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Ratings

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ING Groep N.V.

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ING Groep N.V.

Ratings Score Snapshot

Issuer Credit Rating
A-/Stable/A-2

SACP: a → **Support: +1** → **Additional factors: 0**

Anchor	bbb+	
Business position	Strong	+1
Capital and earnings	Strong	+1
Risk position	Adequate	0
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

ALAC support	+1
GRE support	0
Group support	0
Sovereign support	0

Issuer credit rating
A+/Stable/A-1
Resolution counterparty rating
AA-/A-1+
Holding company ICR
A-/Stable/A-2

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Issuer credit rating relates to ING Bank N.V., the main operating entity of ING Groep N.V.

Credit Highlights

Key strengths	Key risks
Leading positions in Belgium, the Netherlands, and Luxembourg (Benelux) and good geographical diversity.	Darkened economic outlook represents headwinds to business prospects, operating costs, and asset quality.
Well-defined and executed strategy, with established digital approach to banking business.	Continuous need to enhance nonfinancial risk framework and culture throughout the organization.
Sound earnings, gradually benefiting from rising interest rates, solid capital metrics, and bail-in buffers.	

Rising interest rates are a tailwind to ING Groep N.V. (ING)'s earnings. ING has displayed a resilient earnings profile supported by its well-diversified business model and expanding portion of fee and commission income. Currently there are headwinds from macroeconomic conditions with likely lower business growth and pressure on operating costs, but rising interest rates should aid revenue growth. We forecast operating revenue will increase 3.5%-5.0% in 2023.

The group continues to reduce its Russia-related exposures. In first-half 2022, ING reduced these exposures more than 30%, allowing it to release some provisions charged back in the first quarter. We expect the group to continue decreasing its Russia exposures over the next year but at a slower pace.

Asset quality remains good with reported nonperforming loans (NPLs) to total loans of 1.4% as of first-half 2022. In our asset quality analysis, we also consider forborne loans, bringing gross NPLs up to 3.6%. We believe the current challenging macroeconomic environment provides headwinds to asset quality metrics. Therefore, we currently expect impairment charges of 25 basis points (bps)-30 bps over the next two years.

ING's good earnings generation capacity and strong capital metrics provide a sufficient cushion to absorb unexpected losses. This resilient earnings generation capacity supports our projected risk-adjusted capital (RAC) ratio of 10.3%-10.8% through year-end 2024 despite envisaged significant capital distributions. ING's common equity Tier 1 (CET) ratio of 14.7% in first-half 2022 was well above the minimum requirement of 10.94%.

Outlook

ING Groep N.V. (holding company) and ING Bank N.V. (main operating bank)

The stable outlooks on the group's entities indicate that geographical and business diversification will support their financial profiles through a darkened economic outlook. We expect the group to continue to display resilient earnings and sustain its profitability level. We believe the group's strategy will support the maintenance of strong capital adequacy and keep our projected RAC ratio before diversification above 10% over the next 18-24 months. The stable outlook on ING Bank N.V. reflects our view that the group will continue to build its buffer of bail-in-able debt, mainly through the issuance of senior unsecured debt by the nonoperating holding company (NOHC) ING Groep. This will ensure a buffer to protect the bank's senior preferred bondholders in the event of a resolution.

Downside scenario

We see a scenario of lowering the ratings on the operating company (ING Bank) as remote. This is because in case we revise downward our assessment of the group stand-alone credit profile (SACP), this weakening would likely be counterbalanced by higher external support via the bank's buffer of bail-in-able debt. However, a downward revision of the group SACP would lead to a lowering of the holding company ratings and downgrade of ING Bank's subordinated instruments that move in tandem with the group SACP. This could happen if we observe a worse-than-anticipated deterioration in asset quality, more aggressive capital management by ING Groep such that we forecast its RAC ratio will fall below 10%, or if its revenue generation capacity lags that of international peers.

Upside scenario

We see upside as remote at present but could consider a positive rating action if the group materially surpasses our performance expectations and further builds very significant capital, by our measures.

Key Metrics

ING Groep N.V.--Key Ratios And Forecasts

	--Fiscal year ended Dec. 31--				
(%)	**2020a**	**2021a**	**2022f**	**2023f**	**2024f**
Growth in operating revenue	(2.8)	4.7	(1.0)-1.0	3.5-5.0	4.0-5.5

ING Groep N.V.--Key Ratios And Forecasts (cont.)					
	--Fiscal year ended Dec. 31--				
(%)	**2020a**	**2021a**	**2022f**	**2023f**	**2024f**
Growth in customer loans	(2.1)	4.9	1.3-1.5	1.3-1.6	1.8-2.2
Cost to income ratio	58.6	57.0	58.0-60.5	56.0-59.0	54.0-57.0
Return on average common equity	4.6	8.8	6.0-7.5	7.5-9.5	9.0-10.5
New loan loss provisions/average customer loans	0.4	0.1	0.3-0.4	0.2-0.3	0.2-0.3
Gross nonperforming assets/customer loans*	4.6	4.1	3.1-3.6	2.8-3.2	2.8-3.2
Risk-adjusted capital ratio	10.8	10.9	10.3-10.8	10.3-10.8	10.2-10.7

All figures are S&P Global Ratings-adjusted. a--Actual. e--Estimate. f--Forecast. *Includes reported nonperforming and forborne loans.

Anchor: 'bbb+' Based On ING's Footprint

The starting point for our ratings on ING and its affiliates is the 'bbb+' anchor. This is based on the weighted average of S&P Global Ratings' economic risk scores for the countries in which ING operates, combined with our industry risk assessment for the Dutch market. Both stand at '3'. To assess the average economic risk score, we use the following rounded geographical distribution of ING's lending, which shows that the bank displays a more geographically diverse loan book than its domestic peers:

- The Netherlands: 30%;
- Belgium and Luxembourg: 15% combined;
- Germany: 15%;
- Other European countries, including in Eastern and Southern Europe: 20%;
- Asia-Pacific, in particular Australia: 10%; and
- Americas and the U.K.: 5% each.

We view the economic risk trend for the Dutch banking sector as stable. Under our base-case scenario, we expect the Netherlands, like other European countries, to be affected by the repercussions of the Russia-Ukraine war, with GDP growth subdued at only 0.2% in 2023 after a projected 4.3% in 2022--thanks to last year's better-than-expected performance. Soaring commodity prices are pushing inflation up (11% on average in 2022) reducing households' purchasing power, but the labor market remains strong. Economic imbalances have not receded because of a very dynamic real estate market, where existing supply shortages and pent-up demand, combined with favorable demographics, support long-term house price appreciation. However, we expect this to slow over the next few years on the back of rising interest rates. We have seen modest asset quality improvements over the past year but expect some deterioration depending on the severity of the economic consequences of the Russia-Ukraine conflict. However, given Dutch banks' focus on domestic mortgages and well collateralized lending, we expect total credit impairment charges to remain at about through-the-cycle levels of 25 bps-30 bps by 2023.

Our assessment of industry risk for Dutch banks incorporates high domestic concentration and our view of a stable competitive environment. We consider that the prospective profitability of domestic banking remains adequate.

However, we continue to see some pressure on profitability from the limited growth potential of the mature domestic market, inflationary pressure on costs, and continued investment in digital, information technology (IT), and compliance requirements. Dutch banks display a cost-efficiency ratio (about 60% in 2021) that compares satisfactorily with that of European peers, largely attributed to their proactive digitalization, more direct low-cost distribution channels, and the country's high uptake of mobile banking. However, we see limited upside for additional cost efficiency improvements because any benefits achieved will largely be offset by further investments needed to continue the digitalization of banking operations, as well as regulatory and compliance-related investments. The system's relatively large reliance on wholesale funding is partly attributable to households' propensity to save in nonbank saving products, from life insurance products to pension schemes. We consider that Dutch systemwide funding benefits from, among other things, the depth of the domestic financial market and potential funding support from the European Central Bank (ECB). We view the trend on industry risk as stable.

Business Position: Pan-European Bank With A Diversified Business Model

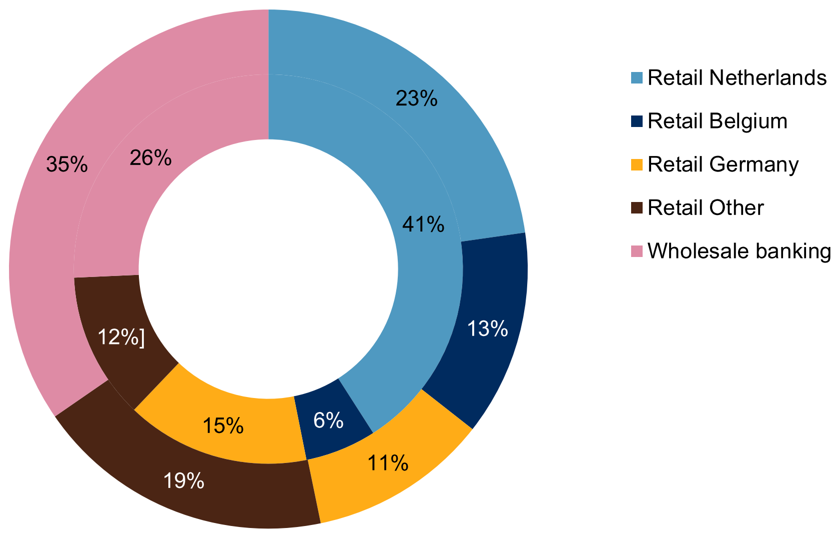
We consider that ING's business position benefits from its diverse franchise, focused and well-executed strategy, solid digital capabilities, and advanced forays in sustainability finance. These factors support the group's business stability and performance metric predictability.

ING enjoys a good geographical footprint, offering retail services in 10 countries and wholesale banking services in more than 40. Its core Benelux markets, where the group keeps leading positions, consistently remain the largest contributors to revenue. Among the markets where ING is a challenger, it has steadily gained quite a strong position in Germany, forming about 14% of total revenue at mid-year 2022 (see chart 1).

Chart 1

ING's Diversification By Business Segments

About two-thirds of revenue and three-fourths of profit before tax are generated from retail banking

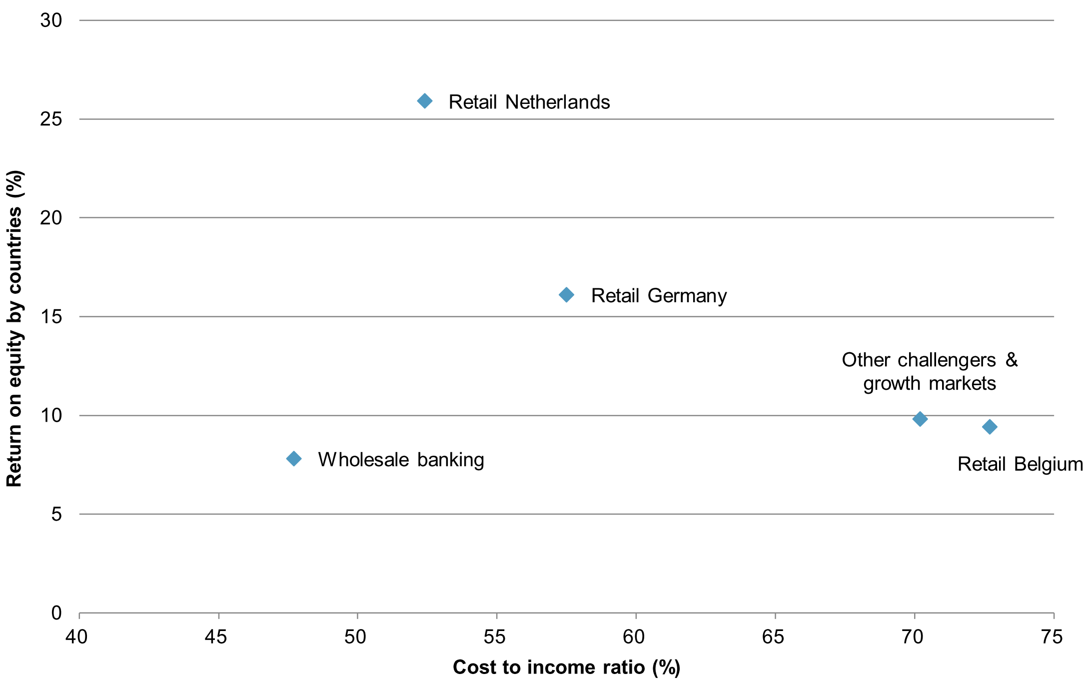


Source: S&P Global Ratings. Outer circle represents revenues by business segments and inner circle represents profit before tax by respective business segments for the first six months of 2022.

ING continuously focuses on markets where it can leverage its expertise and digital capabilities the most while reconsidering its presence in markets and business lines that lack meaningful short-term prospects of reaching targeted scale and profitability. As a result of such reviews, the group has decided to exit from retail operations in Austria, the Czech Republic, and France over the past two years and in June 2022 announced its withdrawal from retail business in the Philippines. These exits have no material effect on our assessment of the group's franchise since they were very small in scale and comprised less than 2% of revenue on a combined basis.

Chart 2

ING's Efficiency And Profitability Metrics Are Largely Supported By Its Key Markets
While other markets require some improvements to achieve the group's targets



Source: Company financials. Data based on four quarter rolling average for period ending June 30, 2022. After-tax return divided by average equity based on 12.5% of risk-weighted assets (annualized). Data for countries is for respective retail banking business while wholesale banking results are shown separately.

ING has been an innovator and early adopter of digital banking capabilities, which remain a key part of the group's strategy. Through its direct banking franchise, the group has expanded to become one of the largest retail banks in Germany. After many peers also advanced their digital propositions in recent years, the first-mover competitive advantage became of less importance versus continuous improvements in customer experience and cost efficiency. Therefore, ING's digital strategy revolves around process optimization, a smooth end-to-end customer journey, better levels of personalization in offerings, and an omnichannel approach focusing on mobile banking, which has been expanding steadily. We expect investment in scalable technology and operations to remain a key component of the group's spending (about 40% of total operating costs in 2021).

In June 2022, ING communicated revised financial targets as part of its investor day update. The group aims to expand its total income at a compound annual growth rate of 3% until 2025 supported by a 5%-10% increase in fee income. Although there are headwinds from macroeconomic conditions due to likely lower business growth and higher interest rates, the latter aids in revenue growth. A focus on primary accounts growth (aiming to reach more than 17 million individual customers versus the current 14.2 million) with banking packages and investment accounts should also help fee and commission income growth, but we think it will land at the lower end of the targeted range given challenging conditions. The group strives for a cost-to-income ratio of 50%-52% by 2025, which we see as challenging from an average of 59% historically. It aims to achieve this through a combination of revenue improvements and cost rationalization, including further process automation and moving systems to the cloud, as well as lower regulatory costs (expected to be €0.4 billion lower in 2025 than 2021). Although it continued to show good cost control in first-half 2022, the same trajectory will be challenging amid inflationary pressure. In addition, ING targets a return on equity (ROE) of 12% by 2025, which will be a function of efficiency improvements and capital structure optimization with a targeted CET1 ratio of about 12.5%.

Capital And Earnings: A Financial Roadmap That Supports Solid Capital Metrics

Our RAC ratio stood at 10.9% for year-end 2021 and the calculation excludes from S&P Global Ratings' total adjusted capital (TAC) the €1.6 billion in reserved profits that the bank set aside for dividend payments, distributed in May 2022. We consider ING's capital position a rating strength and expect that our RAC ratio will remain above 10% in the next two years. We also view the quality of capital as satisfactory given that hybrid instruments represented only about 13% of TAC (the numerator of the RAC ratio) at year-end 2021.

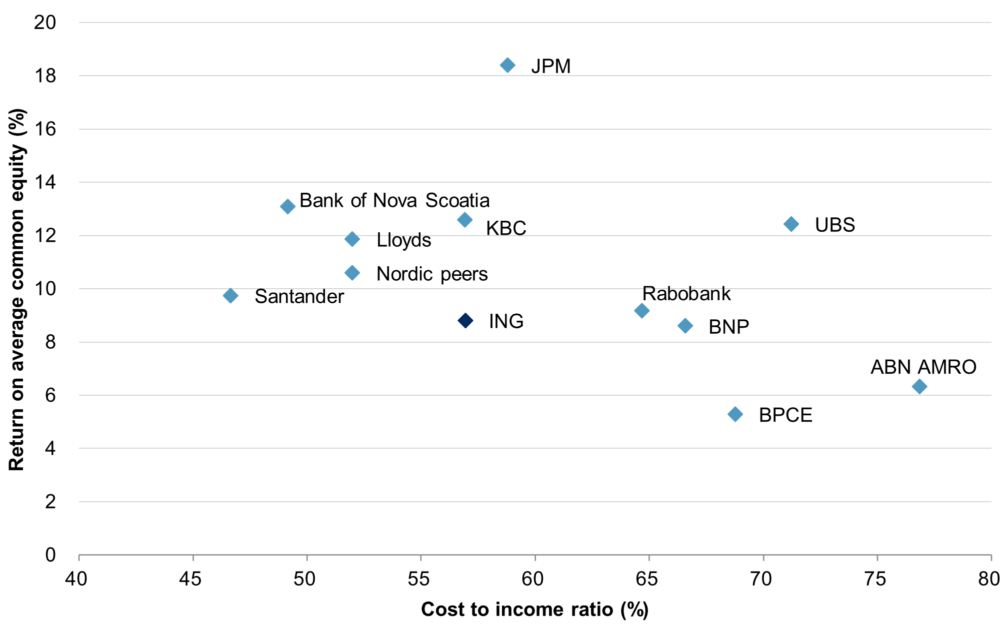
We note that the group aims to maintain a CET1 ratio of about 12.5% under the Basel IV framework, which is 180 bps above its minimum requirement of 10.94% in 2022. Since ING has largely absorbed the impact from Basel IV implementation and its CET1 ratio stood at 14.7% as of mid-year 2022, we incorporate into our forecast a 50% dividend payout ratio, capital distributions of about €1.0 billion per year in 2023 and 2024, and the €380 million share buyback program and €874 million additional dividend completed in 2022. Other key assumptions that result in our forecast RAC ratio of 10.3%-10.8% in the next 18–24 months include:

- Volume growth softening after quite a dynamic 2021 and first-half 2022 but operating income, as for other domestic banks, will still benefit from rising interest rates, before modestly declining in 2022 as benefits from loan prepayment fees and negative rate charges on deposits fade away;
- Operating expenditure increasing about 2% per year led by the current high inflationary environment, which is partly offset by cost savings from further process optimization, the recent exit of retail operations in some markets, rationalization of branches in Benelux, and our expectations of a modest decline in regulatory costs over 2021 levels;
- Cost to income remaining elevated at about 60% in 2022 and then gradually improving to 54%-57% by 2024; and
- After declining to 8 bps in 2021, gradually increasing new loan loss provisions as a percentage of average customer loans but remaining at through-the-cycle levels of about 25 bps-30 bps over the next two years.

Based on these assumptions, we expect ROE to only reach above 10% by year-end 2024.

Chart 3

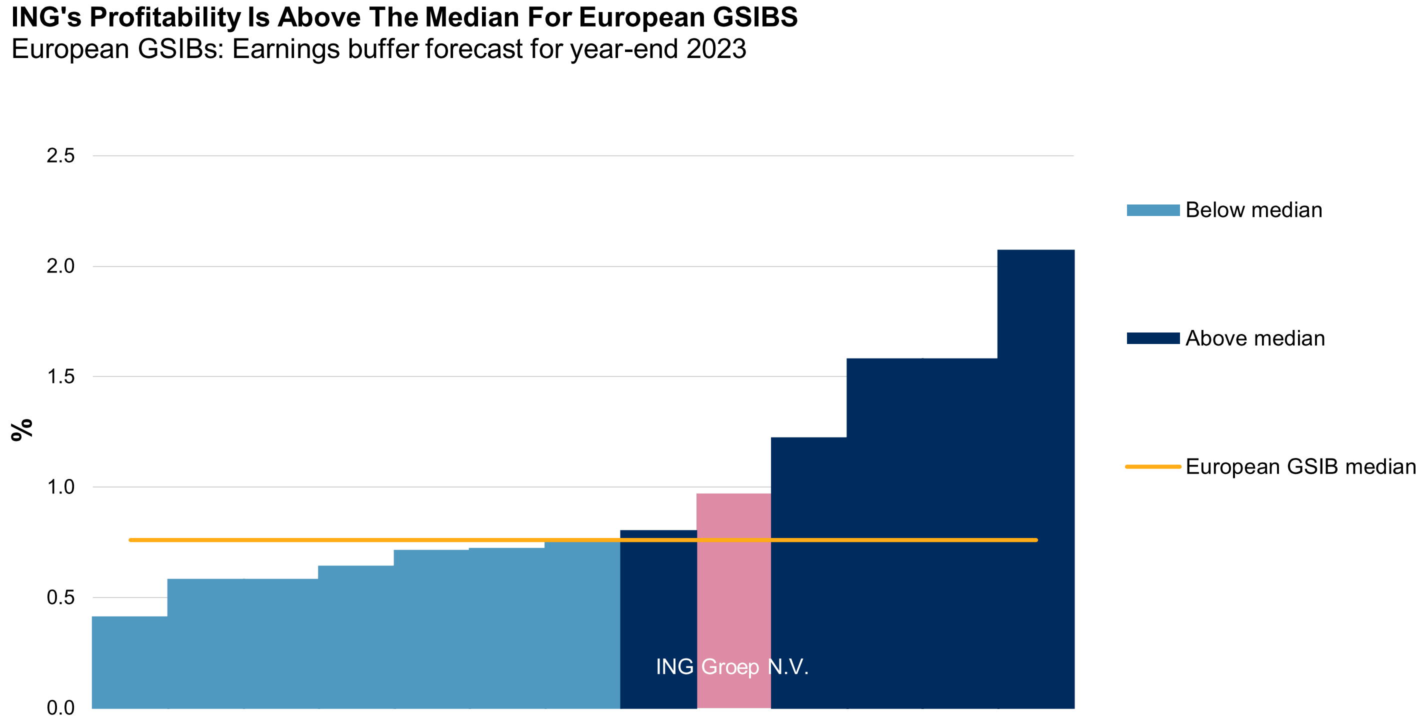
ING's Profitability Fits The Average Of The Peer Group
Return on average common equity for ING and peers as of full-year 2021



Source: S&P Global Ratings.

Considering ING' risk-adjusted profitability, we project a three-year average earnings buffer of 100 bps by 2023, which is above the forecast earnings buffer of 85 bps for the largest European banks (see chart 4). We use the average earnings buffer to measure the capacity for a bank's earnings to cover risk-adjusted normalized losses.

Chart 4



GSIB--Globally systemically important banks. Source: S&P Global Ratings.

Risk Position: Highly Diversified And Largely Secured Exposures

Our risk position assessment reflects ING's well diversified exposure mix and sound asset quality. Although we view ING's exposures to sectors and geographies considered to be most at risk as well managed, we note that the bank, like peers, remains exposed to an unsettling inflationary environment from increasing food and energy prices and rapid increases in interest rates, which could hit debt serviceability for some borrowers. The group also sees an ongoing need to enhance its compliance risk framework and ensure a common risk culture is well disseminated at the different layers of the organization. We believe that ING's capabilities in sustainable finance are strong and supported by a broad risk framework, which is well embedded into its decision-making process.

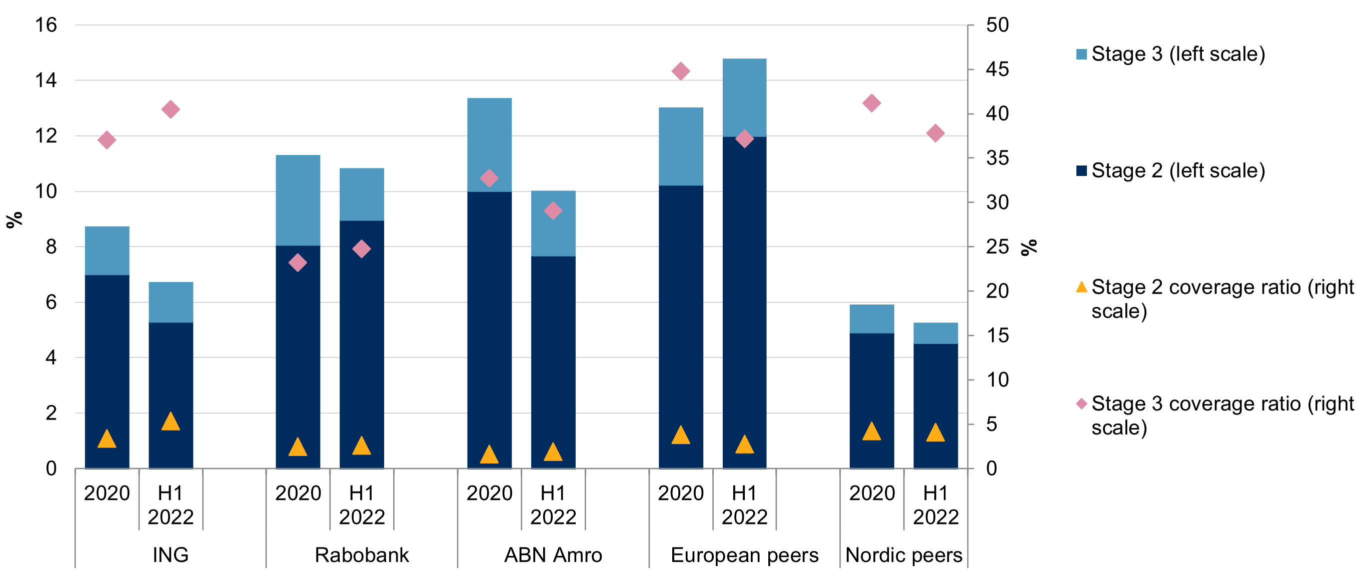
ING's lending is typified by a well-diversified and secured loan book. Despite its large exposure to residential mortgage loans (about 40% of gross lending portfolio), we consider the bank's risk exposures well diversified by sector. The diversification benefit in our RAC ratio calculation illustrates the spread of ING's activities by business line and risk type (see table 5). ING's residential mortgage portfolio is also well distributed among geographies and mostly on fixed rates for long maturities. The mortgage portfolio performs well with stage 3 loans of only 1.0% of total loans as of mid-year 2022 (slightly down from 1.1% at year-end 2021) and provision charges for this portfolio are typically very low.

Corporate lending represents little more than one-third of the lending portfolio. Although the corporate book focuses on senior and secured deals, there are pockets of risk sensitive to macroeconomic volatility, including exposure to leveraged finance, oil and gas, and commercial real estate. Risks embedded in these portfolios are well managed, in our view, but they remain sensitive to macroeconomic challenges. Risk appetite is regularly reviewed and includes caps by sector, a stronger focus on the originate-to-distribute model, senior tranches, secured assets, and a lower loan to value. Risks of transition to a greener economy are also embedded into its analysis.

After an elevated 62 bps of average customer loans in first-quarter 2022, mostly due to prudent provisioning of Russian-related exposures transferred to stage 2 in March 2022, net impairment charges decreased to 13 bps in the second quarter. This partly reflected ING's efforts to lower its Russian exposure over 30% to €4.6 billion as of mid-year 2022, from €6.7 billion at Feb. 28, 2022. We expect the group to continue reducing this exposure, which is largely offshore, but forecast it will diminish at a slower pace than observed in the first half. Overall, ING remains broadly in line with peers on stage 2 and stage 3 loan balances as well as the coverage of these exposures by provisions (see chart 5). However, the proportion in arrears is likely to increase due to effects of rising inflation and interest rates as well as an expected sharp slowdown in economic growth over the next year. We expect credit costs to remain within 25 bps-30 bps over the next two years and be partly smoothed by existing management overlays in respect of the challenging macroeconomic environment.

Chart 5

ING's Asset Quality Is Better Than Dutch And International But Not Nordic Peers'



H1--First half. European peers include weighted average by assets for KBC, UBS, BNP, BPCE, and Lloyds. Nordic peers include Svenska Handelsbanken, Swedbank, and Danske. Source: Banks' disclosures. .

In our view, market risks are relatively modest, reflecting the limited scale of ING's capital market activities, which are largely client-flow driven, and a risk appetite managed within conservative limits.

Although ING's compliance capabilities and framework have been strengthened over the past few years, nonfinancial risks remain relevant to our assessment of its risk profile. The group has historically incurred material conduct charges and still faces charges from past failures in procedures and controls. For example, €255 million of compensation provisioned over the past year for Dutch retail customers with certain revolving loans where the variable interest rate did not sufficiently follow market rates. Given its international reach, we expect that ING will continue to prioritize further improvements in business policies and internal controls as well as cyber risk management.

Funding And Liquidity: Resilient And Balanced Funding Profile

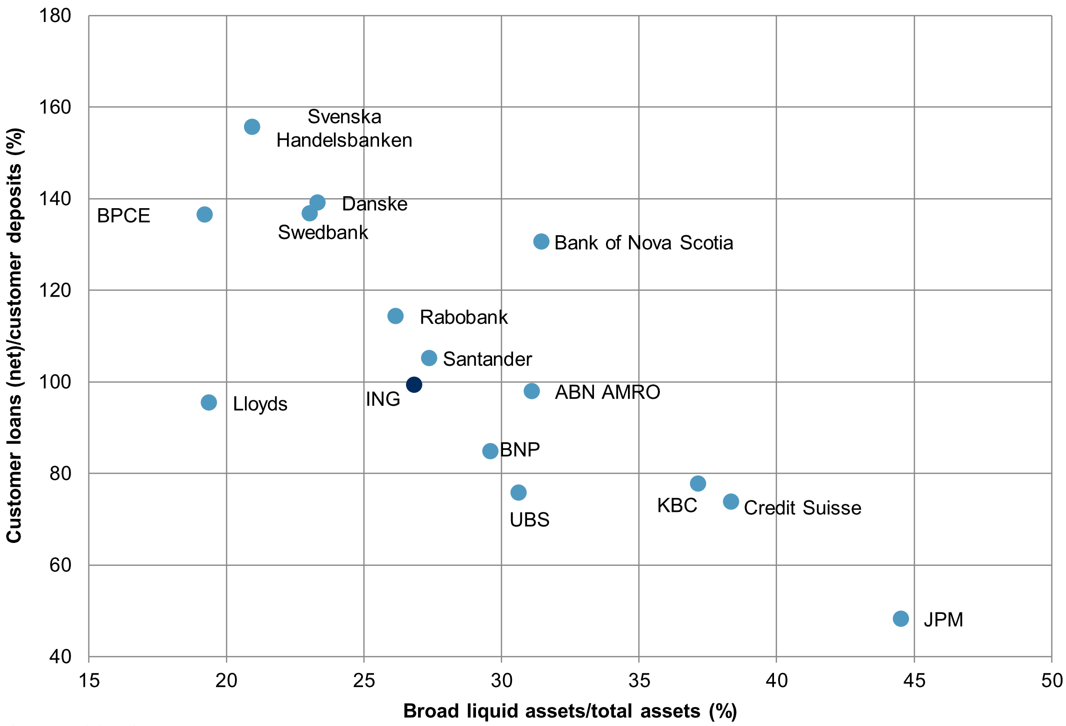
We consider ING's funding in line with domestic and global peers'. Thanks to its deposit-rich digital banking franchise, ING benefits from less reliance on wholesale funding compared with several peers, particularly those in France and Scandinavia. Although customer deposits (72% of the funding mix) include some potentially less stable elements, such as large corporate and institutional balances, the majority are franchise-driven retail and commercial balances that have exhibited stability through turbulent market conditions. The consolidated loan-to-deposit ratio was 99% at mid-year 2022 and we don't expect it to change materially over the next year.

We consider the bank's wholesale funding base to be diverse and maturities are reasonably spread over time. The regulatory net stable funding ratio remains well above 100%, as does our stable funding ratio, which stood at 117% as of June 30, 2022. ING made opportunistic use of targeted long-term refinancing operations (TLTRO) III, drawing €65.5 billion in 2020 and 2021. ING Bank's funding is also supported by a €30 billion Dutch covered bond program. The cover pool comprises prime residential mortgage loans. We note that ING's subsidiaries in Germany, Belgium, Australia, and Poland complement its covered bond program with their own.

We consider ING's liquidity adequate. The opportunistic use of TLTRO III has supported an increase in the liquidity buffer and resulted in lower use of short-term wholesale funding relative to pre-pandemic levels. Liquidity has also been enhanced through internal securitizations, the majority of which are eligible for repurchase agreements with the ECB in a liquidity stress scenario. The bank's reported liquidity coverage ratio improved modestly to 136% at mid-year 2021 compared with 127% at year-end 2019 and should stay at a similar range in the near term.

Chart 6

ING Maintains A Good Liquidity Position With Loans To Deposits Of About 100%
Data as of June 30, 2022



Source: S&P Global Ratings.

Support: ALAC Provides A Cushion To Senior Creditors

We view the Dutch resolution regime as effective under our additional loss-absorbing capacity (ALAC) criteria because we believe it contains a well-defined bail-in process under which authorities would permit nonviable systemically important banks to continue critical functions as going concerns, following a bail-in of eligible liabilities.

Our assessment of ING's ALAC leads us to add one notch of uplift to the group credit profile (GCP), reflecting ING's buffer of debt at the holding company that is structurally subordinated to ING Bank's senior debt and protecting senior creditors of the core banking entities. The ALAC ratio stood at 7.9% at year-end 2021, well above the 3.25% threshold we deem appropriate for ING. We estimate that the ALAC buffer will remain at about 8% of our risk-weighted assets (RWA) measure by year-end 2024. This is based on ING's internal capital generation and the expectation that ING Groep N.V. will continue to issue senior unsecured debt instruments, offset by maturing instruments and an anticipated increase in RWAs.

We use an adjusted 3.25% threshold, as opposed to the standard 3.00%, because we cannot exclude that ING could need to use part of its ALAC buffer for prepositioning purposes, and we believe the fungibility of such resources would therefore be constrained. This is in line with our approach for other groups operating internationally.

ING's minimum requirement for own funds and eligible liabilities (MREL) is set at 28.67% of RWA as of Jan. 1, 2024, and the prevailing total loss-absorbing capacity (TLAC) requirement is 23.03% of RWA, which includes the Dutch regulator's systemic risk buffer of 2.5%. ING meets these requirements with actual MREL and TLAC ratios at a comfortable 31.2% and 31.0% respectively as of mid-year 2022.

Environmental, Social, And Governance

ESG Credit Indicators

E-1	**E-2**	E-3	E-4	E-5	S-1	**S-2**	S-3	S-4	S-5	G-1	**G-2**	G-3	G-4	G-5

ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

ESG factors have no material influence on our credit rating analysis of ING.

Sustainability is one of the main pillars of ING's strategy and a distinguishing feature of the bank's profile. As demonstrated by its Terra initiative, ING aims to progressively decarbonize its loan portfolio in line with the Paris Agreement. ING's capabilities in sustainable finance are strong, and supported by a broad risk framework, which is well embedded into its decision-making process. ING has set intermediate 2030 targets and tracks performance for nine sectors under Terra. There are positive trends in five of these sectors--power generation (outstanding exposure of €8.9 billion), upstream oil and gas (€3.1 billion), commercial real estate (€10.9 billion), shipping (€6.5 billion), and auto (€2.4 billion). ING also addresses the physical risk related to its mortgage portfolio in scope with total exposure of €297 billion.

Social factors are important due to changing customer expectations and an increased focus on banks' business conduct. Although ING's commitment to customer satisfaction is strong, like Dutch peers, it faced some complaints and litigation due to an alleged failure to provide enough information on certain products and services. In the past, a series of incidents also revealed shortcomings in its know-your-customer framework. Those cases have not damaged its financial profile or reputation. However, any material recurrence of such incidents could lead us to have a more negative view of its governance, and ultimately its credit quality.

Group Structure, Rated Subsidiaries, And Hybrids

Rated entities: Branches, core entities, and highly strategic subsidiaries

We rate ING Groep one notch lower than the group SACP to reflect its status as a NOHC.

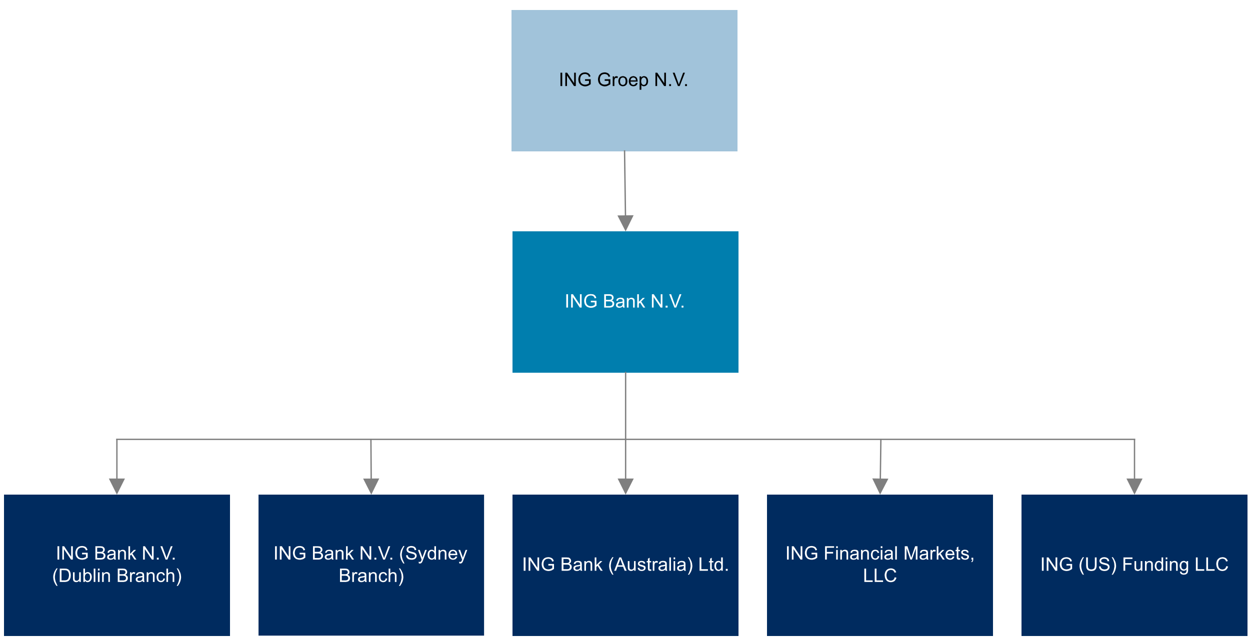
We rate ING Bank's branch in Dublin in line with our ratings on ING Bank N.V. because we consider its creditworthiness to be equivalent to the operating bank from which the branch emanates. Our foreign currency rating on Ireland does not cap the creditworthiness of the branch.

The ratings on U.S. broker dealer ING Financial Markets, LLC (ING FM) reflect our view of its core group status as the hub for ING's U.S. financial markets and corporate business, which we think is critical for ING's global strategy. Given this strategic positioning and interconnectedness with the rest of the group, we notch ING FM from the supported GCP.

We classify ING Bank (Australia) Ltd. as a highly strategic subsidiary. Among other factors, this reflects the close alignment between its activities and the rest of the group, and sound performance to date. ING Bank (Australia) is relatively small compared with the rest of the group though. We notch ING Bank (Australia) from the supported GCP, given its strategic importance, despite the absence of a resolution regime in Australia.

Chart 7

Simplified Overview Of ING Group Structure
Issuing entities and rated operating banks



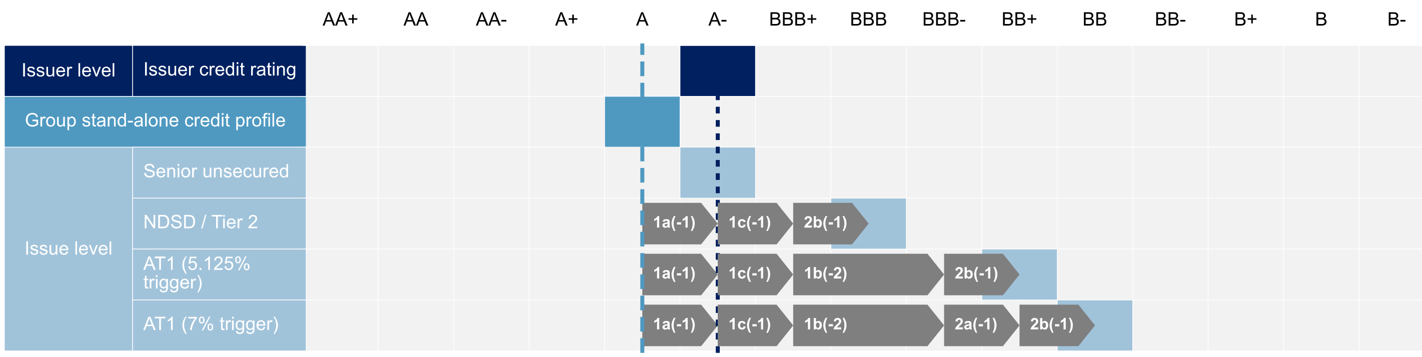
Source: ING.

Hybrids

Our approach to rating ING Groep N.V.'s and ING Bank N.V.'s hybrids is summarized in the charts below.

Chart 8

ING Groep N.V.: NOHC Notching



Key to notching

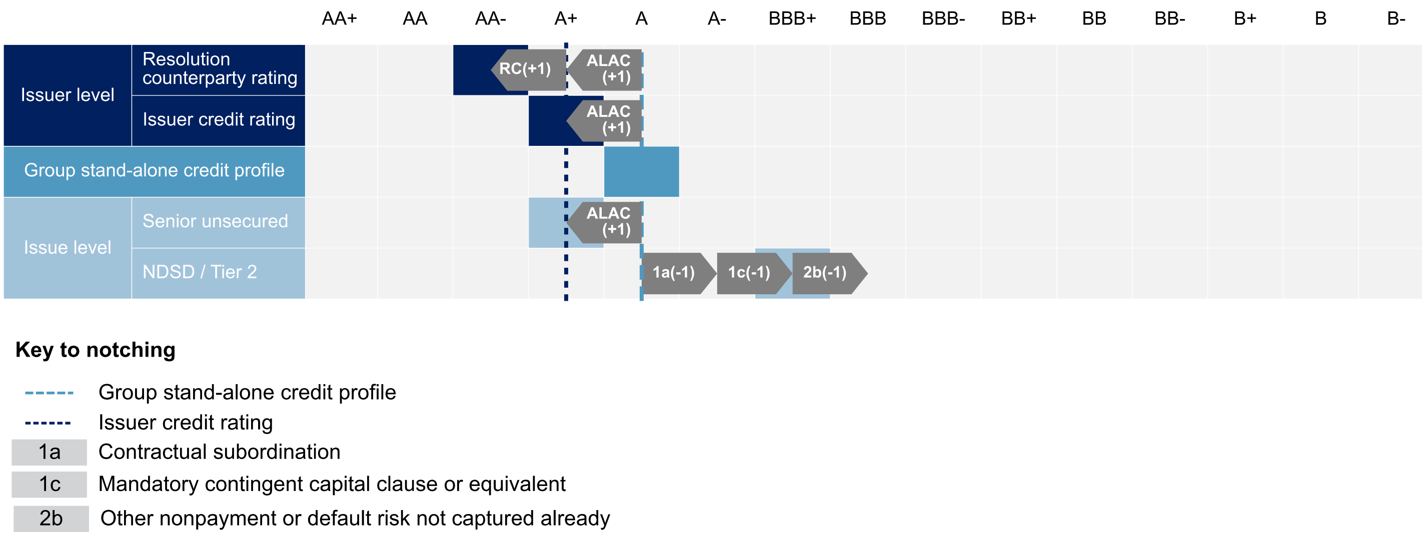
- Group stand-alone credit profile
- Issuer credit rating

1a	Contractual subordination
1b	Discretionary or mandatory nonpayment clause and whether the regulator classifies it as regulatory capital
1c	Mandatory contingent capital clause or equivalent
2a	Mandatory going-concern, regulatory capital-based trigger (either statutory or contractual)
2b	Other nonpayment or default risk not captured already

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our "Hybrid Capital: Methodology And Assumptions" criteria, published on March 2, 2022.
The nonoperating holding company (NOHC) issuer credit rating and senior unsecured debt ratings are notched from the group stand-alone credit profile (SACP) under our criteria. Since ALAC notching does not benefit NOHCs, for simplicity the diagram above is stylized to show the positioning of these ratings with reference to the group SACP.
AT1--Additional Tier 1. NDSD--Non-deferrable subordinated debt.

Chart 9

ING Bank N.V.: Notching



Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our "Hybrid Capital: Methodology And Assumptions" criteria, published on March 2, 2022.
NDSD--Non-deferrable subordinated debt.

Resolution Counterparty Ratings (RCRs)

Our RCRs on core operating entity (ING Bank N.V.) and its rated branch (ING Bank N.V., Dublin Branch) are 'AA-/A-1+', one notch above the respective long- and short-term issuer credit ratings on these entities. In contrast, our 'A+' long-term RCR on ING FM is in line with the long-term issuer credit rating. This is because, in our U.S. jurisdiction assessment, we have insufficient visibility regarding whether some senior liabilities have lower default risk than others in a bail-in resolution.

Key Statistics

Table 1

ING Groep N.V.--Key Figures

	--Year-ended Dec. 31--					
(Mil. €)	**30-June-2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Adjusted assets	1,018,945.0	950,134.0	935,881.0	889,828.0	885,191.0	844,747.0
Customer loans (gross)	642,867.0	632,711.0	603,332.0	616,175.0	596,421.0	578,629.0
Adjusted common equity	49,438.0	48,161.7	45,750.7	47,266.0	43,640.0	42,996.0
Operating revenues	9,670.0	18,521.0	17,686.0	18,189.0	18,209.0	17,675.0
Noninterest expenses	5,484.0	10,549.0	10,372.0	10,293.0	9,888.0	9,811.0
Core earnings	2,163.0	5,571.0	3,453.8	4,856.5	5,391.5	4,937.8

Table 2

ING Groep N.V.--Business Position

	--Year-ended Dec. 31--					
(%)	**30-June-2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Total revenues from business line (€'MM)	9,670.0	18,521.0	17,875.0	18,306.0	18,299.0	17,773.0
Commercial banking/total revenues from business line	32.3	33.2	30.3	32.0	32.5	32.9
Retail banking/total revenues from business line	63.7	66.8	69.7	68.0	66.3	66.7
Return on average common equity	6.1	8.8	4.6	9.1	9.3	9.8

Table 3

ING Groep N.V.--Capital And Earnings

	--Year-ended Dec. 31--					
(%)	**30-June-2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Tier 1 capital ratio	16.7	18.1	17.3	16.7	16.2	16.4
S&P Global Ratings' RAC ratio before diversification	N/A	10.9	10.8	11.1	10.1	10.2
S&P Global Ratings' RAC ratio after diversification	N/A	12.3	12.3	12.6	11.6	11.7
Adjusted common equity/total adjusted capital	87.9	87.6	88.9	87.1	89.0	89.2
Double leverage	N/A	89.0	87.3	87.6	87.1	87.0
Net interest income/operating revenues	71.2	73.5	76.9	77.4	76.4	77.6
Fee income/operating revenues	18.8	19.0	17.0	15.8	15.4	15.3
Market-sensitive income/operating revenues	9.1	4.8	5.0	4.5	6.6	4.2
Cost to income ratio	56.7	57.0	58.6	56.6	54.3	55.5
Preprovision operating income/average assets	0.9	0.8	0.8	0.9	1.0	0.9
Core earnings/average managed assets	0.4	0.6	0.4	0.5	0.6	0.6

N/A--Not applicable. RAC--Risk-adjusted capital.

Table 4

ING Groep N.V.--Risk-Adjusted Capital Framework Data

(Mil. €)	**Exposure***	**Basel III RWA**	**Average Basel III RW(%)**	**S&P Global Ratings RWA**	**Average S&P Global Ratings RW (%)**
Credit risk					
Government and central banks	194,544.8	2,637.0	1.4	4,388.5	2.3
Of which regional governments and local authorities	41.0	29.0	70.7	2.3	5.7
Institutions and CCPs	68,726.0	11,276.0	16.4	18,942.4	27.6
Corporate	474,042.0	133,447.0	28.2	284,803.4	60.1
Retail	368,050.2	71,523.0	19.4	121,961.9	33.1
Of which mortgage	314,067.2	44,422.0	14.1	83,804.0	26.7
Securitization§	13,728.0	2,341.0	17.1	3,608.6	26.3
Other assets†	9,133.0	870.0	9.5	12,003.2	131.4
Total credit risk	1,128,224.0	222,094.0	19.7	445,708.0	39.5
Credit valuation adjustment					
Total credit valuation adjustment	--	584.0	--	0.0	--

Table 4

ING Groep N.V.--Risk-Adjusted Capital Framework Data (cont.)

Market risk					
Equity in the banking book	1,023.3	2,745.0	268.2	7,743.8	756.7
Trading book market risk	--	9,035.0	--	16,195.8	--
Total market risk	--	11,780.0	--	23,939.6	--
Operational risk					
Total operational risk	--	35,550.0	--	36,851.9	--

	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings RWA	% of S&P Global Ratings RWA
Diversification adjustments					
RWA before diversification	--	313,250.0	--	506,499.4	100.0
Total diversification/ Concentration adjustments	--	--	--	(59,140.0)	(11.7)
RWA after diversification	--	313,250.0	--	447,359.4	88.3

	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings RAC ratio (%)
Capital ratio				
Capital ratio before adjustments	56,618.0	18.1	54,969.7	10.9
Capital ratio after adjustments‡	56,618.0	18.1	54,969.7	12.3

*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to tier 1 ratio are additional regulatory requirements (e.g. transitional floor or pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of Dec. 31, 2021, S&P Global Ratings.

Table 5

ING Groep N.V.--Risk Position

	--Year-ended Dec. 31--					
(%)	**30-June-2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Growth in customer loans	3.2	4.9	(2.1)	3.3	3.1	1.7
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N.A.	(11.7)	(11.7)	(11.7)	(12.6)	(13.0)
Total managed assets/adjusted common equity (x)	20.6	19.8	20.5	18.9	20.3	19.7
New loan loss provisions/average customer loans	0.4	0.1	0.4	0.2	0.1	0.1
Net charge-offs/average customer loans	N.M.	0.1	0.2	0.2	0.2	0.2
Gross nonperforming assets/customer loans + other real estate owned*	3.6	4.1	4.6	2.8	2.9	3.2
Loan loss reserves/gross nonperforming assets	25.1	20.4	20.9	27.1	26.1	24.6

RWA--Risk-weighted assets. N.A.--Not available. N.M.--Not material *Includes reported nonperforming and forborne loans.

Table 6

ING Groep N.V.--Funding And Liquidity

	--Year-ended Dec. 31--					
(%)	**30-June-2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Core deposits/funding base	66.2	72.1	72.9	72.2	70.1	72.7
Customer loans (net)/customer deposits	99.2	101.6	98.0	106.5	106.5	106.4
Long-term funding ratio	81.8	88.9	89.4	84.7	83.4	85.5

Table 6

ING Groep N.V.--Funding And Liquidity (cont.)						
	--Year-ended Dec. 31--					
(%)	**30-June-2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Stable funding ratio	116.9	117.0	122.4	107.2	106.8	106.6
Short-term wholesale funding/funding base	19.3	11.9	11.4	16.5	17.7	15.6
Regulatory net stable funding ratio	N/A	137.0	N/A	N/A	N/A	N/A
Broad liquid assets/short-term wholesale funding (x)	1.5	2.4	2.7	1.5	1.5	1.6
Broad liquid assets/total assets	26.9	25.4	27.6	22.3	23.2	21.6
Broad liquid assets/customer deposits	42.7	39.2	42.4	34.6	37.1	33.8
Net broad liquid assets/short-term customer deposits	13.5	22.9	27.0	11.9	11.9	12.6
Regulatory liquidity coverage ratio (LCR) (x)	136.0	139.0	N/A	N/A	N/A	N/A
Short-term wholesale funding/total wholesale funding	55.9	41.4	40.8	57.5	58.0	55.6
Narrow liquid assets/3-month wholesale funding (x)	2.2	2.7	3.0	4.1	3.2	3.3

N/A--Not applicable.

ING Groep N.V.--Rating Component Scores	
Issuer Credit Rating	**A+/Stable/A-1**
SACP	a
Anchor	bbb+
Economic risk	3
Industry risk	3
Business position	Strong
Capital and earnings	Strong
Risk position	Adequate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	+1
ALAC support	+1
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria - Financial Institutions - General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Rising Recession Risks Cloud Eurozone Banks' Earnings Prospects, Sept. 30, 2022
- Banking Industry Country Risk Assessment Update: September 2022, Sept. 28, 2022
- Credit Conditions Europe Q4 2022: Hunkering Down For Winter, Sept. 27, 2022
- European G-SIBs Monitor H1 2022: Rising Margins Offset Higher Inflation, Sept. 20, 2022
- Global Banking outlook – Midyear 2022, July 21, 2022
- European Housing Markets: Soft Landing Ahead, July 13, 2022
- Implications Of The ECB's Policy Normalization For Interest Rates, The Balance Sheet, And Yields, June 9, 2022
- Another Turn Around The Dancefloor As European Governments Eye New Bank Windfall Taxes, June 9, 2022
- State of the Netherlands, April 25, 2022
- Ratings On Eight Dutch Financial Institutions Affirmed Under Revised Criteria; Outlooks Stable, Feb. 1, 2022

Ratings Detail (As Of October 14, 2022)*	
ING Groep N.V.	
Issuer Credit Rating	A-/Stable/A-2
Junior Subordinated	BB
Junior Subordinated	BB+
Senior Unsecured	A-
Short-Term Debt	A-2
Subordinated	BBB
Issuer Credit Ratings History	
24-Jun-2021	A-/Stable/A-2
23-Apr-2020	A-/Negative/A-2
08-Jun-2015	A-/Stable/A-2
Sovereign Rating	
Netherlands	AAA/Stable/A-1+
Related Entities	
ING Bank (Australia) Ltd.	
Issuer Credit Rating	A/Stable/A-1

Ratings Detail (As Of October 14, 2022)*(cont.)	
ING Bank N.V.	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Certificate Of Deposit	
Local Currency	A-1
Commercial Paper	
Local Currency	A-1
Senior Secured	AAA/Stable
Senior Unsecured	A+
Short-Term Debt	A-1
Subordinated	BBB
Subordinated	BBB+
ING Bank N.V. (Dublin Branch)	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
ING Bank N.V. (Sydney Branch)	
Senior Unsecured	A+
ING Financial Markets LLC	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	A+/--/A-1

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.