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

Annual Report 2017

Amsterdam, the Netherlands

Van Lanschot Conditional Pass-Through Covered Bond Company B.V.
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The Netherlands
Chamber of Commerce 62066587

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1. Director's report

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 F. Van Lanschot Bankiers N.V. ("the Issuer" or "the Seller"). Reference is made to the Prospectus dated March 2, 2015 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 1,893.992.926 (previous period: EUR 1,279.072.318). 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 2,000. 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.

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 mitigrate 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 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. 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 annual profit for tax purposes. 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.

As detailed in the Future developments section below, the Dutch economy has continued its recovery in 2017 and most macro economic developments are showing positive trends. These trends are expected to have a positive effect on both house prices and the number of transactions on the residential housing market. Recently amended legislation has resulted in a decline in interest-only mortgages and stricter regulations for the issue of mortgages. This will all have a positive impact on the expected loss ratios.

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 regional variations in both developments and future expectations and so not all mortgages issued will be so positively influenced. Moreover, the expectations are contingent on a number of local and global developments which may not materialise and over which it has no control.

However, the Company believes that all significant risks are adequately addressed and that no ongoing risk assessment is deemed necessary. The credit enhancements under the terms of the transaction are all part of the risk control measures.

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 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.

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.

The Company's risk appetite is considered low.

1.2 Future developments

The year 2017 is considered the have been very good for the Dutch economy for just about all economic indicators and often accelerating the positive underlying trends of recent years. The Gross Domestic Product (“GDP”) increased by 3.3% in 2017, the highest growth rate in a decade. The growth was mostly fueled by consumer confidence stemming for a large part from the upswing in the domestic house prices, as well as high confidence levels within commercial enterprises. The latter is the result of increased world trade and the continuing low levels of inflation and interest rates. It is expected that the economy will continue to show relatively high growth rates in the coming years with increases of GDP of 3.1% and 2.3% expected for 2018 and 2019, respectively. Much of these expectations are much dependent on developments in the rest of the world, however.

Growing confidence is also a noticeable trend in the business and commerce sectors and investment levels are also expected to rise. There appears to be ample funding available, both from the banking and large commercial sectors, as well as from increased liquidity arising from higher profit levels.

Unemployment levels reduced from 6.0% to 4.9% during 2017 and this trend is also expected to continue in 2018 with an estimate of 3.9% at the end of the year and 3.5% at the end of 2019.

However, there were signs at the end of 2017 that some capacity limits were being reached and that the recruitment of suitable staff is becoming a greater issue. This may put restraints on future growth patterns.

Inflation is expected to rise moderately from the 1.3% in 2017 to 1.4% in 2018 but rising to 2.3% in 2019. The upward pressure in the coming years is expected to stem from higher levels of indirect taxation and unit wage costs which will come under pressure as employment levels and recruitment difficulties continue to rise.

The Dutch residential housing market continued the strong growth of recent years in 2017 and the early part of 2018. Transactions during the 12 months ending in September 2017 were at the highest level for a 12 month period since 1992. Most parameters in the larger cities are now above pre-crisis levels. In the less popular regions, there were significant improvements during 2017. However, by the end of 2017 it became clear that there are growing pressures in the market from a lack of supply of existing dwellings. The number of transactions in the last quarter of 2017 was down 5.7% from the previous year’s comparative quarter and the number of dwellings for sale was down 35.6%. There are also signs that the construction industry will start to feel the negative impact of fuller employment and restricted capacity which may delay the completion of new housing projects. The consequences are likely to be that transactions will decline from recent record levels but that prices will continue to rise on the back of confidence in the economy and the market, low interest rates and now restricted supply.

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 continue. New home owners have been subjected to stricter lending conditions and existing home owners have seen debt ratios decrease as a result of rising prices. Additionally, lenders are accelerating repayments in situations where they are locked into mortgage agreements at relatively high interest rates. The latter is one of the restrictions in the growth of mortgage debt levels and so the prospects of growth in the mortgage market will be tempered somewhat in the coming years and will probably not match increases in house prices.

In the light of the risk factors facing the Company, as described above, the economic developments over the past year or so and future 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 Noteholders are of limited recourse (see above). As a consequence, no noticeable changes in the current position of the Company are expected for the next 12 months.

Amsterdam, April 30, 2018

Managing Director,
Intertrust Management B.V.

2. FINANCIAL STATEMENTS

2.1 Balance sheet as at December 31, 2017

(Before result appropriation)

		December 31, 2017		December 31, 2016	
ASSETS		€	€	€	€
Current assets					
Cash and cash equivalents	[1]		7,631,047		3,250,283
			7,631,047		3,250,283
SHAREHOLDER'S EQUITY AND LIABILITIES					
Shareholder's equity	[2]				
Share capital		1		1	
Other reserves		4,000		2,000	
Net result financial year		2,000		2,000	
			6,001		4,001
Current liabilities	[3]				
Balance with the Seller		7,591,187		3,228,092	
Taxes		47		40	
Accrued expenses and other liabilities		33,812		18,150	
			7,625,046		3,246,282
			7,631,047		3,250,283

2.2 Statement of income for the year 2017

		2017		2016	
		€	€	€	€
Interest income	[4]		157,523		148,443
General and administrative expenses	[5]	155,023		145,943	
			155,023		145,943
Income before taxation			2,500		2,500
Corporate income tax	[6]	500		500	
			500		500
Net result			2,000		2,000

2.3 Statement of cash flows for the year 2017

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

		2017		2016	
		€	€	€	€
Net result			2,000		2,000
Adjustments to Statement of income					
Corporate income taxes	[6]	500		500	
			500		500
Movements in working capital					
Balance with the Seller	[3]	4,363,095		2,144,430	
Accrued expenses and other liabilities	[3]	15,662		-2,931	
Corporate income taxes paid	[3]	-493		-960	
			4,378,264		2,140,539
Cash flow from operating activities			4,380,764		2,143,039
Movements in cash			4,380,764		2,143,039
Notes to the cash resources					
Balance at 1 January			3,250,283		1,107,244
Movements in cash			4,380,764		2,143,039
Balance at 31 December			7,631,047		3,250,283

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 F. Van Lanschot Bankiers N.V. ("the Issuer" or "the Seller"). Reference is made to the Prospectus dated March 2, 2015 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 1,893.992.926 (previous period: EUR 1,279.072.318). 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 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 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 May 24, 2017 ("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.

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 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. 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 annual profit for tax purposes. 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.

As detailed in the Future developments section below, the Dutch economy has continued its recovery in 2016 and most macro economic developments are showing positive trends. These trends are expected to have a positive effect on both house prices and the number of transactions on the residential housing market. Recently amended legislation has resulted in a decline in interest-only mortgages and stricter regulations for the issue of mortgages. This will all have a positive impact on the expected loss ratios.

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 regional variations in both developments and future expectations and so not all mortgages issued will be so positively influenced. Moreover, the expectations are contingent on a number of local and global developments which may not materialise and over which it has no control.

However, the Company believes that all significant risks are adequately addressed and that no ongoing risk assessment is deemed necessary. The credit enhancements under the terms of the transaction are all part of the risk control measures.

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 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.

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.

The Company's risk appetite is considered 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 the notes.

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 prespective.

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.

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.

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").

	31-12-2017	31-12-2016
	€	€
CBC Account	6,047	4,040
Reserve Account	7,625,000	3,246,243
	7,631,047	3,250,283

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").

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 Eonia.

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 2,000 (2016: EUR 2,000).

Other reserves

	31-12-2017	31-12-2016
	€	€
Opening balance	4,000	2,000
Results prior year	2,000	2,000
Closing balance	6,000	4,000

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:

	31-12-2017	31-12-2016
	€	€
Subordinated Loan	1,925,217,547	1,304,671,052
Deemed Loan	-1,893,992,925	-1,279,072,318
Accounts receivable	-23,599,622	-21,999,909
Interest receivable	-4,742,363	-3,303,593
Accrued Deferred Purchase Price	3,388,032	1,494,972
Interest payable	1,157,654	1,327,688
Mortgage pool servicing fee	162,864	110,200
	7,591,187	3,228,092

Taxes

	31-12-2017	31-12-2016
	€	€
Corporate income tax	47	40

Accrued expenses and other liabilities

	31-12-2017	31-12-2016
	€	€
Audit fee	18,695	18,150
Management fee	15,117	-
	33,812	18,150

2.6 Notes to the Statement of income

Interest income [4]

	2017	2016
	€	€
Income from Mortgage Loans	55,060,621	38,071,130
Interest on Subordinated Loan	-39,967,241	-34,826,511
Accrued Deferred Purchase Price	-13,054,292	-1,903,392
Mortgage pool servicing fee	-1,881,565	-1,192,784
	157,523	148,443

All income was due from the Seller.

General and administrative expenses [5]

	2017	2016
	€	€
Administration fee	87,142	85,293
Management fee	38,211	34,856
Independent auditor fee	18,695	18,150
Other advisory fee	10,975	7,644
Total	155,023	145,943

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 18,695. No other fees were paid or are payable to the independent auditor of the Company.

Corporate income tax [6]

	2017	2016
	€	€
Corporate income tax	500	500

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 20,0% of the taxable amount.

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 Director 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 20,028 (2016: EUR 18,277). The Company does not have a Board of Supervisory Directors.

Proposed appropriation of result
The net result for the year under review is EUR 2,000. Management proposes to add the net result to the Other reserves.

Post-balance sheet events
No other events took place that could have a major effect on the financial position of the Company.

Amsterdam, April 30, 2018

Managing 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 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.

Independent auditor's report

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

Report on the financial statements 2017

Our opinion

In our opinion Van Lanschot Conditional Pass-Through Covered Bond Company B.V.'s financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, 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 2017 of Van Lanschot Conditional Pass-Through Covered Bond Company B.V., Amsterdam ('the Company').

The financial statements comprise:

- the balance sheet as at 31 December 2017;
- the income statement for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been 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. Our responsibilities under those standards are further described 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.

Independence

We are independent of Van Lanschot Conditional Pass-Through Covered Bond Company B.V. in accordance with 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 requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

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Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the directors' report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;

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 the 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 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 performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the directors' 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 management

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

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 audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be 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.

Rotterdam, 30 April 2018
PricewaterhouseCoopers Accountants N.V.

Original has been signed by M.D. Jansen RA

Appendix to our auditor's report on the financial statements 2017 of Van Lanschot Conditional Pass-Through Covered Bond Company 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 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. 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 management.
- Concluding on the appropriateness of management'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 management 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.