

Annual Report 2020

NIBC Conditional Pass-Through Covered Bond Company B.V.

Amsterdam, The Netherlands

NIBC Conditional Pass-Through Covered Bond Company B.V.
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The Netherlands
Chamber of Commerce: 57885168

mazars

Mazars Accountants N.V.
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DIRECTOR'S REPORT

1 DIRECTOR'S REPORT

1.1 Activities and results

General

NIBC Conditional Pass-Through Covered Bond Company B.V. (hereinafter "the Company" or "CBC") was incorporated as a private company with limited liability under the laws of the Netherlands on 6 May 2013. The registered office of the Company is Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands. The sole managing director of the Company is Intertrust Management B.V., Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands.

The Company is a special purpose vehicle, which objectives are, in the framework of the Conditional Pass-Through Covered Bond Programme, (a) to acquire, purchase, conduct the management of, dispose of and to encumber receivables and other goods under or in connection with loans granted by a third party or by third parties and to exercise any rights connected to such receivables and other goods, (b) to issue guarantees in favour of holders of covered bonds issued by NIBC Bank N.V., (c) to on-lend and invest any funds held by the Company, (d) to hedge interest rate and other financial risks, among others by entering into derivatives agreements, such as swaps, (e) in connection with the foregoing: (i) to borrow funds; and (ii) to grant security rights to release security rights to third parties and (f) to do anything which, in the widest sense of the words, is connected with or may be conducive to the attainment of these objects.

On 26 August 2013, the Company purchased at nominal value and accepted from Hypinvest B.V. (as per 31 October 2015 Hypinvest B.V. is the surviving company in the legal merger between Hypinvest B.V. as acquiring company and Amstelstaete Hypotheken B.V., ATRIOS Hypotheekfonds B.V., Capitalum Hypotheken B.V., Estate Hypotheken B.V., Muzen Hypotheken B.V., Nieuwegein Hypotheken B.V., Royal Residentie Hypotheken B.V., Seyst Hypotheken B.V. and Zwaluw Hypotheken B.V. as disappearing companies), Hypinvest Hypotheken B.V. (as per 31 October 2015 Hypinvest Hypotheken B.V. is the surviving company in the legal merger between Hypinvest Hypotheken B.V. (formerly named IKS Hypotheken B.V.) as acquiring company and Nationale Hypotheek Maatschappij B.V. as disappearing company), Quion 30 B.V. (as per 31 October 2015 Quion 30 B.V. is the surviving company in the legal merger between Quion 30 B.V. as acquiring and Quion 14 B.V., Quion I B.V. and Quion III B.V. as disappearing companies), ("the Sellers") the assignment of the Mortgage Receivables amounting to EUR 609,938,748 as part of the Conditional Pass-Through Covered Bond Programme. The purchase was funded by means of a Subordinated Loan acquired from B.V. NIBC Mortgage Backed Assets. The Covered bond programma has a limit of EUR 5 billion. The size of the covered bond programma per 31 December 2020 was EUR 3 billion.

The transactions are based on the contractual transaction values. All residual returns will be paid out to the Seller via the accrued Deferred Purchase Price. The accrued Deferred Purchase Price (DPP) serves as a buffer for the Subordinated Loan Provider.

Interest rates

This item includes income from Mortgage Loans, including interest received under the CBC Account Bank Agreement. In the reporting period the average effective interest rate of the Company's mortgage portfolio amounted to 2.9% (2019: 3.1%) and the average effective funding rate amounted to 1.7% (2019: 1.5%) resulting in an interest margin of currency EUR 42.1 million (2019: EUR 54.5 million).

Performance of Mortgage Loans

Accumulated realised losses on Mortgage Receivables from the start of the transaction until the end of this reporting year amounted to nihil (2019: nil). At year-end, the principal amount of loans with arrears of more than three months amounted to EUR 0.5 million (2019: EUR 0.5 million).

Based on a specific review of loans and taking into consideration the underlying collateral, management has decided to not make a provision for doubtful loans (2019: nil).

1.2 Financial risk management

Following the purchase of the legal ownership of the Mortgage Loans and the recognition of the Subordinated Loan, the Company is exposed to a variety of risks. However, the Company has taken measures to minimise the risks linked to the transaction.

In addition to financial risks, the Company also faces operational risks. The servicing of the underlying Mortgage Loans, and the entity administration and investor reporting is performed by regulated, well-known companies. The 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 believes that no ongoing risk assessment is deemed necessary, as the most significant risks are adequately covered.

Reference is made to the general notes to the financial statements (chapter 4, paragraph risk management) with a more detailed overview of the financial risks involved.

1.3 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 behind events 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 8.3%. 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 itself but rather by the Company's creditors, including the beneficiary of the Deferred Purchase Price, the Noteholders, other creditors and only ultimately the Company's shareholder. 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, 25 June 2021

Intertrust Management B.V.
Managing director

FINANCIAL STATEMENTS

1 BALANCE AT 31 DECEMBER 2020
(before proposed appropriation of result)

		31 December 2020		31 December 2019	
		€	€	€	€
ASSETS					
Fixed assets					
Financial fixed assets	(1)		3,548,472,464		3,678,223,550
Current assets					
Other receivables	(2)		79,009,091		85,204,629
Cash	(3)		20,791,596		31,419,515
			<u>3,648,273,151</u>		<u>3,794,847,694</u>
LIABILITIES					
Shareholder's equity (4)					
Issued and paid-up capital		18,000		18,000	
General reserve		9,149		3,352	
Unappropriated result		14,541		13,470	
			<u>41,690</u>		<u>34,822</u>
Long-term liabilities (5)					
Subordinated Loan to group companies		3,577,662,871		3,709,911,376	
Savings Mortgage Sub-participation		51,206,760		55,250,476	
			<u>3,628,869,631</u>		<u>3,765,161,852</u>
Current liabilities (6)					
			19,361,830		29,651,020
			<u>3,648,273,151</u>		<u>3,794,847,694</u>

2 INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

		2020		2019	
		€	€	€	€
Interest income	(7)				
Interest income Mortgages Loans			104,806,386		107,102,433
			<u>104,806,386</u>		<u>107,102,433</u>
Interest expense	(8)				
Interest expense Subordinated Loan group companies		62,729,292		52,568,136	
Other interest expenses		<u>-34</u>		<u>90</u>	
			62,729,258		52,568,226
Interest margin			<u>42,077,128</u>		<u>54,534,207</u>
Other operating expenses	(9)		4,378,414		4,278,954
Deferred Purchase Price due to group companies			<u>37,681,300</u>		<u>50,238,623</u>
Result on ordinary activities before tax			17,414		16,630
Corporate income tax			<u>2,873</u>		<u>3,160</u>
Profit on ordinary activities after taxation			<u><u>14,541</u></u>		<u><u>13,470</u></u>

3 CASH FLOW STATEMENT 2020

	2020		2019	
	€	€	€	€
Cash flow from operating activities				
Profit on ordinary activities after taxation		14,541		13,470
Changes in working capital:				
Accounts receivable due from group companies (2)	5,009,396		-32,864,329	
Accounts receivable (2)	1,186,142		-523,882	
Interest payable due to group companies (6)	635,903		318,845	
Mortgages - building deposits (6)	-9,098,957		-901,765	
Deferred Purchase Price due to group companies (6)	-1,331,948		320,663	
Corporate income tax (6)	-580		361	
Other liabilities (6)	-485,046		-1,052,216	
Other liabilities due to group companies (6)	-8,562		26,962	
		-4,093,652		-34,675,361
Cash flow from operating activities		-4,079,111		-34,661,891
Cash flow from investing activities				
Investments Mortgage Loans (1)	-		-972,194,065	
Redemption Mortgage Loans (1)	438,888,272		348,378,960	
Replenishment Mortgage Loans (1)	-581,088,102		-57,562,679	
Repurchases Mortgage Loans (1)	271,950,916		192,118,262	
Cash flow from investing activities		129,751,086		-489,259,522
		125,671,975		-523,921,413
Cash flow from financing activities				
Dividend paid (4)	-7,673		-6,930	
Drawing Subordinated Loan (5)	582,851,430		1,030,542,572	
Redemptions Subordinated Loan (5)	-715,099,935		-496,794,662	
Savings Mortgage Sub-participation (5)	-4,043,716		-13,631,597	
Cash flow from financing activities		-136,299,894		520,109,383
Net cash flow		-10,627,919		-3,812,030

	2020		2019	
	€	€	€	€
Cash at 1 January		31,419,515		35,231,545
Net cash flow	(3)	-10,627,919		-3,812,030
Cash at 31 December		<u>20,791,596</u>		<u>31,419,515</u>

The Statement of cash flows has been prepared according to the indirect method.

Supplementary disclosure of operating cash flow information:

	2020		2019	
	€	€	€	€
Interest paid		101,106,603		102,167,341
Interest received		104,807,266		107,110,131

4 NOTES TO THE FINANCIAL STATEMENTS

General

NIBC Conditional Pass-Through Covered Bond Company B.V. (hereinafter "the Company" or "CBC") was incorporated as a private company with limited liability under the laws of the Netherlands on 6 May 2013. The registered office of the Company is Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands. The sole managing director of the Company is Intertrust Management B.V., Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands.

Purpose

The Company is a special purpose vehicle, which objectives are, in the framework of the Conditional Pass-Through Covered Bond Programme, (a) to acquire, purchase, conduct the management of, dispose of and to encumber receivables and other goods under or in connection with loans granted by a third party or by third parties and to exercise any rights connected to such receivables and other goods, (b) to issue guarantees in favour of holders of covered bonds issued by NIBC Bank N.V., (c) to on-lend and invest any funds held by the Company, (d) to hedge interest rate and other financial risks, among others by entering into derivatives agreements, such as swaps, (e) in connection with the foregoing: (i) to borrow funds; and (ii) to grant security rights to release security rights to third parties and (f) to do anything which, in the widest sense of the words, is connected with or may be conducive to the attainment of these objects.

The Company has an issued and paid-up share capital of EUR 18,000. All shares of the Issuer are held by Stichting Holding NIBC Conditional Pass-Through Covered Bond Company. Stichting Holding NIBC Conditional Pass-Through Covered Bond Company is a foundation (stichting) incorporated under the laws of the Netherlands on 6 May 2013 (the "Stichting Holding"). The objectives of Stichting Holding are to incorporate, to acquire and to hold shares in the capital of the Company, to conduct the management of and to administrate shares in the Company, to exercise any rights connected to shares in the Company, to grant loans to the Company and to alienate and to encumber shares in this Company and furthermore, to perform any acts which are related or conducive to the above. The sole managing director of Stichting Holding is Intertrust Management B.V., Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands.

Transaction structure, management and related parties

On 26 August 2013, the Company purchased at nominal value and accepted from Hypinvest B.V. (as per 31 October 2015 Hypinvest B.V. is the surviving company in the legal merger between Hypinvest B.V. as acquiring company and Amstelstaete Hypotheken B.V., ATRIOS Hypotheekfonds B.V., Capitalum Hypotheken B.V., Estate Hypotheken B.V., Muzen Hypotheken B.V., Nieuwegein Hypotheken B.V., Royal Residentie Hypotheken B.V., Seyst Hypotheken B.V. and Zwaluw Hypotheken B.V. as disappearing companies), Hypinvest Hypotheken B.V. (as per 31 October 2015 Hypinvest Hypotheken B.V. is the surviving company in the legal merger between Hypinvest Hypotheken B.V. (formerly named IKS Hypotheken B.V.) as acquiring company and Nationale Hypotheek Maatschappij B.V. as disappearing company), Quion 30 B.V. (as per 31 October 2015 Quion 30 B.V. is the surviving company in the legal merger between Quion 30 B.V. as acquiring and Quion 14 B.V., Quion I B.V. and Quion III B.V. as disappearing companies), ("the Sellers") the assignment of the mortgage receivables amounting to EUR 609,938,748 as part of the Conditional Pass-Through Covered Bond Programme. This programme consists of a string of transactions up to a limit of EUR 5 billion. The programme has a size of EUR 3 billion per 31 December 2020. The purchase was funded by means of a Subordinated Loan acquired from B.V. NIBC Mortgage Backed Assets.

Intertrust Management B.V. is managing director of the Company. NIBC Bank N.V. acts as Servicer and Stater Nederland B.V., Quion Hypotheekbemiddeling B.V., Quion Services B.V. and Quion Hypotheekbegeleiding B.V. are appointed as Sub-servicer and service the mortgage pool on a daily basis. NIBC Bank N.V. is Issuer Administrator, which means handling cash management, statutory accounting and investor reporting, Listing Agent, Swap Counterparty. Citibank N.A., London Branch is Principal Paying Agent. Société Générale S.A., Amsterdam Branch is mandated as the Companies Account Bank.

According to the Guaranteed Support Agreement the Issuer will use its best effort and the CBC will use its reasonable effort to ensure that the Asset Cover Test is satisfied. Purchasing assets for the cover pool amongst others can be initiated in case the Asset Cover Test ratio may or should be increased. Assets in arrears for more than 90 days are not taken into account for the Asset Cover Test. The Company does not have impaired loans in the pool. The Company can make a drawdown under the Subordinated Loan for purchasing assets. Under the Subordinated Loan Agreement the Issuer may request up to an amount of EUR 7.5 billion for purchasing mortgage receivables and credit the reserve account to cover a maximum of 5 billion of issued covered bonds.

The Programme

Under the terms of the Programme, NIBC Bank N.V., in its capacity as the Issuer, may from time to time issue Covered Bonds in Euro as agreed between the Issuer and the relevant Dealer, if any.

Payments on the Covered Bonds

Interest shall be payable on each Series or Tranche of Covered Bonds on the Interest Payment Dates specified in the applicable Final Terms up to the Maturity Date or Extended Due for Payment Date, if applicable. Interest shall be payable (i) up to the earlier of (a) the Maturity Date and (b) the service of a Breach of Amortisation Test Notice, monthly, bimonthly, quarterly, semi-annually, annually or upon redemption of the relevant Covered Bonds and (ii) after the earlier to occur of (a) the Maturity Date and (b) the date of the service of a Breach of Amortisation Test Notice, up to the Extended Due for Payment Date, monthly.

Redemption of the Covered Bonds

The applicable Final Terms will indicate that (a) the relevant Covered Bonds cannot be redeemed prior to their stated maturity (other than following specified events, if applicable, or for taxation reasons or following an Issuer Event of Default or a CBC Event of Default) or (b) such Covered Bonds will be redeemable at the option of the Issuer upon giving notice to the Covered Bondholders, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as set forth in the applicable Final Terms or (c) such Covered Bonds will be redeemable at the option of the Covered Bondholder upon giving notice to the Issuer, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as set forth in the applicable Final Terms.

Guarantee by the Company

Pursuant to the Guarantee issued under the Trust Deed, the Company will guarantee the payment of interest and principal payable under the Covered Bonds. The obligations of the Company under the Guarantee will constitute unsubordinated and unguaranteed obligations of the Company, secured indirectly, through the Security Trustee, by (i) a first ranking undisclosed pledge (or such other security right as may be applicable) granted by the Company to the Security Trustee over the Transferred Assets and (ii) a first ranking disclosed pledge by the Company to the Security Trustee over the Company's rights under or in connection with the CBC Transaction Documents. Payments made by the Company under the Guarantee (after the service of an Issuer Acceleration Notice or a CBC Acceleration Notice) will be made subject to, and in accordance with, the CBC Priority of Payments or the Post CBC Acceleration Notice Priority of Payments, as applicable.

As a result of the Guarantee issued by the Trust Deed the Company is exposed to credit risk towards NIBC Bank N.V. The credit risk is mitigated from the perspective of the Company by the credit enhancements in the structure of the Company such as the Reserve Account Require Amount or the Liquidity Reserve Required Amount and the overcollateralization (OC) measured by the nominal OC and the Asset Cover test. Under the Subordinated Loan Agreement the Issuer may request up to an amount of EUR 7.5 billion for purchasing mortgage receivables and credit the reserve account to cover a maximum of 5 billion of issued covered bonds. In case of a continuing breach of the asset cover test and the service an issuer acceleration notice and a notice to pay, the CBC will not according to the priority of Payments make any payments to the Subordinated Loan unless all issued covered bonds are redeemed. The Subordinated Loan should be repaid ultimately on the payment date falling in June 2060.

Parallel Debt Agreement

On the Programme Date, the Company and the Security Trustee have entered into a parallel debt agreement (the "Parallel Debt Agreement") for the benefit of the Covered Bondholders and the other Secured Parties under which the Company, by way of parallel debt, undertakes to pay to the Security Trustee amounts equal to the amounts due by it to the Secured Parties, in order to create claims of the Security Trustee thereunder which can be validly secured by the rights of pledge created by any Security Trustee Receivables Pledge Agreement and any Security Trustee Rights Pledge Agreement.

Guarantee Support - Transfer of eligible Assets

Each Transferor may sell and transfer Eligible Assets to the Company in accordance with the Guarantee Support Agreement. At the option of the Issuer, subject always to Rating Agency Confirmation, New Transferors may accede to the Guarantee Support Agreement. The Issuer will use its best efforts, and the Company will use reasonable efforts, to ensure, among other things, that the Asset Cover Test is satisfied as at the end of each calendar month, as calculated on the immediately succeeding Calculation Date and the Issuer shall use its best efforts to transfer or procure the transfer of sufficient Eligible Receivables either directly by the Issuer or indirectly, upon instruction of the Issuer, by the other Transferors. The ACT Cover ratio as per December 2020 is 110.41% (previous year: 113.22%). As part of the Asset Cover Test the Issuer will use its best efforts to ensure that (a) the Net Outstanding Principal Amount of all Mortgage Receivables, excluding any Defaulted Receivables, plus (b) the Collateral Market Value of all Transferred Collateral in the form of Substitution Assets plus (c) all amounts standing to the balance of the CBC Transaction Accounts, excluding Swap Collateral and excluding amounts standing to the balance of the Construction Account, are at least equal to 115% of the Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding.

Servicing

The Servicer (NIBC Bank N.V.) has entered into the Servicing Agreement with the Company and the Security Trustee, pursuant to which the Servicer will provide administrative services in respect of the Mortgage Receivables transferred by the Transferors. The Servicer is permitted to sub-contract its servicing role to any affiliate of the Issuer and, subject to any applicable conditions in the Servicing Agreement, to another third party servicer and provided that the Servicer shall continue to be liable as if no such appointment had been made.

Risk Management

Credit and concentration risk

As a company that solely invests in 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.

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.

The Company has a credit risk exposure to NIBC Bank N.V. related to the Covered Bond holders as described in the Trust deed. This risk is mitigated by the fact that the obligation to pay on the Subordinated Loan is no longer active when an event of Default occurs.

Whilst this has the effect of reducing the Company's exposure to credit and concentration risk, it will not eliminate it. Management is aware of the dangers that an overheated housing market can bring with it. Moreover, the positive expectations are contingent on a number of local and global developments which may or may not materialise, and over which the Company 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 granted 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 transaction will take effect (see below).

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 8.3%. 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. Also, 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 to the expected loss ratios on the Mortgage Portfolio, in other words expecting low loss ratios. The significant price increases also has a positive effect on the Loan-to-Value ("LTV") ratio's in the mortgage lending (in other words, lower LTV ratio's). 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 higher loss ratios it can bring with it.

Interest Rate Risk

The risk that the rate of interest to be received by the Company on the Mortgage Receivables is not sufficient to pay the rate of interest payable on the Subordinated Loan by the Company, is mitigated by various provisions made in the Relevant Documents to which amongst others , only Mortgage Receivables that comply with the eligibility criteria will be sold and assigned to the Company. The Originator will be obliged to repurchase the Relevant Mortgage Receivables in case the Relevant Mortgage Loan (or relevant loan part thereof) does no longer comply with the eligibility criteria.

Liquidity risk

Matching maturities of assets and liabilities and related cash flows is fundamental to the management of the Company. This risk addressed and mitigated by amongst others a Reserve Account.

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

Contingent liabilities and commitments

The Company has granted a first ranking undisclosed right of pledge over the mortgage receivables and beneficiary rights to Stichting Security Trustee NIBC Conditional Pass-Through Covered Bond Company ("the Security Trustee"), established under the laws of The Netherlands as a foundation. The sole managing director of the Security Trustee is IQ EQ Netherlands N.V. (previously named SGG Securitisation Services B.V. (previously named ANT Trust & Corporate Services B.V.))

The exercise of the pledge is subject to certain terms and conditions. Not meeting the Company's obligations to certain secured parties, including the Note holders, can lead to exercising the right of pledge by the Security Trustee.

The Company provided a guarantee towards EUR 2.0 billion Covered Bonds issued by NIBC Bank N.V. with a maturity of more than 5 years. Based upon the current credit rating of NIBC Bank N.V., the Company expect that the risk of making payments is considered to be remote. Currently the right of pledge has not been invoked.

Accounting Policies

Basis of preparation

The annual accounts were prepared in accordance with the statutory provisions of Part 9, Book 2, of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

The presentation of the income statement deviates somewhat from the models prescribed by Dutch law. The format presented is considered to provide a better insight into the Company's results.

The annual accounts are denominated in Euro, the functional and presentation currency.

Assets and liabilities are stated at the amounts at which they were acquired or incurred.

In the balance sheet, the income statement and the cash flow statement references are included. These references refer to the notes.

At the initial recognition the financial assets and liabilities are measured at the net purchase price, and subsequently accounted for at amortised cost. The bifurcation and measurement of any or all of the individual financial instruments within the structure at their fair value at inception, and their presentation as such in the Company's balance sheet, would not necessarily provide the insight needed in the Company's financial position as the structured debt transaction represents a series of contracts that are interrelated and between related parties. The year-end fair values of individual financial instruments within the structure are disclosed in Note 6.

The Company's ultimate parent company is NIBC Bank N.V., The Hague, a public limited liability company incorporated under the laws of the Netherlands.

Significant Accounting judgements and estimates

Going concern

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 continue to be prepared on the going concern basis.

Estimates

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. If necessary for the purposes of providing the view required under Section 362, subsection 1, Book 2 of the Dutch Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the financial statement items in question.

Recognition and derecognition of assets and liabilities

The Company will recognize a financial asset or liability on the Balance Sheet if either the Company acquires contractual rights to the asset's cash flow or if the asset has been transferred to the Company (along with the risks and rewards of ownership). The Company will remove a previously recognized financial asset or liability from the Balance Sheet if either the Company's contractual right to the asset's cash flows has expired or if the assets have been transferred to a third party (along with the risks and rewards of ownership). If the risk and reward of the ownership have not passed to the buyer, then the Company still recognizes the entire financial assets and treats any consideration as a liability.

If transactions result in a transfer of future economic benefits or when all risk and future obligations related to assets or liabilities are transferred to a third party. The asset or liability is no longer included on the Balance sheet. Asset and liabilities are not included in the Balance sheet if economic benefits are not probable or cannot be measured with sufficient reliability.

Prior year comparison

The accounting policies have been consistently applied to all the years presented.

Financial fixed assets

Mortgage Loans

The Mortgage Loans are initially measured at transaction price, and subsequently carried at amortised cost. If debentures are acquired or loans are issued at a discount or premium, the discount or premium is recognised through the income statement over the maturities of the debentures or loans using the effective interest method. Also transaction costs are included in the initial valuation and recognised in the income statement as part of the effective interest method. Impairment losses are deducted from amortised cost and expensed in the income statement.

Impairment

The Company assesses at the balance sheet date whether there is an indication of impairment of the Mortgage Loans. A Mortgage Loan is impaired if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, but before the balance sheet date, (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the Mortgage Loans that can be reliably estimated.

The event that a Borrower has failed in the repayment of principal, interest or fees and the payment failure has remained unsolved for a period of 2 months is considered objective evidence that a Mortgage Loan is impaired. If there is objective evidence that a Mortgage Loan is impaired, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows.

The identification of impairment and the determination of the recoverable amount are inherently uncertain processes involving various assumptions and factors including the financial position of the Borrower expected future cash flows, and expected net selling prices of collateral.

Other receivables

The receivables are initially measured at transaction price and subsequently carried at amortised cost. Impairment losses are deducted from amortised cost and expensed in the income statement.

Cash

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

Long-term liabilities

Subordinated Loan due to group companies

Under long-term liabilities the Subordinated Loan is valued at amortised costs with a residual maturity longer than one year.

Savings Mortgage Sub-participation

Savings Mortgage Sub-participation are initially measured at transaction price, and subsequently carried at amortised cost.

Current liabilities

On initial recognition current liabilities are recognised at fair value. After initial recognition current liabilities are recognised at amortised cost price. All have a remaining maturity of less than one year.

Deferred Purchase Price due to group companies

The Deferred Purchase Price is defined as being the positive difference, if any, between certain future interest income and expense. The payment of the Deferred Purchase Price to the Issuer is subordinated to certain conditions, mainly interest and principal payments to Subordinated Loan Provider and the funding of the Reserve Account to its target level.

The Deferred Purchase Price is initially measured at transaction price, and subsequently 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.

Accounting policies for the income statement

Interest and similar income

Interest income is recognised on a time-proportionate basis, taking into account the effective interest rate of the assets and liabilities. The interest payable takes into account the transaction costs on related loans as part of the calculation of effective interest rates.

Interest and similar expenses

Interest charges are time proportionate recognised in the income statement, taking into account the effective yield on the assets and liabilities. The interest payable takes into account the transaction costs on related loans as part of the calculation of effective interest rates.

Other operating expenses

These include costs arising from events or transactions that belong to the results from ordinary activities, which are recognised on an accrual basis, but are disclosed separately because of the comparability based on its nature, size or incidental nature.

Corporate income tax

The securitisation has been structured in such manner, that the yearly net result of the Company will, pursuant to the tax ruling as agreed upon with the Dutch tax authorities, be equal to the minimum required profit amount calculated as ten per cent of the Company's share capital and ten per cent of the annual operational expense of the Company (which are not directly related to the assets/liabilities of the Company), which has resulted in a small amount of taxable income. The corporate tax is shown in the income statement.

Accounting policies for the cash flow statement

The cash flow statement has been prepared using the indirect method. For the purposes of the cash flow statement, cash and cash equivalents comprise of balances with less than 90 days maturity or on demand.

Interest paid and received, receivables received, Deferred Purchase Price due to group companies paid, expenses paid and liquidity facility paid are included in cash from operations activities. Dividends paid and redemption of notes are recognised as cash used in financing activities. The movements in mortgages have been recognised as cash used in investing activities where it was settled in cash. Transactions not resulting in inflow or outflow of cash are not recognised in the cash flow statement.

	31 Dec 2020	31 Dec 2019
	€	€
1. Financial fixed assets		
Mortgage Loans	<u>3,548,472,464</u>	<u>3,678,223,550</u>

Movements in Mortgage Loans

	2020	2019
	€	€
Balance at 1 January	3,678,223,550	3,188,964,028
Investments	-	972,194,065
Redemptions	-438,888,272	-348,378,960
Replenishment	581,088,102	57,562,679
Repurchases by Sellers	-271,950,916	-192,118,262
Balance at 31 December	<u>3,548,472,464</u>	<u>3,678,223,550</u>

The redemption type of the Mortgage Loan parts can be detailed as follows:

Mortgage Loans	31 Dec 2020		31 Dec 2019	
	EUR	%	EUR	%
Annuity	1,631,735,193	46.0	1,641,555,132	44.6
Bank Savings	51,206,760	1.4	55,250,476	1.5
Interest Only	1,481,385,427	41.8	1,517,909,702	41.3
Investment	16,077,250	0.5	19,846,775	0.5
Life Insurance	138,550,532	3.9	180,262,563	4.9
Savings	26,698,382	0.8	33,054,380	0.9
Linear	99,037,022	2.8	97,971,940	2.7
Hybrid	103,781,898	2.9	132,372,582	3.6
	<u>3,548,472,464</u>	<u>100.0</u>	<u>3,678,223,550</u>	<u>100.0</u>

Sum of the amounts in the table above is not necessarily equal to the presented total due to possible roundings.

	31 Dec 2020	31 Dec 2019
	€	€
Maturity analyses of Mortgage Loans:		
Less than 3 months	1,241,468	1,054,491
Longer than 3 months and less than 1 year	2,292,095	4,556,050
Longer than 1 year and less than 5 years	33,955,454	32,254,202
Longer than 5 years	<u>3,510,983,447</u>	<u>3,640,358,807</u>
	<u>3,548,472,464</u>	<u>3,678,223,550</u>

The NHG Guarantee ratio of the portfolio as per the year-end is 14.7% (previous year: 19.7%).

The Loan to Indexed Market Value ratio of the portfolio as per the year-end is specified below. The total amount deviates from the Mortgage Loans in the balance sheet as the related Savings Mortgage Sub-participations have been deducted.

	2020		2019	
	€	%	€	%
NHG	513,634,509	14.69%	713,526,582	19.69%
<100%	2,825,275,995	80.78%	2,904,307,302	80.16%
100% - 120%	158,071,019	4.52%	5,337,018	0.15%
>120%	356,938	0.01%	-	0.00%
	<u>3,497,338,461</u>	100.00%	<u>3,623,170,902</u>	100.00%

	31 Dec 2020	31 Dec 2019
	€	€
2. Other receivables		
Accounts receivable due from group companies	77,967,790	82,977,186
Accounts receivable	1,041,301	2,227,443
	<u>79,009,091</u>	<u>85,204,629</u>

The other receivables have a maturity equal to or less than one year.

The fair value of the other receivables approximates the carrying amount, due to their short-term character.

	31 Dec 2020	31 Dec 2019
	€	€
3. Cash		
Société Générale S.A. - CBC Account	316,749	494,862
Société Générale S.A. - Reserve Account	11,185,171	11,150,925
Société Générale S.A. - Construction Account	9,289,676	19,773,728
	<u>20,791,596</u>	<u>31,419,515</u>

The Company has opened amongst others a Reserve Account. This account is credited by the Company, from the proceeds of a Subordinated Loan. The CBC may request a drawdown under the Subordinated Loan to credit the Reserve Account. The Reserve Account is funded with an amount required for registered covered bonds pursuant to the CB Regulations to meet the interest payment obligations under the Covered Bonds for the following six (6) months including higher ranking items in the relevant Priority of Payments and taking into account the expected cashflows, or such other amount as required as liquidity pursuant to the CB Regulations. The applicable amount on the Reserve Account is calculated on a monthly basis and is the higher of; the Reserve Account Required Amount and the Liquidity Reserve Required Amount (in case required). With the applicable legislation, as defined in article 129 CRR, the term "Liquidity Reserve Required Amount is introduced" in the NIBC CPT CBC documents.

As of 1 October 2020 the company was charged negative interest on outstanding balances.

The cash on CBC Account is payable on demand.

4. Shareholder's equity

Issued and paid-up capital	18,000	18,000
General reserve	9,149	3,352
Unappropriated result	14,541	13,470
	<u>41,690</u>	<u>34,822</u>

Issued and paid-up capital

The issued and paid-up share capital of the company as at 31 December 2020 is EUR 18,000, divided into 18,000 ordinary shares of EUR 1 each. The shares are registered and are owned entirely by Stichting Holding NIBC Conditional Pass-Through Covered Bond Company, Amsterdam.

	2020	2019
	€	€
<i>Issued and paid-up capital</i>		
Balance at 1 January	18,000	18,000
Change	-	-
Balance at 31 December	<u>18,000</u>	<u>18,000</u>

General reserve

Balance at 1 January	3,352	-
Appropriation of the net result	13,470	10,282
Dividend	-7,673	-6,930
Balance at 31 December	<u>9,149</u>	<u>3,352</u>

	2020	2019
	€	€
Unappropriated result		
Balance at 1 January	13,470	10,282
Unappropriated profit	14,541	13,470
Result	-13,470	-10,282
Balance at 31 December	<u>14,541</u>	<u>13,470</u>

On 23 July 2020 it was decided, in the General Meeting of Shareholders, to distribute an amount EUR 7,673 to the Shareholder.

	31 Dec 2020	31 Dec 2019
	€	€
5. Long-term liabilities		
Subordinated Loan to group companies	3,577,662,871	3,709,911,376
Savings Mortgage Sub-participation	51,206,760	55,250,476
	<u>3,628,869,631</u>	<u>3,765,161,852</u>

	2020	2019
	€	€
Subordinated Loan to group companies		
Balance at 1 January	3,709,911,376	3,176,163,466
Drawing Subordinated Loan	582,851,430	1,030,542,572
Redemptions Subordinated Loan	-715,099,935	-496,794,662
Balance at 31 December	<u>3,577,662,871</u>	<u>3,709,911,376</u>

	31 Dec 2020	31 Dec 2019
	€	€
Maturity analyses of the Subordinated Loan:		
Less than 3 months	-	-
Longer than 3 months and less than 1 year	-	-
Longer than 1 year and less than 5 years	-	-
Longer than 5 years	3,577,662,871	3,709,911,376
	<u>3,577,662,871</u>	<u>3,709,911,376</u>

During the year outflow of the Subordinated loan can be noted, related to movements in the Mortgage Loans. The maturity of the Subordinated loan is therefor indirectly related to the maturity of the Mortgage Loans. The contractual basis of the Subordinated loan is however long-term.

The Company and B.V. NIBC Mortgage Backed Assets, the Subordinated Loan Provider, have entered into a Subordinated Loan Agreement on the Programme Date, under which the Subordinated Loan Provider agrees to provide, from time to time, a Subordinated Loan, to the Company, (i) for an amount equal to the Initial Purchase Price to finance the acquisition of New Mortgage Receivables or Substitution Assets and (ii) to credit the Reserve Account up to the Reserve Account Required Amount.

Each Subordinated Loan Advance will accrue interest at a rate which will be reset on the CBC Payment Period falling in June of each year by the Subordinated Loan Provider at a rate which is in line with the last publicly issued senior unsecured debt obligations of the Issuer under its Euro Medium Term Notes programme (June 2020: 2.00 per cent. per annum, June 2019: 1.50 per cent. per annum, June 2018: 1.50 per cent. per annum, June 2017: 2.0 per cent. per annum, June 2016: 2.5 per cent. per annum) , unless the Subordinated Loan Provider determines that such rate substantially deviates from the rate which at such date would be expected to be payable by NIBC Bank on such senior unsecured debt obligations, in which case the Subordinated Loan Provider will set the interest rate at a level which it, in its reasonable discretion, determines to be a fair interest rate for NIBC Bank's senior unsecured debt obligations. The interest rate on each Subordinated Loan Advance and the Subordinated Loan will accrue on a monthly basis. The interest payable under the Subordinated Loan and each Subordinated Loan Advance outstanding will be due on each CBC Payment Date, provided that if the amount remaining from the Principal Available Amount and the Interest Available Amount after all items ranking above (k) (payment of interest on the Subordinated Loan) or, as the case may be, item (g) of the Post CBC Acceleration Notice Priority of Payments, have been paid or provided for in full, is insufficient to pay the interest due on the Subordinated Loan, the amount available (if any) shall be applied to the amount of interest due on such Subordinated Loan.

In the event of a shortfall, the Company shall credit a ledger established for such purpose (the "Subordinated Loan Interest Deficiency Ledger") with an amount equal to the amount by which the aggregate amount of interest paid on the Subordinated Loan on any CBC Payment Date falls short of the aggregate amount of interest payable on the Subordinated Loan on that date. Such shortfall shall not be treated as due on that date, but shall accrue interest as long as it remains outstanding at the rate of interest applicable to the Subordinated Loan for such period and such shortfall and accrued interest thereon shall be aggregated with the amount of, and treated as if it were interest due, subject to this limitation, on the Subordinated Loan on the next succeeding CBC Payment Date.

	2020	2019
	€	€
Savings Mortgage Sub-participation		
Balance at 1 January	55,250,476	68,882,073
Repayments, repurchases, prepayments and other receipts	-4,043,716	-13,631,597
Balance at 31 December	<u>51,206,760</u>	<u>55,250,476</u>

The maturities of the Savings Mortgage Sub-participation match those of the Mortgage Loans.

	31 Dec 2020	31 Dec 2019
	€	€
6. Current liabilities		
Interest payable due to group companies	2,912,657	2,276,754
Mortgages - building deposits	8,062,798	17,161,755
Deferred Purchase Price due to group companies	7,553,739	8,885,687
Tax payable	2,259	2,839
Other liabilities	636,093	1,121,139
Other liabilities due to group companies	194,284	202,846
	<u>19,361,830</u>	<u>29,651,020</u>

The fair value of the current liabilities approximates the carrying amount, due to their short-term character.

	2020	2019
	€	€
Deferred Purchase Price due to group companies		
Balance at 1 January	8,885,687	8,565,024
Accrued Deferred Purchase Price	37,682,450	50,239,994
Paid Deferred Purchase Price	-39,014,398	-49,919,331
Balance at 31 December	<u>7,553,739</u>	<u>8,885,687</u>

Financial Instruments

Financial instruments of the Company consist of the Mortgage Loans, Subordinated Loan due to group companies, shortterm receivables and shortterm payables. All are fixed rate financial instruments.

Average effective rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their average effective interest rates at the end of 2020 and the periods in which they mature or, if earlier, re-price.

In millions of euro's

	Average effective interest rate	Total	1 year or less	1-5 years	More than 5 years
		EUR	EUR	EUR	EUR
Financial fixed assets					
Mortgage loans	2.9 %	3,548.5	3.5	34.0	3,511.0
Financial liabilities					
Subordinated Loan due to group companies	1.7 %	3,577.7	-	-	3,577.7

Fair values

Fair value Mortgage Loans

The carrying value of the Mortgage Loans is EUR 3,548 million (2019: EUR 3,678 million) and a fair value of EUR 3,686 million (2019: EUR 3,824 million).

The Company determines the fair value of residential Mortgage Loans by using a valuation model. To calculate the fair value, the expected cash flows are discounted (after expected prepayments) to present value using interbank zero-coupon rates, adjusted for a spread that principally takes into account the credit spread risk of the Mortgage Loans and uncertainty relating to prepayment estimates. The Company used the observed spreads from the RMBS market as key parameter to determine the applicable discount spread to value the Mortgage Loans. Given the impact of various measures by the ECB, such as the Asset- Backed Securities Purchase Programme (ABSPP) and announced Quantitative Easing (QE), the Company deemed it appropriate to make an adjustment in the valuation model leading to a higher discount spread than the observed RMBS market spread.

Fair value Subordinated Loan with group companies

The fair value of the Subordinated loan approximates the Nominal value of the Subordinated loan as the interest rate is reset annually by determining a fair and reasonable credit spread of the Subordinated loan which is in line with publicly issued senior unsecured debt obligations.

Fair value Deferred Purchase Price due to group companies

The fair value of the DPP is estimated and approximates the difference between the fair value of assets and the fair value of the liabilities.

The following table summarizes the carrying amounts and fair values of assets and liabilities at the end of 2020 and 2019 respectively:

In millions of Euros

	Carrying amount 2020 <u>EUR</u>	Fairvalue 2020 <u>EUR</u>	Carrying amount 2019 <u>EUR</u>	Fairvalue 2019 <u>EUR</u>
Financial Fixed Assets				
Mortgage Loans	3,548.5		3,678.2	
Savings Mortgage Sub-participation	<u>-51,2</u>		<u>-55.2</u>	
	3,497.30	3,685.5	3,623.0	3,824.3
Financial Liabilities				
Subordinated Loan due to group companies	3,577.7	3,577.7	3,709.9	3,709.9
Deferred Purchase Price due to group companies	7.6	195.8	8.9	210.2

7. Interest income

This item includes income from Mortgage Loans other similar revenue items, including interest received under the CBC Account Bank Agreement. In the reporting period the average effective interest rate of the Company's mortgage portfolio amounted to 2.9% (2019: 3.1%) and the average effective funding rate amounted to 1.7% (2019: 1.5%) resulting in an interest margin of currency EUR 42.1 million (2019: EUR 54.5 million).

8. Interest expense

This item includes interest expenses on the Subordinated Loan and similar interest expense items.

	2020	2019
	€	€
9. Other operating expenses		
Servicing fee	4,202,271	4,110,653
Calculation and liquidity fees group companies	20,000	20,000
Other operating expenses	156,143	148,301
	<u>4,378,414</u>	<u>4,278,954</u>
<i>Other operating expenses</i>		
Management fees	71,789	66,081
Audit fee	84,276	82,220
Other general expenses	78	-
	<u>156,143</u>	<u>148,301</u>

The audit fees for 2020 amounts to EUR 71,572 (2019: EUR 58,552).

10. Staff

During the year under review the Company did not employ any personnel and hence incurred no wages, salaries, related social security charges or pension cost. The Company has a legal entity which acts as the managing director and receives a remuneration of EUR 71,789 (2019: EUR 66,081). This remuneration is reflected in the statement of income as management fee. The Company has no supervisory directors.

11. Related party transactions

In allignment to the accounting principles, transfer of mortgages occurs based on transaction price. This transaction price may deviate from the fair value of the mortgage.

The subordinated loan bears interest which is fixed for the period of one annum. The fair value of the Subordinated Loan approximates the nominal value of the Subordinated loan as the interest rate is reset annually by determining a fair and reasonable credit spread of the Subordinated Loan which is in line with publicly issued senior unsecured debt obligations.

12. Appropriation of the result for the 2020 financial year

The profit for the year ended 31 December 2020 amounted to EUR 14,541. Management proposes to distribute EUR 7,780 to the Shareholder and add the remainder of the net profit for the year 2020, EUR 6,761, to the Company's General reserve.

13. Subsequent events

On 14 April 2021 there was an Issue of EUR 500 million of NIBC Bank N.V.
This will result in an increase of the mortgage portfolio and an increase in the guarantee in 2021.

Furthermore management is not aware of any subsequent events which may substantially effect the financial position of the company.

Amsterdam, 25 June 2021

Intertrust Management B.V.
Managing Director

OTHER INFORMATION

OTHER INFORMATION

1 Statutory appropriation of profit

In accordance with Article 20 of the Articles of association, the result for the year is at the disposal of the General Meeting of Shareholders.

2 Auditor's report

Refer to the next page for the auditor's report.

Independent auditor's report

To: The managing director of NIBC Conditional Pass-Through Covered Bond Company B.V.

Report on the audit of the financial statements 2020

Our opinion

We have audited the financial statements 2020 of NIBC Conditional Pass-Through Covered Bond Company B.V., based in Amsterdam, The Netherlands. In our opinion the accompanying financial statements give a true and fair view of the financial position of NIBC Conditional Pass-Through Covered Bond Company B.V. as at 31 December 2020, and of its result for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. the balance sheet as at 31 December 2020
2. the statement of income for the year 2020; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

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 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of NIBC Conditional Pass-Through Covered Bond Company B.V. in accordance with the "Audit firms supervision act" (Wta), "Dutch Independence Standard regarding assurance engagements (ViO)" and other relevant independence requirements in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Report on the other information included in the annual accounts

In addition to the annual accounts and our auditor's report thereon the annual report contains other information, including the director's report.

Based on the following procedures performed, we conclude that the other information is consistent with the annual accounts and does not contain material misstatements.

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

By performing these procedures, we comply with the requirements of the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the annual accounts. Management is responsible for the preparation of the other information.

Description of responsibilities regarding the financial statements

Responsibilities of management for the financial statements

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. Furthermore, management is responsible 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 objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- 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 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, whether a material uncertainty exists related to events 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. However, future events or conditions may cause a 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 findings in internal control that we identify during our audit.

Amsterdam, 25 June 2021

Mazars Accountants N.V.

Original was signed by: J.C. van Oldenbeek MSc RA