

**ING SB2 Covered Bond  
Company B.V.**

**Annual Report 2023**

**Amsterdam, the Netherlands**

ING SB2 Covered Bond Company B.V.  
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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 Basisweg 10, 1043 AP Amsterdam, the Netherlands.

The main 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.

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 March 12, 2021 issued by the Issuer as amended and updated from time to time. Under the Programme 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 Moody's as from September 13, 2023 is A1. The short-term debt rating of the Issuer by Moody's as from September 13, 2023 is P-1. The minimum required ratings are A3 (long-term) and P-1 (short-term) by Moody's. Therefore, the actual ratings exceed the minimum required ratings as at December 31, 2023.

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

During 2023 Covered Bond Series 14 and 15 have been issued with a total issuance amount of EUR 5.000.000. The aggregate outstanding notional amount of Mortgage Loans under the Programme on December 31, 2023 amounts to EUR 44.2 billion (2022: EUR 38.3 billion) and the outstanding Covered Bonds amount to EUR 35.0 billion (2022: EUR 30.0 billion).

#### **Environmental, Social & Governance (ESG)**

The Company is setup as a Special Purpose Vehicle and due to that reason has set no ESG goals. The Director is of the opinion that the Company itself has no direct influence into the ESG related aspects, as the Company has no activities that directly impact the environment or social aspects. For ESG reporting in which the Company has an indirect role, we refer to the ESG reporting of foremost the Originator and secondly to the ESG reporting provided by the other involved parties.

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### **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.

#### **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 transferred 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 5.0% 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 of Covered Bonds 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 (Interest rate risk and Liquidity risk) fail, the limited recourse clause of the transaction will take effect (see Limited recourse paragraph).

#### **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 (2022: nil).

#### **1.2 Future developments**

This macro-economic analysis in this section is largely based on data and expectations presented by De Nederlandsche 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.

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The prediction of future trends and the quantification of developments is inherently a difficult task, full of uncertainties. 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 was characterized in 2023 by a combination of continued higher inflation and interest rate levels, in combination with a stagnating economy. Following the high inflation level of 11.6% in 2022, the rate declined steadily during 2023 as a result of lower energy prices and a reduced reliance on Russian energy sources. The ECB raised interest rates through most of 2023 in its quest to conquer rising inflation levels in the Euro zone. By the end of the year, there were clear signals that the peak in interest rates had been reached. The GDP level for the year was almost unchanged as compared to 2022 though the quarterly figures showed modest declines in the first three quarters, a recession in technical terms. The main causal factors were high inflation and interest rate levels, as well as a reduction in global markets. As a country that is heavily reliant on exports, The Netherlands was significantly impacted by the decline in global markets and will likely remain vulnerable in this area. Whilst the trends being experienced at the end of 2023 are expected to continue into 2024, the DNB predicts a year of very modest growth, mostly as a result of rising public sector spending and a general downward trend in inflation and interest rate levels.

Alongside its most likely scenario, the DNB has also sketched an alternative scenario for the coming years which is largely based on escalation in the conflicts in the Ukraine and the Middle East, and increased trade barriers in the world economy. These adverse developments would very likely impact the global economy, and the Dutch economy in particular, given its dependence on global markets and exports.

Despite the technical recession during the first three quarters of the year, GDP in The Netherlands remained stable in 2023 as a whole, as compared to 2022. The current expectations are that GDP will stabilize and show a modest rise of around 0.4% in 2024 before improving by around 1% in 2025. In a 'worst case scenario' of escalating world conflicts and trade barriers, the predicted GDP level shows a modest decline and a modest increase for 2024 and 2025, respectively.

All scenarios are significantly impacted by government spending, particularly in the form of investments in medical care, defence and the infrastructure. The level of government budget deficit increased from 0.1% in 2022 to around 0.9% in 2023. This deficit is significantly lower than previously predicted as the plans were delayed due to labour shortages and environmental matters. Much of this spending is now expected to take place during 2024 and 2025 and budget deficit levels of 2.6% and 2.9% respectively are expected as a result. The 2025 level is very close to the current EU norm of 3.0%. Support given to consumers for high energy costs will decline significantly but increased spending is planned in the areas of medical care, defence and support for households with lower levels of income. The higher levels of interest rates will also impact spending significantly due to the higher cost and relatively long duration of government bonds issued in recent years. The public spending deficit, as a percentage of GDP will remain relatively stable.

In determining the projections for 2024 and beyond, DNB has pointed to a number of strengths and weaknesses of the commercial sector within the Dutch economy that underly the projected developments. The economy has generally responded well to the higher inflation and interest rate levels. Levels of investments and credit reduced sharply without significant effects on unemployment and corporate bankruptcy levels. The vulnerability lies primarily in the export and global markets sectors of the economy. Businesses are having to cope with declining international activity, in combination with higher inflation and interest rate levels. Additionally, the strength of the Euro, as compared to the other major currencies of the world, is proving to be an obstacle. Levels of investments were up by 4.5% in 2023 over 2022 but this occurred mostly during the first quarter of 2023. The business investment level for 2024 is expected to decline by 1.1% over 2023, on the back of the low investment levels at the end of 2023. The year 2025 is expected to see an increase of 1.6% as confidence is restored somewhat. The DNB expects that the Dutch export sector will not be able to match any increased level in international activity in 2024 though it is somewhat more optimistic in this area for 2025.

Unemployment levels remained relatively stable during 2023 at 3.6% and are expected to remain so during 2024, finishing at 4.2% in 2025. Labour markets stagnated in 2023 in line with reduced economic activity but there was a reluctance by employers to reduce levels of staff on the payroll. Whilst a modest increase is expected in vacancies for the coming years, this will be offset by a decrease in labour supply. In the light of recent years, labour markets are expected to remain relatively tight.

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Headline inflation decreased from an average of 11.6% in 2022 to some 4.1% in 2023 as energy prices decreased by some 23%. However, inflationary pressures were experienced from higher consumer prices, for foodstuffs in particular. The expectation is that the inflation levels for the years 2024 and 2025 will be at 2.9% and 2.2%, respectively. This expectation is based on a low exit rate for 2023, though it is the expectation that the levels will be negatively influenced by lagging wage inflation and a hesitant economy. The expectation is that the targeted long-term inflation rate of 2% will be reached at the end of 2025.

The domestic housing market is also impacted by the foregoing macro-economic developments, especially slowly falling interest rates and wage inflation lagging behind headline inflation. Whilst the spectacular growth in domestic house prices is not expected to return in the short-term, the last two quarters of 2023 showed that the period of declining prices has come to an end. According to NVM, the average price of dwellings increased by 5.3% during the last quarter of 2023, as compared to the same period in 2022. The number of houses on the market at the end of 2023 was down by 11% on the previous quarter and 26% down on the year. Transactions for the last quarter of 2023 were up 12% as compared to the same period in the previous year, and the trend of over-bidding was also increasing again. All this will likely result in an upward pressure on prices during 2024. The upward pressure on prices is also being fuelled by the disappointing levels of new housing being built which seems unable to keep up with new entrants onto the housing market. Clearly, the effects of decreasing mortgage interest rates and wage inflation is having a positive effect on market sentiment. This upward pressure on prices is expected to continue in the coming years with DNB expecting price increases in the region of 0.4% for 2024 and around 2% for 2025. As always, regional variations and differences in the various price sectors and types of dwelling continue to exist but the overall picture can be applied to the housing market as a whole.

Risk levels for existing homeowners and lenders alike have remained relatively stable as compared to the previous year. Improving economic conditions, as compared to 2023, are likely to decrease the levels of defaults. This expectation is also backed by very limited rises in unemployment levels and business failures. Existing homeowners have seen debt ratios decrease, as a result of a period of major price rises in recent years, also partly helped by the relatively modest price increases of 2023. Competitive pressures are likely to continue in the mortgage provider market due to new entrants to the market and the restricted number of transactions expected. Overall, lenders still have relatively favourable debt ratios on existing portfolios as a result of the rising prices in recent years.

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, for instance, political conflicts and pandemics. At this stage, it is quite possible that the consequences of adverse economic conditions 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.

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 measures such as financial instruments and credit enhancements entered into, as described in the Financial statements and the Prospectus. Also, as the Company's obligations to the Noteholders are of limited recourse, no significant changes in the current position of the Company are expected for the next 12 months.

Amsterdam, July 19, 2024

Director  
Intertrust Management B.V.

## 2. Financial statements



**ING SB2 Covered Bond Company B.V.**  
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**2.1 Balance sheet as at December 31, 2023**

(before result appropriation)

ASSETS	Note	December 31, 2023		December 31, 2022	
		€	€	€	€
<b>Current assets</b>	[1]				
<i>Receivables</i>					
Receivables from Shareholder		1		1	
Current account Issuer	[4]	65,448		-	
Corporate income tax receivable		2,508		2,508	
Accounts receivable		201		418	
			68,158		2,927
<b>Cash and cash equivalents</b>	[2]				
Transaction account		1,280		132,441	
AIC account		-		-	
			1,280		132,441
<b>Total assets</b>			<u>69,438</u>		<u>135,368</u>
<b>SHAREHOLDER'S EQUITY AND LIABILITIES</b>					
<b>Shareholder's equity</b>	[3]				
Share capital		1		1	
Retained earnings		25,500		12,750	
Result for the period		12,150		12,750	
			37,651		25,501
<b>Current liabilities</b>	[4]				
Issuer facility advance		-		88,239	
Accrued expenses and other liabilities		31,787		21,628	
			31,787		109,867
<b>Total equity and liabilities</b>			<u>69,438</u>		<u>135,368</u>

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

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**2.2 Statement of income for the year ended December 31, 2023**

	Note	2023	2022
		€	€
<b>Income</b>			
Guarantee fee	[5]	15,000	15,000
Reimbursed expenses	[6]	140,850	150,523
Reimbursed interest expense/income		-2,163	-330
		153,687	165,193
<b>Operating expenses [7]</b>			
Audit fee		-45,887	-45,828
Sundry expenses		-94,962	-104,695
		-140,850	-150,523
<b>Financial result</b>			
<i>Interest (expense) / income</i>			
Interest on transaction account		2,163	330
		2,163	330
<b>Income before taxation</b>			
		15,000	15,000
Income tax expense	[8]	2,850	2,250
		2,850	2,250
<b>Net result</b>			
		12,150	12,750

# **ING SB2 Covered Bond Company B.V.**

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### **2.3 General notes to the Financial statements**

#### **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 Basisweg 10, 1043 AP Amsterdam, the Netherlands. The financial statements covers the year 2022, which ended at the balance sheet date of 31 December 2023.

The main 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.

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 Company has issued share capital of EUR 1 consisting of 1 share 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.

#### **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.

The structure of the Programme can be described as follows:

- The Company guarantees the Covered Bonds issued by the Issuer. Unless the Issuer loses its minimum required rating 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.

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- The Company has granted a first ranking right of pledge over receivables and related beneficiary rights to Stichting Trustee ING SB2 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 Moody's as from September 13, 2023 is A1. The short-term debt rating of the Issuer by Moody's as from September 13, 2023 is P-1. The minimum required ratings are A3 (long-term) and P-1 (short-term) by Moody's. Therefore, the actual ratings exceed the minimum required ratings as at December 31, 2023.

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

During 2023 Covered Bond Series 14 and 15 have been issued with a total issuance amount of EUR 5.000.000. The aggregate outstanding notional amount of Mortgage Loans under the Programme on December 31, 2023 amounts to EUR 44.2 billion (2022: EUR 38.3 billion) and the outstanding Covered Bonds amount to EUR 35.0 billion (2022: EUR 30.0 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.

#### **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 transferred 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 at the balance sheet of the Company. However, given the minimum required collateralisation of at least 5.0% 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 of Covered Bonds 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 (Interest rate risk and Liquidity risk) fail, the limited recourse clause of the transaction will take effect (see Limited recourse paragraph).

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### **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 (2022: nil).

### **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 initially measured at historical cost, unless stated otherwise in the further principles. An asset is recognized 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 that can be measured reliably at the initial recognition. Assets that meet these criteria are recorded at their initial measurement in the balance sheet. Assets that do not meet these criteria are considered off-balance sheet assets and are not recognized in the balance sheet. A liability is recognized in the balance sheet when it is expected that the settlement of an existing obligation will result in an outflow of resources, and the amount of the liability can be measured reliably. Liabilities that do not meet these criteria are not recognized in the balance sheet and are considered off-balance sheet liabilities.

#### **Current assets**

Current assets, which are assets expected to be converted into cash or consumed within one year, 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.

#### **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.

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### **Current liabilities**

On initial recognition current liabilities are recognised at fair value. After initial recognition current liabilities are recognised at the amortised cost price. This is usually the nominal value.

### **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 conversion 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 2023 there were no foreign currency transactions (2022: nil).

### **Offsetting**

In the balance sheet, financial assets and liabilities are presented at the net amount when there is a legally enforceable right to set-off the recognized amounts and an intention to settle on a net basis or simultaneously realize the asset and settle the liability. The balances of financial assets and liabilities can be offset, and the resulting net amount is reported in the balance sheet.

### **Income and expenses**

In the Statement of Income, income is recognized when there is an increase in future economic potential associated with an increase in an asset or a decrease in a liability, and the amount can be measured reliably. Expenses are recognized when there is a decrease in economic potential linked to a decrease in an asset or an increase in a liability, and the amount can be measured with sufficient reliability. Both revenues and expenses are allocated to the respective period in which they occur.

### **Fair value**

The fair value of cash and cash equivalents, as well as the balance with the Issuer and other liabilities included in these financial statements, approximates their book value due to their short-term nature, as stated in the disclosed accounting policies.

### **Corporate income tax**

The applicable tax rate for the period under review is 19% (2022: 15%) of the taxable amount, which is based on a tax opinion dated March 21, 2021 and is in line with common practice for Covered Bond securitizations. The net result for the year 2023 amounted to EUR 12,150 (2022: EUR 12,750). No dividend was issued in 2023.

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 Statement of income 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.

### **Contingent liabilities and commitments**

The Company has granted a first ranking right of pledge over the receivables and related beneficiary rights to the Trustee.

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

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 shareholder's equity. Payments to holders of these instruments are deducted from the shareholder's equity as part of the profit distribution.

# ING SB2 Covered Bond Company B.V.

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### 2.4 Notes to the Balance sheet

#### CURRENT ASSETS [1]

	December 31, 2023 €	December 31, 2022 €
<b>Receivables from shareholder</b>		
Receivable Shareholder Stichting Holding ING SB2 Covered Bond Company	1	1
	<u>1</u>	<u>1</u>

The receivables from shareholder, which relate to the share capital prepayment to the Foundation, are categorized as current assets due to their short-term nature, representing amounts owed by shareholders that are expected to be collected within the normal operating cycle of the business, which is typically within one year. It is important to note that these receivables, although potentially extending over multiple years, are classified as current assets since they are readily collectible at any time.

	December 31, 2023 €	December 31, 2022 €
<b>Corporate income tax receivable</b>		
Corporate income tax receivable	2,508	2,508
	<u>2,508</u>	<u>2,508</u>

The corporate income tax receivable relates to the financial year 2020, The expectation of the Director is that this receivable will be settled within one year.

	December 31, 2023 €	December 31, 2022 €
<b>Cash and cash equivalents [2]</b>		
Transaction account	1,280	132,441
AIC account	-	-
	<u>1,280</u>	<u>132,441</u>

During the year the Company received no collateral from the Issuer.

#### *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 NIL 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.

# ING SB2 Covered Bond Company B.V.

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### 2.4 Notes to the Balance sheet

#### LIABILITIES

#### Shareholder's equity [3]

##### Share capital

The authorized share capital amounts to EUR 1, consisting of 1 ordinary share 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:

	Share capital	Retained earnings	Result for the period	Total
	€	€	€	€
Opening balance	1	12,750	12,750	25,501
Appropriation of result	-	12,750	(12,750)	-
Dividend	-	-	-	-
Result for the period	-	-	12,150	12,150
Ending balance	1	25,500	12,150	37,651

##### Proposed appropriation of the result

The net result for the year 2023 amounted to EUR 12,150 (2022: EUR 12,750). No dividend was issued in 2023.

#### Current liabilities [4]

The movement in the current account Issuer during the year can be explained as follows:

	December 31, 2023	December 31, 2022
	€	€
Current account Issuer opening balance	88,239	53,431
Received from Issuer	-	200,000
Reimbursed operating expenses	-140,850	-150,522
Reimbursed interest expense/income	2,163	330
Guarantee fee	-15,000	-15,000
Current account Issuer ending balance	-65,448	88,239

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 2023 amounting to EUR nil (2022: EUR 200,000).

The accrued expenses and other liabilities can be detailed as follows:

	December 31, 2023	December 31, 2022
	EUR	EUR
Audit fee payable	28,762	21,628
Management fee payable	3,025	-
	31,787	21,628



# ING SB2 Covered Bond Company B.V.

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### 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 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.

	2023	2022
	€	€
Reimbursed operating expenses	140,850	150,523
Reimbursed interest expense/income	-2,163	-330
	<u>138,687</u>	<u>150,193</u>

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

	2023	2022
	€	€
<b>Operating expenses [7]</b>		
Audit fee	45,887	45,828
Management fee	27,606	24,339
Management fee Stichting Holding	2,487	-
Management fee Stichting Trustee	14,001	15,428
Audit related fee	50,186	64,219
Other general costs	682	708
	<u>140,850</u>	<u>150,523</u>

In accordance with the Administration Agreement between the Company and the Issuer, the Company is entitled to reimbursement for its operating expenses and receives a guarantee fee. Additionally, any negative interest is directly reimbursed by the Issuer. It is important to note that the reimbursed expenses are accounted for by charging them to the Issuer through the issuer facility advance.

In accordance with the transaction documentation the management fee for the Foundation and the Trustee are borne by the Company.

The audit related fee consists of EUR 28,762 (2022: 24.200) for services as agreed in the engagement letter from KPMG. The audit fee of the year under review also consists an amount of EUR 17,125 with regard to the audit of the previous year's financial statements. The audit related fee consists of EUR 50,186 (2022: EUR 64.219) for the pool procedures and asset cover test performed by EY.

	2023	2022
	€	€
<b>Corporate income tax [8]</b>		
Corporate income tax	2,850	2,250

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**Subsequent events**

No events took place that could have a major effect on the financial position of the Company.

Amsterdam, July 19, 2024

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 auditor's 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 2023 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 2023, and of its result for the year 2023 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 2023;
- 2 the statement of income for the year 2023; 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 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; 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 directors are responsible for the preparation of the other information.

## **Description of the responsibilities for the financial statements**

### ***Responsibilities of the directors for the financial statements***

The directors are 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 directors are responsible for such internal control as the directors determine 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 directors are responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the directors should prepare the financial statements using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The directors 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 directors;
- 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, 19 July 2024

KPMG Accountants N.V.

R. Huizingh RA