

**Rating Action: Moody's upgrades ING Bank's long-term deposit and senior unsecured debt ratings to Aa3 from A1, outlook stable**

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**Actions anticipate further issuance of loss-absorbing debt**

London, 27 September 2017 -- Moody's Investors Service ("Moody's") has today upgraded the long-term deposit and senior unsecured debt ratings of ING Bank N.V. (ING Bank) to Aa3 from A1, and changed the outlook to stable from positive. The rating upgrades were prompted by Moody's expectation of significant issuance of additional loss-absorbing debt and capital in response to forthcoming regulatory requirements.

This issuance will reduce the loss severity for the bank's senior unsecured debt and deposits, according to Moody's revised advanced Loss Given Failure (LGF) analysis. The revised LGF analysis was undertaken following updates to Moody's Banks rating methodology, published on 26 September 2017, which can be accessed using the following link: [https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC\\_1065675](https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC_1065675).

Moody's has affirmed ING Bank's Baa2 subordinated debt rating and Prime-1 short-term rating, as well as its Counterparty Risk (CR) Assessment of Aa3(cr)/Prime-1(cr). The rating agency also affirmed ING Bank's holding company ING Groep N.V. (ING Groep)'s long-term senior unsecured debt rating of Baa1 with a stable outlook, its subordinated debt rating of Baa2, its junior subordinated debt rating of Baa3(hyb)/Baa2(hyb) and non-cumulative preferred stock rating of Ba1(hyb).

The stable outlook on ING Bank and ING Groep's long-term ratings reflect Moody's expectation that the banking group's profitability will remain broadly resilient to pressure from low interest rates over the next 12-18 months, while asset risk will remain low and the capital position will continue to strengthen. The outlook also anticipates ING Groep's future issuance of senior unsecured debt to comply with minimum loss absorbing capital requirements coming into force in 2019.

A list of affected ratings can be found at the end of this press release.

**RATINGS RATIONALE**

**RATING UPGRADES REFLECT REDUCED LOSS SEVERITY FOR CREDITORS FROM EXPECTED ISSUANCE OF ADDITIONAL LOSS-ABSORBING CAPITAL**

The upgrade of ING Bank's long-term deposit and senior unsecured debt ratings to Aa3 from A1 reflects Moody's expectation that ING Groep will continue to issue debt in order to comply with Total Loss Absorbing Capacity (TLAC) requirements, which will require it to have minimum TLAC of 21.5% of risk-weighted assets (RWAs) by January 2019, and 23.5% by January 2022. Moody's estimates that ING Groep's TLAC ratio was 21.5% at the end of June 2017.

The group has announced it will issue, through its holding company ING Groep, a minimum of EUR16 billion of senior unsecured debt over the next two to three years, in order to meet minimum TLAC requirements and build a management buffer above this. This debt will be structurally subordinated to ING Bank's own senior unsecured debt and deposits in a resolution scenario. Out of the total planned issuance, ING Groep has to date issued EUR5.1 billion of senior unsecured debt and EUR2.1 billion of Tier 2 debt. Moody's expects ING Groep to continue its issuance programme in line with its medium-term plan, based upon its continued good access to the capital markets. In its advanced LGF analysis, Moody's incorporates the bank's issuance plans up until 2020. Thereafter, further issuance is likely to meet 2022 requirements, but this more distant additional change in the bank's balance sheet would not in itself result in further rating changes and is subject to inherently greater uncertainty.

Given the nearer term changes in ING Groep's balance sheet, Moody's revised advanced LGF analysis indicates extremely low loss-given-failure for ING Bank's long-term depositors and senior unsecured creditors, resulting in a three-notch uplift in the ratings from the firm's adjusted baseline credit assessment (BCA) of baa1, from two notches previously. The bank's long-term deposit and senior unsecured debt ratings continue

to incorporate one notch of government support, reflecting Moody's assessment of a moderate probability of support from the Dutch government for these creditors, as a result of the bank's systemic importance.

The same LGF analysis for ING Groep continues to indicate a moderate loss severity for senior unsecured creditors in the event of the group's failure, leading to a rating of Baa1, in line with ING Bank's adjusted BCA. ING Groep senior unsecured debt ratings do not include additional uplift from government support assumptions, reflecting Moody's view that there is a low probability of government support for these creditors given their explicitly loss-absorbing nature.

#### WHAT COULD MOVE THE RATINGS UP/DOWN

ING Bank's BCA could be upgraded in case of (1) a material improvement in the operating environment in the EU countries to which the bank is mostly exposed, leading to substantially improved asset risk and a higher profitability level; (2) a strengthening capital position; or (3) a lower reliance on confidence-sensitive wholesale funding. An upgrade in the BCA would likely lead to an upgrade to all 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 and/or junior instruments, leading to lower loss severity for senior creditors.

ING Bank's BCA could be downgraded in case of (1) an unexpected deterioration in asset risk and profitability; or (2) a lower than expected capital position. A downgrade of the BCA would likely result in downgrades to all ratings.

ING Bank's ratings could also be downgraded should changing regulatory requirements or management strategy lead to a reduction in expected debt issuance, leading to increased loss-given-failure.

#### LIST OF AFFECTED RATINGS

Issuer: ING Bank N.V.

..Upgrades:

....Long-term Bank Deposits, upgraded to Aa3 from A1, outlook changed to Stable from Positive

....Senior Unsecured Regular Bond/Debenture, upgraded to Aa3 from A1, outlook changed to Stable from Positive

....Senior Unsecured Medium-Term Note Program, upgraded to (P)Aa3 from (P)A1

..Affirmations:

....Long-term Counterparty Risk Assessment, affirmed Aa3(cr)

....Short-term Counterparty Risk Assessment, affirmed P-1(cr)

....Short-term Bank Deposits, affirmed P-1

....Subordinate Regular Bond/Debenture, affirmed Baa2

....Subordinate Medium-Term Note Program, affirmed (P)Baa2

....Short-term Deposit Note/CD Program, affirmed P-1

....Commercial Paper, affirmed P-1

....Other Short Term, affirmed (P)P-1

..Outlook Action:

....Outlook changed to Stable from Positive

Issuer: ING Groep N.V.

..Affirmations:

....Senior Unsecured Regular Bond/Debenture, affirmed Baa1, outlook Stable

....Senior Unsecured Medium-Term Note Program, affirmed (P)Baa1

....Senior Unsecured Shelf, affirmed (P)Baa1

....Subordinate Regular Bond/Debenture, affirmed Baa2

....Subordinate Medium-Term Note Program, affirmed (P)Baa2

....Subordinate Shelf, affirmed (P)Baa2

....Junior Subordinated Regular Bond/Debenture, affirmed Baa2(hyb)/Baa3(hyb)

....Junior Subordinate Medium-Term Note Program, affirmed (P)Baa3

....Junior Subordinate Shelf, affirmed (P)Baa3

....Preferred Stock, affirmed Baa3(hyb)

....Preferred Shelf Non-cumulative, affirmed (P)Ba1

....Preferred Stock Non-cumulative, affirmed Ba1(hyb)

..Outlook Action:

....Outlook remains Stable

Issuer: ING (US) Issuance LLC

..Upgrades:

....Backed Senior Unsecured Medium-Term Note Program, upgraded to (P)Aa3 from (P)A1

....Backed Senior Unsecured Regular Bond/Debenture, upgraded to Aa3 from A1, outlook changed to Stable from Positive

..Outlook Action:

....Outlook changed to Stable from Positive

Issuer: ING (U.S.) Funding LLC

..Affirmations:

....Backed Commercial Paper, affirmed P-1

..Outlook Action:

....No Outlook assigned

Issuer: ING Bank N.V. (Singapore)

..Upgrades:

....Senior Unsecured Regular Bond/Debenture, upgraded to Aa3 from A1, outlook changed to Stable from Positive

..Affirmations:

....Long-term Counterparty Risk Assessment, affirmed Aa3(cr)

....Short-term Counterparty Risk Assessment, affirmed P-1(cr)

..Outlook Action:

....Outlook changed to Stable from Positive

Issuer: ING Bank N.V., Sydney Branch

..Upgrades:

....Senior Unsecured Regular Bond/Debenture, upgraded to Aa3 from A1, outlook changed to Stable from Positive

....Senior Unsecured Medium-Term Note Program, upgraded to (P)Aa3 from (P)A1

..Affirmations:

....Long-term Counterparty Risk Assessment, affirmed Aa3(cr)

....Short-term Counterparty Risk Assessment, affirmed P-1(cr)

....Commercial Paper, affirmed P-1

....Other Short Term, affirmed (P)P-1

..Outlook Action:

....Outlook changed to Stable from Positive

Issuer: ING Bank N.V., Tokyo Branch

..Upgrades:

....Long-term Bank Deposits, upgraded to Aa3 from A1, outlook changed to Stable from Positive

..Affirmations:

....Long-term Counterparty Risk Assessment, affirmed Aa3(cr)

....Short-term Counterparty Risk Assessment, affirmed P-1(cr)

....Short-term Bank Deposits, affirmed P-1

....Commercial Paper, affirmed P-1

..Outlook Action:

....Outlook changed to Stable from Positive

Issuer: ING Groenbank N.V.

..Upgrades:

....Senior Unsecured Medium-Term Note Program, upgraded to (P)Aa3 from (P)A1

..Affirmations:

....Long-term Counterparty Risk Assessment, affirmed Aa3(cr)

....Short-term Counterparty Risk Assessment, affirmed P-1(cr)

....Other Short Term, affirmed (P)P-1

..Outlook Action:

....No Outlook assigned

Issuer: ING Capital Funding Trust III

..Affirmation:

....Backed Preferred Stock Non-cumulative, affirmed Ba1(hyb)

..Outlook Action:

....No Outlook assigned

#### PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in September 2017. Please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

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