

ING Covered Bond Company B.V.

Report for the year 2017

Amsterdam, the Netherlands

ING Covered Bond Company B.V.
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Table of contents		Page
1.	Director's report	
1.1	Activities and results	3
1.2	Future developments	5
2.	Financial statements	
2.1	Balance sheet as at December 31, 2017	7
2.2	Statement of income for the year 2017	8
2.3	Statement of cash flows for the year 2017	9
2.4	General notes to the financial statements	10
2.5	Notes to the balance sheet	14
2.6	Notes to the statement of income	17
3.	Other information	
3.1	Statutory provisions	18
3.2	Independent auditors' report	19

1. Director's report

ING Covered Bond Company B.V.

Report for the year 2017

1.1 Activities and results

General

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

The 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: 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/or currency exchange agreements, in connection with the objects mentioned under (a), (b) and (c) of this article;

(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 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 August 4, 2017. This concerned the update and the decrease of and certain amendments to (including adding the option for ING Bank N.V. (the "Bank") to issue covered bonds with an extendable maturity date (so called soft bullet covered bonds) under) the EUR 35,000,000,000 covered bonds programme established on 10 March 2008 (as amended and/or updated from time to time) under which the Bank may from time to time issue covered bonds (the "Covered Bonds") through syndicated issues, private placements or otherwise, and ING Covered Bond Company B.V. guarantees the obligations of the Bank as Issuer under the Covered Bonds.

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 2 March 2018 is A+, the rating by Moody's as from 6 October 2017 is Aa3 and the rating by Fitch Ratings as from 14 November 2017 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. Therefore, the actual rating exceeds the minimum required rating.

The aggregate outstanding notional amount under the covered bond programme on December 31, 2017 amounts to EUR 28.4 billion (2016: EUR 31.9 billion) and the outstanding covered bonds amount to EUR 22.7 billion (2016: EUR 24.6 billion).

During 2017 the Base Prospectus was updated. The following changes, amongst others, have been made:

- Rating outlook from Moody's positive (instead of stable)
- Addition that valuation report from ING Calcasa can be used to determine appraised market value

ING Covered Bond Company B.V.

Report for the year 2017

RISK MANAGEMENT

In the event the Company will take over the servicing of the Covered Bonds, the Company will run the interest rate and credit 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 risk, interest rate risk, liquidity risk and foreign currency risk. The Company's risk management processes remain unchanged compared to last year.

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 ING Bank N.V. 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% 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 Asset Cover Test and the Issuer Facility Advance. The Asset Cover Test and Issuer Facility Advance ensure that the Company has sufficient funds to meet its obligations. The Asset Cover Test makes sure that the Covered Bond Company will, at any period in time, have sufficient collateral in relation to the outstanding Guarantee.

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.

Limited Recourse

Although Interest rate risk, credit risk and liquidity 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 CBC 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 (2016: nil). The managing director is not a natural person, therefore, the requirements on information on the human gender ratio of board members can be found in the Director's report of the managing director.

ING Covered Bond Company B.V.

Report for the year 2017

1.2 Future developments

The year 2017 is considered to have been very good for the Dutch economy for just about all economic indicators and often accelerating the positive underlying trends of recent years. The Gross Domestic Product ("GDP") increased by 3.3% in 2017, the highest growth rate in a decade. The growth was mostly fueled by consumer confidence stemming for a large part from the upswing in the domestic house prices, as well as high confidence levels within commercial enterprises. The latter is the result of increased world trade and the continuing low levels of inflation and interest rates. It is expected that the economy will continue to show relatively high growth rates in the coming years with increases of GDP of 3.1% and 2.3% expected for 2018 and 2019, respectively. Much of these expectations are much dependent on developments in the rest of the world, however.

Growing confidence is also a noticeable trend in the business and commerce sectors and investment levels are also expected to rise. There appears to be ample funding available, both from the banking and large commercial sectors, as well as from increased liquidity arising from higher profit levels.

Unemployment levels reduced from 6.0% to 4.9% during 2017 and this trend is also expected to continue in 2018 with an estimate of 3.9% at the end of the year and 3.5% at the end of 2019. However, there were signs at the end of 2017 that some capacity limits were being reached and that the recruitment of suitable staff is becoming a greater issue. This may put restraints on future growth patterns.

Inflation is expected to rise moderately from the 1.3% in 2017 to 1.4% in 2018 but rising to 2.3% in 2019. The upward pressure in the coming years is expected to stem from higher levels of indirect taxation and unit wage costs which will come under pressure as employment levels and recruitment difficulties continue to rise.

The Dutch residential housing market continued the strong growth of recent years in 2017 and the early part of 2018. Transactions during the 12 months ending in September 2017 were at the highest level for a 12 month period since 1992. Most parameters in the larger cities are now above pre-crisis levels. In the less popular regions, there were significant improvements during 2017. However, by the end of 2017 it became clear that there are growing pressures in the market from a lack of supply of existing dwellings. The number of transactions in the last quarter of 2017 was down 5.7% from the previous year's comparative quarter and the number of dwellings for sale was down 35.6%. There are also signs that the construction industry will start to feel the negative impact of fuller employment and restricted capacity which may delay the completion of new housing projects. The consequences are likely to be that transactions will decline from recent record levels but that prices will continue to rise on the back of confidence in the economy and the market, low interest rates and now restricted supply.

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

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

Amsterdam, June 26, 2018

Managing Director,
Intertrust Management B.V.

2. FINANCIAL STATEMENTS

ING Covered Bond Company B.V.

Report for the year 2017

2.1 Balance sheet as at December 31, 2017

(Before result appropriation)

ASSETS	December 31, 2017		December 31, 2016	
	€	€	€	€
Current assets				
<i>Receivables</i>				
Reimbursed expenses	16,033		56,230	
Accounts receivable	<u>293,342</u>		<u>39,293</u>	
		309,375		95,523
Cash and Cash equivalents	<u>322,787,054</u>		<u>39,361,804</u>	
		322,787,054		39,361,804
		<u>323,096,429</u>		<u>39,457,327</u>
SHAREHOLDER'S EQUITY AND LIABILITIES				
Shareholder's equity				
Share capital	20,000		20,000	
Retained Earnings	(-) 12,000		(-) 12,000	
Result financial year	<u>12,000</u>		<u>12,000</u>	
		20,000		20,000
Current liabilities				
Accrued expenses and other liabilities	323,076,314		39,437,214	
Corporate income tax payable	<u>115</u>		<u>113</u>	
		323,076,429		39,437,327
		<u>323,096,429</u>		<u>39,457,327</u>

ING Covered Bond Company B.V.
Report for the year 2017

2.2 Statement of income for the year 2017

	2017		2016	
	€	€	€	€
Income				
Guarantee fee	15,000		15,000	
Reimbursed operating expenses	524,772		191,645	
		539,772		206,645
Operating expenses				
Audit fee	18,130		18,150	
Sundry expenses	506,642		173,495	
		524,772		191,645
Income before taxation		15,000		15,000
Corporate Income Tax		(-) 3,000		(-) 3,000
Net result		12,000		12,000

ING Covered Bond Company B.V.

Report for the year 2017

2.3 Statement of cash flows for the year 2017

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

	2017		2016	
	€	€	€	€
Cash flow from operating activities				
Net result		12,000		12,000
<i>Adjustments to statement of income:</i>				
Reimbursed operating expenses	(-) 524,772		(-) 191,645	
Sundry expenses	<u>506,642</u>		<u>173,495</u>	
		(-) 18,130		(-) 18,150
Net change in current liabilities	283,663,102		(-) 714,561,490	
Net change in current assets	<u>(-) 195,722</u>		<u>(-) 45,296</u>	
		283,467,380		(-) 714,606,786
Cash flow from financing activities				
Dividends paid		(-) 36,000		-
Movements in cash		<u>283,425,250</u>		<u>(-) 714,612,936</u>
Cash balance at the beginning of period		39,361,804		753,974,740
Movements in cash		<u>283,425,250</u>		<u>(-) 714,612,936</u>
Cash balance at the end of year		<u>322,787,054</u>		<u>39,361,804</u>

ING Covered Bond Company B.V.

Report for the year 2017

2.4 General notes to the financial statements

GENERAL INFORMATION

ING Covered Bond Company B.V. ("the Company") was incorporated with limited liability under Dutch Law on September 19, 2007. The statutory seat of the Company is Amsterdam, the Netherlands. The sole managing director of the Company is Intertrust Maangement B.V.

The 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: 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/or currency exchange agreements, in connection with the objects mentioned under (a), (b) and (c) of this article;

(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 have 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 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 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.

ING Covered Bond Company B.V.

Report for the year 2017

2.4 General notes to the financial statements

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, if any, (Covered Bonds) to floating 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 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 Originator (ING Bank N.V.). As a consequence, the overall interest rate position of the Originators remains unchanged. Unless ING Bank N.V. loses the Minimum Required Rating being A-1 (short term) and A (long term) by S&P, F1 (short term) by Fitch and P1 (short 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, 2017 amounts to EUR 28.4 billion (2016: EUR 31.9 billion) and the outstanding Notes amount to EUR 27.2 billion (2016: EUR 24,6 billion). The long term debt rating by Standard & Poors as from 2 March 2018 is A+, the rating by Moody's as from 6 October 2017 is Aa3 and the rating by Fitch Ratings as from 24 November 2017 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.

FINANCIAL RISK MANAGEMENT

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

Credit and concentration risk

The Company 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.

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. From the moment a rating event occurs, the Company's exposure to interest rate risk is mitigated through a total return swap with ING Bank N.V.

ING Covered Bond Company B.V.

Report for the year 2017

2.4 General notes to the financial statements

Liquidity risk

The Company's exposure to liquidity risk is mitigated through the mechanics of the Asset Cover Test and the Issuer Facility Advance. The Asset Cover Test and Issuer Facility Advance ensure that the Company has sufficient funds to meet its obligations. The Asset Cover Test makes sure that the Covered Bond Company will, at any period in time, have sufficient collateral in relation to the outstanding Guarantee.

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.

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 small 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 are prepared on the going concern basis.

Derivatives

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

Current assets

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

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.

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 2017 there were no foreign currency transactions.

ING Covered Bond Company B.V.

Report for the year 2017

2.4 General notes to the financial statements

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.

Fair value

Due to the short-term nature of the cash and cash equivalents, the balance with the Seller and other liabilities included in these 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 that the taxable amount is EUR 15,000. The applicable tax rate for the period under review is 20% 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 of EUR 12,000 has been distributed through an interim dividend on 9 October 2017.

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.

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.

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 comprise balances with less than 90 days maturity.

ING Covered Bond Company B.V.

Report for the year 2017

2.5 Notes to the balance sheet

ASSETS

CURRENT ASSETS

This item can be detailed as follows:

	<u>31/12/2017</u>	<u>31/12/2016</u>
	€	€
Reimbursed expenses	16,033	56,230
Accounts receivable	<u>293,342</u>	<u>39,293</u>
	<u><u>309,375</u></u>	<u><u>95,523</u></u>

The 2017 reimbursements, including any charges pending at year end 2017, were partly set off against an advance made by ING Bank N.V.

The accounts receivable relate to the negative interest for Q4 2016 charged on the AIC account. This amount has been repaid by ING in January 2017. Yet interest was charged again by the bank and as such the receivable remains present.

Cash and cash equivalents

	<u>31/12/2017</u>	<u>31/12/2016</u>
	€	€
Transaction account	46,885	6,593
AIC account	<u>322,740,169</u>	<u>39,355,211</u>
	<u><u>322,787,054</u></u>	<u><u>39,361,804</u></u>

The bank accounts are held with ING Bank N.V. The cash balance of the transaction account is freely available to the Company.

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. In order to comply with the "Pre Maturity Test" ING Bank N.V. has to transfer amounts into the AIC account. The amount 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.

In the beginning of 2014 the Minimum Required Ratings of the "Pre Maturity Test" were altered from P-1 (short term) by Moody's, A-1+ (short term) by S&P and F1+ (short term) by Fitch into P-1 (short term) by Moody's, A-1 (short term) and A (long term) by S&P and 'F1+' (short term) by Fitch. These ratings were still in place during the last update of the prospectus in August 2017.

During 2017 a total of EUR 59.4 million was withdrawn and a total of EUR 342.7 million was deposited on the AIC account. The cash flows during the year depend on the maturity dates of the outstanding covered bonds. When a covered bond matures within this 12 month period, the total outstanding balance of the bond should be placed on the AIC account. At year-end the recorded amount on the AIC relates to the expected interest and redemption amounts and was a total of EUR 322.8 million.

ING Covered Bond Company B.V.

Report for the year 2017

2.5 Notes to the balance sheet

LIABILITIES

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-up. 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
	€	€	€	€
Opening balance	20,000	(-) 12,000	12,000	20,000
Appropriation of result 2017	-	12,000	(-) 12,000	-
Interim dividend	-	(-) 12,000	-	(-) 12,000
Result for the period	-	-	12,000	12,000
Ending balance	<u>20,000</u>	<u>(-) 12,000</u>	<u>12,000</u>	<u>20,000</u>

On February 16, 2017 the dividends for the financial years 2015 and 2016 have been paid. In addition the 2017 interim dividend has been paid on 9 October 2017.

ING Covered Bond Company B.V.

Report for the year 2017

2.5 Notes to the balance sheet

Accrued expenses and other liabilities

Under the Covered Bond Programme up to EUR 322.8 million has been funded and has been drawn from the AIC account of the Company which is to be repaid to ING Bank N.V. No accrued interest payable till year-end was recorded.

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

	<u>31-12-2017</u>	<u>31-12-2016</u>
	€	€
Dividend payable	-	24,000
Loan given AIC account payable	323,033,601	39,395,044
Audit related fee payable	24,200	-
Audit fee payable	18,150	18,170
Administration fee payable	363	-
	<u>323,076,314</u>	<u>39,437,214</u>

Corporate Income Tax payable

	<u>31-12-2017</u>	<u>31-12-2016</u>
	€	€
Corporate Income Tax Current year	6	55
Corporate Income Tax previous year	109	58
	<u>115</u>	<u>113</u>

An amount of EUR 2,994 provisional tax claim including a reduction for the year 2017 was paid in 2017. It is expected that the final tax claim for the year 2017 will be EUR 3,000.

ING Covered Bond Company B.V.

Report for the year 2017

2.6 Notes to the statement of income

Guarantee fee

The Guarantee fee relates to the minimum profit which at the same time will be the remuneration for management.

Reimbursed expenses

	<u>2017</u>	<u>2016</u>
	€	€
Reimbursed expenses	524,772	191,645
	<u>524,772</u>	<u>191,645</u>

According to the Administration Agreement with ING Bank N.V. the Company will be reimbursed for its expenses and receives a guarantee fee. The 2017 reimbursements, including any charges pending at year end 2017 were partly set off against an advance made by ING Bank N.V.

Operating expenses

	<u>2017</u>	<u>2016</u>
	€	€
Management fee	2,245	3,743
Audit fee	18,130	18,150
Audit related fee	24,200	-
Negative interest bank accounts	479,466	168,990
Other general costs	731	762
	<u>524,772</u>	<u>191,645</u>

Corporate Income Tax

	<u>2017</u>	<u>2016</u>
	€	€
Corporate Income Tax	3,000	3,000
	<u>3,000</u>	<u>3,000</u>

The Company and the Dutch Tax Authorities agreed by way of a ruling that the taxable amount is EUR 15,000. The applicable tax rate for the period under review is 20% of the taxable amount. The ruling with the Dutch Tax Authorities will have effect until the Final Maturity Date of the Notes.

Proposed appropriation

The net result for the year ended December 31, 2017 amounted to EUR 12,000 (2016: EUR 12,000). Management proposes a dividend of EUR 12,000, which during the year under review was declared as an interim dividend.

Post balance sheet events

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

Amsterdam, June 26, 2018
ING Covered Bond Company B.V.

Managing Director
Intertrust Management B.V.

ING Covered Bond Company B.V.

Report for the year 2017

3. Other information

3.1 Statutory provisions

In accordance with Article 14 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 Director of ING Covered Bond Company B.V.

Report on the accompanying financial statements

Our opinion

We have audited the financial statements 2017 of ING 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 Covered Bond Company B.V. as at 31 December 2017, and of its result for 2017 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 2017.
- 2 The statement of income for 2017.
- 3 The statement of cash flows for 2017.
- 4 The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

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

Report on the other information included in the annual report

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

- Director's Report.
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

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

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. 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 Directors 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 assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud 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.

A further description of our responsibilities for the audit of the financial statements is located at the website of de 'Koninklijke Nederlandse Beroepsorganisatie van Accountants' (NBA, Royal Netherlands Institute of Chartered Accountants) at: http://www.nba.nl/Engels_nietoob_2016.

This description forms part of our independent auditor's report.

Amstelveen, 26 June 2018

KPMG Accountants N.V.

B.M. Hengreen RA