ledger, until any debit balance on the Class B Principal Deficiency Ledger is reduced to zero;

(vi) *sixth*, in or towards satisfaction of, *pari passu* and *pro rata*,

(A) all amounts of Accrued Interest in respect of the Class B Notes;

(B) all amounts debited to the Class B Interest Deficiency Ledger, until any debit balance on the Class B Interest Deficiency Ledger is reduced to zero;

(C) all Junior Swap Termination Amounts (other than the Junior Subordinated Swap Amounts);

(vii) *seventh*, as soon as the Class A Notes have been redeemed in full, in or towards satisfaction of all amounts required to replenish (as the case may be) the Reserve Fund up to the Reserve Fund Required Amount

(viii) *eighth*, in or towards satisfaction of all amounts debited to the Class C Principal Deficiency Ledger, until any debit balance on the Class C Principal Deficiency Ledger is reduced to zero;

(ix) *ninth*, in or towards satisfaction of, *pari passu* and *pro rata*,

(A) all amounts of Accrued Interest in respect of the Class C Notes;

(B) all amounts debited to the Class C Interest Deficiency Ledger, until any debit balance on the Class C Interest Deficiency Ledger is reduced to zero;

(x) *tenth*, in or towards satisfaction of, *pari passu* and *pro rata*, all amounts of Accrued Interest in respect of the Class D Notes;

(xi) *eleventh*, in or towards satisfaction of all amounts debited to the Class D Interest Deficiency Ledger, until any debit balance on the Class D Interest Deficiency Ledger is reduced to zero;

(xii) *twelfth*, in or towards satisfaction of, *pari passu* and *pro rata*, amounts of principal due and unpaid in respect of the Class D Notes, in accordance with Condition 5.3;

(xiii) *thirteenth*, in or towards satisfaction of all Senior Subordinated Swap Amounts due or overdue to the Senior Swap Counterparty;

(xiv) *fourteenth*, in or towards satisfaction of all Junior Subordinated Swap Amounts due or overdue to the Junior Swap Counterparty; and

(xv) *fifteenth*, in or towards satisfaction of the Deferred Purchase Price then due and payable to the Seller.

Payments During Any Interest Period

2.10 Provided no Enforcement Notice has been given, amounts due and payable by the Issuer in respect of:

(a) obligations incurred under the Issuer's business to third parties (except as already provided for under the Transactions Documents); and

(b) payments to the Servicer of any amount previously credited to the Issuer Accounts in error;

may be paid by the Issuer on a date that is not a Payment Date provided there are sufficient funds available in the Transaction Account or (solely for the purposes of (a) above) can be drawn from the Reserve Fund.

2.11 Dividends may be paid annually out of Dividend Reserve held in the Share Capital Account and interest accrued thereon.

Dividend Reserve means an amount of distributable profit of no more than EUR 9,300 for distribution to the shareholders annually and which shall be reserved by the Issuer as from the first Monthly Payment Date of each accounting year (and for the first time, on the first Monthly Payment Date in 2012) on the basis of the following formula:

A x B

whereby

A = the aggregate of the Current Balances of all the Loans held by Compartment Penates-4 on the first calendar day of such accounting year divided by the aggregate of the Current Balances of the aggregate of all Loans held by all compartments on the first calendar day of such accounting year of Penates Funding N.V. / S.A., *Institutionele vennootschap voor belegging in schuldvorderingen naar Belgisch recht / société d'investissement en créances institutionnelle de droit belge*; and

B = EUR 9,300.

Share Capital Account means the bank account by the Issuer in which (i) the share capital portion allocated to Compartment Penates-4, (ii) the Dividend Reserve and (iii) the interest accrued on the Share Capital Account, are held.

Pre-enforcement Principal Priority of Payments

2.12 On each Quarterly Calculation Date, the Administrator will calculate the amount of the principal funds which will be available to the Issuer in the Transaction Account on the following Quarterly Payment Date to satisfy its obligations under the Notes. The principal funds available shall be calculated by reference to the principal receipts received in respect of any relevant Quarterly Payment Date, as from the period from (and including) the sixth (6^{th}) calendar day of the month in which the immediately preceding Quarterly Payment Date fell to (but excluding) the sixth (6^{th}) calendar day of the month in which such relevant Quarterly Payment Date falls, which shall be the ***Quarterly Collection Period*** except for the first Quarterly Collection Period which shall be the period from (and including) 19 December 2011 to (but excluding) 6 May 2012. Such principal funds (the ***Principal Available Amount***) shall be the sum of the following:

(a) the aggregate amount of any repayment and prepayment of principal amounts from any person, whether by set-off or otherwise (but excluding Prepayment Penalties, if any);

(b) the aggregate amount of any amounts received:

(i) in respect of a repurchase of Loans by the Seller under the MLSA; and

(ii) in respect of any other amounts received by the Issuer under the MLSA in connection with the Loans;

in each case, to the extent such amounts relate to principal amounts and do not relate to amounts received in respect of any Defaulted Loan including Recoveries;

(c) any amounts to be credited to the Principal Deficiency Ledgers on the immediately following Quarterly Payment Date pursuant to items (iv), (v) and (viii) of the Notes Interest Priority of Payments;

(d) any Principal Available Amount calculated on the immediately preceding Quarterly Calculation Date which has not been applied towards satisfaction of the items set forth in the Principal Priority of Payments on the immediately preceding Quarterly Payment Date;

(e) any amounts to be received (as indemnity for losses of scheduled principal on the Loans as a result of Commingling Risk and/or Set-Off Risk) from the Risk Mitigation Deposit in accordance with clause 5.3 of the MLSA, which are to be transferred from the Deposit Account to the Transaction Account; and

(f) in respect of the first (1^{st}) Quarterly Payment Date, the difference between the Principal Amount Outstanding of the Collateralized Notes on the Closing Date and the Current Balances of all Loans on the Closing Date.

2.13 Prior to the issuance of an Enforcement Notice, the Issuer shall, on each Quarterly Payment Date, apply the Principal Available Amount (if any) in making the following payments or provisions, in the following order of priority (in each case, only if, and to the extent that the Transaction Account would not be overdrawn, and to the extent that payments or provisions of a higher order or priority have been made in full, and to the extent that such liabilities are due by and recoverable against the Issuer) (the ***Principal Priority of Payments***):

(i) for so long as any Class A Notes are outstanding, *first*, in or towards funding, *pari passu* and *pro rata*, any Class A Interest Shortfall and any shortfall to pay Senior Swap Termination Amounts (other than Senior Subordinated Swap Amounts) which have become due during the relevant Interest Period in accordance with the Notes Interest Priority of Payments;

(ii) *second*, in redeeming, *pari passu* and *pro rata*, all principal amounts outstanding in respect of the Class A Notes until all of the Class A Notes have been redeemed in full;

(iii) *third*, in redeeming, *pari passu* and *pro rata*, all principal amounts outstanding in respect of the Class B Notes until all of the Class B Notes have been redeemed in full;

(iv) *fourth*, in redeeming, *pari passu* and *pro rata*, all principal amounts outstanding in respect of the Class C Notes until all of the Class C Notes have been redeemed in full; and

(v) *fifth*, if, and to the extent the Class C Notes have been fully redeemed, any remaining amount will be added to the Notes Interest Available Amount.

Redemption of Class D Notes from Notes Interest Available Amount only

2.14 Principal Available Amount shall not be used to redeem the Class D Notes. Amounts due and payable under the Class D Notes shall be paid from the Notes Interest Available Amount under item (x) to (xii) of the Notes Interest Priority of Payments in accordance with Condition 5.3.

Post-enforcement Priority of Payments

2.15 Following the issue of an Enforcement Notice, all monies standing to the credit of the Issuer Accounts and received by the Issuer (or the Security Agent or the Administrator) will be applied in the following priority (the ***Post-enforcement Priority of Payments*** and, together with the Monthly Interest Priority of Payments, the Notes Interest Priority of Payments and the Principal Priority of Payments, the ***Priority of Payments***) (if and to the extent that payments or provisions of a higher order have been made and to the extent that such liabilities are due by and recoverable against the Issuer):

(i) *first*, in or towards satisfaction of all amounts due and payable to any receiver or agent appointed by the Security Agent for the enforcement of the security and any costs, charges, liabilities and expenses incurred by such receiver or agent;

(ii) *second*, in or towards satisfaction of all amounts due and payable to the Security Agent;

(iii) *third*, in or towards all amounts due to the Administrator acting in that capacity;

(iv) *fourth*, in or towards satisfaction of *pari passu* and *pro rata*:

(A) all amounts due and payable to the Servicer; and

(B) all amounts due and payable to the Corporate Services Provider and the Accounting Services Provider; and

(C) all amounts due and payable to the directors of the Issuer, if any;

(v) *fifth*, in or towards satisfaction of *pari passu* and *pro rata*:

(A) all amounts due and payable to the National Bank of Belgium in relation to the use of X/N Clearing System;

(B) all amounts due and payable to the FSMA;

(C) all amounts due and payable to Euronext Brussels;

(D) all amounts due and payable to the CFI (*Controledienst voor Financiële Informatie/Service de Contrôle de l'Information Financière*);

(E) all amounts due and payable to the Auditor;

(F) all amounts due and payable to the *Fonds voor bestrijding van de overmatige schuldenlast/ Fonds de Traitement du Surendettement*;

(G) all amounts due and payable to the Rating Agencies;

(H) all amounts due and payable to the Account Bank;

(I) all amounts due and payable to the Domiciliary Agent; and

(J) all other amounts due and payable to third parties for any payment of the Issuer's liability, if any, for taxes;

(vi) *sixth*, in or towards satisfaction of, pari passu and pro rata, all amounts that the Administrator certifies are due and payable by the Issuer to third parties (other than any Secured Parties) that are not yet included in item (v) above in the normal course of its business conducted in accordance with its by-laws and the Transaction Documents;

(vii) seventh, in or towards satisfaction of, *pari passu* and *pro rata*, (a) all amounts of interest due or overdue in respect of the Class A Notes and (b) all amounts due or overdue to the Senior Swap Counterparty (other than the Senior Subordinated Swap Amounts);

(viii) *eighth*, in or towards redemption of, *pari passu* and *pro rata*, all amounts of principal outstanding in respect of the Class A Notes until redeemed in full;

(ix) *ninth*, in or towards satisfaction of, *pari passu* and *pro rata*, (a) all amounts of interest due or overdue in respect of the Class B Notes and (b) all amounts due or overdue to the Junior Swap Counterparty (other than the Junior Subordinated Swap Amounts);

(x) *tenth*, in or towards redemption of, *pari passu* and *pro rata*, all amounts of principal outstanding in respect of the Class B Notes until redeemed in full;

(xi) *eleventh*, in or towards satisfaction of, *pari passu* and *pro rata,* all interest due in respect of the Class C Notes;

(xii) *twelfth*, in or towards satisfaction of, *pari passu* and *pro rata,* all principal due in respect of the Class C Notes

(xiii) *thirteenth*, in or towards satisfaction of, *pari passu* and *pro rata*, all interest and principal due in respect of the Class D Notes

(xiv) *fourteenth*, in or towards satisfaction of all Senior Subordinated Swap Amounts due or overdue to the Senior Swap Counterparty;

(xv) *fifteenth*, in or towards satisfaction of all Junior Subordinated Swap Amounts due or overdue to the Junior Swap Counterparty;

(xvi) *sixteenth*, in or towards reservation of an amount available for repayment to the shareholders of the Issuer up to the initial capital contribution allocated to Compartment Penates-4 (EUR 1,000);

(xvii) *seventeenth*, in or towards satisfaction of the Deferred Purchase Price then due and payable to the Seller; and

(xviii) *eighteenth*, finally, to pay the surplus (if any) to the Issuer,

it being understood that:

(1) amounts resulting from collateral standing to the credit of the Swap Collateral Account shall only be applied in accordance with the Post-enforcement Priority of Payments to the extent such amounts cover the Senior Swap Counterparty's liability to the Issuer under the Senior Swap Agreement as at the date of termination of the transaction under the Senior Swap Agreement, the remainder of the amount standing to the credit of the Swap Collateral Account shall be released directly to the Senior Swap Counterparty; and

(2) amounts standing to the credit of the Deposit Account shall only be applied in accordance with the Post-enforcement Priority of Payments to the extent such amounts cover for losses incurred by the Issuer of scheduled interest or principal on the Loans as a result of Commingling Risk and/or Set-Off Risk and/or Liquidity Shortfall Risk, the remainder of the amount standing to the credit of the Deposit Account shall be released directly to the Seller.

Calculations in case of Disruption

2.16 If due to an operational or technical failure, the Servicer fails to prepare and distribute the Servicer Report in accordance with the provisions of Servicing Agreement (a ***Disruption***), and no information is available to calculate the exact amount of the Monthly Interest Available Amount, the Notes Interest Available Amount, the Principal Available Amount, the amounts due on the Notes and/or any of the other amounts payable in accordance with the Priority of Payments, the Administrator shall in good faith and in a commercially reasonable manner, having regard to all relevant information at the Administrator's disposal (which for the avoidance of doubt may, but need not, include information set-out in the three most recent Servicer Reports) (a) make an estimate of the Monthly Interest Available Amount, the Notes Interest Available Amount and the Principal Available Amount available on and the amounts due on the Notes and any of the other amounts payable in accordance with the relevant Priority of Payments on the immediately succeeding Monthly Payment Date or Quarterly Payment Date, as the case may be, (b) determine the amount available to it to satisfy such amount (estimated to be) due and payable, and (c) pay such amount estimated due and payable up to the amount available to it at the relevant Monthly Payment Date of Quarterly Payment Date, as the case may be. Any amount overpaid at such time (the ***Disruption Overpaid Amount***) shall be withheld from the payments to be made on the following Monthly Payment Date or Quarterly Payment Date, as the case may be. Any amount underpaid at such time (the ***Disruption Underpaid Amount***) shall be paid on the next succeeding Monthly Payment Date or Quarterly Payment Date, as the case may be.

2.17 Any (i) calculations made in good faith and in a commercially reasonable manner on the basis of such estimates in accordance with the Administration Agreement, (ii) payments made (or not made) under any of the Notes and Transaction Documents in accordance with such calculations; and (iii) reconciliation calculations and Disruption Underpaid Amounts paid (or Disruption Overpaid Amounts not made) as a result of such reconciliation calculations , shall be deemed to be done, made or not made in accordance with the provisions of the applicable Priority of Payments and the Transaction Documents and will in itself not lead to an Event of Default or any other default under any of the Transaction Documents or breach of any triggers included therein (including but not limited to Notification Events).

3. COVENANTS

3.1 Save with the prior written consent of the Security Agent or as otherwise provided in, or envisaged by the Transaction Documents, the Issuer undertakes to the Secured Parties, that so long as any Note remains outstanding, it shall not:

(a) engage in or carry on any business or activity other than the business of purchasing receivables from a third party by using different compartments and to finance such acquisitions by issuing securities or by attracting other forms of funding through such compartments and the related activities described therein and in respect of that business;

(b) in relation to Compartment Penates-4 and the Transaction, engage in any activity or do anything whatsoever except:

(i) own and exercise its rights in respect of the Collateral and its interests therein and perform its obligations in respect of the Collateral;

(ii) preserve and/or exercise and/or enforce any of its rights and perform and observe its obligations under the Transaction Documents;

(iii) to the extent permitted by the terms of any of the Transaction Documents, pay dividends or make other distributions in the manner permitted by applicable law;

(iv) use, invest or dispose of any of its property or assets in the manner provided in or contemplated by the Transaction Documents; and

(v) perform any act incidental to or necessary in connection with (i), (ii), (iii) or (iv) above;

(c) in relation to Compartment Penates-4 and the Transaction, save as permitted by the Transaction Documents, create, incur or suffer to exist any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness;

(d) in relation to Compartment Penates-4 and the Transaction, create or agree to create or permit to exist (or consent to cause or permit in the future upon the occurrence of a contingency or otherwise) any mortgage, charge, pledge, lien or other security interest whatsoever over any of its assets other than as expressly contemplated by the Transaction Documents;

(e) sell, transfer, exchange or otherwise dispose of any part of its property or assets or undertaking, present or future (including any Collateral) in relation to Compartment Penates-4 other than as expressly contemplated by the Transaction Documents;

(f) consolidate or merge with or into any other person or convey or transfer its property or assets substantially or as an entirety to any person, other than as contemplated by the Transaction Documents;

(g) permit the validity or effectiveness of the Pledge Agreement or any other Transaction Document or the priority of the Security to be amended, terminated postponed or discharged, or permit any person whose obligations form part of the Collateral to be released from such obligations;

(h) amend, supplement or otherwise modify its by-laws (*statuten/statuts*) or any provisions of these covenants save to the extent that such modifications are required by law or relate only to other securitisation transactions that do not adversely affect the assets and liabilities of Compartment Penates-4;

(i) have any employees or premises or own shares in or otherwise form or cause to be formed any subsidiary or any company allowing the Issuer to exercise a significant influence on the Administrator;

(j) in relation to Compartment Penates-4 and the Transaction, have an interest in any bank account, other than the Issuer Accounts, unless such account or interest is pledged or charged to the Secured Parties on terms acceptable to the Security Agent;

(k) in relation to Compartment Penates-4 and the Transaction, issue any further Notes or any other type of security;

(l) reallocate any assets from Compartment Penates-4 to any other Compartment;

(m) have an established place of business in any other jurisdiction than Belgium;

(n) enter into transactions which are not at arm's length;

(o) sell, exchange or transfer any property or assets of Compartment Penates-4 to any third party except in accordance with the Transaction Documents;

(p) amend or procure that the Servicer does not amend, any terms of the Loans other than in accordance with the provisions or variations as set out in the Pledge Agreement;

(q) waive or alter any rights it may have with respect to the Transaction Documents or take any action, or fail to take any action, if such action or failure to take action may interfere with the validity, effectiveness or enforcement of any rights under the Transaction Documents with respect to the rights, benefits or obligations of the Security Agent; and

(r) fail to pay any tax which it is required to pay, or fail to defend any action, if such failure to pay or defend may adversely affect the priority or enforceability of the security created by or pursuant to the Pledge Agreement or which would have the direct or indirect effect of causing any amount to be deducted or withheld from any payment in relation to the Notes or the Transaction Documents to which it is a party on account of tax.

3.2 In giving any consent to any of the foregoing, the Security Agent may require the Issuer to make such modifications or additions to the provisions of any of the Transaction Documents or may impose such other conditions or requirements as the Security Agent may deem necessary (in its absolute discretion) in the interest of the Noteholders.

3.3 In determining whether or not to give any proposed consent, the Security Agent shall be able to rely on, and act on any advice or opinion of or any certificate obtained from a valuer, accountant, banker, broker, securities company or other company or adviser (other than the Rating Agencies) whether obtained by itself or the Issuer and it shall not be liable for any loss occasioned by such action, save where such loss is due to its gross negligence, being negligence of such a serious nature that no other prudent security agent would have acted similarly (***Gross Negligence***), wilful misconduct or fraud.

3.4 The Issuer further covenants with the Secured Parties as follows:

(a) at all times to carry on and conduct its affairs in a proper, prudent and efficient manner in accordance with Belgian law;

(b) to give to, and procure that is given to, the Security Agent such information and evidence (and in such form) as the Security Agent shall reasonably require for the purpose of the discharge of the duties, powers, authorities and discretions vested in it under or pursuant to Condition 12 and the Pledge Agreement;

(c) to cause to be prepared and certified by its auditors, in respect of each financial year, accounts in such forms as will comply with the requirements for the time being of Belgian laws and regulations;

(d) at all times to keep proper books of accounts separate from any other person or entity and allow the Security Agent and any person appointed by the Security Agent free access to such books of account at all reasonable times during normal business hours;

(e) forthwith after becoming aware thereof and without waiting for the Security Agent to take any action, to give notice in writing to the Security Agent of the occurrence of any Event of Default or any condition, event or act which with the giving of notice and/or the lapse of time and/or the issue of a certificate would constitute an Event of Default;

(f) at all times to execute all such further documents and do all such acts and things as may be necessary or appropriate at any time or times to give effect to the Transaction Documents;

(g) at all times to comply with and perform all its obligations under or pursuant to the Transaction Documents and to use its best endeavours to procure, so far as it is lawfully able to do so, that the other parties thereto, comply with and perform all their respective obligations thereunder and pursuant thereto and not to terminate any of the Transaction Documents or any right or obligation arising pursuant thereto or make any amendment or modification thereto or agree to waive or authorise any material breach thereof;

(h) at all times to comply with any reasonable direction given by the Security Agent in relation to the Security in accordance with the Pledge Agreement;

(i) upon occurrence of a termination event under the Account Bank Agreement, to use its best endeavours to appoint a substitute account bank within thirty (30) calendar days;

(j) upon resignation of the Domiciliary Agent or upon the revocation of its appointment of the Domiciliary Agent to use its best endeavours to appoint a substitute domiciliary agent within twenty (20) Business Days, in accordance with the provisions of the Domiciliary Agency Agreement;

(k) to promptly exercise and enforce its rights and discretions in relation to the Senior Swap Agreement and the Junior Swap Agreement and in particular those rights to require a transfer, collateralisation, an indemnity or a guarantee in the event of a downgrading of the Senior Swap Counterparty;

(l) at no time to pledge, change or encumber the assets allocated to Compartment Penates-4 otherwise than pursuant to the Pledge Agreement;

(m) at all times to keep separate bank accounts allocated to its separate Compartments;

(n) at all times will clearly identify itself as acting through Compartment Penates-4;

(o) at all times pay its own liabilities with its own funds (other than the moneys received under this Transaction);

(p) at all times to have adequate corporate capital to run its business in accordance with the corporate purpose as set out in its by-laws;

(q) at all times not to commingle its own assets allocated to any of its Compartments with the assets of another Compartment or the assets of any third parties ;

(r) to observe at all times all applicable corporate formalities set out in its by-laws, the UCITS Act, the Belgian Company Code and any other applicable legislation, including any requirement applicable as a consequence of admission of the Class A Notes to Euronext;

(s) to comply in all respects with the specific statutory and regulatory provisions applicable to an *institutionele VBS naar Belgisch recht / SIC institutionnelle de droit belge* and to refrain from all acts which could prejudice the continuation of such status at any time;

(t) it will procure that at all times, in respect of the shares of the Issuer:

(i) the shares of the Issuer will be registered shares;

(ii) the by-laws of the Issuer contain transfer restrictions stating that its shares can only be transferred to Institutional Investors acting for their own account;

(iii) the by-laws of the Issuer provide that the Issuer will refuse the registration (in its share register) of the prospective purchase of shares, if it becomes aware that the prospective purchaser is not an Institutional Investor acting for its own account; and

(iv) the by-laws of the Issuer provide that the Issuer will suspend the payment of dividends in relation to its shares of which it becomes aware that these are held by a person who is not an Institutional Investor acting for its own account;

(u) it will procure that, in respect of the Notes:

(i) the Notes will have the selling and holding restrictions described in Section 18 - Subscription and Sale of the Prospectus;

(ii) the Manager will undertake pursuant to the Subscription Agreement to sell the Notes in the primary sales only to Institutional Investors acting for their own account;

(iii) the Class A Notes and the Class B Notes are issued in dematerialised form and are cleared through the X/N clearing system operated by the National Bank of Belgium;

(iv) the Class C Notes and the Class D Notes are issued in registered form;

(v) the nominal value of each individual Note is EUR 250,000 on the Closing Date;

(vi) in the event that the Issuer becomes aware that Notes are held by investors other than Eligible Holders in breach of the above requirement, the Issuer will suspend interest payments relating to these Notes until such Notes will have been transferred to and are held by Institutional Investors acting for their own account;

(vii) the Conditions of the Notes, the by-laws of the Issuer, the Prospectus and any other document issued by the Issuer in relation to the issue and initial placing of

the Notes will state that the Notes can only be acquired, held by and transferred to Institutional Investors acting for their own account;

(viii) all notices, notifications or other documents issued by the Issuer (or a person acting on its account) and relating to transactions with the Notes or the trading of the Class A Notes on Euronext Brussels will state that the Notes can only be acquired, held by and transferred to Institutional Investors acting for their own account; and

(ix) the Conditions provide that (°) the Class A Notes and the Class B Notes may only be held by persons that are holders of an X-Account with the Clearing System operated by the National Bank of Belgium or (directly or indirectly) with a participant in such system; and (°°) the Class C Notes and the Class D Notes may only be held by a person that certifies to the Issuer that is an Institutional Investor and qualifies for an exemption from Belgian withholding tax on interest payments under the Class C Notes and the Class D Notes and shall comply with any procedural formalities necessary for the Issuer to obtain the authorisation to make a payment to which that holder is entitled without a tax deduction;

(v) to conduct at all times its business in its own name; for the avoidance of doubt, this requirement does not prejudice those provisions under the Transaction Documents which provide that certain transaction parties (including the Administrator, the Servicer and the Account Bank) shall for certain purposes act on behalf of the Issuer;

(w) if it becomes aware of any event which is or may become (with the lapse of time and/or the giving of notice and/or the making of any determination) a Notification Event or an Event of Default under this Agreement, it will without delay inform the Security Agent of such event; and

(x) if it finds or has been informed that a substantial change has occurred in the development of the Loans or the cash flows generated by the Loans or that any particular event has occurred which may materially change the ratings of the Notes, the expected financial results of the Transaction or the expected cash flows, it will without delay inform the Security Agent of such change or event.

3.5 As long as any of the Notes remains outstanding, the Issuer will procure that there will at all times be a provider of administration services and a servicer for the Loans, the relating Loan Security and the Additional Security. The appointment of the Security Agent, the Administrator, the Calculation Agent, the Domiciliary Agent, the Corporate Servicer Provider, the Servicer, the Accounting Services Provider, the Listing Agent, the Account Bank, the Clearing System Operator, the Senior Swap Counterparty or the Junior Swap Counterparty may be terminated only as provided in the Transaction Documents.

4. INTEREST

Period of Accrual

4.1 Each Note bears interest on its Principal Amount Outstanding from (and including) the Closing Date. Interest on each Class of Notes will accrue at an annual rate equal to the Interest Rate (as defined in Condition 4.4) in respect of the Principal Amount Outstanding on the first day of the applicable Interest Period and payable in each case on the Quarterly Payment Date at the end of an Interest Period. Interest shall cease to accrue on any part of the Principal Amount Outstanding of a Note as from (and including) the due date for redemption

of such part unless, payment of the relevant amount of principal is improperly withheld or refused. In such event, interest will continue to accrue thereon in accordance with this Condition (as well after as before any judgment) up to (but excluding) the date on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder, or (if earlier) the seventh (7th) calendar day after notice is duly given by the Domiciliary Agent to the relevant Noteholder (in accordance with Condition 4.4) that it has received all sums due in respect of such Note (except to the extent that there is any subsequent default in payment).

4.2 Whenever it is necessary to compute an amount of interest in respect of any Note for any period (including any Interest Period (as defined in Condition 4.3), such interest shall be calculated on the basis of the actual number of days elapsed in the relevant Interest Period and a 360 day year.

Quarterly Payment Dates and Interest Periods

4.3

(a) Subject to Condition 4.8 (e), interest on a Note is payable quarterly in arrears in Euro in respect of its Principal Amount Outstanding on each day which is the twenty-fifth (25th) calendar day of February, May, August and November in every year (or, if such day is not a Business Day, the immediately succeeding Business Day) (each a ***Quarterly Payment Date***), the first Quarterly Payment Date, being 25 May 2012. The period from (and including) a Quarterly Payment Date (or the Closing Date in respect of the first Interest Period) to (but excluding) the immediately succeeding (or first) Quarterly Payment Date is called an ***Interest Period*** in these Conditions.

(b) ***Business Day*** means a day on which banks are open for business in Brussels and on which the Trans-European Automated Real-Time Gross Settlement Express Transfer Systems (***TARGET System***) or any successor to the TARGET System is operating credit or transfer instructions in respect of payments in Euros.

(c) The first Interest Period will commence on (and include) the Closing Date and will end on (but exclude) the first Quarterly Payment Date.

Interest Rate

4.4 The rate of interest payable from time to time in respect of each Class of Notes (each an ***Interest Rate***) and the relevant Interest Amount (as defined in Condition 4.7 below) will be determined on the basis of the provisions set out below:

Interest on the Notes

(a) Interest applicable to the Notes will accrue at an annual rate equal to the sum of:

(i) Euro Reference Rate determined in accordance with Condition 4.4(b); plus

(ii) a margin (the ***Margin***) on the Notes which will be:

(°) in respect of the Class A Notes: 1.20% per annum;

(°°) in respect of the Class B Notes: 1.85% per annum;

(°°°) in respect of the Class C Notes: 2.30% per annum; and

(°°°°) in respect of the Class D Notes: 2.50% per annum.

Interest on the Notes as from the Step-Up Margin Date

(b) If on the Optional Redemption Date falling in November 2015, (the ***Step-Up Margin Date***), the Issuer has not exercised the Optional Redemption Call, the margin payable on the Class A Notes will increase (***Interest Rate Step-Up***). After the Step-Up Margin Date, interest on the Class A Notes will accrue at an annual rate equal to the sum of:

(i) Euro Reference Rate determined in accordance with Condition 4.4(c); plus

(ii) an increased margin (the ***Step-Up Margin***) on the Class A Notes which will be reset from 1.20% to 2.40% per annum.

Determination of the Euro Reference Rate

(c) The Calculation Agent shall calculate the Euro Reference Rate for each Interest Period and the ***Euro Reference Rate*** shall mean EURIBOR as determined in accordance with the following:

(i) EURIBOR shall mean for any Interest Period the rate per annum equal to the European Interbank Offered Rate for three (3) months euro deposits (except in the case of the first Interest Period in which case it shall be the rate equal to the linear interpolation between the European Interbank Offered Rate for the relevant periods euro deposits) as determined by the Calculation Agent in accordance with this Condition 4.4.

(ii) Two (2) Business Days prior to the Closing Date (in respect of the first Interest Period) and two (2) Business Days prior to each Quarterly Payment Date in respect of the subsequent Interest Periods (each of these days an ***Interest Determination Date***), the Calculation Agent shall determine EURIBOR by using the EURIBOR rate determined and published jointly by the European Banking Federation and ACI — The Financial Market Association and which appears for information purposes on the EURIBOR01 (or, if not available, any other display page on any screen service maintained by any registered information vendor (including, without limitation, the Reuters Monitor Money Rate Service, the Dow Jones Telerate Service and the Bloomberg Service)) for the display of the EURIBOR rate and which shall be selected by the Calculation Agent as at or about 11.00 am (CET time).

(iii) If, on the relevant Interest Determination Date, the EURIBOR rate in paragraph (ii) above, is not determined and published jointly by the European Banking Association and ACI — The Financial Market Association, or if it is not otherwise reasonably practicable to calculate the rate under paragraph (ii) above, the Calculation Agent will:

(A) request the principal euro-zone office of each of four (4) major banks in the euro-zone interbank market (each a ***Euro-Reference Bank*** and together the ***Euro-Reference Banks***) to provide a quotation for the rate at which three (3) months euro deposits (except in the case of the first Interest Period in which case it shall be the rate equal to the linear interpolation between the relevant periods euro deposits) offered by it in the euro-zone interbank market at approximately

11.00 am (CET time) on the relevant Interest Determination Date to prime banks in the Euro-zone interbank market in an amount that is representative for a single transaction at that time;

(B) if at least two (2) quotations are provided, determine the arithmetic mean (rounded, if necessary, to the fifth (5th) decimal place with 0.000005 being rounded upwards) of such quotations as provided; and

(C) if fewer than two (2) such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean (rounded, if necessary to the fifth (5th) decimal place with 0.000005 being rounded upwards) of the rates quoted by major banks, of which there shall be at least two (2) in number, in the euro-zone, selected by the Calculation Agent, at approximately 11.00 am (CET time) on the relevant Interest Determination Date for three months euro deposits (except in the case of the first Interest Period in which case it shall be the rate equal to the linear interpolation between the relevant periods euro deposits) to leading euro-zone banks in an amount that is representative for a single transaction in that market at that time.

(iv) If the Calculation Agent is unable to determine EURIBOR in accordance with this Condition 4.4 in relation to any Interest Period, EURIBOR applicable to the Notes during such Interest Period will be EURIBOR last determined in relation thereto.

(d) There shall be no maximum or minimum Interest Rate in respect of any Class of Notes, the Interest Rate never being in any event less than the Margin on each Note respectively.

Determination and notification of Interest Rates

4.5 The Calculation Agent shall, as soon as practicable after 11.00 a.m. (CET) on each Interest Determination Date, determine and notify the Domiciliary Agent and the Administrator of the Interest Rate applicable to the Interest Period beginning on and including the first succeeding Quarterly Payment Date in respect of the Notes of each Class of Notes.

4.6 If the Calculation Agent does not at any time for any reason determine the Interest Rate for the Notes in accordance with the foregoing paragraphs, the Calculation Agent shall forthwith notify the Administrator, the Account Bank and the Security Agent thereof and the Administrator shall, after consultation with the Security Agent, determine the Interest Rate at such rate as, in its reasonable opinion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all circumstances and any such determination and/or calculation shall be deemed to have been made by the Calculation Agent.

Calculation of Interest Amounts by the Administrator

4.7 The Administrator shall calculate the Euro amount of interest payable on each of relevant Class of Notes for the relevant Interest Period (the ***Interest Amount***) and shall notify the Interest Amount and the Principal Amount Outstanding in respect of each Note to the Domiciliary Agent by no later than 11:00 am (CET) on the Quarterly Calculation Date.

4.8 **Calculation of Interest Amounts**

(a) The Interest Amount for the Class A Notes will be equal to the Accrued Interest for the Class A Notes;

(b) the Interest Amount for the Class B Notes will be equal to:

(i) the Accrued Interest for the Class B Notes;

(ii) (A) *plus* the Class B Interest Surplus and (B) *minus* the Class B Interest Deficiency, in accordance with Condition 4.14.

(c) the Interest Amount for the Class C Notes will be equal to:

(i) Accrued Interest of the Class C Notes;

(ii) (A) *plus* the Class C Interest Surplus and (B) *minus* the Class C Interest Deficiency, in accordance with Condition 4.15;

(d) the Interest Amount for the Class D Notes will be equal to:

(i) Accrued Interest of the Class D Notes;

(ii) (A) *plus* the Class D Interest Surplus and (B) *minus* the Class D Interest Deficiency, in accordance with Condition 4.16.

(e) With respect to the payment of Interest Amounts on the Notes, for rounding purposes only, the Interest Amounts due and payable to the Notes will be calculated:

(i) for the purpose of providing the Clearing System or the Domiciliary Agent with the necessary funds for the payment of the Interest Amounts on a Quarterly Payment Date to the Noteholders, by multiplying the Interest Amount for a Note of the relevant Class of Notes with the aggregate number of all Notes of such Class of Notes and rounding the resultant figure to the nearest Euro cent (half a Euro cent being rounded upwards); and

(ii) in the event of the payment of the Interest Amounts on a Quarterly Payment Date by the Clearing System or the Domiciliary Agent, by multiplying the Interest Amount for a Note of a particular Class of Notes with the aggregate number of all Notes of such Class of Notes and rounding the resultant figure down to the lower Euro cent.

Accrued Interest means, in respect of any Quarterly Calculation Date and in respect of any Class of the Notes then outstanding, the amount obtained by applying the relevant Interest Rate to the Principal Amount Outstanding of the relevant Class of the Notes on the first (1st) day of the relevant Interest Period, multiplied by the actual number of days elapsed in the then current Interest Period (or such other period) divided by 360

Publication of Interest Rate, Interest Amount and other Notices

4.9 As soon as practicable after receiving notification thereof and in any event by 11:00 a.m. (CET) on the Quarterly Calculation Date, the Administrator will cause the Interest Rate and the Interest Amount applicable to each Class of Notes for each Interest Period and the Quarterly Payment Date falling at the end of such Interest Period to be notified to the Clearing System Operator, the Issuer, the Administrator, the Servicer, the Security Agent, the Senior

Swap Counterparty, the Junior Swap Counterparty, the Domiciliary Agent and will cause notice thereof to be given to the relevant Class of Noteholders. The Interest Rate, the Interest Amount and the Quarterly Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the Interest Period or of a manifest error.

Notifications to be final

4.10 All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition, whether by the Euro-Reference Banks (or any of them), the Calculation Agent, the Administrator or the Security Agent shall (in the absence of wilful misconduct, bad faith or manifest error) be binding on the Issuer, the Euro-Reference Banks, the Calculation Agent, the Security Agent and all Noteholders and (in such absence as aforesaid) no liability to the Noteholders shall attach to the Issuer, the Euro-Reference Banks, the Calculation Agent, the Swap Counterparty, the Administrator or the Security Agent in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

Reference Banks and Calculation Agent

4.11 The Issuer will procure that, as long as any of Notes remain outstanding, there will at all times be a Calculation Agent. The Issuer has, subject to prior written consent of the Security Agent, the right to terminate the appointment of the Calculation Agent by giving at least ninety (90) calendar days' notice in writing to that effect. Notice of any such termination will be given to the holders of the Notes in accordance with Condition 14. If any person shall be unable or unwilling to continue to act as a Euro-Reference Bank, or the Calculation Agent (as the case may be) or if the appointment of any Euro-Reference Bank or the Calculation Agent shall be terminated, the Issuer will, with the prior written consent of the Security Agent, appoint a successor Euro-Reference Bank or Calculation Agent (as the case may be) to act in its place, provided that neither the resignation nor removal of the Calculation Agent shall take effect until a successor approved in writing by the Security Agent has been appointed.

Payments subject to Priority of Payments

4.12 All payments of interest and principal in respect of the Notes are subject to the applicable Priority of Payments and all other fiscal laws and regulations applicable in the place of payment.

Class A Interest Shortfall

4.13 Subject to Condition 9, it shall be an Event of Default under the Class A Notes if on any Quarterly Payment Date, the Interest Amounts then due and payable under and in respect of the Class A Notes have not been paid in full. On any Quarterly Payment Date, amounts may be paid from the Principal Available Amount and added to the Notes Interest Available Amount to the extent there would otherwise be a shortfall in the payment of the Class A Interest Amount.

Class B Interest Roll-Over

4.14 To the extent that on any Quarterly Payment Date, the amount of Notes Interest Available Amount is not sufficient to pay the Accrued Interest in respect of all Class B Notes, the amount of such shortfall (the ***Class B Interest Deficiency***) shall be recorded in the Class B interest deficiency ledger (the ***Class B Interest Deficiency Ledger***). The balance of the Class

B Interest Deficiency Ledger existing on any Quarterly Calculation Date shall be aggregated with the Accrued Interest otherwise due on the Class B Notes on the next succeeding Quarterly Payment Date (in accordance with Condition 4.8) to the extent sufficient Notes Interest Available Amount is available on such date (the amount of Notes Interest Available Amount, if any, which is available on the next succeeding Quarterly Payment Date after payment of the Accrued Interest on the Class B Notes, in accordance with the Notes Interest Priority of Payments, to reduce the balance of the Class B Interest Deficiency Ledger, the ***Class B Interest Surplus***) and such Class B Interest Surplus will be paid under the Class B Notes and recorded on the Class B Interest Deficiency Ledger to reduce any debit balance on it (if any).

Class C Interest Roll-Over

4.15 To the extent that on any Quarterly Payment Date, the amount of Notes Interest Available Amount is not sufficient to pay the Accrued Interest in respect of all Class C Notes, the amount of such shortfall (the ***Class C Interest Deficiency***) shall be recorded in the Class C interest deficiency ledger (the ***Class C Interest Deficiency Ledger***). The balance of the Class C Interest Deficiency Ledger existing on any Quarterly Calculation Date shall be aggregated with the Accrued Interest otherwise due on the Class C Notes on the next succeeding Quarterly Payment Date (in accordance with Condition 4.8) to the extent sufficient Notes Interest Available Amount is available on such date (the amount of Notes Interest Available Amount, if any, which is available on the next succeeding Quarterly Payment Date after payment of the Accrued Interest on the Class C Notes, in accordance with the Notes Interest Priority of Payments, to reduce the balance of the Class C Interest Deficiency Ledger, the ***Class C Interest Surplus***) and such Class C Interest Surplus will be paid under the Class C Notes and recorded on the Class C Interest Deficiency Ledger to reduce any debit balance on it (if any).

Class D Interest Roll-Over

4.16 To the extent that on any Quarterly Payment Date, the amount of Notes Interest Available Amount is not sufficient to pay the Accrued Interest in respect of all Class D Notes, the amount of such shortfall (the ***Class D Interest Deficiency***) shall be recorded in the Class D interest deficiency ledger (the ***Class D Interest Deficiency Ledger***). The balance of the Class D Interest Deficiency Ledger existing on any Quarterly Calculation Date shall be aggregated with the Accrued Interest otherwise due on the Class D Notes on the next succeeding Quarterly Payment Date (in accordance with Condition 4.8) to the extent sufficient Notes Interest Available Amount is available on such date (the amount of Notes Interest Available Amount, if any, which is available on the next succeeding Quarterly Payment Date after payment of the Accrued Interest on the Class D Notes, in accordance with the Notes Interest Priority of Payments, to reduce the balance of the Class D Interest Deficiency Ledger, the ***Class D Interest Surplus***) and such Class D Interest Surplus will be paid under the Class D Notes and recorded on the Class D Interest Deficiency Ledger to reduce any debit balance on it (if any).

Class Interest Deficiency of the relevant Class of Notes means the Class B Interest Deficiency, the Class C Interest Deficiency or the Class D Interest Deficiency, as applicable.

Class Interest Surplus of the relevant Class of Notes means the Class B Interest Surplus, the Class C Interest Surplus or the Class D Interest Surplus, as applicable.

5. REDEMPTION AND CANCELLATION

Final Redemption

5.1 Unless previously redeemed or cancelled as provided in this Condition and subject always to Condition 10 the Issuer shall redeem the Notes at their Principal Amount Outstanding together with the accrued interest thereon on the Quarterly Payment Date falling in November 2045, such date being the ***Final Redemption Date***.

5.2 The Issuer may not redeem Notes in whole or in part prior to the Final Redemption Date except as provided in Conditions 5.3(a), 5.3(b), 5.3(c) and 5.3 (e), but without prejudice to Condition 9.

Mandatory *pro rata* and *pari passu* Redemption in whole or in part

5.3 Subject to and in accordance with the Principal Priority of Payments, the Issuer will be obliged to apply the Principal Available Amount on the Quarterly Payment Date falling on 25 May 2012 and on each Quarterly Payment Date thereafter as set out in this Condition prior to enforcement.

(a) The Class A Notes shall be subject to mandatory *pari passu* and *pro rata* redemption in whole or in part on each Quarterly Payment Date, if, on the Quarterly Calculation Date relating thereto there is any Principal Available Amount (after funding any shortfall of Notes Interest Available Amount required to pay Accrued Interest on all Class A Notes and any other amount as referred to in item (i) of the Notes Interest.

(b) If there are no Class A Notes outstanding, the Class B Notes shall be subject to mandatory *pari passu* and *pro rata* redemption in part on each Quarterly Payment Date (including the Quarterly Payment Date on which the Class A Notes are redeemed in full) if on the Quarterly Calculation Date relating thereto there is any Principal Available Amount (after providing for all payments to be made in respect of the redemption of the Class A Notes).

(c) If there are no Class B Notes outstanding, the Class C Notes shall be subject to mandatory *pari passu* and *pro rata* redemption in part on each Quarterly Payment Date (including the Quarterly Payment Date on which the Class B Notes are redeemed in full) if on the Quarterly Calculation Date relating thereto there is any Principal Available Amount (after providing for all payments to be made in respect of the redemption of the Class B Notes).

(d) The principal amount so redeemable in respect of a Collateralized Note on any Quarterly Payment Date shall be (i) the amount (if any) of Principal Available Amount that can be applied in redemption of Notes of the relevant Class subject to the appropriate priority of payments on the applicable Quarterly Calculation Date, divided by (ii) the number of Notes of that Class then outstanding (rounded down to the nearest Euro cent);

(e) The Class D Notes shall be subject to mandatory *pari passu* and *pro rata* redemption in whole or in part on each Quarterly Payment Date for an amount up to the Class D Redemption Amount to the extent that on the Quarterly Calculation Date relating thereto there is sufficient Notes Interest Available Amount available for such purpose after providing for all payments to be made that rank in priority, subject to and in accordance with the Notes Interest Priority of Payments set out in Condition 2.

(f) The principal amount so redeemable on any Quarterly Payment Date in respect of a Class D Note shall be (i) an amount which is equal to the lower of (x) the amount (if any) of the Notes Interest Available Amount available to the Issuer after satisfaction of the amounts due in respect of all items with a higher priority of payment listed at (i) to (xi) (inclusive) of the Notes Interest Priority of Payments, as set out in Condition 2, (the ***Excess Cash*****)** (rounded down to the nearest Euro cent) and (y) the Class D Redemption Amount, divided by (ii) the number of Class D Notes then outstanding (rounded down to the nearest Euro cent).

(g) ***Class D Redemption Amount*** means, in respect of any Quarterly Calculation Date, an amount equal to the positive difference between the Principal Outstanding Amount of the Class D Notes on such date and the Reserve Fund Required Amount for such date.

5.4 Following the making of a payment of a principal amount in respect of a Note, the Principal Amount Outstanding of the relevant Note shall be reduced accordingly.

The Reserve Fund

5.5 If on any Quarterly Calculation Date, the Collateralized Notes have been redeemed in full and all other obligations in respect of the Collateralized Notes have been satisfied on the Quarterly Payment Date immediately before such Calculation Date, all amounts standing to the credit of the Reserve Fund may be released and thus the Reserve Fund Required Amount will be reduced to zero, save for any amounts reasonably determined by the Administrator. In such circumstances, all amounts standing to the credit of the Reserve Fund will thereafter be credited to and form part of the Notes Interest Available Amount and will be available towards the satisfaction of the Issuer's obligations under the Notes Interest Priority of Payments.

Excess Funds in the Reserve Fund

5.6 If the balance standing to the credit of the Reserve Fund on any Quarterly Calculation Date (following any credits of excess Notes Interest Available Amount in the circumstances described in the next paragraph), exceeds the Reserve Fund Required Amount, such excess amount shall be drawn from the Reserve Fund on the next following Quarterly Payment Date and be credited to the Transaction Account, and form part of the Notes Interest Available Amount, to be applied in accordance with the Notes Interest Priority of Payments.

5.7 The Reserve Fund Required Amount shall:

(a) be equal to zero, on the date on which the Collateralized Notes stand to be redeemed in full;

(b) on each Quarterly Calculation Date, for so long as:

(i) the aggregate Current Balance of all Delinquent Loans (but for the avoidance of doubt excluding Defaulted Loans), as of the end of the relevant Quarterly Collection Period, does not exceed 2.5% of the Current Portfolio Amount (as of the end of the Quarterly Collection Period and including for the avoidance of doubt all Delinquent and Defaulted Loans); and

(ii) the sum of the Current Balances of all Defaulted Loans since the Closing Date until the end of the relevant Quarterly Collection Period does not exceed 2% of the Principal Amount Outstanding of the Collateralized Notes as of Closing Date;

be equal to the higher amount of:

(x) 0.5% of the Principal Amount Outstanding of the Collateralized Notes on the Closing Date; and

(y) the lower of:

(I) 1.30% of the Principal Amount Outstanding of the Collateralized Notes on the Closing Date; and

(II) 2.36% of the Principal Amount Outstanding of the Collateralized Notes on the preceding Quarterly Payment Date; and

(c) otherwise on each future Quarterly Calculation Date until the Final Redemption Date (or such other date upon which the Collateralized Notes are to be redeemed in full) be equal to the Reserve Fund Required Amount as of the preceding Quarterly Calculation Date (for the avoidance of doubt, even if the ratio referred to in (i) above were to drop at a future date below the stated threshold, the Reserved Fund Required Amount will no longer amortise).

In respect of (b) above the Reserve Fund Required Amount may only amortise if and when:

(i) 50% of the Class A Notes have been repaid in principal;

(ii) no amounts are recorded on the Principal Deficiency Ledgers on such Quarterly Calculation Date; and

(iii) the balance standing to the credit of the Reserve Fund on the immediately preceding Monthly Payment Date is equal to or exceeds the Reserve Fund Required Amount.

Calculation of payments of principal

5.8 On each Quarterly Calculation Date, the Administrator shall determine (a) the amount (if any) of any principal amounts due in respect of each Note of each Class on the next Quarterly Payment Date and (b) the Principal Amount Outstanding of each Note of each Class on the next Quarterly Payment Date (after taking account of the amount in (a)) and (c) the fraction expressed as a decimal to the twelfth point (the ***Note Factor***), of which the numerator is the Principal Amount Outstanding of a Note of each Class of Notes (as referred to in (b) above) and the denominator is the Principal Amount Outstanding of a Note of such Class of Notes on the Closing Date). Each determination by or on behalf of the Issuer of any payment of principal, and the Principal Amount Outstanding of each Note of each Class of Notes shall in each case (in the absence of wilful misconduct, bad faith or manifest error) be final and binding on all persons.

5.9 The Administrator on behalf of the Issuer will determine the payment of principal in respect of each Class of Notes, the Note Factor and the Principal Amount Outstanding and shall notify forthwith the Security Agent, the Issuer, the Domiciliary Agent, the Servicer, the Calculation Agent, the Senior Swap Counterparty, the Junior Swap Counterparty and (for so long as the Notes are listed on one or more stock exchanges) the relevant stock exchanges, of each determination of the payment of principal, the Note Factor and the Principal Amounts Outstanding in respect of each Class of Notes in accordance with Condition 14 by no later than 11:00 a.m. (CET time) on that Quarterly Calculation Date.

5.10 If the Issuer does not at any time for any reason determine (or cause the Administrator to determine) a payment of principal or the Principal Amount Outstanding in respect of any Class of Notes in accordance with the preceding provisions of this paragraph, such payment of principal and Principal Amount Outstanding may be determined by the Security Agent in accordance with this paragraph and each such determination or calculation shall be deemed to have been made by the Issuer. Any such determination shall be binding on the Issuer, the Servicer, the Administrator, the Domiciliary Agent and the Calculation Agent.

Optional Redemption Call and Clean-Up Call

Optional Redemption Call

5.11 Upon giving not more than sixty (60) calendar days' notice nor less than thirty (30) calendar days' notice in accordance with Condition 14, the Issuer shall have the right (but not the obligation) to redeem all of the Notes on the Quarterly Payment Date falling in November 2012 (the ***First Optional Redemption Date***), or on any Quarterly Payment Date thereafter (each such date, an ***Optional Redemption Date***).

Clean-Up Call

5.12 Upon giving not more than sixty (60) calendar days' notice nor less than thirty (30) calendar days' notice in accordance with Condition 14, the Issuer shall have the right (but not the obligation) to redeem all of the Notes at their Principal Amount Outstanding on each Quarterly Payment Date if on the Quarterly Calculation Date immediately preceding such Quarterly Payment Date the aggregate Principal Amount Outstanding of the Collateralized Notes is less than 10 per cent of the aggregate Principal Amount Outstanding of the Collateralized Notes on the Closing Date.

Exercise of Optional Redemption Call or Clean-Up Call

5.13 The Optional Redemption Call or Clean-Up Call may be exercised provided in each case that:

(a) prior to giving any such notice, no Enforcement Notice has been served by the Security Agent in respect of any of the Notes;

(b) prior to giving any such notice, the Issuer shall have provided to the Security Agent a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to the interest of any other person, required to discharge all its liabilities in respect of the Collateralized Notes and any amounts required under the Pledge Agreement to be paid in priority to or *pari passu* with the Collateralized Notes in accordance with these Conditions; and

(c) in respect of the Class D Notes, any amount outstanding of principal or interest, shall only be payable by the Issuer to the extent that sufficient funds are available after the liabilities referred to under (b) above have been satisfied (including all costs, fees and expenses ranking in priority to the specified Class D Notes in accordance with the applicable Priority of Payments.)

5.14 The amount of principal and accrued interest payable by the Issuer to the Noteholders upon such redemption pursuant to an Optional Redemption Call or a Clean-Up Call will be equal to the Optional Redemption Amount.

5.15 ***Optional Redemption Amount*** shall, in all cases of early redemption in full of the Notes, be equal to:

(a) in respect of the Collateralized Notes, the aggregate Principal Amount Outstanding of the relevant Class(es) of Notes, *plus* all accrued and unpaid interest thereon up to, but excluding, the date of the redemption; and

(b) In respect of the Class D Notes, the lower of:

(i) the aggregate Principal Amount Outstanding of the Class D Notes, plus all accrued and unpaid interest thereon up to, but excluding, the date of the redemption; and

(ii) the amount of available funds determined in accordance with Condition 5.13(c) above.

5.16 The amounts payable by the Issuer upon such redemption will be calculated by the Administrator. For these purposes, interest will accrue on the Notes up to, but excluding, the date of redemption.

Optional Redemption for Tax Reasons

5.17 The Issuer shall have the right (but not the obligation) to redeem all of the Notes, on any Quarterly Payment Date, on the occurrence of one or more of the following circumstances:

(a) If, on the next Quarterly Payment Date, the Issuer, the Clearing System Operator or the Domiciliary Agent is or would become required to deduct or withhold for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed by the Kingdom of Belgium (or any sub-division thereof or therein) from any payment of principal or interest in respect of Notes of any Class held by or on behalf of any Noteholder who would, but for any amendment to, or change in, the tax laws or regulations of the Kingdom of Belgium (or any sub-division thereof or therein) or of any authority therein or thereof having power to tax or in the interpretation by a revenue authority or a court of, or in the administration of, such laws or regulations after the Closing Date, have been an Eligible Investor; or

(b) If, on the next Payment Date, the Issuer or the Senior Swap Counterparty or the Junior Swap Counterparty would be required to deduct or withhold for or on account of any present or future taxes, duties assessments or governmental charges of whatever nature imposed by the the Kingdom of Belgium (or any sub-division thereof or therein), or any other sovereign authority having the power to tax, any payment under the Swap Agreement; or

(c) If, the total amount payable in respect of a Quarterly Collection Period as interest on any of the Loans ceases to be receivable by the Issuer during such Quarterly Collection Period due to withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature in respect of such payments; or

(d) if, after the Closing Date, the Belgian tax regulations introducing income tax and VAT concessions for Belgian companies for investment in receivables (including the Issuer) (the ***IIR Tax Regulations***) are changed (or their application is changed in a

materially adverse way to the Issuer or in the event that the IIR Tax Regulations would no longer be applicable to the Issuer);

by giving not more than sixty (60) calendar days' nor less than thirty (30) calendar days notice in accordance with Condition 14 provided that:

(i) prior to giving any such notice, no Enforcement Notice has been served by the Security Agent in respect of any of the Notes;

(ii) prior to giving such notice, the Administrator shall have provided to the Security Agent a certificate signed by two directors of the Issuer to the effect that it will have the funds in the Issuer Accounts, not subject to the interest of any other person, required to discharge all its liabilities in respect of the Collateralized Notes and any amounts required under the Pledge Agreement to be paid in priority to or *pari passu* with the Collateralized Notes in accordance with these Conditions;

(iii) the Security Agent is satisfied in its reasonable opinion, following such certification, that the Issuer is able to discharge such liabilities as provided in the Conditions;

(iv) all payments that are due and payable in priority to such Notes have been made; and

(v) no Class of Notes may be redeemed under such circumstances unless the higher ranking Classes of Notes (or such of them as are then outstanding) are also redeemed in full at the same time.

5.18 The amounts payable by the Issuer upon such redemption will be calculated by the Administrator and, for these purposes interest will accrue on the Notes up to but excluding the date of redemption. The amounts payable to the Noteholders shall be equal to the Optional Redemption Amount (as defined in Condition 5.15).

Optional Redemption in case of Change of Law

5.19 In addition, on each Quarterly Payment Date, the Issuer may at its option (but shall not be under any obligation to do so) redeem all of the Notes, if there is a change in, or any amendment to the laws, regulations, decrees or guidelines of the Kingdom of Belgium or of any authority therein or thereof having legislative or regulatory powers or in the interpretation by a relevant authority or a court of, or in the administration of, such laws, regulations, decrees or guidelines after the Closing Date which would or could affect the Issuer or any Class of Notes, as certified by the Security Agent, by giving not more than sixty (60) calendar days' notice nor less than thirty (30) calendar days' notice in accordance with Condition 14, provided that:

(a) prior to giving any such notice, no Enforcement Notice has been served by the Security Agent in respect of any of the Notes;

(b) prior to giving such notice, the Administrator shall have provided to the Security Agent a certificate signed by two directors of the Issuer to the effect that it will have the funds in the Issuer Accounts, not subject to the interest of any other person, required to discharge all its liabilities in respect of the Collateralized Notes and any amounts required under the Pledge Agreement to be paid in priority to or *pari passu* with the Collateralized Notes in accordance with these Conditions;

(c) the Security Agent is satisfied in its reasonable opinion, following such certification, that the Issuer is able to discharge such liabilities as provided in the Conditions; and

(d) no Class of Notes may be redeemed under such circumstances unless the higher ranking Classes of Notes (or such of them as are then outstanding) are also redeemed in full at the same time.

5.20 The amounts payable by the Issuer upon such redemption will be calculated by the Administrator and, for these purposes interest will accrue on the Notes up to but excluding the date of redemption. The amounts payable to the Noteholders shall be equal to the Optional Redemption Amount (as defined in Condition 5.15).

Regulatory Call Option

5.21 On each Quarterly Payment Date, the Issuer has the option to redeem all (but not some only) of the Notes, if the Seller exercises its option to repurchase the Loans from the Issuer upon the occurrence of a change published after the Closing Date (i) in the Basel Capital Accords promulgated by the Basle Committee on Banking Supervision (the ***Basel Accords***) or in the international, European or Belgian regulations, rules and instructions (which includes the solvency regulation of the NBB) (the ***Bank Regulations***) applicable to DBB (including any change in the Bank Regulations enacted for purposes of implementing a change to the Basel Accord) or a change in the manner in which the Basel Accords or such Bank Regulations are interpreted or applied by the Basel Committee on Banking Supervision or by any relevant competent international, European or national body (including the NBB or any relevant international, European or other competent regulatory or supervisory authority) which, in the opinion of DBB, has the effect of adversely affecting the rate of return on capital of DBB or increasing its cost or reducing its benefit with respect to the transaction contemplated by the Notes or (ii) in the eligible collateral framework of the European Central Bank as result of which the Class A Notes no longer qualify as eligible collateral for Eurosystem monetary policy purposes and intra-day credit operations by the Eurosystem (a ***Regulatory Change***), by giving not more than sixty (60) calendar days' notice nor less than thirty (30) calendar days' notice in accordance with Condition 14. The Issuer shall exercise this Regulatory Call Option to the extent that:

(a) prior to giving any such notice, no Enforcement Notice has been served by the Security Agent in respect of any of the Notes;

(b) it will have the funds in the Issuer Accounts, not subject to the interest of any other person, required to discharge all its liabilities in respect of the Collateralized Notes and any amounts required under the Pledge Agreement to be paid in priority to or *pari passu* with the Collateralized Notes in accordance with these Conditions (if this condition is satisfied, prior to giving the notice of exercise of the Regulatory Call Option, the Administrator shall have provided to the Security Agent a certificate signed by two directors of the Issuer to the effect that it will have the necessary funds in the Issuer Accounts as set out in this paragraph);

(c) the Security Agent is satisfied in its reasonable opinion, following such certification, that the Issuer is able to discharge such liabilities as provided in the Conditions; and

and taking into account that no Class of Notes may be redeemed under such circumstances unless the higher ranking Classes of Notes (or such of them as are then outstanding) are also redeemed in full at the same time.

5.22 The amounts payable by the Issuer upon such redemption will be calculated by the Administrator and, for these purposes interest will accrue on the Notes up to but excluding the date of redemption. The amounts payable to the Noteholders shall be equal to the Optional Redemption Amount (as defined in Condition 5.15).

Optional Redemption in case of Ratings Downgrade Event

5.23 On each Quarterly Payment Date, the Issuer may at its option (but shall not be under any obligation to do so) redeem the Notes, in whole, but not in part, upon the occurrence of a downgrade of the Seller by a Rating Agency on or after the Closing Date as a result of which:

(i) the long-term, unsecured and unsubordinated debt obligations of the Seller cease to be rated (or, in case of DBRS, assigned a credit view equivalent to a rating) as high as BBB(low) by DBRS, Baa3 by Moody's and BBB- (or if rated BBB-, this rating is not being put on Rating Watch Negative) by Fitch or such rating is withdrawn; or

(ii) the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Seller cease to be rated as high as F3 by Fitch or such rating is withdrawn,

(a ***Ratings Downgrade Event***) by giving not more than sixty (60) calendar days' notice nor less than thirty (30) calendar days' notice in accordance with Condition 14, provided that provided that:

(a) prior to giving any such notice, no Enforcement Notice has been served by the Security Agent in respect of any of the Notes;

(b) prior to giving such notice, the Administrator shall have provided to the Security Agent a certificate signed by two directors of the Issuer to the effect that it will have the funds in the Issuer Accounts, not subject to the interest of any other person, required to discharge all its liabilities in respect of the Collateralized Notes and any amounts required under the Pledge Agreement to be paid in priority to or *pari passu* with the Collateralized Notes in accordance with these Conditions;

(c) the Security Agent is satisfied in its reasonable opinion, following such certification, that the Issuer is able to discharge such liabilities as provided in the Conditions; and

(d) no Class of Notes may be redeemed under such circumstances unless the higher ranking Classes of Notes (or such of them as are then outstanding) are also redeemed in full at the same time.

5.24 The amounts payable by the Issuer upon such redemption will be calculated by the Administrator and, for these purposes interest will accrue on the Notes up to but excluding the date of redemption. The amounts payable to the Noteholders shall be equal to the Optional Redemption Amount (as defined in Condition 5.15)

Notice of Redemption

5.25 Any such notice as is referred to in Conditions 5.11, 5.12, 5.17, 5.19, 5.21 and 5.23 above shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Collateralized Notes at their Principal Amount Outstanding together with accrued interest.

Cancellation

5.26 All Notes redeemed in full pursuant to the foregoing provisions, or in part (in the event that any claim on the Notes remains unsatisfied after the enforcement of the Security and the application of the proceeds in accordance with the Post-Enforcement Priority of Payments) or otherwise surrendered, will be cancelled upon such redemption or surrender of rights or title to the Notes and may not be resold or re-issued.

6. PAYMENTS

6.1 All payments of principal or interest owing under the Class A Notes and the Class B Notes shall be made through the Domiciliary Agent and the Clearing System in accordance with the rules of the Clearing System. All payments of principal or interest owing under the Class C Notes and the Class D Notes shall be made through the Domiciliary Agent directly to the relevant Class C Noteholder(s) and Class D Noteholders, as identified in the notes register held with the Issuer.

6.2 No commissions or expenses shall be charged by the Domiciliary Agent to the Noteholders in respect of such payments.

6.3 Payments of principal and interest in respect of the Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto, without prejudice to Condition 8.

6.4 If the due date for payment of any amount of principal or interest in respect of any Note is not a Business Day in the jurisdiction where payment is to be received, no further payments of additional amounts by way of interest, principal or otherwise shall be due.

7. PRESCRIPTION ("*VERJARING / PRESCRIPTION*")

7.1 Claims for principal or interest under the Notes shall become time barred ten or five years, respectively, after their relevant due date.

8. TAXATION

8.1 All payments of, or in respect of, principal of and interest on, the Notes will be made without withholding of, or deduction for, or on account of any present or future taxes, duties, assessments or charges (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same) of whatever nature imposed or levied by or on behalf of the Kingdom of Belgium, any authority therein or thereof having power to tax (a ***Tax Deduction***), unless the Tax Deduction is required by law. In that event, the Issuer or the Domiciliary Agent (as the case may be) will make the required Tax Deduction for the account of the Noteholders, as the case may be, and shall not pay any additional amounts to such Noteholders in respect of any such withholding or deduction. Neither the Issuer nor any Domiciliary Agent nor any other person will be obliged to gross up the payments in respect of the Notes of any Class or to make any additional payments to any Noteholders.

8.2 The Issuer, the Clearing System Operator, the Domiciliary Agent or any other person being required to make a Tax Deduction shall not constitute an Event of Default.

9. EVENTS OF DEFAULT

9.1 The Security Agent at its discretion may and, if so requested in writing by the holders of not less than twenty-five (25) per cent. in aggregate Principal Amount Outstanding of the highest ranking Class of Notes outstanding or if so directed by or pursuant to an

Extraordinary Resolution of the holders of the highest ranking Class of Notes (subject, in each case, to being indemnified to its satisfaction) (but in the case of the events mentioned in Condition 9.2(b) to 9.2(f) inclusive below, only if the Security Agent shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders of the highest ranking Class of Notes then outstanding), shall be bound to give notice (an ***Enforcement Notice***) to the Issuer declaring the Notes to be immediately due and payable at their Principal Amount Outstanding together with accrued interest at any time after the occurrence of an Event of Default, and a copy of such notice shall be sent to the Administrator, the Servicer and the Rating Agencies.

9.2 Each of the following events is an ***Event of Default***:

(a) default is made for a period of fifteen (15) Business Days or more in any payment of interest in respect of the Class A Notes when due to be paid in accordance with the Conditions or default is made for a period of fifteen (15) Business Days or more in any payment of principal in respect of the Collateralized Notes when due to be paid in accordance with the Conditions (for the avoidance of doubt: (x) to the extent that there is any Class B Interest Deficiency, any Class B Principal Deficiency, any Class C Interest Deficiency, any Class C Principal Deficiency or any Class D Interest Deficiency on any Quarterly Payment Date, such deficienc(ies) shall not be construed to be an Event of Default; and (y) any suspension of payment of interest in accordance with Condition 1.5 shall not be construed as an Event of Default); or

(b) the Issuer fails to perform or observe any of its other obligations or is in breach under any of the representations and warranties under or in respect of the Notes or the other Transaction Documents and, except where such failure or breach, in the reasonable opinion of the Security Agent, is incapable of remedy, such default or breach continues for a period of thirty (30) calendar days (or such longer period as the Security Agent may agree) after written notice by the Security Agent to the Issuer requiring the same to be remedied (save that if the Issuer fails to comply with the order of the Priority of Payments prior to the service of an Enforcement Notice), such period being reduced to fifteen calendar days to rectify any technical errors);

(c) an order being made or an effective resolution being passed for the winding-up (*ontbinding / dissolution*) of the Issuing Company or Compartment Penates-4 except a winding up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Security Agent in writing or by an Extraordinary Resolution of the Noteholders; or

(d) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in sub-paragraph (c) above, ceasing or, through an official action of the board of directors of the Issuer, threatening to cease to carry on business or the Issuer being unable to pay its debts allocated to Compartment Penates-4 as and when they fall due or the value of its assets allocated to Compartment Penates-4 falling to less than the amount of its liabilities or otherwise becomes insolvent; or

(e) proceedings shall be initiated against or by the Issuing Company or Compartment Penates-4 under any applicable liquidation, reorganisation, insolvency or other similar law including the *Faillissementswet / Loi sur les faillites* (Law on Bankruptcies of 8 August 1997) and the *Wet betreffende de continuïteit van ondernemingen / Loi relative à la continuité des entreprises* (Laws on Continuity of Enterprises of 31 January 2009) or an administrative receiver or other receiver, administrator or other similar official (including a *voorlopig bewindvoerder / administrateur provisoire* (ad hoc administrator)) has been appointed in relation to

the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer or a *bevel tot betalen* (notice of demand) is notified to the Issuer under Articles 1499 or 1564 of the *Gerechtelijk Wetboek / Code Judiciaire* (Judicial Code), or *uitvoerend beslag / saisie exécutoire* (distraint) is carried out in respect of the whole or any substantial part of the undertaking or assets allocated to Compartment Penates-4 and in any of the foregoing cases it shall not be discharged within thirty (30) Business Days; or

(f) any action is taken by any authority, court or tribunal, which results in the loss of the Issuer of its status as an "institutional VBS" or which in the reasonable opinion of the Security Agent, after consultation with the Issuer and the Administrator, is very likely to result in the loss of such status and would adversely affect the Transaction.

9.3 Upon any declaration being made by the Security Agent in accordance with Condition 9.1 above that the Notes are due and repayable, the Notes shall, subject to Condition 10, immediately become due and repayable at their Principal Amount Outstanding together with accrued interest as provided in these Conditions and the Domiciliary Agency Agreement.

9.4 If an Event of Default has occurred, and unless the Security Agent shall be bound to give an Enforcement Notice in accordance with Condition 9.1 above, the Security Agent may call a meeting of Noteholders and propose to the Noteholders (a) not to give an Enforcement Notice, (b) to proceed with an amicable sale of the Portfolio, and where practical other Collateral, pursuant to a limited private auction procedure on terms set out in the Pledge Agreement (the private auction sale), and (c) to redeem in full all, but not some only, of the Notes, after completion of the sale of the Portfolio, in accordance with the priority of payments (***Enforcement***) set out in Condition 2. Such proposal shall be deemed approved if the holders of the Collateralized Notes shall have approved the proposal in accordance with the provisions (including the required majority and quorum) for a Basic Term Modification (but for the avoidance of doubt, such provisions are to be applied so that the Class D Noteholders shall be invited to the meeting, but that no approval of the Class D Noteholders is required and the Class D Notes shall not be taken into account to determine the minimum required quorum). Notwithstanding any other provision in these Conditions, such decision shall be binding on all Class D Noteholders and all other Secured Parties.

10. SUBORDINATION

Class A Notes

The Class A Notes will be senior to each of the Class B, the Class C Notes and the Class D Notes.

Class B Notes

10.1 The Class B Notes will be subordinated to the Class A Notes as follows:

(a) until all the Class A Notes have been redeemed in full, principal amounts under the Class B Notes shall not become due and payable;

(b) interest on the Class B Notes will only be paid in accordance with the Notes Interest Priority of Payments prior to enforcement; and

(c) in the event of an Enforcement by the Security Agent, any amount due in respect of the Class B Notes will rank behind any amounts due in respect of the Class A Notes,

which shall rank in priority in point of payment and security to the Class B Notes in accordance with the Post-Enforcement Priority of Payments following service of an Enforcement Notice.

Class C Notes

10.2 The Class C Notes will be subordinated to the Class A Notes and the Class B Notes as follows:

(a) until all the Class B Notes have been redeemed in full, principal amounts under the Class C Notes shall not become due and payable;

(b) interest on the Class C Notes will only be paid in accordance with the Notes Interest Priority of Payments prior to enforcement; and

(c) in the event of an Enforcement by the Security Agent, any amount due in respect of the Class C Notes will rank behind any amounts due in respect of the Class B Notes, which shall rank in priority in point of payment and security to the Class C Notes in accordance with the Post-Enforcement Priority of Payments following service of an Enforcement Notice.

Class D Notes

10.3 The Class D Notes will be subordinated to the Class A Notes, the Class B Notes and the Class C Notes as follows:

(a) principal and interest will only be paid in accordance with the Notes Interest Priority of Payments prior to enforcement; and

(b) in the event of an Enforcement by the Issuer any amount due in respect of the Class D Notes will rank in priority in point of payment and security after any amounts due in respect of the Class A Notes, the Class B Notes and the Class C Notes in accordance with the Post-Enforcement Priority of Payments.

General Subordination

10.4 In the event of insolvency (which term includes bankruptcy (*faillissement/faillite*), winding-up (*vereffening/liquidation*) and judicial reorganisation (*gerechtelijke reorganisatie/réorganisation judiciaire*) of Compartment Penates-4:

(a) any amount due or overdue in respect of the Class B Notes will:

(i) rank lower in priority in point of payment and security than any amount due or overdue in respect of the Class A Notes; and

(ii) shall only become payable after any amounts due in respect of any Class A Notes have been paid in full;

(b) any amount due or overdue in respect of the Class C Notes will:

(i) rank lower in priority in point of payment and security than any amount due or overdue in respect of the Class A Notes and the Class B Notes; and

(ii) shall only become payable after any amounts due in respect of any Class A Note and any Class B Notes sequentially have been paid in full;

(c) any amount due or overdue in respect of the Class D Notes will:

(i) rank lower in priority in point of payment and security than any amount due or overdue in respect of the Class A Notes, the Class B Notes and the Class C Notes; and

(ii) shall only become payable after any amounts due in respect of any Class A Note, any Class B Notes and any Class C Notes sequentially have been paid in full;

Waiver in case of lack of funds on the Final Redemption Date

10.5 Subject to Condition 11.4, to the extent that available funds are insufficient to repay any principal and accrued interest outstanding on any Class of Notes on its Final Redemption Date, any amount of the Principal Amount Outstanding of, and accrued interest on, such Notes in excess of the amount available for redemption or payment at such time, will cease to be payable by the Issuer and the Issuer shall be under no obligation to pay any interest or damages or other form of compensation to Noteholders in respect of any amounts of interest that remain unpaid as a result.

Principal Deficiencies and Allocation

10.6 **Principal Deficiency Ledgers**

Principal deficiency ledgers will be established on behalf of the Issuer by the Administrator in respect of the Class A Notes (***Class A Principal Deficiency Ledger***), the Class B Notes (***Class B Principal Deficiency Ledger***) and the Class C Notes (***Class C Principal Deficiency Ledger*** and together with the Class A Principal Deficiency Ledger and the Class B Principal Deficiency Ledger, the ***Principal Deficiency Ledgers***) in order to record (i) the Current Balance of any Defaulted Loan(s) and (ii) any Principal Available Amount which in accordance with the Principal Priority of Payments is used to cover any Class A Interest Shortfall and any other amount as referred to in item (i) of the Notes Interest Priority of Payments.

10.7 **Allocation**

The Current Balance of Loans which have become Defaulted Loans during the relevant Quarterly Collection Period and any Principal Available Amount which in accordance with the Principal Priority of Payments is used to cover any Class A Interest Shortfall on the following Quarterly Payment Date and any shortfall to pay and any other amount as referred to in item (i) of the Notes Interest Priority of Payments, will, on the relevant Quarterly Calculation Date, be debited to the Principal Deficiency Ledgers sequentially as follows

(a) *first*, to the Class C Principal Deficiency Ledger up to an amount equal to the aggregate Principal Amount Outstanding of the Class C Notes, and if there is sufficient Notes Interest Available Amount then any debit balance on Class C Principal Deficiency Ledger shall be reduced by crediting such funds at item (viii) of the Notes Interest Priority of Payments;

(b) *second*, to the Class B Principal Deficiency Ledger up to an amount equal to the aggregate Principal Amount Outstanding of the Class B Notes, and if there is

sufficient Notes Interest Available Amount then any debit balance on the Class B Principal Deficiency Ledger shall be reduced by crediting such funds at item (v) of the Notes Interest Priority of Payments and

(c) *third*, to the Class A Principal Deficiency Ledger up to an amount equal to the aggregate Principal Amount Outstanding of the Class A Notes, and if there is sufficient Notes Interest Available Amount then any debit balance on the Class A Principal Deficient Ledger shall be reduced by crediting such funds at item (iv) of the Notes Interest Priority of Payments.

Any debit balance recorded on the respective Principal Deficiency Ledgers shall be a ***Class A Principal Deficiency***, a ***Class B Principal Deficiency*** or a ***Class C Principal Deficiency***, each a ***Principal Deficiency***, as applicable and as the context requires.

11. ENFORCEMENT OF NOTES – LIMITED RECOURSE AND NON-PETITION

Enforcement

11.1 At any time after the Notes have become due and repayable the Security Agent may, at its discretion and without further notice, take such steps and proceedings against the Issuer as it may think fit to enforce the Security and to enforce repayment of the Notes together with payment of accrued interest, but it shall not be bound to take any such proceedings unless:

(a) it shall have been so directed by an Extraordinary Resolution of the highest ranking Class of Collateralized Notes then outstanding or so requested in writing by the holders of at least twenty-five (25) per cent. in aggregate Principal Amount Outstanding of the highest ranking Class of Collateralized Notes; and

(b) it shall have been indemnified to its satisfaction.

11.2 Only the Security Agent may enforce the security interests created by or pursuant to the Pledge Agreement and no other Secured Party or Noteholder shall be entitled to enforce such security or proceed against the Issuer to enforce the performance of any of the provisions of the Pledge Agreement, unless the Security Agent, having become bound to take such steps as provided in the Pledge Agreement, fails to do so within a reasonable period (30 days being deemed for this purpose to be a reasonable period) and such failure shall be continuing.

11.3 The Security Agent cannot, while any of the Notes are outstanding, be required to enforce the Security at the request of any Secured Party under the Pledge Agreement other than the Noteholders of the Notes.

Limited Recourse

11.4 If, on the earlier of (a) the Final Redemption Date; (b) or the date on which a Class of Notes is redeemed in full in accordance with Condition 5.3(a), 5.3(b), 5.3(c) or 5.3(e); or (c) the date following the enforcement of the Security and after payment of all other claims ranking in priority to the Notes under the Pledge Agreement in accordance with the Post-enforcement Priority of Payments, to the extent that Principal Available Amount and Interest Available Amount are insufficient to repay any principal and accrued interest outstanding on any Class of Notes, any amount of the Principal Amount Outstanding of, and accrued interest on, such Notes in excess of the amount available for redemption or payment at such time, will cease to be payable by the Issuer. Each of the Noteholders of the Notes agrees with the Issuer and Security Agent that all obligations of the Issuer to the Noteholders and all other Secured Parties are limited in recourse such that only the assets of the Issuer allocated to Compartment

Penates-4 subject to the relevant Security will be available to meet the claims of the Noteholders and the other Secured Parties.

11.5 Any claim remaining unsatisfied after the enforcement and realisation of the Security and the application of the proceeds thereof in accordance with the Post-enforcement Priority of Payments shall be extinguished and all unpaid liabilities and obligations of the Issuer will cease to be payable by the Issuer. Except as otherwise provided by Condition 11 or in Condition 12, none of the Noteholders or any other Secured Party shall be entitled to initiate proceedings or take any other steps to enforce any relevant Security.

Non-Petition

11.6 Except as otherwise provided in this Condition 11 or in Condition12, no Noteholder or any of the other Secured Parties, shall be entitled to take any steps:

(a) to direct the Security Agent to enforce the relevant Security;

(b) to take or join any person in taking steps against the Issuer for the purpose of obtaining payment of any amount due from the Issuer to it;

(c) to initiate or join any person in initiating against the Issuer any bankruptcy, winding up, reorganisation, arrangement, insolvency or liquidation proceeding under any applicable law until the expiry of a period of 1 (one) year after the last maturing Note is paid in full; or

(d) to take any steps or proceedings that would result in any applicable Priority of Payments not being observed.

12. THE SECURITY AGENT

Appointment

12.1 The Security Agent has been appointed by the Issuer as representative of the Noteholders in accordance with article 27, §1, first to seventh indent and article 106 of the UCITS Act and as irrevocable agent and attorney (*mandataire* / *mandataris*) of the other Secured Parties upon the terms and conditions set out in the Pledge Agreement and herein.

Powers, authorities and duties

12.2 The Security Agent, acting in its own name and on behalf of the Noteholders and the other Secured Parties, shall have the power:

(a) to accept the Security (on behalf of the Noteholders);

(b) upon service of an Enforcement Notice, to proceed against the Issuer to enforce the performance of the Transaction Documents and to enforce the Security;

(c) to collect all proceeds in the course of enforcing the Security;

(d) to apply or to direct the application of the proceeds of enforcement in accordance with the Conditions and the provisions of the Pledge Agreement;

(e) to open an account in the name of the Secured Parties or in the name of the Domiciliary Agent (or any substitute domiciliary agent appointed in accordance with

the provisions of the Domiciliary Agency Agreement) with a credit institution with a rating by the Rating Agencies equal or equivalent to the minimum rating imposed on the Account Bank from time to time pursuant to the Transaction Documents (an ***Eligible Institution***) for the purposes of depositing the proceeds of enforcement of the Security and to give all directions to the Eligible Institution and/or the Domiciliary Agent (or its substitute) to administer such account;

(f) to exercise all other powers and rights and perform all duties given to the Security Agent under the Transaction Documents; and

(g) generally, to do all things necessary in connection with the performance of such powers and duties.

12.3 The Security Agent may delegate the performance of any of the foregoing powers to any persons (including any legal entity) whom it may designate. Notwithstanding any sub-contracting or delegation of the performance of its obligations under the Pledge Agreement, the Security Agent shall not thereby be released or discharged from any liability hereunder and shall remain responsible for the performance of the obligations of the Security Agent under the Pledge Agreement and shall be jointly and severally liable for the performance or non-performance or the manner of performance of any sub-contractor, agent or delegate.

12.4 The Security Agent shall not be bound to take any action under its powers or duties other than those referred to in clauses (a), (c) and (e) above and Condition 12.5 below unless:

(a) it shall have been directed to do so by (i) an Extraordinary Resolution of the highest ranking Class of Notes then outstanding; or (ii) the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the highest ranking Class of Notes; and

(b) it shall in all cases have been indemnified to its satisfaction against all liability, proceedings, claims and demands to which it may be or become liable and all costs, charges and expenses which may be incurred by it in connection therewith, save where these are due to its own Gross Negligence, wilful misconduct or fraud.

12.5 Whenever the interests of the Noteholders are or can be involved in the opinion of the Security Agent, the Security Agent may, if indemnified to its satisfaction, take legal action on behalf of the Noteholders and represent the Noteholders in any bankruptcy (*faillissement / faillite*), liquidation (*vereffening / liquidation*), judicial reorganisation (*gerechtelijke reorganisatie/ réorganisation judiciaire*) and any other legal proceedings initiated against the Issuer or any other party to a Transaction Document.

Amendments to the Transaction Documents

12.6 The Security Agent may on behalf of the Noteholders without the consent of the Noteholders and (subject to Condition 12.25) the other Secured Parties, at any time and from time to time, concur with the Issuer and the other parties thereto in making:

(a) any modification to the Transaction Documents which in the opinion of the Security Agent may be proper provided that the Security Agent is of the opinion that such modification is not materially prejudicial to the interests of the Noteholders and provided that the Security Agent has not been notified that such modification will adversely affect the then solicited applicable ratings of the Class A Notes; or

(b) any modification to the Transaction Documents which in the opinion of the Security Agent is of a formal, minor, or technical nature or is to correct a manifest error or to comply with the mandatory provisions of Belgian law.

12.7 Any such modification shall be binding on the Noteholders. In no event may such modification be a Basic Terms Modification (as defined in Condition13). The Issuer shall cause notice of any such modification to be given to the Rating Agencies and the Noteholders.

12.8 In determining whether or not any proposed change, event or action will be materially prejudicial to the interests of Noteholders, the Security Agent shall be able to rely on, and act on any advice or opinion of or any certificate obtained from a valuer, accountant, banker, broker, securities company or other company other than the Rating Agencies whether obtained by itself or the Issuer and it shall not be liable for any loss occasioned by such action, save where such loss is due to its Gross Negligence, wilful misconduct or fraud.

12.9 If, in the Security Agent's opinion it is not sufficiently established that the proposed amendment or variation can be approved by it in accordance with this paragraph, it will determine in its full discretion whether to submit the proposal to a duly convened meeting of Noteholders (in accordance with Schedule 4 to the Pledge Agreement) or to refuse the proposed amendment or variation.

Waivers

12.10 The Security Agent may, without the consent of the Secured Parties or the Issuer, without prejudice to its right in respect of any further or other breach, condition, event or act from time to time and at any time, but only if and in so far as in its opinion the interests of Noteholders will not be materially prejudiced thereby, (i) authorise or waive, on such terms and conditions (if any) as shall seem expedient to it, any proposed or actual breach of any of the covenants or provisions (and agree to extend any contractually agreed cure period) contained in or arising pursuant to the Pledge Agreement, these Conditions or any of the other Transaction Documents or (ii) determine that any breach, condition, event or act which constitutes (and/or which, with the giving of notice or the lapse of time and/or the Security Agent making any relevant determination and/or issuing any relevant certificate would constitute), but for such determination, an Event of Default shall not, or shall not subject to specified conditions, be treated as such for the purposes of the Pledge Agreement. Any such authorisation, waiver or determination pursuant to this clause shall be binding on the Noteholders and if, but only if, the Security Agent shall so require, notice thereof shall be given to the Noteholders and the Rating Agencies. In determining whether or not the interests of the Noteholders will be materially prejudiced, the Security Agent shall be able to rely on, and act on any advice or opinion of or any certificate obtained from a valuer, accountant, banker, broker, securities company or other company other than the Rating Agencies whether obtained by itself or the Issuer and it shall not be liable for any loss occasioned by such action, save where such loss is due to its Gross Negligence, wilful misconduct or fraud.

Conflicts of interest

12.11 The Security Agent shall take account of the interests of the Secured Parties to the extent that there is no conflict amongst them. If:

(a) an actual conflict exists or is likely to exist between the interests of Secured Parties in relation to any material action, decision or duty of the Security Agent under or in relation to the Pledge Agreement and the Conditions; and

(b) any of the Transaction Documents and the Conditions give the Security Agent a material discretion in relation to such action, decision or duty;

the Security Agent shall always have regard to the interests of the Noteholders in priority to the interests of the other Secured Parties. In connection with the exercise of its powers, authorities and discretions, the Security Agent shall have regard to the interests of the Noteholders as a Class and shall not have regard to the consequence of such exercise for individual Noteholders.

Class A Noteholders

(a) For so long as there are any Class A Notes outstanding, the Security Agent is to have regard solely to the interests of the Class A Noteholders if, in the Security Agent's opinion, there is a conflict between the interests of: (a) the Class A Noteholders and (b) the holders of any of the other Classes of Notes and/or any other Secured Parties.

Class B Noteholders

(b) If there are no longer any Class A Notes outstanding, but for so long as there are any Class B Notes outstanding, the Security Agent is to have regard solely to the interests of the Class B Noteholders if, in the Security Agent's opinion, there is a conflict between the interests of (a) the Class B Noteholders and (b) the holders of any of the other Classes of Notes and/or any other Secured Parties.

Class C Noteholders

(c) For as long as only Class C Notes remain outstanding, the Security Agent is to have regard solely to the interests of the Class C Noteholders if, in the Security Agent's opinion, there is a conflict between the interests of (a) the Class C Noteholders and (b) the Class D Noteholders and/or any Secured Parties.

Class D Noteholders

(d) For as long as only Class D Notes remain outstanding, the Security Agent is to have regard solely to the interests of the Class D Noteholders if, in the Security Agent's opinion, there is a conflict between the interests of (a) the Class D Noteholders and (b) any Secured Parties.

Other Secured Parties

If, in the Security Agent's opinion, there is a conflict of interest in respect of the Secured Parties other than the Noteholders, the applicable Priority of Payments shall determine which interests shall prevail.

Issuer and Secured Parties

12.12 Further, to the extent that:

(a) an actual conflict exists or is likely to exist between the interests of the Issuer and the Secured Parties, and the interests of the Seller in relation to any material action, decision or duty of the Security Agent under or in relation to the Pledge Agreement and any other Transaction Document; and

(b) the Pledge Agreement and any other Transaction Document gives the Security Agent a material discretion in relation to such action, decision or duty;

then the Security Agent shall have regard to the interests of the Issuer and the other Secured Parties (other than the Seller) in priority to the interests of the Seller.

12.13 In relation to any duties, obligations and responsibilities of the Security Agent to the other Secured Parties in its capacity as agent of the Secured Parties in relation to the Collateral and under or in connection with the Pledge Agreement and any other Transaction Document, the Security Agent shall discharge these by performing and observing its duties, obligations and responsibilities as representative of the Noteholders in accordance with the provisions of the Pledge Agreement, the other Transaction Documents and the Conditions.

Replacement of the Security Agent

12.14 The Noteholders shall be entitled to terminate the appointment of the Security Agent by an Extraordinary Resolution notified to the Issuer and the Security Agent, provided:

(a) in the same resolution a substitute security agent is appointed; and

(b) such substitute security agent meets all legal requirements, if any, to act as security agent in respect of an Institutional VBS and accepts to be bound by the terms of the Pledge Agreement and all other Transaction Documents in the same way as its predecessor.

12.15 If any of the following events (each a ***Security Agent Termination Event***) shall occur, namely:

(a) an order is made or an effective resolution is passed for the dissolution (*ontbinding / dissolution*) of the Security Agent except a dissolution (*ontbinding / dissolution*) for the purpose of a merger where the Security Agent remains solvent; or

(b) the Security Agent ceases or threatens to cease to carry on its business or a substantial part of its business or stops payment or threatens to stop payment of its debts or becomes unable to pay its debts as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account for both these purposes its contingent and prospective liabilities) or otherwise becomes insolvent; or

(c) the Security Agent defaults in the performance or observance of any of its material covenants and obligations under this Agreement or any other Transaction Document and (except where such default is incapable of remedy, when no such continuation and/or notice shall be required) such default continues unremedied for a period of thirty (30) Business Days after the earlier of the Security Agent becoming aware of such default and receipt by the Security Agent of written notice from the Issuer requiring the same to be remedied; or

(d) the Security Agent becomes subject to any bankruptcy (*faillissement / faillite*), judicial reorganisation *(gerechtelijke reorganisatie / réorganisation judiciaire*) or other insolvency proceeding under applicable laws;

(e) the Security Agent is rendered unable to perform its material obligations under the Pledge Agreement for a period of twenty (20) Business Days by circumstances beyond its reasonable control or *force majeure*, or

(f) the management (*bestuur*) of the Security Agent is in one of the circumstances as set out under (b) or (d) above;

then the Issuer may by notice in writing terminate the powers delegated to the Security Agent under the Pledge Agreement and the Transaction Documents with effect from a date (not earlier than the date of the notice) specified in the notice and appoint a substitute security agent selected by the Issuer which shall act as security agent until a new security agent is appointed by the general meeting of Noteholders which shall promptly be convened by the Issuer. Upon such selection being made and notified by the Issuer to the Secured Parties in a way deemed appropriate by the Issuer, all rights and powers granted to the company then acting as Security Agent shall terminate and shall automatically be vested in the substitute security agent so selected. All references to the Security Agent in the Transaction Documents shall where and when appropriate be read as references to the substitute security agent as selected and upon vesting of rights and powers pursuant this Condition.

12.16 Such termination shall also terminate the appointment and power of attorney by the other Secured Parties. The other Secured Parties hereby irrevocably agree that the substitute security agent shall from the date of its appointment act as attorney (*mandataris* / *mandataire*) of the other Secured Parties on the terms and conditions set out in these Conditions and the Transaction Documents.

Accountability, Indemnification and Exoneration of the Security Agent

12.17 With respect to the exercise of its powers, authorities and discretions the Security Agent shall have regard to the interests of the Noteholders of a particular Class as a Class and shall not have regard to the consequences of such exercise for individual Noteholders.

12.18 If so requested in advance by the board of directors or the Noteholders, the Security Agent shall report to the general meeting of Noteholders on the performance of its duties under the Pledge Agreement provided such request is notified by registered mail no later than 10 Business Days prior to the relevant general meeting of Noteholders. The board of directors shall require such report if so requested by those Noteholders who have requested that such general meeting be convened.

12.19 In determining whether or not the exercise of any power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents will be materially prejudicial to the interests of Noteholders, the Security Agent shall be able to rely on, and act on any advice or opinion of or any certificate obtained from a valuer, accountant, banker, broker, securities company or other company other than the Rating Agencies whether obtained by itself or the Issuer and it shall not be liable for any loss occasioned by such action, save where such loss is due to its Gross Negligence, wilful misconduct or fraud.

12.20 The Transaction Documents contain provisions governing the responsibility (and relief from responsibility) of the Security Agent and providing for its indemnification in certain circumstances, including provisions relieving the Security Agent from taking enforcement proceedings or enforcing the Security unless indemnified to its satisfaction.

12.21 The Security Agent shall not be liable to the Issuer, the Noteholders or any of the other Secured Parties in respect of any loss or damage which arises out of the exercise, or the attempted exercise of, or the failure to exercise any of its powers or any loss resulting there from, except that the Security Agent shall be liable for such loss or damage that is caused by its Gross Negligence, wilful misconduct or fraud.

12.22 The Security Agent shall not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Collateral, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Servicer or any agent or related company of the Servicer or by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Security Agent.

12.23 The Security Agent shall have no liability for any breach of or default under its obligations under the Pledge Agreement and under any other Transaction Document if and to the extent that such breach is caused by any failure on the part of the Issuer to perform any of its material obligations under the Pledge Agreement or by any failure on the part of the Issuer or any of the Secured Parties to duly perform any of its material obligations under any of the other Transaction Documents. In the event that the Security Agent is rendered unable to duly perform its obligations under any of the Transaction Documents by any circumstances beyond its control, the Security Agent shall not be liable for any failure to carry out the obligations under the Transaction Documents which are thus affected by the event in question and, for so long as such circumstances continue, its obligations under the Pledge Agreement and under any other Transaction Documents which are thus affected will be suspended without liability for the Security Agent.

12.24 The Security Agent shall not be responsible for ensuring that any Security is created by, or continues to be managed by, the Issuer, the Security Agent, or any other person in such a manner as to create or maintain sufficient control to obtain the type of Security described in the Pledge Agreement in relation to the assets of the Issuer which are purported to be secured thereby and the Security Agent may, until it has actual knowledge or express notice to the contrary, assume the Issuer is observing and performing all its obligations under the Pledge Agreement or any other Transaction Documents and in any notices or acknowledgements delivered in connection with any such documents.

12.25 If in the Security Agent's opinion any proposed variation or amendment of, or addition to, any of the Transaction Documents can lead to a material negative change in cash flows under respectively the Senior Swap Agreement and/or the Junior Swap Agreement, it will determine in its full discretion whether to submit the proposal to the prior approval of the Senior Swap Counterparty and/or the Junior Swap Counterparty, as applicable.

Parallel Debt

12.26 In the Parallel Debt Agreement the Issuer will irrevocably and unconditionally undertake to pay to the Security Agent (the ***Parallel Debt***) amounts which will be equal to the aggregate amount due (*verschuldigd* / *dû*) by the Issuer:

(a) as fees or other remuneration to the Issuer Directors, under the Issuer Management Agreements;

(b) as fees and expenses to the Servicer under the Servicing Agreement;

(c) as fees and expenses to the Administrator, the Corporate Services Provider and the Accounting Services Provider under the Administration, Corporate and Accounting Services Agreement;

(d) as fees and expenses to the Domiciliary Agent and the Calculation Agent under the Domiciliary Agency Agreement;

(e) to the Seller under the Mortgage Loan Sale Agreement;

(f) to the Senior Swap Counterparty under the Senior Swap Agreement;

(g) to the Junior Swap Counterparty under the Junior Swap Agreement;

(h) to the Account Bank under the Account Bank Agreement;

(i) to the Noteholders; and

(j) to the Security Agent under the Pledge Agreement.,

(k) (the parties referred to in item (a) through (k), together the ***Secured Parties***).

12.27 The Parallel Debt constitutes the separate and independent obligations of the Issuer and constitutes the Security Agent's own separate and independent claim (*eigen en zelfstandige vordering* / *créance propre et indépendante*) to receive payment of the Parallel Debt from the Issuer. Upon receipt by the Security Agent of any amount in payment of the Parallel Debt, the payment obligations of the Issuer to the Secured Parties shall be reduced by an amount equal to the amount so received.

12.28 To the extent that the Security Agent irrevocably and unconditionally receives any amount in payment of the Parallel Debt, the Security Agent shall distribute such amount among the Secured Parties in accordance with the then applicable Priority of Payments.

Rating withdrawal

12.29 In the event any of the Rating Agencies would decide no longer to rate the Class A Notes and the Class B Notes and withdraw its rating of the Class A Notes and the Class B Notes, all references in the Transaction Documents to the "Rating Agencies" will be deemed to refer solely to the Rating Agency(ies) that rate(s) the Class A Notes and the Class B Notes and all references to the Rating Agency(ies) that has(have) ceased to rate the Class A Notes and the Class B Notes, will be deemed no longer to be applicable.

13. MEETINGS OF NOTEHOLDERS, MODIFICATIONS AND WAIVERS

General

13.1 The Articles 568 to 580 of the Belgian Company Code shall only apply to the extent that the Conditions, the by-laws of the Issuer or the Transaction Documents do not contain provisions which differ from the provisions contained in such articles. The Transaction Documents contain in particular, but without limitation, the following provisions that differ from the provisions of the Belgian Company Code:

(a) the board of directors or the Auditors will be required to convene a meeting of the Noteholders at the request of the Security Agent or of Noteholders representing not less than one-tenth of the aggregate Principal Amount Outstanding of the Notes; and

(b) notwithstanding the provisions of article 570 of the Belgian Company Code, the notices in relation to meetings of the Noteholders will be published as set out in Condition 14;

13.2 Notwithstanding the provisions of article 568 of the Belgian Company Code, the meeting of Noteholders and the Security Agent shall have all the powers given to them in the Transaction Documents, including, but not limited to, those given to them in these Conditions.

Access to meetings of Noteholders

13.3 Schedule 4 of the Pledge Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting the interests of Noteholders, including proposals by Extraordinary Resolution to modify, or to sanction the modification of the Notes (including these Conditions) or the provisions of any of the Transaction Documents.

Conflicts of interests

13.4 The following provisions shall apply where outstanding Notes belong to more than one Class:

(a) business which in the opinion of the Security Agent affects the Notes of only one Class shall be transacted at a separate meeting of the Noteholders of that Class;

(b) business which in the opinion of the Security Agent affects the Notes of more than one Class but does not give rise to an actual or potential conflict of interest between the Noteholders of one such Class and the Noteholders of any other Class shall be transacted either at separate meetings of the Noteholders of each such Class or at a single meeting of the Noteholders of all such Classes as the Security Agent shall in its absolute discretion determine;

(c) business which in the opinion of the Security Agent affects the Notes of more than one Class and gives rise to an actual or potential conflict of interest between the Noteholders of one such Class and the Noteholders of any other such Class shall be transacted at separate meetings of the Noteholders of each such Class; and

(d) as may be necessary to give effect to the above provisions, the preceding paragraphs shall be applied as if references to the Notes and Noteholders were to the Notes of the relevant Class and to the Noteholders of such Notes.

Binding Resolutions

13.5 Any resolution passed at a meeting of the Noteholders of a particular Class of Notes duly convened and held in accordance with the Conditions shall be binding upon all the Noteholders of such Class whether present or not present at such meeting and whether or not voting, provided that:

(a) no Basic Term Modification shall be effective unless the modification is approved by an Extraordinary Resolution passed at a general meeting of the Noteholders of the relevant Classes duly convened and held in accordance with the rules set out in Schedule 4 of the Pledge Agreement for approving a Basic Term Modification.

(b) no Extraordinary Resolution of the Class B Noteholders shall be effective unless (i) the Security Agent is of the opinion that it will not be materially prejudicial to the interests of the Class A Noteholders; (ii) it is sanctioned by an Extraordinary Resolution of the Class A Noteholders; or (iii) none of the Class A Notes remain outstanding;

(c) no Extraordinary Resolution of the Class C Noteholders shall be effective unless (i) the Security Agent is of the opinion that it will not be materially prejudicial to the interests of the Class A Noteholders and the Class B Noteholders (ii) it is sanctioned by an Extraordinary Resolution of the Class A Noteholders and the Class B

Noteholders, or (iii) none of the Class A Notes and the Class B Notes remain outstanding;

(d) no Extraordinary Resolution of the Class D Noteholders shall be effective unless (i) the Security Agent is of the opinion that it will not be materially prejudicial to the interests of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders (ii) it is sanctioned by an Extraordinary Resolution of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders, or (iii) none of the Class A Notes, the Class B Notes and the Class C Notes remain outstanding;

13.6 An Extraordinary Resolution passed at any meeting of the Class A Noteholders shall be binding on all Class B Noteholders, the Class C Noteholders and the Class D Noteholders irrespective of the effect upon them, except an Extraordinary Resolution to sanction a Basic Terms Modification (as defined below), which shall not take effect unless it shall have been sanctioned by an Extraordinary Resolution of the relevant Class of Noteholders.

13.7 An Extraordinary Resolution passed at any meeting of Class B Noteholders shall not be effective for any purpose while any Class A Notes remain outstanding unless either (a) the Security Agent is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders, or (b) it is sanctioned by an Extraordinary Resolution of the Class A Noteholders.

13.8 An Extraordinary Resolution passed at any meeting of Class C Noteholders shall not be effective for any purpose while any Class A Notes or Class B Notes remain outstanding unless either (a) the Security Agent is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders or the Class B Noteholders or (b) it is sanctioned by an Extraordinary Resolution of the Class A Noteholders and the Class B Noteholders.

13.9 An Extraordinary Resolution passed at any meeting of Class D Noteholders shall not be effective for any purpose while any Class A Notes, Class B Notes or Class C Notes remain outstanding unless either (a) the Security Agent is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders, the Class B Noteholders or the Class C Noteholders or (b) it is sanctioned by an Extraordinary Resolution of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders.

Written Resolutions

13.10 A resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a general meeting in accordance with the provisions contained in these Conditions shall for all purposes be as valid and binding as an Extraordinary Resolution passed at a meeting of the Noteholders duly convened and held in accordance with the provisions contained in these Conditions.

Requisitions

13.11 The board of directors or the Auditors for the time being of the Issuer may at any time and must upon a request in writing of (a) Noteholders holding not less than one-tenth of the aggregate Principal Amount Outstanding of the Notes of the relevant Class or (b) the Security Agent (subject to its being indemnified to its satisfaction against all costs and expenses thereby occasioned), convene a general meeting of the Noteholders of the relevant Class of Notes.

Basic Term Modification

13.12 Any variation, modification, abrogation, cancellation or waiver of certain terms, including the date or priority of redemption of any of the Notes, any modification which would have the effect of postponing any day for payment of interest thereon, reducing or cancelling the amount of principal payable in respect of the Notes or the rate of interest applicable thereto or altering the currency of payment thereof or of the majority required to pass an Extraordinary Resolution or altering the definition of an Event of Default, or altering the Security Agent's duties in respect of the Security is referred to herein as a ***Basic Term Modification***.

Quorum

13.13 The quorum at any general meeting of Noteholders of the relevant Class (other than where the business of such meeting includes the proposal of a Basic Term Modification (as defined above)) will be one or more persons holding or representing over fifty (50) per cent. of the aggregate Principal Amount Outstanding of the Notes of the relevant Class of Notes or at any adjourned meeting one or more persons holding or representing Notes of the relevant Class of Notes whatever the aggregate Principal Amount Outstanding of the relevant Class of Notes so held or represented and no business (other than the choosing of a chairman) shall be transacted at any such meeting unless the requisite quorum be present at the commencement of business.

13.14 The quorum at any general meeting of Noteholders for passing an Extraordinary Resolution in respect of a Basic Term Modification shall be one or more persons holding or representing not less than seventy-five (75) per cent. of the aggregate Principal Amount Outstanding of the Notes of the relevant Class of Notes or, at any adjourned meeting, one or more persons holding or representing not less than twenty-five (25) per cent. of the aggregate Principal Amount Outstanding of the Notes in the relevant Class of Notes at the time of the meeting.

13.15 At any adjourned meeting (other than a meeting convened at the request of the Noteholders) the quorum for:

(a) approving a Basic Term Modification at the general meeting shall be one or more persons present in person holding Notes and/or voting certificates and/or being proxies and being or representing in the aggregate the holders of not less than twenty-five (25) per cent. of the aggregate Principal Amount Outstanding of the relevant Class of Notes; and

(b) approving any other resolution shall be one or more persons present in person holding Notes and/or voting certificates and/or being proxies.

Voting

13.16 At any meeting (a) on a show of hands every Noteholder (being an individual) who is present in person and produces a declaration of a Clearing System Participant of its Notes being blocked until that date of the meeting (***blocking certificate***) or is identified as a Noteholder in the notes registered held with the Issuer or is a proxy shall have one vote in respect of each Note and (b) on a poll every person who is so present shall have one vote in respect of each EUR 10,000 of Principal Amount Outstanding of Notes referred to on the blocking certificate or in the notes registered held with the Issuer or in respect of which that person is a proxy.

Majorities

13.17 The majority required for an Extraordinary Resolution shall be seventy-five (75) per cent. of the votes cast on that resolution, whether on a show of hands or a poll.

13.18 The majority for every resolution other than an Extraordinary Resolution shall be a simple majority.

Powers

13.19 The meeting shall have all the powers expressly given to it by the by-laws of the Issuer, the Pledge Agreement, these Conditions or any other Transaction Document. The following powers may only be exercised by way of an Extraordinary Resolution:

(a) power to sanction any proposal by the Issuer for any alteration, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Noteholders against the Issuer, whether such rights shall arise under the Conditions, the Notes or otherwise;

(b) power to sanction the exchange or substitution of the Notes or the conversion of the Notes into shares, stock, convertible Notes, or other obligations or securities of the Issuer or any other body corporate formed or to be formed;

(c) power to assent to any alteration of the provisions contained in the Conditions, the Notes, the Pledge Agreement or any of the Transaction Documents or which shall be proposed by the Issuer and/or the Security Agent;

(d) power to authorise the Security Agent to concur in and execute and do all such documents, acts and things as may be necessary to carry out and give effect to any Extraordinary Resolution;

(e) power to discharge or exonerate the Security Agent from any liability in respect of any act or omission for which the Security Agent may have become responsible under or in relation to the Conditions, the Notes, the Pledge Agreement or any of the Transaction Documents;

(f) power to give any authority, direction or sanction, which under the provisions of the Conditions or the Notes is required to be given by Extraordinary Resolution;

(g) power to appoint any persons (whether Noteholders or not) as a committee or committees to represent the interests of the Noteholders and to confer upon such committee or committees any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution;

(h) power to sanction the release of the Issuer or of the whole or any part of the Collateral from all or any part of the principal moneys and interest owing in respect of the Notes; and

(i) power to authorise the Security Agent or any receiver appointed by it where it or he shall have entered into possession of the Collateral or otherwise enforced the Security in relation thereto to discontinue enforcement of any security constituted by the Pledge Agreement either unconditionally or upon any conditions.

Compliance

13.20 The Issuer may with the consent of the Security Agent and without the consent of the Noteholders prescribe such other or further regulations regarding the holding of meetings of Noteholders and attendance and voting thereat as are necessary to comply with Belgian law.

Conflicts of Interest

13.21 In order to avoid any potential conflict of interest, if and as long as any Notes are held by DBB or any of its affiliates (***DBB Related Noteholders***), all quorums and voting majorities set out above required to pass a Noteholders' resolution, will have to be met in respect of (the group consisting of DBB Related Noteholders on the one hand) and the group of all other Noteholders (excluding the DBB Related Noteholders).

Noteholders resolution

13.22 All decisions adopted by the Meeting of Noteholders shall be published on the website of the Issuer and notified to the Senior Swap Counterparty and Junior Swap Counterparty and, to the extent such decisions constitute regulated information as described in the royal decree of 14 November 2007 on the obligations of issuers of financial instruments which are admitted to trading on a Belgian regulated market (the ***November 2007 RD***), through such other channels as required to be in compliance with the November RD.

14. NOTICE TO NOTEHOLDERS

14.1 All notices to Noteholders of any Class shall be deemed to have been duly given if:

(A) in case of notices for convening meetings of Noteholders:

(i) all Noteholders receive an individualized invitation by registered letter or, subject to the explicit written approval of the individual Noteholder, by fax or e-mail; or

(ii) such notices are published (x) in Dutch and English in a leading daily newspaper with general circulation in Belgium and (y), in addition thereto, in the Belgian State Gazette (*Belgisch Staatsblad/Moniteur Belge*), at least fifteen (15) calendar days before the date of the meeting, but the Security Agent shall not be responsible for any failure to comply with such publication requirements if nevertheless any meeting of Noteholders is duly convened and held in accordance with the Company Code, Condition 13 hereof and the relevant provisions contained in Schedule 4 of the Pledge Agreement;

(B) in case such notice (other than a notice under (A)) does constitute regulated information as described in the November 2007 RD, a notice in English and Dutch is published:

(i) through such communication channels (which may include leading newspapers with general circulation in Belgium, communications sent through the Clearing System, publication on Bloomberg,…) as would be in compliance of the November 2007 RD and appropriate in view of the type of regulated information; and

(ii) on the website of the Issuer.

(C) in case such notice does not constitute regulated information as described in the November 2007 RD, a notice in English and Dutch:

(i) is published on the website of the Issuer; and/or

(ii) is published through Bloomberg; and/or

(iii) is distributed by the Issuer (or the Administrator on its behalf), the Manager or the Security Agent to each individual Noteholder by fax, e-mail or registered letter.

14.2 Notices specifying a Payment Date, an Interest Rate, an Interest Amount, a payment of principal (or absence thereof), a Principal Amount Outstanding or a Note Factor or relating generally to payment dates, payments of interest, repayments of principal and other relevant information with respect to the Notes shall be deemed to have been duly given (provided they do not constitute regulated information under the November 2007 RD) if the information contained in such notice appears in a Quarterly Investor Report, on the website of the Issuer, on the relevant page of Bloomberg,or on such other medium for the electronic display of data as may be approved by the Security Agent and notified to the Noteholders (the ***Relevant Screen***) or is distributed to the individual Noteholders as set out under paragraph (C) above at least two Business Days before a Payment Date. Any such notice shall be deemed to have been given on the first date on which such information appeared on the Relevant Screen or if it is impossible or impracticable to give notice in accordance with this paragraph then notice of the matters referred to in this Condition shall be given in accordance with the preceding paragraph.

14.3 Any notice (other than a notice referred to under Condition 14.2) shall be deemed to have been given on:

(1°) on the date of receipt of such notice (in the case of a notice to an individual Noteholder) whereby (x) notice by fax or e-mail will be deemed to have been received on the date of sending, if such date is a Business Day and the e-mail or fax has been sent before 17.00h Brussels time and no notice of non-delivery has been received and (ii) notice by registered letter will be deemed to have been received on the second Business Day after the day of sending;

(2°) in case of a publication on a website, through Bloomberg or in a newspaper: on the date of such publication or, if published more than once or on different dates in a newspaper, on the first date on which publication is made in the manner required in one of the newspapers referred to above;

(3°) in case of notice being sent through the Clearing System, on the date of sending such notice; and

(4°) in case of notice being sent through another channel as mentioned under Condition 14.1 (B)(ii), on the date which according to generally accepted market practice is the date of receipt of such notice or on such date which in the opinion of the Security Agent is to be considered the date of receipt of such notice.

15. GOVERNING LAW

15.1 These Conditions are governed by and shall be construed in accordance with, Belgian law.

The courts of Brussels, Belgium have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Notes.

ANNEX 2: INSTITUTIONAL AND PROFESSIONAL INVESTORS UNDER THE UCITS ACT

Article 5, §3 of the UCITS Act lists for the time being the following institutional or professional investors:

1. National, regional and community governments;

2. the European Central Bank, the National Bank of Belgium, the other national central banks, the national and supra national institutions, the Interest Fund (*het Rentefonds / le Fonds des Rentes)*, the Fund for the Protection of Deposits and Financial Instruments (*het Beschermingsfonds voor Deposito's en Financiële Instrumenten / le Fonds de Protection des Dépôts et des Instruments financiers)* and the Deposit and Consignment Fund *(Deposito- en Consignatiekas / Caisse de Dépôt et Consignation)*;

3. the Belgian and foreign legal entities that have a license or are regulated in order to be active on the financial markets, including, in particular:

   (a) Belgian and foreign credit institutions contemplated in Article 1, paragraph 2 of the Law of 22 March 1993;

   (b) the Belgian and foreign investment firms of which the usual activity consists in the provision of investment services on a professional basis under Article 46, 1° of the Law of 6 April 1995;

   (c) (i) the insurance companies and institutions contemplated in Article 2, §1 and 3 of the Law of 9 July 1975 concerning the supervision of insurance companies;

   (ii) the foreign insurance companies that are not active in Belgium; and

   (iii) the Belgian and foreign re-insurance companies;

   (d) the Belgian and foreign pension funds and their management companies contemplated in Article 2, §3, 4° and 6° of the Law of 9 July 1975 concerning the supervision of insurance companies, and any other foreign pension fund;

   (e) the Belgian and foreign collective investments undertakings contemplated in Article 4 of the Securitisation Act and any other foreign collective investment undertaking;

   (f) the Belgian and foreign management companies of collective investment undertakings contemplated in Article 138 of the Securitisation Act and any other foreign management company of collective investment undertakings;

   (g) the Belgian and foreign traders in commodities futures (*grondstoffen termijnhandelaren / intermediaries en instruments de placement à terme portant sur des matières premières)* as contemplated in Article 4 of the Prospectus Implementation Law ;

   (h) the other Belgian and foreign financial institutions that have a license or are regulated;

4. the Belgian and foreign entities other than those envisaged in paragraph 5 below that do not have a license or are not regulated in order to be active on the financial markets and of which the only purpose is to invest in investment securities as contemplated in Article 4 of the Prospectus Implementation Law;

5. the company, funds or other similar entities established under a foreign law who mainly invest in securities of collective investment undertakings or in securitization structures, or in collective investment undertakings or to finance collective investment undertaking or securitization structures, provided that these companies, funds or similar entities under foreign law finance these activities in Belgium exclusively with institutional or professional investors, recognized by or pursuant to this paragraph, or finance themselves abroad;

6. Capitalisation undertakings *(kapitalisatieondernemingen / enterprises de capitalisation)* contemplated in Royal Decree n° 43 of 15 December 1994 on the supervision of capitalisation undertakings ;

7. Coordination Centres *(coördinatiecentra / centres de coordination)* contemplated in Royal Decree n° 187 of 30 December 1982 on the establishment of coordination centres ;

8. The other Belgian and foreign legal entities than those contemplated in paragraphs 1° through 7° who, according to their most recent annual accounts or consolidated annual accounts, satisfy at least two of the following three criteria:

   (i) an average number of employees of at least 250 during the financial year;

   (ii) total assets of more than EUR 43 million; and

   (iii) a net annual turnover of more than EUR 50 million;

9. Other foreign legal entities, companies and institutions who, according to the law applicable to them, are considered as institutional or professional investors or as a qualified investor for the application of Directive 2003/71/EC of 4 November 2003 on the prospectus to be published when securities are offered to the public admitted to trading and amending Directive 2001/34/EC or that are viewed as institutional or professional investors according to financial market practices; and

10. Legal entities with registered office in Belgium other than the ones set forth above, that do not satisfy at least two of the criteria set out in paragraph 8 above, but which are registered with the FSMA as institutional or professional investor in accordance with the Royal Decree of 26 September 2006 on the extension of the term “qualified investor” and of the term “institutional or professional investor”.

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