MOODY'S
INVESTORS SERVICE

CREDIT OPINION
22 July 2021

Update

Rate this Research

RATINGS

ING Bank N.V.

Domicile	Amsterdam, Netherlands
Long Term CRR	Aa3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	A1
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	Aa3
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Yasuko Nakamura +33.1.5330.1030
VP-Sr Credit Officer
yasuko.nakamura@moodys.com

Delphine Larrousse +33.1.5330.3361
Associate Analyst
delphine.larrousse@moodys.com

Olivier Panis +33.1.5330.5987
Senior Vice President
olivier.panis@moodys.com

Alain Laurin +33.1.5330.1059
Associate Managing Director
alain.laurin@moodys.com

ING Bank N.V.

Update following rating action and publication of new Banks Methodology

Summary

ING Groep N.V. (ING, Baa1 stable) is the largest Dutch banking group by assets (€981 billion as of the end of March 2021) and one of the largest financial institutions included on the list of global systemically important banks. ING Bank N.V. (ING Bank, Aa3/A1 stable, baa1) is ING Groep's sole operating subsidiary.

ING Bank's baa1 Baseline Credit Assessment (BCA) reflects the bank's sound asset quality based on a highly diversified loan portfolio but with significant exposures to highly cyclical sectors; its solid earnings generating capacity and good cost efficiency; its sound solvency; and its robust liquidity. We believe that the bank's fundamentals will remain resilient over the outlook horizon despite a likely deterioration in its asset quality and profitability because of the economic contraction resulting from the coronavirus pandemic.

The bank's depositors benefit from extremely low loss severity in our Advanced Loss Given Failure (LGF) analysis, reflected in a three-notch uplift from the BCA. The bank's senior creditors benefit from low loss severity, reflected in a two-notch uplift from the BCA. Given the systemic status of the bank, the probability of government support is moderate, which translates into an additional one-notch uplift, leading to deposit ratings of Aa3 and senior unsecured rating of A1 for ING Bank.

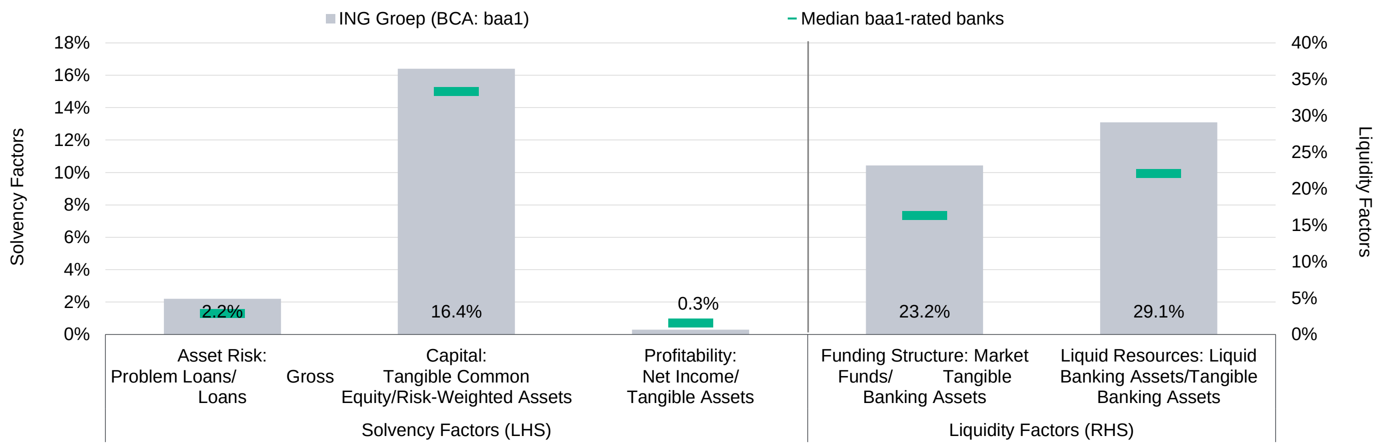
The loss-given-failure is moderate and government support assumption is low for the senior unsecured debt issued by the holding company (ING Groep) as these securities along with equity are expected to absorb losses in case of resolution, resulting in no uplift from ING Bank's BCA.

On 13 July, we downgraded the long-term senior unsecured rating of ING Bank N.V. to A1 from Aa3. This downgrade reflects our expectation that the group will be resolved in a unified manner in accordance with its decision to entrust ING Groep as a single point of entry. Consequently, the issuance of loss absorbing instruments by ING-DiBa AG, ING Belgium SA/NV and ING Bank Slaski S.A. subscribed by ING Groep will likely result in the effective transfer of losses incurred by these subsidiaries to ING Groep in a resolution scenario. The inclusion of the tangible banking assets of the subsidiaries within our Advanced LGF analysis results in a reduced two-notch LGF uplift from the BCA for the bank's senior unsecured

This report was republished on 29 July 2021 with some additional information in the Loss Given Failure section.

rating, down from three notches under the previous methodology, reflecting the higher losses that the bank's liabilities will be expected to absorb following a failure.

Exhibit 1
Rating Scorecard - Key financial ratios



Sources: Moody's Financial Metrics and consolidated financial statement as of December 2020

Credit strengths

» Resilient profitability because of the group's balanced business mix across products, business lines and geographies

» Highly diversified loan portfolio

» Robust solvency

» Sound funding and liquidity

Credit challenges

» Significant exposures to highly cyclical sectors in the wholesale banking business

» Pressure from a low interest rate environment

Outlook

The outlook on ING Bank and ING Groep's senior ratings is stable and reflects our view that despite the negative pressures from the pandemic crisis, the group will maintain its sound fundamentals over the outlook horizon.

Factors that could lead to an upgrade

» Although unlikely over the outlook horizon because of the negative impact of the pandemic crisis, ING Bank's BCA could be upgraded in case of a substantial improvement in its asset-risk profile and higher profitability or a strengthening of its capital position. An upgrade of its BCA would likely lead to an upgrade of all the ratings of ING Bank and ING Groep.

» ING Groep's senior unsecured debt ratings could also be upgraded if the holding company were to issue higher-than-expected amounts of long-term debt or junior instruments, or both, leading to lower loss severity for senior creditors.

Factors that could lead to a downgrade

- ING Bank's BCA could be downgraded in case of a higher-than-expected deterioration in the bank's asset risk and profitability, or a significant weakening in its capital position. A downgrade of the bank's BCA would likely result in a downgrade of all the ratings.
- ING Bank's deposit and senior unsecured debt ratings, as well as ING Groep's senior unsecured debt rating, could be downgraded should changing regulatory requirements or management strategy lead to a reduction in loss-absorbing instruments, resulting in increased loss-given-failure.

Key indicators

Exhibit 2

ING Groep N.V. (Consolidated Financials) [1]

	12-20[2]	12-19[2]	12-18[2]	12-17[2]	12-16[2]	CAGR/Avg.[3]
Total Assets (EUR Million)	912,662.0	876,852.0	870,846.0	826,551.0	818,050.0	2.8[4]
Total Assets (USD Million)	1,116,693.0	984,264.8	995,502.9	992,520.2	862,840.0	6.7[4]
Tangible Common Equity (EUR Million)	50,214.0	53,984.8	48,833.0	47,544.5	46,451.8	2.0[4]
Tangible Common Equity (USD Million)	61,439.6	60,597.9	55,823.2	57,091.3	48,995.1	5.8[4]
Problem Loans / Gross Loans (%)	2.2	1.9	1.9	2.2	2.4	2.1[5]
Tangible Common Equity / Risk Weighted Assets (%)	16.4	16.5	15.5	15.3	14.8	15.7[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	24.1	19.6	20.8	24.0	26.3	23.0[5]
Net Interest Margin (%)	1.5	1.6	1.6	1.7	1.5	1.6[5]
PPI / Average RWA (%)	2.3	2.6	2.5	2.6	2.2	2.4[6]
Net Income / Tangible Assets (%)	0.3	0.6	0.6	0.6	0.6	0.5[5]
Cost / Income Ratio (%)	59.3	55.5	58.2	54.6	60.1	57.5[5]
Market Funds / Tangible Banking Assets (%)	23.2	23.0	25.3	22.8	25.4	23.9[5]
Liquid Banking Assets / Tangible Banking Assets (%)	29.1	24.6	26.2	26.3	25.3	26.3[5]
Gross Loans / Due to Customers (%)	99.1	107.3	107.4	107.3	108.8	106.0[5]

[-] Further to the publication of our revised methodology in July 2021, for issuers that have "high trigger" additional Tier 1 instruments outstanding, not all ratios included in this report reflect the change in treatment of these instruments. [1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Investors Service and company filings

Profile

ING Bank N.V. (ING Bank) is the sole operating entity of ING Groep, the largest Dutch financial institution by assets (€981 billion as of the end of March 2021), and one of the largest in Europe and globally. The bank provides retail and wholesale banking services in more than 40 countries and qualifies as a global systemically important bank under the Financial Stability Board's (FSB) criteria.

ING Bank's retail banking services include mortgages, unsecured lending, payments, savings and current accounts. The retail client base comprises around 39 million individual customers. Wholesale banking activities are divided into the following global franchises: Lending; Daily Banking and Trade Finance; Financial Markets; and Treasury and Other. ING has an important presence globally, which is organised along the following business lines:

- Market leaders (the Netherlands, Belgium and Luxembourg), where the bank holds a strong position in both retail and wholesale banking sectors
- Challenger markets (Germany, Austria, Spain, Italy, France, Australia and the Czech Republic[1]), where the bank has few or no branches and products are mostly digitally distributed
- Growth markets (Poland, Romania, Turkey, the Philippines and Asian bank stakes)

Additionally, the bank provides wholesale banking services in other countries (including the US, Mexico, Brazil, Russia and India), given its extensive international network.

Detailed credit considerations

The loan portfolio is well diversified but exposures to some volatile sectors imply volatility in asset performance

ING has a highly diversified portfolio both geographically and across sectors. Retail loans represent around two-thirds of its exposures and the rest consists of the wholesale banking book.

The retail loan book bears low to moderate risk in our view. Close to two-thirds of the retail exposures consist of well-diversified mortgages across the Benelux and other regions where the bank carries out retail operations. Lending to businesses accounts for another 33% of the retail book, the bulk of which is extended in the Netherlands and Belgium and to a lesser extent in Poland. The consumer loan book is relatively small (5% of the retail banking book).

Despite its high degree of geographical and sector diversification, the wholesale loan book bears relatively high risks, in our view, as reflected by its volatile performance. Exposures to highly cyclical sectors are material. Even if lending directly exposed to oil price risk was only €3.6 billion, the bank's total exposure to the oil and gas sector amounted to €16.6 billion[2] (6% of the wholesale loan book and 34% of Common Equity Tier 1 [CET1] capital) at end-March 2021, which remains substantial. Although well diversified across regions and asset types, exposures to the commercial real estate (CRE) sector amounted to €49 billion[3] (102% of CET1 capital) as of the same date.

Loan loss provisions were 43 basis points of average lending in 2020 versus 18 basis points in 2019. While risk costs sharply increased in H1 2020 to 64 basis points as a result of the coronavirus outbreak, they decreased in the second half of the year and particularly in Q4 (14 basis points annualized). Cost of risk remains low at 15 basis points in Q1 2021 as a result of substantial macro-economic-driven provision releases (€537 million), offset by €593 million management overlay aimed at factoring in economic uncertainty which is not captured in IFRS9 models and accounting for the expected delay in credit losses.

At end-March 2021, the stock of stage 3 loans remained broadly unchanged from end-June 2020 at 1.6% (year-end 2019: 1.4%) while stage 2 loans slightly decreased to 6.6% from 7% at end-June 2020 (year-end 2019: 5.3%). We believe that the relatively strong performance of ING's assets partly reflects the beneficial effects of pandemic-related state support measures in the main jurisdictions the group is operating in.

Despite improved stage 2 and stage 3 ratios at this stage, we believe that asset quality will remain under pressure and nonperforming loans will likely increase over the coming quarters as we expect some Stage 2 exposures to move to Stage 3. But unless the economic environment deteriorates significantly from our current assumptions, we expect ING's cost of risk to be contained below the levels reached in 2020. Apart from the aforementioned exposure to the oil and gas sector, ING's exposures to the sectors that are the most at risk in the current crisis (aviation, hospitality and leisure) are relatively small. ING indicated that in the absence of any material change in the economic scenario, it expected its cost of risk to move closer to their through-the-cycle average of 25 bps in 2021.

We assign an Asset risk score of baa1, two notches below the Macro-Adjusted score of a2. The negative adjustment reflects the group's exposure to activities and markets that we consider more volatile and the expected trend in asset quality in the context of the current crisis.

Capital position offers comfortable buffer against unexpected shocks

As of the end of March 2021, ING Groep, which is the main regulated entity for regulatory capital purposes[4] reported a fully loaded CET1 ratio of 15.5%[5] (year-end 2020: 15.5%; year-end 2019: 14.6%), well above its minimum requirement of 10.5%[6], but below the CET1 ratio of its main domestic peers. The current CET1 ratio incorporates the positive impact of the capital management actions, which notably included the adoption in Q2 2020 of the standardized approach for sovereign exposures, the alignment for certain lending products of the calculation of regulatory maturity with contractual cashflow and the so-called CRR2 quick fix. The group's leverage ratio slightly decreased to 4.6% at end-March 2021 from 4.8% at year-end 2020. We believe that the group's capitalization is solid and that it will continue to provide it with ample buffers to face the headwinds in the current crisis.

As a global systemically important bank, ING Groep is subject to total loss-absorbing capacity (TLAC) rules. The FSB's framework currently requires a minimum TLAC of 21% of RWA and of 23% from January 2022.[7] ING Groep's TLAC was 27.7% at end-March 2021. The TLAC leverage was 7.4% versus a requirement of 6%.

The MREL requirement ING set out by the SRB in Q1 2020 (to be complied with by 31 December 2023) is 10.5% of total liabilities and own funds (TLOF) on a consolidated basis[8], which the group does not yet fully meet with the securities issued by the holding company and ING Bank's subordinated debt. In 2021, ING will be subject to a revised MREL requirement following the implementation of BRRD2 in 2020. The group intends to use the transitional period to meet the final requirements.

ING indicates that the expected regulatory RWA inflation (including Basel IV) will still have an impact of around 50 basis on its CET 1 ratio. Considering ING's current capitalisation, the time frame for the implementation of the new rules (up to 2027 for the output floor[9]) and the group's ability to mitigate some of the impact through management actions, we believe the group will be able to meet the requirement in due time. At end-March 2021, the group confirmed its CET1 ratio ambition of around 12.5% under Basel IV.

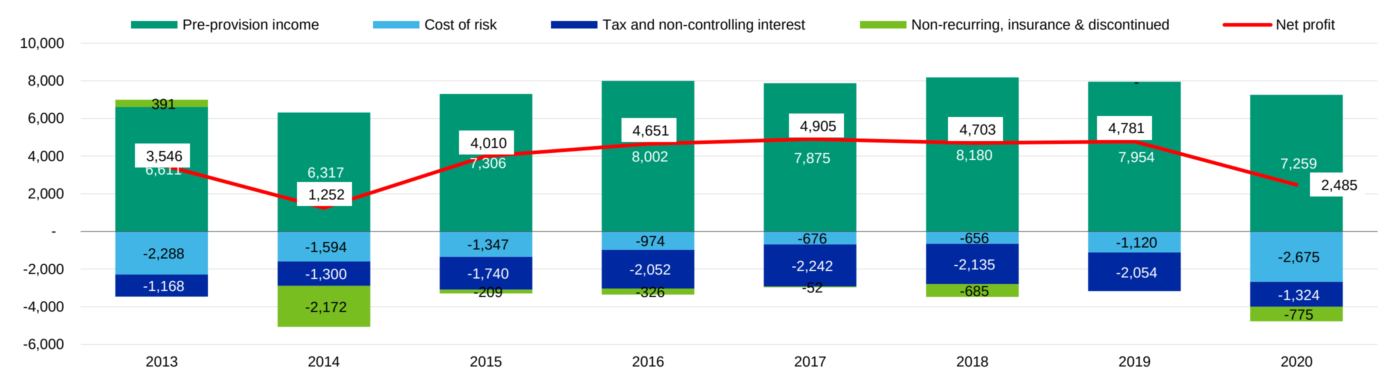
ING Groep's tangible common equity (TCE) amounted to €50.2 billion as of the end of December 2020. The TCE-to-RWA ratio of 16.4% translates into a Macro-Adjusted Capital score of aa2. The adjusted score of a2 reflects the expected impact of Basel IV, as well as the likelihood that surplus capital will be distributed to its shareholders.

Profitability is resilient but will progressively recover from pandemic-related higher provisioning charges in 2021

ING's recurring profitability is good. Its return on assets (net income/tangible assets) was 58 bps on average over the five-year period from 2015 to 2019, above that of its Dutch peers (ABN AMRO Bank N.V. (A1/A1 stable, baa1): 52 bps; Rabobank (Aa3/Aa3 stable, a3): 33 bps).

Net profit dropped by 48% in 2020, primarily as a result of risk costs and non-recurring items,[10] although to a lesser extent, pressure on net interest income also weighed on ING's profitability in 2020. The decrease in net interest income was the main driver of the 7.9% decrease in the group's pre-provision income in 2020 (excluding the aforementioned one-offs), marking a change from the stable trend of the past five years.

Exhibit 3
The group has generated stable pre-provision income since 2015, but net profit was hit in 2020 by a surge in cost of risk
Breakdown of net profit in € million



Source: Company data and Moody's Investors Service

Similar to its main Dutch peers, ING is strongly reliant on interest income, which makes up 75%-80% of its total underlying income, while fee and commission income accounts for around 15%. Despite the negative pressure exerted by the negative interest rate environment, net interest income had been resilient up to the end of 2019 because of good commercial growth and stable interest margins.

The group's core lending book however decreased by 2% in 2020 despite the temporary increase at the beginning of the Covid crisis. Combined with the effect of continued pressure on deposit margins[11] and FX impact, lower loan volumes triggered a 3.4% decline in net interest income in 2020.

The strong deposit growth (+6% year-on-year) and increased liquidity driven by substantial borrowings under the TLTRO III also had a negative impact on ING's net interest margins (NIM) in 2020. NIM has also been affected in non-euro areas since the end of Q1 2020 following central bank rate cuts in several countries such as Poland. The net interest income of 2020 (and therefore the NIM) had not yet incorporated the most favorable interest rate under the TLTRO III.[12]

Net interest income was stable year-on-year in Q1 2021 but was somewhat boosted by €233 million benefit from the TLTRO take-up of 2020 as ING[13] met the required lending threshold to benefit from the -100 basis point interest rate. Excluding this benefit, the negative trend observed in 2020 continued into Q1 2021 despite the 2.9% increase in the core lending book, the bulk of which occurred towards the end of the quarter.

Despite the pressure on its revenues, ING manages to preserve a good cost efficiency compared with that of many of its European Union (EU) peers including domestic competitors. Excluding non-recurring items, the group's cost-to-income ratio was still a reasonable 59% in 2020, although up from 57% in 2019[14] and 55% in 2018.

The cost of risk surged in 2020[15] and absorbed 41% of the group's pre-provision income in 2020, compared with ratios consistently below 20% from 2015 to 2019. We nonetheless believe that in the absence of any further significant deterioration in the economy, risk costs will be lower in the coming quarters than in 2020.

The Macro-Adjusted Profitability score of ba2 is based on the group's net profit in 2020. The assigned score of ba1 is adjusted upwards to take account of the prospect of better profitability over the coming quarters and the group's earnings' stability resulting from its highly diversified revenue streams.

ING Groep's liquidity and funding are sound, despite its reliance on confidence-sensitive market funding

ING had a consolidated loan-to-deposit (LTD) ratio of 98% as of the end of March 2021, the lowest among the large Dutch banks. This primarily reflects the consolidation of deposit-rich subsidiaries in Belgium and Germany, while the Dutch parent company has historically been operating with a material shortage of customer deposits over loans[16]. ING's relatively high reliance on wholesale funding (19% of consolidated liabilities and equity at end-March 2021[17]) despite the low consolidated LTD ratio is partly due to the fact that funds are not fully fungible within the group, that is, the excess liquidity in an entity, if any, cannot be entirely used to fund the shortage in another entity through intercompany loans[18].

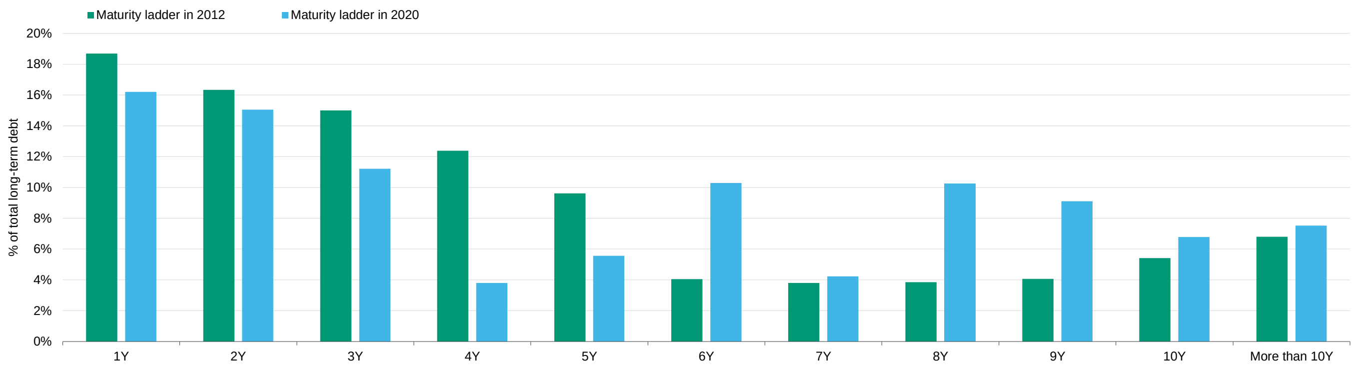
That being said, the group has progressively optimised its cash-rich entities' liquidity since 2012 by transferring to them or originating out of them increasing amounts of assets — wholesale assets (for example, structured finance loans to ING Belgium and ING Germany) and retail assets (for example, Belgian and Dutch mortgages to ING Germany). The cash-rich entities thereby reduced their excess funding while the Dutch entity reduced its structural funding shortage, resulting in a significantly better-balanced funding structure across the group than in the past. Under the group's funding policy, operating entities are primarily self-funded through the local customer deposits and own-raised covered bonds and RMBS. Senior unsecured debt is essentially raised by the parent to fund its own operations or the subsidiaries' operations that are not covered by their own liabilities.

ING's reliance on confidence-sensitive funding is mitigated by the sound term structure of its wholesale debt. The group has significantly lengthened the maturity profile of its long-term wholesale funding, thus reducing its refinancing risk. The increased issuance of TLAC/MREL-eligible senior unsecured debt by the holding company (ING Groep) in recent years[19], and the borrowings from the TLTRO III in June 2020 and March 2021[20] have contributed to this.

Exhibit 4

ING's long-term maturity profile has been extended

ING's long-term debt maturity ladders in 2012 and 2020 (as a percentage of total outstanding long-term debt



Source: ING's financial statements

ING's funding needs have not increased since the beginning of the coronavirus crisis. Despite substantial drawings on revolving credit facilities in Q1 2020 by corporate clients and moratoria on lending granted by the bank, the loan book declined by 2% in 2020 to €604 billion at year-end 2020. Customer deposits increased by 6% in 2020 to €609 billion at year-end 2020

The group's high-quality liquid assets portfolio amounted to €153.9 billion at end-March 2021 (of which €145.6 billion were level 1 assets) representing 3 times its wholesale debt maturing within one year[21], which we consider a comfortable coverage. Furthermore, the proportion of encumbered assets was 21% in 2020, a level that leaves sufficient loans available to be packaged into central bank-eligible securitisations, if needed. The group's consolidated 12-month moving average liquidity coverage ratio (LCR) was 140% at end-March 2021.

These factors are reflected in a combined Liquidity score of baa1.

ESG considerations

In line with our general view of the banking sector, ING Groep has a low exposure to environmental risks. See our Environmental risks heat map for further information. Environmental risks to banks are usually indirect, undertaken through financing clients' operations. Such risk exposure is unlikely to translate into a significant credit impact, because of the broad geographical diversification of ING outside and within the Netherlands, unless large parts of the country were to be affected by environmental catastrophes.

Through their financing activities, banks can play an active role in fostering sustainable initiatives. With that in mind, the bank has been developing and implementing the "Terra" approach through which it shapes its financing activities so that they contribute to the Paris Agreement target of keeping global warming below 2°C.

Also in line with our general view of the banking sector, ING Groep has a moderate exposure to social risks. Social considerations are relevant for ING Groep in the sense that, as for other Dutch banks, it is likely subject to regular investigations by the Dutch supervisor related to good customer care and the possible sale of unsuitable or uneconomical products to clients. Investigations and related fines imposed by supervisors represent significant reputational risk for banks. See our Social risk heat map for further information.

In terms of governance, ING Groep has been affected by a range of issues related to the execution of customer due diligence in the Netherlands. The Dutch Public Prosecution Service investigations began in 2016 and are related to various breaches of Dutch requirements for client onboarding and the prevention of money laundering and corrupt practices. A settlement including a total payment of €775 million was reached in September 2018.

In March 2019, ING Groep announced that Banca d'Italia, Italy's central bank, had identified shortcomings in anti-money-laundering processes at its Italian subsidiary, ING Italy. In line with the enhancement programme announced in 2018, ING has taken steps intended to improve processes and management of compliance risks as required by Banca d'Italia. A plea bargaining agreement with the Italian authorities was reached in February 2020.

In response to these problems, ING Groep has initiated measures to strengthen its compliance risk management, and we do not consider the weaknesses uncovered to be material rating drivers. Nonetheless, corporate governance remains a key credit consideration and requires ongoing monitoring.

Support and structural considerations

Loss Given Failure (LGF) analysis

ING Groep is subject to the EU Bank Recovery and Resolution Directive, which we consider an operational resolution regime. We assume a residual TCE at failure of 3% and post-failure losses of 8% of tangible banking assets, a 25% runoff in junior wholesale deposits (amounting to 26% of total deposits), a 5% runoff in preferred deposits, and assign a 25% probability of deposits being preferred over senior unsecured debt. These are in line with our standard assumptions. All Additional Tier 1 (AT1) instruments are included in our LGF analysis, including the €4.7 billion of high-trigger AT1 instruments as of year-end 2020.

Considering the bank's overseas subsidiaries, we view that group-wide resolutions will be coordinated in a unified manner for entities required to issue internal loss absorbing capital in jurisdictions that have an operational resolution regime for banks, leading to a likely transfer of losses from subsidiaries to parents at the point of failure. In the case of ING, we include the tangible banking assets of its subsidiaries ING-DiBa AG, ING Belgium SA/NV and ING Bank Slaski S.A. in the resolution perimeter of ING Groep., designated as the single point of entry for the group resolution. We leave ING Australia's assets outside the group's resolution perimeter as it has no internal MREL requirements at this stage.

Under our Advanced LGF analysis, the portion of ING's TLTRO drawdowns which we estimate are redeposited at the ECB are deducted from the bank’s tangible banking assets, thereby reducing the inflationary impact of TLTRO on the bank’s balance-sheet. We assume that the portion of borrowed funds re-deposited at the ECB will be running off medium-term. This adjustment does not result in a change in ratings uplift.

Our Advanced LGF analysis indicates an extremely low loss-given-failure for ING Bank's junior depositors and a low loss-given-failure for its senior unsecured creditors, resulting in a three-notch and two-notch uplift respectively from the bank’s Adjusted BCA of baa1

The assigned LGF notching for ING Bank's long-term deposit and senior unsecured bank debt are positioned one notch higher than the correspondent LGF notching guidance. This reflects our expectation that ING will continue to issue debt to comply with its MREL requirements due in 2024. ING Groep has issued €25 billion of senior unsecured holding debt as of year-end 2020. We expect the group to continue its issuance programme in line with its medium- and long-term funding plan, based on its continued good access to the capital markets.

With regard to ING Groep's senior unsecured debt, our LGF analysis shows a moderate loss-given-failure, which results in no rating uplift from the bank's Adjusted BCA.

For the junior securities issued by ING Bank and ING Groep, our LGF analysis shows a high loss-given-failure. This leads to ratings one notch below the bank’s Adjusted BCA. For ING Groep's junior subordinated and preference share instruments, we also incorporate an additional downward adjustment to ING Bank's Adjusted BCA by one and two notches, to baa3 and ba1, respectively, to reflect coupon suspension risk ahead of failure.

Government support considerations

We consider a moderate probability of government support for ING Bank's senior debt and deposits because of its systemic importance both domestically and on a broader level. This results in an additional one-notch uplift for ING Bank’s deposit and debt ratings.

For ING Groep's senior unsecured debt, we consider the probability of government support to be low, given its explicitly loss-absorbing nature, which results in no uplift from the bank's Adjusted BCA.

For junior securities, the probability of government support is also low, and the ratings for these instruments do not include any related uplift, either.

Counterparty Risk (CR) Assessment

ING Bank's CR Assessment is Aa3(cr)/Prime-1(cr)

ING Bank's CR Assessment, before government support, is three notches above the bank's BCA of baa1, based on the buffer against default provided by instruments subordinated to the senior obligations represented by the CR Assessment. The CR Assessment also benefits from one notch of government support uplift, in line with our support assumptions on deposits and senior unsecured debt.

Counterparty Risk Ratings (CRRs)

ING Bank's CRRs are Aa3/Prime-1

ING Bank's CRR, before government support, is three notches higher than the Adjusted BCA of baa1, based on the level of subordination to CRR liabilities in the bank's balance sheet and assuming a nominal volume of such liabilities. The CRR also benefits from one notch of government support uplift, in line with our support assumptions on deposits and senior unsecured debt.

Methodology and scorecard

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 5

ING Groep N.V.

MACRO FACTORS		
WEIGHTED MACRO PROFILE	STRONG +	100%

FACTOR	HISTORIC RATIO	INITIAL SCORE	EXPECTED TREND	ASSIGNED SCORE	KEY DRIVER #1	KEY DRIVER #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	2.2%	a2	↔	baa1	Expected trend	Sector diversification
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	16.4%	aa2	↓↓	a2	Expected trend	
Profitability						
Net Income / Tangible Assets	0.3%	ba2	↔	ba1	Expected trend	Earnings quality
Combined Solvency Score		a2		baa1		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	23.2%	baa1	↑	baa1	Term structure	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	29.1%	a3	↔	baa1		
Combined Liquidity Score		baa1		baa1		
Financial Profile				baa1		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				Aaa		
BCA Scorecard-indicated Outcome - Range				a3 - baa2		
Assigned BCA				baa1		
Affiliate Support notching				0		
Adjusted BCA				baa1		

BALANCE SHEET	IN-SCOPE (EUR MILLION)	% IN-SCOPE	AT-FAILURE (EUR MILLION)	% AT-FAILURE
Other liabilities	160,494	19.6%	219,493	26.8%
Deposits	578,421	70.6%	519,422	63.4%
Preferred deposits	428,032	52.2%	406,630	49.6%
Junior deposits	150,389	18.3%	112,792	13.8%
Senior unsecured bank debt	15,571	1.9%	15,571	1.9%
Dated subordinated bank debt	2,313	0.3%	2,313	0.3%
Senior unsecured holding company debt	25,268	3.1%	25,268	3.1%
Dated subordinated holding company debt	7,408	0.9%	7,408	0.9%
Preference shares(holding company)	5,694	0.7%	5,694	0.7%
Equity	24,593	3.0%	24,593	3.0%
Total Tangible Banking Assets	819,761	100.0%	819,761	100.0%

DEBT CLASS	DE JURE WATERFALL		DE FACTO WATERFALL		NOTCHING		LGF NOTCHING GUIDANCE VS. ADJUSTED BCA	ASSIGNED LGF NOTCHING	ADDITIONAL NOTCHING	PRELIMINARY RATING ASSESSMENT
	INSTRUMENT VOLUME + SUBORDINATION	SUB-ORDINATION	INSTRUMENT VOLUME + SUBORDINATION	SUB-ORDINATION	DE JURE	DE FACTO				
Counterparty Risk Rating	23.6%	23.6%	23.6%	23.6%	3	3	3	3	0	a1
Counterparty Risk Assessment	23.6%	23.6%	23.6%	23.6%	3	3	3	3	0	a1 (cr)
Deposits	23.6%	8.0%	23.6%	9.9%	2	3	2	3	0	a1
Senior unsecured bank debt	23.6%	8.0%	9.9%	8.0%	2	0	1	2	0	a2
Senior unsecured holding company debt	8.0%	4.9%	8.0%	4.9%	0	0	0	0	0	baa1
Dated subordinated bank debt	4.9%	3.7%	4.9%	3.7%	-1	-1	-1	-1	0	baa2
Dated subordinated holding company debt	4.9%	3.7%	4.9%	3.7%	-1	-1	-1	-1	0	baa2
Junior subordinated holding company debt	3.7%	3.7%	3.7%	3.7%	-1	-1	-1	-1	-1	baa3
Holding company cumulative preference shares	3.7%	3.0%	3.7%	3.0%	-1	-1	-1	-1	-1	baa3
Holding company non-cumulative preference shares	3.7%	3.0%	3.7%	3.0%	-1	-1	-1	-1	-2	ba1

INSTRUMENT CLASS	LOSS GIVEN FAILURE NOTCHING	ADDITIONAL NOTCHING	PRELIMINARY RATING ASSESSMENT	GOVERNMENT SUPPORT NOTCHING	LOCAL CURRENCY RATING	FOREIGN CURRENCY RATING
Counterparty Risk Rating	3	0	a1	1	Aa3	Aa3
Counterparty Risk Assessment	3	0	a1 (cr)	1	Aa3(cr)	
Deposits	3	0	a1	1	Aa3	Aa3
Senior unsecured bank debt	2	0	a2	1	A1	A1
Senior unsecured holding company debt	0	0	baa1	0	Baa1	Baa1
Dated subordinated bank debt	-1	0	baa2	0	Baa2	Baa2
Dated subordinated holding company debt	-1	0	baa2	0	Baa2	Baa2
Junior subordinated holding company debt	-1	-1	baa3	0	Baa3 (hyb)	
Holding company cumulative preference shares	-1	-1	baa3	0	Baa3 (hyb)	
Holding company non-cumulative preference shares	-1	-2	ba1	0		Ba1 (hyb)

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Investors Service

Ratings

Exhibit 6

Category	Moody's Rating
ING BANK N.V.	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Bank Deposits	Aa3/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Senior Unsecured	A1
Subordinate	Baa2
Commercial Paper -Dom Curr	P-1
Other Short Term -Dom Curr	(P)P-1
ING BANK N.V., TOKYO BRANCH	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Bank Deposits	Aa3/P-1
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Commercial Paper -Dom Curr	P-1
ING BANK SLASKI S.A.	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Bank Deposits	A2/P-1
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	A1(cr)/P-1(cr)
ING BANK N.V., SYDNEY BRANCH	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Senior Unsecured -Dom Curr	A1
Commercial Paper	P-1
Other Short Term	(P)P-1
ING (U.S.) FUNDING LLC	
Bkd Commercial Paper	P-1
ING BELGIUM INTERNATIONAL FINANCE S.A.	
Outlook	Stable
Bkd Sr Unsec MTN -Dom Curr	(P)A1
ING BELGIUM SA/NV	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Bank Deposits	A1/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
ING-DIBA AG	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Bank Deposits	A2/P-1
Baseline Credit Assessment	a3
Adjusted Baseline Credit Assessment	a3
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
ING BANK (AUSTRALIA) LIMITED	
Outlook	Stable
Counterparty Risk Rating	A2/P-1
Bank Deposits	A3/P-2
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	a3

Counterparty Risk Assessment	A2(cr)/P-1(cr)
Issuer Rating	A3
ST Issuer Rating	P-2
ING BANK N.V. (SINGAPORE)	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Senior Unsecured	A1
ING BANK HIPOTECZNY S.A.	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Issuer Rating	A3
ST Issuer Rating	P-2
ING GROENBANK N.V.	
Counterparty Risk Rating	Aa3/P-1
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Senior Unsecured MTN -Dom Curr	(P)A1
Other Short Term -Dom Curr	(P)P-1

Source: Moody's Investors Service

Endnotes

1 ING announced in Q1 2021 that it will discontinue retail banking activities in Austria and the Czeck Republic.

2 This does not include the exposure to trade and commodity finance companies

3 Around one-third of this exposure is booked in the retail banking book.

4 ING's supervisory authorities are the European Central Bank and De Nederlandsche Bank.

5 Regulatory capital excludes €3.3 billion profits reserved for distribution.

6 The CET1 requirement includes a 4.5% Pillar 1 requirement (P1), a 0.98% Pillar 2 requirement (P2R), a 2.5% Capital Conservation Buffer, a 0.03% countercyclical buffer (CCyB) and a 2.5% Systemic Risk Buffer (SRB). The requirement decreased by 1.5% in Q1 2020 from the pre-crisis level (11.8%) as the SRB was revised down to 2.5% from 3% previously, the P2R to 0.98% from 1.75% and the CCyB to 0.03% from 0.24%.

7 TLAC requirements of 16% of RWA from 2019 and 18% from 2022 plus a capital conservation buffer of 2.5%, an SRB of 2.5% and a CCyB of 0.03% (as of the end of June 2020), based on the current guidance.

8 This corresponds to around 28.6% of RWA, based on year-end 2017 balance sheet and capital requirements.

9 Input floors designate the minimum values set for internal ratings-based (IRB) parameters (PDs, LGDs and EADs) to limit the leeway banks have to estimate credit risk and to avoid excessively low RWAs. The new capital rules also set an overall minimum for total RWAs calculated using internal models for credit and market risks, and which is called output floor.

10 One-offs totalled €775 million before tax in 2020 and included goodwill impairments related to acquisitions in Belgium, Turkey and wholesale banking, impairments on the group's equity stake in TMB, an impairment on software development costs and provisions related to some restructuring measures.

11 Like most other European banks, ING has limited capacity to lower interest rates paid on retail deposits as these have reached extremely low levels in all the euro area bank markets. ING has been charging negative interest rates to corporate clients, and more recently to retail clients above a certain threshold in the Netherlands to lower the cost of deposits.

12 Banks can benefit from the most favorable interest rate of -100 basis points if they meet the lending threshold of 0% between 1 March 2020 and 31 March 2021.

13 This includes part of the benefits that had not been accounted for in 2020.

14 Operating expenses in 2019 included higher KYC-related expenses than in 2018.

15 30% of the charge were IFRS9-driven provisionning on stage 1 and stage 2 loans.

16 The customer funding gap typically reflects a structural feature of the Dutch banking system: a high proportion of Dutch households' savings are channelled towards mandatory pension funds, which structurally decreases the total amount of bank deposits.

17 The 19% ratio is calculated as the sum of interbank borrowings, debt securities in issue and subordinated debt divided by total liabilities and equity.

18 The transferability of ING's liquidity to the group's various entities is constrained by the local supervisors' requirement to maintain minimum liquidity buffers in some subsidiaries.

19 Over the past three and a half years, the group increased its MREL/TLAC buffer to build a management buffer above the minimum requirement and to protect the bank's senior creditors by using its holding company ING Groep. Since 2017, ING Groep issued €7.5 billion in Tier 2 debt and €28 billion in senior unsecured debt that are structurally subordinated to the bank's own senior unsecured debt and deposits in a resolution scenario. We expect ING Groep to continue its issuance programme so as to further reinforce its MREL buffers. Part of the debt to be issued by the holdco will replace ING Bank's senior debt that will mature.

20 The outstanding amount of TLTRO as of the end of March 2021 was €65.5 billion.

21 Based on our own calculation.

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
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