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

Annual Report 2020

Amsterdam, the Netherlands

Van Lanschot Conditional Pass-Through Covered Bond Company 2 B.V.
Prins bernhardplein 200
1097JB Amsterdam
The Netherlands
Chamber of Commerce 75113198

Table of contents

1. Director's report

1.1 Activities and results

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

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

For the sake of clarity, the party referred to in this Annual Report as the Issuer or the Seller is referred to as the Issuer in the Prospectus.
On September 2, 2019, the Issuer issued a first series of Covered Bonds totalling EUR 300,000,000.

The above series of Covered Bonds issued by the Issuer and totalling EUR 2,500,000,000 are secured by a portfolio of mortgage loans, the legal ownership of which was transferred to the Company. At the year-end, the book value of the portfolio of Mortgage Loans amounted to approximately EUR 348,011,037. The Covered Bonds have been rated individually by Fitch. On issuance the rating by Fitch was AAA, as per December 31, 2020 the rating off the notes are unchanged..

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

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

Result for the year
The net result for the year under review is EUR 2,088 (previous period: EUR 2,025). This amount has been determined by the Company's tax opinion between the Issuer and Dutch tax authorities which has set the Company's income to a level to cover its expenses and a notional profit.

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

All risks related to the transaction are well defined in the Prospectus. The key financial risks comprises 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 type II report with respect to the services provided by the Sub-Servicer, being Stater Nederland B.V.. Furthermore the transaction includes measures to be taken once certain parties fail to maintain a specific credit rating. 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 opinion that the Company will be assessed on a pre-determined level of 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
The Mortgage Loans bear a mix of credit and concentration risks. As a company that invests in residential mortgage loans in the Netherlands, the Company has significant exposure to credit and concentration risks associated with the housing market in the Netherlands.

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

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

Notwithstanding the effects of the worldwide outbreak of the COVID-19 virus, the Dutch housing market continued the trend of recent years of significant growth. During the last quarter of 2020, prices increased by more than 11%, as compared to the previous period, according to the NVM although the CBS estimates the rise at 8.7%. The number of transactions was also up, by around 3.7%. Regional differences continue, as do developments in different classes of dwellings, but increases applied to almost the entire sector.

The market is likely to be under pressure in 2021 from a shortage in the supply of dwellings, both in terms of existing and newly built housing. Whilst the consequences of COVID-19 are very unpredictable, DNB expects house prices to increase by 1-2% in 2021-2022 in its 'most likely scenario'. The expectations are very much contingent on developments in unemployment levels, but low interest rates are expected to continue for some time.

This, coupled with the recent years of significant price increases, means that the Company still expects to be relatively well placed as regards the expected loss ratios on the Mortgage Portfolio. The gap between loan levels and the value of collateral is generally still relatively favourable. Whilst this has the effect of reducing the Company's exposure to credit risk, it does not eliminate it. The Director is aware of the potential volatility in macro-economic developments and the housing market in particular, and of the dangers it can bring with it.
In the unlikely situation that all risk measures as described above fail, the limited recourse clause of the Programme will take effect.

Interest rate risk
The interest rate risk arises when the interest received on the Mortgages Loans is insufficient to cover the fixed interest due on the Subordinated Loan.

Moreover, historically, the weighted average interest rate on the Mortgage Loans 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 and the availability of the Reserve Account balance and the amounts to be drawn under the Cash Advance Facility.

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 Directors report of the managing director.

COVID-19
Whilst the worldwide outbreak of the COVID-19 virus clearly increases a number of the risk factors, the limited recourse principle embedded in the transaction means that any such negative consequences are transferred from the Company to the Originator and/or holders of the Covered Bonds.

Risk appetite
The Company by its nature exposes itself to financial risks. The investors in the Covered Bonds issued by the Company are made aware of these risks and understand the adverse effects on repayment of principal and interest payments on issued Covered Bonds in the event these risks materialize into losses.

Based on the above, the Company is of the opinion that all significant risks are adequately addressed and that no ongoing risk assessment is deemed necessary. The credit enhancements granted are all part of the risk control measures. As a result, the Company's risk appetite is low.

1.2 Future developments

This section is largely based on data and expectations presented by De Nederlandse Bank ("DNB"), the Central Bureau of Statistics ("CBS") and the Dutch association of real estate agents ("NVM"). The prediction of future trends and the quantification of developments is inherently a difficult task, full of uncertainties. With the effects of COVID-19 still very much unclear, this has become even more difficult. All economic data relevant to the Company, historic or prospective, is or will be significantly influenced by COVID-19 developments. DNB has published three possible scenarios for its expectations to illustrate the vast gap that the uncertainties surrounding COVID-19 has created.

The outlook presented below is based on the DNB's 'most likely scenario' but occasionally the 'best-case scenario' and 'worst-case scenario' expectations are also quoted to underline the range of possibilities. In addition, developments surrounding COVID-19 are very dynamic and can change on an almost daily basis. The calculation of economic indicators and predictions will inevitably lag and some of the information available may not be completely up to date with developments.

Moreover, the prospects of the Dutch economy are for a large part dependent on developments in the world economy. The effects of COVID-19 may well differ in the other major economies in the world and this would likely have an impact on the Dutch economy. Additionally, the most recent report issued by DNB has assumed a 'no-deal Brexit'. Whilst it is clear now that a deal was ultimately reached on the conditions surrounding the Brexit, the effects of that deal will not be known with any great certainty until the coming months.

The year 2020 was economically influenced in almost every aspect by the worldwide COVID-19 pandemic. Whilst the Dutch economy was very well placed at the start of 2020 for positive development in just about all economic indicators, almost all major indicators showed downturns during 2020 as a result of COVID-19. The drastic effects of lockdown and social distancing measures caused record downturns in many indicators, especially in the second quarter and, to a lesser extent, the last quarter of the year. Another factor that has contributed to the downturn is a lack of confidence shown by both consumers and businesses as investments were postponed.

Against this, public sector spending was increased significantly in terms of infrastructure project spending as well as significant financial support packages designed to support the economy against COVID-19 effects. Some encouragement can also be taken from the spectacular bounce back during the third quarter of 2020 and that the Dutch economy appeared to be somewhat more resilient than most comparable economies. The pressure on the banking sector has also clearly increased but the sector appears to be able to cope with this.
GDP decreased by around 3.8% in 2020, as compared to an increase of 1.7% in 2019. The current expectations are that GDP will bounce back somewhat by 2.9% in 2021 and 2.9% 2022. For 2021, the expectations are for increases of 4.9% in the best-case scenario and just 0.2% in the worst-case scenario. The impact of COVID-19 in 2020 was not evenly spread over the various sectors, with the tourism, recreation and entertainment sectors hardest hit, whilst some sectors experienced a positive impact. The recovery in the coming years will likely have its most positive impact on those sectors that suffered the most in 2020.

In the projections, the economy is expected to have the benefit of somewhat restored confidence by consumers and businesses alike, as well as a continuation of a high-level government spending. This is likely to be tempered by increasing levels of unemployment. The 1.7% surplus that government spending recorded in 2019 was already transformed to a deficit of 6.3% in 2020 though the deficit is projected to improve to a deficit of 4.9% in 2021. Much of these projections will depend on the extent and timing of government support for the economy.

Away from COVID-19, the threat of global trade wars has continued to recede but is certainly not eliminated. Whilst the prospect of a 'no-deal' Brexit has now disappeared, the exact consequences of the Brexit are still unclear and will probably impact the current projections.

Unemployment levels climbed from 3.4% to 4.0% during 2020 which appears to be a relatively modest rise under the circumstances, but this is expected to increase to 6.5% by the end of 2021 and 6.0% in 2022. For 2022, the 'best-case scenario' and 'worst-case scenario' are 4.8% and 7.4%, respectively. The relatively low impact on the 2020 unemployment figures appears to be the result of government support, a reluctance by businesses to release staff after years of under capacity in the labour markets and the possibility of reducing the number of flexible workers (freelancers and agency staff).

Headline inflation decreased from 2.7% in 2019 to some 1.2% in 2020 mainly due to reduced energy prices. Particularly oil prices tumbled under reduced worldwide demand. The level of inflation is expected to remain relatively stable at around 1.5% in the coming years on the expectation that oil prices will continue at the relatively low levels and low wage inflation as a result of rising unemployment.

The domestic housing market appears to be relatively unaffected by COVID-19 thus far. The spectacular growth in domestic house prices has continued throughout 2020 and the last quarter of 2020 even showed an average increase of the price of a dwelling of more than 11% according to NVM although the CBS estimates the rise at 8.7%. Whilst the number of transactions for 2020 as a whole was up 3.7% as compared to the previous period, the market is currently under pressure from low levels of supply and the relatively short time the average dwelling spends on the market.

As always, regional variations and differences in the various price sectors continued in 2020. The overall shortage of housing, particularly for starters, is getting more severe as targets for the building of new dwellings are inadequate or not met. DNB expects house prices to increase by 1-2% in 2021-2022 in its 'most likely scenario'. The expectations are very much contingent on developments in unemployment levels, but low interest rates and housing shortages are expected to continue for some time.

Risk levels for existing homeowners and lenders alike have again generally decreased since last year though regional differences should not be ignored in the analysis. This trend is expected to level out in the coming years, but the market seems to be relatively sheltered from the major COVID-19 impacts. New homeowners have for years been subjected to stricter lending conditions and existing homeowners have seen debt ratios decrease as a result of rising prices. However, new loans have shown a tendency to be agreed for relatively long interest periods, at relatively low rates. Furthermore, competitive pressures are increasing in the mortgage market due to new entrants to the market and continued low interest rates. Whilst these factors generally increase risks, lenders are experiencing improved debt ratios on existing portfolios as a result of rising prices.

It is important to reiterate that the Company was incorporated specifically for its role in a structured finance transaction and is governed by the terms and conditions of the Prospectus and other Transaction Documents. These are drawn up, inter alia, to foresee all possible future economic conditions, including those caused by COVID-19. At this stage, it seems likely that the outbreak will 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 are unlikely to be borne by the Company's itself. The Company intends to continue to act within the terms and conditions set out for it by the Transaction Documents, and to otherwise comply with all its other obligations. The Company has no employees and is dependent on third-party service providers. However, the level or quality of the service provided has remained unaffected

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

Amsterdam, April 30, 2021

Managing Director,
Intertrust Management B.V.

2. FINANCIAL STATEMENTS

2.1 Balance sheet as at December 31, 2020

(Before result appropriation)

		December 31, 2020		December 31, 2019	
ASSETS		€	€	€	€
Current assets	[1]				
Cash and cash equivalents			504,924		500,807
			504,924		500,807
SHAREHOLDER'S EQUITY AND LIABILITIES					
Shareholder's equity	[2]				
Share capital		1		1	
Other reserves		2,025		-	
Net result financial year		2,088		2,025	
			4,114		2,026
Current liabilities	[3]				
Balance with the Seller		470,035		473,246	
Taxes		412		475	
Accrued expenses and other liabilities		30,363		25,060	
			500,810		498,781
			504,924		500,807

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

2.2 Statement of income for the year ended December 31, 2020

		2020		June 19, 2019 - December 31, 2019	
		€	€	€	€
Interest income	[4]		144,001		95,599
General and administrative expenses	[5]	141,501		93,099	
			141,501		93,099
Income before taxation			2,500		2,500
Corporate income tax	[6]	412		475	
			412		475
Net result			2,088		2,025

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

2.3 Statement of cash flow for the year ended December 31, 2020

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

		2020		June 19, 2019 - December 31, 2019	
		€	€	€	€
Net result			2,088		2,025
Adjustments to Statement of income					
Corporate income taxes	[6]	412		475	
			412		475
Movements in working capital					
Balance with the Seller	[3]	-3,211		473,246	
Accrued expenses and other liabilities	[3]	5,303		25,060	
Corporate income taxes paid	[3]	-475		-	
			1,617		498,306
			4,117		500,806
Cash flow from financing activities					
Issued capital		-		1	
Cash flow from financing activities			-		1
Movements in cash			4,117		500,807
Notes to the cash resources					
Balance at January 01 / June 19			500,807		-
Movements in cash			4,117		500,807
Balance at December 31			504,924		500,807

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

2.4 General notes to the Financial statements

GENERAL INFORMATION

Van Lanschot Conditional Pass-Through Covered Bond Company 2 B.V. (the “Company”) is a private company with limited liability incorporated under the laws of the Netherlands on June 19, 2019. The statutory seat of the Company is in Amsterdam, the Netherlands. The 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 Kempen Wealth Management N.V. (the "Issuer" or the "Seller"). Reference is made to the prospectus dated July 16, 2019, as updated from time to time (the "Prospectus") for a complete description of the terms and conditions of the Programme. Unless indicated otherwise in this Annual Report, definitions of terms used in this report may be found in the Prospectus, though the Prospectus does not form a part of this Annual Report.

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

TRANSACTION STRUCTURE, MANAGEMENT AND RELATED PARTIES

On September 2, 2019, the Issuer issued a first series of Covered Bonds totalling EUR 300,000,000.
The above series of Covered Bonds issued by the Issuer and totalling EUR 2,500,000,000 are secured by a portfolio of mortgage loans, the legal ownership of which was transferred to the Company. At the year-end, the book value of the portfolio of Mortgage Loans amounted to approximately EUR 348,011,037. The Covered Bonds have been rated individually by Fitch. On issuance the rating by Fitch was AAA, as per December 31, 2020 the rating off the notes are unchanged..

If a transferror retains substantially all the risks and rewards associated with transferred assets, the transaction is accounted for as a financing transaction, notwithstanding that it is a sale transaction from a legal perspective. The Company's 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 16, 2019 (the "Prospectus") for further details.

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

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

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

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

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

These financial statements have been prepared for a reporting period of one year, from 1 January 2020 to 31 December 2020.

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 type II 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
The Mortgage Loans bear a mix of credit and concentration risks. As a company that invests in residential mortgage loans in the Netherlands, the Company has significant exposure to credit and concentration risks associated with the housing market in the Netherlands.

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

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

Notwithstanding the effects of the worldwide outbreak of the COVID-19 virus, the Dutch housing market continued the trend of recent years of significant growth. During the last quarter of 2020, prices increased by more than 11%, as compared to the previous period, according to the NVM although the CBS estimates the rise at 8.7%. The number of transactions was also up, by around 3.7%. Regional differences continue, as do developments in different classes of dwellings, but increases applied to almost the entire sector.

The market is likely to be under pressure in 2021 from a shortage in the supply of dwellings, both in terms of existing and newly built housing. Whilst the consequences of COVID-19 are very unpredictable, DNB expects house prices to increase by 1-2% in 2021-2022 in its 'most likely scenario'. The expectations are very much contingent on developments in unemployment levels, but low interest rates are expected to continue for some time.

This, coupled with the recent years of significant price increases, means that the Company still expects to be relatively well placed as regards the expected loss ratios on the Mortgage Portfolio. The gap between loan levels and the value of collateral is generally still relatively favourable. Whilst this has the effect of reducing the Company's exposure to credit risk, it does not eliminate it. The Director is aware of the potential volatility in macro-economic developments and the housing market in particular, and of the dangers it can bring with it.

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.

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.
In view of the above factors, the Company's risk appetite is considered 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 have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code and in accordance with Dutch Accounting Standards (“RJ”).

The applied accounting policies for all assets and liabilities are based on the historic cost convention, which effectively comprises the cost of the transaction. The Balance Sheet, Profit and Loss account and the Cash flow statement include references to the notes.

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

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

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

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

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

These financial statements are presented in EUR.

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

Significant accounting judgments and estimates

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

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

If necessary, for the purposes of providing the view required under article 2.362.1 Dutch Civil Code (DCC), the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the applicable financial statement items.

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

COVID-19
Whilst the worldwide outbreak of the COVID-19 virus clearly increases a number of the risk factors, the limited recourse principle embedded in the transaction means that any such negative consequences are transferred from the Company to the Originator and/or Noteholders.

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

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

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

The liability capital comprises share capital and subordinated loan(s). The liability capital as at 31 December 2020 amounts to € 1 (previous period €1).

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.

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

FAIR VALUE FINANCIAL INSTRUMENTS

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

CORPORATE INCOME TAX

The Company is liable to Dutch corporate income tax under a tax opinion. This stipulates that the Company should report annual income on the basis of a 10,0% 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 CBC Account Agreement and in respect of the GIC-accounts to the Stichting Security Trustee Van Lanschot Conditional Pass-Through Covered Bond Company.

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

STATEMENT OF CASH FLOWS

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

Related-party transactions
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 a related party. In addition, statutory directors and close relatives are regarded as related parties.
Significant transactions with related parties, if any, are disclosed in the notes. All transactions are executed at normal market conditions and considered to be at arms' length pricing.

2.5 Notes to the Balance sheet

CURRENT ASSETS [1]
Cash and cash equivalents [1]
The rate of interest on the CBC Account is determined by Euro Overnight Index Average ("Eonia").

	December, 31, 2020	December 31, 2019
	€	€
CBC Account	3,931	766
Reserve Account	500,993	500,041
	504,924	500,807

CBC Account

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

The rate of interest on the CBC Account is determined by Euro Overnight Index Average ("Eonia").With effect from (and including) 1 October 2019, EONIA 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 BNG Bank N.V. in Den Haag, the Netherlands. These funds are not available to finance the Company’s day-to-day operations but serve as a security to enable the Company to meet its fees and other obligations. If and to the amount that excess funds are available after these obligations, these are deposited on the Reserve Account up to the Reserve Account Required Amount. If the Reserve Account Required Amount is reached, excess funds are available for payment of the Balance with the Seller.

The rate of interest on the Reserve Account is determined by Euro Overnight Index Average ("Eonia").With effect from (and including) 1 October 2019, EONIA 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.

2.5 Notes to the Balance sheet

SHAREHOLDER'S EQUITY [2]

Share capital

The authorised capital which are issued amounts to € 1, consisting of 1 ordinary share of € 1.
The net result for the year amounts to EUR 2,088 (previous period EUR 2,025).

	2020	June 19, 2019 - December 31, 2019
	€	€
Opening balance	-	-
Result prior year	2,025	-
Closing balance	2,025	-

CURRENT LIABILITIES [3]

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

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

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

	December 31, 2020	December 31, 2019
	€	€
Subordinated Loan	353,324,581	353,459,224
Deemed Loan to the Seller	-348,011,038	-343,232,128
Accounts receivable	-4,812,551	-9,727,055
Interest receivable	-625,606	-711,247
Accrued Deferred Purchase Price	376,809	465,641
Interest payable	187,956	188,834
Mortgage pool servicing fee	29,884	29,977
	470,035	473,246

Taxes

	December 31, 2020	December 31, 2019
	€	€
Corporate income tax	412	475

Accrued expenses and other liabilities

	December 31, 2020	December 31, 2019
	€	€
Audit fee	24,200	24,200
Management fee	6,163	860
	30,363	25,060

2.6 Notes to the Statement of income

Interest income [4]

	2020	June 19, 2019 - December 31, 2019
	€	€
Income from Mortgage Loans	7,884,943	2,850,452
Interest on Subordinated Loan	-4,505,451	-1,256,268
Accrued Deferred Purchase Price	-2,889,094	-1,382,638
Mortgage pool servicing fee	-346,397	-115,947
	144,001	95,599

All income was due from the Seller.

General and administrative expenses [5]

	2020	June 19, 2019 - December 31, 2019
	€	€
Administration fee	73,929	33,095
Management fee	33,059	30,579
Independent auditor fee	24,200	24,200
Other advisory fee	10,313	5,225
Total	141,501	93,099

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 (previous period: EUR 24,200). No other fees were paid or are payable to the independent auditor of the Company.

Corporate income tax [6]

	2020	June 19, 2019 - December 31, 2019
	€	€
Corporate income tax	412	475
Total	412	475

The Company and the Dutch Tax Authorities agreed by way of a Tax Opinion that the taxable amount is calculated at the higher of EUR 2,500 and 10,0% of the operational expenses of the Company. The applicable tax rate for the year under review is 16.5% (previous period 19.0%) 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 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 25,519 (previous period EUR 18,245). The Company does not have a supervisory board.

Proposed appropriation of result
The net result for the year under review is EUR 2,088 (previous period EUR 2,025). 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, 2021

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.

3.2 Independent Auditor's report

See next page

Independent auditor's report

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

Report on the financial statements 2020

Our opinion

In our opinion, the financial statements of Van Lanschot Conditional Pass-Through Covered Bond Company 2 B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2020, 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 2020 of Van Lanschot Conditional Pass-Through Covered Bond Company 2 B.V., Amsterdam.

The financial statements comprise:
- the balance sheet as at 31 December 2020;
- the income statement for the year then ended; and
- the notes, comprising the accounting policies and other explanatory information.

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

The basis for our opinion

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

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

Independence

We are independent of Van Lanschot Conditional Pass-Through Covered Bond Company 2 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 regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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

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 director's 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.

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

Responsibilities for the financial statements and the audit

Responsibilities of the managing director

The managing director is responsible for:

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

As part of the preparation of the financial statements, the managing director is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the managing director should prepare the financial statements using the going concern basis of accounting unless the managing director either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. The managing director 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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error.

They are considered 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.

Amsterdam, 30 April 2021
PricewaterhouseCoopers Accountants N.V.

Original has been signed by R.E.H.M. van Adrichem RA

Appendix to our auditor's report on the financial statements 2020 of Van Lanschot Conditional Pass-Through Covered Bond Company 2 B.V.

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

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

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

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

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