Van Lanschot Conditional Pass-Through Covered Bond Company 2 B.V.

Annual Report 2021

Amsterdam, the Netherlands

Van Lanschot Conditional Pass-Through Covered Bond Company 2 B.V.
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The Netherlands
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1. Director's report

1.1 Activities and results

General

Van Lanschot Conditional Pass-Through Covered Bond Company 2 B.V. (the “Company”) was incorporated on June 19, 2019. The shares of the Company are held by Stichting Holding Van Lanschot Conditional Pass-Through Covered Bond Company 2.

The Company is a special purpose vehicle within the framework of a Conditional Pass-Through Covered Bond Programme (the "Programme") initiated by Van Lanschot Kempen N.V. (formerly 'Van Lanschot Kempen Wealth Management N.V.') (the "Issuer" or the"Seller"). Reference is made to the prospectus dated July 16, 2019, as updated from time to time (the "Prospectus") for a complete description of the terms and conditions of the Programme. Unless indicated otherwise in this Annual Report, definitions of terms used in this report may be found in the Prospectus, though the Prospectus does not form a part of this Annual Report.

For the sake of clarity, the party referred to in this Annual Report as the Issuer or the Seller is referred to as the Issuer in the Prospectus.

On September 2, 2019, the Issuer issued a first series of Covered Bonds totalling EUR 300,000,000.

The above series of Covered Bonds issued by the Issuer (with a maximum of EUR 2,500,000,000) are secured by a portfolio of mortgage loans, the legal ownership of which was transferred to the Company. At the year-end, the book value of the portfolio of mortgage loans amounted to approximately EUR 360,150,727 (previous year EUR 348,011,037).The Covered Bonds have been rated individually by Fitch. On issuance the rating by Fitch was AAA. As per December 31, 2021, the rating remains unchanged.

Apart from an agreed upon minimum profit with the Dutch tax authorities, all income and expenses are allocated to the parties concerned in the Programme.

These financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and this Annual Report includes a fair view of the development and performance of the business and the position of the Company, together with a description of the principal risks that the Company faces.

Based on the set-up and structure of the Company (a special purpose vehicle with a fixed amount of profit each year as agreed with the tax authorities) no information or analyses are presented on the solvency, liquidity or any other performance ratios.

Research and development

Based on the set-up and structure of the Company, a special purpose vehicle, no information or analyses is presented on the subject matter of research and development.

Environmental, Social & Governance (ESG)

Based on the set-up and structure of the Company, a special purpose vehicle, no information or analyses is presented on the subject matter of ESG.

Result for the year

The net result for the year under review is EUR 2,125 (previous year EUR 2,088). This amount has been determined by the Company's tax ruling between the Issuer and Dutch tax authorities which has set the Company's income to a level to cover its expenses and a notional profit.

RISK MANAGEMENT
Following the purchase of the legal ownership of the Mortgage Loans under the Programme, the Company is exposed to a variety of risks. As the Company exposure to the Issuer and Covered Bond holders are with limited recourse (i.e. a risk transfer to the bondholders), the risks for the Company itself are limited. However, the Company has taken a variety of measures to minimise the risks linked to the transaction.

All risks related to the transaction are well defined in the Prospectus. The key financial risks comprises credit and concentration risk, interest rate risk and liquidity risk.

In addition to financial risks, the Company also faces operational risks. The servicing of the underlying Mortgage Loans, and the entity administration and investor reporting is performed by regulated, well-known companies. The operational risks are managed as the Company has contractual agreements with these companies and these companies either provide annual audit statements on the Mortgage Portfolios and/or an ISAE 3402 type II report with respect to the services provided by the Sub-Servicer, being Stater Nederland B.V. Furthermore the transaction includes measures to be taken once certain parties fail to maintain a specific credit rating. The Director believes that the operational risks are low and no further measures are deemed necessary.

The Company and the Dutch Tax Authorities have agreed, by way of a tax ruling, that the Company will be assessed on a pre-determined level of a minimum annual profit for tax purposes of 10% of the management fee with a minimum of EUR 2,500. As a result, the risks described above will not influence the profit of the Company.

Financial risk management
The main financial risks the Company is exposed to are credit and concentration risk, interest rate risk and liquidity risk. These risks relate to the Mortgage Loans as collateral to the Covered Bonds issued by the Issuer.

Credit and concentration risk
As the Company holds residential mortgage loans in the Netherlands, the Company has significant exposure to credit and concentration risks associated with the Dutch housing market.

Credit risk is mainly related to the economic conditions, as well as environmental conditions (including climate risk), and the risk that individual borrowers might be unable to fulfil their payment obligations. However, these risks are mitigated because each Mortgage Loan is collateralised by the related property, and the Mortgage Loans portfolio is well spread over many individual Mortgage Loans, a variety of mortgage types and collateral that is located in different geographical areas. If a borrower defaults and the Company forecloses on the property, the Company is entitled to all proceeds of the sale of the related property. If the proceeds from the sale of the property are insufficient to repay the outstanding principal amount of the Mortgage Loan, the Company could record a loss in this respect though, ultimately, such losses will very likely be borne by the Company's creditors that are also a party to the transaction.

Consequently, not only the creditworthiness of the borrower can be recognised as a risk but also the general economic conditions and the housing market in particular have an impact on the probability of a loss. At the same time, please note that, in principle, the Company itself is not exposed to credit risk due to the limited recourse nature of the issued Covered Bonds at year end as the Covered Bondholder bears the credit risk of the assets.

Notwithstanding the effects of the worldwide COVID-19 virus pandemic, the Dutch housing market continued the trend of recent years of significant growth. During the last quarter of 2021, prices for existing dwellings increased by more than 20% and prices for new housing by nearly 14%, as compared to the previous period, according to the Dutch association of real estate agents ("NVM"). The NVM is involved in the vast majority, but not all, of the transactions on the Dutch housing market and, as such, this information needs to be seen as merely indicative of the housing market as a whole. The NVM also reports that the number of transactions in the final quarter of 2021 was down 23% at the end of 2020 and that around 80% of transactions for existing housing in 2021 were concluded at prices that were higher than the initial asking price. This is a clear indication that the market is suffering from a short supply of housing, driving prices up. Regional differences continue, as do developments in different classes of dwellings, but the foregoing picture nevertheless applied to almost the entire sector.

The market is likely to continue to be under pressure in 2022 from a shortage in the supply of dwellings, both in terms of existing and newly built housing. Whilst the consequences of COVID-19 are very unpredictable, DNB expects house prices to increase by 11% in 2022 and 5% in 2023 in its ‘most likely scenario’. Expectations are contingent on developments elsewhere in the economy but there is no indication that prices will stop increasing. Relatively low interest rates are expected to stay for some time and this will also continue to fuel house price

Coupled with the recent years of significant price increases, this means that the Company still expects to be relatively well placed as regards to the expected loss ratios on the Mortgage Loans portfolio, in other words expecting low loss ratios. The significant price increases also has a positive effect on the Loan-to-Value (“LTV”) ratios in the mortgage lending (in other words, lower LTV ratios), especially where mortgages in the Mortgage Loans portfolio were concluded some years ago. Whilst this has the effect of reducing the Company’s exposure to credit risk, it does not eliminate it. The Director is aware of the potential volatility in macro-economic developments and the effects that it could have on the housing market, and of the higher loss ratios that can result.

The maximum credit risk as at December 31, 2021 is EUR 506,538 (previous period: EUR 504,924).

In the unlikely situation that all risk measures as described above fail, the limited recourse clause of the Programme will take effect.

Interest rate risk
The interest rate risk arises when the interest received on the mortgage receivables is insufficient to cover the fixed interest due on the Subordinated Loan. Such risk is partially mitigated by the fact that the interest rate for each mortgage receivable must be at least 1.5%. The Servicer is contractually obliged to offer a reset rate that is at least equal to 1.5%.

Moreover, historically, the weighted average interest rate on the mortgage receivables has been sufficient to cover the interest due on the Subordinated Loan.

The interest rate risk is also mitigated through the structure of the waterfall. The Interest Available Amounts and the Principal Available Amounts are both used to meet the Priority of Payments. As the interest due on the Subordinated Loan is senior to the principal due on the Subordinated loan, this further reduces the interest rate risk. Through the subordination in the waterfall structure, funds are distributed only to the extent available and as such the interest rate risk is addressed.

The Company did not enter into an interest rate swap agreement to mitigate interest rate risk. However, if the interest received on the Mortgage Loans is insufficient to cover the interest due on the Subordinated Loan, the Programme does allow the Company to enter into an interest rate swap agreement to mitigate the interest rate risk.

The liabilities of the Company towards the Issuer are limited recourse obligations. If the funds received by the Company are insufficient to pay in full all principal and interest on the Subordinated Loan, the Issuer shall have no further claim against the Company in respect of any such unpaid amounts.

Liquidity risk
Matching maturities of assets and liabilities and related cash flows is fundamental to the Director of the Company. This risk is addressed and mitigated by various credit enhancements granted by the Issuer.

Limited Recourse
Any obligations of the Company towards holders of the Covered Bonds and the Seller are limited recourse obligations and the ability of the Company to meet any eventual obligations to pay principal and interest on the Covered Bonds is dependent on the receipt of funds from the Mortgage Loans and the proceeds of the sale of any Mortgage Loans and the availability of the Reserve Account balance.

If the proceeds are insufficient to repay in full all principal and interest and other amounts due under the Covered Bonds, then, as the Company has no other assets, it may be unable to satisfy claims in respect to any unpaid amounts.
In view of the above factors, the Company's risk appetite is considered to be low.

Personnel
The Company does not have any employees.

1.2 Future developments

The macro-economic analysis in this section is largely based on data and expectations presented by De Nederlandse Bank ("DNB") and the Central Bureau of Statistics ("CBS"). The analysis that focusses particularly on the housing market also includes information derived from reports from the NVM. The NVM is involved in the vast majority, but not all, of the transactions on the Dutch housing market and, as such, the information needs to be seen as merely indicative of the housing market as a whole.

The prediction of future trends and the quantification of developments is inherently a difficult task, full of uncertainties. The effects of COVID-19 makes this even more difficult. During 2021, variations on the initial COVID-19 virus were discovered and the indications are that this trend will continue into the future. The severity and effects of these mutations, as well as government reaction to any such outbreaks, is very dynamic and unpredictable. The prospect and level of any introduction of a lockdown, or the relaxing of any of its rules, changes almost on a daily basis. The calculation of economic indicators and predictions will inevitably lag behind events and some of the information available may not be completely up to date with developments. All economic data relevant to the Company, historic or prospective, has or will be significantly influenced by COVID-19 developments.

DNB has concluded that the Dutch economy has been relatively resilient to COVID-19 effects up to now but highlights that there are certain pressures building up within the Dutch economy, as well as the economy's vulnerability to developments elsewhere in the world-wide economy. Alongside its most likely scenario, it has also sketched an alternative scenario for the coming years which is largely based on adverse developments in the global economy. The effects of COVID-19 may well differ in the other major economies in the world and this would likely have an impact on the Dutch economy.

The developments in the Dutch economy during 2021 demonstrated its resilience to the significant adverse effects of the COVID-19 pandemic largely due its favourable position when compared to most other economies around the world. The recovery in the second and third quarters of 2021 exceeded expectations, fuelled mostly by domestic consumer spending, increased business confidence in the economy and increased levels of government spending in terms of infrastructure projects and financial support designed to protect the more vulnerable sectors of the economy. The Dutch export sector was also well placed to benefit from rising worldwide demand, particularly in the chip production and pharmaceutical sectors. At the same time, it was relatively sheltered from sectors which were particularly hard hit by global shortages as worldwide production and logistics were suffering from COVID-19 effects. On the other hand, it is clear that there are significant variations in the various sectors of the economy with recreation and entertainment, tourism and cultural sectors particularly hard hit with the prospect of an immediate and significant recovery in 2022 looking quite remote.

GDP increased by around 4.5% in 2021, as compared to a decrease of 3.8% in 2020. The current expectations are that GDP will continue to bounce back by 3.6% in 2022 and 1.7% in 2023. To put the uncertainty surrounding the expectations for 2022 into perspective, DNB has calculated that GDP could also decrease by 1.4% in a 'worst case scenario', where the worldwide economy is particularly hard hit in 2022.

In the projections, the economy is expected to continue to benefit from somewhat restored confidence by consumers and businesses alike, as well as a continuation of a high level of government spending. However, the restored confidence appears to be quite fragile and vulnerable to COVID-19 developments. As regards government spending, the 6.3% deficit that was recorded in 2021 has improved to a deficit of around 4.4% in 2021. This improvement is expected to continue to a deficit of around 1.9% in 2022 and just 0.8% in 2023. Much of these projections will depend on the extent and timing of infrastructure projects and government support for the economy.

Whilst the projections for 2022 and beyond are relatively positive, DNB has pointed to a number of vulnerabilities underlying the economic developments. Production facilities are under pressure as a result of logistical restrictions and shortages in the supply of a number of raw materials. In some sectors, production is close to its maximum capacity. The supply of labour is also showing signs of being under significant pressure, comparable to pre COVID-19 levels, and worldwide energy prices are rising in the wake of increased demand. The export sector continues to be well placed to benefit from improvements in the global economy, with demand in the chip production and pharmaceutical sectors expected to continue to rise significantly.

Unemployment levels showed an unexpectedly sharp decrease from 4.5% at the end of 2020 to just 2.7% at the end of 2021 though this is expected to increase to averages of around 3.5% in 2022 and 2023. The relatively low unemployment figures hide appreciable differences in the sectors hit hard by COVID-19 and those that have benefitted. The overall figures are also confirmed by other indicators in the labour markets such as the number of vacancies in absolute terms and vacancies as a proportion of the unemployment numbers. Most businesses cited a lack of personnel at the end of 2021 as their major obstacle to growth in 2022.

Headline inflation increased from an average of 1.2% in 2020 to some 2.7% in 2021 and even some 6% at the end of the year. Inflationary pressures at the end of the year (around 1.5%) came from higher energy costs, especially electricity, oil, gas and automotive fuel. Higher prices for consumer goods such as cars, furniture and computer equipment arising out of the rapid recovery in global markets also contributed. As most of these effects are expected to be of a largely temporary nature, headline inflation is expected to stabilise at around 3.0% in the coming two years. Rising energy prices are expected to contribute a relatively large element to inflation however. The tight labour market and economic recovery are also expected to result in inflationary pressures as wage settlements creep up, increasing production unit costs. This is expected to be tempered somewhat by the assumption that the growth in vacancies will be at the lower end of the wage scale.

The domestic housing market appears to be relatively unaffected by COVID-19 thus far. The spectacular growth in domestic house prices has continued throughout 2021 and the last few quarters of 2021 even showed average increases in the price of existing dwellings of more than 20% according to NVM. The number of transactions for the last quarter of 2021 was down 23% as compared to the same period in the previous year, and for 2021 as a whole a decrease of 19% was recorded. The market is clearly under pressure from low levels of supply and this is confirmed by the relatively short time the average dwelling spends on the market, and that some 80% of transactions in 2021 for existing dwellings were settled at prices that exceeded the asking price.

As always, regional variations and differences in the various price sectors and types of dwelling continued in 2021 but the overall picture applied to the housing market as a whole. The overall shortage of housing, particularly for starters, is getting ever more severe as targets for the building of new dwellings are inadequate or not met. DNB expects house prices to increase by 11.3% in 2022 before stabilising somewhat to 5% in 2023. The expectations are driven by a combination of short supply, increased earnings and continuing low interest rates for the coming years.

Risk levels for existing homeowners and lenders alike have again generally decreased since last year. This trend is expected to largely continue in the coming years as the market seems to be relatively sheltered from the major adverse COVID-19 impacts. New homeowners have for years been subjected to stricter lending conditions and existing homeowners have seen debt ratios decrease as a result of a persistent period of major price rises. However, new loans have shown a tendency to be agreed for relatively long interest periods, at relatively low rates. Furthermore, competitive pressures continue to increase in the mortgage market due to new entrants to the market and continued low interest rates. Whilst these factors generally increase risks, lenders are experiencing improved debt ratios on existing portfolios as a result of rising prices.

Ukraine / Russia conflict

The conflict in the Ukraine is considered a non-adjusting subsequent event for the financial statements 2021. At this point in time the Company has a close to nil exposure to Russia and Ukraine. There may be adverse and negative effects to the global economy (including housing), financial markets, global trade payment systems and capital flows as well as from the impact of sanctions. However, the extent to which the impact this has to the Company will depend on future developments that are highly uncertain and cannot be predicted. The Company will continue to closely monitor events and their potential impact.

It is important to reiterate that the Company was incorporated specifically for its role in a structured finance transaction and is governed by the terms and conditions of the Prospectus and other Transaction Documents. These are drawn up, inter alia, to foresee all possible future economic conditions, including those for example caused by COVID-19 or the Ukraine/Russia conflict The limited recourse principle embedded in the Prospectus and Transaction Documents dictates that any such losses from the Company's assets are to be borne by the Company's creditors, in accordance with a pre-determined priority of payments waterfall.

Consequently, any such losses are unlikely to be borne by the Company's itself. The Company intends to continue to act within the terms and conditions set out for it by the Transaction Documents, and to otherwise comply with all its other obligations. The Company has no employees and is dependent on third-party service providers. However, the level or quality of the service provided has remained unaffected.

In conclusion, the Company expects to remain a going concern. The Director believes that the Company's risks are adequately mitigated by the various credit enhancements, as described in the Financial statements and the Prospectus.

Amsterdam, April 29, 2022

Director,
Intertrust Management B.V.

2. FINANCIAL STATEMENTS

2.1 Balance sheet as at December 31, 2021

(Before result appropriation)

		December 31, 2021		December 31, 2020	
ASSETS		€	€	€	€
Current assets	[1]				
Cash and cash equivalents			506,538		504,924
Total assets			506,538		504,924
SHAREHOLDER'S EQUITY AND LIABILITIES					
Shareholder's equity	[2]				
Share capital		1		1	
Other reserves		4,113		2,025	
Net result financial year		2,125		2,088	
			6,239		4,114
Current liabilities	[3]				
Balance with the Seller		465,852		470,035	
Taxes		-66		412	
Accrued expenses and other liabilities		34,513		30,363	
			500,299		500,810
Total Shareholder's equity and liabilities			506,538		504,924

The accompanying notes form an integral part of these financial statements.

2.2 Statement of income for the year ended December 31, 2021

		2021		2020	
		€	€	€	€
Interest income	[4]		156,618		144,001
General and administrative expenses	[5]	154,118		141,501	
			154,118		141,501
Income before taxation			2,500		2,500
Corporate income tax	[6]	375		412	
			375		412
Net result			2,125		2,088

The accompanying notes form an integral part of these financial statements.

2.3 Statement of cash flows for the year ended December 31, 2021

The cash flow statement has been prepared according to the indirect method.

		2021		2020	
		€	€	€	€
Net result			2,125		2,088
Adjustments to Statement of income					
Corporate income taxes	[6]	375		412	
			375		412
Movements in working capital					
Balance with the Seller	[3]	-4,183		-3,211	
Accrued expenses and other liabilities	[3]	4,150		5,303	
Corporate income taxes paid	[3]	-853		-475	
			-886		1,617
Cash flow generated from operating activities			1,614		4,117
Movements in cash			1,614		4,117
Notes to the cash resources					
Balance at 1 January			504,924		500,807
Movements in cash			1,614		4,117
Balance at 31 December			506,538		504,924

The accompanying notes form an integral part of these financial statements.

2.4 General notes to the Financial statements

GENERAL INFORMATION

Van Lanschot Conditional Pass-Through Covered Bond Company 2 B.V. (the “Company”) was incorporated on June 19, 2019. The shares of the Company are held by Stichting Holding Van Lanschot Conditional Pass-Through Covered Bond Company 2.

The Company is a special purpose vehicle within the framework of a Conditional Pass-Through Covered Bond Programme (the "Programme") initiated by Van Lanschot Kempen N.V. (formerly 'Van Lanschot Kempen Wealth Management N.V.') (the "Issuer" or the"Seller"). Reference is made to the prospectus dated July 16, 2019, as updated from time to time (the "Prospectus") for a complete description of the terms and conditions of the Programme. Unless indicated otherwise in this Annual Report, definitions of terms used in this report may be found in the Prospectus, though the Prospectus does not form a part of this Annual Report.

For the sake of clarity, the party referred to in this Annual Report as the Issuer or the Seller is referred to as the Issuer in the Prospectus.

TRANSACTION STRUCTURE, MANAGEMENT AND RELATED PARTIES

On September 2, 2019, the Issuer issued a first series of Covered Bonds totalling EUR 300,000,000.

The above series of Covered Bonds issued by the Issuer and totalling EUR 2,500,000,000 are secured by a portfolio of mortgage loans, the legal ownership of which was transferred to the Company. At the year-end, the book value of the portfolio of mortgage loans amounted to approximately EUR 360,150,727 (previous year EUR 348,011,037). The Covered Bonds have been rated individually by Fitch. On issuance the rating by Fitch was AAA. As per December 31, 2021 the rating remained unchanged.

If a transferror retains substantially all the risks and rewards associated with transferred assets, the transaction is accounted for as a financing transaction, notwithstanding that it is a sale transaction from a legal perspective. The Company's Director has concluded that the Issuer has retained substantially all the risks and rewards of the Mortgage Loan portfolio under the most likely future circumstances. As a consequence, the Company does not recognise the Mortgage Loan portfolio on its Balance sheet. The acquisition of the legal ownership of the Mortgage Loans was financed by a subordinated loan from the Seller which is subject to a limited recourse clause. The Company has presented these positions as a net Balance with the Seller on its Balance sheet.

Intertrust Management B.V. manages the Company and the Issuer services the Mortgage Pool. Intertrust Administrative Services B.V. handles cash management, statutory accounting and investor reporting.

Stichting Holding Van Lanschot Conditional Pass-Through Covered Bond Company 2 (the "Foundation") is incorporated under the laws of the Netherlands on June 19, 2019. The objectives of the Foundation are to acquire and hold shares in the Company and to do everything that is in the interest of the Company and all those involved in the Company, including its creditors. The sole managing director of the Foundation is Intertrust Management B.V.

Intertrust Management B.V. and Intertrust Administrative Services B.V. belong to the same group of companies but are not related to the Issuer. The Intertrust companies and the Issuer, as well as any entities belonging to those groups, are considered related parties to the Company. Transactions with those parties are detailed in the relevant disclosure notes. All transactions with related parties are considered to be at arms' length pricing.

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also entities which can control the Company are considered to be a related party. In addition, statutory directors, other key management of the Company or the ultimate parent company and close relatives are regarded as related parties.

Transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is necessary in order to provide the required insight.

Financial reporting
The Director is responsible for establishing and maintaining adequate internal control over financial reporting. The Director is also responsible for the preparation and fair presentation of the financial statements. The Company's internal control over financial reporting is included in the ISAE 3402 framework of the Director.

These financial statements have been prepared for a reporting period of one year, from January 1, 2021 to December 31, 2021.

RISK MANAGEMENT

Following the purchase of the Mortgage Loans under the Programme, the Company is exposed to a variety of risks. As the Company's exposure to the Issuer and Covered Bond holders are with limited recourse (i.e. a risk transfer to the parties), the risks for the Company itself are limited. However, the Company has taken a variety of measures to minimise the risks linked to the transaction.

In addition to financial risks, the Company also faces operational risks. The servicing of the underlying Mortgage Loans, and the entity administration and investor reporting is performed by regulated, well-known companies. The operational risks are managed as the Company has contractual agreements with these companies and these companies either provide annual audit statements on the Mortgage Portfolios and/or an ISAE 3402 type II report with respect to the services provided by the Sub-Servicer, being Stater Nederland B.V. Furthermore the transaction includes measures to be taken once certain parties fail to maintain a specific credit rating. The Director believes that the operational risks are low and no further measures are deemed necessary.

The Company and the Dutch Tax Authorities have agreed, by way of a tax ruling, that the Company will be assessed on a pre-determined level of a minimum annual profit for tax purposes of 10% of the management fee with a minimum of EUR 2,500. As a result, the risks described above will not influence the profit of the Company.

Financial risk management

The main financial risks the Company is exposed to are credit and concentration risk, interest rate risk and liquidity risk. These risks relate to the Mortgage Loans as collateral to the Covered Bonds issued by the Issuer.

Credit and concentration risk

As the Company holds residential mortgage loans in the Netherlands, the Company has significant exposure to credit and concentration risks associated with the Dutch housing market.

Credit risk is mainly related to the economic conditions, as well as environmental conditions (including climate risk), and the risk that individual borrowers might be unable to fulfil their payment obligations. However, these risks are mitigated because each Mortgage Loan is collateralised by the related property, and the Mortgage Loans portfolio is well spread over many individual Mortgage Loans, a variety of mortgage types and collateral that is located in different geographical areas. If a borrower defaults and the Company forecloses on the property, the Company is entitled to all proceeds of the sale of the related property. If the proceeds from the sale of the property are insufficient to repay the outstanding principal amount of the Mortgage Loan, the Company could record a loss in this respect though, ultimately, such losses will very likely be borne by the Company’s creditors that are also a party to the transaction.

Consequently, not only the creditworthiness of the borrower can be recognised as a risk but also the general economic conditions and the housing market in particular have an impact on the probability of a loss. At the same time, please note that, in principle, the Company itself is not exposed to credit risk due to the limited recourse nature of the issued Covered Bonds at year end as the Covered Bondholder bears the credit risk of the assets.

Notwithstanding the effects of the worldwide COVID-19 virus pandemic, the Dutch housing market continued the trend of recent years of significant growth. During the last quarter of 2021, prices for existing dwellings increased by more than 20% and prices for new housing by nearly 14%, as compared to the previous period, according to the Dutch association of real estate agents (“NVM”). The NVM is involved in the vast majority, but not all, of the transactions on the Dutch housing market and, as such, this information needs to be seen as merely indicative of the housing market as a whole. The NVM also reports that the number of transactions in the final quarter of 2021 was down 23% at the end of 2020 and that around 80% of transactions for existing housing in 2021 were concluded at prices that were higher than the initial asking price. This is a clear indication that the market is suffering from a short supply of housing, driving prices up. Regional differences continue, as do developments in different classes of dwellings, but the foregoing picture nevertheless applied to almost the entire sector.

The market is likely to continue to be under pressure in 2022 from a shortage in the supply of dwellings, both in terms of existing and newly built housing. Whilst the consequences of COVID-19 are very unpredictable, DNB expects house prices to increase by 11% in 2022 and 5% in 2023 in its ‘most likely scenario’. Expectations are contingent on developments elsewhere in the economy but there is no indication that prices will stop increasing. Relatively low interest rates are expected to stay for some time and this will also continue to fuel house price

Coupled with the recent years of significant price increases, this means that the Company still expects to be relatively well placed as regards to the expected loss ratios on the Mortgage Loans portfolio, in other words expecting low loss ratios. The significant price increases also has a positive effect on the Loan-to-Value (“LTV”) ratios in the mortgage lending (in other words, lower LTV ratios), especially where mortgages in the Mortgage Loans portfolio were concluded some years ago. Whilst this has the effect of reducing the Company’s exposure to credit risk, it does not eliminate it. The Director is aware of the potential volatility in macro-economic developments and the effects that it could have on the housing market, and of the higher loss ratios that can result.

The maximum credit risk as at December 31, 2021 is EUR 506,538 (previous period: EUR 504,924).

In the unlikely situation that all risk measures as described above fail, the limited recourse clause of the Programme will take effect.

Interest rate risk

The interest rate risk arises when the interest received on the mortgage receivables is insufficient to cover the fixed interest due on the Subordinated Loan. Such risk is partially mitigated by the fact that the interest rate for each mortgage receivable must be at least 1.5%. The Servicer is contractually obliged to offer a reset rate that is at least equal to 1.5%.

Moreover, historically, the weighted average interest rate on the mortgage receivables has been sufficient to cover the interest due on the Subordinated Loan.

The interest rate risk is also mitigated through the structure of the waterfall. The Interest Available Amounts and the Principal Available Amounts are both used to meet the Priority of Payments. As the interest due on the Subordinated Loan is senior to the principal due on the Subordinated loan, this further reduces the interest rate risk. Through the subordination in the waterfall structure, funds are distributed only to the extent available and as such the interest rate risk is addressed.

The liabilities of the Company towards the Issuer are limited recourse obligations. If the funds received by the Company are insufficient to pay in full all principal and interest on the Subordinated Loan, the Issuer shall have no further claim against the Company in respect of any such unpaid amounts.

Liquidity risk

Matching maturities of assets and liabilities and related cash flows is fundamental to the Director of the Company. This risk is addressed and mitigated by various credit enhancements granted by the Issuer.

Limited Recourse

Any obligations of the Company towards holders of the Covered Bonds and the Seller are limited recourse obligations and the ability of the Company to meet any eventual obligations to pay principal and interest on the Covered Bonds is dependent on the receipt of funds from the Mortgage Loans and the proceeds of the sale of any Mortgage Loans and the availability of the Reserve Account balance.

If the proceeds are insufficient to repay in full all principal and interest and other amounts due under the Covered Bonds, then, as the Company has no other assets, it may be unable to satisfy claims in respect to any unpaid amounts.

In view of the above factors, the Company's risk appetite is considered to be low.

PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these Financial statements are set out below:

Basis of presentation

The financial statements are drawn up in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving'). The Financial statements are prepared under the historical cost convention and presented in the joint currency of the European Monetary Union, the euro ("EUR" or "€"), the Company's functional currency. All amounts are in EUR, unless stated otherwise.

Unless specifically stated otherwise, assets and liabilities are recognised at the amounts at which they were acquired or incurred. The Balance sheet, Statement of income and Statement of cash flows include references to

An asset is recognised in the Balance Sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the asset has a cost price or value of which the amount can be measured reliably. Assets that are not recognised in the Balance Sheet are considered as off-Balance Sheet assets.

A liability is recognised in the Balance Sheet when it is expected that the settlement of an existing obligation will result in an outflow of resources embodying economic benefits and the amount necessary to settle this obligation can be measured reliably. Allowances are included in the liabilities of the Company. Liabilities that are not recognised in the Balance Sheet are considered as off-Balance Sheet liabilities.

An asset or liability that is recognised in the Balance Sheet, remains recognised on the Balance Sheet if a transaction (with respect to the asset or liability) does not lead to a major change in the economic reality with respect to the asset or liability. Such transactions will not result in the recognition of results. When assessing whether there is a significant change in the economic circumstances, the economic benefits and risks that are likely to occur in practice are considered. The benefits and risks that are not reasonably expected to occur, are not taken in to account in this assessment.

An asset or liability is no longer recognised in the Balance Sheet, and thus derecognised, when a transaction results in all or substantially all rights to economic benefits and all or substantially all of the risks related to the asset or liability are transferred to a third party. In such cases, the results of the transaction are directly recognised in the Profit and Loss account.

If assets are recognised of which the Company does not have the legal ownership, this fact is being disclosed taking into account any allowances related to the transaction.

These financial statements are presented in EUR.

The Director has prepared the financial statements on April 29, 2022.

Comparison previous year

The valuation principles and method of determining the result are the same as those used in the previous year.

Significant accounting judgments and estimates

The preparation of the financial statements requires the Director to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. It also requires the Director to exercise its judgement in the process of applying the Company's accounting policies.

The actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognised in the period in which the estimate is revised and in future periods for which the revision has consequences.

If necessary, for the purposes of providing the view required under article 2:362 sub 1 Dutch Civil Code (DCC), the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the applicable financial statement items.

Going concern
The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources and activities to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial statements are prepared on the going concern basis.

Cash and cash equivalents
Cash and cash equivalents are valued at nominal value and, insofar as not stated otherwise, are at the free disposal of the Company. Cash and cash equivalents relate to immediately due and payable withdrawal claims against credit institutions and cash resources.

Balance with the Seller
The Balance with the Seller is initially recognized at fair value and subsequently carried at amortised cost. Mortgage Loans and all other related balances are deducted from the Balance with the Seller in recognition of the retention of economic ownership by the Seller.

Other liabilities
On initial recognition current liabilities are recognised at fair value. After initial recognition current liabilities are recognised at the amortised cost price, being the amount received taking into account premiums or discounts and minus transaction costs. This is usually the nominal value.

Offsetting
Financial assets and liabilities are reported at the net amount in the balance sheet when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Balances involving the Seller are presented as a single line item on the Balance sheet, reflecting the Company's function within the Programme when viewed from an economic reality perspective.

Revenue recognition
Income and expenses are recognised in the Statement of Income on an accrual basis. Losses are accounted for in the year in which they are identified.

The Company does not recognise cash flows in which it has no beneficial interest, principally those flowing to the Seller being the principal bearer of the risks and rewards associated with the Mortgage Loans.

General and administrative expenses
General and administrative expenses are accounted for in the period in which these are incurred.

FAIR VALUE FINANCIAL INSTRUMENTS

Due to the short-term nature of the cash and cash equivalents, the Balance with the Seller and other liabilities included in these Financial statements, the estimated fair value for these financial instruments approximates the book value.

CORPORATE INCOME TAX

The Company is liable to Dutch corporate income tax under a tax opinion. This stipulates that the Company should report annual income on the basis of a 10% mark-up on the Director's fee, with a minimum of EUR 2,500.

CONTINGENT LIABILITIES AND COMMITMENTS

The Company has granted a first ranking right of pledge on the Mortgage Loans and Beneficiary Rights to Stichting Security Trustee Van Lanschot Conditional Pass-Through Covered Bond Company. In addition the Company has granted a right of pledge over all rights of the Company under or in connection with the Guarantee Support Agreement, the Servicing Agreement, the Administration Agreement, the Asset Monitor Appointment Agreement, the CBC Account Agreement and in respect of the GIC-accounts to the Stichting Security Trustee Van Lanschot Conditional Pass-Through Covered Bond Company.

The exercise of the pledge is subject to certain terms and conditions. Not meeting the Company's obligations to certain secured parties can lead to exercising the right of pledge by Stichting Security Trustee Van Lanschot Conditional Pass-Through Covered Bond Company.

STATEMENT OF CASH FLOWS

The Statement of cash flows has been prepared using the indirect method. The cash items disclosed in the Statement of cash flows are comprised of cash and cash equivalents. Income taxes are included in cash from operating activities. Dividends paid are recognised as cash used in financing activities. Transactions not resulting in inflow or outflow of cash are not recognised in the Statement of cash flows.

2.5 Notes to the Balance sheet

CURRENT ASSETS [1]

	December, 31, 2021	December, 31, 2020
	€	€
CBC Account	5,545	3,931
Reserve Account	500,993	500,993
	506,538	504,924

CBC Account

The CBC Account relates to a floating rate current account with BNG Bank N.V. in Den Haag, the Netherlands.

The rate of interest on the CBC Account is determined by Euro Overnight Index Average ("Eonia").With effect from (and including) 1 October 2019, EONIA is calculated as the Euro Short-Term Rate ("ESTR") plus a fixed spread of 8.5 bps (the "recalibrated methodology).These changes are being implemented to ensure the continuous publication of EONIA until it ceases to be published as of January 2022.

Reserve Account

The Reserve Account relates to an optional reserve deposit with BNG Bank N.V. in Den Haag, the Netherlands. These funds are not available to finance the Company’s day-to-day operations but serve as a security to enable the Company to meet its fees and other obligations. If and to the amount that excess funds are available after these obligations, these are deposited on the Reserve Account up to the Reserve Account Required Amount. If the Reserve Account Required Amount is reached, excess funds are available for payment of the Balance with the Seller.

The rate of interest on the Reserve Account is determined by Euro Overnight Index Average ("Eonia").With effect from (and including) 1 October 2019, EONIA is calculated as the Euro Short-Term Rate ("ESTR") plus a fixed spread of 8.5 bps (the "recalibrated methodology).These changes are being implemented to ensure the continuous publication of EONIA until it ceases to be published as of January 2022.

2.5 Notes to the Balance sheet

SHAREHOLDER'S EQUITY [2]

Share capital

The authorised capital which are issued and paid-in amounts to € 1, consisting of 1 ordinary share of € 1.
The net result for the year amounts to EUR 2,125 (previous period: EUR 2,088).

Other reserves

	2021	2020
	€	€
Opening balance	2,025	-
Results prior year	2,088	2,025
Closing balance	4,113	2,025

CURRENT LIABILITIES [3]

All current liabilities have a maturity of less than one year.

Balance with the Seller
The Company recognises all balances under the Programme involving the Seller as Balance with the Seller. As balances are regularly settled with the Seller and on a net basis, this balance is considered to be a current liability, notwithstanding that the individual underlying contracts under the Programme may be of a long-term nature. The Subordinated Loan is subordinated to all other liabilities.

The individual balances that make up the overall Balance with the Seller are as follows:

	December 31, 2021	December 31, 2020
	€	€
Subordinated Loan	364,712,220	353,324,581
Deemed Loan to the Seller	-360,150,726	-348,011,038
Accounts receivable	-4,060,501	-4,812,551
Interest receivable	-611,299	-625,606
Accrued Deferred Purchase Price	348,971	376,809
Interest payable	196,254	187,956
Mortgage pool servicing fee	30,933	29,884
	465,852	470,035

For more information and substantiation of the recognition of the Subordinated Loan and Deemed Loan to the Seller as included in the Balance with the Seller, and the nature of these items included, please refer to the sections "TRANSACTION "STRUCTURE, MANAGEMENT AND RELATED PARTIES" and "RISK MANAGEMENT".

Taxes

	December 31, 2021	December 31, 2020
	€	€
Corporate income tax	-66	412

Accrued expenses and other liabilities

	December 31, 2021	December 31, 2020
	€	€
Audit fee	33,652	24,200
Management fee	861	6,163
	34,513	30,363

2.6 Notes to the Statement of income

Interest income [4]

	2021	2020
	€	€
Income from Mortgage Loans	7,576,667	7,884,943
Interest on Subordinated Loan	-4,670,112	-4,505,451
Accrued Deferred Purchase Price	-2,390,431	-2,889,094
Mortgage pool servicing fee	-359,506	-346,397
	156,618	144,001

All income was due from the Seller.

General and administrative expenses [5]

	2021	2020
	€	€
Administration fee	74,887	73,929
Management fee	34,768	33,059
Independent auditor fee	33,991	24,200
Other advisory fee	5,237	5,260
Negative interest on bank accounts	5,235	5,053
Total	154,118	141,501

The Administration fee and Management fee were payable to a related party.

The fee to PricewaterhouseCoopers Accountants N.V., in their role as independent auditor of the Company, amounts to EUR 25,005 (previous period: EUR 24,200). No other fees were paid or are payable to the independent auditor of the Company.

Corporate income tax [6]

	2021	2020
	€	€
Corporate income tax	375	412

The Company and the Dutch Tax Authorities agreed by way of a ruling that the taxable amount is calculated at the higher of EUR 2,500 and 10% of the annual remuneration paid to the Director of the Company. The applicable tax rate for the year under review is 15.0% (previous period: 16.5%) of the taxable amount.

Employees
During the period under review the Company did not employ any personnel in and outside the Netherlands.

Remuneration of the of Director
The management board of the Company consists of one corporate director; the remuneration of the Director is included in the management fee as disclosed under General and administrative expenses, above and amounts to EUR 18,507 (previous period: EUR 25,519). The Company does not have a supervisory board

Proposed appropriation of result
The net result for the year under review is EUR 2,125 (previous period EUR 2,088). The Director proposes to add the net result to the Other reserves.

Post-balance sheet events

The conflict in the Ukraine is considered a non-adjusting subsequent event for the financial statements 2021. At this point in time the Company has a close to nil exposure to Russia and Ukraine. There may be adverse and negative effects to the global economy (including housing), financial markets, global trade payment systems and capital flows as well as from the impact of sanctions. However, the extent to which the impact this has to the Company will depend on future developments that are highly uncertain and cannot be predicted. The Company will continue to closely monitor events and their potential impact.

Amsterdam, April 29, 2022

Director,
Intertrust Management B.V.

3. Other information

3.1 Statutory provisions

In accordance with article 19 of the Company's articles of association and applicable law, the Director is authorised to retain the profits or a part thereof, as appears from the most recently adopted financial statements. The general meeting is subsequently authorised to resolve to distribute or to reserve what then remains of the profits or a part thereof. The general meeting is also authorised to resolve to make interim distributions, which includes distributions from the reserves.

The Company may make distributions to the shareholder only to the extent that the Company's shareholder's equity exceeds the sum of the reserves which it is legally required to maintain.

The Company may only follow a resolution of the General Meeting to distribute after the management board has given its approval to do this. The Director withholds approval only if it knows or reasonably should be able to foresee that the Company cannot continue to pay its due debts after the distribution.

3.2 Independent auditor's report

See next page

Independent auditor's report

To: the general meeting of Van Lanschot Conditional Pass-Through Covered Bond Company 2 B.V.

Report on the financial statements 2021

Our opinion

In our opinion, the financial statements of Van Lanschot Conditional Pass-Through Covered Bond Company 2 B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2021, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2021 of Van Lanschot Conditional Pass-Through Covered Bond Company 2 B.V., Amsterdam.

The financial statements comprise:

- the balance sheet as at 31 December 2021;
- the statement of income for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes, comprising a summary of the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, P.O. Box 90357, 1006 BJ Amsterdam, the Netherlands
T: +31 (0) 88 792 00 20, F: +31 (0) 88 792 96 40, www.pwc.nl

Independence

We are independent of Van Lanschot Conditional Pass-Through Covered Bond Company 2 B.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

Based on the procedures performed as set out below, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements;
- contains all the information regarding the director's report and the other information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The director is responsible for the preparation of the other information, including the director's report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Responsibilities for the financial statements and the audit

Responsibilities of the director

The director is responsible for:
- the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the director determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the director is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the director should prepare the financial statements using the going-concern basis of accounting unless the director either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. The director should disclose in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 29 April 2022
PricewaterhouseCoopers Accountants N.V.

Original has been signed by C.C.J. Segers RA

Appendix to our auditor's report on the financial statements 2021 of Van Lanschot Conditional Pass-Through Covered Bond Company 2 B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.
- Concluding on the appropriateness of the director's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
  Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.