IMPORTANT NOTICE

You must read the following notice before continuing:
The following notice applies to the attached prospectus whether received by e-mail, accessed from an internet page or otherwise received as a result of electronic communication and you are therefore advised to read this notice carefully before reading, accessing or making any other use of the Prospectus. In reading, accessing or making other use of the Prospectus, you agree to be bound by the following terms and conditions and each of the restrictions set out in the Prospectus, including any amendments from time to time, each time you receive any information from us as a result of such access.

IN ORDER TO BE ELIGIBLE TO REVIEW THIS PROSPECTUS OR TO MAKE AN INVESTMENT DECISION WITH RESPECT TO THE NOTES (AS DEFINED IN THE PROSPECTUS) ISSUED BY ROYAL STREET NV/SA, *INSTITUTIONELE VBS NAAR BELGISCH RECHT, SIC INSTITUTIONNELLE DE DROIT BELGE*, ACTING FOR ITS COMPARTMENT RS-2 (THE *ISSUER*) YOU ACKNOWLEDGE AND AGREE THAT THE NOTES MAY ONLY BE ACQUIRED, BY DIRECT SUBSCRIPTION, BY TRANSFER OR OTHERWISE AND MAY ONLY BE HELD BY HOLDERS (*ELIGIBLE HOLDERS*) WHO QUALIFY BOTH AS (I) AN INSTITUTIONAL OR PROFESSIONAL INVESTOR WITHIN THE MEANING OF ARTICLE 5, §3 OF THE BELGIAN ACT OF 3 August 2012 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*), ACTING FOR THEIR OWN ACCOUNT, AND (II) A HOLDER OF AN EXEMPT SECURITIES ACCOUNT (*X-ACCOUNT*) WITH THE CLEARING SYSTEM OPERATED BY THE NATIONAL BANK OF BELGIUM OR WITH A PARTICIPANT IN SUCH SYSTEM. EACH PAYMENT OF INTEREST ON NOTES OF WHICH THE ISSUER BECOMES AWARE THAT THEY ARE HELD BY A HOLDER THAT DOES NOT QUALIFY AS AN INSTITUTIONAL INVESTOR ACTING FOR ITS OWN ACCOUNT WILL BE SUSPENDED UNTIL SUCH NOTES SHALL BE TRANSFERRED TO AND HELD BY AN ELIGIBLE HOLDER. UPON ISSUANCE OF THE NOTES, THE DENOMINATION OF THE NOTES IS EUR 250,000.

BY ACCEPTING THE E-MAIL AND ACCESSING THE PROSPECTUS, YOU SHALL BE DEEMED TO HAVE REPRESENTED TO DEXIA BANK BELGIUM NV/SA, BNP PARIBAS, OR AXA BANK EUROPE NV/SA (*THE JOINT LEAD MANAGERS)*, BEING THE SENDER OF THE ATTACHED, THAT YOU ARE AN ELIGIBLE HOLDER AS DEFINED ABOVE.

The Prospectus has been sent to you in electronic form. You consent to its delivery by electronic transmission and are reminded that whilst the information contained in this electronic copy has been formatted in a manner which should exactly replicate the printed Prospectus, physical appearance may differ and other discrepancies may occur for various reasons, including electronic communication difficulties or particular user

equipment. The user of this electronic copy assumes the risk of any discrepancies between it and the printed version of the Prospectus which is available to you on request from the Joint Lead Managers. None of the Issuer, any of its respective affiliates, any person who controls any of them and any of the representatives, directors, officers, employees and agents of any such person accepts any liability or responsibility whatsoever in respect of any difference between this electronic copy and the printed Prospectus.

You are reminded that the Prospectus and the information contained in it are subject to completion and/or amendment, which may be material, without notice.

Nothing in this electronic transmission constitutes an offer of, or an invitation to acquire, or the solicitation of an offer to purchase or subscribe for any of the Notes, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would not be permitted or be unlawful.

In the United Kingdom, this communication is directed only at persons who (i) have professional experience in matters relating to investments or (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons together being referred to as "relevant persons"). This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates to is available only to relevant persons and will be engaged in only with relevant persons.

PROSPECTUS FOR ADMISSION TO TRADING ON EURONEXT BRUSSELS

EUR 1,500,000,000 Class A Floating Rate Mortgage Backed Notes due 2051
Issue Price 100 per cent.
EUR 300,000,000 Class B Floating Rate Mortgage Backed Notes due 2051
Issue Price 100 per cent.

issued by

ROYAL STREET NV/SA
Institutionele V.B.S. naar Belgisch recht/S.I.C. institutionnelle de droit belge
acting for its Compartment RS-2
Belgian limited liability company
naamloze vennootschap/société anonyme

The date of this Prospectus is 12 October 2010 (the ***Prospectus***).

ROYAL STREET NV/SA, *Institutionele V.B.S. naar Belgisch recht/S.I.C. institutionnelle de droit belge*, acting for its Compartment RS-2 (the ***Issuer***) will issue the Notes, comprising the EUR 1,500,000,000 Class A Floating Rate Mortgage Backed Notes due 2051 (the ***Class A Notes***), and the EUR 300,000,000 Class B Floating Rate Mortgage Backed Notes due 2051 (the ***Class B Notes***) and together with the Class A 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 or the Class B Notes of the Issuer. The Notes will be issued on or about 5 November 2010 (the ***Closing Date***).

Application has been made to Euronext Brussels NV/SA to admit the Class A Notes to listing on the Eurolist by Euronext Brussels NV (the ***Euronext Brussels***). Prior to admission to listing 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 the Euronext Brussels (the ***Listing Rules***). No application will be made to list any Notes on any other stock exchange.

The Notes will be solely the obligations of Compartment RS-2 and have been exclusively allocated to Compartment RS-2. 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 Arrangers, the Security Agent, the Joint Lead Managers, the Servicer, the Administrator, the Class A Swap Counterparty, the Class B Swap Counterparty, the Account Bank, the Domiciliary Agent, the Calculation Agent, the Listing Agent and the Corporate Services Provider (each as defined herein). Furthermore, the Seller, the Arrangers, the Security Agent, the Joint

Lead Managers, the Servicer, the Administrator, the Class A Swap Counterparty, the Class B Swap Counterparty, the Account Bank, the Domiciliary Agent, the Calculation Agent, the Listing Agent, the Corporate Services Provider 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 Arrangers, the Security Agent, the Joint Lead Managers, the Servicer, the Administrator, the Class A Swap Counterparty, the Swap B Swap Counterparty, the Account Bank, the Domiciliary Agent, the Listing Agent or the Corporate Services Provider will be under any obligation whatsoever to provide additional funds to the Issuer (save in the limited circumstances described in this Prospectus).

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

Arrangers
DEXIA BANK BELGIUM NV/SA
BNP PARIBAS

Joint Lead Managers
DEXIA BANK BELGIUM NV/SA
BNP PARIBAS
AXA BANK EUROPE NV/SA

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 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 5th 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***) and for the first time on 7 February 2011 (the ***First Quarterly Payment Date***). 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 described in more detail 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 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 1.25 per cent. per annum; and (ii) for the Class B Notes a margin of 2.5 per cent. per annum.

Unless previously redeemed, the Issuer shall redeem the Notes in full on 5 November 2051 (the ***Final Redemption Date***).

On the Quarterly Payment Date falling on 5 November 2017 (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 (but not some only) of the Notes of the relevant Classes at their Principal Amount Outstanding provided that it has sufficient funds available to redeem all the Notes on such date, subject to and in accordance with the Conditions (the ***Optional Redemption Call***).

If any withholding or deduction of taxes, duties, assessments or charges are 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 (the *Noteholders*).

The Class A Notes are assigned a rating of "Aaa(sf)" by Moody's Investors Service Limited, and of "AAAsf" by Fitch Ratings Limited.

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 by the assigning rating agency. Particular attention is drawn to the section entitled *Risk Factors* for a discussion on some of the risks associated with an investment in the Notes.

Each of the Rating Agencies is established in the European Union and is registered under the Regulation (EC) No.1060/2009 on credit ratings agencies (the ***CRA Regulation***). The credit ratings included or referred to in this Prospectus will be treated for the purposes of the CRA Regulation as having been issued by the relevant Rating Agency upon registration pursuant the CRA Regulation. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency without notice.

The Notes will be issued in the form of dematerialised notes under the Belgian Company Code (*Wetboek Vennootschappen / Code des Sociétés*) (the ***Company Code***). The 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***).

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 as Annex 3 specifies on which page a capitalised word or phrase used in this Prospectus is defined.

This Prospectus has been approved by the former Banking, Finance and Insurance Commission (***CBFA***) now Financial Services and Market Authority (***FSMA***) on 12 October 2010. This approval cannot be considered a judgement as to the quality of the transaction, nor on the situation or prospects of the Issuer.

The secondary market for asset-backed securities is currently experiencing significantly reduced liquidity, which could limit Noteholders' ability to sell the Notes and adversely affect the Price of the Notes.

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

IMPORTANT INFORMATION

Selling and holding restrictions – Only Institutional Investors

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

(a) institutional or professional investors within the meaning of Article 5, §3 of the Belgian Act of 3 August 2012 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 for a list of current Institutional Investors under the UCITS Act, Annex 2); and

(b) 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.

In the event that the Issuer becomes aware that particular Notes are held by investors other than Eligible Holders 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 held by Eligible Holders acting for their own account.

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 17. 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 Joint Lead Managers 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.

Neither the US Securities and Exchange Commission, nor any state securities commission or any other regulatory authority, has approved or disapproved of 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 a 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 BITC 1992).

Responsibility Statement

Only 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.

The Seller accepts responsibility for the information contained in Section 12, Section 13, Section 14 and Section 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 Section 12, Section 13, Section 14 and Section 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.

The Security Agent is responsible solely for the information contained in Section 10 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, other than the Issuer and the Seller, is, or has been authorised 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 Joint Lead Managers, the Arrangers, the Originator, the Administrator, the Servicer, the Account Bank, the Class A Swap Counterparty, the Class B Swap Counterparty, the Domiciliary Agent, the Calculation Agent, the Expenses Subordinated Loan Provider, the Subordinated Loan Provider or the Corporate Services Provider, 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, the Seller or any Originator 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 Joint Lead Managers 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 Royal Street NV/SA, *Institutionele VBS naar Belgisch recht/SIC institutionnelle de droit belge*, acting for its Compartment RS-2 will be available at the specified offices of the Domiciliary Agent and the registered office of the Issuer and on the webpage including information of Royal Street NV/SA on the website of AXA (www.axa.be/royalstreet) acting in its capacity as Administrator as defined below.

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 final closing of the offer to the public or, as the case may be, 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 Joint Lead Managers or any duly appointed person acting for it (on its own account and not as agent of the Issuer) may over allot (provided that the aggregate Principal Amount Outstanding of the relevant Class of Notes allotted does not exceed 105 % of the aggregate Principal Amount Outstanding of the relevant Class of Notes) or affect transactions with the 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. However, there is no obligation on the Joint Lead Managers (or any agent of the Joint Lead Managers) to undertake stabilisation action. Such stabilisation may begin until 30 calendar days after the admission to trading of the Class A Notes on Euronext Brussels, and if commenced, may be discontinued at any time and will in any event be discontinued 30 calendar days after the admission to trading. 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 Joint Lead Managers 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 Joint Lead Managers 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.

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 in respect of 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**
Principal amount	EUR 1,500,000,000	EUR 300,000,000
Issue Price	100%	100%
Credit Enhancement (provided by other Classes of Notes subordinated to the relevant Class) [1] and Reserve Fund	Subordination of Class B Notes Reserve Fund	None as long as the Class A Notes are outstanding, the Reserve Fund when the Class A Notes have been redeemed in full.
Margin	1.25 per cent. p.a.	2.5 per cent. p.a.
Interest Accrual	Act/360	Act/360
Quarterly Payment Dates	Interest will be payable quarterly in arrears on the fifth (5^{th}) day of February, May, August, November of each year (or the first following Business Day if such day is not a Business Day), with the First Quarterly Payment Date falling on 7 February 2011.	

[1] In addition, there is further credit enhancement as referred to in Section 5, Credit Structure, below.

	Class A	**Class B**
Principal payments	No scheduled amortisation until the Quarterly Payment Date falling in November 2017 unless certain events (Stop Replenishment Events) have occurred. After such date and on any Quarterly Payment Date, there will be a full sequential amortisation of the Notes, based on the Principal Available Funds, with the Notes within each Class ranking *pari passu* and being repaid *pro rata* and without preference among themselves.	
Prepayments	Notes may be subject to voluntary and mandatory prepayment on any Quarterly Payment Date as described herein, with prepayments applied to the Notes in sequential order starting with the most senior Class of Notes then outstanding.	
Optional Redemption Date	The Quarterly Payment Date falling in November 2017 (First Optional Redemption Date) and any Quarterly Payment Date thereafter.	The Quarterly Payment Date falling in November 2017 (First Optional Redemption Date) and any Quarterly Payment Date thereafter.
Final Redemption Date	the Quarterly Payment Date falling in November 2051	the Quarterly Payment Date falling in November 2051
Denomination	EUR 250,000	EUR 250,000
Form	The Notes will be issued in the form of dematerialised notes under the Company Code and will be represented exclusively by book entries in the records of the Clearing System operated by the National Bank of Belgium.	
Listing	Euronext Brussels	N/A
Expected Rating	Fitch "AAAsf" Moody's "Aaa(sf)"	N/A
ISIN	BE0002400720	BE6208860849
Common Code	055370052	055370150

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 in respect of 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 on pages 16 to 41 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 in respect of 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:

ROYAL STREET NV/SA, *Institutionele vennootschap voor belegging in schuldvorderingen naar Belgisch recht/Société d'investissement en créances institutionnelle de droit belge* organised as a Belgian limited liability company (*naamloze vennootschap/société anonyme*) registered with the Belgian Federal Public Service for Finance (*Federale overheidsdienst Financiën/Service Fédéral Finances*) as an *institutionele vennootschap voor belegging in schuldvorderingen naar Belgisch recht / société d'investissement en créances institutionnelle de droit belge* (an institutional company for investment in receivables) (an ***Institutional VBS/SIC***), incorporated under Belgian law and with its registered office at Boulevard du Souverain 25, 1170 Brussels, Belgium, acting for its Compartment RS-2, is the Issuer of the Notes. It is registered with the legal entities register (judicial district Brussels) under number 0899.167.135.

Unless where the context otherwise requires, the term Issuer shall be construed as referring to Compartment RS-2, whereas the term ***Royal Street*** refers to ROYAL STREET NV/SA, *Institutionele vennootschap voor belegging in schuldvorderingen naar Belgisch recht/Société d'investissement en créances institutionnelle de droit belge,* as a single entity.

Royal Street is a special purpose vehicle.

Royal Street is licensed as a mortgage institution by the former CBFA now FSMA (i.e. the department that was previously known as the Belgian Insurance Control Authority (*Controledienst voor de Verzekeringen/Office de Contrôle des Assurances*) on 23 September 2008 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 ***Mortgage Credit Act***). Royal Street is, as an Institutional VBS/SIC, subject to the rules set out in the UCITS Act. See Section 6, below.
Seller:	AXA BANK EUROPE NV/SA (***AXA*** or the ***Seller***, organised as a limited liability company (*naamloze vennootschap/société anonyme*) under Belgian law with its registered office at Boulevard du Souverain 25, 1170 Brussels, Belgium, registered with the legal entities register under number 404.476.835 (judicial district Brussels) (the ***Seller***). The Seller is licensed as a mortgage institution by the former CBFA now FSMA in accordance with Article 43 of the Mortgage Credit Act. AXA 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:	The Seller will sell Loans to the Issuer that were originated by it (or its legal predecessors) in its capacity as originator (the ***Originator***).
Joint Lead Managers:	DEXIA BANK BELGIUM NV/SA, a limited liability company (*naamloze vennootschap/société anonyme*) organised under the laws of Belgium and licensed as a credit institution (*kredietinstelling/établissement de crédit)*, with its registered office at 44 Boulevard Pachéco, 1000 Brussels registered with the legal entities register under number 0403.201.185 (judicial district Brussels) (***DBB***), BNP PARIBAS, acting through its London Branch, at 10 Harewood Avenue, London NW1 6AA, England (***BNP***) and AXA will act as the Joint Lead Managers of the transaction (the ***Joint Lead Managers***) pursuant to the Subscription and Listing Agreement to be entered into with the Issuer on or before the Closing Date. See Section 18, below.
Servicer:	AXA 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, below.
Security Agent:	STICHTING SECURITY AGENT ROYAL STREET, organised as a foundation (*stichting/fondation*) under Dutch law with its registered office at Fred Roeskestraat 123, 1076 EE Amsterdam, The Netherlands (the ***Security Agent***) will represent the interest of the holders of the Notes, hold the

	security granted under the Pledge Agreement on behalf of the Secured Parties and will be entitled to enforce the security granted in its favour under the Pledge Agreement. See Section 10, below.
Administrator:	AXA will act as administrator of the Issuer pursuant to the Administration Agreement to be entered into on or before the Closing Date (the ***Administrator***). See Section 6, below.
Class A Swap Counterparty:	AXA will act as swap counterparty pursuant to the Class A Swap Agreement to be entered into on or before the Closing Date (the ***Class A Swap Counterparty***). See Section 5.10, below.
Class B Swap Counterparty:	AXA will act as swap counterparty pursuant to the Class B Swap Agreement to be entered into on or before the Closing Date (the ***Class B Swap Counterparty***). See Section 5.10, below.
Listing Agent:	AXA will act as listing agent in respect of the Class A Notes on Euronext Brussels pursuant to the Subscription and Listing Agreement to be entered into on or before the Closing Date (the ***Listing Agent***). See Section 6, below.
Domiciliary Agent:	AXA will act as domiciliary agent pursuant to the Domiciliary Agency Agreement to be entered into on or before the Closing Date (the ***Domiciliary Agent***). See Section 6, below.
Calculation Agent:	AXA will act as calculation agent pursuant to the Administration Agreement to be entered into on or before the Closing Date (the ***Calculation Agent***). See Section 6, below.
Account Bank:	AXA will act as account bank pursuant to the Account Bank Agreement to be entered into on or before the Closing Date (the ***Account Bank*****).** See Section 6, below.
Rating Agencies:	MOODY'S INVESTORS SERVICE LIMITED, with its registered office at One Canada Square, London E14 5FA, United Kingdom, (***Moody's);*** and FITCH RATINGS LIMITED S.A., with its registered office at 60 Avenue de Monceau, 75009 Paris, France (***Fitch***), (together the ***Rating Agencies***).
Auditors:	PRICEWATERHOUSECOOPERS *Bedrijfsrevisoren* BCVBA, with its registered office at Woluwedal 18, 1932 Sint-Stevens-Woluwe, Belgium, registered with the legal

	entities register under number 0429.501.944 (judicial district Brussels) represented by Mr. Luc Discry and Mr. Gregory Joos, has been appointed as statutory auditor of the Issuer (the ***Auditor***). See 6.5, below.
Corporate Services Provider:	AXA will provide general services to support the Issuer in terms of the corporate and bookkeeping management of the Issuer, pursuant to the Corporate Services Agreement to be entered into on or before the Closing Date (the ***Corporate Services Provider***). See Section 6, below.
Subordinated Loan Provider:	AXA will act as subordinated loan provider pursuant to the Subordinated Loan Agreement to be entered into on or before the Closing Date (the ***Subordinated Loan Provider***). See Section 5, below.
Expenses Subordinated Loan Provider:	AXA will act as expenses subordinated loan provider pursuant to the Expenses Subordinated Loan Agreement to be entered into on or before the Closing Date (the ***Expenses Subordinated Loan Provider***). See Section 5, below.
Transaction Parties:	The Account Bank, the Administrator, the Auditors, the Corporate Services Provider, the Domiciliary Agent, the Calculation Agent, the Issuer, the Joint Lead Managers, the Listing Agent, the Originator, the Security Agent, the Subordinated Loan Provider, the Expenses Subordinated Loan Provider, the Seller, the Servicer, the Class A Swap Counterparty and the Class B Swap Counterparty, together the ***Transaction Parties,*** which term, where the context permits, shall include their permitted assigns and successors.

RISK FACTORS

GENERAL

There are certain factors relating to the Notes, the Issuer, the Loans and certain general risk factors, that represent risks inherent in investing in the Notes. These risk factors may affect the ability of the Issuer to fulfil its obligations under the Notes.

Prospective Noteholders should take into account the fact that the liabilities of the Issuer under the Notes are limited recourse obligations whereby the ability of the Issuer to meet such obligations will be dependent on the receipt by it of funds under the Loans and the receipt by it of other funds. Also, the Issuer has a risk that its counterparties will not perform their obligations, which may result in the Issuer not being able to meet its obligations. In addition, there are risks involved in investing in the Notes. Despite certain facilities on the level of the Issuer, there remains a credit

risk, liquidity risk, prepayment risk, maturity risk and interest rate risk relating to the Notes. Moreover there are certain structural and legal risks relating to this type of transaction and to the Loans in particular and the purchase thereof.

A summary of certain of these risk factors is set out below. For a more complete and more detailed description of these risk factors and of certain other risk factors, investors should read the detailed information set out in Section 4 below (*Risk Factors*) together with 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.

RISK FACTORS REGARDING THE ISSUER

Limited resources and Counterparty risk

The Issuer has limited resources available to meet its obligations

The ability of the Issuer to meet its obligations in full to pay principal and interest on the Notes will be dependent on the receipt by it of (i) funds under the Loans, (ii) payments under the Class A Swap Agreement and the Class B Swap Agreement and (iii) interest in respect of the balance standing to the credit of the Issuer Accounts.

The Issuer has counterparty risk exposures

Counterparties to the Issuer may not perform their obligations under the Transaction Documents (as defined in the Conditions), which may result in the Issuer not being able to meet its obligations.

Issuer's insolvency

Preferred Creditors under Belgian law

Belgian law provides that certain preferred rights (*voorrechten/privilèges*) may rank ahead of a mortgage (*hypotheek/hypothèque)* as such term is construed under Belgian law 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 while or after being subject to a judicial reorganisation with creditors (*gerechtelijke reorganisatie/réorganisation judiciaire*), then any new debts incurred during the reorganisation procedure

may be regarded as being debts incurred by the bankrupt estate ranking ahead of debts incurred prior to the reorganisation procedure. These debts may rank ahead of debts secured by a 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 payments referred to therein. See further Section 5 *(Credit Structure)*, below.

RISK FACTORS REGARDING THE NOTES

Liabilities under the Notes and limited recourse

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.

Subordination

The subordination of the Class B Notes with respect to the 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 amounts of principal and/or interest owed in respect of the Notes. Any losses on the Loans will be allocated first to the Class B Notes, see Sections 5.8.1and 5.8.2. See further Section 5.9 (*Application of cash flow and Priority of Payments*).

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.

Liquidity Risk

There is a risk that interest and/or principal on the underlying Loans is not received on a timely basis thus causing temporary liquidity problems to the Issuer.

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 adversely 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 voluntary 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 that the Loans may experience, and variation in the rate of prepayments of principal on the Loans may affect each Class of Notes differently.

Maturity Risk

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

Interest and Interest Rate Risk

The Issuer will enter into the Class A Swap Agreement with the Class A Swap Counterparty and into the Class B Swap Agreement with the Class B 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 Notes will bear interest at floating rates.

The payments to be received from either Swap Counterparty or to be made by the Issuer to a Swap Counterparty will depend on the fluctuation of the floating interest rate on the Notes by reference to the fixed interest rates on the Loans.

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 received from the Borrowers into the Collection Account and such funds subsequently being swept on a daily basis by the Servicer to the Transaction Account. The Collection Account will only be used for the collection of moneys paid in respect of Loans and to this extent there will not be a risk of commingling of proprietary funds of the Servicer and the Issuer. In case of insolvency of the Servicer, the recourse the Issuer would have against the Servicer would be an unsecured claim against the insolvent estate of the Servicer for collection moneys then standing to the credit of the Collection Account at such time.

No Gross-Up for Taxes

If withholding of, or deduction for, or an 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.

Rating of the Notes

The ratings expected to be assigned to the Class A 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 and reflect only the views of the Rating Agencies.

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 Notes and if such

unsolicited ratings are lower than the comparable ratings assigned to the Notes by the Rating Agencies, such unsolicited ratings could have an adverse effect on the value of the Notes.

RISK FACTORS REGARDING THE LOANS AND THE SECURITY

No notification of the Sale and Pledge

Except as described below, the sale of the Loans to the Issuer and the pledge of the Loans, the relevant Loan Security and the Additional Security to the Noteholders and the other Secured Parties will not be notified to the Borrowers nor to the Insurance Companies (other than in respect of the Umbrella Fraud Insurance Policy) or third party providers of Additional Security.

Failure to give notice to the Borrowers, the Insurance Companies and third party providers of collateral may have commercial and legal consequences which may impact the Security until such notice is given.

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 third party providers of Loan Security and Additional Security, except in certain circumstances.

Set-off rights may therefore continue to arise in respect of reciprocal claims between a Borrower (or a third party provider of Collateral) and the Seller, potentially reducing amounts receivable by the assignee and the beneficiaries of the Pledge.

Set-off upon or following insolvency of the Seller

Upon insolvency of the Seller, set-off will no longer be permitted under Belgian law save (a) in respect of "closely connected" debts (*verknochtheid/connexité*) or (b) rights of set-off 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) or (c) if such set-off is expressly provided in the Loan Documents.

The exception for *verknochtheid/connexité* is not laid down in any statute but has been developed by case law. Recent case law of the Belgian Supreme Court (*Hof van Cassatie/Cour de cassation*) suggests that the exception of

verknochtheid/connexité should not apply to the prohibition of set-off after notification of an assignment (Article 1295 of the Belgian Civil Code).

The standard documents and forms used for originating Loans through the network and according to the procedures of the Originator do not contain any express provisions allowing the Borrower to set-off amounts it may owe to the Seller against amounts owing to it at any time by the Seller.

Such 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.

Enforcement of Security for the Notes

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.

Enforcement 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, 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 AXA 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 AXA.

All Sums Mortgages

Most of the Loans relate to loans that are secured by a mortgage which is used to also secure all other amounts which the Borrower owes or in the future may owe to the Seller, a so-called all sums mortgage (*alle sommen hypotheek/hypothèque pour toutes sommes*) (an ***All Sums Mortgage***).

Pursuant to Articles 51 and 51bis of the Mortgage Credit Act, a loan secured by an All Sums Mortgage which is transferred to a VBS/SIC, 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.

Mortgage Mandates

Certain Loans are only partly secured by a Mortgage. Generally, where a Loan is only partly secured by a Mortgage, the Borrower of the relevant Loan or a third party provider of Loan Security may have 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 a Loan Security to certain attorneys enabling them to create a Mortgage as security for the Loan. Such Mortgage will only become enforceable against third parties upon registration of such Mortgage at the Mortgage Registration Office. The ranking of the Mortgage is based on the date of registration. The registration is dated the day on which the mortgage deed pertaining to the creation of the Mortgage and the "registration extracts" (*borderellen/bordereaux*) are registered at the Mortgage Registration Office.

There exist limitations in relation to the conversion of Mortgage Mandates.

Moreover, the Issuer has been advised that the benefit of a Mortgage that will be created upon a conversion of the Mortgage Mandate in the sole name and for the sole benefit of the Seller (which is the case for all the Mortgage Mandates in relation to Loans originated before June 2008) after the assignment of the Loan, can most likely not be conferred upon the Issuer as new beneficiary.

GENERAL RISK FACTORS

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 to the price at which the Notes will be traded after the offering of the Notes. 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.

The secondary market for asset-backed securities is currently experiencing significantly reduced liquidity, which could limit Noteholders' ability to sell the Notes and adversely affect the price of the Notes.

THE NOTES

The Notes: The Class A Notes and the Class B 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 1,500,000,000.

The aggregate Principal Amount Outstanding of the Class B Notes on the Closing Date will be EUR 300,000,000.

See Section 4 and Section 7, below.

Closing Date: The date on which the Notes will be issued, being 5 November 2010, or such later date as may be agreed between the Issuer and the Joint Lead Managers. See 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.

Denomination: The Notes will be issued in denominations of EUR 250,000 each. See Section 7, below.

Issue Price: The Issue Price of each Note shall be hundred (100) per cent. of the denomination of the Note (the ***Issue Price***).

Dematerialised Notes: The Notes will be issued in the form of dematerialised notes under the 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 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 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.

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.

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 5th calendar day of February, May, August and November (or, if such day is not a Business Day, the immediately succeeding Business Day) in each year (each a ***Quarterly Payment Date***) commencing on the first Quarterly Payment Date falling on 7 February 2011.

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. 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 Quarterly Payment Date (or the first Quarterly Payment Date in respect of the First Interest Period) is called an ***Interest Period***.

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 2 System***) or any successor TARGET 2 System is operating credit or transfer instructions in respect of payments in Euros.

Interest on the Notes from (and including) the Closing Date up to (but excluding) the Final Redemption Date will accrue at an annual rate equal to the sum of:

(a) the Euro Reference Rate determined in accordance with Condition 5.4(b*)*; plus

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

(i) in respect of the Class A Notes: 1.25 % per annum; and

(ii) in respect of the Class B Notes: 2.5% per annum.

Interest Payments: Interest on the Notes will be paid on each Quarterly Payment Date after certain prior ranking fees, costs and expenses in accordance with the Quarterly Interest Priority of Payments under Section 5.9.6, below.

To the extent that the Quarterly Interest Available Funds are insufficient on any Quarterly Payment Date to pay the interest due on the Class B Notes, the payment of such interest shortfall on the Class B Notes will be deferred and the amount of such shortfall shall be debited to the Class B Interest Deficiency Ledger in order to record the interest deficiency incurred which shall roll-over to the next Quarterly Interest Payment Date and shall not constitute an Event of Default.

Mandatory Amortisation Provisions after the Mandatory Amortisation Date:	As from the Mandatory Amortisation Date and on each Quarterly Payment Date thereafter prior to the delivery of an Enforcement Notice, subject to, and in accordance with the Principal Priority of Payments, the Issuer will be obliged to apply the Principal Available Funds in or towards satisfaction of: (a) *first*, in or towards satisfaction of any amounts of principal applied to meet Class A Interest Shortfall as referred to in item (i) of the Quarterly Interest Priority of Payments; (b) *second*, all amounts of principal on the Class A Notes; and (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. The ***Mandatory Amortisation Date*** shall be the earlier of (i) the Quarterly Payment Date falling in November 2017 or (ii) the immediately succeeding Quarterly Payment Date following the occurrence of a Stop Replenishment Event.
Optional Amortisation Provisions:	On each Quarterly Payment Date prior to the Mandatory Amortisation Date, the Issuer has the option, but not the obligation, to apply the Principal Available Funds in accordance with the Principal Priority of Payments. The Issuer will be obliged to apply the amount standing to the credit of the Transaction Account on the immediately preceding Calculation Date in excess of an amount in EUR equal to 10 % of the Principal Amount Outstanding of the Notes on the Closing Date in accordance with the Principal Priority of Payments.
Clean-Up Call:	The Issuer shall, upon giving not more than ninety (90) calendar days' notice nor less than sixty (60) calendar days' notice, have the right (but not the obligation) to redeem all the Notes (after taking into account the amount to be redeemed on such Quarterly Payment Date), but not some only on, or after the first Quarterly Payment Date on which the aggregate Principal Amount Outstanding of the Notes becomes less than or equal to ten (10) per cent. of the aggregate Principal Amount Outstanding of the Notes when issued on the Closing Date (being the ***Clean-Up Date***), after payment of all amounts that are due and payable in priority to such Notes (the ***Clean-Up Call***). See the detailed provisions contained in Conditions 6.17 to (and including) 6.21.

Optional Redemption Call	Unless previously redeemed in full, the Issuer shall, upon giving not more than ninety (90) calendar days' notice and not less than sixty (60) calendar days' notice in accordance with Condition 15 have the right (but not the obligation) to redeem all (but not some only) of 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 Notes on such date (the ***Optional Redemption Call***). In such circumstances, the redemption of the Notes will be for an amount equal to the Principal Amount Outstanding of such Notes plus accrued but unpaid interest thereon, after payment of all amounts that are due and payable in priority to such Notes. See Conditions 6.16.
Optional Redemption for Tax Reasons:	The Issuer shall have the right (but not the obligation) to redeem all (but not some only) of the Notes 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, 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 Quarterly Payment Date or Monthly Payment Date, as the case may be, the Issuer, the Class A Swap Counterparty, the Class B 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 Class A Swap Agreement or the Class B Swap Agreement; or (c) if, the total amount payable in respect of an Interest

Period as interest on any of the Loans ceases to be receivable by the Issuer during such Interest 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) (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);

after payment of all amounts that are due and payable in priority to such Notes subject to and in accordance with the Conditions. 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 (an ***Optional Redemption for Tax Reasons***). See the detailed provisions contained in Condition 6.22.

Regulatory Call Option: On each Quarterly Payment Date, the Issuer has the option, but not the obligation, to redeem all of the Notes (but not some only), if the Seller exercises its option to repurchase the Loans from the Issuer upon the occurrence of a regulatory change (the ***Optional Redemption in case of Regulatory Change***). See Condition 6.26.

Optional Redemption in case of Change of Law: On each Quarterly Payment Date, the Issuer may (but is not obliged to) redeem all (but not some only) 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 any Class of Notes, as certified by the Security Agent (an ***Optional Redemption in case of Change of Law***). No Class of Notes may be redeemed under such circumstances unless the other Classes of Notes (or such of them as are then outstanding) are also redeemed in full at the same time. See the detailed provisions contained in Condition 6.24.

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, unless the withholding or deduction for or on account of such taxes, duties, assessments or charges are 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 withholding or deduction for or on account of such taxes, duties, assessments or charges 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, 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. In particular, but without limitation, no additional amounts shall be payable in respect of any Note presented for payment, where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Union Directive on the taxation of savings that was adopted on 3 June 2003 (European Council Directive 2003/48/EC) or any law implementing or complying with, or introduced in order to conform to, such Directive. 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 11.2.1and 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 2051. ***Accrued Interest*** means, in respect of any Quarterly Calculation Date and in respect of Notes then outstanding, the amount obtained by applying the relevant Interest Rate to the Principal Amount Outstanding of the relevant Class of the Notes as of the previous Quarterly Payment Date, multiplied by the actual number of days elapsed in the then current Interest Period (or such other period) divided by 360
Use of Proceeds:	The Issuer will use the proceeds from the issue of the Notes to pay to the Seller part of the Initial Purchase Price for the Loans transferred to the Issuer by the Seller pursuant to the MLSA. See Section 12, and Section 19, below. The proceeds from the Subordinated Loan will be credited to the Reserve Fund Account 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 Loans from the Seller. The MLSA will also provide the conditions under which the Seller may sell to the Issuer and the Issuer may purchase from the Seller New Loans at any time after the Closing Date and until the Mandatory Amortisation Date. See Section 12, below.

Purchase of New Loans Under the MLSA, the Issuer will, during the Replenishment Period, be entitled to purchase New Loans on a daily basis to the extent such New Loans are offered to it by the Seller, if and to the extent:

(a) no Stop Replenishment Event has occurred; and

(b) on the relevant New Loan Purchase Date, the Replenishment Conditions are satisfied. See Section 12, below.

Mandatory Repurchase under the MLSA: If, at any time after the Closing Date any of the representations and warranties and Eligibility Criteria relating to the Loans as set out in the MLSA proves to be untrue, incorrect or incomplete and the Seller has not remedied this within five (5) Business Days as from written notice thereof or (according to the Servicer) it cannot be remedied within such period, then, the Servicer procures that (at the direction of the Administrator or the Security Agent):

(a) the Issuer will be indemnified by the Seller for all damages, costs, expenses and losses; and

(b) the relevant Loan(s) and Loan Security will be repurchased by and re-assigned to the Seller together with other Loans covered by the same All Sums Mortgage, if any, at the Repurchase Price in case of Breach. See Section 12.5, below.

The indemnification and the closing of any repurchase as referred to herein shall be completed no later than 45 calendar days after (i) the expiry of the five (5) Business Day cure period referred to herein or (ii) the date on which the Servicer has determined that the matter is not capable of

being remedied.

Repurchase in case of Non-Permitted Variation

If at any time after the Closing Date the Borrower has requested to the Servicer a variation of the terms or conditions of or in relation to a particular Loan or any rights in relation thereto and the Servicer has determined that such proposed variation is a Non-Permitted Variation, then the Servicer shall:

(a) promptly inform the Seller and the Seller shall be deemed to have accepted such Non-Permitted Variation if he has not opposed thereto within one (1) Business Day after being notified by the Servicer (and hence should the Seller oppose to such Non-Permitted Variation, the Servicer shall not proceed with the relevant Non-Permitted Variation and promptly inform the relevant Borrower thereof);

(b) as part of the immediately subsequent Monthly Servicing Report inform the Issuer, the Administrator and the Security Agent of the Non-Permitted Variation in relation to such Loan thereof as accepted by the Seller; and

(c) no later than 45 calendar days after the date on which the Seller has accepted, or is deemed to have accepted the Non-Permitted Variation, in accordance with (a) above, Date (or, in case such day would not fall on a Business Day, on the immediately succeeding Business Day), arrange for such Loan, together with all other Loans secured by the same All Sums Mortgage, to be repurchased and re-assigned at the Repurchase Price in case of Non-Permitted Variation, and such repurchase and re-assignment of the relevant Loan(s) shall be deemed to have been agreed and accepted by the Issuer and the Seller at such time.

All costs and expenses resulting from such repurchase and re-assignment shall be borne by the Seller. See Section 12.5, below.

Repurchase Option under the MLSA

The Seller has the option to repurchase certain Loans at the Repurchase Price in case of Optional Repurchase if the following conditions are met:

(a) after the Closing Date, the Seller originates a Further Loan that is secured by an All Sums Mortgage which also secures one or more Loans

previously purchased by the Issuer and the aggregate of the Outstanding Balances of such Loans which the Seller proposes to repurchase within a period of twelve (12) consecutive months, may not exceed 1% of the aggregate Outstanding Balances of all the Loans as determined on the Calculation Date relating to the Quarterly Payment Date in respect of which the repurchase in proposed; and

(b) the Issuer records the sale of one or more Loans by way of marginal notation (*mention marginale/kantmelding*) and such marginal notation applies to a substantial portion of the Loans sold to the Issuer.

Further, the Seller has the option to repurchase the Portfolio from the Issuer upon the occurrence of a Regulatory Change. In such case, the Issuer shall have the obligation, provided certain conditions are met, to sell and assign the Loans to the Seller.

All costs relating to any repurchase shall be borne by the Seller. See Section 12.5, below.

Right of First Refusal If, prior to a Notification Event, the Issuer expresses its intention to sell or otherwise transfer all or part of the Portfolio, the Seller benefits from a right of first refusal. See section 12.8, below.

Servicing Agreement: On or before the Closing Date, *inter alios*, the Issuer, the Servicer and the Security Agent will enter into a servicing agreement pursuant to which the Servicer will perform administration and management services for 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 shall be collected by the Servicer during a Collection Period and transferred by the Servicer to the Transaction Account on a daily basis. See Section 5.2, below.

Subordinated Loan On the Closing Date, the Issuer will receive proceeds of a subordinated loan extended by AXA for an amount in EUR equal to 1 % of the Principal Amount Outstanding of the Notes on the Closing Date (the ***Subordinated Loan***). See

	Section 5.6, below. The Subordinated Loan will, on each Quarterly Payment Date, be repaid for an amount up to the Subordinated Loan Redemption Amount from the amount (if any) of the Quarterly Interest Available Funds available to the Issuer after satisfaction of the amounts due in respect of all items listed as items (i) to (and including) (ix) of the Quarterly Interest Priority of Payments and available immediately (except for the Class A Subordinated Swap Amounts and the Class B Subordinated Swap Amounts) prior to the payment of the Deferred Purchase Price in accordance with the Quarterly Interest Priority of Payments set out under Section 5.9.6 below .
Reserve Fund Account:	On the Closing Date, the Issuer will use the proceeds of the Subordinated Loan to establish and maintain a reserve fund on an account held at the Account Bank, initially in the amount in EUR equal to 1% of the Principal Amount Outstanding of the Notes on the Closing Date. (the ***Reserve Fund Account***). See Section 5.4, below.
Expenses Subordinated Loan:	On the Closing Date, the Issuer will receive proceeds from AXA for a principal amount of EUR 950,000 to be applied for initial expenses incurred by the Issuer in connection with the issue of the Notes (the ***Expenses Subordinated Loan***).
Class A Swap Agreement:	On the Closing Date, the Issuer will enter into a 1992 ISDA Master Agreement (including a schedule, credit support annex and a confirmation documenting the transaction entered into thereunder) governed by English law with the Class A 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 ***Class A Swap Agreement***). See Section 5.10, below.
Class B Swap Agreement:	On the Closing Date, the Issuer will enter into a 1992 ISDA Master Agreement (including a schedule, credit support annex and a confirmation documenting the transaction entered into thereunder) governed by English law with the Class B 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 Notes (the ***Class B Swap Agreement***). See Section 5.10, below.
Transaction	On or before the Closing Date, the following agreements will be entered into: the MLSA, the Account Bank

Documents: Agreement, the Administration Agreement, the Domiciliary Agency Agreement, the Servicing Agreement, the Pledge Agreement, the Subscription and Listing Agreement, the Class A Swap Agreement, the Class B Swap Agreement, the Clearing Agreement, the Master Definitions Agreement, the Corporate Services Agreement, the Expenses Subordinated Loan Agreement, the Subordinated Loan Agreement and all other agreements, forms and documents executed pursuant to or in relation to such documents (the ***Transaction Documents***).

THE SECURITY

Pledge Agreement: On or before the Closing Date, the Issuer, the Security Agent and the other Secured Parties will enter into a pledge agreement pursuant to which the Issuer will pledge the Collateral to the Secured Parties (the ***Pledge Agreement***).

Collateral: The Notes will be secured by a first ranking commercial pledge granted by the Issuer in favour of the Secured Parties, including the Security Agent acting in its own name as creditor under the Parallel Debt or otherwise on behalf of the Noteholders and the other Secured Parties 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 the Issuer Accounts with the exclusion of the Class A Swap Collateral Account, 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 and Additional Security in favour of the Secured Parties. Upon the occurrence of certain events (including the service of an Enforcement Notice), the Issuer and the Seller will be required (and, failing which the Security Agent shall be entitled) to notify the Borrowers of such sale and assignment and/or the pledge of the Loans and the relevant Loan Security and Additional Security in favour of the Secured Parties (a ***Notification Event***). See Section 12.6 ,

below.

Limited Recourse and Non-Petition: To the extent that Principal Available Funds and Interest Available Funds 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 RS-2 and recourse for such obligations is limited so that the only assets of Compartment RS-2 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 will cease to be payable by the Issuer. Except as otherwise provided by Conditions 12 and 13, 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 4.2 and 4.3, below.

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

THE LOANS

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

(a) were originated by the Seller (or its legal predecessors) in its capacity as originator (the ***Originator***); and

(b) on the Cut-Off Date, or, in relation to New Loans, on the relevant New Loan Purchase Date, meet the Eligibility Criteria.

Representations, Warranties and A Loan, including a New Loan, transferred pursuant to the MLSA will satisfy all of the representations, warranties and

Eligibility Criteria: Eligibility Criteria. See Section 12, below.

CORPORATE AND ADMINISTRATIVE

Administration Agreement: On or before the Closing Date, the Administrator, the Issuer, the Seller, the Corporate Services Provider, the Servicer, the Security Agent, the Calculation Agent and the Domiciliary Agent will enter into the Administration Agreement relating to, *inter alia*, the provision by the Administrator of certain administration and management services to the Issuer and by the Calculation Agent of certain interest rate determinations and interest calculation services to the Issuer (the ***Administration Agreement***).

Corporate Services Agreement: On or before the Closing Date, the Issuer, the Seller and the Security Agent will enter into the Corporate Services Agreement pursuant to which the Seller will perform corporate and bookkeeping services for the account of the Issuer (the ***Corporate 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 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 and provide certain payment services in respect of the Notes on behalf of 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 Notes will be cleared (the ***Clearing Agreement***).

The 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 NV (***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 "Aaa(sf)" by Moody's and of "AAAsf" by Fitch.

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 Class A Swap Agreement and the Class B Swap Agreement that will be governed by, and construed in accordance with, English law.

SECTION 4. RISK FACTORS

The factors described below represent the principal risks for Noteholders inherent to the transaction, 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 Risk Factors regarding the Issuer

4.1.1. Belgian regulatory framework for securitisation vehicles

Royal Street has been established so as to have and maintain the status of an Institutional VBS/SIC. 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 limited liability company (*naamloze vennootschap/société anonyme*) or in the form of a limited liability partnership (*commanditaire vennootschap op aandelen/société en commandite par actions*). The operations of a VBS/SIC are 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/SIC: the "public VBS/SIC" and the "institutional VBS/SIC". If a VBS/SIC wishes to offer its securities and/or attract funding from parties who are not solely institutional or professional investors, it must be licensed by the CBFA as a "public VBS/SIC". A VBS/SIC that attracts its funding exclusively from institutional or professional investors is an Institutional VBS/SIC.

In order to facilitate securitisation transactions, a VBS/SIC benefits from certain special rules for the assignment of mortgage loans (see Section *4.3.2*, below) and from a special tax regime (see Section 11, below). The status of Institutional VBS/SIC 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/SIC 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/SIC**

Under the UCITS Act, the regulatory status of an Institutional VBS/SIC depends *inter alia* 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/SIC

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/SIC by investors that are not Institutional Investors outside the control of the VBS/SIC, would not adversely affect the status of an institutional VBS/SIC, provided that:

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

(b) the VBS/SIC does not contribute to the holding of its securities 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.

A list of Institutional Investors pursuant to the UCITS Act is included herein as *Annex 2*.

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 (*Koninklijk besluit houdende bepaalde uitvoeringsmaatregelen voor de institutionele instellingen voor collectieve belegging in schuldvorderingen/Arrêté royal portant certaines mesures d'exécution relatives aux organismes de placement collectif en créances institutionnels*) sets out the circumstances and conditions under which a VBS/SIC will be deemed to have taken such "adequate measures". The Issuer has been advised that the measures, which the Issuer has taken to prevent that the Notes or any of the shares of the Issuer would be held by investors that are not Institutional Investors acting for their own account should fall within the circumstances and conditions of the Royal Decree.

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 a prospective purchaser is not an Institutional Investor acting for its own account (with the sole exception, of shares which in accordance with Article 103 of 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 are held by a person who is not an Institutional Investor acting for its own account (with the sole exception, 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- *Subscription and Sale*; and

(ii) the Joint Lead Managers will undertake pursuant to the Subscription and Listing 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 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 nominal value of each individual Note is EUR 250,000 upon issuance; and

(v) 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

(vi) 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

(vii) 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

(viii) the Conditions provide that the 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.

4.1.3. Limited resources and Counterparty risk

The Issuer has limited resources available to meet its obligations

The ability of the Issuer to meet its obligations in full to pay principal and interest on the Notes will be dependent on the receipt by it of (i) funds under the Loans, (ii) payments under the Class A Swap Agreement and the Class B Swap Agreement and (iii) interest in respect of the balance standing to the credit of the Issuer Accounts. In addition, the Issuer will have available to it the balances standing to the credit of the Reserve Fund Account. See further Section 5 *(Credit Structure)*, below.

The Issuer has counterparty risk exposures

Counterparties to the Issuer may not perform their obligations under the Transaction Documents (as defined in the Conditions), which may result in the Issuer not being able to meet its obligations.

In particular, you should read Section 4.2.8 in relation to the risk that the Class A Swap Counterparty or the Class B Swap Counterparty will not perform its obligations owed to the Issuer under the Class A Swap Agreement or the Class B Swap Agreement. As mitigant, rating triggers relating to all third parties through which funds flow, such as the Class A Swap Counterparty or the Account Bank, are incorporated in the Transaction Documents. Given that the Class B Notes are unrated, the Class B Swap Counterparty will not be subject to any rating triggers.

4.1.4. Parallel debt

Under Belgian law, save in certain cases expressly provided by a statutory basis, no security interest can in principle be validly created in favour of a party which is not the creditor of the claim which the security interest 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 Pledge 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 Articles 27

and 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 validly be 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.

4.1.5. **Issuer's insolvency**

Issuer's status

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 loans. 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 commercial and financial transactions and may grant security to secure its own obligations or to secure obligations under the Notes or the other relevant 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 the 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.

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, being EUR 500 more than the minimum legal share capital. In addition, the principal 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.

Preferred Creditors under Belgian Law

Belgian law provides that certain preferred rights (*voorrechten/ privilèges*) may rank ahead of a mortgage ((*hypotheek/hypothèque)* as such term is construed under Belgian

law) (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 while or after being subject to a judicial reorganisation with creditors (*gerechtelijke reorganisatie/réorganisation judiciaire*), then any new debts incurred during the reorganisation procedure may be regarded as being debts incurred by the bankrupt estate ranking ahead of debts incurred prior to the reorganisation procedure. These debts may rank ahead of debts secured by a 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 payments referred to therein. See further Section 5 *(Credit Structure)*, below.

4.2 Risk Factors regarding 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 *(Description of the Notes)*, below.

4.2.1. Liabilities under the Notes and limited recourse

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.

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 or availability of (i) funds under the Loans, (ii) the proceeds of the sale of any Loans, (iii) payments under the Class A Swap Agreement and the Class B Swap Agreement, (iv) interest in respect of the balances standing to the credit of the Issuer Accounts and (v) the availability of amounts standing to the credit of the Reserve Fund 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 Security Agent on behalf of the Secured Parties 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 has no other assets, it may be unable to satisfy claims in respect of any such unpaid amounts. Enforcement of the security 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 Notes.

4.2.2. **Subordination**

The subordination of the Class B Notes with respect to the 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 amounts of principal and/or interest owed in respect of the Notes. Any losses on the Loans will be allocated first to the Class B Notes, see Sections 5.8.1and 5.8.2. See further Section 5.9 (*Application of cash flow and Priority of Payments).*

4.2.3. **Validity of contractual priorities of payments**

The validity of contractual priorities of payments such as those contemplated in this transaction has been challenged recently before the English and U.S. courts. The proceedings have taken place on account of the insolvency of a secured creditor (in that case the swap counterparty). The litigation has considered whether such payment priorities breach the "anti-deprivation" principle under English and U.S insolvency law. This rule prevents a party from agreeing to a provision that deprives that party's creditors of an asset solely on account of the party's insolvency.

It was argued that where a secured creditor subordinates itself to noteholders in the event of the insolvency of that secured creditor, the secured creditor will in consequence have deprived its own creditors of the secured asset.

The Court of Appeal in Perpetual Trustee Co Ltd v BNY Corporate Trustee Services Ltd [2009] EWCA Civ 1160, dismissed this argument and upheld the validity of similar priorities of payment, stating that the anti-deprivation principle was not breached by such provisions. However, the insolvent party has been granted leave to appeal the decision to the Supreme Court and the validity or otherwise of payment priority clauses of this nature will therefore be the subject of further consideration and possible review. The hearing of that appeal has been scheduled for March 2011.

The U.S. Bankruptcy Court for the Southern District of New York has granted Lehman Brothers Special Finance Inc.'s (LBSF) motion for summary judgement to the effect that the provisions in respect of the priorities of payments at issue in the Perpetual litigation do infringe the anti-deprivation principles of the U.S. Bankruptcy Code in a U.S. insolvency. The U.S. courts' ruling on the operation of the anti-deprivation principle is thus, as it acknowledged, "directly at odds with the judgement of the English Courts". This ruling is also subject to a possible appeal. The consequent uncertainty and possible differences between English and U.S. law in relation to the scope and operation of the anti-deprivation principle means that this issue is likely to

be an area of continued judicial scrutiny and debate, especially in the case of cross jurisdictional insolvencies.

There is no case law in Belgium or in France where an insolvent creditor or any insolvency official appointed in respect of that creditor has successfully challenged either the validity or enforceability of subordination provisions included in the Belgian law governed transaction documents (such as a provisions relating to the ranking in the priorities of payment of the Class A Swap Counterparty's payment rights or the Class B Swap Counterparty's payment rights under respectively the Class A Swap Agreement and the Class B Swap Agreement).

4.2.4. **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) the subordinated ranking of the Class B Notes vis-à-vis the Class A Notes;

(b) the share capital of the Issuer;

(c) the funds standing to the credit of the Issuer Accounts including the Reserve Fund Account ;

(d) the Guaranteed Excess Margin (as defined below) applied to the relevant Outstanding Portfolio Amount of the Loans;

(e) the fact that the Subordinated Loan may only be redeemed on a Quarterly Payment Date from available Excess Cash (as defined under Section 5.6 below), which means that such redemption is subordinated to all other liabilities (except for the Class A Subordinated Swap Amounts and the Class B Subordinated Swap Amounts) of the Issuer other than the Deferred Purchase Price;

(f) the application of the Class A Interest Shortfall on the Class A Principal Deficiency Ledger; and

(g) the automatic daily sweep of income received on the Loans from the Seller's Collection Account to the Issuer's Transaction Account.

4.2.5. **Liquidity Risk**

There is a risk that interest and/or principal on the underlying Loans is not received on a timely basis thus causing temporary liquidity problems to the Issuer. This risk is

addressed and mitigated by (a) the Guaranteed Excess Margin, (b) the Reserve Fund Account, (c) the application of an amount of principal equal to the amount of the Class A Interest Shortfall and (d) the floating leg of the Class A Swap or the Class B Swap. See Sections 5.4 and 5.10, below.

4.2.6. **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 adversely 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 voluntary 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 the penalty (each a ***Prepayment Penalty***) payable by the Borrower in case of Prepayment and, in case of prepayment in view of a refinancing by another credit institution, the notarial costs and registration duties related to the origination of a new mortgage loan.

In accordance with Article 26, §1 of the Mortgage Credit Act, the Borrower may at any time prepay the entire outstanding amount of the Loans advanced. In relation to Loans governed by the 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 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).

This risk is also further mitigated by the fact that until the Mandatory Redemption Date the Seller may sell to the Issuer and the Issuer may purchase from the Seller New Loans.

4.2.7. **Maturity Risk**

The ability of the Issuer to redeem all the Notes in full/or to pay all amounts due to the Noteholders on the Final Redemption Date will depend on whether the value of

the Loans sold or otherwise realised is sufficient to redeem the Notes and on its ability to find a purchaser for the Loans.

4.2.8. Interest and Interest Rate Risk

The Issuer will enter into the Class A Swap Agreement with the Class A Swap Counterparty and into the Class B Swap Agreement with the Class B 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 Notes will bear interest at floating rates.

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

If the floating rate payable by the Class A Swap Counterparty or the Class B Swap Counterparty under an interest rate swap is less than the fixed rate payable by the Issuer, the Issuer will be obliged to make payments to the relevant Swap Counterparty. The amounts payable to the Class A Swap Counterparty and the Class B Swap Counterparty are ranked higher in priority than payments on the Class A Notes and Class B Notes respectively, except on Quarterly Payment Dates when such amount will rank *pari passu* with interest payable on Class A Notes and Class B Notes respectively.

The Issuer makes payments under the Class A Swap Agreement to the Class A Swap Counterparty and payments under the Class B Swap Agreement to the Class B Swap Counterparty on each Monthly Payment Date whereas the Class A Swap Counterparty and Class B Swap Counterparty only makes payments on Quarterly Payment Dates. If the Class A Swap Counterparty and/or the Class B Swap Counterparty fails to make payments required under the Class A Swap Agreement or the Class B Swap Agreement, respectively, when due, and payments on the Notes may be reduced or delayed.

The Class A 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 Notes;

(c) early redemption of the Class A Notes following the exercise of the Clean Up Call, as a result of an Optional Redemption Call or an Optional Redemption in the case of Change of Law or for tax reasons or the Regulatory Call Option;

(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 Class A Swap Counterparty without its consent;

(h) with regards to the Class A Swap, the failure of the Class A Swap Counterparty to post collateral, assign the Class A Swap Agreement to an eligible substitute swap counterparty or take other remedial action if the Class A Swap Counterparty's credit ratings drop below the Minimum Ratings levels or would result in a downgrade of the then current ratings of the Class A Notes specified in this Prospectus;

(i) if the Class A Swap Counterparty fails to obtain the semi-annual external independent valuations (including an independent verification of the process of obtaining such valuations) with respect to collateral posted by it as referred to above and such failure is not remedied on or before 28 calendar days after notice of such failure is given to the Class A Swap Counterparty by the Issuer; or

(j) if the status of Institutional VBS/SIC of the Issuer has been definitively and effectively lost following a decision of a court, tribunal or any other authority against which no further appeal may be introduced (*in kracht van gewijsde getreden/entré en force de chose jugée*)

The Class B 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 Notes;

(c) early redemption of the Class B Notes following the exercise of the Clean Up Call, as a result of an Optional Redemption Call or an Optional Redemption in the case of Change of Law or for tax reasons or the Regulatory Call Option;

(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 Class B Swap Counterparty without its consent; or

(h) if the status of Institutional VBS/SIC of the Issuer has been definitively and effectively lost following a decision of a court, tribunal or any other authority

against which no further appeal may be introduced (*in kracht van gewijsde getreden/entré en force de chose jugée*).

Upon termination of the Class A Swap Agreement or Class B Swap Agreement, a termination payment may be due to the Issuer or due to the Class A Swap Counterparty or Class B 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 Class A Swap Counterparty or Class B Swap Counterparty, any termination payment will be paid by the Issuer from funds available for such purpose, and payments on the Notes may be reduced or delayed unless such termination payment arises as a result of a default by the Class A Swap Counterparty or Class B Swap Counterparty, as the case may be, and constitutes a Class A Subordinated Swap Amount or a Class B Subordinated Swap Amount, as the case may be.

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

Given that the Class B Notes are unrated, the Class B Swap Counterparty will not be subject to any rating triggers.

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

4.2.9. **Changes in the Rating Criteria**

In entering into the Class A Swap Agreement, the Class A Swap Counterparty has agreed to comply with the rating agencies' public methodologies and criteria which are, as at the date on which they are entered into, commensurate to the then current rating of the Class A Notes and on terms as per rating agencies' public methodologies and criteria to cover the interest rate risk referred to above.

In the event that any rating agency publishes changes, amendments, replacements or revisions to any of its ratings criteria and such change, if not adopted, would result in the downgrading of the Class A Notes or in the rating of the Class A Notes being put on a negative watch, the Class A Swap Counterparty and the Issuer will enter into discussions in good faith in order to amend the Class A Swap Agreement to reflect such change to the ratings criteria. If the parties cannot agree to adopt such change, either party may transfer the Class A Swap Agreement and the other party shall not unreasonably withhold its consent to any such transfer. Depending on market conditions at the relevant time, such transfer may lead to significant additional costs for the Issuer. In the event that the parties cannot agree to amend the Class A Swap

Agreement and no replacement Class A Swap Counterparty can be found, the ratings of the Class A Notes may be negatively affected due to such change in the ratings criteria.

4.2.10. **Weighted Average Life of the Notes**

Details of the Weighted Average Life of the Notes can be found in Section 8 – *(Weighted Average Life)* of this Prospectus. The Weighted Average Life of the Notes is subject to factors largely outside the control of the Issuer (in particular the Prepayment risk, as referred to in Section 4.2.6, above) 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.

4.2.11. **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 received from the Borrowers into the Collection Account and such funds subsequently being swept on a daily basis by the Servicer to the Transaction Account. The Collection Account will only be used for the collection of moneys paid in respect of Loans and to this extent there will not be a risk of commingling of proprietary funds of the Servicer and the Issuer. In case of insolvency of the Servicer, the recourse the Issuer would have against the Servicer would be an unsecured claim against the insolvent estate of the Servicer for collection moneys then standing to the credit of the Collection Account at such time. 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 from the Collection Account to the Transaction Account, (ii) the Collection Account being exclusively reserved for Collections in respect of the Loans, (iii) the existence of the Notification Events, and (iv) the fact that upon the occurrence of certain trigger events (***Risk Mitigation Deposit Trigger Event***) the Servicer shall deposit on an account of the Issuer an amount as determined in the Mortgage Loan Sale Agreement.

4.2.12. **No Gross-Up for Taxes**

If withholding of, or deduction for, or an 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.

4.2.13. **Rating of the Notes**

The ratings expected to be assigned to the Class A 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 the providers and guarantors of ancillary facilities (including the Class A Swap Agreement) and reflect only the views of the Rating Agencies.

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 Notes and if such unsolicited ratings are lower than the comparable ratings assigned to the Notes by the Rating Agencies, such unsolicited ratings could have an adverse effect on the value of the 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.

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.

4.3 Risks factors regarding the Loans and the Security

4.3.1. True Sale

Pursuant to the MLSA, the Seller has transferred and, in respect of the New Loans, will 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 12.5 below.

The sale shall have the following characteristics:

(a) the Issuer shall have no recourse against the Seller except that (i) the Seller may be required to repurchase Loans in relation to which there is a breach of warranty at the time of the transfer of the Loans or in the case of a Non-Permitted Variation, and/or (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 Outstanding Balance of the Loans including inter alia accrued interests on the Loans in accordance with the Mortgage Loan Sale Agreement.

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

4.3.2. True sale of mortgage loans generally

The enforceability 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 notarial deed and marginal notation of the transfer or pledge in the local mortgage

register. Articles 50 and following of the 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/SIC, so that a transfer or pledge of mortgage loans to or by a VBS/SIC 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/SIC, see Section 4.1.2, above. A loss of the status as an Institutional VBS/SIC would result in the exemption set out in Article 50 of the Mortgage Credit Act not being available and therefore in an absence of an effective sale of the Loans.

4.3.3. **Effectiveness of the pledge over the Loans**

The effectiveness of a pledge over mortgage loans towards third parties, including creditors of the Issuer, is subject to a marginal notation as required by Article 5 of the Mortgage Act. Article 50 and following of the Mortgage Credit Act grant an exemption from Article 5 for pledges created by a (public or institutional) VBS/SIC. The effectiveness of the Pledge Agreement to the extent it relates to the Loans requires that the Issuer maintains its status as an Institutional VBS/SIC. A loss of status of the Issuer as an Institutional VBS/SIC would make the Pledge, and consequently, the Security over the Loans ineffective. As to the status of the Issuer as an Institutional VBS/SIC, see Section 4.1.2, above.

4.3.4. **No notification of the Sale and Pledge**

Except as described below, the sale of the Loans to the Issuer and the pledge of the Loans, the relevant Loan Security and the Additional Security to the Noteholders and the other Secured Parties will not be notified to the Borrowers nor to the Insurance Companies (other than in respect of the Umbrella Fraud Insurance Policy) or third party providers of Additional Security.

Failure to give notice to the Borrowers, the Insurance Companies and third party providers of collateral will have the following commercial and legal consequences until such notice is given:

(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 Loan Security and Additional Security) 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 relevant 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 attachment (*bewarend beslag/saisie conservatoire or uitvoerend beslag/saisie exécutoire*) 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, an Insurance Company or another Collateral provider up to the Closing Date. If a Borrower, an Insurance Company or another 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 10 declaring that the Notes are immediately due and repayable (an ***Enforcement Notice***), the Issuer or the Security Agent will require the Seller to give notice to the Borrowers, the Insurance Companies or any other debtor of any assigned right or Collateral (as described in Section 12.5, 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 a termination event under the Servicing Agreement, the Issuer and the Security Agent shall (at the expense of the Seller) be entitled to give such notice(s).

4.3.5. **No Searches and Investigations**

None of the Issuer, the Security Agent or the Administrator have made or caused to be made nor will any of them make or cause to be made, any enquiries, investigations or searches to verify the details of 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, Additional Security and all rights related thereto.

If there is an unremedied material breach of any representation and/or warranty in relation to any Loan, Loan Security or Additional Security relating thereto and the Seller has not remedied this within five (5) Business Days as from written notice thereof from the Issuer or (according to the Servicer) it cannot be remedied, the Servicer shall procure (at the direction of the Administrator or the Security Agent) that on the last Business Day of the calendar month following (i) the expiry of the five (5) Business Day period mentioned above or (ii) earlier, the date on which the Servicer has determined that the matter is not capable of being remedied, the Issuer shall be indemnified for all damages, losses and costs caused by the breach of representation or warranty and the Loans, together with all other Loans secured by the All Sums Mortgage, will be repurchased by and re-assigned to the Seller together with the Loan Security and Additional Security. The Loans, Loan Security and Additional Security will be repurchased for an aggregate amount equal to the Outstanding Balance of the repurchased Loan plus accrued interest thereon and *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 12.5, below.

4.3.6. **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 third party providers of Loan Security and Additional Security, except in certain circumstances.

Set-off rights may therefore continue to arise in respect of reciprocal claims between a Borrower (or a 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 and Additional Security, claims a right to set-off against the Issuer. The rights to payment of such indemnity will be pledged in favour of the Secured Parties.

In respect of the mortgage loans originated by and sold by the Seller to the Issuer pursuant to the MLSA, as from the date on which the Borrower is notified of the assignment, the Issuer will no longer be subject to the rights of set-off which arise in relation to transactions between the Seller and a Borrower after such notice has been given (Article 1295 of the Belgian Civil Code). Rights of set-off existing prior to such notice may be available to the Borrower in respect of his obligation to make repayment under the Loan and while such pre-existing rights continue to exist and the Borrower successfully claims such right of set-off, the amounts received by the Seller, in its capacity as Servicer, will be less than the scheduled amounts. To mitigate this risk pursuant to the MLSA, the Seller will agree to indemnify the Issuer fully for any such shortfall. Similar rules and arrangements will apply *mutatis mutandis* as to the relationships between the Seller and the Insurance Companies and other Collateral providers.

The Seller has undertaken to indemnify the Issuer for all amounts set-off by any Borrower and such indemnification amounts shall be deemed to constitute interest or principal amounts collected by the Seller and that are due and payable to the Issuer under the Transaction Documents (depending on whether the set-off relates to principal or interest due in respect of a Loan, as applicable).

Set-off upon or following insolvency of the Seller

Upon insolvency of the Seller, set-off will no longer be permitted under Belgian law save (a) in respect of "closely connected" debts (*verknochtheid/connexité*) or (b) rights of set-off 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) or (c) if such set-off is expressly provided in the Loan Documents.

The exception for *verknochtheid/connexité* is not laid down in any statute but has been developed by case law. Recent case law of the Belgian Supreme Court (*Hof van Cassatie/Cour de cassation*) suggests that the exception of *verknochtheid/connexité* should not apply to the prohibition of set-off after notification of an assignment (Article 1295 of the Belgian Civil Code).

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.

The standard documents and forms used for originating Loans through the network and according to the procedures of the Originator (***Standard Loan Documentation***) do not contain any express provisions allowing the Borrower to set-off amounts it may owe to the Seller against amounts owing to it at any time by the Seller.

One legal author has recently argued that clauses of unicity of accounts (*eenheid van rekeningen/unicité de comptes*) and set-off clauses contained in the terms and conditions of the bank or other contractual documents may constitute a close connection (*verknochtheid/connexité*) between the mutual debts of a bank and its borrower. According to this author, 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 construed as characterising the relationship between the bank and a borrower as such and such characterisation should not be different when looked from the point of view of the bank or from the point of view of the borrower. The general rules of operations of the Seller contain a set-off clause stipulated to the benefit of the Seller and confirms that (i) any loans or facilities granted to clients are done so taking into account such client's deposits with the Seller and that (ii) the client and the Seller consider "their reciprocal receivables as being closely connected".

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

The same legal author has stated that, upon insolvency of the Seller and based on the defence of "non-performance" (*exceptio non adimpleti contractus*) (see below), a Borrower would have the right to withhold payment of its debts to the Seller and ultimately set-off its debts against any claims it may hold against the Seller, as and when its debts owed to the Seller fall due.

Such 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.

Defense of non-performance

Under Belgian law a party to a reciprocal agreement may, in certain circumstances, in case of default of its counterparty invoke the defence of non-performance, pursuant to which it would be entitled to suspend payment under its obligations towards this counterparty until such counterparty has duly discharged its obligations due and payable to the debtor. The defence 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; and (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 agreement or otherwise are so closely interrelated that they are part of

a single and indivisible transaction. If and to the extent all such conditions are met, the defence of non-performance may be invoked by a Borrower in respect of a Loan.

The general rules of operations of the Seller provides that (i) any loans or facilities granted to clients are done so taking into account such client's deposits with the Seller and that (ii) the client and the Seller consider "their reciprocal receivables as being closely connected".

There is a risk however that although this clause was intended to reinforce and allow contractual set-off in favour of the bank and not in favour of the borrower, Borrowers may use this as well as an argument to invoke the defence of non-performance to their benefit.

If a court would accept that the conditions of the defence of non-performance are satisfied (amongst others that both debts are so closely interrelated that they are part of a single and indivisible transaction) with respect to any debt owing by the Seller and a Loan, such defence may still 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 (*Hof van Cassatie/Cour de cassation*) case law referred to above.

This risk is mitigated by the following elements:

(a) first, the Belgian Supreme Court has stated that ENAC is subject to the general principle of good faith (*goede trouw/bonne foi*). According to the jurisprudence this could be construed as the obligation to have a certain proportionality between the default and the suspended obligation. Therefore, should the borrower have an amount to the credit of his bank account which is disproportionally low compared to the amount he owes to the Seller, there would be good arguments to defend that the ENAC would be abusive;

(b) second, the deposit accounts benefit from the deposit protection scheme provided by the Deposit and Financial Instrument Protection Fund (the ***Fund***) created by the law of 17 December 1998. Pursuant to the Royal Decree dated 14 November 2008, this scheme guarantees the reimbursement up to a maximum of EUR 100,000 of deposits that could not be returned to private individual clients of a defaulting credit institution. If a borrower chooses to call under the deposit protection scheme, he must expressly agree to subrogate the Fund into his claim and into any repayment rights towards the Seller. Moreover, once, upon the occurrence of an insolvency of the credit institution, the intervention of the Fund has been published in the Belgian Official Journal (*Belgische Staatsblad/Moniteur belge*), the borrower needs to apply for the compensation within a short period (which is normally two months but may be extended in certain circumstances). It is therefore most likely and in full accordance with the *ratio legis* of the statutory regime that a borrower shall in practice opt to make a call under the deposit protection scheme rather than taking the risk of invoking the ENAC (which ultimately, after a protracted procedure of which the outcome remains uncertain, would in the best case only allow the borrower to offset the amounts due under his loan with the amounts to the credit of his bank

account) and taking the risk of being in default under his payment obligations towards the relevant credit institution;

(c) third, there are good arguments to defend that the conditions for the ENAC are not met since:

(i) the obligations of the borrower under the loan agreement and the obligations of the bank under the bank account do not result from the same agreement; the contractual documentation governing the opening of accounts by a Borrower is document named *Opening Product Zichtrekening* and the contractual documentation governing the Loans are documents defined as the Standard Loan Documentation;

(ii) there is no obligation for the Borrower under the Loans to hold their deposits, bank accounts or saving accounts with the Seller; in this respect, we refer to the Standard Loan Documentation which do not contain such an obligation;

(iii) the close connection between the two obligations which is required for ENAC should not be construed in the same manner as the close connection *verknochtheid/connexité* requirement of the set-off; the ENAC requirement is more stringent and an extension of the interpretation given to the *verknochtheid/connexité* under set-off is not consistent with the use of ENAC because the ENAC traditionally requires an inherent reciprocity of debts; there are good arguments to defend that under the current state of the jurisprudence and legal doctrine such "close connection" irrespective of any specific contractual arrangement in this respect, is not present, based on a sample review of the contractual documentation governing the Loans and Axa's understanding; and

(iv) to date, it is not established nor confirmed neither by case law or by a majority of the legal doctrine that the reciprocity requirement for the ENAC would be met; as a result of which, taking into account the arguments set out above, it is well defendable that the conditions for ENAC to apply may in the case of hand not be met.

Both the Set-off risk as the ENAC risk are mitigated by the fact that upon the occurrence of certain trigger events (***Risk Mitigation Deposit Trigger Event***) the Seller shall deposit on an account of the Issuer an amount as determined in the Mortgage Loan Sale Agreement.

4.3.7. Enforcement of Security for the Notes

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 (with the

exception of the Class A Swap Collateral Account) 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, losses 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.

Any proceeds from such sale of the pledged assets will be applied in accordance with the Post-Enforcement Priority of Payments.

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 Class A Swap Counterparty, the Class B Swap Counterparty and the Administrator by way of fees, costs and expenses) will be made in priority to payments of interest and principal on the Notes, and in respect of amounts payable to the Class B Swap Counterparty in priority to payment of interest and Principal on the Class B Notes, in accordance with the Priority of Payments. 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 17 months from the date of the bankruptcy judgement, during which he can sell the secured asset himself if this is in the interest of the bankrupt estate and if this is not detrimental to the secured creditors (for example if individual enforcement by a secured creditor would prejudice the possibility of the bankruptcy trustee to transfer the business to a third party). This extension would however not be granted if the secured creditors (such as the Security Agent) are able to demonstrate that the delayed realisation of their security interest would jeopardize their position.

The question whether or not a notification to the debtors of the pledged receivables (the Borrowers), the account banks or the insurance companies upon a Notification Event (stating that any amounts due under the pledged receivables or standing to the credit of the pledged accounts should only be paid to the Security Agent) is an enforcement measure is not settled under Belgian law. To the extent that such notification is not considered to be an enforcement measure then the pledge created pursuant to the Pledge Agreement will be able to be enforced at any time after the declaration of bankruptcy of the Issuer.

4.3.8. Enforcement 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 AXA 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 AXA.

4.3.9. Swap agreement – absence of deed of charge

The Class A Swap Agreement and the Class B Swap Agreement are both based on the 1992/2002 ISDA Documentation and in relation to the Class A Swap Agreement only, the 1995 Credit Support Annex, as amended, which are each governed by English law. The Class A Swap Counterparty and the Class B Swap Counterparty's interests are secured under the Pledge Agreement which is governed by Belgian law and not under an English law deed of charge. The Issuer has been advised that the contractual rights of the Class A Swap Counterparty and the Class B Swap Counterparty respectively under English law are not secured by an English law but a Belgian law governed security interest and there is no certainty that the Belgian law governed Pledge Agreement would be recognised under English law or any other law. Nevertheless, in application of the Belgian conflict of law rules and the EU Insolvency Regulation Council Regulation (EC) no. 1346/2000 of 29 May 2001 on Insolvency Procedures and based on the fact that the Issuer is established in Belgium and no assets (other than the rights and interests in and under the Class A Swap Agreement and the Class B Swap Agreement governed by English Law) are located outside Belgium, it is considered that the validity and effectiveness of the Pledge Agreement vis-à-vis all third parties is determined by Belgian law which provides that no formalities are required other than the conclusion of the contract pursuant to Article 2075 of the Belgian Civil Code.

4.3.10. All Sums Mortgages

Most of the Loans relate to loans that are secured by a mortgage which is used to also secure all other amounts which the Borrower owes or in the future may owe to the Seller, a so-called all sums mortgage (*alle sommen hypotheek/hypothèque pour toutes sommes*) (an ***All Sums Mortgage***).

Pursuant to Articles 51 and 51bis of the Mortgage Credit Act, a loan secured by an All Sums Mortgage which is transferred to a VBS/SIC, 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.

To mitigate any competing claims in respect of loans secured by All Sums Mortgages, the MLSA provides that all loans or other debts existing at the time of the transfer of the Loans and which are secured by the same All Sums Mortgage are subordinated to the Loans in relation to all sums received out of the enforcement of the All Sums Mortgage and any Additional Security.

This subordination could possibly be considered as an intercreditor arrangement which, if so, 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 intercreditor arrangement in the local mortgage register. The subordination provided for in the Mortgage Loan Sale Agreement will not be notarised and will not be registered in the local mortgage register.

As a consequence such subordination may not be enforceable against third parties, including third party creditors of the Seller.

See also Section 12.2, below and the representations and warranties given pursuant to the MLSA to this effect. See Section 12.4, below.

In order to further mitigate this risk, the other Loans that are secured by an All Sums Mortgage are taken into account for valuation purposes.

In addition, the MLSA provides that if at the time of transfer of a Loan, any other advance is outstanding under such credit facility, such advance shall also be transferred to the Issuer.

4.3.11. **Mortgage Mandates**

Certain Loans are only partly secured by a Mortgage. Generally, where a Loan is only partly secured by a Mortgage, the Borrower of the relevant Loan or a third party provider of Loan Security may have 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 a Loan Security to certain attorneys enabling them to create a Mortgage as security for the Loan (a ***Mortgage Mandate***). Such Mortgage will only become enforceable against third parties upon registration of such Mortgage at the Mortgage Registration Office. The ranking of the Mortgage is based on the date of registration. The registration is dated the day on which the mortgage deed pertaining to the creation of the Mortgage and the "registration extracts" (*borderellen/bordereaux*) are registered at the Mortgage Registration Office. When a Mortgage Mandate is converted into a Mortgage, stamp duties (*registratierechten/droits d'enregistrement*) and other costs will be payable.

The following limitations, amongst others, exist in relation to the conversion of Mortgage Mandates:

(a) a Borrower or a third party provider of Loan Security that has granted a Mortgage Mandate, may grant a Mortgage to a third party that will rank in priority to the Mortgage to be created pursuant to the conversion of the Mortgage Mandate, although this would generally constitute a breach of the contractual obligations of such Borrower or such third party provider of Loan Security;

(b) if a conservatory attachment (*bewarend beslag/saisie conservatoire*) or an executory attachment (*uitvoerend beslag/saisie execution*) on the mortgaged asset has been made by a third party creditor of the Borrower, or, as the case may be, of the third party provider of Loan Security, a Mortgage registered pursuant to the exercise of the Mortgage Mandate after the writ of attachment has been recorded at the Mortgage Registration Office, will not be enforceable against such creditor;

(c) if a Borrower or a third party provider of Loan Security is a merchant or commercial entity:

(i) the Mortgage Mandate can no longer be converted following the bankruptcy of such Borrower or, as the case may be, such third party provider of Loan Security and any Mortgage registered at the Mortgage Registration Office after the bankruptcy judgement is void; and

(ii) a Mortgage registered at the Mortgage Registration Office pursuant to the exercise of a Mortgage Mandate during the "suspect period" for a pre-existing Loan will not be enforceable against the bankrupt estate. Under certain circumstances, the claw back rules are not limited in time, for example where a Mortgage has been granted pursuant to a Mortgage Mandate and in order to "fraudulently prejudice" creditors; and

(iii) Mortgages registered after the day of cessation of payments can be declared void by the bankruptcy court, if the registration was made more than fifteen days after the creation of the Mortgage; and

(iv) the effect of a judicial reorganisation (*gerechtelijke reorganisatie/reorganisation judiciaire*) of a Borrower or of a third party provider of Loan security on the Mortgage Mandate is uncertain;

(d) if the Borrower or the third party provider of Loan Security, as the case may be, is a private person, and started collective debt settlement proceedings, a Mortgage registered at the Mortgage register after the judge has declared the request admissible, is not enforceable against the other creditors;

(e) besides the possibility that the Borrower or the third party provider of Loan Security may grant a Mortgage to another lender as referred to above, the Mortgage to be created pursuant to a Mortgage Mandate may also rank after certain legal Mortgages (such as e.g. the legal Mortgage of the Treasury) to the extent these Mortgages are recorder with the Mortgage Registration Office before the exercise of the Mortgage Mandate. In this respect, it should be noted that the notary will need to notify the tax administration before passing the mortgage deed pertaining to the creation of the Mortgage; and

(f) if a Borrower or a third party provider of Loan Security, as the case may be, is a private person, certain limitations apply to the conversion of the Mortgage Mandate into a Mortgage if the Borrower or third party provider of Loan Security dies before the conversion.

Moreover, the Issuer has been advised that the benefit of a Mortgage that will be created upon a conversion of the Mortgage Mandate in the sole name and for the sole benefit of the Seller (which is the case for all the Mortgage Mandates in relation to Loans originated before June 2008) after the assignment of the Loan, can most likely not be conferred upon the Issuer as new beneficiary. However, in respect of Loans originated after June 2008, the terms of the template used for Mortgage Mandates have been amended and expressly provide that such Mortgage Mandate are granted in the name and for the benefit of the Seller and of the UCITS which may have taken the place of the Seller. This amendment explicitly allows the conversion of a Mortgage Mandate into a Mortgage in favour of the Issuer in respect of Loans originated after June 2008.

The Security Agent has been appointed as an additional attorney pursuant to a substitution deed passed on 29 November 2011 which will enable it to act as attorney under the Mortgage Mandates.

4.3.12. **Insurance Policies**

General

Article 22,§ 4 of the UCITS Act provides that, in case of an assignment of a receivable to a VBS/SIC, 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, § 4 of the Insurance Act only expressly refers to an assignment of the receivables it could be argued that it does not apply to a pledge 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 that the 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.

Hazard Insurance

The same consideration also applies to the hazard insurance policies. 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 All Sums 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, Umbrella Fraud Insurance (in respect of a mortgaged property) or a Life Insurance (in respect of a Loan);

Insurance Policy/ies means any and all Hazard Insurance(s), Life Insurance(s) or Umbrella Fraud Insurance; and

Umbrella Fraud Insurance Policy means an umbrella fraud insurance covering fraud in respect of the Sellers operations affecting, inter alia, one or more Loans.

Life Insurance Policies

In respect of most Loans, the Seller has been conferred rights in various types of Life Insurance Policies.

Such Life Insurance Policies are typically death insurance policies, in respect of which rights to the proceeds are conferred to the Seller by way of assignment, pledge or appointment as beneficiary. Article 22 of the UCITS Act will apply to the rights thus conferred on the Seller.

4.3.13. **Assignment of salary**

The assignment by a Borrower (who is an employee) of its 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 (*Wet betreffende de bescherming van het loon der werknemers/Loi concernant la protection de la remuneration des travailleurs*). 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.

4.3.14. **EU Directive on the taxation and Savings Income**

Under European Council Directive 2003/48/EC on the taxation of savings income (the ***Savings Directive***), Member States of the European Union are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State.

4.3.15. **Data Protection**

To the extent the transfer of Loans entails the transfer of personal data in relation to the Borrowers of the underlying Loans, 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 ***1992 Privacy Act***).

The 1992 Privacy Act allows the processing of personal data under several 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).

The more recent general conditions applicable to the Loans explicitly include in the different objectives of the data processing the aim to provide credit and mortgage credit, including specifically of securitised loans, a transfer of the Loans to the Issuer will hence not result in a new processing and should therefore be allowed under the 1992 Privacy Act.

4.4 General Risk factors

4.4.1. Change in Law or Tax

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 6.22 on Optional Redemption in Full for Tax Reasons and Condition 6.24 on Optional Redemption in Full in case of Change of Law.

4.4.2. Force Majeure

Belgian law recognises the doctrine of *overmacht/force majeure*, permitting a party to a 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 Relevant Documents will not be subject to a *overmacht/force majeure* event leading them to be freed from their obligations under the Relevant Documents to which they are a party. This could prejudice the ability of the Issuer to meet its obligations.

4.4.3. 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 to 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 Joint Lead Managers

have not entered into an obligation to establish and/or maintain a secondary market in the Notes.

The secondary market for asset-backed securities is currently experiencing significantly reduced liquidity, which could limit Noteholders' ability to sell the Notes and adversely affect the price of the Notes.

4.4.4. Portfolio Information

An audit has been performed by PWC on a statistically significant sample randomly selected out of AXA's eligible residential mortgage loan pool, as selected by applying the Eligibility Criteria to the total mortgage loan pool as existed on 31 December 2010. 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 AXA 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.

4.4.5. Replenishment of the portfolio

During the Replenishment Period, the Issuer is entitled to purchase New Loans which has as a consequence that the composition of the loan pool will evolve over time. However, the overall quality of the pool will be maintained as the MLSA provides that (i) the purchase of the New Loans is only possible if certain conditions in respect of the loan pool are met (i.e. the Replenishment Conditions) and (ii) that upon the occurrence of certain events, such as the occurrence of a Notification Event, (i.e. the Stop Replenishment Events), no New Loans may be purchased anymore. See below Section 12.2.

4.4.6. ECB Regulation 24

Pursuant to Regulation 24/2009 of the European Central Bank concerning statistics on the assets and liabilities of financial vehicle corporations engaged in securitisation transactions (*Official Journal of the European Union, 20 January 2009*), certain data regarding the portfolio of the Issuer shall have to be reported to the Belgian National Bank as from December 2009. Pursuant to the Administration Agreement, such reporting shall be made by the Administrator on behalf of the Issuer, unless the Issuer or the Security Agent otherwise decide, or unless otherwise statutorily imposed.

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 bear a 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.

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, repayments and prepayments in respect of the Loans.

Similarly, the actual amounts payable under the applicable Interest Priority of Payments will vary during the life of the transaction as a result of fluctuations in EURIBOR and possible variations in certain other costs and expenses of the Issuer. The possible effect of such variations could lead to drawings under the Reserve Fund and non-payment of certain items under such Interest Priority of Payments.

5.1.2. Prepayment Penalties

In accordance with applicable law, the Loan Documents allow for Prepayment Penalties as set out below.

In case of a Prepayment of a Loan, a Prepayment Penalty equal to three (3) months interest on the prepaid amount, calculated at the interest rate then applicable to the prepaid Loan, is due except in case of: (a) the death of a Borrower if the Loan is repaid from the proceeds of the Life Insurance Policy 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 prepaid Loan.

5.1.3. Default interest

In respect of arrears on the Loans, default interest (*nalatigheidsinterest/intérêt moratoire*) at a rate of up to 0.50% per annum is charged/applied in addition to the interest rate then applicable to the Loan (***Default Interest***).

5.2 Cash Collection

5.2.1. Cash Collection

Until a Notification Event, all payments made by the Borrowers in connection with the Loans will be credited to an internal account in the name of the Seller held with AXA, and any account replacing such account in accordance with the Transaction Documents (the ***Collection Account***).

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 received by the Seller in respect of the Loans are swept on a daily basis from the Collection Account 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 Quarterly Payment Date, the period from (and including) the first (1st) calendar day of the month immediately preceding the month in which the immediately preceding Quarterly Payment Date falls to (but excluding) the first (1st) calendar day of the month immediately preceding 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) the Initial Loan Flagging Date to (but excluding) 1 January 2011.

In respect of any Monthly Payment Date, the period from (and including) the first (1st) calendar day of the month immediately preceding the month in which the immediately preceding Monthly Payment Date falls to (but excluding) the first (1st) calendar day of the month immediately preceding 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) the Initial Loan Flagging Date to (but excluding) 1 January 2011.

The Transaction Account, the Share Capital Account and the Reserve Fund Account (together the ***Issuer Accounts***) will be held at the Account Bank.

If at any time the obligations of the Account Bank are assigned a rating, credit view or credit assessment less than the Minimum Ratings or if the Account Bank ceases to be rated or ceases to be authorised to conduct business in Belgium, then:

(a) forthwith upon such downgrade or such event the Account Bank shall notify the Issuer, the Administrator and the Security Agent in writing of the occurrence of such downgrade; and

(b) the Account Bank and the Issuer will:

  (i) in relation to such downgrade by Fitch, or if the Account Bank ceases to be authorised to conduct business in Belgium, within 30 calendar days from such downgrade or such event; or

(ii) in relation to such downgrade by Moody's, within 60 calendar days from such downgrade, period which may be extended by an additional 30 calendar day period if, before the expiry of the initial 60 calendar day period a written action plan or intention letter regarding the remedy is proposed to Moody's;

transfer the Issuer Accounts 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 in Belgium, unless the Rating Agencies confirm that not transferring the Issuer Accounts will not have a negative impact on the rating of the Class A Notes.

Minimum Ratings means, in respect of any entity, the Fitch Minimum Rating and the Moody's Minimum Rating.

Fitch Minimum Rating means in respect of any entity:

(a) the short-term, unsecured, unsubordinated and unguaranteed debt obligations of such entity being assigned a rating of or a credit view of "F-1" by Fitch and the long-term, unsecured, unsubordinated and unguaranteed debt obligations of such entity being assigned a rating or a credit view of "A" by Fitch (if rating or credit view is "A", such rating or credit view is not being put on Rating Watch Negative), or

(b) another rating which is otherwise acceptable to Fitch under (a) or according to their most recent public rating agency counterparty minimum rating criteria.

Moody's Minimum Rating means in respect of any entity:

(a) Moody's long term deposit rating of such entity being at least "Baa3"; or

(b) such other ratings as may be notified by Moody's and whereby the notification will be sufficient for ratings to be deemed applicable in respect of the Account Bank; or

(c) another rating which is otherwise acceptable to Moody's under (a), (b) or (c) or according to their most recent public rating agency counterparty minimum rating criteria.

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:

(a) in respect of the Loans;

(b) from any of the other parties to the Transaction Documents (unless specified otherwise);

(c) as retained interest relating to the Notes that have been acquired by Noteholders which are not Eligible Holders and hence in respect of which payment of interests has been suspended; and

(d) as accrued interest on the Reserve Fund Account or any amount standing to the credit of the Reserve Fund Account exceeding the amount of the Reserve Fund Required Amount.

Any and all amounts that have been reserved as Dividend Reserve in accordance with the Monthly Interest Priority of Payments and have not been applied by the annual general shareholders meeting of Royal Street towards dividend distribution in connection with the immediately preceding financial year of Royal Street will be transferred from the Share Capital Account and credited to the Transaction Account prior to the first Monthly Calculation Date following the date on which the annual general shareholders meeting of Royal Street is held and form part of the Monthly Interest Available Funds at the immediately following Monthly Payment Date.

Payments will be made from the Transaction Account on each Monthly Payment Date in accordance with the Monthly Interest Priority of Payments and on each Quarterly Payment Date in accordance with the Quarterly Interest Priority of Payments and the Principal Priority of Payments or during any Monthly Interest Period in accordance with Section 5.9.1.

5.4 Reserve Fund Account

5.4.1. Reserve Fund Account

On the Closing Date, the Issuer will establish and maintain a reserve, and the proceeds of the Subordinated Loan, i.e. an amount in EUR equal to 1% of the Principal Amount Outstanding of the Notes on the Closing Date (the ***Reserve Fund***) shall be credited to the Reserve Fund and held in the Reserve Fund Account.

Amounts will thereafter be credited to the Reserve Fund as funds become available for such purpose in accordance with the Quarterly Interest Priority of Payments until the balance standing to the credit of the Reserve Fund Account equals the Reserve Fund Required Amount.

5.4.2. Utilising the Reserve Fund Account

Provided no Enforcement Notice is given, the Reserve Fund shall be applied in accordance with items (i) and (ii) of the Monthly Interest Priority of Payments and items (i) up to (and including) (ii) of the Quarterly Interest Priority of Payments as long as the Class A Notes have not been redeemed in full and items (i) up to (and including) (v) of the Quarterly Interest Priority of Payments if the Class A Notes have been redeemed in full.

In case at any subsequent Quarterly Payment Date the Reserve Fund drops below the Reserve Fund Required Amount as a result of its application, it shall be replenished in accordance with item (iii) of the Quarterly Interest Priority of Payments as long as the Class A Notes have not been redeemed in full and in accordance with item (vi) of the Quarterly Interest Priority of Payments if the Class A Notes have been redeemed in full.

5.4.3. **Reserve Fund Required Amount**

The ***Reserve Fund Required Amount*** shall:

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

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

(i) the Outstanding Balance of all Delinquent Loans as of 90 days or more in arrears (but for the avoidance of doubt excluding Defaulted Loans), as of the end of the Quarterly Collection Period, does not exceed 2.5% of the Outstanding 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 cumulative sum of the Balances of all Defaulted Loans from the Closing Date to the end of the Quarterly Collection Period does not exceed 2.8% of the Initial Outstanding Portfolio Amount;

be equal to the higher amount of:

(iii) 0.25% of the Principal Amount Outstanding of the Notes on the Closing Date; and

(iv) the lower of:

(A) 1% of the Principal Amount Outstanding of the Notes as of the Closing Date; and

(B) 1.67% of the Principal Amount Outstanding of the Notes as of the preceding Quarterly Payment Date; and

(c) otherwise be equal on all future Quarterly Calculation Dates until the Final Maturity Date (or such other date where the notes are to be redeemed in full) 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 (b) 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 may only amortise if and when:

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

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

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

Initial Outstanding Portfolio Amount means an amount equal to EUR 1,800,000,000.

5.4.4. **Excess funds in the Reserve Fund**

If the balance standing to the credit of the Reserve Fund Account on any Quarterly Calculation Date, exceeds the Reserve Fund Required Amount, such excess amount shall be debited from the Reserve Fund Account on the next following Quarterly Payment Date, credited to the Transaction Account, and form part of the Quarterly Interest Available Funds, to be applied in accordance with the Quarterly Interest Priority of Payments.

5.4.5. **Release of the Reserve Fund**

If the Notes have been redeemed in full and all other obligations in respect of the Notes have been satisfied on the Quarterly Payment Date immediately before such Quarterly Calculation Date or will be satisfied on the next Quarterly Payment Date, all amounts standing to the credit of the Reserve Fund Account 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 Account will thereafter be credited to and form part of the Quarterly Interest Available Funds and will be available towards the satisfaction of the Issuer's obligations under the Quarterly Interest Priority of Payments.

5.5 **Expenses Subordinated Loan**

On the Closing Date, the Issuer will enter into an expenses subordinated loan agreement (the ***Expenses Subordinated Loan Agreement***) pursuant to which it will have received proceeds from the Expenses Subordinated Loan Provider for a principal amount of EUR 950,000 to be applied for initial costs and expenses incurred by the Issuer in connection with the issue of the Notes. Interest shall accrue on the outstanding principal at a rate equal to the aggregate of (a) a margin of 250 basis points and (b) 3 Months EURIBOR (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). Interest and principal payments shall be made in accordance with the Quarterly Interest Priority of Payments.

The Issuer must repay the Expenses Subordinated Loan in instalments of EUR 47,500 due on each Quarterly Payment Date, in accordance with the Quarterly Interest Priority of Payments.

To the extent that on any Quarterly Payment Date, the amount of Quarterly Interest Available Funds is not sufficient to pay the amount of principal due at such time under the Expenses Subordinated Loan, such amount of principal (the ***Expenses Subordinated Loan Principal Deferral***) shall be recorded in the Expenses Subordinated Loan Principal Deferral Register (as defined below). The balance of the Expenses Subordinated Loan Principal Deferral Register existing on any Quarterly Calculation Date shall roll-over and be due on the immediately succeeding Quarterly Payment Date.

To the extent that on any Quarterly Payment Date, the amount of Quarterly Interest Available Funds is not sufficient to pay the amount of interest due at such time under the Expenses Subordinated Loan, the amount of such interest shortfall (the ***Expenses Subordinated Loan Interest Deferral***) shall be recorded in the Expenses Subordinated Loan Interest Deferral Register (as defined below). The balance of the Expenses Subordinated Loan Interest Deferral Register existing on any Quarterly Calculation Date shall roll over and be due on the immediately succeeding Quarterly Payment Date.

5.6 Subordinated Loan

On the Closing Date, the Issuer will enter into a subordinated loan agreement (the ***Subordinated Loan Agreement***) pursuant to which it will have received proceeds from the Subordinated Loan Provider for a principal amount of an amount in EUR equal to 1% of the Principal Amount Outstanding of the Notes on the Closing Date to be applied for funding the Reserve Fund. Interest shall accrue on the outstanding principal at a rate equal to the aggregate of (a) a margin of 250 basis points and (b) 3 Months EURIBOR (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). Interest and principal payments shall be made in accordance with the Quarterly Interest Priority of Payments and on terms set out in the Subordinated Loan.

The Subordinated Loan shall be subject to mandatory redemption in whole or in part on each Quarterly Payment Date for an amount up to the Subordinated Loan Redemption Amount to the extent that on the Quarterly Calculation Date relating thereto there are sufficient Quarterly Interest Available Funds available for such purpose after providing for all payments to be made that rank in priority, subject to and in accordance with the Quarterly Interest Priority of Payments.

The principal amount so redeemable on any Quarterly Payment Date in respect of the Subordinated Loan shall be an amount which is equal to the lower of (a) the amount (if any) of the Quarterly Interest Available Funds available to the Issuer after satisfaction of the amounts due in respect of all items with a higher priority of payment listed at items (i) to (ix) (inclusive) of the Quarterly Interest Priority of Payments (the ***Excess Cash*)** (rounded down to the nearest Euro cent) and (b) the Subordinated Loan Redemption Amount.

Subordinated Loan Redemption Amount means, in respect of any Quarterly Calculation Date, an amount equal to the positive difference between the principal

outstanding amount of the Subordinated Loan on such date and the Reserve Fund Required Amount for such date.

To the extent that on any Quarterly Payment Date, the amount of Quarterly Interest Available Funds is not sufficient to pay the amount of interest due at such time under the Subordinated Loan, the amount of such interest shortfall (the ***Subordinated Loan Interest Deferral***) shall be recorded in the Subordinated Loan Interest Deferral Register (as defined below). The balance of the Subordinated Loan Interest Deferral Register existing on any Quarterly Calculation Date shall roll over and be due on the immediately succeeding Quarterly Payment Date.

5.7 Subordination

The Class A Notes will be senior to the Class B Notes.

5.7.1. 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 become due and payable whilst any Class A Note remains outstanding;

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

(c) in case of enforcement of the Security by the Security Agent of any amount due in respect of the Class B Notes, 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.

5.7.2. General Subordination

In the event of insolvency (which term includes bankruptcy (*faillissement/faillite*), winding-up (*vereffening/liquidation*) and judicial reorganisation (*gerechtelijke reorganisatie/réorganisation judiciaire*)) of the Issuer, any amount due or overdue in respect of the Class B Notes will:

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

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

5.7.3. Limited Recourse - Compartments

To the extent that Principal Available Funds and Monthly or Quarterly Interest Available Funds are insufficient to repay any principal or pay any 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 limited in recourse such that only the assets of Compartment RS-2 of the Issuer 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 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 Compartment RS-2 of the Issuer will cease to be payable by the Issuer. Except as otherwise provided by Conditions 12 and 13, 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 Section 4.3 above and Condition 12.

5.8 Principal Deficiency

5.8.1. Principal Deficiency Ledgers

Principal deficiency ledgers will be established on behalf of the Issuer by the Calculation Agent in respect of the Class A Notes (***Class A Principal Deficiency Ledger***) and the Class B Notes (***Class B Principal Deficiency Ledger***), (and together the ***Principal Deficiency Ledgers***) in order to record:

(a) the Outstanding Balance of the Defaulted Loans;

(b) any amounts of Principal Available Funds which, in accordance with item (a) of the Principal Priority of Payments are used to cover any Class A Interest Shortfall; and

(c) in case of a repurchase of a Delinquent Loan as from ninety (90) days in arrears: the positive difference between (i) the Outstanding Balance of such Loan; and (ii) an amount equal to the market value of the mortgaged property or, if no valuation report of less than twelve (12) months is available, the indexed value thereof (based on indexes determined by Stadim).

The Principal Deficiency Ledgers shall be credited thereafter if there are sufficient Quarterly Interest Available Funds in accordance with the Quarterly Interest Priority of Payments.

Class A Interest Shortfall means, in relation to any Quarterly Payment Date, any shortfall of the aggregate amounts under items (a) to and including (i) of the Quarterly Interest Available Funds to pay in full item (i) of the Quarterly Interest Priority of Payments on the relevant Quarterly Payment Date.

5.8.2. Allocation

Recordings on Principal Deficiency Ledgers referred to under (a) to (c) above will, on the relevant Quarterly Calculation Date, be debited to the Principal Deficiency Ledgers sequentially as follows:

(a) first, 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 are sufficient Quarterly Interest Available Funds then any debit balance on

the Class B Principal Deficiency Ledger shall be reduced by crediting such funds at item (v) of the Quarterly Interest Priority of Payments; and

(b) second, 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 are sufficient Quarterly Interest Available Funds then any debit balance on the Class A Principal Deficiency Ledger shall be reduced by crediting such funds at item (ii) of the Quarterly Interest Priority of Payments.

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

Principal Repayments means in relation to a Quarterly Calculation Date, any amounts of repayments and prepayments of principal under or in respect of the Loans other than any Recoveries, received during the Quarterly Collection Period relating to such Quarterly Calculation Date, but excluding any amount of repayment of principal (other than a Prepayment) paid during such Quarterly Collection Period but which was scheduled for payment during the next Quarterly Collection Period but including any amount of repayment (other than a Prepayment) paid during a previous Quarterly Collection Period but which was scheduled for payment during such Quarterly Collection Period.

5.8.3. Calculation of Principal Available Funds and Quarterly Interest Available Funds

The Quarterly Calculation Date shall be, in relation to any Quarterly Payment Date, the third (3rd) Business Day preceding the relevant Quarterly Payment Date (the ***Quarterly Calculation Date***). On each Quarterly Calculation Date the Calculation Agent will calculate the amount of the Quarterly Interest Available Funds and the Principal Available Funds available or to be made available to the Issuer in the Transaction Account to satisfy its obligations under the Notes or, prior to the Mandatory Redemption Date to purchase New Loans, as the case may be.

5.9 Application of cash flows and Priority of Payments

5.9.1. Payments during any Monthly Interest Period

Provided no Enforcement Notice has been given, the following payments from the Transaction Account may be made at any time during the period between two Monthly Payment Dates as follows:

(a) payment to the Servicer of any amounts previously credited to an Issuer Account in error;

(b) payment of any Senior Expenses referred to in items (i) and (ii) of the Monthly Interest Priority of Payments that become due and payable at such time; and

(c) to the extent the Issuer has purchased (a) New Loan(s), payment to the Seller of the New Loan Purchase Price of such New Loan(s) as at the relevant New Loan Purchase Date.

To the extent there are insufficient funds standing to the credit of the Transaction Account to satisfy any such payments, the corresponding missing amount for (a) and (b) only may be paid from the Reserve Fund Account.

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

5.9.2. **Monthly Interest Available Funds**

On each Monthly Calculation Date, the Calculation Agent shall calculate the amount of interest funds available to the Issuer in the Transaction Account to be applied on the immediately succeeding Monthly Payment Date by reference to the applicable Monthly Collection Period. Such interest funds (the ***Monthly Interest Available Funds***) shall be the lower of the monies standing on the credit of the Transaction Account and the sum of the following:

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

(b) any Prepayment Penalties and Default Interest received under the Loans;

(c) any amounts to be applied from the Reserve Fund on the immediately following Monthly Payment Date to cover Senior Expenses referred to in items (i) and (ii) of the Monthly Interest Priority of Payments and to be transferred from the Reserve Fund Account into the Transaction Account;

Senior Expenses means the expenses referred to in items (i) and (ii) of the Monthly Interest Priority of Payments;

(d) the aggregate 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 recoveries on Defaulted Loans; and

(e) any and all amounts that have been reserved as Dividend Reserve in accordance with the Monthly Interest Priority of Payment and have not been applied by the annual general shareholders meeting of Royal Street for dividend distribution in connection with the immediately preceding financial year of Royal Street and which have been transferred from the Share Capital Account to the Transaction Account.

Monthly Calculation Date means, in relation to any Monthly Payment Date, the third (3rd) Business Day (as defined below) preceding the relevant Monthly Payment Date.

Monthly Payment Date means the 5th calendar day of each calendar month (or, if such day is not a Business Day, the immediately next succeeding Business Day) in each year except for the first Monthly Payment Date which will be the 5th day of January 2011.

5.9.3. **Monthly Interest Priority of Payments**

On each Monthly Payment Date prior to the issuance of an Enforcement Notice, the Calculation Agent, on behalf of the Issuer, shall apply the Monthly Interest Available Funds in making the following payments or provisions, in the following order of priority (in each case, only if, and to the extent that payments or provisions of a higher order or priority have been made in full and that the transaction Account will not have a negative balance) (the ***Monthly Interest Priority of Payments***):

(i) *first*, in or towards satisfaction, *pari passu* and *pro rata*, of all amounts due and payable to:

(A) the Security Agent;

(B) the Administrator;

(C) the Calculation Agent;

(D) the Servicer;

(E) the Corporate Services Provider;

(F) the Account Bank;

(G) the Domiciliary Agent;

(H) the directors of the Issuer;

(I) the National Bank of Belgium in relation to the use of X/N Clearing System;

(J) the FSMA;

(K) Euronext Brussels;

(L) the CFI (*Controledienst voor Financiële Informatie/Service de Contrôle de l'Information Financière*);

(M) the Auditor;

(N) the *Fonds ter bestrijding van Overmatige Schuldenlast/Fonds de Traitement du Surendettement*;

(O) the Rating Agencies;

(P) the *Rijksinstituut voor de Sociale Verzekeringen der Zelfstandigen/Institut national d'Assurances sociales pour travailleurs indépendants;*

(Q) third parties for any payment of the Issuer's liability, if any, for taxes;

(R) any amounts up to EUR 20,000 reserved in the Share Capital Account that may be applied for dividend distribution annually by the shareholders of Royal Street (the ***Dividend Reserve***); and

(S) federal, regional or local authorities for payment of taxes;

(ii) *second*, in or towards satisfaction, *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 (i) above, in the normal course of its business conducted in accordance with its by-laws and the Transaction Documents;

(iii) *third* to the extent the Issuer has purchased (a) New Loan(s) during the Monthly Collection Period, in or towards satisfaction of the amounts due by the Issuer to the Seller for the portion of the New Loan Purchase Price corresponding to the accrued interests on such New Loan(s) up to (but excluding) the relevant New Loan Purchase Date;

(iv) *fourth*, in or towards satisfaction of an amount due by the Issuer and corresponding to an excess margin of 0.35 per cent. per annum, calculated on a 30/360 day period (save for the first Monthly Collection Period which shall be calculated based on an actual number of days during such period) and applied to the relevant Outstanding Portfolio Amount of the Loans (less the aggregate Outstanding Balance of the Delinquent Loans and Defaulted Loans) on the last day of the relevant Monthly Collection Period (the ***Guaranteed Excess Margin***);

(v) *fifth*, in or towards satisfaction of all amounts due or overdue to the Class A Swap Counterparty, except for:

(A) any Class A Swap Termination Amounts as referred to under item (i)(B) of the Quarterly Interest Priority of Payments;

(B) any Class A Subordinated Swap Amounts as referred to under item (xi) of the Quarterly Interest Priority of Payments; and

(C) any Excess Class A Swap Collateral which will be paid directly and only to the Class A Swap Counterparty under the terms of the Class A Swap Agreement;

(vi) sixth, in or towards satisfaction of all amounts due or overdue to the Class B Swap Counterparty, except for:

(A) any Class B Swap Termination Amounts referred to under item (iv)(C) of the Quarterly Interest Priority of Payments;

(B) any Class B Subordinated Swap Amounts as referred to under item (xii) of the Quarterly Interest Priority of Payments.

Outstanding Portfolio Amount means in respect of any Quarterly Calculation Date or any Monthly Calculation Date, as the case may be, the aggregate amount of all Outstanding Balances of all Loans at the end of the related Monthly or Quarterly Collection Period.

Defaulted Loan means a Loan which is either (i) in arrears for more than 180 days or (ii) which has been accelerated by the Servicer and in relation to which the Servicer has commenced the Foreclosure Procedures.

Delinquent Loan means a Loan in arrears and for as long as it has not become a Defaulted Loan.

Share Capital Account means the bank account by the Issuer in which is held:

(a) the share capital portion allocated to Compartment RS-2; plus

(b) the amount reserved as Dividend Reserve on the first Monthly Payment Date of each year following the date on which the annual general meeting of the shareholders of Royal Street is held (as referred to under article 27 of the articles of association of Royal Street) (and for the first time on the first Monthly Payment Date after Closing) and which may be applied, together with the interests accrued on the Share Capital Account for dividend distribution; and

(c) any interest accrued on the Share Capital Account.

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

5.9.4. **Quarterly Interest Available Funds**

On each Quarterly Calculation Date, the Calculation Agent shall calculate the amount of interest funds available to the Issuer in the Transaction Account to be applied on the immediately succeeding Quarterly Payment Date by reference to the applicable Quarterly Collection Period and such interest funds (the ***Quarterly Interest Available Funds***) shall be the lower of the monies standing on the credit of the Transaction Account and the sum of the following:

(a) any amounts to be received from the Class A Swap Counterparty under the Class A Swap Agreement on the immediately following Quarterly Payment Date, save for any Excess Class A Swap Collateral and any replacement swap premium which would be paid directly to any replacement swap counterparty;

(b) any amounts to be received from the Class B Swap Counterparty under the Class B Swap Agreement on the immediately following Quarterly Payment Date save for any replacement swap premium which would be paid directly to any replacement swap counterparty;

(c) any amounts of Guaranteed Excess Margin as received on each of the previous two Monthly Payment Dates and as to be received at such Quarterly Payment Date and due at such time;

(d) any interests accrued on sums standing to the credit of the Issuer Accounts (other than any interests accrued on the Share Capital Account);

(e) any amounts to be applied from the Reserve Fund (to the extent available), and to be transferred to the Transaction Account, on the immediately following Quarterly Payment Date to cover any shortfalls that would otherwise exist on item (i) up to (and including) (ii) of the Quarterly Interest Priority of Payments for as long as the Class A notes have not been redeemed in full and on item (i) up to (and including) (v) of the Quarterly Interest Priority of Payments provided that the Class A Notes have been redeemed in full;

(f) any amounts received in respect of Defaulted Loans (the ***Recoveries***);

(g) any remaining amounts standing to the credit of the Transaction Account, other than (i) any funds which are Principal Available Funds, (ii) any amounts collected in the period between the last day of the immediately preceding Quarterly Collection Period until the Quarterly Payment Date (in respect of the new period), (iii) any amounts of interest that have been collected in the Transaction Account that relate to Notes that have been acquired by Noteholders that are not Eligible Holders on which the payment of interest is suspended;

(h) any amounts of interest resulting from rounding down as referred to in Condition 5.8(c) at the immediately preceding Quarterly Payment Date;

(i) the excess balance standing to the credit of the Reserve Fund which exceeds the Reserve Fund Required Amount and which is credited to the Transaction Account; and

(j) to the extent that on any Quarterly Payment Date, the amount of Quarterly Interest Available Funds consisting of the funds referred to under (a) to (and including) (i) above, is not sufficient to pay the Class A Interest Shortfall at such time, any amounts of principal applied to meet such Class A Interest Shortfall in application of the Principal Priority of Payments.

Quarterly Calculation Date means, in relation to any Quarterly Payment Date, the third (3rd) Business Day preceding the relevant Quarterly Payment Date.

Class A Swap Collateral Account means the 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 Class A Swap Agreement are deposited.

5.9.5. **Interest Deficiency Allocation**

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

To the extent that on any Quarterly Payment Date, the amount of Quarterly Interest Available Funds consisting of the funds referred to under items (a) to (and including) (i) of the Quarterly Interest Available Funds is not sufficient to pay the Accrued Interests in respect of the Class A Notes at such time, an amount of principal equal to the Class A Interest Shortfall shall be applied to meet such Class A Interest Shortfall in application of item (a) of the Principal Priority of Payments. Such amount of principal applied to cover the Class A Interest Shortfall shall be recorded on the Class B Principal Deficiency Ledger (or, if and to the extent the Class B Principal Deficiency Ledger has been entirely drawn-up, on the Class A Principal Deficiency Ledger).

It shall be an Event of Default if on any Quarterly Payment Date, the interest amounts in respect of the Class A Notes have not been paid in full.

Interest Deficiency Ledgers and interest roll-over

To the extent that on any Quarterly Calculation Date, the amount of Quarterly Interest Available Funds is not sufficient to pay the Accrued Interests 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 amount of interest otherwise due on the Class B Notes on the next succeeding Quarterly Payment Date (in accordance with Condition 6.4 and to the extent sufficient Quarterly Interest Available Funds are available on such date, an additional amount of interest will be paid and deducted from the Class B Interest Deficiency Ledger.

5.9.6. **Pre-enforcement Quarterly Interest Priority of Payments**

On each Quarterly Payment Date prior to the issuance of an Enforcement Notice, the Calculation Agent, on behalf of the Issuer, shall apply the Quarterly Interest Available Funds in making the following payments or provisions, in the following order of priority (in each case, only if, and to the extent that payments or provisions of a higher order or priority have been made in full) and the Transaction Account will not have a negative balance (the ***Quarterly Interest Priority of Payments***):

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

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

(B) all amounts in respect of any termination sum due and payable under the Class A Swap Agreement to the Class A Swap Counterparty as a result of the termination of the Class A Swap Agreement except where the Class A Swap Counterparty is the Defaulting Party or the sole Affected Party (other than resulting from a Tax Event or Illegality) (each as defined in the Class A Swap Agreement) and except for any Excess Class A Swap Collateral and except for any replacement swap premium which would be paid directly to any replacement swap counterparty (the ***Class A Swap Termination Amounts***);

(ii) *second*, 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;

(iii) *third*, and as long as the Class A Notes have not been fully redeemed, in or towards replenishing the Reserve Fund up to the Reserve Fund Required Amount (as defined in Condition 6.8);

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

(A) all amounts of interest due in respect of the Class B Notes; and

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

(C) all amounts in respect of any termination sum due and payable under the Class B Swap Agreement to the Class B Swap Counterparty as a result of the termination of the Class B Swap Agreement except where the Class B Swap Counterparty is the Defaulting Party or the sole Affected Party (each as defined in the Class B Swap Agreement)

and except for any replacement swap premium which would be paid directly to any replacement swap counterparty (the ***Class B Swap Termination Amounts***);

(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*, to the extent the Class A Notes have been redeemed in full, in or towards replenishing the Reserve Fund up to the Reserve Fund Required Amount (as defined in Condition 6.8);

(vii) *seventh*, in or towards satisfaction, *pari passu* and *pro rata*, of:

(A) all amounts of interest due in respect of the Expenses Subordinated Loan; and

(B) all amounts overdue and debited to the Expenses Subordinated Loan Interest Deferral Register, until any debit balance on such register is reduced to zero (the ***Expenses Subordinated Interest Surplus***);

(viii) *eighth*, in or towards satisfaction, *pari passu* and *pro rata*, of:

(A) all amounts of interest due in respect of the Subordinated Loan; and

(B) all amounts of interest overdue and debited to the Subordinated Loan Interest Deferral Register, until any debit balance on such register is reduced to zero (the ***Subordinated Interest Surplus***);

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

(A) all amounts of principal due in respect of the Expenses Subordinated Loan; and

(B) all amounts overdue and debited to the Expenses Subordinated Loan Principal Deferral Register, until any debit balance on such register is reduced to zero;

(x) *tenth*, in or towards satisfaction, of amounts of principal due and unpaid in respect of the Subordinated Loan;

(xi) *eleventh*, in or towards satisfaction of all amounts in respect of any termination sum due and payable under the Class A Swap Agreement to the Class A Swap Counterparty as a result of the termination of the Class A Swap Agreement where the Class A Swap Counterparty is the Defaulting Party or sole Affected Party

(other than resulting from a Tax Event or Illegality) (the ***Class A Subordinated Swap Amounts***);

(xii) *twelfth*, in or towards satisfaction of all amounts in respect of any termination sum due and payable under the Class B Swap Agreement to the Class B Swap Counterparty as a result of the termination of the Class B Swap Agreement where the Class B Swap Counterparty is the Defaulting Party or sole Affected Party (the ***Class B Subordinated Swap Amounts***); and

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

Expenses Subordinated Loan Interest Deferral Register means the register established by the Calculation Agent on behalf of the Issuer in which any interest shortfalls in respect of the Expenses Subordinated Loan are recorded.

Subordinated Loan Interest Deferral Register means the register established by the Calculation Agent on behalf of the Issuer, in which any interest shortfalls in respect of the Subordinated Loan are recorded.

Expenses Subordinated Loan Principal Deferral Register means the register established by the Calculation Agent on behalf of the Issuer in which any principal shortfalls in respect of the Expenses Subordinated Loan are recorded.

5.9.7. **Pre-enforcement Principal Priority of Payments**

5.9.7.1. ***Principal Available Funds***

On each Quarterly Calculation Date, in respect of each Quarterly Collection Period, the Calculation Agent will calculate the amount of principal funds available to the Issuer in the Transaction Account to satisfy its obligations under the Notes. Such principal funds (the ***Principal Available Funds***) shall be equal to:

(A) 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 way of payment or by way of set-off in favour of the Issuer or otherwise (but excluding Prepayment Penalties, if any, and amounts relating to Defaulted Loans);

(b) the aggregate of any amounts received:

(i) in respect of a repurchase of Loans by the Seller under the MLSA (save for the amounts received for a repurchase of a Defaulted Loan which shall be Recoveries);

(ii) in respect of any other amounts received by the Issuer under clause 5 of the MLSA in connection with the Loans;

(iii) as proceeds under any indebtedness incurred in view of refinancing the Notes, to the extent such proceeds allow for redemption or amortisation in full of the Notes in accordance with the Conditions, and for repayment in full of items (i) to (xii) of the Quarterly Interest Priority of Payments; and

(iv) as sales proceeds of the Collateral or any part thereof, to the extent such proceeds allow for redemption or amortisation in full of the Notes in accordance with the Conditions, and for repayment in full of items (i) to (xii) of the Quarterly Interest Priority of Payments;

in each case, to the extent such amounts relate to principal amounts;

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

(d) any amounts corresponding to the sum of the amounts referred under items (a) to and including (e) as calculated on the immediately preceding Quarterly Calculation Date which have not been applied (i) towards the purchase of New Loans or (ii) towards redemption of the Notes in accordance with the Principal Priority of Payments on the immediately preceding Quarterly Payment Date (including, for the avoidance of doubt, any amounts of principal resulting from rounding down in accordance with Condition 5.8 (c) at the immediately preceding Quarterly Payment Date; and

(e) only as for the first Quarterly Payment Date falling in February 2011, the amount corresponding to the difference between:

(i) the aggregate amount of the proceeds of the Notes; and

(ii) the Outstanding Balance of the Loans on Closing;

(B) **minus**, prior to the Mandatory Amortisation Date, the amount applied by the Issuer during such Quarterly Collection Period to either (i) purchase New Loans and pay to the Seller the portion of the New Loan Purchase Price corresponding to the Outstanding Balance of such New Loans as at the relevant New Loan Purchase Date, or (ii) which the Issuer decides to keep on the Transaction Account with a view to purchase New Loans after such Quarterly Collection Period.

5.9.7.2. ***Principal Priority of Payments***

Prior to the Mandatory Amortisation Date

As from the first Quarterly Payment Date falling in February 2011 and on each Quarterly Payment Date thereafter until the Mandatory Amortisation Date and, in any event, prior to the issuance of an Enforcement Notice, the Issuer may, but is not obliged to, apply the Principal Available Funds (if any) in whole or in part in making the payments or provisions, in the order of priority as set out in, subject to and in

accordance with the Principal Priority of Payments. However, the Issuer will be obliged to apply:

(a) the Principal Available Funds (if any) in whole or in part in case of Class A Interest Shortfall; and

(b) the amount of part A of the Principal Available Funds in excess of an amount in EUR equal to 10% of the Principal Amount Outstanding of the Notes on the Closing Date standing to the credit of the Transaction Account as at the immediately preceding Calculation Date;

in making the payments or provisions, in the order of priority as set out in, subject to and in accordance with the Principal Priority of Payments.

Following the Mandatory Amortisation Date

As from the first Quarterly Payment Date falling on or, as the case may be, immediately following the Mandatory Amortisation Date and on each Quarterly Payment Date thereafter prior to the issuance of an Enforcement Notice, the Issuer will be obliged to apply the Principal Available Funds (if any) in making the payments or provisions in the order of priority set out in, subject to and in accordance with the Principal Priority of Payments.

Principal Priority of Payments

If applied in accordance with Conditions 3.13 or 3.14, the Principal Available Funds will be applied in making the following payments and provisions in the following order of priority (in each case, only if, and to the extent that payments or provisions of a higher order or priority have been made in full and provided that the Transaction Account will not have a negative balance) (the ***Principal Priority of Payments***):

(a) *first*, in or towards satisfaction of any amounts of principal applied to meet a Class A Interest Shortfall;

(b) *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; and

(c) *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.

5.9.8. **Post-enforcement Priority of Payments**

Following the issue of an Enforcement Notice, all monies standing to the credit of the Issuer Accounts (other than the portion of the share capital of the Issuer on the Share Capital Account) and if applicable any other account in the name of the Issuer (to the extent the monies on these accounts can be applied in accordance with the Transaction Documents) and received by the Issuer (or the ***Security Agent*** or the ***Calculation Agent***) will be applied in the following priority (the ***Post-Enforcement Priority of***

Payments and, together with the Monthly Interest Priority of Payments and the Quarterly 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 the Transaction Account will not have a negative balance):

(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 together with interest as provided in the Pledge Agreement;

(ii) *second*, in or towards satisfaction of all amounts due and payable to the Security Agent, together with interest thereon as provided in the Pledge Agreement;

(iii) *third*, in or towards satisfaction, *pari passu*, and *pro rata*, of all amounts due and payable to:

(A) the Administrator;

(B) the Calculation Agent;

(C) the Servicer;

(D) the Corporate Services Provider; and

(E) the Account Bank;

(F) the Domiciliary Agent;

(G) the directors of the Issuer;

(H) the National Bank of Belgium in relation to the use of X/N Clearing System;

(I) the FSMA;

(J) Euronext Brussels;

(K) the CFI (*Controledienst voor Financiële Informatie/Service de Contrôle de l'Information Financière*);

(L) the Auditor;

(M) the *Fonds voor bestrijding van de overmatige schuldenlast*;

(N) the Rating Agencies;

(O) the *Rijksinstituut voor de Sociale Verzekeringen der Zelfstandigen/Institut national d'Assurances sociales pour travailleurs indépendants*;

(P) third parties for any payment of the Issuer's liability, if any, for taxes;

(Q) federal, regional or local authorities for the payment of taxes;

(R) 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 items (A) to (Q) above, in the normal course of its business conducted in accordance with its by-laws and the Transaction Documents;

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

(A) all amounts due to the Class A Swap Counterparty including any Class A Swap Termination Amounts at such time but excluding any Class A Subordinated Swap Amounts as referred to in item (xii) below; and

(B) all amounts of interest due or overdue in respect of the Class A Notes;

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

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

(A) all amounts due to the Class B Swap Counterparty including any Class B Swap Termination Amounts at such time but excluding any Class B Subordinated Swap Amounts as referred to in item (xiii) below; and

(B) all amounts of interest due or overdue in respect of the Class B Notes;

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

(viii) *eighth*, in or towards satisfaction of all amounts of interest due or overdue in respect of the Expenses Subordinated Loan;

(ix) *ninth*, in or towards redemption, *pari passu* and *pro rata*, of all amounts of principal outstanding in respect of the Expenses Subordinated Loan;

(x) *tenth*, in or towards satisfaction of all amounts of interest due or overdue in respect of the Subordinated Loan;

(xi) *eleventh*, in or towards redemption, *pari passu* and *pro rata*, of all amounts of principal outstanding in respect of the Subordinated Loan;

(xii) *twelfth*, in or towards satisfaction of any Class A Subordinated Swap Amounts;

(xiii) *thirteenth*, in or towards satisfaction of any Class B Subordinated Swap Amounts; and

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

5.10 Interest Rate Hedging

5.10.1. 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. To hedge the mismatch related to the difference in interest rates and also to cover part of the Initial Purchase Price corresponding to the accrued interest on the Loans, the Issuer shall on or before the Closing Date enter into a Class A Swap Agreement and a Class B Swap Agreement.

5.10.2. The Class A Swap Ratio

The Class A 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; and

(b) the sum of the Principal Amount Outstanding of the Class A Notes and the Principal Amount Outstanding of the Class B Notes less the sum of any amounts standing to the credit of the Principal Deficiency Ledger of the Class A Notes and any amounts standing to the credit of the Principal Deficiency Ledger of the Class B Notes

as determined on the preceding Quarterly Calculation Date.

5.10.3. The Class B Swap Ratio

The Class B Swap Ratio on each Monthly Calculation Date will be equal to one (1) less the Class A Swap Ratio.

5.10.4. **The Class A Swap Agreement**

5.10.4.1. ***General***

As at the Closing Date, the Issuer and BNPP in its capacity as Class A Swap Counterparty, (at such time) (AXA has replaced BNPP as Class A Swap Counterparty as from the date on which the amendments become effective) have entered into the Class A Swap Agreement.

On the Closing Date, the Class A Swap Counterparty will pay to the Issuer an amount equal to the product of the Class A Swap Ratio and the accrued but unpaid interest on the Initial Loans as from (and including) their last payment date up to (but excluding) the Initial Loan Flagging Date and any Default Interest accrued but unpaid in respect of Delinquent Loans.

The Issuer will pay to the Class A Swap Counterparty, in accordance with item (v) of the Monthly Interest Priority of Payments, on each Monthly Payment Date an amount in Euros equal to the product of the Class A Swap Ratio and all interest, prepayment penalties and default interest actually received by it under the Loans during the relevant Monthly Collection Period, less Senior Expenses, Guaranteed Excess Margin and the portion of the New Loan Purchase Price corresponding to the accrued interests up to (but excluding) the relevant New Loan Purchase Date and the Class A Swap Counterparty will pay to the Issuer on each Quarterly Payment Date an amount in Euros calculated by reference to the relevant EURIBOR the Class A Margin, calculated on an aggregate notional amount equal to the Principal Amount Outstanding of the Class A Notes during the relevant Interest Period less any amounts standing to the credit of the Principal Deficiency Ledger of the Class A Notes on the previous Quarterly Payment Date.

The Class A Swap Agreement will terminate on the Final Redemption Date of the Class A Notes or when the Class A Notes are paid in full prior to maturity, unless terminated in whole or in part earlier.

5.10.4.2. ***Early termination***

The Class A Swap Agreement may be terminated early in the following circumstances:

5.10.4.2.1 Downgrade of the Class A Swap Counterparty by Moody's

If neither the Class A Swap Counterparty nor, if applicable, its guarantor has a counterparty risk assessment from Moody's of at least "Baa2" (such rating requirements, the "Qualifying Collateral Trigger Ratings"), the Class A Swap Counterparty will be required to post collateral in the amount and manner set out in the Credit Support Annex. Failure by the Class A Swap Counterparty to post collateral following such an initial Moody's rating event will, if not cured within the specified time frame, constitute an Additional Termination Event with the Class A Swap Counterparty being the sole Affected Party (as defined in the Class A Swap Agreement).

If neither the Class A Swap Counterparty nor, if applicable, its guarantor has a counterparty risk assessment from Moody's of at least "Baa3" (such rating requirements, the "Qualifying Transfer Trigger Ratings") then the Class A Swap Counterparty will at its own cost use commercially reasonable efforts to, as soon as reasonably practicable, either:

(a) procure a guarantee from an institution with the Qualifying Collateral Trigger Ratings and/or the Qualifying Transfer Trigger Ratings; or

(b) transfer its interests and obligations under the Class A Swap Agreement to a replacement counterparty that, amongst other things, has the Qualifying Collateral Trigger Ratings or whose guarantor under an eligible guarantee has the Qualifying Collateral Trigger Ratings and/or the Qualifying Transfer Trigger Required Ratings.

If such actions above at (a) and (b) are not completed within 30 Business Days and the Issuer has received at least one firm offer (which is capable of becoming legally binding on acceptance) to replace the Class A Swap Counterparty, this will constitute an Additional Termination Event, with the Class A Swap Counterparty being the sole Affected Party (as defined in the Class A Swap Agreement).

5.10.4.2.2 Downgrade of the Class A Swap Counterparty by Fitch

Initial Fitch Rating Event

If (i) Fitch assigns to the Class A Swap Counterparty and its credit support provider a short-term senior debt rating or a credit view the equivalent of a rating of less than the rating shown in the column entitled "*Without collateral*" in Figure 1 below and corresponding to the assigned rating of the Class A Notes by Fitch; or (ii) Fitch assigns to the Class A Swap Counterparty and its credit support provider a long-term rating or a credit view the equivalent of a rating of less than the rating shown in the column entitled "*Without collateral*" in Figure 1 below and corresponding to the assigned rating of the Class A Notes by Fitch; or (iii) all such ratings are withdrawn, an initial Fitch rating event will occur (an ***Initial Fitch Rating Event***) and the Class A Swap Counterparty will, so long as such Initial Fitch Rating Event is continuing, at its own cost, within 14 calendar days of the occurrence of such Initial Fitch Rating Event, transfer collateral in such amount as is set out in the credit support annex forming part of the Class A Swap Agreement.

Subsequent Fitch Rating Event

If (i) Fitch assigns to the Class A Swap Counterparty and its credit support provider a short-term senior debt rating or a credit view the equivalent of a rating of less than the rating shown in the column entitled "*With collateral - unadjusted*" in Figure 1 below and corresponding to the assigned rating of the Class A Notes by Fitch; or (ii) Fitch assigns to the Class A Swap Counterparty and its credit support provider a long-term rating or a credit view the equivalent of a rating of less than the rating shown in the column entitled "*With collateral - unadjusted*" in Figure 1 below and corresponding to the assigned rating of the Class A Notes by Fitch; or (iii) all such ratings are withdrawn, a subsequent Fitch rating event will occur (a ***Subsequent Fitch Rating Event***) and the Class A Swap Counterparty will, so long as such Subsequent Fitch

Rating Event is continuing, at its own cost, within 14 calendar days of the occurrence of such Subsequent Fitch Rating Event, transfer (as the case may be, additional) collateral in accordance with the provisions of the credit support annex.

In addition, while (i) the Class A Swap Counterparty is transferring collateral following an Initial Fitch Rating Event, the Class A Swap Counterparty may at the same time, at its own cost; or (ii) while the Class A Swap Counterparty is transferring collateral following a Subsequent Fitch Rating Event, the Class A Swap Counterparty may within 30 calendar days, at its own cost:

(a) transfer all of its rights and obligations under the Class A Swap Agreement to a replacement third party with the required ratings; or

(b) procure another person who has the required ratings to become co-obligor or guarantor in respect of its obligations under the Class A Swap Agreement; or

(c) take such other action as the Class A Swap Counterparty determines is necessary to maintain the ratings on the Notes.

If, following the occurrence of a Subsequent Fitch Rating Event, and prior to the expiry of the 14 calendar days referred to above, the Class A Swap Counterparty transfers its rights and obligations to a replacement third party or procures a guarantee or takes such other action to maintain the rating on the Class A Notes, the Class A Swap Counterparty will not be required to transfer any additional collateral in respect of such Subsequent Fitch Rating Event and any collateral posted in respect of an Initial Fitch Rating Event will be returned to it in accordance with the provisions of the credit support annex.

Figure 1

Minimum Derivative Counterparty Issuer Default Ratings (IDRs)

Rating of highest rated note	**Without collateral**	**With collateral – unadjusted**	**With collateral - adjusted**
AAAsf	A and F1	BBB- and F3	BBB+ and F2
AA+sf	A- and F2	BBB- and F3	BBB+ and F2
A+sf	BBB+ and F2	BB+	BBB+ and F2
BBB+sf	BBB- and F3	BB-	BBB- and F3
BB+sf	Note rating	B	Note rating
B+sf	Note rating	Note rating	Note rating

Source: Fitch

5.10.4.2.3 Other Termination Events

The Class A Swap Agreement may also be terminated early *inter alia* 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 Class A Notes;

(c) early redemption of the Class A Notes following the exercise of the Optional Redemption Call or the Clean Up Call or as a result of an Optional Redemption in the case of Change of Law or for tax reasons or an Optional Redemption in case of Regulatory Change;

(d) the insolvency of either party;

(e) illegality;

(f) certain tax events;

(g) the making of an amendment to the Transaction Documents that materially and adversely affects the Class A Swap Counterparty without its consent; and

(h) if the status of Institutional VBS/SIC of the Issuer has been definitively and effectively lost following a decision of a court, tribunal or any other authority against which no further appeal may be introduced (*in kracht van gewijsde getreden/entré en force de chose jugée*).

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

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

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

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

other than resulting from a Tax Event or Illegality.

Such Class A Subordinated Swap Amount will be payable as item (xi) of the Quarterly Interest Priority of Payments and as item (xii) of the Post-enforcement Priority of Payments.

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

5.10.4.3. ***Class A Swap collateral***

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

5.10.4.4. ***Taxation***

All payments by the Issuer or the Class A Swap Counterparty under the Class A 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 Class A Swap Agreement.

If any withholding or deduction is required by law, the Class A 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 Class A Swap Agreement will equal the amount that the Issuer would have received had no such withholding or deduction been required, other than any withholding or deduction as a result of the United States Foreigns Account Tax Compliance Act. The Class A 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 Class A Swap Agreement, the Class A 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 Class A Swap Counterparty may (with the consent of the Issuer) transfer its rights and obligations under the Class A Swap Agreement to another of its offices, branches or affiliates to avoid the relevant Tax Event.

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

5.10.4.5. ***Novation***

Except as expressly permitted in the Class A Swap Agreement, neither the Issuer nor the Class A Swap Counterparty is permitted to assign, novate or transfer as a whole or in part any of its rights, obligations or interests under the Class A Swap Agreement. The Class A Swap Agreement will provide that the Class A Swap Counterparty may novate or transfer the Class A Swap Agreement to another Class A Swap Counterparty with the minimum Class A Swap Counterparty rating, provided (amongst other things) that:

(a) such replacement counterparty meets the relevant eligibility criteria set out in the Class A Swap Agreement,

(b) a termination event or an event of default under the Class A Swap Agreement would not occur as a result of such transfer; and

(c) such replacement counterparty will contract with the Issuer on terms that have the same effect as the Class A Swap Agreement or, insofar as such terms do not relate to payment or delivery obligations, are no less beneficial for the Issuer.

For further discussion of termination payments under the Class A Swap Agreement, please see "*Risk factors - Risks associated with the Swap Agreements*".

5.10.5. **The Class B Swap Agreement**

5.10.5.1. ***General***

As at the Closing Date, the Issuer and AXA as Class B Swap Counterparty will enter into the Class B Swap Agreement.

On the Closing Date, the Class B Swap Counterparty will pay to the Issuer an amount equal to the product of Class B Swap Ratio and the accrued but unpaid interest on the Initial Loans as from (and including) their last payment date up to (but excluding) the Initial Loan Flagging Date and any Default Interest accrued but unpaid in respect of Delinquent Loans.

The Issuer will pay to the Class B Swap Counterparty, in accordance with item (vi) of the Monthly Interest Priority of Payments, on each Monthly Payment Date an amount in Euros equal to the product of the Class B Swap Ratio and all interest, prepayment penalties and default interest actually received by it under the Loans during the relevant Monthly Collection Period, less Senior Expenses, Guaranteed Excess Margin and the portion of the New Loan Purchase Price corresponding to the accrued interests up to (but excluding) the relevant New Loan Purchase Date and the Class B Swap Counterparty will pay to the Issuer on each Quarterly Payment Date an amount in Euros calculated by reference to the relevant EURIBOR plus the Class B Margin, calculated on an aggregate notional amount equal to the Principal Amount Outstanding of the Class B Notes during the relevant Interest Period less any amounts standing to the credit of the Principal Deficiency Ledger of the Class B Notes on the previous Quarterly Payment Date.

The Class B Swap Agreement will terminate on the Final Redemption Date of the Class B Notes or when the Class B Notes are paid in full prior to maturity, unless terminated in whole or in part earlier.

5.10.5.2. ***Early termination***

The Class B Swap Agreement may be terminated early in, *inter alia*, 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 Class B Notes;

(c) early redemption of the Class B Notes following the exercise of the Optional Redemption Call or the Clean Up Call or as a result of an Optional Redemption in the case of Change of Law or for tax reasons;

(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 Class B Swap Counterparty without its consent; and

(h) if the status of Institutional VBS/SIC of the Issuer has been definitively and effectively lost following a decision of a court, tribunal or any other authority against which no further appeal may be introduced (*in kracht van gewijsde getreden/entré en force de chose jugée*).

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

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

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

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

other than resulting from a Tax Event or Illegality.

Such Class B Subordinated Swap Amount will be payable as item (xii) of the Quarterly Interest Priority of Payments and as item (xiii) of the Post-enforcement Priority of Payments.

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

5.10.5.3. ***Taxation***

All payments by the Issuer or the Class B Swap Counterparty under the Class B 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 Class B Swap Agreement.

If any withholding or deduction is required by law, the Class B 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 Class B Swap Agreement will equal the amount that the Issuer would have received had no such withholding or deduction been required. The Class B 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 Class B Swap Agreement, the Class B 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 Class B Swap Counterparty may (with the consent of the Issuer) transfer its rights and obligations under the Class B Swap Agreement to another of its offices, branches or affiliates to avoid the relevant Tax Event.

Failing such remedy, such Class B Swap Agreement may be terminated**.**

5.10.5.4. ***Novation***

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

For further discussion of termination payments under the Class B Swap Agreement, please see "*Risk factors - Risks associated with the Swap Agreements*".

SECTION 6. THE ISSUER

6.1 Name and status

Royal Street and its Compartment RS-2 are duly registered by the Belgian Federal Public Service Finance (the *Federale Overheidsdienst Financiën/Service public federal des 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 Royal Street or the Issuer. Royal Street is duly incorporated since 30 June 2008 as a 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 Company Code and is registered as such with the former CBFA now FSMA since 23 September 2008.

Royal Street's registered office is at Boulevard du Souverain 25, 1170 Brussels, Belgium and it is registered with the legal entities register under number 899.167.135.

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

Royal Street is duly licensed by the former CBFA now FSMA on 23 September 2008 as a mortgage institution in accordance with Article 43 of the Mortgage Credit Act and complies with the relevant corporate governance requirements of the Belgian Company Code.

6.2 Incorporation

Royal Street was incorporated on 30 June 2008 for an unlimited period of time.

A copy of the by-laws of Royal Street is 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.

6.3 Share Capital and Dividend

6.3.1. Share Capital

Royal Street 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 Royal Street are owned as follows:

(a) Fondation Bachelier, a private foundation (*private stichting/fondation privée*) incorporated under the laws of Belgium, having its registered office at 25

Boulevard du Souverain, 1170 Brussels, registered with the legal entities register under number 0898.831.593, holding 55,800 shares; and

(b) AXA Bank Europe organised as a limited liability company (*naamloze vennootschap/société anonyme*) under Belgian law with its registered office at Boulevard du Souverain 25, 1170 Brussels, Belgium holding 6,200 shares.

The by-laws of Royal Street provide that all shares have equal voting rights.

The capital of Royal Street consists of a fixed and a variable part. The fixed part of the capital amounts to EUR 62,000 and is completely paid up. It is represented by 62,000 registered shares, without face value, including 1,000 shares of class A, 1,000 shares of class B, 1,000 shares of class C, 1,000 shares of class D and 58,000 shares of class E. Each class of shares corresponds to a separate asset compartment of the Issuer as follows:

(a) class A – RS-1;

(b) class B – RS-2;

(c) class C – RS-3;

(d) class D – RS-4; and

(e) class E – RS-5.

The shares are not divisible. The rights and obligations remain with the shares, regardless of the person or entity to which the share is transferred. The shares can only be held by Institutional Investors. Newly issued shares following a capital increase in cash will first be offered to the existing shareholders. However, the general meeting of shareholders can unanimously decide that any newly issued shares or part of it will not be offered by preference to the existing shareholders. The general meeting of shareholders decides upon the conditions and in particular upon the price of the offering outside of the pre-emption right. The shareholders may diverge from the minimum required period for the execution of a pre-emption right, such as provided by law. In the event that the pre-emption right is limited or suspended, a priority right can be granted to the existing shareholders.

In order to transfer shares, the board of directors should be notified by registered mail of the following information: (i) the number of shares proposed to be transferred, (ii) the reason for the transfer, (iii) the party to which the shares are proposed to be transferred, (iv) the price suggested in good faith. Mechanisms are provided to ensure that the shareholders having a pre-emption right can claim the shares offered for sale. Each transfer made in violation of the by-laws shall not be recognised by Royal Street and cannot be registered.

6.3.2. **Dividend**

As from the first Monthly Payment Date following the date on which the annual general meeting of the shareholders of Royal Street is held (as referred to under article

27 of the articles of association of Royal Street) (and for the first time on the first Monthly Payment Date after Closing), the Issuer will, in accordance with the Monthly Interest Priority of Payments, reserve as Dividend Reserve an amount of Monthly Interest Available Funds of no more than EUR 20,000 that may be applied for dividend distribution by the shareholders of Royal Street annually in accordance the articles of association of Royal Street and the Belgian Company Code.

6.4 Capitalisation

The following table shows the capitalisation of Royal Street as adjusted to give effect to the issue of the Notes:

Share Capital as at 12 October 2010

Issued Share Capital:	EUR 62,000
of which	EUR 1,000 allocated to RS-1; EUR 1,000 allocated to RS-2; EUR 1,000 allocated to RS-3; EUR 1,000 allocated to RS-4; and EUR 58,000 allocated to RS-5.

Borrowings-Compartment RS-1 as at 1 October 2008:

Class A Notes:	EUR 2,850,000,000;
Class B Notes:	EUR 60,000,000;
Class C Notes:	EUR 45,000,000; and
Class D Notes:	EUR 45,000,000.

Borrowings – Compartment RS-2 adjusted after the Issue of the Notes

Class A Notes:	EUR 1,500,000,000; and
Class B Notes:	EUR 300,000,000.

6.5 Auditors' Report

PRICEWATERHOUSECOOPERS *Bedrijfsrevisoren* BCVBA, with its registered office at Woluwedal 18, 1932 Sint-Stevens-Woluwe, Belgium, represented by Mr. Luc Discry and Mr. Gregory Joos and member of the *Instituut der Bedrijfsrevisoren* has been appointed as statutory auditor of the Issuer.

6.6 Principal activities

Under clause 6 of the Issuer's Articles of association, it may not engage in any activity other than securitisation transaction(s) involving the issue of securities backed by receivables assigned to it and may not hold assets nor incur liabilities for any other purpose.

Royal Street may not hire employees.

The Issuer may not incur any borrowing liabilities other than under the Notes, the Expenses Subordinated Loan and the Subordinated Loan.

6.7 Compartments

The articles of association of Royal Street authorise Royal Street 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 Royal Street is internally divided between 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 five Compartments have been created, Compartment RS-1, Compartment RS-2, Compartment RS-3, Compartment RS-4 and Compartment RS-5 each for the purpose of collective investment of funds collected in accordance with the articles of association of Royal Street in a portfolio of selected loans.

To date only the first two Compartments have effectively started their activities (as to which reference is made to the transaction described in the Prospectus for admission of EUR 2,850,000,000 Class A Floating Rate Mortgage Backed Notes; EUR 60,000,000 Class B Floating Rate Mortgage Backed Notes; EUR 45,000,000 Class C Floating Rate Mortgage Backed Notes; and EUR 45,000,000 Class D Floating Rate Mortgage Backed Notes to trading on Euronext Brussels dated 1 October 2008 (the ***RS-1 Securitisation***) as far as Compartment RS-1 is concerned and to the current Prospectus as far as Compartment RS-2 is concerned).

The Collateral and all liabilities of the Issuer relating to the Notes and the Transaction Documents will be exclusively allocated to Compartment RS–2. 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 RS – 2 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 RS – 2 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 RS – 2.

6.8 Belgian Tax Position of the Issuer

6.8.1. Withholding tax on moneys collected by the Issuer

All interest payments made by Borrowers to the Issuer are exempt from Belgian withholding tax.

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 directors, the Joint Lead Managers, the Originator, the Administrator, the Account Bank, the Class A Swap Counterparty, the Class B Swap Counterparty; the Domiciliary Agent, 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) as well as transactions with respect to receivables, securities and liquid assets are exempt from Belgian VAT.

6.9 Board of Directors

The board of directors of Royal Street consists of three (3) directors (without there being a president of the board). The by-laws of Royal Street state that there should be a minimum of three and a maximum of five directors. The current directors are appointed until and including the date of the annual meeting of shareholders of the Issuer in 2011. The names and details of the directors are listed below:

1. Mr. **Patrick Vaneeckhout**, holder of the Belgian national number 56.01.01.357 20, living De Cassinastraat 18, 8540 Deerlijk, Belgium;

2. Mr. **Dirk Stolp**, holder of the Dutch passport nr. NUCB11LC7, living Meester Sixlaan 32, 1181 PK Amstelveen (the Netherlands); and

3. Mr. **Johan Dejans**, holder of the Belgian passport nr. EG624228, living 12, rue de L'Ouest, 2273 Luxembourg, Grand-Duchy of Luxemburg.

Companies of which Patrick Vaneeckhout has been a member of the administrative, management or supervisory bodies or partner at any time in the previous five years are: AXA Bank Europe, AXA Private Management and Motor Finance Company.

Companies of which Dirk Stolp has been a member of the administrative, management or supervisory bodies or partner at any time in the previous five years are: Admin.kantoor v/h ATK, B.V., Algemeen Kantoor van Administratie te Amsterdam B.V., ATC administratie- en Trustkantoor Confiance, ATC Financial Services B.V., Atruka B.V., Hollandsche Mij v. Lic. & Octr. B.V., Nederlandsche Trust-Maatschappij B.V., Green Tower B.V., Adaltis (Holding) B.V., ATK, Stichting, BioChem Vaccines B.V., Gisofin B.V., Junicor Holding B.V., Montequity B.V., Pakzon B.V. geliquideerd, Planeta Rights Intern. B.V. geliq., Roman 12 Offshore Fund B.V. geliquideerd, Sappi Papier Holding AG geliquideerd, Sepago Nederland B.V. geliquideerd, Soilmec International B.V., Tanaud International B.V., Torenhoed B.V. geliquideerd, Trevi Contractors B.V., Valsana Beheer B.V., Tolbert Insurance and Finance B.V., Amsterdamsch Trustee's Kantoor B.V., ASH Continental Licensing B.V., Argenta Nederland, N.V., Cispadan Investment B.V., Cispadan Investment B.V., BLT Depot Stichting, Tageplan B.V., GPM Finance B.V. geliquideerd, Inven, Stichting, Torquill Holding B.V. in liquidatie, Friction Netherlands I B.V., Friction Netherlands II B.V., Leciva CZ a.s., Optimix Beleggersgiro, Stichting, Global Connexion B.V., Meta4 N.V. geliquideerd, Purple Narcis Finance B.V., MopBert B.V. geliquideerd, ParBert B.V. geliquideerd, TerBert B.V., Stichting Cresta LIQUIDATED, Euromedic Management Holding B.V., Tractebel Energia de Monterrey Holdings B.V., ATC Corporate Services (Netherlands) B.V., ATC Management B.V., Rokin Corporate Services B.V., ATC Investments B.V., Tractebel Energia de Monterrey B.V., WP Lexington Private Equity B.V., WEB Equity Partners N.V., Bakery Finance, Stichting, Argenta Life Nederland, N.V., Algemeen Kantoor van Administratie te Amsterdam B.V., North Westerly CLO I B.V., Home Credit Finance 1 B.V., Home Credit Finance 2 B.V., Scooter Holding 4 B.V. in liquidatie, Scooter Holding 3 B.V. in liquidatie, Edo Properties, Stichting, Windermere III CMBS B.V., North Westerly CLO II B.V., APF 1, Stichting Bewaarder Vastgoed Maatschap, Sunwood Properties Asia B.V., Sunwood Properties Korea B.V., Renoir CDO B.V., APF II, Stichting Bewaarder Vastgoed Maatschap, Euromedic International B.V., Euromedic International Holdings B.V., DP Acquisitions B.V., Euromedic Diagnostics B.V., Euromedic International B.V., International Dialysis Centers B.V., WP IX Holdings B.V., APF III, Stichting Bewaarder Vastgoed CV, Grosvenor Place CLO I B.V., Dow Corning Netherlands B.V., FN Cable Holdings B.V., Deepwater B.V., Alkmaar Export B.V., Vaco B.V., International Dialysis Centers Russia Holding B.V., DP Coinvest B.V., Euro-Galaxy CLO B.V., Morgan Stanley Investment Management Garda B.V, APF IV, STAK Vastgoedbeleggingsmaatschappij, North Westerly CLO III B.V., Cheniere International Investments, B.V., Danel Medical B.V., Felding Finance B.V., Derdengelden ATC, Stichting, Tornier B.V., John Laing and Son B.V., Laing Projects B.V., Yarmoland B.V., TMG Holdings Coöperatief U.A, B-Arena N.V., Serpering Investments B.V., New World Resources N.V., Plinius Investments B.V., Torenspits B.V., Grosvenor Place CLO II B.V., Warburg Pincus B.V., Parker Drilling Kazakhstan B.V., Zesko Holding B.V., WP RE Holdings B.V., RPG Real Estate B.V., GC Machinery Holdings N.V., Tata Steel Netherlands B.V., Grosvenor Place CLO III B.V., WP Holdings I B.V., WP Holdings II B.V., EPL Acquisitions B.V., EPL Acquisitions (Sub) B.V., Euro-Galaxy II CLO BV, Parker Drilling Dutch BV, Parker Drilling Offshore BV, Parker Drilling Overseas BV, Parker Drilling Russia BV, RECP III Properties Dutch Cooperatie (Netherlands) UA, Parker Drilling International BV, Parker Drilling Netherlands BV, Bulgari Holding Europe BV, FN

Cable Cooperatief UA, MGIC Capital Funding B.V., MGIC International Investment B.V., APF VI, Stichting Bewaarder Vastgoed Maatschap, Morgan Stanley Investment Management Coniston B.V., APF V, Stichting Administratiekantoor Vastgoedfonds, Morgan Stanley Investment Management Mezzano B.V., WP Holdings III B.V., FinanCell B.V., Dalradian European CLO V B.V., Leveraged Finance Europe Capital V B.V., Tulip Netherlands [No.1] B.V., Tulip Netherlands [No.2] B.V., Belgelectric Finance B.V., Electrabel Invest B.V., Kazak Energo Invest B.V., Primerofin B.V., Stopper Finance B.V., Suez-Tractebel Energy Holdings Cooperatieve U.A., Tractebel Invest International B.V., WP Holdings IV B.V., WP Holdings V B.V., Burani Global Investments B.V., Loan Invest NV/SA, Erjaco B.V, Beheer- en Beleggingsmaatschappij, Ledima B.V., Beheer- en Beleggingsmaatschappij, Sodibo B.V., Beheer- en Beleggingsmij., Barclays (Netherlands) N.V., Barclays Investments (Netherlands) N.V, Grosvenor Place CLO IV B.V., SCUTE Bali B.V., Burani Designer Holding N.V., HCK Structured Finance B.V., Leoforos B.V., Dresser - Rand International BV, HEMA B.V., ATC Capital Markets (UK) Limited, Euro-Galaxy III CLO B.V., Mexelectric Cooperatieve U.A. in liquidatie, Andarton B.V., Erste GCIB Finance I B.V., WP Holdings VII B.V., WP Holdings VI B.V., Lion Adventure Cooperatief UA, Lion Adventure B.V., Lion Adventure Holding B.V., Coyote Europe Coöperatieve U.A, Gordon Holdings (Netherlands) B.V., Lion/Hotel Dutch 1 B.V., Sempra Energy Holdings VIII B.V., BASS, Stichting Holding, Sempra Energy Holdings IX B.V., Belgelectric Philippines B.V., Enova International, New World Resources Transportation B.V., RBS Sempra Commodities Cooperatief W.A., RBS Sempra Commodities Holdings I B.V., RBS Sempra Commodities Holdings IV B.V., RPGT (Netherlands) B.V., Sempra Energy Holdings III B.V., Sempra Energy Holdings VII B.V., Sempra Energy Holdings X B.V., Sempra Energy International Chile Holdings I B.V., Sempra Energy International Holdings B.V., BASS Master Issuer NV/SA, Green Gas International B.V., Bachelier, Stichting, Royal Street SIC, Quares Retail Fund, Stichting Administratiekantoor, Stichting Vesta, Vesta, Stichting, TWMB Holdings B.V., Credit Suisse Euro Senior Loan Fund (Netherlands) B.V., Dexia Secured Funding Belgium NV/SA, South Pacific Investments BV, EGS Dutchco B.V., Sempra Energy Holdings V B.V., Sempra Energy Holdings VI B.V., Belgian Lion, Stichting Holding, Quantesse Fondation Privee, APF International Vastgoedfondsen, Stichting Bewaarder, Hypolan, BXR Real Estate B.V., RPG Property B.V., BXR Green B.V., BXR Logistics B.V., Lion / Mustard B.V., ATC Corporate Services (UK) Limited, Immorent Aktiengesellschaft, BCR Finance B.V., Orchid Netherlands (No.1) B.V., Stichting GAAF, AGFA FinCO NV, BXR Mining B.V., DC Metals Holdings B.V., BXR Tower B.V., CB Richard Ellis Investors Holdings B.V., Sempra Energy Holdings XI B.V.

Companies of which Johan Dejans has been a member of the administrative, management or supervisory bodies or partner at any time in the previous five years are 6922767 Holding S.à r.l., 9REN Holding, Abbott Holdings Luxembourg S.à r.l., Abbott International Luxembourg S.à r.l., Abbott Investments Luxembourg S.à r.l., Abbott Overseas Luxembourg S.à r.l., Altima Africa Luxco S.à r.l., AMBROSIA HOLDING CO S.A., AMCI Worldwide S.à r.l., Amorim Alternative Investments S.A., Aquiline C2P Holdings S.à r.l., B Investments S.à r.l., Blue Gem Luxembourg 1 S.à r.l., Blue Gem Luxembourg 1 A S.à r.l., Blue Gem Luxembourg 1 B S.à r.l., Blue Gem Luxembourg 1 C S.à r.l., Blue Gem Luxembourg 1 D S.à r.l., BMC Vignoble S.A., BRAZILHOLD S.A.R.L., Brysam - AE (Lux) S.à r.l., Brysam Lux (Colombia)

S.à r.l., CAPITAL PUBLICATIONS INVESTMENTS S.A., CAREL S.A., Cadent Logan S.à r.l., Cairngorm Oil and Gas Luxembourg S.à.r.l., Cedarville S.à r.l., Celanese Holdings Luxembourg S.à r.l., CHC Helicopter LLC, Column Investments S.à r.l., CPC Lux 1, CPC Lux 2, CRYSTAL PARTNERS LUX HOLDING COMPANY LIMITED S.A.R.L., D-R Luxembourg Holding 1 S.à r.l., D-R Luxembourg Holding 2 S.à r.l., DRUMMOND MOORE INVESTMENTS S.A., ECP Galaxy Holdings S.à r.l., EDEPT I S.à r.l., EDEPT II S.à r.l., EDEPT III S.à r.l., EDEPT IV S.à r.l., EDEPT V S.à r.l., EDEPT VI S.à r.l., ELDERBERRY PROPERTIES S.A., European Explorers Consolidated B.V., Expert Petroleum Holdings S.à r.l., F.D.C. S.A., FABRICOLA S.A., FAUBOROUGH PUBLICATIONS INVESTMENTS S.A., Filling Station S.A., Findus Equity Co S.A., Firmament Capital S.A., Flex-N-Gate Luxembourg S.à r.l., Forum Funding Company S.à r.l., FR Barra 1 S.à r.l., FR Barra 2 S.à r.l., FR Barra 3 S.à r.l., FR Barra 4 S.à r.l., FR Barra 5 S.à r.l., FR Barra 6 S.à r.l., FR Barra 7 S.à r.l., FR Barra 8 S.à r.l., FR Barra 9 S.à r.l., R Barra 10 S.à r.l., FR Galaxy Holdings S.à r.l., FR Horizon Holding S.à r.l., FR Horizon Topco S.à r.l., FR Luxco Canada S.à r.l., FR Parallel SES Holdings S.à r.l., FR Plasco Holdings S.à r. l., FR SES Holdings S.à r.l., Glencove S.à r.l., GS TELE I S.à r.l., GS TELE II S.à r.l., GS TELE III S.à r.l., GS TELE IV S.à r.l., GS TELE V S.à r.l., GS TELE VI S.à r.l., HORTUM S.A., Horizon Newco S.à r.l., HTV Invest, JN S.A., KI Energy S.à r.l., Kulczyk Investments S.A., Liblac Limited S.à r.l., Lion/Gem Luxembourg 3 S.à r.l., Lion/Niagara Luxembourg I, Lion/Niagara Luxembourg II, Lion/Rally Lux 1 S.A., Lion/Rally Lux 2 S.A., Lion/Rally Lux 3 S.A., Lion/Rally Lux 4 S.A., Lion/Silk Funding Lux 1 S.à r.l., Lion/Silk Funding Lux 2 S.à r.l., Lion/Stove Luxembourg Investments S.à r.l., Lion/Stove Luxembourg Investments 2 S.à r.l., Lion/Visor Lux 1 S.à r.l., Lion/Visor Lux 2 S.à r.l., Longbow (Investment No1) S.à r.l., Longbow Capital S.à r.l., LRP III LUXEMBOURG HOLDINGS S.A.R.L., LRP IV LUXEMBOURG HOLDINGS S.A.R.L., LRP LUXEMBOURG HOLDINGS S.A.R.L., LRP V Luxembourg Holdings S.à r.l., Lux Cem International S.A., M2010 Luxembourg S.A., MAKELAND TRADING AND INVESTMENTS S.A., MAVY S.A., Mahkota S.A., Malpas Investments S.à r.l., Matrix Absolute SICAV-FIS, MC CAR LOANS FINANCE I S.à r.l., METALINVEST S.A., Meridiana Holdings S.à r.l., MICROFINANCE EUROPEAN ROLLING LOANS FUND S.A., MISTRAL INVESTMENTS S.A., MidOcean Finco (Bezier) S.à r.l., MidOcean Finco (LAF) S.à r.l., MidOcean Holdco (Bezier) S.à r.l., MidOcean Holdco (EPL) S.à r.l., MidOcean Holdco (LAF) S.à r.l., MOYNESQUE VIGNOBLE S.A., Montalcino S.à r. l., Munawwar S.A., N.R.C. Investor Protection S.à r.l., Nautilus Dongara Investment S.à.r.l., Neidpath Investments S.à r.l., Nestor Lux 2007 S.à.r.l., New CV Luxco S.à r.l., Nexcentrica Investments S.à r.l., Next Energy Capital S.à r.l., NGP IX Holdings I S.à r.l., NGP Quatro S.à r.l., NORBEL S.A.R.L., Noir I S.à r.l., Noveldel S.à r.l., OLIVANT INVESTMENTS SWITZERLAND S.A., OMNIA REAL ESTATE S.A., Overview Investments S.à r.l., PACT FINANCE S.A.R.L., PATAGONIA FINANCE S.A., Panthera/Funding Lux 1 S.à r.l., Panthera/Funding Lux 2 S.à r.l., Pear (Luxembourg) Investment S.à r.l., PeeBeeLux S.à r.l., Pil S.à r.l., Pinto Basto International S.à r.l., Placer S.A., Plock S.à r.l., PROMOGROUP S.A., Prospero (Luxembourg) S.à r.l., QMC Luxco S.à r.l., Raglan German Property S.A., RCS Management (Luxembourg) S.à r.l., RCS Secretarial Services (Luxembourg) S.à r.l., REAL WEB S.A., RivCore Amstel 1 S.à r.l., RivCore Amstel 2 S.à r.l., RivCore Amstel 3 S.à r.l., ROLLY REAL ESTATE S.A., RUSSIAN CREDIT CARDS NO. 2

S.A., Rzesow S.à r.l., S.A.C. PEI Asia Investments Holdings I S.à r.l., S.A.C. PEI Asia Investments Holdings II S.à r.l., S.L.E.G. S.A., S.L.Y.F. S.A., S.M.J. (Société Meubles Jardin) S.A., S.V.R. S.A., SACAP S.A., Santa Margherita Investment Company S.A., Saxon Energy Services Holdings S.à r.l., SCIROCCO INVESTMENTS S.A., SEGESTA 2 FINANCE S.A., SIGNO INTERNATIONAL S.A., SIRIUS FINANCE S.A., SISKIN S.A., Sigma Partners Luxembourg Investments S.à r.l., Silver Wheaton Luxembourg S.à r.l., Sinalux S.A., SODEVEST S.A., SODI INTERNATIONAL HOLDING S.A., SOLE S.A., SOLUTION FOR INTERNATIONAL COMMERCE S.A., Solaica Power Holding S.à r.l., SPINRITE LUXCO S.A.R.L., Svenningson Invest S.à r.l., SWAP ENHANCED ASSET LINKED SECURITIES (SEALS) S.A., Synergy Investments S.à r.l., T.C.I. TECHNOLOGY COMMUNICATION INITIATIVE S.A., Terra Industries International Holdings Luxembourg S.à r.l., Terra Industries Luxembourg S.à r.l., TipTop Luxembourg S.à r.l., TN DIGITAL S.A., TN ESPO S.A., TRIPLAS SYNTHETIC CDO S.A., Treveria C S.à r.l., Treveria D S.à r.l., Treveria E S.à r.l., Treveria F S.à r.l., Treveria G S.à r.l., Treveria H S.à r.l., Treveria Holdings S.à r.l., Treveria J S.à r.l., Treveria K S.à r.l., Treveria L S.à r.l., Treveria M S.à r.l., Treveria Properties S.à r.l., Verde I S.à r.l., Verdoso Investment S.A., Wodzislaw Slaski S.à r.l., WP Roaming Holdings S.A.

None of the directors listed above:

(a) has any family relationships with another director;

(b) has any convictions for fraud during the last five years;

(c) has been involved in any bankruptcy, receivership or liquidation in their capacity as director or member of the management or supervisory body;

(d) has been subject to any official public incrimination or sanction from an official body;

(e) has been disqualified by a court within the last five years from acting as a member of a board, management or supervisory body of an issuer or to be engaged in management functions or to trade for an issuer;

(f) has any conflict of interests regarding their duties to the Issuer and their personal interests or other duties; or

(g) has any arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which they were selected as a director of the Issuer or has a service contract which provides for benefits upon termination of employment.

6.10 General Meeting of the Shareholders

The general annual meeting of shareholders is held on the last business day of the month of June at 1 pm at the registered office of the Issuer. The meeting can be convened by the board of directors, the auditor or the liquidator if the case may be. A special or extra-ordinary shareholders' meeting can be convened whenever this is in

the interest of the Issuer. It shall be convened whenever the shareholders representing one fifth of the Issuer's capital request such a meeting.

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 Valuation rules

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

6.13.1. **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.

6.13.2. **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.

6.13.3. **Specific valuation rules**

Cost of first establishment

The establishment costs are booked in the profit and loss account in the year they were expended.

Amounts to be received over more than one year

The Loans are sold by the Seller to the Issuer at market value and are booked at such purchase price (which equals the nominal value of the loans outstanding at such date (including the swaps)). 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 balance sheet 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 swaps 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 equal to:

(a) EUR 135.52 (exclusive of VAT) per month for a Delinquent Loan in arrears for 90 days or more;

(b) EUR 252.55 (exclusive of VAT) per month for Defaulted Loan until such loan is outsourced for recovery to a collection agent or written off; and

(c) EUR 4.84 (exclusive of VAT) per month for any performing Loan or for any Delinquent Loan in arrears for less than 90 days.

The servicing fees are booked in the profit and loss account in the year they were expended.

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.

6.14 The Administrator

Pursuant to the Administration Agreement, the Administrator will have the responsibility of, among others, assisting the board of directors in managing the affairs of the Issuer.

6.15 The Account Bank

The duties of the Account Bank will mainly consist of setting up accounts in respect of the Issuer and to operate such accounts in accordance therewith.

6.16 Servicing

The Issuer will either continue existing servicing arrangements in respect of the Loans or replace these with new arrangements. See Section 15, below.

6.17 Accounting Year

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

6.18 Main Transaction 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. Certain fees may be subject to indexation.

6.18.1. The Security Agent

Royal Street NV/SA will pay the Security Agent an annual fee of EUR 5,000 (exclusive of VAT), to be allocated equally between its Compartments, plus expenses, if any. In case of unforeseen circumstances such as an Event of Default the Security Agent shall be remunerated on an hourly time spent basis at a rate of EUR 195 (exclusive of VAT) per hour.

6.18.2. The Servicer

The Issuer shall pay to the Servicer for its Services (including IT maintenance) a servicing fee equal to:

(d) EUR 135.52 (exclusive of VAT) per month for a Delinquent Loan in arrears for 90 days or more;

(e) EUR 252.55 (exclusive of VAT) per month for Defaulted Loan until such loan is outsourced for recovery to a collection agent or written off; and

(f) EUR 4.84 (exclusive of VAT) per month for any performing Loan or for any Delinquent Loan in arrears for less than 90 days.

6.18.3. **The Administrator**

The Issuer shall pay to the Administrator an annual fee of EUR 36,000 (exclusive of VAT) payable in arrears and in instalments on each Monthly Payment Date for the services rendered as Administrator and as Calculation Agent.

6.18.4. **The Class A Swap Counterparty**

The Issuer will pay to the Class A Swap Counterparty costs, fees, expenses and premia, as more particularly described in the Class A Swap Agreement.

6.18.5. **The Class B Swap Counterparty**

The Issuer will pay to the Class B Swap Counterparty costs, fees, expenses and premia, as more particularly described in the Class B Swap Agreement.

6.18.6. **The Domiciliary Agent**

The Issuer shall pay to the Domiciliary Agent an annual fee of EUR 40,000 EUR (exclusive of VAT), payable in instalments on each Monthly Payment Date for its services as Domiciliary Agent and Paying Agent;

6.18.7. **The Corporate Services Provider**

The Issuer shall pay to the Corporate Services Provider an annual fee of EUR 15,000 (exclusive of VAT) in arrears and in instalments on each Monthly Payment Date for the services rendered as Corporate Services Provider.

6.18.8. **The Subordinated Loan Provider and the Expenses Subordinated Loan Provider**

The Issuer shall redeem principal and pay interest under the Expenses Subordinated Loan and the Subordinated Loan in accordance with their respective terms.

6.18.9. **The Account Bank**

The Account Bank Agreement provides that interest shall accrue on the Issuer Accounts from day to day at the annual rate of interest equal to the standard interest rate that is applicable on the commercial accounts (*handelsrekening/compte commercial*) of the Account Bank and on an "actual" basis.

6.18.10. **Other Expenses**

The Issuer shall in addition pay certain third party fees and expenses to, amongst others, the National Bank of Belgium, the FSMA and, the *Fonds voor bestrijding van de overmatige schuldenlast/Fonds de Traitement du surendettement*.

6.18.11. **The Rating Agencies**

Moody’s and Fitch have been requested to rate the Class A Notes.

SECTION 7. DESCRIPTION OF THE NOTES

7.1 Authorisation

The issue of the Notes was authorised by a resolution of the board of directors of the Issuer to be passed on or about 18 October 2010.

7.2 Dematerialised Notes

The Notes will be issued in the form of dematerialised notes under the 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 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 Terms and Conditions

The Conditions of the Notes are set out in full in Annex 1 to this Prospectus.

SECTION 8. WEIGHTED AVERAGE LIFE

8.1 Weighted Average Life

Weighted average life refers to the average number of years that each euro amount of principal of the Notes will remain outstanding (***Weighted Average Life***) on the basis of the assumption that the Issuer will exercise its Optional Redemption Call on the First Optional Redemption Date.

SECTION 9. ISSUER SECURITY

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 under the Parallel Debt or otherwise on behalf of the Secured Parties, (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, with the exclusion of the Class A Swap Collateral Account, 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 and the Loan Security (i) any guarantee *borg/caution* provided for such Loan, if any, and (ii) 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, including amounts payable to (a) the Noteholders; (b) the Security Agent under the Pledge Agreement; (c) the Servicer under the Servicing Agreement; (d) the Administrator and the Calculation Agent under the Administration Agreement; (e) the Seller under the MLSA, (f) the Account Bank under the Account Bank Agreement; (g) the Domiciliary Agent under the Domiciliary Agency Agreement; (h) the Class A Swap Counterparty under the Class A Swap Agreement and the Class B Swap Counterparty under the Class B Swap Agreement; (i) the Corporate Services Provider under the Corporate Services Agreement; (j) the Expenses Subordinated Loan Provider under the Expenses Subordinated Loan Agreement and (k) the Subordinated Loan Provider under the Subordinated Loan Agreement (all such beneficiaries of such security shall be referred to as the ***Secured Parties***), in accordance with the applicable Priority of Payments set out in Section 5.9, above.

The Issuer will, under the Pledge Agreement, irrevocably and unconditionally undertake to pay to the Security Agent as a separate and independent obligation (the ***Parallel Debt***) the amounts which will be equal to the aggregate amounts due by the Issuer to the other 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 and 106 of the UCITS Act which states that the representative (the Security Agent) may bind all Noteholders and represent them vis-a-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 assets.

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.

See also Section 4.3*(Risks factors regarding the Loans and the Security)*, above.

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/délégation 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 Royal Street, represented by Amsterdamsch Trustee's kantoor BV is a foundation (*stichting/fondation*) incorporated under the laws of The Netherlands on 29 September 2008. It has its registered office at 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 Security Agent will also act as representative of the Noteholders in connection with the Transaction within the meaning of Article 27 of the UCITS Act in accordance with the terms and conditions set out in the Pledge Agreement and in the Conditions. The Security Agent will also be appointed as agent (*lasthebber/mandataire*) of the other Secured Parties to administer the Security on their behalf.

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. Tax treaties may provide for a lower rate subject to certain conditions.

Payments of interest by or on behalf of the Issuer on the 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 Quarterly Payment Date until the date of withdrawal of the Notes from the Clearing System.

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 effective place of management 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 effective place of management 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. 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.

11.3 European Withholding Tax

Under European Council Directive 2003/48/EC on the taxation of savings income (the ***Savings Directive***), Member States of the European Union are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State.

SECTION 12. MORTGAGE LOAN SALE AGREEMENT

12.1 Sale – Purchase Price

Sale

Pursuant to the terms of the Mortgage Loan Sale Agreement, the Seller will sell mortgage loans originated by the Seller to the Issuer on the Closing Date (the ***Initial Loans***). Title to the Initial Loans shall be deemed to have passed from the Seller to the Issuer as from 1 November 2010 (the ***Initial Loan Flagging Date***).

The Mortgage Loan Sale Agreement also provides the conditions under which, during the Replenishment Period, the Seller may sell to the Issuer and the Issuer may purchase from the Seller mortgage loans originated by the Seller (the ***New Loans***) at any time (such date being the ***New Loan Purchase Date***).

The sale of the Loans shall include:

(a) the balance of the Loans outstanding (the ***Outstanding Balance***) as at the Initial Loan Flagging Date or, in relation to a New Loan, as at the relevant New Loan Purchase Date;

(b) all amounts of interest accrued (but not yet due) up to (but excluding) the Initial Loan Flagging Date or, in relation to a New Loan, up to (but excluding) the relevant New Loan Purchase Date;

(c) all rights, title, interest and benefit 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);

(d) all rights, title, interest and benefit of the Seller to the Loan Security;

(e) all rights, title, interest and benefit of the Seller to Additional Security;

(f) all rights, 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;

(g) all rights, title, interest and benefit of the Seller in the Umbrella Fraud Insurance in so far as it relates to the Loans including without limitation the right to receive the proceeds of any claims thereunder;

(h) 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;

(i) 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, Loan Security, Additional Security or otherwise affecting the decision of the Seller to offer to make or to accept any Loan;

(j) 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, Loan Security, Additional Security or otherwise affecting the decision of the Seller to offer to make or to accept any Loan or Loan Security relating thereto; and

(k) 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.

Any amount of payment, repayment or prepayment of principal, interests or any other amount in respect of the Initial Loans collected by the Seller between the Initial Loan Flagging Date and the Closing Date for the account of the Issuer will be held on a bank account of the Seller (opened in the name of the Seller but for the account of the Issuer) and will, in its entirety and without any deduction for costs, expenses and others, on the Closing Date be transferred by the Seller to the Issuer by crediting the Transaction Account.

For the avoidance of doubt, the sale of the Loans shall exclude any amounts of interest and principal paid in advance (i.e. paid when not yet due, without being a Prepayment) as received up to the Initial Loan Flagging Date (but excluding such day) or, in relation to a New Loan, the relevant New Loan Purchase Date (but excluding such day).

Purchase Price - General

The purchase price for the Loans (including the related Loan Security) shall consist of:

(a) in respect of the Initial Loans, the Initial Purchase Price (as defined below) payable by the Issuer to the Seller on the Closing Date; or

(b) in respect of any and all New Loans, the relevant New Loan Purchase Price (as defined under Section 12.2 below) payable by the Issuer to the Seller on the relevant New Loan Purchase Date;

plus 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 thereafter as set out below.

The amount of Deferred Purchase Price payable on any Quarterly Payment Date shall be equal to the amount of Quarterly Interest Available Funds available after satisfaction of all liabilities ranking higher in the Quarterly Interest Priority of Payments (see Section 5.9, 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.

Purchase Price – Initial Loans

The purchase price for the Initial Loans shall consist of (i) the Initial Purchase Price and (ii) the Deferred Purchase Price.

The initial purchase price (the ***Initial Purchase Price***) shall be equal to the sum of:

(a) an amount which represents the portion of the purchase price for the Outstanding Balance of the Initial Loans as at the Initial Loan Flagging Date; and

(b) an amount which represents the portion of the purchase price for the accrued interests on the Initial Loans up to (but excluding) the Initial Loan Flagging Date.

12.2 **Purchase of New Loans**

The Issuer will, during the Replenishment Period, be entitled to purchase New Loans on a daily basis to the extent such New Loans are offered to it by the Seller, if and for as long as:

(a) no Stop Replenishment Event has occurred; and

(b) on the relevant New Loan Purchase Date, the Replenishment Conditions are satisfied.

Replenishment Period means the period starting as from the Closing Date until (but excluding) the earlier of (i) the Mandatory Amortisation Date and (ii) the occurrence of a Stop Replenishment Event.

Stop Replenishment Event means any of the following events:

(a) the Outstanding Balance of all Delinquent Loans that are in arrears for more than 90 days (as of the end of the Quarterly Collection Period (excluding, for the avoidance of doubt, Defaulted Loans) exceeds 2.5 % of the Outstanding

Portfolio Amount as of the end of the Quarterly Collection Period (including, for the avoidance of doubt, all Delinquent and Defaulted Loans); or

(b) the sum of the Outstanding Balance of all Defaulted Loans since the Closing Date until the end of the relevant Quarterly Collection Period exceeds 2.8% of the Initial Outstanding Portfolio Amount; or

(c) a Notification Event has occurred and is continuing.

Replenishment Conditions means that, on the relevant New Loan Purchase Date:

(a) the New Loans added to the Portfolio will meet the Eligibility Criteria as applied to the relevant New Loan Purchase Date;

(b) the sum over all clients of the minimum of: (a) the Outstanding Balance of the Loans and (b) 80% of the Current Property Values times the ratio of the Outstanding Balance of the Loans divided by the Outstanding Balance of the Loans plus the outstanding balance of *pari passu* loans and (c) the Mortgage Inscriptions times the ratio of the Outstanding Balance of the Loans divided by the Outstanding Balance of all Loans plus the outstanding balance of the *pari passu* loans, divided by the sum of the Outstanding Balance of the Loans will be higher than 90% at all times;

(c) no more than 5% of the Outstanding Balance of the Loans can be in arrears for more than 30 days;

(d) no more than 2% of the Outstanding Portfolio Amount relates to Loans initially granted to unemployed borrowers;

(e) the weighted average ILTIV is at maximum 80%;

(f) the weighted average CLTCV is at maximum 60%;

(g) the weighted average CLTM is at maximum 100%;

(h) the weighted average ratio expressing the relation of the monthly debt (mortgage and non-financial debt, consumer loans etc) burden to the monthly income, in both cases after taxes (***DTI***) (where the DTI is available) is at maximum 42%;

(i) maximum 11% of the Outstanding Portfolio Amount can have an unknown DTI;

(j) the DTI of any New Loan can not be higher than 60 %;

(k) no more than 27% of the of the Outstanding Portfolio Amount have a DTI which is higher than 50 %;

(l) the sum of all *pari passu* Loans (i.e. ranking *pari passu* with the Loans but not transferred to the Issuer) and all other debts owed by the Borrowers to

AXA existing on the relevant New Loan Purchase Date does not exceed 7% of the Outstanding Portfolio Amount;

(m) the weighted average remaining maturity of the Loans shall not be less than 10 years and not more than 25 years;

(n) the minimum weighted average interest rate of the Portfolio is 2%;

(o) the maximum concentration per Belgian Region is limited to 65% for Flanders, 45% for the Walloon Region and 20% for the Brussels-Capital Region;

(p) the aggregate of the Outstanding Balances of the 10 Loans with the highest Outstanding Balance per Loan shall not represent more than 0.5% of the Outstanding Portfolio Amount;

(q) New Loans have a maturity date falling at the latest four years before the Final Redemption Date;

(r) no more than 1.5% of the Outstanding Portfolio Amount relates to loans initially granted to retired borrowers;

(s) no more than 1% of the Outstanding Portfolio Amount relates to loans initially granted to student borrowers;

(t) no more than 2% of the Outstanding Portfolio Amount relates to property with mixed usage;

(u) no New Loan will have been granted to a borrower with an unknown profession;

(v) the Seller has not previously failed to repurchase any Loan to the extent required pursuant to the Transaction Documents;

(w) the Issuer has sufficient funds available to pay the New Loan Purchase Price on such date;

(x) no more than 25% of the Outstanding Portfolio Amount relates to loans initially granted to self-employed borrowers or borrowers with a liberal profession (*vrij beroep*/*profession libérale*);

(y) no more than 25% of the Outstanding Portfolio Amount relates to loans initially granted for refinancing purposes;

(z) no more than 35% of the Outstanding Portfolio Amount relates to Loans initially granted on the basis of buy-to-let; and

(aa) the remaining Weighted Average Life of the Portfolio, calculated at a CPR of 0%, will be below 11 years.

New Loan Purchase Price

The purchase price for (a) New Loan(s) shall consist of:

(a) the ***New Loan Purchase Price*** which shall be equal to:

(i) the Outstanding Balance of such New Loan(s) as at (but excluding) the relevant New Loan Purchase Date; and

(ii) the accrued interests on such New Loan(s) up to (but excluding) the relevant New Loan Purchase Date;

(b) plus the Deferred Purchase Price.

The Deferred Purchase Price will be equal to the sum of all Deferred Purchase Price Instalments. A Deferred Purchase Price Instalment shall be equal to the following, in each case as applicable:

(a) prior to the delivery of an Enforcement Notice, any amount remaining after all payments as set out under items listed up to and including (xii) of the Quarterly Interest Priority of Payments have been satisfied in full;

(b) following the delivery of an Enforcement Notice, any amount remaining after payment as set out under items listed up to and including (xiii) of the Post-Enforcement Priority of Payments, have been satisfied in full.

The New Loan Purchase Price shall be paid as soon as possible after the New Loan Purchase Date and at the latest on the immediately following Monthly Payment Date (the ***New Loan Payment Date***)

The portion of the New Loan Purchase Price corresponding to the accrued interests on the New Loan up to (but excluding) the corresponding New Loan Purchase Date, shall be paid in accordance with item (iv) of the Monthly Interest Priority of Payments.

The portion of the New Loan Purchase Price corresponding to the Outstanding Balance of the New Loans as at the relevant New Loan Purchase Date shall be paid out of the Replenishment Available Amount.

Replenishment Available Amount means:

(a) Prior to the Mandatory Amortisation Date and on any Business Day the amount standing to the credit of the Transaction Account referring to:

(i) principal received from the Loans, including the principal part of the Repurchase Price related to Loans that have been repurchased by the Seller, but excluding any principal related to Defaulted Loans;

(ii) amounts credited from the Principal Deficiency Ledgers;

(iii) the difference between the aggregate proceeds of the Notes and the Outstanding Balance of the Loans at Closing Date;

(b) Following a Mandatory Amortisation Date, an amount equal to zero.

12.3 All Sums Mortgages

12.3.1. Subordination

The MLSA provides that all loans or other debts existing at the time of the transfer of the Loans and which are secured by the same All Sums Mortgage are subordinated to the Loans in relation to all sums received out of the enforcement of the All Sums Mortgage and any Additional Security.

This subordination could possibly 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 intercreditor arrangement in the local mortgage register. The subordination provided for in the Mortgage Loan Sale Agreement will not be notarised and will not be registered in the local mortgage register.

As a consequence it can not be excluded that such subordination is not enforceable against third parties, including third party creditors of the Seller.

12.3.2. Further Loans

The Seller shall be entitled to grant further loans to a Borrower, which will be secured by the same All Sums Mortgage as the Loan previously transferred to the Issuer (a ***Further Loan***). If there are Further Loans granted which are secured by the same All Sums Mortgage, the proceeds of such All Sums Mortgage shall be distributed pursuant to the rules set out in clause 51, §2 of the Mortgage Credit Law and the MLSA, i.e. the Issuer shall rank in priority to the Seller.

12.4 Representations, Warranties and Eligibility Criteria

12.4.1. Representations and Warranties relating to the Seller

Pursuant to the MLSA, the Seller will represent and warrant to the Issuer on the Closing Date that:

(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 mortgage institution by the former CBFA now FSMA under the Mortgage Credit Act;

(d) the Seller is duly licensed as a consumer credit lender by the Ministry of Economic Affairs under the Belgian Act of 12 June 1991 on consumer credit (*wet op het consumentenkrediet/loi relative au crédit de consommation*), as amended from time to time (the ***Consumer Credit Act***);

(e) the Seller:

(i) is not in a situation of cessation of payments within the meaning of Belgian insolvency laws;

(ii) is not in liquidation (*vereffening/liquidation*);

(iii) has not filed for bankruptcy or judicial reorganisation (*gerechtelijke reorganisatie/réorganisation judiciaire)* or for a moratorium (*uitstel van betaling/sursis de paiement*);

(iv) has not been adjudicated bankrupt or annulled as legal entity; and

(v) has not taken any corporate action nor is any corporate action pending in relation to any of the matters specified in this paragraph (e);

(f) the MLSA constitutes the Seller's valid and binding obligations enforceable in accordance with its terms subject to the provisions of any applicable bankruptcy, insolvency, liquidation or other laws relating to or affecting the enforcement of creditors' rights generally, including statutes of limitation;

(g) the information provided by the Seller in the Prospectus is true, accurate and complete in all material respects and contains no material omission;

(h) the Seller has entered into appropriate Umbrella Fraud Insurance Polic(y)(ies) covering fraud risk in respect of the Seller's operations in respect of the Loans;

(i) the Seller has not received any written notice and is has not been otherwise informed of the suspension, cancellation or other material breach of the terms of the Umbrella Fraud Insurance Policy;

(j) the information relating to:

(i) the residential mortgage loans listed on a CD-Rom delivered to notary Jean-François Poelman pursuant to Clause 2.12 of the MLSA (the ***Initial Portfolio***);

(ii) 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 (*Credit Policies*); and

(iii) 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 (provided that if the Seller no longer acts as the Servicer, any collection and administration procedures and policies to be agreed between the Issuer and the Servicer) ((ii) and (iii) together being the Credit Policies)

provided by the Seller to the Issuer, Joint Lead Managers or Security Agent or otherwise is complete, true and accurate in all material respects as of the Cut-Off Date; and

(k) no Notification Event has occurred and is continuing or will occur as a result of the entering into or performance of the MLSA, to the extent the Notification Event relates to the Seller.

12.4.2. Representations and Warranties relating to each Loan, Loan Security, Additional Security and All Sums Mortgages

The Seller will represent and warrant to the Issuer :

- on the Closing Date with respect to each Initial Loan, the Loan Security, the Additional Security and the All Sums Mortgages, as the case may be, that as at the Cut-Off Date or,

- on the relevant New Loan Purchase Date with respect to each New Loan, the Loan Security, the Additional Security and the All Sums Mortgages, as the case may be, that as at such New Loan Purchase Date:

Valid existence

(a) each Loan, Loan Security and Additional Security exist 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 subject to the provisions of any applicable bankruptcy, insolvency, liquidation or other laws relating to or affecting the enforcement of creditors' rights generally, including statutes of limitation, 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;

(b) each Loan has been granted with respect to real property located solely in Belgium;

(c) no Loan has an origination date prior to 1 January 1995;

(d) at origination, each Borrower in respect of a Loan, was resident (*woonachtig/ résident*) in Belgium;

(e) each Loan was granted by the Seller as a loan secured by a mortgaged property;

(f) no Loan is secured by a floating charge (*pand handelszaak/gage sur fonds de commerce)* or agriculture priority right (*landbouwvoorrecht/privilège agricole*);

(g) to the best of the Seller's knowledge, no event of default has occurred that has not been cured prior to the Cut-Off Date or, in relation to a New Loan, prior to the relevant New Loan Purchase Date, that would entitle the Seller to accelerate the repayment of any Loan;

(h) no Loan qualifies as a Defaulted Loan or as a Delinquent Loan in arrears for more than one month;

(i) the Seller has not received any written notice of intended prepayment of all or any part of any Loan;

(j) the Seller has not entered into any agreement, which would have the effect of subordinating the Seller's right of payment under of any of the Loans to any other indebtedness or other obligations of the Borrower;

(k) 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;

(l) 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*);

(m) 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;

(n) 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;

(o) the Seller has not received written notice 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 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

does not have, to the best of its knowledge, any reason to believe that any Borrower is about to enter into, or file for, any of the procedures specified in this paragraph (o);

(p) the Seller has not received any written notice of the death or any other legal incapacity (*onbekwaamheid/ incapacité*) of any Borrower;

Governing Legislation

(q) each Loan and related Mortgage 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;

(r) each Loan is subject to the Mortgage Credit Act;

(s) each Loan and relating Mortgage complies in all material respects with the requirements of the Mortgage Credit Act and implementing regulations;

(t) each Loan complies in all material respects 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*);

(u) the Consumer Credit Act does not apply to any Loan;

(v) the Seller has complied in all material respects with all relevant banking, privacy and other laws in relation to the origination, the servicing and the assignment of any Loan;

Free from third party rights

(w) each Loan has been granted by the Seller (or its legal predecessor(s)) for the Seller's own account and hence as original lender;

(x) the Seller has exclusive, good, and marketable title to each Loan;

(y) 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*);

(z) 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, the right, title, interest or benefit sold or assigned in any way whatsoever other than pursuant to the MLSA or the Pledge Agreement;

(aa) 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;

(bb) 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;

(cc) each Loan can be easily segregated and identified by the Seller for ownership and collateral security purposes;

(dd) each Loan contains provisions permitting the Borrower to assign to the Seller by way of security (or create another form of security over) part of or all remuneration from employment such Borrower may earn;

Fully disbursed loans

(ee) the proceeds of each Loan have been fully released and the Seller has no further obligation to release further funds relating to the Loan, subject to subparagraph (ff) below;

(ff) each uncancelled amount of principal of the Construction Loan has been fully disbursed by the Seller to the Borrower;

(gg) none of the Loans relate to a bridge loan (*overbruggingskredieten/crédits soudure)*, a bullet loan with principal payments due only on maturity date (so-called bullet loans) or are temporary credit facilities (*tijdelijke kredietopeningen/ouverture de crédit temporaire*);

(hh) none of the Loans relate to reconstitution loans or any types of loans where repayments are organised under so-called "TAK-21" or "TAK-23" schemes;

No set-off or other defence

(ii) none of the Loans are subject to any reduction resulting from any valid and enforceable *exceptie/exception* or *verweermiddel/exception* (including *schuldvergelijking/compensation*) available to the relevant Borrower 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/exception* based on the provisions of Article 1244, alinea 2 of the Belgian Civil Code or the provisions of Belgian insolvency laws);

(jj) no pledge, lien or counterclaim 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; there is no claim or receivable from the Borrower against the Seller that could be deemed to be "*connexe*" with any rights sold by the Seller to the Issuer pursuant to the MLSA;

(kk) none of the documents establishing the Loans, the Loan Security or Additional Security contain provisions allowing the Borrower to set-off amounts owing by it in respect of the Loans or other rights sold by the Seller to the Issuer;

No amendments

(ll) prior to the Cut-Off Date or, in relation to a New Loan, prior to the relevant New Loan Purchase Date, there has been no amendment to the term, interest rate or any other term and condition affecting the cash flow, collateral, collectability or enforceability of any Loan, Loan Security or Additional Security which has not been properly and duly documented in writing;

No Withholding Tax

(mm) the Seller is not required to make any withholding or deduction for, or on account of, tax in respect of any payment received by it in respect of the Loans;

(nn) 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;

Assignability of the Loans

(oo) each Loan, Loan Security and Additional Security may be validly assigned to the Issuer in accordance with this Agreement and pledged by the Issuer in accordance with the Pledge Agreement;

(pp) the assignment of each Loan, Loan Security and Additional Security has been duly authorised, executed and delivered by the Seller in order to validly transfer the Seller's interest in each Loan, the Loan Security and the Additional Security to the Issuer;

(qq) each Loan, the related Loan Security and Additional Security is legally entitled to be 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;

(rr) no Loan provides that it is transferable by way of endorsement or delivery of the Loan Document;

(ss) the sale of each Loan in the manner contemplated in the MSLA will not violate any agreement by which the Seller may be bound, and, upon such sale no Loan will be available to the creditors of it on its liquidation;

Security and Mortgaged Properties

(tt) each Loan is secured by a Mortgage and each Mortgage relates to real property;

(uu) the Seller has not received any written notice or is not aware of any material breach of the terms of any Loan Security or Additional Security;

(vv) 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 subject to the provisions of any applicable bankruptcy, insolvency, liquidation or other laws relating to or affecting the enforcement of creditors' rights generally including statutes of limitation;

(ww) in relation to each mortgaged property, each Mortgage (which at the Cut-Off Date, or, in relation to a New Loan, at the relevant New Loan Purchase Date has been registered at the Mortgage Registration Office) is a first-ranking mortgage, ranking in priority to any other mortgage or security interest given in favour of it or any third party, except:

(i) for lower ranking Mortgages on a property if the Seller also holds the first ranking Mortgage(s) and such Mortgage(s) is/are also sold to the Issuer pursuant to the MLSA, including each of the following:

(A) either any Mortgage in respect of Loans transferred and which are ancillary to such Loans as they are secured by the same All Sums Mortgage;

(B) or any Mortgage granted by a Borrower in respect of another Loan to amongst others another Borrower which are transferred at the same time; and

(ii) in relation to properties mortgaged as an Additional Security;

(xx) no other Mortgage or security interest (excluding, for the avoidance of doubt, Mortgage Mandates) attaches to any mortgaged property other than any:

(i) mortgages and liens which apply to the mortgaged property by operation of law;

(ii) higher ranking Mortgages as envisaged in paragraph (ww) above; and

(iii) any lower ranking Mortgages, liens, encumbrances or claims;

(yy) each Mortgage has been registered in favour of the Seller at the Mortgage Registration Office or registration in favour of the Seller at the Mortgage Registration Office is pending pursuant to paragraph (zz) below;

(zz) if, at the Cut-Off Date or, in relation to a New Loan, at the relevant New Loan Purchase Date, the registration of any Mortgage created in favour of the Seller is pending at the Mortgage Registration Office:

(i) the Seller shall have, and be capable of having, an absolute right to be registered as mortgagee of the relevant mortgaged property in line with paragraph (ww);

(ii) such Mortgage shall have no condition, notice or other entry which will prevent such registration;

(iii) all action has been taken or will be taken by the Seller to register the Seller as mortgagee of the relevant mortgaged property; and

(iv) such registration will be accomplished within two (2) weeks after the Closing Date;

(aaa) as at the date of origination of the Loan, the immovable property to which any Mortgage relates, was either existing or was under construction;

(bbb) none of the Mortgages have 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:

(i) in case there is a first-ranking Mortgage relating to the same Borrower that meets all representations and warranties set out herein; or

(ii) 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 on the Closing Date, such Mortgage is still in full force and effect for each such Borrower;

(ccc) in respect of each Mortgage, there is no other liability of the relevant Borrower which is secured by such Mortgage that exists or is outstanding (excluding interest accrued on the Loan but not due on the Closing Date and any Default Interest for Loans up to maximum one month in arrears) other than:

(i) the Loan (including principal and interest) or, should there be more than one residential mortgage loan extended to such Borrower on the Closing Date, such Loans to be purchased by the Issuer pursuant hereto (it being understood that the Seller may retain loans other

than residential mortgage loans (such as consumer loans) secured by the same Mortgage);

(ii) any Further Loan which may be made if such Mortgage is an All Sums Mortgage; and

(iii) costs, fees, and expenses in respect of the Loan(s), any Further Loan or the relevant Mortgage;

(ddd) the Seller has not received any written notice nor has any reason to believe that the immovable property to which any Mortgage relates, was not in existence as on the Cut-Off Date or, in relation to a New Loan, the relevant New Loan Purchase Date;

(eee) the Seller has not received any written notice requiring the compulsory acquisition (*onteigening/expropriation*) of any mortgaged property;

(fff) to the best of the Seller's knowledge, there is no pending or threatened litigation, administrative proceedings or any governmental investigation relating to any mortgaged property that would have a material adverse effect on such property or on its market value;

Insurance

(ggg) as at the date of origination of each Loan, the Seller acting as original lender in its own name has instructed each Borrower to insure:

(i) the relevant mortgaged property under a home owners' hazard insurance policy against all risks usually covered by a comprehensive hazard insurance policy and the amount to be insured is not less than the full replacement value;

(ii) the Loan under a Life Insurance Policy, such Life Insurance Policy being collateral security to it for each such Loan;

Servicing

(hhh) no other person has been granted or conveyed the right to service any Loan or to receive any consideration in connection with it, unless agreed otherwise between the parties to the MLSA;

Selection Process

(iii) 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;

Origination and Standard Loan Documentation

(jjj) prior to making each Loan, the Seller carried out or caused to be carried out all investigations, searches, including the searches referred to in (lll), (mmm), (nnn), (ooo) and (ppp) below 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;

(kkk) prior to making each Loan, the Seller's lending criteria laid down in the Credit Policies were satisfied (as applicable) subject to such waivers as may be exercised by a reasonably prudent lender;

(lll) in respect of each Loan originated after 1 September 2003, the Seller has made searches on the Borrower's identity in:

(i) the negative database (*negatieve kredietcentrale/centrale négative des crédits*) within the meaning of 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 (the ***Negative Database***); and

(ii) the positive database (*positieve kredietcentrale/centrale positive des crédits*) within the meaning of the Belgian Act of 10 August 2001, as implemented by the Royal Decree of 7 July 2002 (the ***Positive 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;

(mmm) 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:

(i) not disclose anything which would cause a reasonably prudent lender to decline to proceed with the Loan on the proposed terms;

(ii) disclose that the Borrower had the exclusive, absolute and unencumbered title over the mortgaged property; and

(iii) 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;

(nnn) the Seller has not dispensed with the notary public who was instructed pursuant to paragraph (mmm) above from any of its responsibilities and/or liabilities in relation to each Loan and Mortgage;

(ooo) no Loan has been granted if the notary public who was instructed pursuant to paragraph (mmm) above formulated comments or reservations in respect of the Borrower's title unless the defect had been remedied;

(ppp) the Seller issued its standard instructions to the notary public who was instructed pursuant to paragraph (mmm) above prior to originating a Loan, as well as all the guidelines issued by the Seller to the notary in respect of minors, foreigners, right of residence (*recht van bewoning/droit d'habitation*), right to repurchase (*recht van wederinkoop/droit de rachat*), approval non-borrowing spouse/husband;

(qqq) all Standard Loan Documentation relating to the Loans has been duly and timely submitted to the former CBFA now FSMA in accordance with the relevant provisions of the Mortgage Credit Act;

(rrr) each Loan made by the Seller has been made on the terms of the appropriate Standard Loan Documentation for the relevant type of Loan (as applicable) or on the terms of the appropriate mortgage documentation at the time that the Loan and the Mortgage were originated and such documents have not been subsequently varied by the Seller in any material respect;

(sss) each Loan has been confirmed by way of a separate advance offer to which a repayment schedule is attached;

(ttt) in addition to the Insurances and the Loan Security, the Borrower has not been required to enter into and maintain any separate contracts as a condition of a Loan being made or Loan being granted;

Proper Accounts and Records

(uuu) the Seller has, since the origination of each Loan, kept full and proper accounts, books and records customary for a leading bank of good standing with international reputation, showing all transactions, payments, receipts, proceedings and notices relating to such Loan and all such accounts, books and records are up to date and in the possession of the Seller or held to the Seller's order;

(vvv) the Seller holds all records and databases relating to each Loan or such records and databases are held to the Seller's order and the Seller complies in all material respects with all applicable data protection and privacy laws;

Financial Criteria

(www) the rate of interest on each Loan was set in accordance with the Seller's tariff schedule and the credit policies prevailing at the time of origination or at the time of the last interest reset;

(xxx) both interest and principal on each Loan is payable by way of monthly Instalments;

(yyy) each Loan is denominated exclusively in euro (including any Loan historically denominated in Belgian frank);

(zzz) 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 Mortgage Credit Act (a ***Disputed Loan***);

(aaaa) each Loan has a remaining term that is not less than one (1) months;

(bbbb) each Loan has a fixed rate period that is not less than one (1) year;

(cccc) each Loan has an initial maturity equal to or less than thirty (30) years;

(dddd) for each Loan at least six (6) instalments have been paid by the Borrower;

(eeee) the aggregate of the Outstanding Balance of all Loans which are covered by the same Mortgage is lower than EUR 360,000 or any other amount as allowed by the law applicable to a *société de crédit foncier* within the meaning of articles L 515-13 et seq of the French monetary and financial code (*code monétaire et financier*);

(ffff) each Loan has:

(i) a CLTCV (whereby the outstanding balance of any consumer loans on a single Borrower is included in the calculation of the current loan amount and the current value was obtained by indexation) equal to or less than 120 % ;

CLTCV means the ratio of current loan to current value, which is calculated as:

A. the current balance of the Loans of a Borrower, for the purpose of this calculation increased by the current balance of other loans as existed before the Closing or New Loan Purchase Date, as relevant,

(such as the outstanding balance of any consumer loans of the Borrower), divided by:

B. the Current Property Values indexed to the Cut-Off Date or New Loan Purchase Date, as relevant, (based on figures as provided by the property expert Stadim CVBA, with its registered office at Marialei 29-33, 2018 Antwerps), less any mortgage inscription amounts held by a third party that rank higher in priority to the mortgage inscriptions granted to the Seller;

(ii) a ILTIV equal to or less than 120 %;

ILTIV means the ratio of initial loan to initial value, which is calculated as:

A. the initial balance of the Loans of a Borrower at the time of their origination, divided by:

B. the initial property values indexed to the most recent Loan origination date, (based on figures as provided by the property expert Stadim CVBA, with its registered office at Marialei 29-33, 2018 Antwerpen; and

(iii) a CLTM (whereby the outstanding balance of any consumer loans on a single Borrower is included in the calculation of the current loan amount) equal to or less than 200%;

CLTM means current loan to mortgage inscription, which is calculated as:

A. the current balance of the Loans of a Borrower, for the purpose of this calculation increased by the current balance of other loans as existed before the Closing or New Loan Purchase Date, as relevant, (such as the outstanding balance of any consumer loans of the Borrower), divided by:

B. the sum of the first and any subsequent ranking mortgage inscriptions granted to the Seller (for avoidance of doubt, mortgage mandates are excluded);

(gggg) the initial property valuations recorded in the Seller's electronic records and reported to Moody's reflect the initial property valuations contained in the files and records of the Seller in respect of each Loan;

(hhhh) none of the Loans has been granted to a Borrower that is or, at the time such Loan has been granted, was an employee of the Seller;

(iiii) none of the Loans relate to loans granted 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 *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 otherwise benefits from any incentive schemes set up by the Walloon Government; and

(jjjj) none of the Loans relate to "harmonica" loans which are loans with a maturity extension possibility without the possibility to increase the monthly instalment (possibility to increase the maturity date, but not the monthly instalment up to a certain predefined maximum maturity date whereby any residual amounts outstanding at such date will be waived (in favour of the relevant Borrower)).

12.4.3. **Eligibility Criteria**

All representations and warranties as set out under Section 12.4.2 above, shall be considered to constitute the eligibility criteria relating to any Loan, Loan Security, Additional Security or All Sums Mortgage, as the case may be (the ***Eligibility Criteria***) and the Seller will represent and warrant to the Issuer and the Security Agent on the Closing Date that, as at the Cut-Off Date, and, in relation to any New Loan, on the relevant New Loan Purchase Date, all of the Eligibility Criteria are met.

12.5 **Repurchases and Permitted Variations of Loans**

12.5.1. **Breach of Representations and Warranties**

If at any time after the Closing Date:

(a) any of the representations and warranties relating to the Loans proves to be untrue, incorrect or incomplete; and

(b) the Seller has not remedied this within five (5) Business Days of receipt of written notice thereof or according to the Servicer it cannot be remedied within such period;

then, the Servicer shall procure that (at the discretion of the Administrator or the Security Agent):

(a) the Issuer shall be indemnified by the Seller for all damages, costs, expenses and losses; and

(b) the relevant Loan(s) and Loan Security, together with all other Loans secured by the same All Sums Mortgage, is (are) repurchased by and re-assigned to the Seller at the Repurchase Price in case of Breach.

(c) The relevant Seller shall deliver to the Administrator acting on behalf of the Issuer, a solvency certificate substantially in the form of Schedule 11 to the MLSA (however, for the avoidance of doubt, such solvency certificate shall constitute a mere statement and not a condition precedent to the repurchase of the relevant Loan).

(d) On each Monthly Calculation Date, the Administrator shall provide the Issuer with the solvency certificates received during the immediately preceding Monthly Collection Period.

The ***Repurchase Price in case of Breach*** shall be equal to (i) the Outstanding Balance of the Loan as at the Repurchase Date in case of Breach plus (ii) accrued interest thereon and reasonable pro rata costs up to (but excluding) the Repurchase Date in case of Breach.

The indemnification and the closing of any repurchase as referred to herein shall be completed no later than 45 calendar days after (i) the expiry of the five (5) Business Day cure period referred to herein or (ii), the date on which the Servicer has determined that the matter is not capable of being remedied (the ***Repurchase Date in case of Breach***).

Notwithstanding the above, in case of breach of eligibility criteria (hhhh) and if and as long as, on any Quarterly Payment Date after application of the relevant Priorities of Payments, there is a debit balance on the Class B Principal Deficiency Ledger for an amount exceeding 1% of the Principal Amount Outstanding of the Notes, the Seller has agreed to, at its option, either repurchase such Loan at the Repurchase Price in case of Breach or indemnify the Issuer and deposit on a ledger of the Transaction Account an amount equal to the positive difference between, in respect of Defaulted Loans, the value of the relevant property as reported to Moody's and the value of such property in the files of the Seller (the ***Valuation Loss Provision***), as determined in accordance with clause 10 (u) of the MLSA.

Upon Foreclosure of such Loan the Valuation Loss Provision shall

(i) be released from the Transaction Account and form part of the Quarterly Interest Available Funds if the Issuer suffers a loss upon such foreclosure, i.e. if the proceeds collected upon Foreclosure are less than the outstanding amount of principal and accrued interests in connection with such Loan;

(ii) be paid back to the Seller if the Issuer does not suffer a loss upon such foreclosure, i.e. if the proceeds collected upon Foreclosure are equal to or exceed the outstanding amount of principal and accrued interests in connection with such Loan.

All costs relating to any repurchase shall be borne by the Seller.

12.5.2. **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 (a ***Variation***) to the extent (a) no Enforcement Notice has been given by the Security Agent at the date of such Variation and (b) if the cumulative conditions below are satisfied:

(a) the Variation will not provide for a full or partial release of the Mortgage as a result of which the CLTM immediately following such variation is higher than:

(i) 200% if the Variation is made during the Replenishment Period or

(ii) 100 % if the Variation is made after the Replenishment Period; or

(b) the Variation will not provide for a reduction of the Outstanding Balance of the Loan otherwise than as a result of an effective payment of principal; or

(c) the Variation will not provide for a partial release (*handlichting/mainlevée*) of the Mortgage or a substitution of the mortgaged property (*pandwissel/substitution*) relating to any Loan as a result of which the CLTCV immediately following such Variation is higher than

(i) 120% if the Variation is made during the Replenishment Period; or

(ii) the CLTCV immediately preceding such Variation if the Variation is made after the Replenishment Period; or

(d) if the Variation provides for a maturity extension of the Loan, the final redemption date of the varied Loan will not as a consequence of the Variation be extended beyond the Quarterly Payment Date falling 4 years prior to the final maturity of the Notes; or

(e) the Variation will not provide for any change in amortisation profile that would make a Loan no longer payable by way of monthly Instalments or that would imply a residual value payment at the final due date; or

(f) the Variation will not provide for any non-contractual maturity extensions on Loans; or

(g) the Variation will not provide for any change in the fixed interest rate in respect of a Loan; or

(h) the Variation will not imply that the Loan would no longer comply with the Eligibility Criteria.

A Variation that meets all the conditions set out in this Section 12.5.2 and an amicable settlement that has been agreed by the Administrator as described under Section 12.5.3 are both referred to as a ***Permitted Variation***.

12.5.3. Amicable Settlement

If at any time after the Closing Date, the Administrator is notified by the Servicer of 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 Administrator may consent on behalf of the Issuer to such proposed settlement if and to the extent he confirms solely on the basis of the Servicer's notification that such settlement takes full account of the chances for recoveries relating to such Loan. The Administrator's

confirmation shall be final. If the Administrator does not agree to the proposed amicable settlement, such variation shall be deemed to be a Non-Permitted Variation.

12.5.4. **Non-Permitted Variations**

If at any time after the Closing Date:

(a) the Borrower has requested to the Servicer a variation of the terms or conditions of or in relation to a particular Loan or any rights in relation thereto; and

(b) the Servicer has determined that such proposed variation is not a Permitted Variation (a ***Non-Permitted Variation***),

then the Servicer shall:

(a) promptly inform the Seller and the Seller shall be deemed to have accepted such Non-Permitted Variation if he has not opposed thereto within one (1) Business Day after being notified by the Servicer (and hence should the Seller oppose to such Non-Permitted Variation, the Servicer shall not proceed with the relevant Non-Permitted Variation and promptly inform the relevant Borrower thereof);

(b) as part of the immediately subsequent Monthly Servicing Report inform the Issuer, the Administrator and the Security Agent of the Non-Permitted Variation in relation to such Loan thereof as accepted by the Seller; and

(c) no later than 45 calendar days after the date on which the Seller has accepted, or is deemed to have accepted the Non-Permitted Variation, in accordance with (a) above (or, in case such day would not fall on a Business Day, on the immediately succeeding Business Day), arrange for such Loan, together with all other Loans secured by the same All Sums Mortgage, to be repurchased and re-assigned at the Repurchase Price in case of Non-Permitted Variation, and such repurchase and re-assignment of the relevant Loan(s) shall be deemed to have been completed at such time (such date being the ***Repurchase Date in case of Non-Permitted Variation***).

The repurchase and re-assignment of the relevant Loan shall be conditional upon the receipt by the Administrator acting on behalf of the Issuer of a solvency certificate substantially in the form of Schedule 11 to the MLSA executed by either the Seller, an interested third party or the Servicer.

If and to the extent the Servicer fails to deliver such a solvency certificate in events where it has the obligation to repurchase a Loan, it shall no longer be entitled to accept further Non-Permitted Variations as set out above, until (i) such Loan is repurchased and re-assigned to the Seller, an interested third party or ultimately the Servicer and (ii) prior to such repurchase and re-assignment a solvency certificate substantially in the form of Schedule 11 to the MLSA executed by either the Seller, an interested third party or the Servicer has been delivered to the Administrator acting on behalf of the Issuer.

On each Monthly Calculation Date, the Administrator shall provide the Issuer with the solvency certificates received during the immediately preceding Monthly Collection Period.

The ***Repurchase Price in case of Non-Permitted Variation*** is equal to :

(a) for performing or Delinquent Loans up to maximum 90 days in arrears, the Outstanding Balance of the Loan as at the Repurchase Date in case of Non-Permitted Variation plus accrued interest thereon and reasonable pro rata costs up to (but excluding) the Repurchase Date in case of Non-Permitted Variation; and

(b) for Delinquent Loans as from 90 days in arrears (and including such date) and for Defaulted Loans, the lesser of (i) an amount equal to the market value of the mortgaged property or, if no valuation report of less than twelve (12) months old is available, the indexed value thereof (based on indexes determined by Stadim) plus accrued interest and (ii) the Outstanding Balance of the relevant Loan as at the Repurchase Date in case of Non-Permitted Variation plus the accrued interest, if any, and any other amounts due under the Loan up to (but excluding) the Repurchase Date in case of Non-Permitted Variation.

All costs and expenses resulting from such repurchase and re-assignment shall be borne by the Seller.

The Servicer may not waive any Prepayment Penalty in connection with the prepayment of any Loan, unless the Servicer would compensate the Issuer for an amount equal to such Prepayment Penalty (which the Servicer may in time claim back from the Seller), save in the event the prepayment is made out of the proceeds of a Life Insurance Policy as a consequence of or in connection with the death of a Borrower.

12.5.5. **Option to repurchase**

If after the Closing Date, or in relation to New Loans, the relevant New Loan Purchase Date the Seller originates a Further Loan which is secured by an All Sums Mortgage which also secures a Loan previously purchased by the Issuer, then the Seller shall have the right to repurchase such Loan at the Repurchase Price in case of Optional Repurchase on any date after the date of origination of such Loan (the ***Repurchase Date in case of Optional Repurchase***) provided that the aggregate of the Outstanding Balances of the Loans which the Seller proposes to repurchase within a period of twelve (12) consecutive months does not exceed 1% of the aggregate Outstanding Balances of all the Loans, as determined on the Calculation Date relating to the Quarterly Payment Date in respect of which the repurchase is proposed.

The ***Repurchase Price in case of Optional Repurchase*** is equal to:

(a) for performing or Delinquent Loans up to maximum 90 days in arrears, the then Outstanding Balance of the Loan as at the Repurchase Date in

case of Optional Repurchase plus accrued interest thereon and reasonable pro rata costs up to (but excluding) the Repurchase Date in case of Optional Repurchase, and

(b) for Delinquent Loans as from 90 days in arrears (and including such date) and for Defaulted Loans, the lesser of (i) an amount equal to the market value of the Mortgaged Property or, if no valuation report of less than twelve (12) months old is available, the indexed value thereof (based on indexes determined by Stadim) plus accrued interest and (ii) the Outstanding Balance of the relevant Loan as at the Repurchase Date in case of Optional Repurchase plus the accrued interest, if any, and any other amounts due under the Loan until (but excluding) the Repurchase Date in case of Optional Repurchase.

Further, the Seller has the option to repurchase the Portfolio from the Issuer upon the occurrence of a Regulatory Change and upon the condition that the Issuer receives sufficient monies to repay principal and interest outstanding on the Notes. In such case, the Issuer shall have the obligation, provided certain conditions are met, to sell and assign the Loans to the Seller. The repurchase and re-assignment of the Loans above shall be conditional upon the receipt by the Issuer of a solvency certificate substantially in the form of Schedule 11 to the MLSA executed by the Seller. The repurchase price in such case shall be equal to :

(a) for performing Loans: the then Outstanding Balance of the Loan(s) plus accrued interest thereon and *pro rata* costs up to (but excluding) the date of completion of the repurchase; and

(b) for Delinquent Loans for more than 90 days and for Defaulted Loans: the lesser of (i) an amount equal to the market value of the Mortgaged Property or, if no valuation report of less than twelve (12) months old is available, the indexed value thereof (based on the indexes determined by Stadim); (ii) the Outstanding Balance of the relevant Loan(s) as at the Repurchase Date plus the accrued interest due but not paid, if any, plus any other amounts due under the Loan(s); and (iii) an amount equal to the mortgage inscription (*inscription hypothécaire/hypothecaire inschrijving)* plus, if any, the amount secured by the Mortgage Mandate (which amounts shall also include, for the avoidance of doubt, 3 years of interest plus an amount of 10% for costs).

All costs (including, for the avoidance of doubt, any swap breakage costs) arising in relation to such repurchase shall be paid and borne by the Seller.

12.6 **Notification Events**

The sale of the Loans under the MLSA and the 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 is a Notification Event under the MLSA:

(a) the occurrence of an event upon which the appointment of the Servicer has or will terminate pursuant to the provisions of the Servicing Agreement (the ***Servicing Termination Event***); or

(b) the Issuer is so required to serve such notice by an order of any court or supervisory authority; or

(c) 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

(d) whether as a reason of a change in law (or case law) or for any other reason (such as when it becomes necessary as a result of a change of law, to protect the interests of the Issuer to record the sale by way of marginal notation (*kantmelding/mention marginale*) 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 therefore); or

(e) the Seller fails in any material respect to duly perform, or comply with, any of its obligations under this Agreement or under any of the other Transaction Documents to which it is a party and such failure, if capable of being remedied, is not remedied within ten (10) Business Days after notice thereof; or

(f) any representation, warranty or statement made or deemed to be made by the Seller in the Mortgage Loan Sale Agreement, or under any of the other Transaction Documents to which the Seller is a party or in any notice or other document, certificate or statement delivered by it pursuant thereto proves to have been, and continues to be after the expiration of any applicable grace period, untrue or incorrect in any material respect, save for any breach of representations and warranties relating to a Loan which is, following such breach, repurchased and re-assigned to the Seller; or

(g) 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 dissolution (*ontbinding/dissolution*) and liquidation (*vereffening/liquidation*), the Seller has become subject to emergency regulations (*noodregeling/mesure d'urgence*) or, if applicable, applies for or is granted a suspension of payments (*opschorting van betaling/surseance des payments*), the Seller applies for its bankruptcy or is declared bankrupt (*failliet verklaard/declaré en faillite*) or any steps have been taken for the appointment of a receiver or a similar officer of it or of any or all of its assets; or

(h) it becomes unlawful for the Seller to perform all or a material part of its obligations under the Transaction Documents in such a manner that this

would have a material adverse effect on its ability to perform such obligations; or

(i) if at any time:

(i) the credit rating or credit view of the Seller's short term, unsecured, unsubordinated and unguaranteed debt obligations falls below F2 by Fitch or such rating or credit view is withdrawn; or

(ii) the credit rating or credit view of the Seller's long term, unsecured, unsubordinated and unguaranteed debt obligations falls below BBB+ by Fitch (or, if at BBB+, such credit rating or credit view is put on Rating Watch Negative by Fitch) or such rating or credit view is withdrawn; or

(iii) AXA's Counterparty Risk Assessment from Moody's falls below "Baa3"; or

(j) an Enforcement Notice is served by the Security Agent.

Rating Watch Negative has the meaning given thereto in "Definitions of ratings and other forms of opinion" published by Fitch.

Each of the following events is a Notification Event under the Pledge Agreement:

(a) the occurrence of a Notification Event under the MLSA;

(b) the Security Agent is so required by an order of any court or supervisory authority; or

(c) whether by reason of a change in law (or case law), or any other reason, the Security Agent reasonably considers it necessary to protect the interests of the Secured Parties in the Collateral or is required under the Pledge Agreement to do so; or

(d) the service of an Enforcement Notice by the Security Agent.

12.7 Mitigation of commingling risk

12.7.1. Risk Mitigation Deposit

In case:

(a) the credit rating, credit view or credit assessment of the Seller is below the Fitch Minimum Rating or in case such rating or credit view is withdrawn (subject to overruling by the Security Agent and Fitch); or

(b) the Moody's Counterparty Risk Assessment of AXA falls below Baa3 (cr), or such counterparty risk assessment or credit view is withdrawn (subject to overruling by the Security Agent and Moody's);

AXA shall without delay following the occurrence of any of the rating events listed in items (a) or (b) above (each of such events, a ***Risk Mitigation Deposit Trigger Event***), (i) notify the Issuer, the Administrator and the Security Agent in writing and (ii) credit to a bank account to be held in the name of the Issuer with a third party account bank having the Minimum Ratings (the ***Deposit Account***) an amount to be determined in accordance with Clause 12.7.2 (the ***Risk Mitigation Deposit***).

Moody's Counterparty Risk Assessment means the counterparty risk assessment used by Moody's as part of its bank rating methodology.

12.7.2. **Amount of the Risk Mitigation Deposit**

The amount of the Risk Mitigation Deposit shall be determined by the Administrator as follows:

(a) upon the first occurrence of a Risk Mitigation Deposit Trigger Event, the Risk Mitigation Deposit shall be equal to the higher of:

(i) zero; and

(ii) 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;

(b) 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 shall be adjusted and be equal to the higher of:

(i) zero; and

(ii) 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;

(c) as from the time a Notification Event has occurred, the Risk Mitigation Deposit will become fixed and may no longer be adjusted in accordance with section 12.7.2(b) Furthermore, as from the time a Notification Event has occurred, the Risk Mitigation Deposit may no longer be released (other than to the Issuer for the purposes set out under Clause 12.7.4 (a) or (b) below) unless the Notes have been fully and finally repaid.

12.7.3. **Impact on Priority of Payments**

The Risk Mitigation Deposit will not be included as Principal Available Funds and/or Monthly Interest Available Funds and will not form part of the Priority of Payments, unless if used in accordance with section 12.7.4 in which case the Issuer will be required to add such funds to the Monthly Interest Available Funds and/or Principal Available Funds, as the case may be. The Risk Mitigation Deposit will not serve as

general credit enhancement and can only be used by the Issuer in accordance with section 12.7.4.

12.7.4. **Use of the Risk Mitigation Deposit**

The Risk Mitigation Deposit may only be applied (A) for the provision of general liquidity to the Issuer, but only if and to the extent that Monthly Interest Available Funds or Quarterly Interest Available Funds (as the case may be) are insufficient, in or towards satisfaction of items (i), (ii) and, provided that the Class A Swap Counterparty has not defaulted, (v) of the Monthly Interest Priority of Payments and item (i)(A) of the Quarterly Interest Priority of Payments (and in this case, the amounts drawn from the Risk Mitigation Deposit will form part of the Monthly Interest Available Funds or the Quarterly Interest Available Funds, respectively), and (B) only on the Quarterly Payment Date on which the class A Notes will be repaid in full, for the purpose of indemnifying the Issuer against any losses of the Issuer resulting from (i) the fact that following an insolvency of the Seller the recourse the Issuer would have against the Seller for amounts paid into the Collection Account at such time would be an unsecured claim against the insolvent estate of the Seller for moneys due at such time and (ii) the failure by the Servicer, on behalf of the Seller, to credit all due and received amounts of principal, interest, Prepayment Penalties and Default Interest from the Collection Account to the Transaction Account (both (i) and (ii) being defined as the ***Commingling Risk***).

In the case of (B) above, the amounts drawn from the Risk Mitigation Deposit will form part of the Principal Available Funds.

12.7.5. **Release of the Risk Mitigation Deposit**

Unless applied in accordance with section 12.7.4, the Risk Mitigation Deposit shall remain credited to the Deposit Account until:

(a) the Seller's rating is again above the relevant Risk Mitigation Deposit Trigger Event(s) having triggered the requirement for such Risk Mitigation Deposit; or

(b) a full and final repayment of the Notes on the Final Redemption Date (or such other date upon which the Notes are to be redeemed in full).

If any of the above conditions under (a) or (b) is fulfilled, the Administrator will immediately release the Risk Mitigation Deposit to the Seller.

12.7.6. **Guarantee**

In case of 12.7.1 (b), no Risk Mitigation Deposit shall effectively have to be created to the extent a third party having:

(a) the Fitch Minimum Rating; or

(b) a Moody's Counterparty Risk Assessment of minimum Baa3 (cr);

fully and unconditionally guarantees the obligations of AXA to sweep any amounts received in the Collection Account.

12.8 **Right of First Refusal**

(a) If at any any time after the Closing Date, but prior to a Notification Event, the Issuer expresses its intention to sell or otherwise transfer whole or part of the Portfolio, it shall, prior to entering into such sale or transfer, forthwith notify the Seller of its intention and of the conditions, including the price or the consideration, of such intended sale of transfer. The Seller shall have the right (without there being any obligation) to repurchase such part of the Portfolio from the Issuer at such conditions.

(b) If the Seller does not exercise such repurchase right within 30 Business Days after having been notified in accordance with (a) above, the Issuer shall have the right during a period of 6 months to sell or otherwise transfer such part of the Portfolio at conditions which are not less favorable to the Issuer than the conditions which were notified to the Seller in accordance with (a) above.

SECTION 13. OVERVIEW OF THE MORTGAGE AND HOUSING MARKET IN BELGIUM

13.1 Economic Environment

With a surface area of 30,500 km² and a population of about 10,500,000, Belgium is one of the smallest Member States in the European Union. However, it has a GDP of EUR 337.1 billion (in 2009) and is one of the ten largest trading nations in the world.[2] Belgium's economy is dependent on international trade. From year-to-year, foreign trade accounts for approximately 70 percent of the nation's economy. Since Belgium is home to the headquarters of the EU and over 100 international organizations, it has a unique perspective on world trade and global markets.[3]

Belgium primarily owes its comparably large economic power to its central location and the high productivity of its work force[4]. The age-old openness of the Belgian economy has increased in recent decades. As a result of the significant proportion of international trade in GDP and the substantial income from foreign investment, Belgium had been called 'the perfect example of an open economy"[5].

The unemployment rate was increased in 2009 from 7,0% to 8,2% in 2009 [6]. The rise in unemployment remained rather limited given the seriousness of the recession, notably thanks to the measures decides by the government to counteract the crisis. Up to the present time, these measures seem to have shown some effectiveness. The rise in unemployment in Belgium (from 7,0% to 8,2% in Belgium) actually being more limited than in the euro area (from 7,5% to 10% in 2009)

Overall inflation was zero in 2009 in Belgium. This exceptionally low rate is the result of the trend in oil prices, giving rise to a negative year-to-year inflation during a number of months in 2009. With effect from 2010, following the increase in the price of petroleum products, a more normal inflation rate of 1,5% is again expected on a annual basis[7].

13.2 The Belgian Banking Sector

The Belgian Banking sector experienced a period of significant consolidation in the nineties. Partly due to this consolidation, more than 70% of the mortgage lending market is by the end of the year 2008 controlled by only four banking groups (Fortis, KBC, Dexia, ING). With a market share of around 8,23%, AXA Bank Europe occupies the 5th raking on the Belgian mortgage market[8].

[2] stabilityprogramme.be

[3] nationsencyclopedia.com

[4] belgostat.be

[5] diplomatie.be

[6] treasury.fgov.be

[7] Stabilityprogramme.be

[8] Union Professionnelle du Crédit

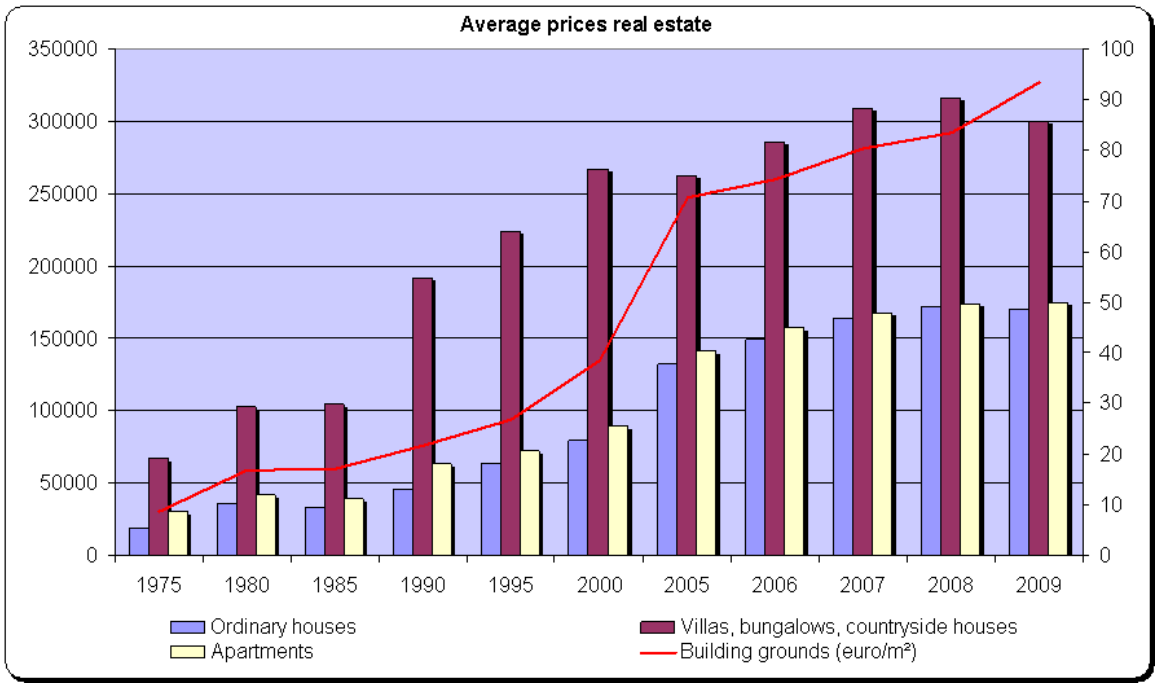
13.3 The Belgian Housing market

According to data of the European Mortgage Federation, the Belgian housing market accounts for a total value of EUR 121.831 million of mortgage debt in 2009, resulting in 36.8 % of GDP, which is far beneath the European average of 50,1 %.[9](European Mortgage Federation, Overview of EU residential mortgage markets 2006).

The Belgian government promotes home-ownership actively, by allowing fiscal deduction of interests and capital payments. Home-ownership is with 78% far above the European average.[10]

In 2009, 19,7% of the new contracts recorded at the central individual credit register, concerned mortgage loans. Partly due to low interest rates, and the continuous effort of the Belgian government to support investments to obtain a greener environment, the number of new mortgage loans granted increased with 12,2%, compared to the year 2008. [11]

After years of rising prices for all types of real estate, in 2009 the prices for villas decreased. The average price for building plots is still increasing. The real estate prices for normal houses and apartments are stable in 2009 compared to 2008[12].



[9] European Mortgage Federation

[10] Netto.be

[11] Nbb.be

[12] FOD Economie

SECTION 14. - THE SELLER – ORIGINATION & SERVICING

14.1 General Information

14.1.1. AXA Group

AXA Bank Europe is a member of the AXA Group. The AXA Group is an important global player whose ambition is to attain leadership in its core Financial Protection business. Financial Protection involves offering our customers - individuals as well as small, mid-size and large businesses - a wide range of products and services that meet their insurance, protection, savings, retirement and financial planning needs throughout their lives. AXA's strategy is to combine organic and external growth to meet the challenge of operational excellence in all of the following areas:

(a) Product innovation

(b) Core business expertise

(c) Distribution

(d) Quality of service

(e) Productivity

Leveraging the resources of AXA Group, and in accordance with AXA's values and commitments, about 170.000 people are working daily to execute this strategy and to serve 67 million clients.

In order to fully meet all the financial protection customer needs of European clients, AXA has a retail banking activity as part of the AXA Bank Europe structure. This activity is fully integrated within the group as it is a key element for the life & savings business.

14.1.2. History of AXA Bank Europe

AXA Bank Europe is a limited liability company (*naamloze vennootschap/société anonyme*" of unlimited duration incorporated under Belgian law on August 27th 1881 under the name of "*Antwerpsche Hypotheekkas*" (ANHYP) and is registered with the Register of Legal Entities (judicial district of Brussels) under number 0404.476.835, and with VAT registration number BE 404.476.835. Its registered office is located at 1170 Brussels, Boulevard du Souverain 25. AXA Bank Europe is licensed as a credit institution by the former CBFA now FSMA.

After the closing of a friendly public offer on 22 January 1999, Royale Belge, currently AXA Holdings Belgium, owns 99,99% of the shares in the capital of AXA Bank Europe. Since 1986, Royale Belge has been the parent company of the credit institution IPPA Bank. Through an asset deal of 30 November 1999 IPPA Bank has transferred all bank activities, with the exception of real estate activities to ANHYP, starting 1 January 2000. The objective of this transfer has been the realisation of significant synergies especially for retail banking and bank assurance.

On 30 December 1999 the bank's name was changed into "AXA Bank Belgium", in short AXA Bank or AXA Banque.

Most recently, on 17 April 2008 the name was changed into "AXA Bank Europe", in short "AXA Bank" or "AXA Banque" and the registered office was transferred from 2600 Antwerp, Grotesteenweg 214 to 1170 Brussels, Boulevard du Souverain 25.

AXA Bank Europe focuses on financial services to retail clients, such as private persons, self-employed persons, liberal professions and small enterprises. To serve these clients, AXA Bank Europe offers base bank services and products such as savings and investment products, treasury services, credit granting, financial transactions and payment transactions. In Belgium, AXA Bank Europe offers its services mainly through a network of independent agents.

According to its Articles of Association AXA Bank Europe's object is to carry out all transactions that are consistent and in accordance with the laws and regulations applicable to credit institutions. It can carry out all financial transactions, inter alia the collection of capital, in whichever way these are repayable, granting credits and credit loans backed by a mortgage or the deposit of values, for its own account and for the account of third parties. It can finance transactions on account, grant loans and credits, inter alia backed by a floating charge, and carry out transactions at discount and re-discount. It can exercise all activities; carry out or found all businesses and execute all transactions that are, directly or indirectly connected with its object and nature of which is to promote its realisation, as all businesses or transactions that can be carried out or organized by way of service to its clients, inter alia in the area of insurance. It can carry out all investments in view of the best use of its funds or those that have been entrusted to it. It can, subject to approval by the general meeting of shareholders, merge with other companies with a similar object, according to such terms considered to be most suitable.

The issued share capital of AXA BANK amounts to EUR 546.318.241,47 divided into 395.911.750 shares.

14.1.3. **European Banking Strategy**

In June 2007, the AXA Group has defined a common European banking strategy. AXA's objective is to progressively complement its Financial Protection offering with a range of simple and attractive banking products, mainly offered through the existing insurance networks and over the internet, in the European countries where the association of banking and insurance services is highly valued by the customers. The ultimate aim is that local AXA Management in each relevant country has a range of insurance as well as retail banking services at their disposal to better serve their customers.

This European retail banking activities are coordinated by AXA Bank Europe. Their banking expertise has been pooled there to provide existing and future banks with the necessary support. The goal is that the other European AXA banks will operate as branches or subsidiaries of AXA Bank Europe.

In the past few years AXA Bank Europe has created branches in the following countries across Europe: Switzerland, Hungary (cross border merger with Ella Bank), Czech Republic and Slovakia.

14.1.4. **Key Financial Information**

- Solvency position : Core tier 1 ratio of 20,13 % (December 31st 2009)

- S&P rating : 'A+/A-1' with 'Stable' outlook (March 30th 2010)

14.1.5. **General Risk Profile**

AXA Bank Europe's core business is retail banking based on simple product offers. It is not involved in Investment banking, corporate banking, structured finance or trade finance.

Its treasury and financial market activities are limited as AXA Bank Europe maintains a very conservative approach to market risks, Asset & liability management and interest rate risk management.

As such, being a retail bank, AXA Bank Europe's risk management policy is based on following key principles:

(a) A qualitative retail credit risk portfolio

(b) A high quality sovereign, local authorities, international institutions and bank counterparties portfolio

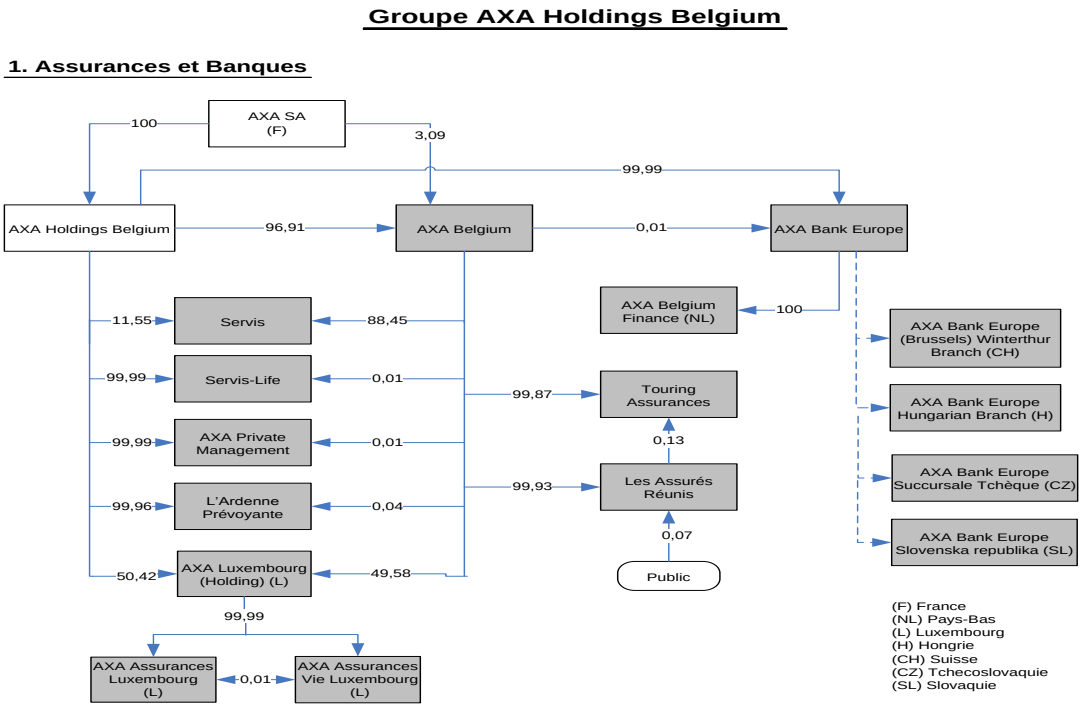
(c) Standard operational risks

(d) Prudent market, asset & liability and interest rate risk.

14.2 Organisation and management

14.2.1. Organisational Chart of AXA at the level of AXA Holdings Belgium

The following diagram shows the current organisational structure of AXA Bank Europe:



The companies listed above are banks or insurance companies. AXA Holdings Belgium does not have any participation in other financial intermediaries.

- The real estate dedicated companies are not listed herein.

14.2.2. **Management**

14.2.2.1. *Board of Directors*

AXA Bank Europe is managed by a Board of Directors comprising twelve members, five of whom are members of the Executive Committee. The directors are appointed by the general meeting for a maximum term of three (3) years.

Members	***Significant principal activities performed by members of the Board of Directors outside AXA Bank Europe***
Jacques de Vaucleroy, Chairman	- AXA Belgium: Director – Chairman of the Board of Directors & Chairman Remuneration Committee - AXA Holdings Belgium: Managing Director
Emmanuel de Talhouët,	- AXA Belgium: Managing Director - AXA Holdings Belgium : Director - AXA Group Solutions: Director - AXA Konzern AG: Member of the Supervisory Board - GIE AXA : Member of the Supervisory Board
Jacques Espinasse	- AXA Belgium : Director – Chairman Audit Committee - AXA Holdings Belgium : Director
Philippe Eyben	- AXA Private Management – Director
Thomas Gerber	- AXA Konzern AG: Mitglied des Vorstands - AXA Lebensversicherung AG: Mitglied des Vorstand
Hervé Hatt	- AXA Banque (France): Vice Chairman of the Supervisory Board
Noel Richardson	- AXA Holdings Belgium: Director - AXA Belgium: Director - AXA Konzern AG: Mitglied des Vorstands - AXA Versicherung AG: Vorsitzender
François Robinet	- AXA Banque (France): Member of the Supervisory Board
Patrick Vaneeckhout	- AXA Private Management: Director - Royal Street: Director
Patrick Lemoine	- AXA Belgium: Director – Member of the Audit Committee & Member of the Remuneration Committee - AXA Holdings Belgium: Director - Chairman of the Board of Directors – Member of the Audit Committee
Marc Raisière	- AXA Banque (France): Chairman of the Supervisory Board - AXA France GIE: Director
Irina Buchmann	- N/A

Executive Committee (*Directiecomité/Comité de direction*)

The management of the bank is entrusted to the Executive Committee (*Directiecomité/Comité de direction*), comprising members of the Board of Directors.

The Executive Committee currently consists of the following five (5) members.

Hervé Hatt - Chairman
Patrick Vaneeckhout - Vice-Chairman
François Robinet - Vice-Chairman
Philippe Eyben
Irina Buchmann

The members of the Executive Committee form a college to which the status of body (*orgaan/organe*) of the company has been assigned. The powers and responsibilities are incumbent upon the Executive Committee and not upon its individual members. The members of the Executive Committee can, however, determine an internal division of tasks.

The mission of the Executive Committee is the management of the activities of AXA Bank Europe. This management is executed without any external interference, within the limits of the general policy as determined by the Board of Directors.

In that regard the Executive Committee has all necessary powers of decision and representation. It operates under the supervision of the Board of Directors, which retains exclusive authority over the general policy of the company and of all other matters that have been reserved for it by the Companies Code.

The Executive Committee consists only of members that are part of the Board of Directors. The Board of Directors appoints and dismisses the members of the Executive Committee.

The Executive Committee has at least three members, amongst whom a chairman is appointed. The members of the Executive Committee cannot on any account form a majority in the Board of Directors. Every appointment in the Executive Committee is submitted to the FSMA.

The Executive Committee meets whenever it is necessary in the interest of the company and at least once every two weeks.

Administrative, management and supervisory bodies' conflicts of interests

There are no potential conflicts of interests between any duties of AXA Bank Europe with any of the members of the Board of Directors or the members of the Executive Committee and their private interests and/or other duties.

Audit Committee and corporate governance regime compliance

The audit committee of AXA Bank Europe is composed exclusively of non-executive Board members.

Jacques Espinasse, Chairman
Patrick Lemoine, Member

The Board of Directors is consequently in a position to demonstrate the individual and collective competence of members of the Audit Committee, as required by the Belgian law of 17 December 2008 on the establishment of an audit committee in financial institutions.

Since 2007 and prior to the entry into force of this law on 8 January 2009, the member companies of AXA Group Belgium used the independence criteria laid down in the AXA Group Corporate Governance Standards.

According to this text, to be considered independent, a director:

- may not be, or have been in the course of the last five years, an employee of the company or of a company with ties to the company;

- may not be a partner or employee of the company's external auditor;

- may have no family ties with any of the company's directors;

- may not have any direct or indirect significant business relations with the company or its affiliates.

Directors appointed prior to the entry into force of the law of 17 December 2008, who meet these criteria, are entitled to sit as independent directors until 1 July 2011. All new appointments of independent directors shall meet the nine independence criteria set by the law of 17 December 2008.

The Audit Committee meets at least four times a year, with authority to convene additional meetings, as circumstances require. It can also meet upon request of at least half of its members or upon request of the Chairman of the Board.

The Committee:

(a) oversees the activities and systems of control over events that expose the company to significant risk;

(b) advises the Board on the financial reporting process, the systems of internal control over financial reporting and the accuracy and integrity of the company’s financial statements;

(c) oversees the qualifications and independence of the external auditors; and

(d) oversees the performance of the company’s internal audit function.

AXA Bank Europe complies with the corporate governance regime for Belgian financial institutions, laid down in Circular PPB-2007-6-CPB-CPA of March 30th 2007 of the former CBFA now FSMA.

14.3 Financial Overview

14.3.1. Consolidated Annual Audited Financial Statements of Axa Bank Europe

Under the Belgian Royal Decree of 5 December 2004, Belgian credit institutions are required to apply IFRS when drawing up their financial statements for financial years commencing on or after 1 January 2006. AXA Bank Europe has therefore produced and published financial statements in accordance with IFRS from 1 January 2006 onwards.

The notes to the consolidated annual audited financial statements, including a description of the accounting policies, are set out on AXA Bank Europe's 2009 annual report, which can be found on http://www.axa.be/pdfs/abe_ifrs_2009_fr.pdf.

The consolidated financial information below has been extracted without material adjustment from the consolidated audited financial statements of AXA Bank Europe for the years ended 31 December 2009 and 31 December 2008 which were prepared in accordance with IFRS.

14.3.1.1. *Audited Consolidated Balance Sheet of AXA Bank Europe as of 31 December 2008 and 31 December 2009 and unaudited Consolidated Sheet of Axa Bank Europe as of 30 June 2010*

Consolidated Balance Sheet Statement - Assets in '000 EUR	*2010.06*	*2009.12*	*2008.12*
Cash and cash balances with central banks	1.267.880	151.855	299.288
Financial assets held for trading	3.039.568	1.685.944	1.225.200
Financial assets designated at fair value through profit or	71.257	65.908	119.479
Available-for-sale financial assets	4.736.421	3.664.927	3.451.503
Loans and receivables (including finance leases)	22.047.237	20.345.209	17.942.544
Held-to-maturity investments	0	0	0
Derivatives - hedge accounting	6.626	9.525	36.497
Fair value changes of the hedged items in portfolio hedge of interest rate risk	185.755	137.100	118.891
Tangible assets	48.703	41.674	19.702
Property, Plant and Equipment	48.703	41.674	19.702
Investment property	0	0	0
Intangible assets	17.652	18.558	10.372
Goodwill	0	0	0
Other intangible assets	17.652	18.558	10.372
Investments in associates, [subsidiaries] and joint ventures (accounted for using the equity method- including goodwill)	0	0	0
Tax assets	89.540	86.146	83.788
Current tax assets	2.297	2.034	425
Deferred tax assets	87.243	84.112	83.363
Other assets	97.345	89.365	83.882
Non-current assets and disposal groups classified as held for sale		0	0
TOTAL ASSETS	**31.607.983**	**26.296.211**	**23.391.146**

Consolidated Balance Sheet Statement - Liabilities in '000 EUR	*2010.06*	*2009.12*	*2008.12*
Deposits from central banks	0	0	0
Financial liabilities held for trading	3.032.638	1.661.497	927.738
Financial liabilities designated at fair value through profit or loss	71.232	73.851	70.242
Financial liabilities measured at amortised cost	20.606.732	18.905.483	18.652.226
Deposits from Credit institutions	769.282	1.399.829	1.081.418
Deposits from Other than credit institutions	16.187.032	15.465.575	16.020.131