

ING Covered Bond Company B.V.

Annual Report for the year 2012

Amsterdam, The Netherlands

**VASTGESTELD IN DE ALGEMENE VERGADERING VAN
AANDEELHOUDERS GEHOUDEN OP 1 mei 2013**

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1 Director's report

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1.1 Director's report

Objectives and results

ING Covered Bond Company B.V. ("the Company") was incorporated on September 19, 2007.

The main objective of the Company is to grant security for the Company's obligations and debts and for the obligations and debts of third parties, including ING Bank N.V., in conformity with the EUR 35 billion ING Covered Bonds Programme by ING Bank N.V.

The covered bonds issued by ING Bank N.V. are secured by a portfolio of mortgage loans and other eligible assets. In the event that the Issuer ("ING Bank N.V.") 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.

For a complete description of the transaction please refer to the Base Prospectus dated September 15, 2008 issued by ING Bank N.V. as amended and updated from time to time. The last updated Base Prospectus is dated February 19, 2013.

On 28 January 2009 ING Bank N.V. was downgraded by Fitch Ratings from "AA" to "A+" (affirmed September 2010) for the long term debt rating. The impact of this downgrade for the Company is that ING Bank N.V. is required to deposit the short term payment obligations on the covered bonds on a bank account held by the Company. The first deposit was made in January 2009.

The long term debt rating by Standard & Poors as from 16 November 2012 is A+, the rating by Moody's as from 13 March 2013 is A2 and the rating by Fitch Ratings as from 6 February 2013 is A+. The Minimum Required Rating, being A- (long term) by S&P, A (long term) and F1 (short term) by Fitch and A3 (long term) by Moody's.

The aggregate outstanding notional amount under the covered bond programme on December 31, 2012 amounts to EUR 42.0 billion (2011: EUR 39.2 billion) and the outstanding covered bonds amount to EUR 27.5 billion (2011: EUR 22.9 billion). The increase during the year is merely the result of additional covered bonds issued and as a consequence an increase of the aggregate outstanding notional amount in accordance with the requirements of the programme.

The Base Prospectus updated in February 2013 has been filed with the Swiss Stock Exchange to comply with the SIX Swiss requirements to issue in Switzerland.

Financial Risk Management

The Company's activities are exposed to a variety of financial risks, being credit risk, liquidity risk, foreign currency risk and interest rate risk.

Reference is made to the general notes to the financial statements (2.4.3) with a more detailed overview of the financial risks involved. We also refer to the Base Prospectus for a description of the financial risks. The information disclosed in the annual report should be read in conjunction with the full

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text and definitions of the Base Prospectus. However, these documents do not form part of the annual report.

Future outlook

Financial markets are still facing the effects of the global economic crisis which started in 2008. At first, banks and financial institutions faced the effects of the financial crisis. More recently the crisis developed into a sovereign debt crisis, which affected the global economy and the Eurozone in particular. Deteriorating financial circumstances may have an adverse effect on the financial positions of borrowers. Together with increased unemployment rates this may result in payment disturbances. The global economic situation remains to be uncertain.

As described in paragraph 2.4.3, there are certain financial risks for the Company but management believes that under the contracts of the transaction, as disclosed in the Base Prospectus and further updates, these risks are mitigated.

In 2012 the economic situation had no noticeable influence on the position of the Company and the same is expected for 2013.

Amsterdam, 26 April 2013

Managing Director,
ATC Management B.V.

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2 Financial statements

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2.1 Balance sheet as at December 31, 2012 (before appropriation of result)

	Notes	December 31, 2012		December 31, 2011	
		EUR	EUR	EUR	EUR
ASSETS					
Current assets	2.5.1				
Reimbursed expenses		37,697		0	
Accounts receivable		<u>319,216</u>		<u>40,816</u>	
			356,913		40,816
Cash and cash equivalents	2.5.2				
Capital Account		14,242		80,774	
AIC Account		<u>1,269,948,815</u>		<u>161,893,141</u>	
			1,269,963,057		161,973,915
			<u>1,270,319,970</u>		<u>162,014,731</u>
SHAREHOLDER'S EQUITY AND LIABILITIES					
Shareholder's equity					
Share capital	2.5.3	20,000		20,000	
Retained earnings		-12,000		-12,000	
Result for the period		<u>12,000</u>		<u>12,000</u>	
			20,000		20,000
Current liabilities	2.5.4				
Accrued expenses and other liabilities		1,270,299,784		161,959,928	
Issuer Facility Advance		0		34,572	
Corporate income tax payable		<u>186</u>		<u>231</u>	
			1,270,299,970		161,994,731
			<u>1,270,319,970</u>		<u>162,014,731</u>

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2.2 Statement of income for the year 2012

	Notes	Year 2012		Year 2011	
		EUR	EUR	EUR	EUR
Income					
Guarantee fee		15,000		15,000	
Reimbursed operating expenses		<u>58,102</u>		<u>47,281</u>	
			73,102		62,281
Financial income and expenses	2.5.5				
Interest income		1,040,137		224,258	
Interest expenses		<u>-1,040,137</u>		<u>-224,258</u>	
			0		0
Operating expenses					
Auditor fee		14,520		13,090	
Sundry expenses		<u>43,582</u>		<u>34,191</u>	
			58,102		47,281
Income before taxation			15,000		15,000
Corporate income tax			3,000		3,000
Net result			<u><u>12,000</u></u>		<u><u>12,000</u></u>

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2.3 Cash flow statement for the year 2012

	Year 2012		Year 2011	
	EUR	EUR	EUR	EUR
Cash flow from operating activities				
Net result	<u>12,000</u>		<u>12,000</u>	
		12,000		12,000
Changes in working capital:				
Net change in current assets	(316,097)		33,843	
Net change in current liabilities	<u>1,108,305,239</u>		<u>43,871,415</u>	
		1,107,989,142		43,905,258
Cash flow from financing activities				
Dividends paid		(12,000)		(12,000)
Net cash change during the year		<u>1,107,989,142</u>		<u>43,905,258</u>
Cash balance at beginning of the period		<u>161,973,915</u>		<u>118,068,657</u>
Cash balance at end of year		<u><u>1,269,963,057</u></u>		<u><u>161,973,915</u></u>

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2.4 General notes to the financial statements

2.4.1 General information

ING Covered Bond Company B.V., ("the Company") was incorporated with limited liability under the laws of the Netherlands on September 19, 2007. The registered office of the Company is in Amsterdam, the Netherlands. The sole managing director of the Company is ATC Management B.V.

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., 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 Covered Bonds programs (whether or not as a separate program or as part of other issue programs, which by the public company ING Bank N.V., with corporate seat in Amsterdam, are or will be raised.

The Company has an authorized share capital of EUR 20,000 consisting of 20 shares with a par value of EUR 1,000 each, of which all shares has been issued and fully paid-up. The Stichting Holding ING Covered Bond Company holds all shares. Stichting Holding ING Covered Bond Company is a foundation incorporated under the laws of the Netherlands on August 28, 2007. The registered office of the Foundation is in Amsterdam, the Netherlands. The objectives of Stichting Holding ING 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 Covered Bond Company is ATC Management B.V.

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2.4.2 Structure of the transaction 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 ING Bank N.V. 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 Covered Bond programme can be described as follows:

- The Company guarantees the Covered Bonds issued by ING Bank N.V. ING Bank N.V. will swap the fixed rate liabilities (Covered Bonds) to floating through a regular interest rate swap (IRS), on behalf of the Company.
- The Company will swap fixed interest rate coupon payments on the portfolio assets to floating rate payments through a total return swap (TRS) with ING Bank N.V. 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 Originators. As a consequence, the overall interest rate position of the Originators remains unchanged. Unless ING Bank N.V. loses its Minimum Required Rating, being A- (long term) by S&P, A (long term) and F1 (short term) by Fitch and A3 (long term) by Moody's, there will be no cash flows (also not under the TRS) and the Company, will not have the right to any of the proceeds
- The Guarantee Support Agreement provides that the transfer of the Eligible Receivables will be effected through a silent assignment (*stille cessie*) by the Originators 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 Covered Bond Company. The latter acts as Agent and Trustee for the Covered Bonds issued by ING Bank N.V. in view of the Covered Bond 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 Covered Bond Company.

If ING Bank N.V. loses its Minimum Required Rating, being A- (long term) by S&P, A (long term) and F1 (short term) by Fitch and A3 (long term) by Moody's, the economic risk of the cover pool and the related funding will be transferred to the Company.

The aggregate outstanding notional amount of the cover pool on December 31, 2012 amounts to EUR 42,000,308,006 (previous year: EUR 39,228,559,337) and the outstanding Notes amounts to EUR 27,538,796,228 (previous year: EUR 22,949,535,706). The long term debt rating of the Issuer by Standard & Poors as from 16 November 2012 is A+, the rating by Moodys as from 13 March 2013 is A2 and the rating by Fitch Ratings as from 6 February 2013 is A+. The short term debt rating by Fitch Ratings as from 6 February 2013 is F1+.

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2.4.3 Summary financial risks

The Company's activities are exposed to a variety of financial risks, being credit risk, liquidity risk, foreign currency risk and interest rate risk.

Credit risk

The Company only has exposure to credit risk, which is the risk that the Borrowers will be unable to pay amounts in full when due, when a downgrade of ING Bank N.V. occurs that is below the Minimum Required Rating, being A- (long term) by S&P, A (long term) and F1 (short term) by Fitch and A3 (long term) by Moody's. Until that moment all risks and rewards associated with the assets are retained and recognized by ING Bank N.V.

Liquidity risk

The Company's exposure to liquidity risk, is mitigated through the mechanics of the Asset Cover Test.

Foreign currency risk

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

Interest rate risk

The Company only has exposure to interest rate risk, when a downgrade of ING Bank N.V. occurs that is below the Minimum Required Rating, being A- (long term) by S&P, A (long term) and F1 (short term) by Fitch and A3 (long term) by Moody's. Until that moment the Company's exposure to interest rate risk will be mitigated through a total return swap with ING Bank N.V.

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2.4.4 Principal accounting policies

The principal accounting policies adopted in the preparation of the Company's 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 small entity for Dutch statutory reporting purposes and therefore, in accordance with the provisions of Article 396, Title 9 of Book 2 of the Netherlands Civil Code, certain exemptions apply to the Company's financial statements and the notes thereto.

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 2012 there were no foreign currency transactions.

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 and expenses are recognized in the income statement on an accruals basis. Operating expenses are accounted for in the period in which these are incurred. Losses are accounted for in the year in which they are identified.

Statement of cash flows

The statement of cash flows is prepared based on the indirect method. For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days maturity.

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Fair value

In view of the short-term nature the financial instruments are valued at nominal value, which approximates the fair value.

2.4.5 Contingent liabilities and commitments

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

2.4.6 Corporate income tax

Permanent and temporary differences may exist between the net result as presented in these financial statements and the result for corporate income tax purposes. Therefore, the corporate income tax due for the year may differ from the theoretical amount that would arise applying the nominal tax rate applicable in the Netherlands to the net result as presented in these financial statements. On August 28, 2007 the Company was granted a tax ruling by the Dutch Tax Authority. In this ruling it is agreed that the Company will report a yearly result before taxes of EUR 15,000.

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2.5 Notes to the balance sheet and the statement of income

2.5.1 Current assets

	2012	2011
	EUR	EUR
Interest bank accounts	319,216	40,816
Reimbursed expenses	37,697	0
Balance at year-end	356,913	40,816

The interest receivable will be added in January 2013 in favor of the bank accounts held at ING Bank N.V.

Reimbursed expenses

According to the Administration Agreement with ING Bank N.V., the Company will be reimbursed for its expenses and guarantee fee. The 2012 reimbursements, including any charges pending at year end 2012, were for the greater part set off against an advance made by ING Bank N.V.

2.5.2 Cash and cash equivalents

The bank accounts are held with ING Bank N.V.

Part of the Covered Bond Programme includes a "Pre Maturity Test", which amongst others includes the Pre-Maturity Minimum Ratings by the rating agencies of ING Bank N.V. For further details of the test described above reference is made to the "Amended Asset Monitor Agreement".

Under the "Guarantee Support Agreement" ("GSA") with ING Bank N.V., 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. Following the failure of the "Pre Maturity Test" ING Bank N.V. has transferred an amount of EUR 1,108 million during the year 2012, in addition to the total amount of EUR 162 million at the beginning of the year, enabling the Company to meet the short term payment obligations under the Covered Bond Programme. The total amount at year-end is EUR 1,270 million and is placed on the Company's AIC account and is not freely available to the Company other than to meet the obligations referred to above.

The increase of the cash balance is merely the result of the additional deposits made by ING Bank N.V., together with interest earned on the bank accounts.

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2.5.3 Shareholder's equity

Share capital

The authorized share capital amounts to EUR 20,000 consisting of 20 ordinary shares of EUR 1,000 each, of which all shares are issued and fully paid-in. All shares are held by Stichting Holding ING Covered Bond Company.

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

	Share capital	Retained earnings	Result for the period	Total
	EUR	EUR	EUR	EUR
Opening balance 01-01-2012	20,000	-12,000	12,000	20,000
Appropriation of result 2011	0	12,000	-12,000	0
Dividends paid	0	-12,000	0	-12,000
Result for the period	0	0	12,000	12,000
Ending balance 31-12-2012	20,000	-12,000	12,000	20,000

Dividends paid reflect an interim dividend for the year 2012.

2.5.4 Current liabilities

Accrued expenses and other liabilities

Under the Covered Bond Programme up to EUR 1,269,966,048 has been funded on a bank account of the Company. In addition an amount of accrued interest till year-end was recorded as a receivable. Both the funding amounts from ING Bank N.V. together with interest received are recorded as a payment obligation to ING Bank N.V. as further specified in the summary below.

	2012	2011
	EUR	EUR
Payment obligations Covered Bond Programme	1,269,966,048	161,906,038
Interest obligation Covered Bond Programme	319,216	40,800
Auditor Fee	14,520	13,090
Balance at year-end	1,270,299,784	161,959,928

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Corporate income tax payable

	2012	2011
	EUR	EUR
Corporate income tax current year	86	231
Corporate income tax prior years	100	0
Balance at year-end	186	231

An amount of EUR 2,914 provisional tax claim for the year 2012 was paid in 2012. It is expected that the final tax claim for the year 2012 will be EUR 3,000.

2.5.5 Interest income and expenses

	2012	2011
	EUR	EUR
Interest income	1,040,137	224,258
Interest expense	-1,040,137	-224,258
	0	0

The increase in interest income and interest expenses is the reflection of the increased deposit made by ING Bank N.V. in order to meet the requirements of the Programme. Income earned, however, is also a payment obligation towards ING Bank N.V.

2.5.6 Employees and remuneration directors

During the year under review the Company did not employ any personnel. The remuneration of the Director is nil. The Company does not have a Board of Supervisory Directors.

Amsterdam, 26 April 2013

Managing Director,
ATC Management B.V.

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3 Other information

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3.1 Appropriation of result

Statutory provisions

In accordance with Article 14 of the Articles of association, the result for the period is at the disposal of the General Meeting of Shareholders.

Proposed appropriation

The net result for the year ended December 31, 2012 amounted to EUR 12,000 (previous year EUR 12,000). Management proposes a dividend of EUR 12,000, which during the year under review already was paid as an interim dividend.

3.2 Post-balance sheet events

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

3.3 Approval financial statements

The general meeting of shareholders held on 10 July 2012 has adopted the financial statements 2011.

3.4 Independent auditor's report

For the independent auditor's report see next page.

Independent auditor's report

To: The Board of Directors of ING Covered Bond Company B.V.

Report on the financial statements

We have audited the accompanying financial statements 2012 of ING Covered Bond Company B.V., Amsterdam, which comprise of the balance sheet as at 31 December 2012, the profit and loss account for the year then ended and the notes, comprising of a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as it determines necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of ING Covered Bond Company B.V. as at 31 December 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further, we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 26 April 2013

Ernst & Young Accountants LLP

signed by A.B. Roeders