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Research Update:

ING Bank And Groep Ratings Affirmed On Bank Criteria Change; Outlook Stable

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Overview

- Following a review of ING Bank N.V. under Standard & Poor's revised bank criteria (published on Nov. 9, 2011), we have affirmed our 'A+/A-1' counterparty credit ratings. We have also affirmed the 'A/A-1' ratings on holding company ING Groep N.V. The outlook on both entities is stable.
- Other rating actions on debt issues and subsidiaries are listed below.
- Our ratings on ING Bank N.V. reflect our view of its strong business position, adequate capital and earnings, adequate risk position, average funding, and adequate liquidity. The ratings also factor in our view of ING Bank N.V.'s high systemic importance in The Netherlands.
- The stable outlook reflects our expectation that ING Bank N.V.'s capital and risk positions should be resilient despite the uncertain economic environment. We also consider that risks inherent in the disposal of the sister insurance operations will remain contained.

Rating Action

As we previously announced on Nov. 29, 2011, Standard & Poor's Ratings Services affirmed its 'A+/A-1' long- and short-term counterparty credit ratings on Netherlands-based ING Bank N.V. and its subsidiary, ING Belgium SA/NV. We also affirmed our 'A/A-1' ratings on holding company ING Groep N.V.

At the same time, we lowered the long-term counterparty credit ratings on ING Bank (Australia) Ltd. to 'A' from 'A+', and affirmed the short-term rating at 'A-1'. The outlook on all entities is stable. The stand-alone credit profile (SACP) of ING Bank N.V. is 'a'.

In addition, we raised the ratings on the hybrid capital instruments of ING Groep and ING Verzekeringen to 'BBB' from 'BBB-'. We also lowered the ratings on nondeferrable subordinated debt issued by ING Bank N.V. to 'A-' from 'A', and to 'BBB+' from 'A-' for that issued by ING Groep.

Rationale

Standard & Poor's bases its ratings on ING Bank N.V. on our view of its "strong" business position, "adequate" capital and earnings, "adequate" risk position, "average" funding, and "adequate" liquidity, as our criteria define these terms.

The 'a-' anchor draws on our Banking Industry Country Risk Assessment (BICRA) methodology. It reflects our assessment of the industry risk of The

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Netherlands and our view of the weighted-average economic risk in the countries in which ING Bank N.V. operates, based on the geographic distribution of its private sector customer lending--The Netherlands (45%), other western Europe (35%, mostly Belgium and Germany), Asia-Pacific (10%), and the rest of the world, including Central and Eastern Europe (10%). The economic risk score for The Netherlands is '2' on a scale of 1-10 (1 is the lowest risk and 10 is the highest), and the weighted-average score for the territories in which ING Bank N.V. operates is close to that level. With regard to industry risk, the Dutch banking industry is dominated by three large players. ING Groep N.V. and ABN AMRO Bank have both been subject to material restructurings as a result of state aid that they received. The system's relatively large reliance on wholesale funding is partly attributable to households' propensity to save into life insurance and pension products.

ING Bank N.V.'s good product and geographic diversity and position as one of the leading players in the Benelux region support our "strong" assessment of its business position. Despite the extensive restructuring that the group has been undergoing, we consider that the franchise should continue to prove resilient. While it operates in about 40 countries, we consider its strongest positions to be in retail and commercial banking in the Benelux region. ING Bank N.V. is the second-largest bank in The Netherlands by total domestic assets. In our view, ING Bank N.V. has delivered strongly on its "Back-to-Basics" strategy implemented in early 2009. In response to changes in the operating environment and the planned separation of ING Bank N.V.'s insurance sister operations, ING Bank N.V. has been concentrating on deleveraging and reducing both its risk appetite and cost base. We consider that this has resulted in a more-focused strategy outside its core Benelux market and on increasing integration between divisions.

We view ING Bank N.V.'s capital and earnings as "adequate". This is based primarily on our anticipation that its risk-adjusted capital (RAC) ratio before diversification adjustments will likely remain around 7.5% at year-end 2012, close to the ratio's year-end 2010 level (based on our updated hybrid and BICRA criteria). Our forecast assumes a repayment of the last €3 billion tranche of government capital securities in 2012--with a premium conservatively assumed at 50%--funded by a special dividend from ING Bank N.V. to ING Groep. ING Bank N.V.'s earnings rebounded sharply in 2010 and in the first nine months of 2011 to what we consider to be sound levels. Despite some difficulties arising from the uncertain general economic backdrop, we consider that ING Bank N.V. should be in a position to maintain sound earnings capacity in the next two years. This should support the completion of the government capital securities repayment, although the timing may be adjusted according to market conditions. We expect the divestment of the insurance operations to eliminate double leverage at holding company level.

Our overall risk position assessment for ING Bank N.V. is "adequate". It reflects the material de-risking and deleveraging of its balance sheet over the past two-and-a-half years, the good level of diversification in its exposures--with a risk appetite that we consider as broadly comparable across markets--and a sound asset quality track record of its retail and corporate

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portfolios. At the same time, these strengths are balanced against our view of potential execution risk and strategic distraction as ING Bank N.V.'s sister insurance operations are spun off, despite progress made so far in the separation process. We consider the risks in ING Bank N.V.'s securities exposures are materially reduced by the illiquid assets back-up facility which transferred 80% of the risk on ING Bank N.V.'s Alt-A portfolio to the Dutch state. This includes the adjustments introduced following the announced sale of ING Direct USA to Capital One in June 2011.

We consider ING Bank N.V.'s funding as "average" and its liquidity position as "adequate". It benefits from less reliance on wholesale funding compared with a number of peers. Its loan-to-deposit ratio of around 115% at end-September 2011 compared favorably with the average of the Dutch banking system. However, this is largely attributable to its deposit-rich Internet banking subsidiary, ING Direct. We note that this internet deposit base proved quite resilient through the turbulent conditions in the banking sector in fourth-quarter 2008, the first major test of that kind for the business. Wholesale funding is relatively diverse and the maturity profile of wholesale liabilities is well spread. We consider that ING Bank N.V. has a sound liquidity buffer, supported by a large share of government bonds.

The issuer credit rating (ICR) on ING Bank N.V. is one notch higher than its SACP, reflecting our view of its high systemic importance in The Netherlands and our assessment of the Dutch government as "supportive" under our criteria.

We classify ING Bank (Australia) Ltd. as a "highly strategic" subsidiary of ING Bank N.V. under our revised group rating methodology. This reflects among other things its ownership by ING Bank N.V., the close alignment between the subsidiary's activities and the rest of ING Bank N.V. and its sound track record to date, although we do not consider its operations to represent a significant proportion of the consolidated group.

We rate ING Groep's hybrid capital instruments three notches below the ICR on the nonoperating holding company. In accordance with our updated bank hybrid capital methodology, the ratings are one notch lower than we would have rated the instruments had they been issued by ING Bank N.V. We rate the nondeferrable debt of ING Bank N.V. and other Dutch institutions by notching down once from the SACP, in anticipation of the upcoming implementation of a resolution regime in The Netherlands.

Outlook

The stable outlook reflects our view that weaker economic conditions could weigh on ING Bank N.V.'s prospective performance, but that its capital and risk positions should prove resilient. We also consider that risks inherent in the disposal of the sister insurance operations will remain contained.

Under our government support methodology, a modest weakening in ING Bank N.V.'s SACP would not necessarily affect its 'A+' counterparty credit rating.

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However, a more severe weakening could lead us to lower the rating on ING Bank N.V. This could be caused, for example, by a more rapid growth in its exposure to higher risk countries and evidence of material franchise erosion as a result of strategic distraction or execution risk related to the separation process.

We consider an upgrade of the ratings within the rating horizon as unlikely. However, we could raise the ratings if ING Bank N.V. successfully divests of all, or a majority, of its insurance operations and if at the same time we were to reassess its risk position as "strong" based for example on evidence of further notable de-risking of its balance sheet.

Ratings Score Snapshot

Issuer Credit Rating	A+
SACP	a
Anchor	a-
Business Position	Strong (+1)
Capital and Earnings	Adequate (0)
Risk Position	Adequate (0)
Funding and Liquidity	Average and Adequate (0)
Support	1
GRE Support	0
Group Support	0
Sovereign Support	1
Additional Factors	0

Related Criteria And Research

- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Group Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Bank Hybrid Capital Methodology And Assumptions, Nov. 1, 2011
- BICRA On The Netherlands Revised To Group '2' From Group '1', Nov. 9, 2011

Ratings List

Ratings Affirmed

ING Bank N.V.
ING Belgium S.A./N.V.

Counterparty Credit Rating	A+/Stable/A-1

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ING Bank N.V.		
ING Belgium S.A./N.V.		
Certificate Of Deposit	A+/A-1	
ING Groep N.V.		
Counterparty Credit Rating	A/Stable/A-1	
ING Bank N.V.		
Senior Unsecured	A+	
Certificate Of Deposit	A+	
Certificate Of Deposit	A-1	
Commercial Paper	A-1	
ING (US) Funding LLC		
Commercial Paper	A-1	
ING (US) Issuance LLC		
Senior Unsecured	A+	
ING Groep N.V.		
Senior Unsecured	A	
Downgraded		
	To	From
ING Bank N.V.		
Subordinated	A-	A
ING Bank of Canada		
Subordinated	A-	A
Downgraded; Ratings Affirmed		
	To	From
ING Bank (Australia) Ltd.		
Counterparty Credit Rating	A/Stable/A-1	A+/Stable/A-1
Certificate Of Deposit	A/A-1	A+/A-1
Upgraded		
	To	From
ING Capital Funding Trust III		
Preferred Stock	BBB	BBB-
ING Groep N.V.		
Junior Subordinated	BBB	BBB-

N.B.--This does not include all ratings affected.

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