ING SB Covered Bond Company B.V.

Report for the year 2021

Amsterdam, the Netherlands

ING SB Covered Bond Company B.V.
Basisweg 10
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The Netherlands
Chamber of Commerce Amsterdam 61113956

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1. Director's report

1.1 Activities and results

General
ING SB Covered Bond Company B.V. ("the Company") was incorporated on July 18, 2014 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.

The main objects of the Company are to grant security for the Company's obligations and debts and for the obligations and debts of third parties, including ING Bank N.V. ("the Issuer"), in conformity with the EUR 30,000,000,000 Soft Bullet Covered Bonds Programme ("the Programme") by the Issuer.

The main objects of the Company are:
(a) to obtain, to hold in possession, to dispose of, to encumber and to otherwise manage goods, including claims on private persons, enterprises and authorities, whether or not embodied in value papers, as well as to exercise the rights attached to such claims:
(b) to raise funds through, inter alia, borrowing under loan agreements, the use of 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 guarantees and security for the obligations and debts of the Company and of third parties, including the limited liability company: the Issuer, with corporate seat in Amsterdam:
(d) to enter into agreements, including, but not limited to, financial derivatives such as interest and currency exchange agreements, in connection with the objects mentioned under (a), (b) and (c) of this paragraph;
(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 the Programme which by the public company the Issuer, with corporate seat in Amsterdam, are or will be raised (The limit of the Programme and the other conditions may be changed from time to time).

The covered bonds (the "Covered Bonds") issued by the Issuer are secured by a portfolio of mortgage loans and other eligible assets. In the event that the Issuer cannot meet its payment obligations towards the Covered Bonds, the interest and principal payments of the cover pool will be used by the Company to service the Covered Bonds.
The Soft Bullet Covered Bonds issued by the Issuer have extendable maturities, in contrary to a hard bullet Covered Bond which has a pre-maturity test triggered by an issuer downgrade below a certain rating. Issuing soft bullet bonds reduces the amount of liquid assets needed to collateralise bonds.

For a complete description of the transaction please refer to the Base Prospectus dated August 12, 2014 issued by the Issuer as amended and updated from time to time. The Base Prospectus was updated on May 6, 2019. This concerned the usual annual update of the Base Prospectus and relevant transaction documents, which mostly consists of changes further to new legislation to the Programme of the Issuer established on 12 August 2014 (as amended and/or updated from time to time) under which the Issuer may from time to time issue Covered Bonds through syndicated issues, private placements or otherwise, and the Company guarantees the obligations of the Bank as Issuer under the Covered Bonds to be issued from time to time under the Programme as to the payment of interest and principal up to the guaranteed amounts subject to and in accordance with the terms of the Trust Deed.

As described in the Base Prospectus, the Issuer has to maintain certain ratings with regards to their involvement in the Programme. The long term debt rating of the Issuer by Standard & Poor's as from 10 July 2020 is A+ and the rating by Fitch Ratings as from 15 October 2020 is AA-. The short term debt rating of the Issuer by Fitch as from 15 October 2020 is F1+ and the rating by Standard and Poor's as from 10 July 2020 is A-1. The minimum required ratings are A (long term) by S&P, A (long term) by Fitch, A-1 (short term) by S&P and F1 (short term) by Fitch. Therefore, the actual rating exceed the minimun required rating as at 31 December 2021.

Since the start of the Programme no notifications events, acceleration notice, notice to pay and breach of the Asset Cover Test ("ACT") have occurred.

The aggregate outstanding notional amount under the Programme on December 31, 2021 amounts to EUR 11,2 billion (2020: EUR 27,2 billion) and the outstanding Covered Bonds amount to EUR 8,9 billion (2020: EUR 22,9 billion).

RISK MANAGEMENT

In the event the Company will take over the servicing of the Covered Bonds, the Company will run the interest rate, credit and concentration risk, liquidity risk and foreign currency risk on the Covered Bonds and the mortgage portfolio. In order to limit these potential risks, the Company mitigated these risks via various instruments which are described in further detail below.

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 of the Company. The main risks are various financial risks, which will be dealt with separately.

Financial risk management

The Company is exposed to a variety of financial risks, being credit and concentration risk, interest rate risk, liquidity risk and foreign currency risk. The Company's risk management processes remain unchanged compared to last year.

We refer to the Base Prospectus for a description of the financial risks. However, these documents do not form part of the annual report.

Credit and concentration risk

The Company has no exposure to credit risk. Credit risk is the risk that borrowers will be unable to pay amounts in full when due, unless the guarantee is invoked. When the guarantee is invoked all risks associated with the mortgage portfolio are transferrred to the Company. Until that moment all risks and rewards associated with the assets are retained by the Issuer and the transferred mortgage loans are not recognised on the balance sheet of the Company. However given the minimum required collateralisation of at least 5% a buffer is available to cover losses which may arise.

Interest rate risk

In order to limit the potential interest rate risk the Company may, if deemed necessary, enter into swap agreements. In relation to the series issued and the portfolio transferred to the Company no swap agreement has been entered into by the Company.

Liquidity risk

The Company's exposure to liquidity risk is mitigated through the mechanics of the ACT, the issuer facility advance and the AIC account. The ACT, issuer facility advance and the AIC account ensure that the Company has sufficient funds to meet its obligations. The ACT makes sure that the Company will, at any period in time, have sufficient collateral in relation to the outstanding guarantee. Furthermore the Issuer will be required to ensure that, amongst other things, at all times sufficient liquidity is maintained or generated by the CBC to cover for the following 6 month-period interest.

Foreign currency risk

In case of an issue in a currency other than euros, the Company's exposure to foreign currency risk is mitigated through a structured swap.

In the unlikely situation that all risk measures as described above fail, the limited recourse clause of the transaction will take effect (see below).

Limited recourse
Although interest rate risk, credit and concentration risk, liquidity risk and foreign currency risk are recognised, the exposure of the Company to these risks is limited. The Covered Bonds are issued at limited recourse. If a CBC Event of Default occurs and the security is enforced, the proceeds may not be sufficient to meet the claims of all the secured creditors, including the covered bondholders. 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.

Personnel related information
The Company employed no personnel during the year under review (2020: nil).

1.2 Future developments

This macro-economic analysis in this section is largely based on data and expectations presented by De Nederlandse Bank ("DNB") and the Central Bureau of Statistics ("CBS"). The analysis that focusses particularly on the housing market also includes information derived from reports from the NVM. The NVM is involved in the vast majority, but not all, of the transactions on the Dutch housing market and, as such, the information needs to be seen as merely indicative of the housing market as a whole.

The prediction of future trends and the quantification of developments is inherently a difficult task, full of uncertainties. The effects of COVID-19 makes this even more difficult. During 2021, variations on the initial COVID-19 virus were discovered. The severity and effects of these mutations, as well as government reaction to any such outbreaks, is very dynamic and unpredictable. The prospect and level of any introduction of a lockdown, or the relaxing of any of its rules, changes almost on a 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.

DNB has concluded that the Dutch economy has been relatively resilient to COVID-19 effects up to now but highlights that there are certain pressures building up within the Dutch economy, as well as the economy's vulnerability to developments elsewhere in the world-wide economy. Alongside its 'most likely scenario, it has also sketched an alternative scenario for the coming years which is largely based on adverse developments in the global 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.

The developments in the Dutch economy during 2021 demonstrated its resilience to the significant adverse effects of the COVID-19 pandemic largely due its favourable position when compared to most other economies around the world. The recovery in the second and third quarters of 2021 exceeded expectations, fuelled mostly by domestic consumer spending, increased business confidence in the economy and increased levels of government spending in terms of infrastructure projects and financial support designed to protect the more vulnerable sectors of the economy. The Dutch export sector was also well placed to benefit from rising worldwide demand, particularly in the chip production and pharmaceutical sectors. At the same time, it was relatively sheltered from sectors which were particularly hard hit by global shortages as worldwide production and logistics were suffering from COVID-19 effects. On the other hand, it is clear that there are significant variations in the various sectors of the economy with recreation and entertainment, tourism and cultural sectors particularly hard hit with the prospect of an immediate and significant recovery in 2022 looking quite remote.

GDP increased by around 4.5% in 2021, as compared to a decrease of 3.8% in 2020. The current expectations are that GDP will continue to bounce back by 3.6% in 2022 and 1.7% in 2023. To put the uncertainty surrounding the expectations for 2022 into perspective, DNB has calculated that GDP could also decrease by 1.4% in a 'worst case scenario', where the worldwide economy is particularly hard hit in 2022.

In the projections, the economy is expected to continue to benefit from somewhat restored confidence by consumers and businesses alike, as well as a continuation of a high level of government spending. However, the restored confidence appears to be quite fragile and vulnerable to COVID-19 developments. As regards government spending, the 6.3% deficit that was recorded in 2021 has improved to a deficit of around 4.4% in 2021. This improvement is expected to continue to a deficit of around 1.9% in 2022 and just 0.8% in 2023. Much of these projections will depend on the extent and timing of infrastructure projects and government support for the economy.

Whilst the projections for 2022 and beyond are relatively positive, DNB has pointed to a number of vulnerabilities underlying the economic developments. Production facilities are under pressure as a result of logistical restrictions and shortages in the supply of a number of raw materials. In some sectors, production is close to its maximum capacity. The supply of labour is also showing signs of being under significant pressure, comparable to pre COVID-19 levels, and worldwide energy prices are rising in the wake of increased demand. The export sector continues to be well placed to benefit from improvements in the global economy, with demand in the chip production and pharmaceutical sectors expected to continue to rise significantly.

Unemployment levels showed an unexpectedly sharp decrease from 4% at the end of 2020 to just 2.7% at the end of 2021 though this is expected to increase to averages of around 3.5% in 2022 and 2023. The relatively low unemployment figures hide appreciable differences in the sectors hit hard by COVID-19 and those that have benefitted. The overall figures are also confirmed by other indicators in the labour markets such as the number of vacancies in absolute terms and vacancies as a proportion of the unemployment numbers. Most businesses cited a lack of personnel at the end of 2021 as their major obstacle to growth in 2022.

Headline inflation increased from an average of 1.2% in 2020 to some 2.7% in 2021 and even some 6% at the end of the year. Inflationary pressures at the end of the year (around 1.5%) came from higher energy costs, especially electricity, oil, gas and automotive fuel. Higher prices for consumer goods such as cars, furniture and computer equipment arising out of the rapid recovery in global markets also contributed. As most of these effects are expected to be of a largely temporary nature, headline inflation is expected to stabilise at around 3.0% in the coming two years. Rising energy prices are expected to contribute a relatively large element to inflation, however. The tight labour market and economic recovery are also expected to result in inflationary pressures as wage settlements creep up, increasing production unit costs. This is expected to be tempered somewhat by the assumption that the growth in vacancies will be at the lower end of the wage scale.

The domestic housing market appears to be relatively unaffected by COVID-19 thus far. The spectacular growth in domestic house prices has continued throughout 2021 and the last few quarters of 2021 even showed average increases in the price of existing dwellings of more than 20% according to NVM. The number of transactions for the last quarter of 2021 was down 23% as compared to the same period in the previous year, and for 2021 as a whole a decrease of 19% was recorded. The market is clearly under pressure from low levels of supply and this is confirmed by the relatively short time the average dwelling spends on the market, and that some 80% of transactions in 2021 for existing dwellings were settled at prices that exceeded the asking price.

As always, regional variations and differences in the various price sectors and types of dwelling continued in 2021 but the overall picture applied to the housing market as a whole. The overall shortage of housing, particularly for starters, is getting ever more severe as targets for the building of new dwellings are inadequate or not met. DNB expects house prices to increase by 11.3% in 2022 before stabilising somewhat to 5% in 2023. The expectations are driven by a combination of short supply, increased earnings and continuing low interest rates for the coming years.

Risk levels for existing homeowners and lenders alike have again generally decreased since last year. This trend is expected to largely continue in the coming years as the market seems to be relatively sheltered from the major adverse 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 a persistent period of major price rises. However, new loans have shown a tendency to be agreed for relatively long interest periods, at relatively low rates. Furthermore, competitive pressures continue to increase 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 is still possible that the consequences of COVID-19 will result in an increased level of losses of both interest and principal on the Company's assets. The limited recourse principle 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 Bondholders 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 and 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
The conflict in the Ukraine is considered a non-adjusting subsequent event for the financial statements 2021. At this point in time the Company has a close to nil exposure to Russia and Ukraine. There may be adverse and negative effects to the global economy (including housing), financial markets, global trade payment systems and capital flows as well as from the impact of sanctions. However, the extent to which the impact this has to the Company will depend on future developments that are highly uncertain and cannot be predicted. The Company will continue to closely monitor events and their potential impact.

No other events took place after the balance sheet date that could have a major effect on the financial position of the Company.

Amsterdam, May 23, 2022

Managing Director,
Intertrust Management B.V.

2. FINANCIAL STATEMENTS

2.1 Balance sheet as at December 31, 2021

(Before result appropriation)

		December 31, 2021		December 31, 2020	
ASSETS		€	€	€	€
Current assets	[1]				
Receivable from the shareholder		100		100	
Issuer facility advance		-		1,838	
			100		1,938
Cash and cash equivalents	[2]				
Transaction account		163,584		22,398	
AIC account		3-		58	
			163,581		22,456
			163,681		24,394
SHAREHOLDER'S EQUITY AND LIABILITIES					
Shareholder's equity	[3]				
Share capital		100		100	
Other reserve		12,750		12,525	
Retained earnings		-		(-) 12,525	
			12,850		100
Current liabilities	[4]				
Issuer facility advance		108,740		-	
Accrued expenses and other liabilities		42,078		24,275	
Corporate income tax payable		13		19	
			150,831		24,294
			163,681		24,394

2.2 Statement of income for the year 2021

		2021		2020	
		€	€	€	€
Income					
Guarantee fee	[5]	15,000		15,000	
Reimbursed operating expenses	[6]	74,422		83,737	
			89,422		98,737
Operating expenses	[7]				
Audit fee		24,689		24,200	
Sundry expenses		49,733		59,537	
			74,422		83,737
Income before taxation			15,000		15,000
Corporate income tax	[8]		(-) 2,250		(-) 2,475
Net result			12,750		12,525

Document to which the KPMG report 2311996/22X00182867AVN dated 23 May 2022 also refers.

2.3 General notes to the financial statements

GENERAL INFORMATION

ING SB Covered Bond Company B.V. ("the Company") was incorporated as a private company with limited liability under Dutch law on July 18, 2014. The registered address of the Company is in Amsterdam, the Netherlands. The sole managing director of the Company is Intertrust Management B.V. The Company is registered under number 61113956 with the trade register of the Dutch Chamber of Commerce. The financial statement covers the year 2021, which ended at the balance sheet date of 31 December 2021.

The main objectives of the Company are:

(a) to obtain, to hold in possession, to dispose of, to encumber and to otherwise manage goods, including claims on private persons, enterprises and authorities, whether or not embodied in value papers, as well as to exercise the rights attached to such claims:

(b) to raise funds through, inter alia, borrowing under loan agreements, the use of 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 guarantees and security for the obligations and debts of the Company and of third parties, including the limited liability company: ING Bank N.V. ("the Issuer") , with corporate seat in Amsterdam:

(d) to enter into agreements, including, but not limited to, financial derivatives such as interest and currency exchange agreements, in connection with the objects mentioned under (a), (b) and (c) of this paragraph;

(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 EUR 30,000,000,000 Soft Bullet Covered Bonds programme ("the Programme") which by the public company the Issuer, with corporate seat in Amsterdam, are or will be raised (the limit of the Programme and the other conditions may be changed from time to time).

The Company has issued and paid-up share capital of EUR 100 consisting of 100 shares with a par value of EUR 1 each. The Stichting Holding ING SB Covered Bond Company holds all shares. Stichting Holding ING SB Covered Bond Company is a foundation incorporated under the laws of the Netherlands on July 18, 2014. The registered office of the Foundation is in Amsterdam, the Netherlands. The objects of Stichting Holding ING SB 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 SB Covered Bond Company is Intertrust Management B.V.

TRANSACTION STRUCTURE, MANAGEMENT AND RELATED PARTIES

The objective of the transaction structure is to have a new funding source attracting funding at an AAA-level rate. The Covered Bonds issued by the Issuer are secured by a portfolio of mortgage loans and other eligible assets. In the event that the Issuer cannot meet its obligations on the Covered Bonds, the interest and principal payments of the portfolio will be exercised by the Company.

Document to which the KPMG report 2311996/22X00182867AVN dated 23 May 2022 also refers.

2.3 General notes to the financial statements

The structure of the Programme can be described as follows:

• The Company guarantees the Covered Bonds issued by the Issuer. Unless the Issuer loses it's minimum required rating, being A- (long term) by S&P and A (long term) and F1 (short term) by Fitch, there will be no cash flows (also not under the total return swap ("TRS")) and the Company will not have the right to any of the proceeds.

• The issuer will swap the fixed rate liabilities, if any, to floating rate liabilities through an interest rate swap (IRS), on behalf of the Company.

• The Company will swap fixed interest rate coupon payments, if any, on the portfolio assets to floating rate payments through a TRS with the Issuer. This TRS is an interest rate swap (not transferring any credit risk, etc.). It swaps the cash flows of the fixed coupons (minus a margin) for floating. Through the waterfall, all amounts remaining in the Company will flow back periodically to the Issuer. As a consequence, the overall interest rate position of the Issuer remains unchanged.

• The Guarantee Support Agreement provides that the transfer of the eligible receivables will be effected through a silent assignment (stille cessie) by the Issuer to the Company. This means that legal ownership of the eligible receivables 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 receivables and related beneficiary rights to Stichting Trustee ING SB Covered Bond Company. The latter acts as Agent and Trustee for the Covered Bonds issued by the Issuer in view of the Programme.

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 bondholders, can lead to exercising the right of pledge by Stichting Trustee ING SB Covered Bond Company.

As described in the Base Prospectus, the Issuer has to maintain certain ratings with regards to their involvement in the Programme. The long term debt rating of the Issuer by Standard & Poor's as from 10 July 2020 is A+ and the rating by Fitch Ratings as from 15 October 2020 is AA-. The short term debt rating of the Issuer by Fitch as from 15 October 2020 is F1+ and the rating by Standard and Poor's as from 10 July 2020 is A-1. The minimum required ratings are A (long term) by S&P, A (long term) by Fitch, A-1 (short term) by S&P and F1 (short term) by Fitch. Therefore, the actual rating exceed the minimun required rating as at 31 December 2021.

Since the start of the Programme no notifications events, acceleration notice, notice to pay and breach of the Asset Cover Test ("ACT") have occurred.

The aggregate outstanding notional amount under the Programme on December 31, 2021 amounts to EUR 11,2 billion (2020: EUR 27,2 billion) and the outstanding Covered Bonds amount to EUR 8,9 billion (2020: EUR 22,9 billion).

During 2019 the Base Prospectus was updated. The update concerns the usual annual update of the Base Prospectuses and relevant transaction documents, which mostly consists of changes further to new legislation.

2.3 General notes to the financial statements

FINANCIAL RISK MANAGEMENT
The Company is exposed to a variety of financial risks, being credit and concentration risk, interest rate risk, liquidity risk and foreign currency risk. The Company's risk management processes remain unchanged compared to last year.

We refer to the Base Prospectus for a description of the financial risks. However, these documents do not form part of the annual report.

Credit and concentration risk
The Company has no exposure to credit risk, which is the risk that borrowers will be unable to pay amounts in full when due, unless the guarantee is invoked. When the guarantee is invoked all risks associated with the mortgage portfolio are transferrred to the Company. Until that moment all risks and rewards associated with the assets are retained by ING and the transferred mortgage loans are not recognised at the balance sheet of the Company. However given the minimum required overcollateralisation of at least 5% a buffer is available to cover losses which may arise.

As detailed in the future developments the Dutch economy is currently affected by the COVID-19 crisis. It is unsure whether this circumstance will have a negative effect on the housing market.

Interest rate risk
In order to limit the potential interest rate risk the Company may, if deemed necessary, enter into swap agreements. In relation to the series issued and the portfolio transferred to the Company no swap agreement has been entered into by the Company.

Liquidity risk
The Company's exposure to liquidity risk is mitigated through the mechanics of the ACT, the issuer facility advance and the AIC account. The ACT, issuer facility advance and the AIC account ensure that the Company has sufficient funds to meet its obligations. The ACT makes sure that the Company will, at any period in time, have sufficient collateral in relation to the outstanding guarantee. Furthermore the Issuer will be required to ensure that, amongst other things, at all times sufficient liquidity is maintained or generated by the CBC to cover for the following 6 month-period interest.

Foreign currency risk
In case of an issue in a currency other than euros, the Company's exposure to foreign currency risk is mitigated through a structured swap.

In the unlikely situation that all risk measures as described above fail, the limited recourse clause of the transaction will take effect (see below).

Limited recourse
Although interest rate risk, credit and concentration risk, liquidity risk and foreign currency risk are recognised, the exposure of the Company to these risks is limited. The Covered Bonds are issued at limited recourse. If a CBC Event of Default occurs and the security is enforced, the proceeds may not be sufficient to meet the claims of all the secured creditors, including the covered bondholders. 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.

Personnel related information
The Company employed no personnel during the year under review (2020: nil).

2.3 General notes to the financial statements

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.

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.

Recognition of assets and liabilities
Assets and liabilities are measured at historical cost, unless stated otherwise in the further principles. 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

Derivatives
The Company entered into derivative contracts to mitigate cash flow and interest rate risks. The derivatives will be in effect when the issuer downgraded below the contractual minimum and the assets are transferred to the company. As there are currently no cash flows under the derivatives, no reliable fair value can be measured.

Foreign currencies
Foreign currency transactions, if any, are accounted for at the exchange rates prevailing at the date of the transactions: gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Such balances are translated at year-end exchange rates. During the year 2021 there were no foreign currency transactions (2020: nil).

Current assets
Current assets are recognized initially at fair value and subsequently measured at costs less any provision for impairment if deemed necessary.

Receivables
Receivables are measured at initial recognition at fair value, plus transaction costs (if material). After initial recognition, receivables are measured at amortised cost. If no premium or discount and transaction costs are applicable, the amortised cost is equal to the nominal value of the receivables, less a provision for uncollectible debts.

Document to which the KPMG report 2311996/22X00182867AVN dated 23 May 2022 also refers.

2.3 General notes to the financial statements

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. Cash and cash equivalents that are not readily available to the Company within 12 months are presented under financial fixed assets.

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 recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Revenue recognition
Income is recognised in the profit and loss account 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. Revenues and expenses are allocated to the respective period to which they relate. Revenues are recognised when the Company has transferred the significant risks and rewards of ownership of the goods to the buyer.

Fair value
Due to the short-term nature of the cash and cash equivalents, the balance with the Issuer and other liabilities included in the 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 and the Dutch Tax Authorities agreed by way of a ruling dated 3 July 2014 that the taxable amount is EUR 15,000. The applicable tax rate for the period under review is 15% (2020: 16,5%) of the taxable amount. The ruling with the Dutch Tax Authorities will have effect until the final maturity date of the notes. The net result for the year 2021 amounted to EUR 12,750 (2020: EUR 12,525). Management proposed an interim dividend of EUR 12,525 and final dividend of EUR 150 which was declared as a dividend on 29 June 2020 and subsequently distributed on 30 June 2020. EUR 150 relates to the year 2019 whereas EUR 12,525 relates to 2020. No dividend was issued in 2021.

Corporate income tax comprises the current and deferred corporate income tax payable and deductible for the reporting period. Corporate income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity, or to business combinations.

Current tax comprises the expected tax payable or recoverable on the taxable profit or loss for the financial year, calculated using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

2.3 General notes to the financial statements

Contingent liabilities and commitments
If the issuer loses its minimum required rating, being A- (long term) by S&P, and A (long term) and F1 (short term) by Fitch, the economic risk of the cover pool and the related funding will be transferred to the Company.

The Company has granted a first ranking right of pledge over the receivables and related beneficiary rights to Stichting Trustee ING SB 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 bondholders, can lead to exercising the right of pledge by Stichting Trustee ING SB Covered Bond Company.

All liabilities included under current liabilities are due in less than one year. All liabilities included under long-term liabilities are due in more than one year.

Equity
financial instruments that are designated as equity instruments by virtue of the legal reality are presented under shareholders' equity. Payments to holders of these instruments are deducted from the shareholders' equity as part of the profit distribution. Financial instruments that are designated as a financial liability by virtue of the legal reality are presented under liabilities. Interest, dividends, income and expenditure with respect to these financial instruments are recognised in the profit and loss as financial income or expense.

2.4 Notes to the balance sheet

Current assets [1]

	December 31, 2021	December 31, 2020
	€	€
Receivable Shareholder Stichting Holding ING SB Covered Bond Company	100	100
Issuer facility advance	-	1,838
	100	1,938

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

The movement in the issuer facility advance during the can be explained as follows:

	December 31, 2021	December 31, 2020
	€	€
Issuer facility advance opening balance	-	3,142
Received from Issuer	-	(-) 100,000
Corporate income discount	-	(-) 41
Reimbursed operating expenses	-	83,737
Guarantee fee	-	15,000
Issuer facility advance ending balance	-	1,838

The 2021 figures with respect to the issuer facility advance are displayed under note 4.

The issuer facility advance relate to the Administration Agreement with the Issuer. The Company will be reimbursed for its expenses and receives a guarantee fee. The Issuer made advance payments during 2021 amounting to EUR 200,000. The opening balance with respect to the issuer facility advance is displayed under the current liabilities. For more information with respect to the issuer facility advance refer to note 4.

2.4 Notes to the balance sheet

Cash and cash equivalents [2]

The bank accounts are held with the Issuer.

	December 31, 2021	December 31, 2020
	€	€
Transaction account	163,584	22,398
AIC account	(-) 3	58
	163,581	22,456

During the year the Company received no collateral from the Issuer (2020: nil).

Transaction account
The bank accounts are held with the Issuer. The cash balance of the transaction account is freely available to the Company.

AIC account
Under the "Guarantee Support Agreement" ("GSA") with the Issuer, the Company has issued a guarantee in relation to the Covered Bonds to pay the Guaranteed Amounts constituting scheduled interest on Covered Bonds payable. In order to enable the Company to meet this guarantee, sufficient eligible assets must be transferred to the Company. Furthermore, funds should be available to pay the quarterly bankcharges. The total amount at year-end is EUR -3 and is placed on the Company's AIC account. These funds are not freely available to the Company other than to meet the obligations referred to above. The movement only relates to bankcharges. At year-end no eligible assets are transferred to the Company based on the results of the liquidity buffer calculation at year-end.

The Issuer performs a calculation with regards to the monthly liquidity buffer where short term interest payment to covered bondholders are compared to short term inflows of funds. If these short term payments to covered bondholders are lower than the short term inflow of funds, no funds have to be transferred to the AIC account.

2.4 Notes to the balance sheet

LIABILITIES

Shareholder's equity [3]

Share capital
The authorized share capital amounts to EUR 100, consisting of 100 ordinary shares of EUR 1 each, of which all shares are issued and fully paid-in. All shares are held by Stichting Holding ING SB Covered Bond Company.

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

	Share capital	Retained earnings	Result for the period	Total
	€	€	€	€
Opening balance 01/01/2021	100	(-) 12,525	12,525	100
Appropriation of result		12,525	(-) 12,525	-
Dividends	-	-	-	-
Result for the period	-	-	12,750	12,750
Ending balance 31/12/2021	100	-	12,750	12,850

Proposed appropriation
The net result for the year 2021 amounted to EUR 12,750 (2020: EUR 12,525). Management proposed an interim dividend of EUR 12,525 and final dividend of EUR 150 which was declared as a dividend on 29 June 2020 and subsequently distributed on 30 June 2020. EUR 150 relates to the year 2019 whereas EUR 12,525 relates to 2020. No dividend was issued in 2021.

2.4 Notes to the balance sheet

Current liabilities [4]

Loan given AIC payable
The loan given AIC payable amounts to nil (2020: nil). Please see the paragraph AIC Account above where the AIC is described in-depth.

Accrued expenses and other liabilities

The movement in the issuer facility advance during the year can be explained as follows:

	December 31, 2021	December 31, 2020
	€	€
Issuer facility advance opening balance	(-) 1,838	-
Received from Issuer	200,000	-
Reimbursed operating expenses	(-) 74,422	-
Guarantee fee	(-) 15,000	-
Receivable from the Issuer	-	-
Corporate income tax payment made by the Issuer	-	-
Issuer facility advance ending balance	108,740	-

The 2020 figures with respect to the issuer facility advance are displayed under note 1.

The accrued expenses can be detailed as follows:

	December 31, 2021	December 31, 2020
	€	€
Other expenses	17,389	75
Audit fee payable	24,689	24,200
	42,078	24,275

The fee to be paid to KPMG in their role as auditor of the Company for the year 2021 amounts to EUR 24,689 including VAT.

Corporate income tax payable

	December 31, 2021	December 31, 2020
	€	€
Corporate income tax payable	13	19
	13	19

An amount of EUR 2,237 provisional tax claim excluding a reduction for the year 2021 was paid in 2021. It is expected that the final tax claim for the year 2021 will be EUR 2,250 in accordance with the ruling. For more information with respect to the ruling refer to note 8.

2.5 Notes to the statement of income

Guarantee fee [5]
The Guarantee fee amounting to EUR 15,000 relates to the minimum taxable profit which at the same time will be the remuneration for management.

Reimbursed operating expenses [6]
According to the Administration Agreement with the Issuer, the Company will be reimbursed for its expenses and receives a guarantee fee. The reimbursed expenses are charged to the Issuer via the issuer facility advance.

	2021	2020
	€	€
Reimbursed operating expenses	74,422	83,737
	74,422	83,737

Interest expenses and similar expenses are recognised in the period to which they belong.

Operating expenses [7]

	2021	2020
	€	€
Audit fee	24,689	24,200
Management fee	3,630	-
Audit related fee	45,083	58,516
Other general costs	1,020	1,021
	74,422	83,737

Corporate income tax [8]

	2021	2020
	€	€
Corporate income tax	2,250	2,475
	2,250	2,475

The Company and the Dutch Tax Authorities agreed by way of a ruling dated 3 July, 2014 that the taxable amount is EUR 15,000. The applicable tax rate for the period under review is 15% (2020: 16.5%) of the taxable amount. The ruling with the Dutch Tax Authorities will have effect until the final maturity date of the Covered Bonds.

Subsequent events
The conflict in the Ukraine is considered a non-adjusting subsequent event for the financial statements 2021. At this point in time the Company has a close to nil exposure to Russia and Ukraine. There may be adverse and negative effects to the global economy (including housing), financial markets, global trade payment systems and capital flows as well as from the impact of sanctions. However, the extent to which the impact this has to the Company will depend on future developments that are highly uncertain and cannot be predicted. The Company will continue to closely monitor events and their potential impact.

No other events took place after the balance sheet date that could have a major effect on the financial position of the Company.

Amsterdam, May 23, 2022
ING SB Covered Bond Company B.V.

Director
Intertrust Management B.V.

3. Other information

3.1 Statutory provisions

In accordance with Article 20 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.

KPMG

Independent auditor's report

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

Report on the audit of the accompanying financial statements

Our opinion

We have audited the financial statements 2021 of ING SB 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 SB Covered Bond Company B.V. as at 31 December 2021, and of its result for the year 2021 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 2021;

2 the statement of income for the year 2021; and

3 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

We are independent of ING SB 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; 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.

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

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 the Dutch Standard 720 and Part 9 of Book 2 of the Dutch Civil Code. 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.

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, 23 May 2022

KPMG Accountants N.V.

R. Huizingh RA