

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

Annual Report 2019

Amsterdam, the Netherlands

Van Lanschot Conditional Pass-Through Covered Bond Company B.V.
Prins Bernhardplein 200
1097 JB Amsterdam
The Netherlands
Chamber of Commerce 62066587



PricewaterhouseCoopers
Accountants N.V.
For identification
purposes only

Table of contents

Page

1. Director's report

1.1	Activities and results	3
1.2	Future developments	6

2. Financial statements

2.1	Balance sheet as at December 31, 2019	9
2.2	Statement of income for the year 2019	10
2.3	Statement of cash flows for the year 2019	11
2.4	General notes to the Financial statements	12
2.5	Notes to the Balance sheet	17
2.6	Notes to the Statement of income	19

3. Other information

3.1	Statutory provisions	21
3.2	Independent auditor's report	22

1. Director's report

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

Annual Report 2019

1.1 Activities and results

General

Van Lanschot Conditional Pass-Through Covered Bond Company B.V. (the "Company") was incorporated on December 11, 2014. The shares of the Company are held by Stichting Holding Van Lanschot Conditional Pass-Through Covered Bond Company.

The Company is a special purpose vehicle within the framework of a Conditional Pass-Through Covered Bond Programme (the "Programme") initiated by Van Lanschot N.V. (the "Issuer" or the "Seller"). Reference is made to the prospectus dated July 15, 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 March 2, 2015, the Issuer issued a first series of Covered Bonds totalling EUR 1,000,000 redeemed on April 2 2016. On April 28, 2015 the Issuer issued a second series of Covered Bonds totalling EUR 500,000,000. On March 31, 2016, the Issuer issued a third series of Covered Bonds totalling EUR 500,000,000. On February 15, 2017, the Issuer issued a fourth series of Covered Bonds totalling EUR 500,000,000.

The above series of Covered Bonds issued by the Issuer and totalling EUR 1,500,000,000 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 1,758,025,230 (previous period: EUR 1,753,443,582). The Covered Bonds have been rated individually by Standard & Poor's and Fitch. On issuance the rating by Standard & Poor's was AAA and by Fitch AAA.

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. We refer to the notes to the tax ruling for further details.

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.

Result for the year

The net result for the year under review is EUR 2,025 (previous year EUR 2,000). 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.

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

Annual Report 2019

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 with limited recourse (i.e. a risk transfer to the Noteholders), 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 instrument) risks comprises of financial risk, 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 operating risk is mitigated 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 report with respect to the services provided by the Sub-Servicer, being Stater Nederland N.V. Furthermore the transaction includes measures to be taken once certain parties fail to maintain a specific credit rating. Management 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.

The Company believes that no ongoing risk assessment is deemed necessary, as the most significant risks are adequately covered.

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 and the risk that individual borrowers might be unable to fulfil their payment obligations. However, these risks are mitigated because each loan is collateralised by the related property, and the loan portfolio is well spread over a large number of individual loans, a variety of mortgage types and 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 loan, the Company could record a loss in this respect.

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.

As detailed in the Future developments section below, the Dutch economy continued to prosper in 2019 and most macro-economic developments are still showing positive trends. However, there is a marked slowdown in most of the important economic growth rates which indicate that the boom years may be coming to an end. The foregoing also applies specifically to the housing market in the Netherlands. Price rises at the end of 2019 were down to around 6% and falling. Expectations for 2020 and 2021 are that average increases will fall to some 2.6% and 1.9%, respectively. These rises are largely a result of continued low interest rates and generally favorable macro-economic developments. This all has a continued positive impact on the expected loss ratios on the loan portfolio as the gap between loan levels and the value of collateral generally rises. The growth in the mortgage market for the coming years is expected to outstrip the above price rises for dwellings, as the banks ease some of the terms and conditions for loans. The growth will be tempered somewhat by early redemptions that continue to be at historically high levels.

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

Annual Report 2019

Whilst this has the effect of reducing the Company's exposure to credit and concentration risk, it will not eliminate it. Management is aware of the dangers that an overheated housing market can bring with it. Moreover, the positive expectations for the macro-economic developments in particular are contingent on a number of local and global developments which may or may not materialize, and over which the Company has no control.

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

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 portfolio 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 management of the Company. This risk is addressed and mitigated by the availability of the Reserve Account Balance.

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.

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.

The Company does not have any employees. The managing director is not a natural person, therefore, the requirements on information on the human sex ratio of board members can be found in the Director's report of the managing director.

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

Annual Report 2019

1.2 Future developments

The year 2019 has seen a continuation of the positive developments for the Dutch economy for just about all economic indicators, although in most areas, the level of growth was lower than in recent years. The Gross Domestic Product (“GDP”) increased by around 1.7% in 2019, as compared to 2.5% in 2018. The expectations are that the GDP growth rate will level out around the 2% in the coming years. The reduced growth rate can also be seen as a reflection of declining levels of confidence expressed by consumers and in business and commerce. The spectacular growth in domestic house prices is coming to an end and the growth levels in the rest of the world and international trading also appear to be levelling off. Domestically, public spending and tax reductions are expected to provide positive impulses in the coming years but there continues to be capacity restrictions in the domestic economy, particularly in terms of skilled labor and some raw material shortages. A new capacity restriction was imposed in 2019 in the form of judgments from the Dutch High Court and European court concerning Nitrogen output levels (the ‘Greenhouse effect’). This is already having the effect of delaying construction projects. Much of the expectations for the coming years are to a large degree dependent on developments in the rest of the world. The economic consequences of the rapid spread of Covid-19 (“Coronavirus”) forms a serious threat to the world economic outlook right now with short-term, medium-term and even long-term consequences being very unpredictable. The threat of a trade wars has receded somewhat in recent months, but rising tension in the Middle East, developments in the emerging economies and the timing and consequences of Brexit currently form the biggest dangers to these projections. All could materially impact the growth expectations.

The confidence levels in the business and commerce sectors and investment levels are also expected to level off for reasons outlined above. On the a more positive side, there appears to be ample funding available, both from the banking and private sectors, as well as from increased liquidity arising from higher profit levels. A warning signal is that banks appear to be tightening their acceptance criteria recently.

Unemployment levels continued to reduce from 3.8% to 3.4% during 2019 but this trend is expected to reverse slowly with an estimate of 3.6% by the end of 2021. Whilst the growth in labor demand is expected to keep growing, the expectation is that it will be slightly outstripped by the increased supply of labor. The growth in employment positions in recent years has attracted a great number of particularly older and more experienced entrants to the labor markets. Nevertheless, an historically high level of employers is experiencing problems through a lack of staff. The shift in labor markets seen in recent years from fixed to flexible contracts has reversed as employers seek the added security of labor that fixed contracts bring. The number of freelancers also continues to grow steadily.

Headline Inflation rose from some 1.7% in 2018 to 2.7% in 2019 as a result of one-off increases in energy prices and the imposed increase in the low rate VAT. For each of the coming years, and without those effects, inflation is expected to settle at a level of around 2.0%. The major determinant of headline inflation is wage inflation which is expected to rise to 2.6% and 2.8% in 2020 and 2021, respectively. Pressure in the labor market outlined above is seen as the main cause. Wage inflation, in combination with lower personal taxes is expected to lead to increases in real disposable income.

The Dutch residential housing market is showing some signs of stabilization. The number of transactions in 2019 was comparable to 2018 at around 210,000 and price increases reduced significantly to around 6-8%. Indications at the end of 2019 are that a shortage of supply of dwellings in the market will ensure that it remains to be a sellers’ market. In addition, the continued low level of interest rates, high employment rates and the expected rise in the level of disposable income contribute to the demand levels. These factors lead to a continuation of rising prices, albeit that they are likely to stabilize as compared to recent years at a level of around 2-3%. As always, there are significant regional differences. Such variations occur foremost between the Randstad, particularly Amsterdam and surrounding areas, and the rest of the country. Some regions are also affected by local economic and social issues and developments.

The above prognosis for future price increases is also supported by the average time that dwellings spend on the market. At the end of 2019 that statistic stood at around just 38 days. In addition, the trend of delayed completion for new developments continues. The scarcity of labor and some raw materials, has now been joined by the issue of the judgment concerning Nitrogen output levels.

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

Annual Report 2019

Risk levels for homeowners and lenders alike have again decreased since last year and this is expected to continue in the coming years, though regional differences should not be ignored in the analysis. New homeowners have for years been subjected to stricter lending conditions and existing homeowners have seen debt ratios decrease as a result of rising prices. Borrowers continue to early repay their loans in situations where they are locked into mortgage agreements at relatively high interest rates. New loans have shown a tendency to be agreed for relatively long interest periods, at relatively low rates. The expectations for growth in the mortgage finance sector exceed those for price increases for dwellings for the first time in several years. Mortgage lenders are experiencing market pressures from alternative finance sources and have responded by easing acceptance criteria.

In the light of the risk factors facing the Company, as described above, the economic developments over the past year or so and outlook are generally considered positive for the Company. Management believes that the Company's risks are adequately mitigated by the various credit enhancements, as described in the Financial statements and the Prospectus. Moreover, the Company's obligations to Bondholders are of limited recourse (see above). Consequently, no noticeable changes in the current position of the Company are expected for the next 12 months.

The historical information and prospective trends in this report were primarily derived from public reports issued by DNB and the NVM. Subsequent to the issue of this information, the worldwide outbreak and spread of the COVID-19 virus has meant that the prospective information contained in this report will very likely be affected in some way. However, Management feels that the situation surrounding the COVID-19 virus is still too uncertain and volatile for it to be able to present more reliable forecasts.

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 that may well be caused by the COVID-19 virus outbreak. At this stage, it seems likely that the outbreak can probably result in an increased level of losses of both interest and principal on the Company's assets. The limited recourse principle (see above) 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 will not be borne by the Company's itself but rather by the Company's creditors, including the beneficiary of the Deferred Purchase Price, holder of the Subordinated Loan and only ultimately the Company's shareholder. In accordance with RJ 170.104 of the Guidelines for Annual Reporting in the Netherlands, the Company will remain a going concern irrespective of the consequences of the COVID-19 virus outbreak. The Company intends to act within the terms and conditions set out for it by the Transaction Documents, and to otherwise comply with all its other obligations.

Amsterdam, April 30, 2020

Managing Director,
Intertrust Management B.V.

2. FINANCIAL STATEMENTS

Van Lanschot Conditional Pass-Through Covered Bond Company B.V. Annual Report 2019

2.1 Balance sheet as at December 31, 2019

(Before result appropriation)

ASSETS	December 31, 2019		December 31, 2018	
	€	€	€	€
Current assets				
Cash and cash equivalents	[1]	7,109,998		7,633,036
		<u>7,109,998</u>		<u>7,633,036</u>
SHAREHOLDER'S EQUITY AND LIABILITIES				
Shareholder's equity				
Share capital	[2]	1		1
Other reserves		8,000		6,000
Net result financial year		<u>2,025</u>		<u>2,000</u>
		10,026		8,001
Current liabilities				
Balance with the Seller	[3]	7,056,311		7,605,465
Taxes		41		30
Accrued expenses and other liabilities		<u>43,620</u>		<u>19,540</u>
		7,099,972		7,625,035
		<u>7,109,998</u>		<u>7,633,036</u>

Van Lanschot Conditional Pass-Through Covered Bond Company B.V.
Annual Report 2019

2.2 Statement of income for the year 2019

		2019		2018	
		€	€	€	€
Interest income	[4]		156,981		150,714
General and administrative expenses	[5]	<u>154,481</u>	<u>154,481</u>	<u>148,214</u>	<u>148,214</u>
Income before taxation			2,500		2,500
Corporate income tax	[6]	<u>475</u>	475	<u>500</u>	500
Net result			<u><u>2,025</u></u>		<u><u>2,000</u></u>

Van Lanschot Conditional Pass-Through Covered Bond Company B.V. Annual Report 2019

2.3 Statement of cash flows for the year 2019

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

	2019		2018	
	€	€	€	€
Net result		2,025		2,000
<i>Adjustments to Statement of income</i>				
Corporate income taxes [6]	475		500	
		475		500
Movements in working capital				
Balance with the Seller [3]	-549,154		14,278	
Accrued expenses and other liabilities [3]	24,080		-14,272	
Corporate income taxes paid [3]	-464		-517	
		-525,538		-511
Cash flow from operating activities		-523,038		1,989
Movements in cash		-523,038		1,989
Notes to the cash resources				
Balance at January 1, 2019		7,633,036		7,631,047
Movements in cash		-523,038		1,989
Balance at December 31, 2019		7,109,998		7,633,036

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

Annual Report 2019

2.4 General notes to the Financial statements

GENERAL INFORMATION

Van Lanschot Conditional Pass-Through Covered Bond Company B.V. (the "Company") is a private company with limited liability incorporated under the laws of the Netherlands on December 11, 2014. The statutory seat of the Company is in Amsterdam, the Netherlands. The sole managing director of the Company is Intertrust Management B.V.

The Company is a special purpose vehicle within the framework of a Conditional Pass-Through Covered Bond Programme (the "Programme") initiated by Van Lanschot N.V. (the "Issuer" or the "Seller"). Reference is made to the prospectus dated July 15, 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 March 2, 2015, the Issuer issued a first series of Covered Bonds totalling EUR 1,000,000 redeemed on April 2 2016. On April 28, 2015 the Issuer issued a second series of Covered Bonds totalling EUR 500,000,000. On March 31, 2016, the Issuer issued a third series of Covered Bonds totalling EUR 500,000,000. On February 15, 2017, the Issuer issued a fourth series of Covered Bonds totalling EUR 500,000,000.

The above series of Covered Bonds issued by the Issuer and totalling EUR 1,500,000,000 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 1,758,025,230 (previous period: EUR 1,753,443,582). The Covered Bonds have been rated individually by Standard & Poor's and Fitch. On issuance the rating by Standard & Poor's was AAA and by Fitch AAA.

If a transferrer 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 management 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. As such, the Company does not recognise the subordinated loan on its Balance sheet either, but rather it 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. Reference is made to the Prospectus dated July 15, 2019 (the "Prospectus") for further details.

Stichting Holding Van Lanschot Conditional Pass-Through Covered Bond Company (the "Foundation") is incorporated under the laws of the Netherlands on December 9, 2014. 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.

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

Annual Report 2019

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.

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.

All risks related to the transaction are well defined in the Prospectus. The key (financial instrument) risks comprises of financial risk, 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 are performed by regulated, well-known companies. The operating risk is mitigated 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 report with respect to the services provided provided by the Sub-Servicer, being Stater Nederland N.V. Furthermore the transaction includes measures to be taken once certain parties fail to maintain a specific credit rating. Management 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.

The Company believes that no ongoing risk assessment is deemed necessary, as the most significant risks are adequately covered.

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 and the risk that individual borrowers might be unable to fulfil their payment obligations. However, these risks are mitigated because each loan is collateralised by the related property, and the loan portfolio is well spread over a large number of individual loans, a variety of mortgage types and 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 loan the Company could record a loss in value of the portfolio.

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.

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

Annual Report 2019

As detailed in the Future developments section, the Dutch economy continued to prosper in 2019 and most macro-economic developments are still showing positive trends. However, there is a marked slowdown in most of the important economic growth rates which indicate that the boom years may be coming to an end. The foregoing also applies specifically to the housing market in the Netherlands. Price rises at the end of 2019 were down to around 6% and falling. Expectations for 2020 and 2021 are that average increases will fall to some 2.6% and 1.9%, respectively. These rises are largely a result of continued low interest rates and generally favorable macro-economic developments. This all has a continued positive impact on the expected loss ratios on the loan portfolio as the gap between loan levels and the value of collateral generally rises. The growth in the mortgage market for the coming years is expected to outstrip the above price rises for dwellings, as the banks ease some of the terms and conditions for loans. The growth will be tempered somewhat by early redemptions that continue to be at historically high levels.

Whilst this has the effect of reducing the Company's exposure to credit and concentration risk, it will not eliminate it. Management is aware of the dangers that an overheated housing market can bring with it. Moreover, the positive expectations for the macro-economic developments in particular are contingent on a number of local and global developments which may or may not materialize, and over which the Company has no control.

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

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 portfolio 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 management of the Company. This risk is addressed and mitigated by the availability of the Reserve Account Balance.

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.

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.

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

Annual Report 2019

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

The Company does not have any employees. The managing director is not a natural person, therefore, the requirements on information on the human sex ratio of board members can be found in the Director's report of the managing director.

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 the notes.

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

In the process of applying the Company's accounting policies, the Company's management has exercised judgment and estimates in determining the amounts recognised in the Financial statements. The most significant uses of judgment and estimates are as follows.

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

Other liabilities are carried at amortised cost.

Offsetting

Financial assets and liabilities are offset at the net amount reported 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.

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

Annual Report 2019

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.

Other operating expenses

Other operating 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, as disclosed in the aforementioned accounting policies.

CORPORATE INCOME TAX

The Company is liable to Dutch corporate income tax under a tax ruling. This stipulates that the Company should report annual income on the basis of a 10,0% 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 GIC 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.

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

Annual Report 2019

2.5 Notes to the Balance sheet

CURRENT ASSETS

Cash and cash equivalents [1]

The rate of interest on the CBC Account is determined by Euro Overnight Index Average ("Eonia").

	December 31, 2019	December 31, 2018
	€	€
CBC Account	10,066	8,036
Reserve Account	7,099,932	7,625,000
	<u>7,109,998</u>	<u>7,633,036</u>

CBC Account

The CBC Account relates to a floating rate current account with Societe Generale S.A. in Amsterdam, 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 will be 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 Societe Generale S.A. in Amsterdam, 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 will be 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.

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

Annual Report 2019

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 2,025 (2018: EUR 2,000).

Other reserves

	December 31, 2019	December 31, 2018
	€	€
Opening balance	6,000	4,000
Results prior year	2,000	2,000
Closing balance	<u>8,000</u>	<u>6,000</u>

CURRENT LIABILITIES [3]

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

Balance with the Seller

Following the change in the Company's accounting policies in 2016, the Company now 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 individual balances that make up the overall Balance with the Seller are as follows:

	December 31, 2019	December 31, 2018
	€	€
Subordinated Loan	1,804,825,009	1,808,936,289
Deemed Loan	-1,758,025,230	-1,753,443,583
Accounts receivable	-39,699,848	-47,867,708
Interest receivable	-4,064,756	-4,247,967
Accrued Deferred Purchase Price	2,756,134	2,969,308
Interest payable	1,112,318	1,106,137
Mortgage pool servicing fee	152,684	152,989
	<u>7,056,311</u>	<u>7,605,465</u>

Taxes

	December 31, 2019	December 31, 2018
	€	€
Corporate income tax	41	30

Accrued expenses and other liabilities

	December 31, 2019	December 31, 2018
	€	€
Audit fee	43,620	19,420
Other payable	-	120
	<u>43,620</u>	<u>19,540</u>

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

Annual Report 2019

2.6 Notes to the Statement of income

Interest income [4]

	2019	2018
	€	€
Income from Mortgage Loans	47,260,006	50,660,441
Interest on Subordinated Loan	-27,300,867	-27,415,288
Accrued Deferred Purchase Price	-17,983,630	-21,272,176
Mortgage pool servicing fee	-1,818,528	-1,822,263
	<u>156,981</u>	<u>150,714</u>

All income was due from the Seller.

General and administrative expenses [5]

	2019	2018
	€	€
Administration fee	89,806	88,281
Management fee	32,675	33,383
Independent auditor fee	24,200	18,876
Other advisory fee	7,800	7,674
Total	<u>154,481</u>	<u>148,214</u>

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 24,200. The 2018 audit fee amounting to EUR 18,876 is still payable at year-end. No other fees were paid or are payable to the independent auditor of the Company.

Corporate income tax [6]

	2019	2018
	€	€
Corporate income tax	<u>475</u>	<u>500</u>

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 10,0% of the annual remuneration paid to the Managing Director of the Company. The applicable tax rate for the year under review is 19,0% of the taxable amount.

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

Annual Report 2019

Employees

During the period under review the Company did not employ any personnel in and outside the Netherlands (previous period: nil).

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 20184 (2018: EUR 20,062). The Company does not have a supervisory board.

Proposed appropriation of result

The net result for the year under review is EUR 2,025 (previous year EUR 2,000). Management proposes to add the net result to the Other reserves.

Post-balance sheet events

Based upon the company's analyses, management is of the view that the significant doubt associated with the current uncertainties related to the COVID-19 virus currently does not result in a material uncertainty related to such events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

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 that may well be caused by the COVID-19 virus outbreak. At this stage, it seems likely that the outbreak can probably result in an increased level of losses of both interest and principal on the Company's assets. The limited recourse principle (see above) 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 will not be borne by the Company's itself but rather by the Company's creditors, including the beneficiary of the Deferred Purchase Price, holder of the Subordinated Loan and only ultimately the Company's shareholder. In accordance with RJ 170.104 of the Guidelines for Annual Reporting in the Netherlands, the Company will remain a going concern irrespective of the consequences of the COVID-19 virus outbreak. The Company intends 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 is confident at this stage that it will be able to draw on the expertise of third-party suppliers and service providers to be in a position to satisfy its obligations under the Transaction Documentation.

Amsterdam, April 30, 2020

Managing Director
Intertrust Management B.V.

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

Annual Report 2019

3. Other information

3.1 Statutory provisions

In accordance with article 19 of the Company's articles of association and applicable law, the management board 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 management board 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 Auditor's report

See next page