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

Annual Report 2020

Amsterdam, the Netherlands

Aegon Conditional Pass-Through Covered Bond Company B.V.
Prins Bernhardplein 200
1097 JB Amsterdam
The Netherlands
Chamber of Commerce 63714779

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1. Director's report

1.1 Activities and results

The Director of the Company herewith presents to the shareholder the Annual Report of Aegon Conditional Pass-Through Covered Bond Company B.V. (the “Company") for the year 2020.

General
The Company is a private company with limited liability incorporated under the laws of the Netherlands on July 8, 2015. The statutory address of the Company is Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands. The Company’s Dutch Chamber of Commerce registration number is 63714779. All shares issued by the Company are held by Stichting Holding AEGON Conditional Pass-Through Covered Bond Company, which also is established in Amsterdam, The Netherlands.

The Company guarantees, under the Trust Deed, the payment of interest and principal payable under the Covered Bonds (”the Bonds”) issued by AEGON Bank N.V. (“AEGON” or “the Issuer”) which is located at Thomas R. Malthusstraat 1-3, 1066 JR Amsterdam. As consideration for the Company to meet its obligation under the issued guarantee, AEGON will assign eligible assets to the Company. AEGON assigned eligible mortgage loans to the Company through a silent assignment (in Dutch "stille cessie"). Meaning that until the occurrence of an Assignment Notification Event (reference is made to the Base Prospectus), the asset cover test has been breached or a Notice to pay / CBC Acceleration Notice have been served, AEGON is entitled to all proceeds in relation to the transferred eligible assets. If one or more of the previously mentioned events occurs or notice(s) have been issued, the Company will be entitled to receive all proceeds in relation to the transferred assets, in order to fulfil its obligation under the issued guarantee; payment of interest and principal on the Bonds.

AEGON may issue, under the Covered Bond Programme, various series of Covered Bonds with a total notional amount of EUR 5,000.0 million. On December 1, 2015 AEGON issued under this programme a first series of Bonds in a total value of EUR 750.0 million. On December 1, 2020 AEGON redeemed this first series in full on the Maturity Date. On May 25, 2016 AEGON issued a second series of Bonds for a total nominal value of EUR 500.0 million. All Bonds of this second series were still outstanding as per December 31, 2020. On June 27, 2017 AEGON issued a third series of Bonds for a total nominal value of EUR 500.0 million. All Bonds of this third series were still outstanding as per December 31, 2020. On November 21, 2017 AEGON issued a fourth series of Bonds for a total nominal value of EUR 500.0 million. All Bonds of this fourth series were still outstanding as per December 31, 2020. On November 16, 2020 AEGON issued a fifth series of Bonds for a total nominal value of EUR 500.0 million. All Bonds of this fifth series were still outstanding as per December 31, 2020.

As per December 31, 2020 the net outstanding nominal amount of the transferred mortgage loans was EUR 2,374.8 million (previous year: EUR 2,706.7 million).

The Bonds were rated by both Standard & Poor's and Fitch at issuance. Both rating agencies rated the Bonds issued at AAA. The ratings assigned by Standard & Poor's to all outstanding series of Bonds have not been amended since their issuance. The ratings assigned by Fitch to all outstanding series of Bonds have been withdrawn upon request of AEGON at December 1, 2020.

Since the issuance of the first series of Bonds neither an Assignment Notification Event, nor a breach of the asset cover test has occurred nor has a Notice to pay or a CBC Acceleration Notice been served.

The Trust Deed entered into by the Company, AEGON and Stichting Security Trustee AEGON Conditional Pass-Through Covered Bond Company states that all cost and expenses of the Company and all cash flows from swaps of the Company will be received and paid on behalf of the Company by AEGON for its own account. As a result, all amounts remaining in the Company will flow back periodically to AEGON. Cash transactions to the Company are limited to bank interest received and bank interest charged through to AEGON and the Company will not have the right to any of the proceeds.

In our opinion, the financial statements give a true and fair view of the assets, liabilities, financial position and statement of income of the Company and the director's 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.

Personnel
As all operational activities are performed by external parties, the Company does not have any personnel.

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.

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.

Comparison with prior year
The principles of valuation and determination of result remain unchanged compared to the prior year.

RISK MANAGEMENT
In the event that the Company will take over the servicing of the Bonds, the Company will run interest rate and credit risk on the Bonds and the mortgage portfolio. In order to limit these potential risks the Company mitigated these risks via various instruments.

The risk appetite of the Company is low and matches the risk-profile of the Company. As said, various measurements have been taken to mitigate the risks for the Company. The main risks are various financial risks which will be dealt with separately.

Financial risk management
The Company has, under the Trust Deed, guaranteed the payment of interest and principal payable under the Bonds issued by AEGON. As a consequence, the Company will then, amongst others, run interest rate risks on both the Bonds and the mortgage portfolio.

Credit and concentration risk
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. The Company has no exposure to credit risk, unless the guarantee is invoked. When the guarantee is invoked all risks associated with the mortgage loans are transferred to the Company, with a maximum credit risk of EUR 2,374.8 million (previous year: EUR 2,706.7 million). Until that moment all risks and rewards associated with the assets are retained by AEGON and the transferred mortgage loans are not recognised on the balance sheet of the Company. However, given the minimum required over collateralisation of at least 5% a buffer is available to cover losses arising.

Interest rate risk
In order to limit the potential interest rate risks the Company may, if deemed necessary, enter into a swap agreement in order to mitigate the interest rate risk. In relation to the series issued and the portfolio transferred to the Company no swap agreement has been entered into by the Company. This given the fact that the average fixed interest rate on the Bonds, of 0.3490% (previous year: 0.3889%), is less than the average interest rate of 3.02% on all transferred mortgage loans (previous year: 3.29%) and the obligation of AEGON to offer for a succeeding interest period, of the transferred mortgage loans a minimum mortgage interest rate of 1.0%.

Furthermore, the notional amount outstanding of all transferred eligible mortgage loans should at least be 105% of the notional amount outstanding of all Bonds. At the balance sheet date the notional amount outstanding of the transferred eligible mortgage loans was 118.97% (previous year: 120.54%).

Liquidity risk
Liquidity risk is the risk that the Company will be unable to meet its payment obligations towards the holders of the Bonds and other creditors, as they become due. In order to mitigate the liquidity risk, a temporary shortfall in cash, a reserve account is established. Cash is deposited by AEGON on a separate bank account held by the Company with BNG Bank N.V. ("BNG").

Operational risk
The Company has exposure to operational risks due to most of the services are provided by third parties. The third-party servicers to the Company are Intertrust Management B.V., Intertrust Administrative Services B.V., IQ EQ Structured Finance B.V., AEGON Hypotheken B.V., BNG BANK N.V., PricewaterhouseCoopers Accountants N.V., Citibank N.A., London Branch and ABN AMRO BANK N.V. To the date of this report, all third-party servicers continued to deliver their services to the Company due to the ability to work remote, despite the restrictions caused by the COVID-19 pandemic. The exposure to operational risks to the Company is limited.

Limited Recourse
Although interest rate risk, credit risk and liquidity risk are recognized, the exposure to the Company is limited. The Bonds are issued with limited recourse. If an event of default occurs and the security is enforced, the proceeds may not be sufficient to meet the claims of all the "Secured Creditors" (the Covered Bondholders, directors, administrator, back-up administrator, servicers, custodian, paying agent, calculation agent, registrar, each swap counterparty (if any), asset monitor, CBC account bank, participants, transferor and such other party designated by the security trustee to become a Secured Creditor). If, following enforcement of the security, the Secured Creditors have not received the full amount due to them pursuant to the terms of the transaction documents, the Secured Creditors will no longer have a claim against the Company after enforcement of the security. The Secured Creditors may still have an unsecured claim against the Issuer for the shortfall.

Risk appetite
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.

Results
Apart from a minimum profit amount which is equal to the lowest of 10% of the management fee and EUR 2.500, in accordance with the Prospectus, representing taxable income for corporate income tax purposes in the Netherlands, in accordance with common practice for securitizations, all income and expenses are allocated to the parties concerned in the funding arrangement. Reference is made to the general notes to the financial statements for further details.

The result for the year 2020 amounts to EUR 2.087 (previous year: EUR 2.025)

Based on the set-up and structure of the Company, a special purpose vehicle with a fixed/predetermined amount of profit each year, 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.

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 1.6% 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. At the same time, per current situation, there is some, unexpected, upward pressue on inflation due to higher levels of capital market interest rates.

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 mortgage loans. The limited recourse principle (see above) embedded in the Prospectus and Transaction Documents dictates that any such losses on the mortgage loans are to be borne by AEGON.

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, as described in the Annual Report and the Prospectus.

Amsterdam, 11 May 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					
Other Receivables	[1]	255.885		184.923	
			255.885		184.923
Cash and cash equivalents	[2]		9.783.052		9.848.436
			10.038.937		10.033.359
SHAREHOLDER'S EQUITY AND LIABILITIES					
Shareholder's equity	[3]				
Share capital		1		1	
Other reserves		8.988		6.963	
Result for the period		2.087		2.025	
			11.076		8.989
Long-term liabilities	[4]				
Long-term liabilities		10.000.000		10.000.000	
			10.000.000		10.000.000
Current liabilities	[5]				
Tax liabilities		-		1	
Accrued expenses and other liabilities		27.861		24.369	
			27.861		24.370
			10.038.937		10.033.359

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

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

		January 01, 2020 to December 31, 2020		January 01, 2019 to December 31, 2019	
		€	€	€	€
Operating income and expenses					
Income	[6]	4.488.175		4.377.091	
			4.488.175		4.377.091
General and administrative expenses	[7]	-4.485.675		-4.374.591	
			-4.485.675		-4.374.591
Result before tax			2.500		2.500
Corporate income tax	[8]		-413		-475
Result after tax			2.087		2.025

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

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

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

		January 01, 2020 to December 31, 2020		January 01, 2019 to December 31, 2019	
		€	€	€	€
Result after tax *			2.087		2.025
Adjustments to statement of income:					
Corporate income tax	[8]	413		475	
			413		475
Movements in working capital					
Net change in other receivables	[1]	-70.962		-55.989	
Net change in current liabilities	[5]	3.492		-412	
Corporate income taxes paid	[6]	-414		-477	
Net cash (used in) / from operating activities			-67.884		-56.878
Net cash flow			-65.384		-54.378
Notes to the cash resources					
Opening balance			9.848.436		9.902.814
Movements in cash			-65.384		-54.378
Closing balance			9.783.052		9.848.436

* The net result for the financial year includes the Pool Servicing fee amounting to EUR 4,244,632 (previous year: EUR 4,163,760) charged by the Servicer, which is AEGON Hypotheken B.V., to the Company. The Pool Servicing fee is fully charged by the Company to AEGON. These amounts are settled through the current account and have been treated as non-cash items.

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

2.4 General notes to the financial statements for the year ended December 31, 2020

GENERAL INFORMATION
The Company is a private company with limited liability incorporated under the laws of the Netherlands on July 8, 2015. The statutory address of the Company is Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands. The Company's Dutch Chamber of Commerce registration number is 63714779. All shares issued by the Company are held by Stichting Holding AEGON Conditional Pass-Through Covered Bond Company, which also is established in Amsterdam, The Netherlands.

The Company guarantees, under the Trust Deed, the payment of interest and principal payable under the Covered Bonds ("the Bonds") issued by AEGON Bank N.V. ("AEGON" or "the Issuer") which is located at Thomas R. Malthusstraat 1-3, 1066 JR Amsterdam. As consideration for the Company to meet its obligation under the issued guarantee, AEGON will assign eligible assets to the Company. AEGON assigned eligible mortgage loans to the Company through a silent assignment (in Dutch "stille cessie"). Meaning that until the occurrence of an Assignment Notification Event (reference is made to the Base Prospectus), the asset cover test has been breached or a Notice to pay / CBC Acceleration Notice have been served, AEGON is entitled to all proceeds in relation to the transferred eligible assets. If one or more of the previously mentioned events occurs or notice(s) have been issued, the Company will be entitled to receive all proceeds in relation to the transferred assets, in order to fulfil its obligation under the issued guarantee; payment of interest and principal on the Bonds.

TRANSACTION STRUCTURE, MANAGEMENT AND RELATED PARTIES
AEGON may issue, under the Covered Bond Programme, various series of Covered Bonds with a total notional amount of EUR 5,000.0 million. On December 1, 2015 AEGON issued under this programme a first series of Bonds in a total value of EUR 750.0 million. On December 1, 2020 AEGON redeemed this first series in full on the Maturity Date. On May 25, 2016 AEGON issued a second series of Bonds for a total nominal value of EUR 500.0 million. All Bonds of this second series were still outstanding as per December 31, 2020. On June 27, 2017 AEGON issued a third series of Bonds for a total nominal value of EUR 500.0 million. All Bonds of this third series were still outstanding as per December 31, 2020. On November 21, 2017 AEGON issued a fourth series of Bonds for a total nominal value of EUR 500.0 million. All Bonds of this fourth series were still outstanding as per December 31, 2020. On November 16, 2020 AEGON issued a fifth series of Bonds for a total nominal value of EUR 500.0 million. All Bonds of this fifth series were still outstanding as per December 31, 2020.

As per December 31, 2020 the net outstanding nominal amount of the transferred mortgage loans was EUR 2,374.8 million (previous year: EUR 2,706.7 million).

The Stichting Holding AEGON Conditional Pass-Through Covered Bond Company ('the Foundation') holds all shares of the Company. The Foundation was incorporated under the laws of the Netherlands on July 1, 2015. The registered office of the Foundation is in Amsterdam, the Netherlands. The objectives of the Foundation are to incorporate, acquire and to hold shares in the share capital of the Company and to exercise all rights attached to such shares and to dispose and encumber such shares. The sole director of the Foundation is Intertrust Management B.V.

The Stichting Security Trustee AEGON Conditional Pass-Through Covered Bond Company ("the Trustee") was incorporated under the laws of the Netherlands on July 1, 2015. The registered address of the Trustee is in Amsterdam, the Netherlands. The main objective of the Trustee is to act as security trustee for the benefit of the creditors of the Company, including the holders of the Bonds issued by AEGON and guaranteed by the Company. The sole director of the Trustee is IQ EQ Structured Finance B.V.

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.

Personnel
As all operational activities are performed by external parties, the Company does not have any personnel.

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.

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.

Comparison with prior year
The principles of valuation and determination of result remain unchanged compared to the prior year.

RISK MANAGEMENT
In the event that the Company will take over the servicing of the Bonds, the Company will run interest rate and credit risk on the Bonds and the mortgage portfolio. In order to limit these potential risks the Company mitigated these risks via various instruments.

The risk appetite of the Company is low and matches the risk-profile of the Company. As said, various measurements have been taken to mitigate the risks for the Company. The main risks are various financial risks which will be dealt with separately.

Financial risk management
The Company has, under the Trust Deed, guaranteed the payment of interest and principal payable under the Bonds issued by AEGON. As a consequence, the Company will then, amongst others, run interest rate risks on both the Bonds and the mortgage portfolio.

Credit and concentration risk
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. The Company has no exposure to credit risk, unless the guarantee is invoked. When the guarantee is invoked all risks associated with the mortgage loans are transferred to the Company, with a maximum credit risk of EUR 2,374.8 million (previous year: EUR 2,706.7 million). Until that moment all risks and rewards associated with the assets are retained by AEGON and the transferred mortgage loans are not recognised on the balance sheet of the Company. However, given the minimum required over collateralisation of at least 5% a buffer is available to cover losses arising.

Interest rate risk
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Furthermore, the notional amount outstanding of all transferred eligible mortgage loans should at least be 105% of the notional amount outstanding of all Bonds. At the balance sheet date the notional amount outstanding of the transferred eligible mortgage loans was 118.97% (previous year: 120.54%).

Liquidity risk
Liquidity risk is the risk that the Company will be unable to meet its payment obligations towards the holders of the Bonds and other creditors, as they become due. In order to mitigate the liquidity risk, a temporary shortfall in cash, a reserve account is established. Cash is deposited by AEGON on a separate bank account held by the Company with BNG Bank N.V. ("BNG").

Operational risk
The Company has exposure to operational risks due to most of the services are provided by third parties. The third-party servicers to the Company are Intertrust Management B.V., Intertrust Administrative Services B.V., IQ EQ Structured Finance B.V., AEGON Hypotheken B.V., BNG BANK N.V., PricewaterhouseCoopers Accountants N.V., Citibank N.A., London Branch and ABN AMRO BANK N.V. To the date of this report, all third-party servicers continued to deliver their services to the Company due to the ability to work remote, despite the restrictions caused by the COVID-19 pandemic. The exposure to operational risks to the Company is limited.

Limited Recourse
Although interest rate risk, credit risk and liquidity risk are recognized, the exposure to the Company is limited. The Bonds are issued with limited recourse. If an event of default occurs and the security is enforced, the proceeds may not be sufficient to meet the claims of all the "Secured Creditors" (the Covered Bondholders, directors, administrator, back-up administrator, servicers, custodian, paying agent, calculation agent, registrar, each swap counterparty (if any), asset monitor, CBC account bank, participants, transferor and such other party designated by the security trustee to become a Secured Creditor). If, following enforcement of the security, the Secured Creditors have not received the full amount due to them pursuant to the terms of the transaction documents, the Secured Creditors will no longer have a claim against the Company after enforcement of the security. The Secured Creditors may still have an unsecured claim against the Issuer for the shortfall.

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”). This is normal course of business for this kind of special purpose vehicles due to the uniqueness of the structure and accompanying financial statement line items. 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, Statement of Income and the Statement of cash flows 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 a third party. In such cases, the results of the transaction are directly recognised in the Statement of Income.

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. All amounts are in EUR, unless stated otherwise.

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 Director has assessed 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, the Director 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.

Implications of COVID-19 on our business
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 AEGON and/or Bondholders.

Impairment losses on mortgage loans
The Company reviews the underlying mortgage loans individually to determine whether provision should be made due to incurred loss events for which there is objective evidence, but of which effects are not yet evident. The assessment takes into account the data from the loan portfolio (such as credit quality, levels of arrears, loan to collateral ratios, historical loss patterns, etc.).

Ultimately, the Company's obligations towards the Issuer and holders of the Bonds in issue have limited recourse to the payments received on the mortgage loans and other income of the Company. If the incurred credit losses on the mortgage loans impair the Company's ability to repay either of those parties in full then the liabilities will be deemed to have been discharged in full once the available funds are paid out. This limited recourse arrangement acts as a hedge against the credit risk arising on mortgage loans.

Financial instruments
These financial statements contain the following financial instruments: other receivables, cash and cash equivalents, long-term liabilities and current liabilities.

Financial instruments are initially stated at fair value, including discount or premium and directly attributable transaction costs. After initial recognition, financial instruments are valued at amortised cost. For any specific applicable accounting policy see the specific descriptions of the financial instruments in this section.

Other receivables
Receivables are recognised initially at fair value and subsequently measured at amortised cost. All receivables included under current assets are due in less than one year. The fair value of the current assets approximates the book value due to its short-term character. If a receivable is uncollectable, it is written off against the Statement of income.

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. The fair value of the cash and cash equivalents approximates the book value due to its short-term character.

Long-term liabilities
The balance with the Issuer is initially recognised at fair value and subsequently carried at amortised cost. Mortgage loans and all other related balances are deducted from the balance with the Issuer in recognition of the retention of economic ownership by the Issuer.

Current liabilities
After initial measurement at fair value, current liabilities are carried at amortised cost. All liabilities included under current liabilities are due in less than one year. Gains or losses are recognised in the Statement of income when the liabilities are derecognised, as well as through the amortisation process when applicable. The fair value of the current liabilities approximates the book value due to its short-term character.

Result
The result is the difference between the income and the general and administrative expenses during the year. The results on transactions are recognised in the year in which they are realised.

Revenue recognition
Income is recognised in the Statement of income when an increase in future economic potential related to an increase in an asset or a decrease of a liability arises, of which the size can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability arises, of which the size can be measured with sufficient reliability.

Income and expenses, including taxation, are allocated to the period to which they relate.

General and administrative expenses
The 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, long-term liabilities and other liabilities included in these financial statements, the estimated fair value for these financial instruments approximates the book value, as disclosed in the aforementioned accounting policies.

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

STATEMENT OF CASH FLOWS
The statement of cash flows has been prepared using the indirect method. The cash items disclosed in the statement of cash flows are comprised of cash and cash equivalents. Income taxes are included in cash from operating activities. Dividends, when applicable, are recognised as cash used in financing activities. Transactions not resulting in inflow or outflow of cash are not recognised in the statement of cash flows.

2.5 Notes to the balance sheet as at December 31, 2020

CURRENT ASSETS

		December 31, 2020	December 31, 2019
Other receivables	**[1]**	€	€
Receivable AEGON		255.885	184.923
		255.885	184.923

The other receivables consists of costs reimbursed to AEGON by the Company, but still need to be received by the Company. All receivables fall due within one year.

		December 31, 2020	December 31, 2019
Cash and cash equivalents	**[2]**	€	€
CBC collection account		1.130	1.177
CBC reserve account		9.781.560	9.846.466
CBC custody cash account		362	793
		9.783.052	9.848.436

CBC collection account
The CBC collection account relates to a floating rate current account with BNG. The rate of interest on the collection account is determined by the Euro Overnight Index Average ("EONIA") minus a spread amounting to 25 basis points. With effect from (and including) October 1, 2019, EONIA will be calculated as the Euro Short-Term Rate (€STR) 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.

CBC reserve account
The CBC reserve account relates to a reserve deposit with BNG. The reserve account required amount as per December 31, 2020 amounts to EUR 3,816,301.37 (previous year: EUR 4,068,456.28). These funds are designated as reserve fund for the bond holders. These funds are not at the free disposal of the Company, as they relate to immediately due and payable withdrawal claims against credit institutions and cash resources. The remaining balance of EUR 5,965,258.50 is at the free disposal of the Company. The rate of interest on the reserve account is determined by the Eonia minus a spread amounting to 15 basis points.

CBC custody cash account
The CBC custody cash account relates to a floating rate current account with ABN AMRO Bank N.V. The rate of interest on the custody cash account is determined by the EONIA minus a spread amounting to 25 basis points.

SHAREHOLDER'S EQUITY [3]

Share capital

	2020	2019
	€	€
Opening balance	1	1
Issue share	-	-
Closing balance	1	1

The issued and paid-in share capital amounts to EUR 1, consisting of 1 ordinary share of EUR 1.

Result for the period

	2020	2019
	€	€
Opening balance	2.025	2.000
Other reserves	-2.025	-2.000
Result for the period	2.087	2.025
Closing Balance	2.087	2.025

The net result for the year amounts to EUR 2.087 (previous year: EUR 2.025).

Proposed appropriation
The net result for the year under review is EUR 2.087 (previous year: EUR 2.025). Management proposes to add the net result to the other reserves.

LONG-TERM LIABILITIES [4]

Long-term liabilities

	2020	2019
	€	€
Opening balance	10.000.000	10.000.000
Additions to reserve account	-	-
Closing balance	10.000.000	10.000.000

Long-term liabilities relate to the obligatory cash deposit made by AEGON. This cash amount is deposited in a separated account; the reserve account. The Company will need to refund the deposited amount, to AEGON, when the obligation of maintaining a reserve fund is no longer in place. This will be the case once the issued Bonds have been repaid in full. AEGON redeemed the first series at its maturity date at December 1, 2020. The maturity date of the second series is May 25, 2023. The maturity date of the third series is June 27, 2027. The maturity date of the fourth series is November 21, 2024. The maturity date of the fifth series is November 16, 2025.

The required amount that needs to be deposited is based on the scheduled interest due on the issued Bonds on the next following interest payment date. The reserve fund is maintained in order to guarantee an uninterrupted payment of the interest amounts due on the Bonds. AEGON is entitled to receive all interest receipts in relation to the deposited cash amount in the reserve account. The liability equals the amounts that have been deposited by AEGON on the reserve account. No interest is due on the liability towards AEGON.

The Company has granted a first ranking right of pledge over the transferred mortgage loans and beneficiary rights to the Trustee. The exercise of the pledge is subject to certain terms and conditions. Not meeting the Company’s obligations to certain secured parties, including the covered bond holders, can lead to exercising the right of pledge by the Trustee.

CURRENT LIABILITIES [5]

Tax liabilities

	December 31, 2020	December 31, 2019
Corporate income tax	€	€
Corporate income tax current year	-	1
	-	1

Accrued expenses and other liabilities

	December 31, 2020	December 31, 2019
	€	€
Other costs	3.470	689
Audit fee	24.391	23.680
	27.861	24.369

Accrued expenses and other liabilities are due within a year. As part of the Trust Deed all income and expenses are settled with AEGON. All current liabilities have a maturity of less than one year.

2.6 Notes to the statement of income for the year ended December 31, 2020

Income [6]

	January 01, 2020 to December 31, 2020	January 01, 2019 to December 31, 2019
	€	€
Charged to AEGON	4.488.175	4.377.091
	4.488.175	4.377.091

As part of the Trust Deed all expenses are charged and settled with AEGON. The expenses recharged to AEGON is the recharge of the expenses towards AEGON.

General and administrative expenses [7]

	January 01, 2020 to December 31, 2020	January 01, 2019 to December 31, 2019
	€	€
Pool servicing fee	4.244.632	4.163.760
Administration fee	98.676	96.756
Management fee	52.554	33.771
Audit fees	24.390	23.680
Negative interest bank accounts	64.916	56.237
Other expenses	507	387
	4.485.675	4.374.591

The costs are determined on a historical basis and are attributed to the reporting year to which they relate.

	Pricewaterhouse-Coopers Accountants N.V.	Other Pricewaterhouse-Coopers firms / affiliates	Total 2020
	€	€	€
Audit of the financial statements	20.157	-	20.157
Other audit engagements	-	-	-
Tax advisory services	-	-	-
Other non-audit services	-	-	-
Totals	20.157	-	20.157

The audit of the financial statements comprises a fee payable to PricewaterhouseCoopers Accountants N.V. for services rendered. The amount is excluding VAT and accounted for on an accrual basis.

Corporate income tax [8]

	January 01, 2020 to December 31, 2020	January 01, 2019 to December 31, 2019
	€	€
Corporate income tax	413	475
	413	475

The Company and the Dutch Tax Authorities agreed by way of a ruling until the final maturity date of the Bonds that the taxable amount is calculated as the higher of a) 10% of the annual remuneration paid to the managing director of the Company and b) EUR 2,500. The applicable tax rate for the period under review is 16,5% of the taxable amount (previous year: 19%).

Employees
During the period under review the Company did not employ any personnel (previous period: nil).

Remuneration of the Director and Board of Supervisory Directors
The remuneration of the Managing Director amounts to EUR 19,741 (previous year: EUR 19,239).

The Company does not have a board of supervisory directors.

Amsterdam, 11 May 2021

Managing Director
Intertrust Management B.V.

3. Other information

3.1 Statutory provisions

In accordance with Article 19 of the Articles of Association, and applicable law, the Director is authorized 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 shareholders only to the extent that from the most recently adopted balance sheet it appears that the Company's shareholder's equity exceeds the sum of the reserves which it is legally required to maintain.

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