

ING SB2 Covered Bond Company B.V.

**Report for the period
30 March 2020 to December 31 2020**

Amsterdam, the Netherlands

ING SB2 Covered Bond Company B.V.
Prins Bernhardplein 200
1097JB Amsterdam
The Netherlands
Chamber of Commerce Amsterdam 77745337

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1. Director's report

ING SB2 Covered Bond Company B.V.

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1.1 Activities and results

General

ING SB2 Covered Bond Company B.V. ("the Company") was incorporated on March 30, 2020 as a private company with limited liability under the laws of the Netherlands. The Company's registered address is at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands. As per 31 December 2020 the Company remains dormant.

The objects of the company are:

(a) to acquire, hold, transfer, encumber and otherwise dispose of assets, including but not limited to receivables from private persons, businesses and governments, whether in registered form, embodied in securities or not, and to exercise all rights attached to such receivables;

(b) to raise funds by way of, amongst other things, entering into loans, entering into financial derivatives or otherwise and to invest funds raised by the company in, amongst other things, (interests in) loans, bonds, debt instruments, shares, warrants and similar securities and in financial derivatives;

(c) to grant guarantees and security for obligations of the company and of third parties, including but not limited to the limited company (naamloze vennootschap): ING Bank N.V., having its corporate seat in Amsterdam;

(d) to enter into agreements, including but not limited to financial derivatives such as interest and/or currency trade agreements, in relation to the objects set out in paragraph (a), (b) and (c) above;

(e) to enter into agreements, including but not limited to, agreements with regard to bank-, securities- and money records, agreements with regard to investment management and agreements for the purpose of granting guaranties and encumbering assets, in relation to the objects set out in paragraph (a), (b), (c) and (d) above;

all activities which are incidental to or which may be conducive to any of the foregoing in the broadest sense,

All in the context of the €45,000,000,000 Soft Bullet 2 Covered Bonds Program (of which the program limit, name and other terms and conditions may be amended from time to time), which will be set up by ING Bank N.V.

RISK MANAGEMENT

The Company is dormant and is therefore not subject to risks.

Personnel related information

The Company employed no personnel during the year.

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 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.

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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% in 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 is expected to decrease again to 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.

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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 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.

Subsequent events

On 12 March 2021 the base prospectus was issued for the €45,000,000,000 Soft Bullet 2 Covered Bonds Program. Subsequently 2 series of covered bonds were issued on 25 March 2021.

Amsterdam, 7 June 2021

Managing Director,
Intertrust Management B.V.

2. FINANCIAL STATEMENTS

ING SB2 Covered Bond Company B.V.
Report for the period 30 March 2020 to December 31 2020

2.1 Balance sheet as at December 31, 2020
 (Before result appropriation)

		December 31, 2020	
		€	€
ASSETS			
Current assets			
	[1]	1	
Receivable from the shareholder		50	
Receivable from ING Bank			51
			<u>51</u>
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's equity			
	[2]	1	
Share capital		-	
Result for the period		-	
Retained earnings			1
			<u>1</u>
Accrued expenses and other liabilities	[3]	50	
			50
			<u>51</u>

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2.2 Statement of income for the year 2020

	<u>30 March 2020 to December 31 2020</u>	
	€	€
Income		
Guarantee fee	-	
Reimbursed operating expenses	[4] <u>50</u>	50
Operating expenses		
Audit fee	-	
Sundry expenses	[5] <u>50</u>	<u>50</u>
Income before taxation		-
Net result		<u><u>-</u></u>

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2.3 Statement of cash flows for the year 2020

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

	<u>30 March 2020 to December 31 2020</u>	
	€	€
Cash flow from operating activities		
Net result		-
Adjustments to statement of income:		
Taxes	-	-

Net change in current assets		
receivable	[1] (-) 51	
Current liabilities (except debts to credit institutions)	51	
Taxes paid	-	
	-----	-
Cash flow from financing activities		
Movements in cash		----- -----
Cash balance at beginning of the period		-
Movements in cash		-----
Cash balance at end of the period		----- -----

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2.4 General notes to the financial statements

GENERAL INFORMATION

ING SB2 Covered Bond Company B.V. ("the Company") was incorporated on March 30, 2020 as a private company with limited liability under the laws of the Netherlands. The Company's registered address is at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands. As per 31 December 2020 the Company remains dormant.

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(a) to acquire, hold, transfer, encumber and otherwise dispose of assets, including but not limited to receivables from private persons, businesses and governments, whether in registered form, embodied in securities or not, and to exercise all rights attached to such receivables;

(b) to raise funds by way of, amongst other things, entering into loans, entering into financial derivatives or otherwise and to invest funds raised by the company in, amongst other things, (interests in) loans, bonds, debt instruments, shares, warrants and similar securities and in financial derivatives;

(c) to grant guarantees and security for obligations of the company and of third parties, including but not limited to the limited company (naamloze vennootschap): ING Bank N.V., having its corporate seat in Amsterdam;

(d) to enter into agreements, including but not limited to financial derivatives such as interest and/or currency trade agreements, in relation to the objects set out in paragraph (a), (b) and (c) above;

(e) to enter into agreements, including but not limited to, agreements with regard to bank-, securities- and money records, agreements with regard to investment management and agreements for the purpose of granting guaranties and encumbering assets, in relation to the objects set out in paragraph (a), (b), (c) and (d) above;

all activities which are incidental to or which may be conducive to any of the foregoing in the broadest sense,

All in the context of the €45,000,000,000 Soft Bullet 2 Covered Bonds Program (of which the program limit, name and other terms and conditions may be amended from time to time), which will be set up by ING Bank N.V.

The Company has issued share capital of EUR 1 consisting of 1 shares with a par value of EUR 1 each. The Stichting Holding ING SB2 Covered Bond Company holds all shares. Stichting Holding ING SB2 Covered Bond Company is a foundation incorporated under the laws of the Netherlands on March 30, 2020. The registered office of the Foundation is in Amsterdam, the Netherlands. The objects of Stichting Holding ING SB2 Covered Bond Company 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 Stichting Holding ING SB2 Covered Bond Company is Intertrust Management B.V.

RISK MANAGEMENT

The Company is dormant and is therefore not subject to risks.

Personnel related information

The Company employed no personnel during the year.

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 accounting principles generally accepted in the Netherlands and comply with the requirements of Part 9, Book 2 of the Dutch Civil Code. The Financial Statements are prepared under the historical cost convention and presented in euro ("EUR"). Assets and liabilities are stated at nominal value, unless otherwise stated. If deemed necessary, a provision is deducted from the nominal amount of accounts receivable.

The Company is considered a micro entity for Dutch statutory reporting purposes and therefore, in accordance with the provisions of Article 396, Title 9 of Book 2 of the Dutch Civil Code, certain exemptions apply to the Company's financial statements and the notes thereto. This is the first bookyear therefore no comparative figures are presented.

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2.4 General notes to the financial statements

Going concern

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

Statement of cash flows

The cash items disclosed in the statement of cash flows are comprised of cash and cash equivalents. Transactions not resulting in inflow or outflow of cash are not recognised in the statement of cash flows.

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2.5 Notes to the balance sheet

Current assets [1]

Receivables

	December 31, 2020
	<u>€</u>
Receivable Shareholder Stichting Holding ING SB2 Covered Bond Company	1
Receivable from ING Bank	<u>50</u>
	<u><u>51</u></u>

The receivable relates to the share capital prepayment to the Foundation.

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2.5 Notes to the balance sheet

LIABILITIES

Shareholder's equity [2]

Share capital

The authorized share capital amounts to EUR 1, consisting of 1 ordinary shares of EUR 1 each, of which all shares are issued. All shares are held by Stichting Holding ING SB2 Covered Bond Company.

The movements in shareholder's equity can be detailed as follows:

	December 31, 2020
	€
Opening balance	-
Share capital	1
Ending balance 31/12/2020	1

Accrued expenses and other liabilities [3]

The accrued expenses can be detailed as follows:

	December 31, 2020
	€
Payable with regards to reimbursed operating expenses	50
Balance at year end	50

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2.6 Notes to the statement of income

Reimbursed operating expenses [4]

	<u>30 March 2020 to December 31 2020</u>
	€
Reimbursed operating expenses	<u>50</u>
Total	<u><u>50</u></u>

Sundry expense [5]

	<u>30 March 2020 to December 31 2020</u>
	€
Chamber of Commerce fee	<u>50</u>
Total	<u><u>50</u></u>

Subsequent events

On 12 March 2021 the base prospectus was issued for the €45,000,000,000 Soft Bullet 2 Covered Bonds Program. Subsequently 2 series of covered bonds were issued on 25 March 2021.

Amsterdam, 7 June 2021
ING SB2 Covered Bond Company B.V.

Managing Director
Intertrust Management B.V.

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3. Other information

3.1 Statutory provisions

In accordance with Article 21 of the Articles of Association, the result for the year is at the disposal of the General Meeting.

3.2 Independent auditors' report

The Independent Auditor's Report is included on the following pages.



Independent auditor's report

To: the General Meeting of ING SB2 Covered Bond Company B.V.

Report on the audit of the accompanying financial statements

Our opinion

We have audited the financial statements for the period 30 March 2020 up to and including 31 December 2020 of ING SB2 Covered Bond Company B.V., based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of ING SB2 Covered Bond Company B.V. as at 31 December 2020, and of its result for the period 30 March 2020 up to and including 31 December 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 period 30 March 2020 up to and including 31 December 2020;
- 3 the statement of cash flows for the period 30 March 2020 up to and including 31 December 2020; and
- 4 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 ING SB2 Covered Bond Company B.V. in accordance with 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 the other information included in the annual report

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

- director's report;
- other information pursuant to 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.

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

Description of the responsibilities for the financial statements

Responsibilities of the director for the financial statements

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

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

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement 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 during our audit.

Misstatements can arise from fraud or errors 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 the 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 scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, 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 errors, 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 the director;
- 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 the company ceasing 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 those charged with governance 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.

Amstelveen, 7 June 2021

KPMG Accountants N.V.

R. Huizingh RA