

ABN AMRO Covered Bond Company B.V.

Financial statements 2018

Amsterdam, the Netherlands

ABN AMRO Covered Bond Company B.V.
Prins Bernhardplein 200
1097 JB Amsterdam
The Netherlands
Chamber of Commerce: 34229351

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1 Director's report

1.1 Activities and results

1.1.1 General

ABN AMRO Covered Bond Company B.V. (the 'Company') was incorporated on 4 July 2005. The shares of the Company are held by Stichting Holding ABN AMRO Covered Bond Company. The Company does not employ any personnel. The main objective of the Company is to grant security for the Company's obligations and debts and for the obligations and debts of third parties, including ABN AMRO Bank N.V.; in conformity with the Covered Bonds programme, which is established by ABN AMRO Bank N.V. The covered bonds issued by ABN AMRO Bank N.V. (hereafter the 'Issuer') are secured by a portfolio of mortgage loans. At 31 December 2018 the Issuer had issued covered bonds for an amount of EUR 30.7 billion, secured by a portfolio of mortgage loans amounting approximately EUR 36.5 billion. A complete description of the transaction are included in the Base Prospectus dated 20 December 2018 which is publically available.

The Company does not engage in Research & Development and thus no relating expenses are recorded.

The Company does not employ any personnel.

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

During the period under review, activities and results of the Company developed in line with expectations. Each month an Asset Cover Test was performed which results were 'pass' during the period under review.

Ernst & Young Accountants LLP (EY) has been appointed as the external auditor.

1.1.2 Financial risk management

The main financial risks the Company is exposed to are credit and concentration risk, interest rate risk and liquidity risk. These risks relate to the Mortgage Loans as collateral.

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 in this respect.

Consequently, not only the creditworthiness of the borrower can be recognised as a risk but also the general economic conditions and the housing market in particular have an impact on the probability of a loss.

As detailed in the Future developments section below, the Dutch economy continued to prosper in 2018 and most macro-economic developments are still showing positive trends. These trends are expected to have a continued positive effect on house prices, though the rate of growth in prices is showing signs of levelling out. Whilst the market as a whole is still overheated, the regions that have experienced the most spectacular price rises in recent years are now showing signs of slowing down. This all has a continued positive impact on the expected loss ratios on the loan portfolio as the gap between loan levels and the value of collateral generally rises.

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

The Company only has exposure to credit risk, which is the risk that the Borrowers will be unable to pay amounts in full when due, when a downgrade of ABN AMRO Bank N.V. occurs. Until that moment all risks and rewards associated with the assets are retained by ABN AMRO Bank N.V.

Interest rate risk

The Company is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Currently, there is an appreciable gap between the interest attracted on the underlying Mortgage Portfolio on the one hand and the covered bonds on the other hand. This situation is not expected to change appreciably in the coming years. The interest rate risk within the covered bond structure is now mainly mitigated via an interest reserve fund. Additionally there is a minimum interest rate of 1.5% for eligible mortgages in the cover pool. As both the mortgages and the covered bonds are mainly fixed rate, there is a natural hedging within the covered bond structure.

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

1.2 Future developments

The year 2018 has seen a continuation of the positive developments for the Dutch economy for just about all economic indicators, although in most areas, the level of growth was lower than in recent years, and 2017 in particular. The Gross Domestic Product ("GDP") increased by around 2.5% in 2018, as compared to 3.0% in 2017. The growth was mostly fueled by consumer confidence, still stemming for a large part from the upswing in the domestic house prices. In addition, public sector spending is rising and confidence levels within commercial enterprises are still relatively high. The latter is the result of increased world trade and the continuing low levels of inflation and interest rates. It is expected that the economy will continue to show relatively high growth rates in the coming years with increases of GDP of 1.7% expected for both 2019 and 2020. These are expected to be driven by consumer confidence and increased public spending though this is showing signs of delays due to capacity and raw material problems. Much of these expectations are to a large degree dependent on developments in the rest of the world. The threat of a trade wars, developments in the emerging economies (China in particular) and the consequences of Brexit currently form the biggest dangers to these projections.

A relatively high level of confidence continues in the business and commerce sectors and investment levels are also expected to remain relatively high. There appears to be ample funding available, both from the banking and private sectors, as well as from increased liquidity arising from higher profit levels.

Unemployment levels reduced from 4.9% to 3.8% during 2018 and this trend is also expected to slow down with an estimate of 3.6% at the end of both 2019 and 2020. The slowdown is the result of capacity limits being reached and difficulties being experienced in the recruitment of suitable staff is becoming a greater issue. Vacancy levels are high and are being filled increasingly by older, more experienced employees. The shift in labour markets seen in recent years from fixed to flexible contracts also appears to be coming to an end.

Inflation is expected to rise from some 1.7% in 2018 to 2.7% in 2019 but reducing to 1.8% in 2020. The anticipated rise in 2019 stems from increases in energy prices and the imposed increase in the low rate VAT. The VAT increase will only impact the 2019 inflation rate significantly. For each of the coming years, wage inflation is expected to rise from the 2018 level of around 2.1% as a result of annual wage increase settlements and the trend to employ more experienced personnel. Wage inflation, in combination with lower personal taxes is expected to lead to increases in real disposable income.

The Dutch residential housing market continues to show signs of overheating but the latter part of 2018 showed signs of normalization. There are indications that the price ceiling is being reached, particularly in the regions where the most spectacular price rises have been experienced in recent years. Significant increases in asking prices and bids above the asking price are less commonplace. Another effect is that the relationship between supply and demand seems to be returning to a more normal level. As always, there are significant regional differences. Such variations occur foremost between the Randstad, particularly Amsterdam and surrounding areas, and the rest of the country. Some regions are also affected by local economic and social issues and developments.

For the market as a whole, the number of dwellings changing ownership decreased by some 10% during 2018 as compared to the previous year and with it the average time that dwellings spend on the market. For new developments, recent months have seen a trend of delayed completion, mostly due to capacity issues. The scarcity of labour and some raw materials, as well as a high level of development in urban areas, have also resulted in significant price rises for new dwellings. The expectation is that these trends will continue in the coming years, albeit that they will be less pronounced than in recent years as some degree of normalization is reached. However, until these levels are reached, the NVM has expressed deep concerns for the market in each of its recent press releases on the subject.

Risk levels for homeowners and lenders alike have again decreased since last year and this is expected to continue in the coming years, though regional differences continue. New home owners have been subjected to stricter lending conditions and existing home owners have seen debt ratios decrease as a result of rising prices. Additionally, lenders are accelerating repayments in situations where they are locked into mortgage agreements at relatively high interest rates. The latter is one of the restrictions in the growth of mortgage debt levels and so the prospects of growth in the mortgage market will be tempered somewhat in the coming years and will probably not match increases in house prices. There are clear indications that borrowers are increasingly finding alternative sources for the funding of house purchases and this is leading to an easing of acceptance criteria used by mortgage lenders.

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

The historical information and prospective trends in this report were primarily derived from public reports issued by DNB and the NVM.

Amsterdam, 11 June 2019
Managing director
Intertrust Management B.V.

2 Financial statements

2.1 Balance sheet as at 31 December 2018

(after appropriation of result)

	<i>Notes</i>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
		EUR	EUR
ASSETS			
Current assets			
Prepaid expenses and other receivables	2.4.1	29.015	25.604
Cash and cash equivalents			
Issuer Dutch Account	2.4.2	330.020.000	345.019.862
		<u>330.049.015</u>	<u>345.045.466</u>
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	2.4.3	20.000	20.000
Current liabilities			
Loan	2.4.4	330.000.000	345.000.000
Accrued expenses and other liabilities		<u>29.015</u>	<u>25.466</u>
		330.029.015	345.025.466
		<u>330.049.015</u>	<u>345.045.466</u>

2.2 Statement of income and expenses for the period 1 January 2018 until 31 December 2018

	<u>Year 2018</u>		<u>Year 2017</u>	
	EUR	EUR	EUR	EUR
Income				
Guarantee fee	15.000		15.000	
Reimbursed expenses	<u>30.015</u>		<u>29.549</u>	
		45.015		44.549
Operating expenses				
Administration fee	4.000		4.000	
Auditor fee	<u>26.015</u>		<u>25.410</u>	
		<u>30.015</u>		<u>29.410</u>
		15.000		15.139
Financial income and expenses				
Interest expenses	<u>-</u>		<u>(139)</u>	
		-		(139)
Income before taxation		<u>15.000</u>		<u>15.000</u>
Corporate tax		3.000		3.000
Net result		<u><u>12.000</u></u>		<u><u>12.000</u></u>

2.3 General notes to the financial statements

2.3.1 General information

ABN AMRO Covered Bond Company B.V., (the "Company" or the "CBC") was incorporated as a private company with limited liability under the laws of the Netherlands on 4 July 2005. The Company is registered under registration number 34229351 at the Chamber of Commerce of Amsterdam. The registered office of the Company is at Prins Bernhardplein 200 in Amsterdam, the Netherlands.

The objectives of the Company are:

- a. to obtain, to hold, to transfer, encumber and otherwise dispose of assets, including claims on private persons, enterprises and public authorities, whether or not embodied in securities or bonds and to exercise all accessory and ancillary rights connected thereto;
- b. to raise funds through, inter alia, borrowing under loan agreements, entering into financial derivatives or otherwise and to invest and put out funds obtained by the Company in, inter alia, (interests in) loans, bonds, debt instruments and other evidences of indebtedness, shares, warrants and other similar securities and also financial derivatives;
- c. to grant security for the Company's obligations and debts and for the obligations and debts of third parties, including ABN AMRO Bank N.V.;
- d. to enter into agreements, including, but not limited to, financial derivatives such as interest and/or currency exchange agreements, in connection with the objects mentioned under (a), (b) and (c);
- e. to enter into agreements, including, but not limited to, bank, securities and cash administration agreements, asset management agreements and agreements creating security in connection with the objects mentioned under (a), (b), (c) and (d) above, everything in conformity with Covered Bonds Programs, which by the public Company ABN AMRO Bank N.V., with statutory seat at Amsterdam, are or will be established.

2.3.2 Transaction structure, management and related parties

The covered bonds issued by ABN AMRO Bank N.V. are secured by a portfolio of mortgage loans. In the event that the issuer ("ABN AMRO Bank N.V.") cannot meet its payment obligations on the covered bonds or after a significant downgrade of the issuer's rating, cashflows start running through the Company. The principal and interest payments of the mortgage portfolio will be used by the Company to meet its principal and interest payment obligations on the covered bonds. For non-euro covered bonds, ABN AMRO Bank N.V. has swapped the fixed rate interest obligations to floating rate interest obligations via an interest rate and cross-currency swap.

The structure of the covered bond programme can be described as follows:

The Company guarantees the Covered Bonds issued by ABN AMRO Bank N.V. The guarantee is secured by residential mortgage loans transferred to the Company by the Originators via silent assignment (*stille cessie*). Other assets may be included subject to contractual conditions.

This means that legal title has been transferred to the Company without notification to the borrowers. ABN AMRO Bank N.V. continues to receive all cash flows until notification to the Borrowers occurs following the occurrence of a Notification Event. Borrowers may be notified of the assignment and cash flows start running through the Company following a default of the issuer on its obligations under the Covered Bonds or a significant downgrade of the issuer's ratings.

The Guarantee Support Agreement provides that the transfer of the mortgage loans will be effectuated through a silent assignment (*stille cessie*) by the Originators to the Company. This means that legal ownership of the mortgage loans will be transferred to the Company by registration of a duly executed deed of assignment with the Dutch Tax Authority (*Belastingdienst*), without notifying the debtors of such transfer. The Company has granted a first ranking right of pledge over the Company rights to Stichting Trustee ABN AMRO Covered Bond Company. The exercise of the pledge is subject to certain terms and conditions. Not meeting the Company's obligations to certain secured parties, including the Covered Bond holders, can lead to exercising the right of pledge by Stichting Trustee ABN AMRO Covered Bond Company. ABN AMRO BANK N.V. and subsidiaries are considered related parties.

Programme

The net amount outstanding of the issued Bonds at year-end is EUR 30.7 billion (previous year: EUR 28,7 billion) against a portfolio of mortgage loans totalling EUR 36.5 billion (previous year: EUR 35,0 billion).

The long term rating for ABN AMRO Bank N.V. is

Fitch	"A+"	stable outlook	1 March 2019
Moody's	"A1"	stable outlook	21 December 2018

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Management

Intertrust Management B.V. manages the Company and ABN AMRO Hypotheken Groep B.V. handles the cash management, statutory accounting and Investment Reporting. Intertrust Management B.V. is not related to ABN AMRO Hypotheken Groep B.V. in any way.

The Company has an authorized share capital of EUR 20.000 of which all shares have been issued and fully paid-up. The Stichting Holding ABN AMRO Covered Bond Company holds all shares.

Stichting Holding ABN AMRO Covered Bond Company is a foundation incorporated under the laws of the Netherlands on 10 June 2005. The objectives of Stichting Holding ABN AMRO Covered Bond Company are to incorporate, acquire and to hold shares of the Company and to exercise all rights attached to such shares and to dispose and encumber such shares. Intertrust Management B.V. is the director of Stichting Holding ABN AMRO Covered Bond Company.

2.3.3 Financial risk management

The main financial risks the Company is exposed to are credit and concentration risk, interest rate risk and liquidity risk. These risks relate to the Mortgage Loans as collateral.

Credit and concentration risk

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Consequently, not only the creditworthiness of the borrower can be recognised as a risk but also the general economic conditions and the housing market in particular have an impact on the probability of a loss.

As detailed in the Future developments section below, the Dutch economy continued to prosper in 2018 and most macro-economic developments are still showing positive trends. These trends are expected to have a continued positive effect on house prices, though the rate of growth in prices is showing signs of levelling out. Whilst the market as a whole is still overheated, the regions that have experienced the most spectacular price rises in recent years are now showing signs of slowing down. This all has a continued positive impact on the expected loss ratios on the loan portfolio as the gap between loan levels and the value of collateral generally rises.

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

The Company only has exposure to credit risk, which is the risk that the Borrowers will be unable to pay amounts in full when due, when a downgrade of ABN AMRO Bank N.V. occurs. Until that moment all risks and rewards associated with the assets are retained by ABN AMRO Bank N.V.

Interest rate risk

The Company is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Currently, there is an appreciable gap between the interest attracted on the underlying Mortgage Portfolio on the one hand and the covered bonds on the other hand. This situation is not expected to change appreciably in the coming years. The interest rate risk within the covered bond structure is now mainly mitigated via an interest reserve fund. Additionally there is a minimum interest rate of 1.5% for eligible mortgages in the cover pool. As both the mortgages and the covered bonds are mainly fixed rate, there is a natural hedging within the covered bond structure.

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

2.3.4 Principal accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Basis of presentation

The financial statements are prepared in accordance with Generally Accepted Accounting Principles in the Netherlands and comply with Section 9 Book 2 of the Dutch Civil Code. The financial statements are prepared under the historical cost convention and presented in the joint currency of the European Monetary Union, the euro ("EUR"). In principle, unless otherwise stated, assets and liabilities are stated at nominal value and financial assets and financial liabilities are stated at amortised cost using the effective interest method. If deemed necessary, a provision is deducted from the nominal amount of accounts receivable. Initial measurement is at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The going concern assumption was applied during the preparation of the financial statements.

The Company is considered a small entity for Dutch statutory reporting purposes and therefore, in accordance with the provisions of Article 396, Title 9 of Book 2 of the Netherlands Civil Code, certain exemptions apply to the Company's financial statements and the Notes thereto.

Offsetting

Financial assets and liabilities are offset and 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 assets and settle the liabilities simultaneously.

Revenue recognition

Income is recognised in the statement of income when an increase in economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be estimated with a sufficient reliability. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be estimated with sufficient reliability. The revenue and expenses are allocated to the period to which they relate.

Comparison last year

If deemed necessary, comparative amounts have been reclassified or restated to conform to the current year's presentation.

Critical accounting estimates and judgements

The preparation of the financial statements requires management 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. 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.

2.3.5 Corporate income tax

Corporate income tax is calculated by applying the nominal tax rate to the profit before taxation of the financial year.

On 29 June 2005 the Company was granted a tax ruling by the Dutch Tax Authority.

In this ruling it is agreed that the Company will report a yearly result before taxes of EUR 15.000.

2.3.6 Contingent liabilities and comments

The Company has granted a first ranking right of pledge over the CBC Rights to Stichting Trustee ABN AMRO Covered Bond Company.

2.4 Notes to the balance sheet and the statement of income

2.4.1 Prepaid expenses and other receivables

The prepaid expenses and other receivables relate to a receivable on ABN AMRO Hypotheken Groep B.V.

2.4.2 Cash and cash equivalents

In June 2015 ABN AMRO Bank N.V. has put an amount of EUR 1,1 billion on the Company's account. This is because of the contractual obligation of ABN AMRO Bank N.V. under its Covered Bond Programme to have liquid assets in the cover pool following the downgrade of the Fitch short-term bank rating from F1+ to F1. As the required amount declined during time, the total balance was EUR 0,3 billion on 31 December 2018.

2.4.3 Shareholder's equity

Share capital

The authorized share capital amounts to EUR 20.000 and consists of 20 ordinary shares of EUR 1.000 each, of which all shares are issued and fully paid-in. During 2018, no movements occurred in the shareholder's equity.

Result current year

The result out of the financial year 2018 amounts to EUR 12.000

2.4.4 Current liabilities (due within one year)

Loan

This loan is payable to ABN AMRO Bank N.V. and reflects an additional funding under the Covered Bond Programme in order to provide for short term payment obligations. The payment obligation to ABN AMRO Bank N.V. reflects the amount held in cash in order to meet the requirements of the Programme.

Corporate income tax payable

The provision for corporate income tax has been calculated in accordance with the policies as set out in paragraph 2.3.6.

Accrued expenses and liabilities The accrued expenses and liabilities relate to the Ernst & Young Accountants LLP audit fee.

2.4.5 Operating expenses

General and administrative expenses

Ernst & Young Accountants LLP charged the Company EUR 26.015 (previous year: EUR 25.410) for the audit of the financial statements. Ernst & Young Accountants LLP did not deliver any other services to the Company during 2018.

2.4.6 Other notes to the financial statements

Employees

During the reporting period the Company did not employ any personnel.

Remuneration of the Directors Board of Supervisory Directors

The Board of Directors consists of one corporate director; the remuneration of the Director is nil. The Company does not have a Board of Supervisory Directors.

2.4.7 Proposed appropriation

The profit for the year ended 31 December 2018 is EUR 12.000.

During August 2018, the management board of the Company has resolved to distribute an Interim Dividend in the net amount of EUR 12.000.

2.4.8 Post-balance sheet events

Management is not aware of any events that took place after balance sheet date that could have a major effect on the financial position of the Company.

Amsterdam, 11 June 2019
Managing director,
Intertrust Management B.V.

3 Other information

3.1 Statutory provisions regarding profit appropriation

In accordance with Article 14 of the Articles of Association, the result for the year is at the disposal of the Annual General Meeting of Shareholders.

3.2 Independent auditor's report

We refer to the next page for the independent auditor's report.

Independent auditor's report

To: the shareholder ABN AMRO Covered Bond Company B.V.

Report on the audit of the financial statements 2018 included in the annual report

Our opinion

We have audited the financial statements 2018 of ABN AMRO Covered Bond Company B.V. (the Company) based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of ABN AMRO Covered Bond Company B.V. as at 31 December 2018, and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- ▶ The balance sheet as at 31 December 2018
- ▶ The profit and loss account for 2018
- ▶ 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 ABN AMRO Covered Bond Company B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Report on other information included in the annual report

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

- ▶ The Directors' report
- ▶ Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- ▶ Is consistent with the financial statements and does not contain material misstatements
- ▶ Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the director's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the managing director as auditor of ABN AMRO Covered Bond Company B.V. for the audit of the financial statements 2018 and have been the external auditor since 2016 and have acted as independent auditor since that date.

Description of responsibilities for 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 have detected all material errors and fraud.

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 judgment 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
- ▶ Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with the supervisory board 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.

We provide management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Amsterdam, 11 June 2019

Ernst & Young Accountants LLP

signed by P.J.A.J. Nijssen