S&P Global
Ratings

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ING Groep N.V. (Holding Company)

ING Bank N.V. (Lead Bank)

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ING Groep N.V. (Holding Company)

ING Bank N.V. (Lead Bank)

SACP	a
Anchor	bbb+	
Business Position	Strong	+1
Capital and Earnings	Strong	+1
Risk Position	Adequate	0
Funding	Average	0
Liquidity	Adequate	

\+

Support	+1
ALAC Support	+1
GRE Support	0
Group Support	0
Sovereign Support	0

\+

Additional Factors	0

Issuer Credit Rating
A+/Stable/A-1

Bank Holding Company Rating
A-/Stable/A-2

Major Rating Factors

Strengths:	Weaknesses:
• A strong competitive position in core markets, with good brand name recognition and supportive geographic diversity. • Focused digital strategy and a clear financial roadmap. • Sound earnings generation and strong capitalization.	• Reliance on wholesale funding for the Dutch operations. • Pressure on interest margins from a low interest rate environment, similar to peers'. • Continuing adaptation to regulatory pressure.

Outlook

The stable outlook on the core operating entities forming the Netherlands-based ING banking group (ING, the bank) reflects S&P Global Ratings' view that ING's financial profile will continue to strengthen steadily, benefiting from a resilient economic environment in Europe, and the continuation of the bank's medium-term strategy. Given the bank's publicly stated financial roadmap, we believe the strategy will support internal capital generation and the maintenance of strong capital adequacy. As a result, we expect our projected risk-adjusted capital (RAC) ratio before diversification, measured at the level of ING Groep, the nonoperating holding company (NOHC), will remain sustainably above 10.25% over the next 18 to 24 months. The outlook also reflects our view that ING's risk appetite, particularly for credit growth outside of low-risk core markets, will remain contained, and growth initiatives will remain limited to known areas and territories. Finally, we expect ING will continue to build its material buffer of bail-inable debt, mainly through the issuance of senior unsecured debt by its NOHC.

Downside scenario

We could lower our ratings if ING's capital does not maintain a strong position. This could occur if ING's projected RAC ratio fell to below 10% due to riskier assets developing more rapidly than we currently expect. This could be driven by, for example, faster expansion into emerging markets or material acquisitions. We could also lower the ratings if the issuance of instruments eligible as additional loss-absorbing capacity (ALAC) fell short of our expectations because of tighter capital and funding policies.

Upside scenario

We see limited upside for our ratings in the next two years. We could raise our ratings on group entities if economic conditions in several countries where ING operates were to improve substantially or, in addition to a strengthened capital position and sound growth management, if ING was to display a superior credit loss experience compared with peers given the nature of its business mix.

Rationale

Our ratings reflect ING's strong franchise, namely in the Netherlands, Germany, and Belgium, and the good diversification of its revenues by product and geography. ING's capital position has improved in recent years and we factor this continued strengthening in our ratings. We believe that our RAC ratio will stand at 10.25%-10.75% by 2018 as a result of resilient revenues, some additional efficiency gains, although compensated by investment in digitalization, and sound internal capital generation. We also consider ING's loan book as diversified by sector and geography, demonstrating a solid track record in retail and corporate lending. ING displays a funding profile in line with domestic peers', but with a smaller reliance on wholesale sources to fund its customer loan book. It also displays an adequate liquidity, underpinned by its large deposit base and sound liquidity buffer.

ING ranks among the 30 global systemically important banks identified by the Financial Stability Board. It has an established strategy to build total loss-absorbing capacity (TLAC) and minimum requirements for own funds and eligible liabilities (MREL) buffers, mainly by recycling debt formerly issued by ING Bank, the main operating bank, with debt issued by ING Groep, its NOHC. We expect that this strategy will continue in 2018 and 2019, and have therefore included a notch of uplift in our rating to reflect the ongoing buildup of ALAC.

Other peers in Europe with a similar issuer credit rating include Rabobank in the Netherlands, DNB in Norway, SEB in

Sweden, and UBS Group in Switzerland. Other relevant rated peers are large French banks like Credit Agricole or Société Générale, KBC in Belgium, Lloyds Banking Group in the United Kingdom, ABN AMRO in the Netherlands, and Danske Bank in Demark.

Anchor: 'bbb+' for a Netherlands-based bank, with a geographic mix of operations in low risk countries

The starting point for our ratings on ING and its affiliates is the 'bbb+' anchor, which is based on the weighted-average economic risk score for the countries in which ING operates, combined with our industry risk assessment for the Dutch market. We use the following rounded geographic distribution of ING's private-sector customer lending at year-end 2017:

- The Netherlands 35%.
- Belgium and Germany, 30% combined.
- Other Europe, including Central and Eastern Europe, 20%.
- Asia-Pacific, in particular Australia, 10%.
- Americas 5%.

ING displays a more geographically diverse loan book than its domestic peers. It also intends to continue to rebalance the geographic breakdown of its loan book, aiming for a lower percentage of Dutch exposure. Consequently, if we were to revise our economic risk score for Dutch banking activities, we believe that it would not trigger a change of ING's anchor.

We view the Dutch economy as wealthy, diversified, open, and competitive. Following average real GDP growth of 2.6% in 2016-2017, we believe that the Netherlands' real GDP will post 1.9% growth in 2018 before falling to 1.8% in 2019. Strong domestic demand continues to propel the Dutch economy, which outperforms most of its eurozone peers. We note the strong recovery in the Dutch residential property market. Residential house prices have been rising since mid-2013, following a 20% drop. However, for the moment, price movements remain uneven throughout the country, and the recovery in the commercial real estate segment is lagging behind that of the residential property market, although it is improving overall. Continued efforts to address the elevated gross household debt and sound underwriting standards in the strongly performing economy will be key for any potential revision of our economic risk score.

In our view, the Dutch banking system is concentrated. The competitive environment remains fairly stable, except in the mortgage lending segment. We consider the prospective profitability of domestic banking activities as adequate. Some large banks received state aid after the financial crisis and have completed large restructurings. Cost-optimization programs continue amid persistently low interest rates. The cost of risk has improved, mitigating asset repricing and investment charges. The system's relatively large reliance on wholesale funding is partly attributable to households' propensity to save via life insurance and pension products, rather than bank deposits. Dutch banks benefit from the depth of the domestic capital market and the Dutch authorities' good track-record in providing liquidity support.

Table 1

ING Key Figures

Table 1

ING Key Figures (cont.)

(Mil. €)					
	--Year-ended Dec. 31--				
	2017	2016	2015	2014	2013
Adjusted assets	844747	843597	840202	991201	950232
Customer loans (gross)	579003	568791	542697	521688	511620
Adjusted common equity	46110	41182	39085	45766	43149
Operating revenues	17705	17519	16680	15463	15292
Noninterest expenses	9830	10614	9326	8946	8669.3
Core earnings	5023	4418	4382	2940	3407

Business position: A pan-European bank with a cost efficient digital banking model

We view as positive ING's focused medium-term strategy as a leading pan-European universal bank, with good brand name recognition, supportive product and geographic diversity, and established and expanding digital capabilities under a cost-efficient model.

The good recurrence of ING revenues stem from the dominance of interest and commission income, largely from the retail banking franchise. ING's focus is on expanding its base of 37 million individual customers, with a specific emphasis on increasing the number of primary relationships to about 14 million by 2020 from about 11 million currently. ING has been an innovative and early adopter of digital banking capabilities. It displays a highly efficient digital banking model in developed retail markets, which represents a key part of the bank's strategy. This is especially clear for retail deposit collection and, increasingly, assets. Maintaining the first-mover competitive advantage is a challenge. The two main axes of the strategy revolve around converging banking platforms, especially between the Netherlands and Belgium (the "Orange Bridge" initiative), and a distribution strategy centered around an omnichannel approach focusing on mobile banking.

We believe that management has proven execution capabilities and, after years of restructuring, risk appetite remains prudent. Starting as a large global bancassurance group a decade ago, in the aftermath of the financial crisis, ING divested all of its insurance and investment businesses and exited its ING Direct operations in the U.S., Canada, and the U.K. There is now a clear delineation of territories where ING intends to expand its presence, from core historical markets in the Benelux region (Belgium, the Netherlands and Luxembourg) where it enjoys a leading position, to those in which it operates more as a challenger, mainly in neighboring European countries or selected emerging markets with growth potential (table 2). ING is also present in more than 40 countries through its wholesale banking international network, supporting corporations that do business globally. ING is a leading global player in structured finance. Transaction services and financial market activities contribute to the diversification of wholesale banking revenues. Apart from acquisitions in the financial technology sector, we cannot rule out external growth in the banking business, but only in selected and known regions.

Table 2

ING's Strategic Geographic Focus

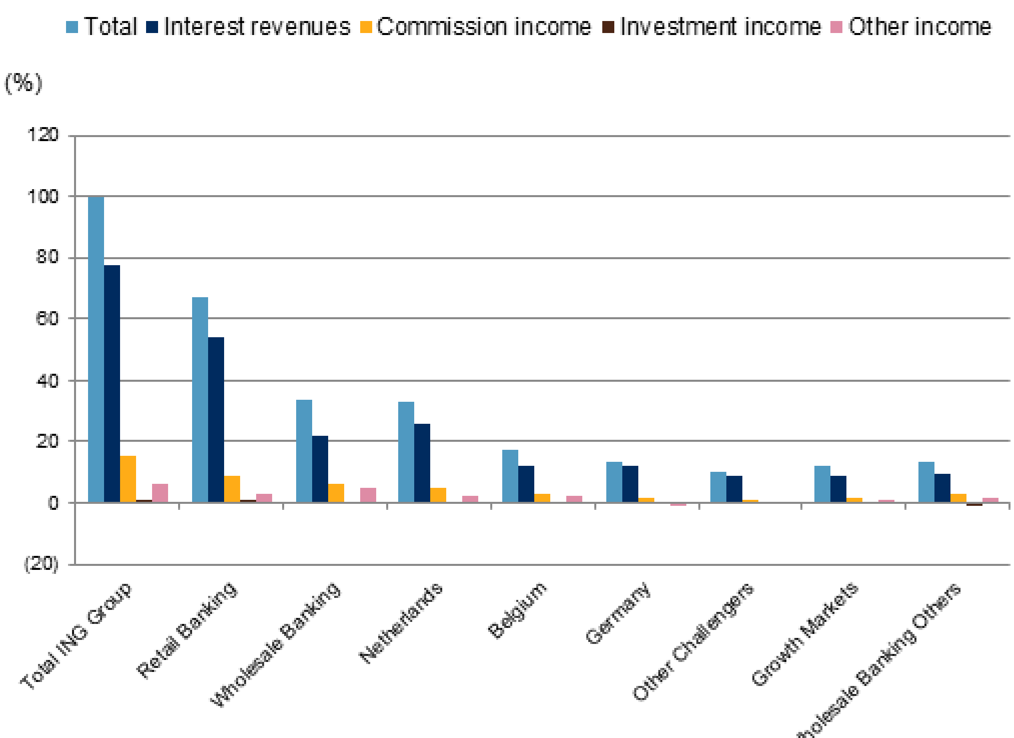
Market leaders:	Netherlands, Belgium, and Luxembourg. All three are low-risk markets with high household wealth. ING is the largest Netherlands-based banking group, and the second largest by domestic assets. It is one of the top two lenders to Dutch large corporates and the third-largest bank in Belgium.

Table 2

ING's Strategic Geographic Focus (cont.)	
Challengers:	Germany, Austria, Czech Republic, Spain, Italy, France and Australia. ING Bank, through its ING-DiBa direct banking franchise, has grown to become one of the largest retail banks in Germany.
Growth markets:	Poland, Turkey, Romania, complemented by stakes in banks mainly in Thailand and China. These higher-risk markets still form a low proportion of the group's exposure, but this is rising modestly.

Chart 1

ING's Contribution To 2017 Revenues By Products, Segments, And Geography



We also note ING's objective to expand net interest income in the current low interest rate environment by targeting higher lending growth outside of the Benelux region, which is, in our view, generally safer compared with other target countries. ING also intends to expand more rapidly in more higher-margin lending than typical domestic mortgage lending, targeting small and midsize enterprises, consumers, and corporate clients. We expect the bank will maintain conservative underwriting standards while expanding into these areas.

ING's rated peers include Rabobank, which has a strong foothold in the Netherlands, ABN AMRO, which has a strong international energy, commodities and transportation business, large Belgian, U.K., and French banks, such as Société Générale Crédit Agricole, Lloyds Banking Group, and KBC, combining a solid retail franchise and other commission generating business such as asset management or insurance activities.

Table 3

ING Business Position

(%)	--Year-ended Dec. 31--				
	2017	**2016**	**2015**	**2014**	**2013**
Total revenues from business line (mil. €)	17,705	17,982	16,845	15,658	16,099
Commercial banking/total revenues from business line	33.01	31.51	31.61	28.08	31.95
Retail banking/total revenues from business line	66.99	65.57	66.65	69.61	63.12
Return on equity	9.79	9.53	8.09	2.58	N/A

N/A--Not applicable.

Capital and earnings: Supportive internal capital generation is part of the bank's financial roadmap

We view ING's improved capital position as a rating strength. We expect that it will continue to improve because additional capital is needed to adapt to the forthcoming Basel reform of capital adequacy calculation (see "The Basel Capital Compromise For Banks: Less Impact Than Meets The Eye," published Dec. 8, 2017, on RatingsDirect). ING estimates that the expected negative impact of this reform would represent about 2% of its common equity tier 1 (CET 1) capital ratio by 2027, everything else being equal. We note management's clear statement that they will maintain the relatively conservative group risk appetite and strong capital position, and we anticipate that this stance will continue.

ING Groep's fully loaded CET 1 ratio stood at 14.7% at year-end 2017. Under the 2017 Supervisory Review and Evaluation Process (SREP), ING Groep is due to comply with a CET 1 ratio of 10.4% by 2018 and 11.8% by year-end 2019. ING assumes no change to pillar 2 requirements, while the Dutch systemic risk buffer continues to be phased-in annually by an increments of 0.75%, to 3%, and that the capital conservation buffer will stand at 2.5% by end 2019. The maximum distributable amount (MDA) restriction level was set at a CET1 ratio of 10.4% for 2018, increasing to 11.8% by 2019. As of Dec. 31, 2017, the buffer to the 2017 MDA restriction level was €13 billion, or 4.3% of the bank's regulatory risk-weighted assets (RWA).

We forecast a RAC ratio of about 10.5% at year-end 2018. The difference between our RAC ratio and the regulatory Tier 1 ratio mostly results from the higher-risk weights we apply to retail and corporate credit exposures. We estimate that the RAC ratio for ING Groep stood at 10.6% at year-end 2016 under our updated 2017 RAC framework methodology.

We now calculate our RAC ratio at the ING Groep level, in line with ING's public regulatory disclosure, whereby ING Groep is the lead regulated entity. ING Groep is also the designated single point of entry under ING's preferred resolution strategy. Hybrid capital instruments are now all issued from the NOHC. We also note that the two perimeters, ING Bank and ING Groep, have converged following the completion of the restructuring process. The main difference lies in an additional cash buffer managed at the holding level.

We base our forecast RAC ratio on the following for 2018:

- Annual increased lending of 5%, in line with the growth figure observed in 2017, with more active credit growth in noncore markets that display higher economic growth potential;
- A resilient net interest margin over time, resulting from higher-margin lending;
- A low loan impairment charge in 2018, similar to that in 2017, of below 20 basis points (bps) of total customer loans;
- Internal capital generation of €2.0 billion-€2.5 billion per year, assuming increasing earnings and a moderately

increasing payout ratio; and

- A maintained buffer of about €6 billion of additional tier-1 (AT1) instruments.

We understand that maintaining a large cash buffer at the NOHC will depend on regulatory requirements, ING's appetite for growth, and the desire to return excess capital to shareholders. Our base-case scenario does not factor in a large acquisition or material litigation costs. We believe that with a dividend payout of 55%-60%, ING has enough financial flexibility to adjust its capital position if necessary.

ING Groep calculated its leverage ratio at 4.7% as of Dec. 31, 2017, meeting its internal target of above 4%.

We view ING's profitability as adequate compared with peers', with core earnings to adjusted assets at 0.6% at year-end 2017. The bank displays a superior cost-efficiency ratio (56% at year-end 2017 by our measure) compared with peers', which low-cost digital retail distribution channels largely explain. The bank's ambition to further diversify its lending portfolio and reduce the proportion of mortgage loans should support the net interest margin. So far, ING has been able to lower client saving rates in many countries. We believe that the repricing of retail deposits will be limited, due to some local constraints, like a floor of 11 bps in Belgium.

We regard the quality of capital as satisfactory because it largely consists of core equity. The amount of hybrid capital instruments included in our total-adjusted-capital metric and the numerator of the RAC ratio amounted to less than 15% at year-end 2016 and 2017.

Table 4

ING Capital And Earnings

(%)

	--Year-ended Dec. 31--				
	2017	**2016**	**2015**	**2014**	**2013**
Tier 1 capital ratio	16.4	16.63	14.75	12.38	N/A
S&P Global Ratings' RAC ratio before diversification*	N/A	10.6	9.1	8.9	8.7
S&P RAC ratio after diversification*	N/A	12.4	11.6	11.3	10.8
Adjusted common equity/total adjusted capital	89.85	84.24	85.13	89.06	84.59
Double leverage	86.72	87.79	90.25	100.76	111.04
Net interest income/operating revenues	77.46	75.58	75.31	79.57	76.52
Fee income/operating revenues	15.33	13.89	13.90	14.83	14.41
Market-sensitive income/operating revenues	1.1	8.66	7.07	3.85	7.02
Noninterest expenses/operating revenues	55.52	60.59	55.91	57.85	56.69
Preprovision operating income/average assets	0.93	0.82	0.80	0.63	N/A
Core earnings/average managed assets	0.59	0.52	0.48	0.28	N/A

N/A--Not applicable. RAC ratio for year-end 2016 reflects updated criteria, published in 2017. *S&P Global Ratings' RAC ratio for ING Bank until 2015, ING Group thereafter.

Table 5

ING Risk-Adjusted Capital Framework (RACF) Data

Table 5

ING Risk-Adjusted Capital Framework (RACF) Data (cont.)

(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	120,774	7,879	7	5,456	5
Institutions and CCPs	106,243	13,770	13	25,588	24
Corporate	308,068	145,581	47	239,757	78
Retail	316,841	68,964	22	111,020	35
Of which mortgage	270,795	44,903	17	78,483	29
Securitization§	6,924	838	12	1,791	26
Other assets†	16,443	0	0	18,750	114
Total credit risk	875,293	237,032	27	402,363	46
Credit valuation adjustment					
Total credit valuation adjustment	--	3,581	--	12,507	--
Market risk					
Equity in the banking book	4,546	3,613	79	6,236	137
Trading book market risk	--	6,663	--	9,409	--
Total market risk	--	10,275	--	15,645	--
Operational risk					
Total operational risk	--	40,525	--	31,510	--
		Basel III RWA		**S&P Global Ratings' RWA**	**% of S&P Global Ratings' RWA**
Diversification adjustments					
RWA before diversification		314,322		462,025	100
Total Diversification/Concentration Adjustments		--		(66,878)	(14)
RWA after diversification		314,322		395,147	86
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings' RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		52,274	16.6	48,888	10.6
Capital ratio after adjustments‡		52,274	16.6	48,888	12.4

*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Other assets includes Deferred Tax Assets (DTAs) not deducted from ACE. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. CCP--Central Counerparties.RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of Dec. 31, 2016, S&P Global Ratings.

Risk position: a diversified loan portfolio and a contained risk appetite

In our view, ING's risk profile benefits from good diversification of exposures, mostly in relatively low risk countries--with a risk appetite that we consider to be broadly comparable across markets--and the generally sound asset quality of its retail and corporate portfolios. However, there are some pockets of risk, inherent to a universal banking model and wide geographic reach.

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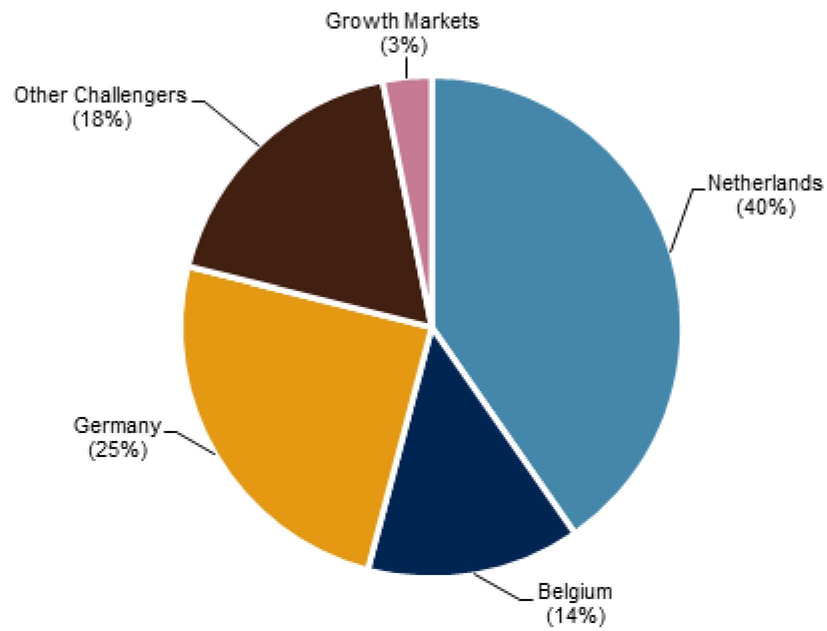
Among Dutch banks, ING is the only institution for which the Dutch market does not account for the majority of lending exposure. Despite its large exposure to residential mortgage loans (just below 50% of end-December 2017 gross customer lending), we consider the bank's risk exposures well diversified by sector. In addition, ING's residential mortgage portfolio is well diversified by geography (see chart 2). The average loan to value on residential mortgages is decreasing. It stood at 71% at year-end 2016, compared with 83% at year-end 2013.

Chart 2

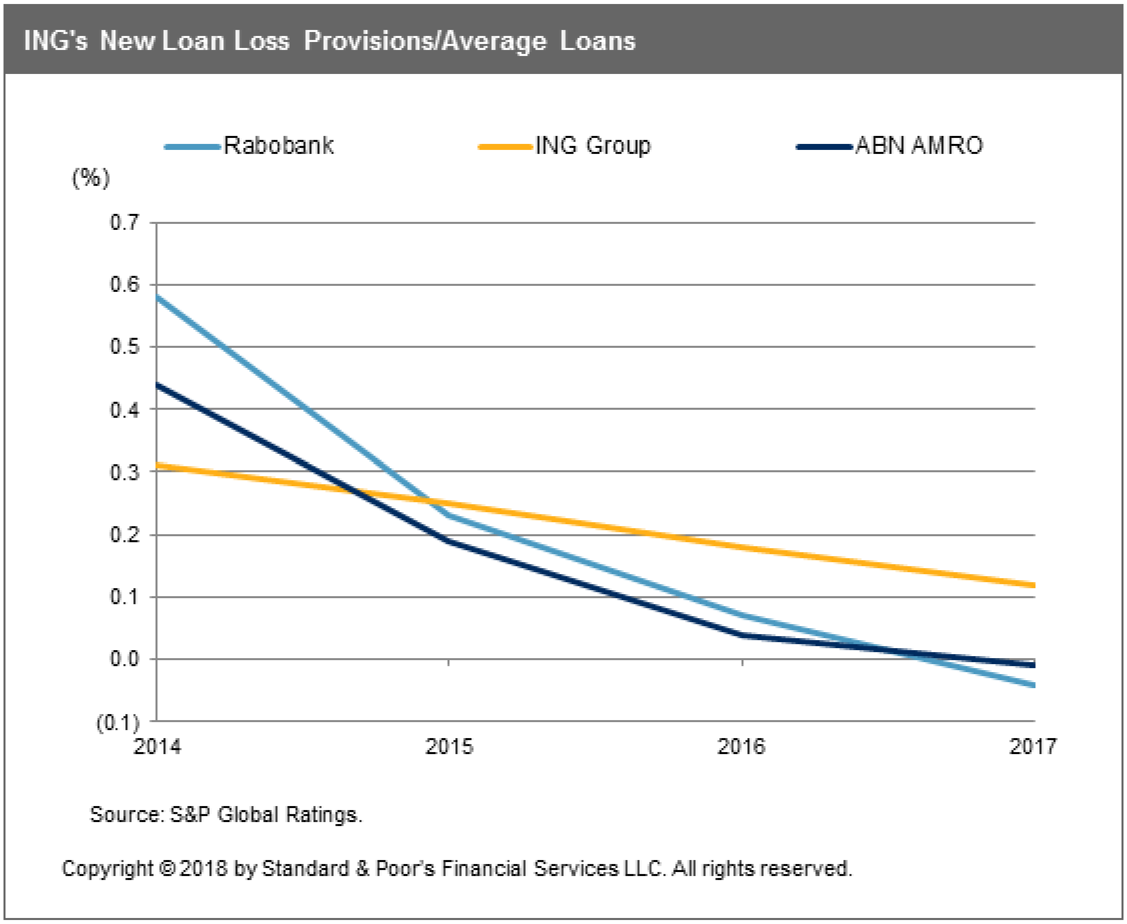
Geographic Breakdown of ING's Residential Mortgages Portfolio



Source: ING Group, S&P Global Ratings

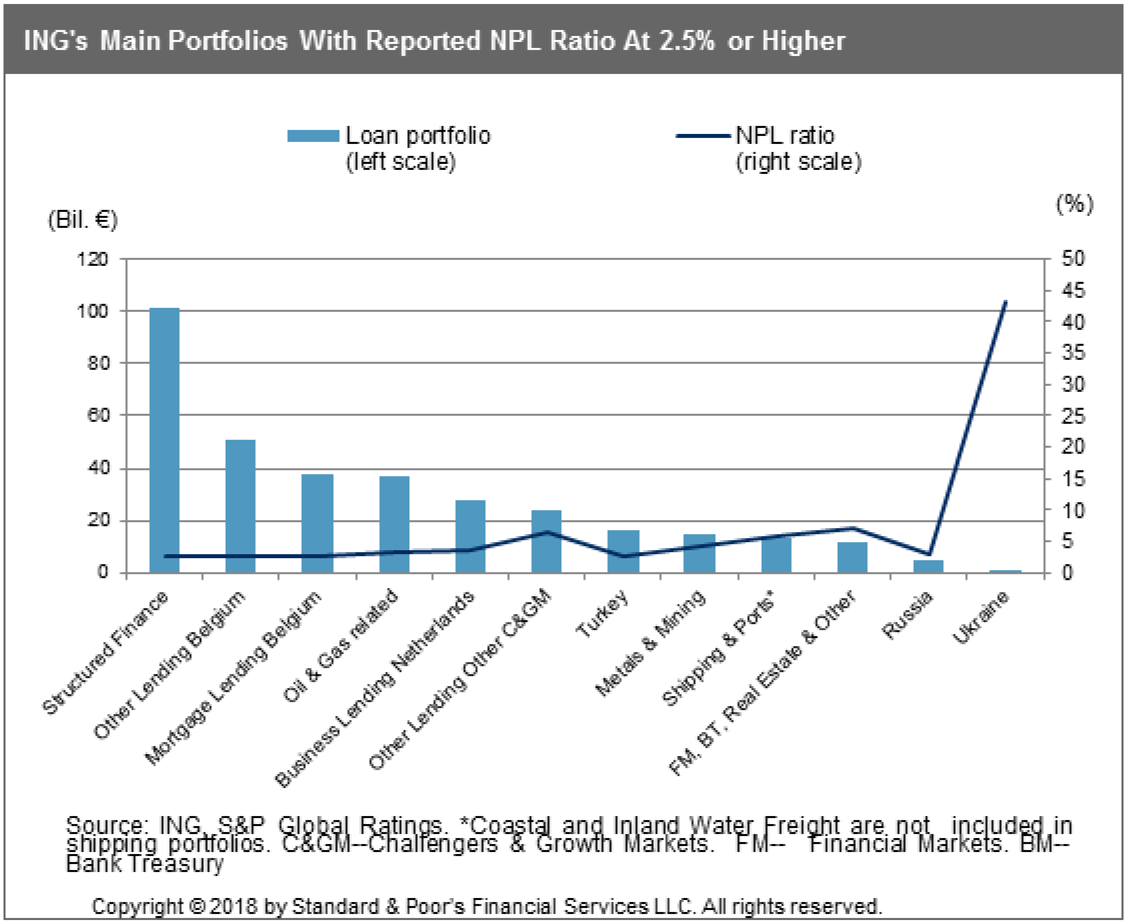
ING has a sound track record in terms of cost of risk in its core retail and corporate banking portfolios. The cost of risk peaked in 2013 at 43 bps of customer loans because of the weaker environment, then gradually reduced to pre-crisis levels to 12 bps in 2017. Compared with its domestic peers, ING 's loss experience has been, on average, less volatile, due to its more diversified portfolio. More recently, the Netherlands' economic recovery has been slightly less beneficial for ING than for other more concentrated domestic peers. We expect a broadly comparable level of impairment charges in 2018. We note that the bank's loan losses remained below our estimate of normalized credit losses for the same portfolio under our RAC framework.

Chart 3



ING's nonperforming loans (NPLs) reduced to 1.9% of total loans at year-end 2017. Coverage of NPLs by loan impairment allowances was about 24% by our measure. The distribution of nonperforming exposures broadly follows that of the loan book. ING regularly communicates on parts of its loan book that have less favourable risk metrics than the remaining of the book as part of its quarterly reports (see chart 4).

Chart 4



ING maintains a high-quality debt security investment portfolio, which amounted to €81 billion as of year-end 2017. This portfolio predominantly comprises government bonds (54%), sub-sovereign supranationals and agencies (23%), and covered bonds (12%). Exposure to speculative-grade (rated 'BB+' or lower) counterparties is marginal. Asset-backed securities stood at €4 billion at the same date. In our view, other market risks are relatively modest, reflecting the moderate scale of ING's financial market activities. The overnight value at risk for the trading portfolio is low, averaging about €6 million during the year.

Like its peers, ING is exposed to litigation risks. In March 2017, Dutch prosecutors indicated that they were examining ING Bank "regarding various requirements related to on-boarding of clients, money laundering and corrupt practices." We note that ING itself is not accused of bribery or money laundering.

Table 6

ING Risk Position					
(%)	--Year-ended Dec. 31--				
	2017	**2016**	**2015**	**2014**	**2013**
Growth in customer loans	1.80	4.81	4.03	1.97	N.A.
Total diversification adjustment / S&P Global Ratings' RWA before diversification*	N.A.	(14.47)	(21.3)	(21.5)	(21.6)
New loan loss provisions/average customer loans	0.12	0.18	0.25	0.31	N.A

Table 6

ING Risk Position (cont.)					
(%)	--Year-ended Dec. 31--				
	2017	2016	2015	2014	2013
Net charge-offs/average customer loans	0.12	0.25	0.31	0.32	N.A
Gross nonperforming assets/customer loans + other real estate owned	3.28	3.78	3.58	4.00	3.45
Loan loss reserves/gross nonperforming assets	23.77	24.06	29.68	28.69	34.74

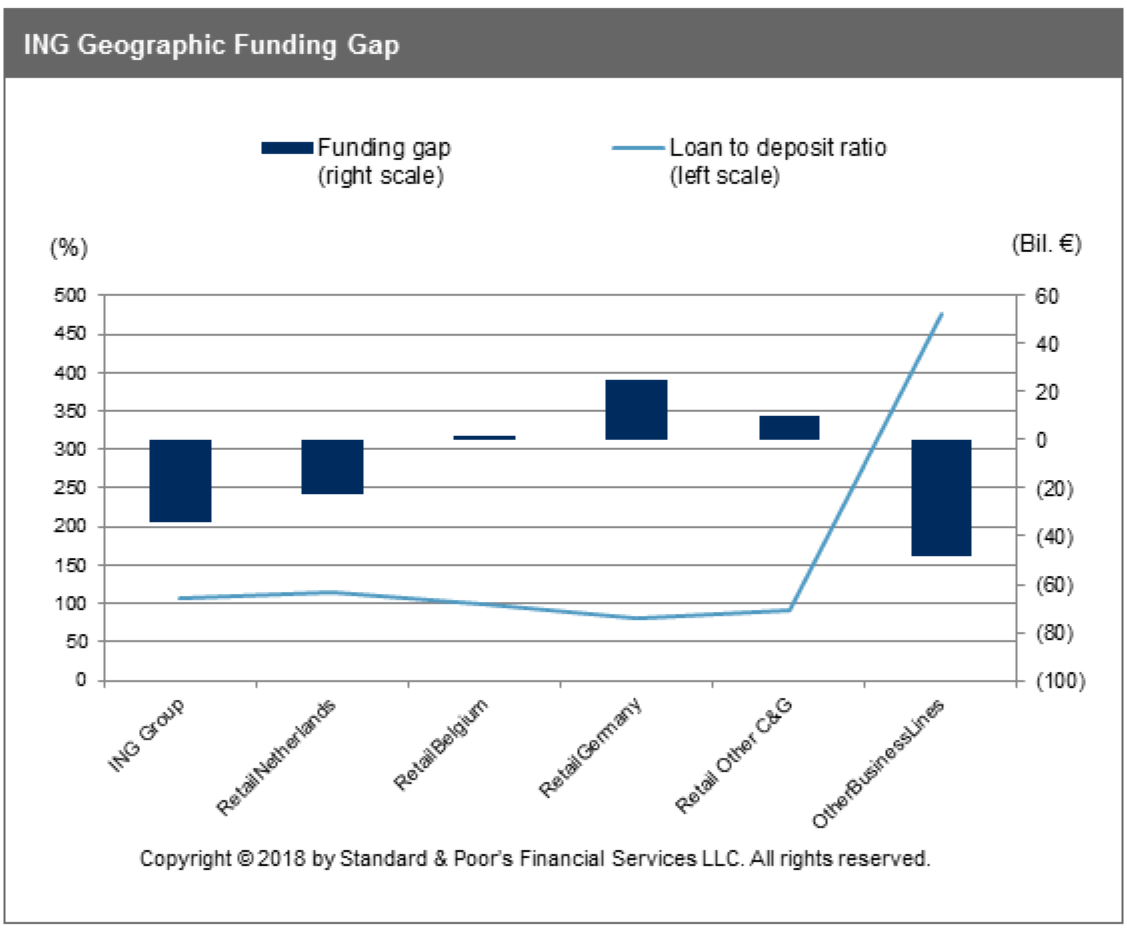
N.A.--Not available. *RAC ratio for ING Bank until 2015, ING Groep thereafter.

Funding and liquidity: Funding supported by large retail deposit base despite some wholesale funding reliance by domestic operations

We regard ING's funding as average compared with Dutch peers', and its liquidity position as adequate. Funding is supported by a large and granular retail deposit base, despite some wholesale funding reliance for domestic operations.

The bank benefits from less reliance on wholesale funding compared with several peers, in particular in France and Scandinavia. It reported a consolidated loan-to-deposit ratio of 105% at year-end 2017, which compares favorably with the Dutch banking system average and ratios of large domestic peers. This is partly attributable to its deposit-rich digital banking franchise, which makes it challenging to find a good match of acceptable lending opportunities in each jurisdiction (see chart 5).

Chart 5



In line with its Dutch peers, INGs domestic operations rely on wholesale funding. We consider the bank's wholesale funding base to be relatively diverse, and observe that the maturity profile has lengthened. ING Bank has a €30 billion external covered bond program, with €22.7 billion of bonds outstanding as of Dec. 31, 2017, about one-third of its long-term debt. The cover pool comprises prime residential mortgage loans.

We believe that ING has a sound liquidity buffer, supported by a large share of government bonds and substantial deposits placed with central banks. This improved buffer, and the reduced reliance on short-term wholesale funding, supported the improvement in our broad liquid assets to short-term wholesale funding ratio to 1.3x at year-end 2017 from 0.8x year-end 2010. Structural liquidity has also been enhanced through internal securitizations, the majority of which are eligible for repurchase agreements with the European Central Bank in a liquidity stress scenario. The bank estimates its liquidity coverage ratio at well above 100% at year-end 2017.

Table 7

ING Funding And Liquidity

	--Year-ended Dec. 31--				
(%)	**2017***	**2016**	**2015**	**2014**	**2013**
Core deposits/funding base	74.03	69.61	69.7	69	68.6
Customer loans (net)/customer deposits	106.43	107.78	105.4	105.6	107
Long term funding ratio	86.95	82.65	83.4	82.9	82.4
Stable funding ratio	99.72	106.19	106.9	105.5	102.9
Short-term wholesale funding/funding base	14.02	18.66	17.6	18.1	18.5
Broad liquid assets/short-term wholesale funding (x)	1.25	1.29	1.5	1.5	1.3
Net broad liquid assets/short-term customer deposits	4.79	7.97	13.4	13.2	9.2
Short-term wholesale funding/total wholesale funding	52.56	59.40	56.4	56.9	57.6

*Data relating to ING Bank until 2015, ING Group thereafter

External support: Government, ALAC, and group support

In our view, ING has high systemic importance in the Netherlands due to its leading retail and wholesale banking franchise.

Since December 2015, we have regarded the prospect of extraordinary government support for Dutch banks as uncertain, in view of the country's well-advanced and effective resolution regime. As a result, systemic banks are not eligible for a rating uplift for possible future Dutch government support. However, we view the Dutch resolution regime as effective under our ALAC criteria because, among other factors, 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.

ING currently assumes that its TLAC requirement will stand at 23.5% of RWA at Jan. 1, 2022 at the NOHC level, which includes the requirement to comply with the Dutch regulator's phased-in systemic risk buffer of 3%. Given ING Groep's current total capital adequacy ratio (19.1% as of Dec. 31, 2017) and the amount of long-term senior debt maturing over until 2022, which will be replaced with TLAC-eligible instruments, ING believes it has ample flexibility to comply with the expected requirements. There is also a common expectation that the MREL requirement will stand higher than TLAC. Since early 2017, ING has clarified the use of the NOHC's as the issuing entity for regulatory purposes. ING Groep has started to issue senior debt, which ranks junior to senior debt issued by ING Bank. Based on this recycling strategy, ING considers achieving its TLAC requirements manageable. ING Groep issued €6.2 billion in 2017 and about €9 billion of ING Bank's senior debt is due to mature in 2018.

Given these regulatory requirements, we include a notch of uplift in the long-term rating on ING Bank because we believe ING Bank's ALAC ratio will exceed 5% of RWA figure over the next two years. The issuance of Tier 2 instruments out of ING Groep to replace ING Bank's maturing issues also complements the buffer. Additionally, we include the percentage of RAC ratio that exceeds 10%. We estimate the ALAC buffer at 2.65% of RWA at year-end 2016, and expect it will slightly exceed 5% by year-end 2018.

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

We rate ING Groep one notch lower than ING Bank as a result of its status as a NOHC.

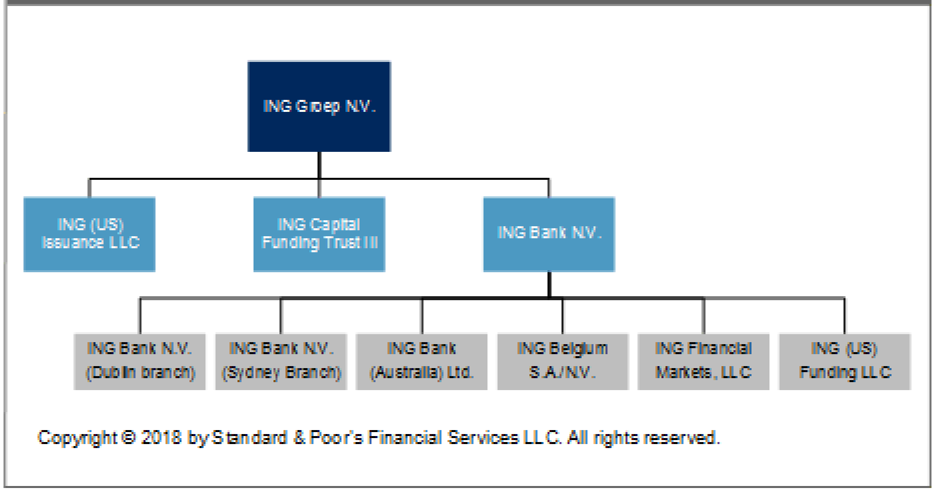
We rate ING Bank's branches in Dublin and Australia in line with our ratings on ING Bank because we consider their creditworthiness as equal to that of the parent bank.

We consider that ING Belgium S.A./N.V. comfortably meets our criteria to be classified as a core subsidiary of ING Bank. It represents a material portion of the ING's total assets, in a strategic neighboring country with a highly integrated business model. We rate ING Belgium in line with the supported group credit profile (GCP) because, given its size and location in the eurozone, we consider that it would be part of a group resolution scenario.

The ratings on U.S. broker dealer ING Financial Markets (FM) also 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. This reflects, among other factors, 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, with assets totaling €36 billion and about 5% of ING's total capital. We notch ING Bank Australia from the supported GCP, given its interconnectedness with the rest of the group, despite the absence of a resolution regime in Australia.

Chart 6
Simplified Overview of ING Group Structure
(Issuing Entities And Rated Operating Banks)



How we rate the 2015 $2.25 billion AT1 instrument issued by ING Groep

We derive our 'BB' rating on ING Groep's $2.25 billion AT1 instrument issued in 2015 and 2016 by deducting notches from the 'a' unsupported GCP as follows:

- One notch for contractual subordination;
- Two notches because of the notes' Tier 1 regulatory capital status;
- One notch because the notes' documentation contains a contractual conversion clause;
- One notch related to a going-concern conversion trigger (when the CET1 ratio falls below 7%). We expect the distance to the trigger will remain within 301 bps-700 bps; and
- One notch because the notes are issued by a NOHC.

We note that ING Groep's CET1 ratio stood at 14.7% at year-end 2017.Currently we consider it impossible to firmly establish that the distance to the 7% threshold will be maintained at above 7%. We note that foreign currency effects (weakening of the U.S. dollar against the euro) partly neutralized total regulatory RWA growth reported at year-end 2017. Furthermore, in terms of capital target, for the moment, ING has only indicated that it intends to maintain a comfortable management buffer above the 11.8% SREP requirement for 2019. We note that the implementation of IFRS9 will likely impact its CET1 ratio by about 20 bps, and that the impact of Basel reforms would represent about 2% of its CET1 ratio pro forma. Finally, we do not exclude acquisitions or litigation costs.

Additional rating factors:None

There are no additional rating factors.

Related Criteria

- 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

- Criteria - Financial Institutions - Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Criteria - Financial Institutions - Banks: Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Financial Institutions - Banks: Assessing Bank Branch Creditworthiness, Oct. 14, 2013
- Criteria - Financial Institutions - Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Financial Institutions - Banks: Commercial Paper I: Banks, March 23, 2004

Anchor Matrix

Industry Risk	Economic Risk									
	1	**2**	3	4	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	bbb+	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	**bbb+**	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of March 2, 2018)

ING Groep N.V.	
Counterparty Credit Rating	A-/Stable/A-2
Junior Subordinated	BB
Junior Subordinated	BB+
Senior Unsecured	A-
Short-Term Debt	A-1
Short-Term Debt	A-2
Subordinated	BBB
Counterparty Credit Ratings History	
08-Jun-2015	A-/Stable/A-2
29-Apr-2014	A-/Negative/A-2
02-Dec-2013	A-/Stable/A-2

Ratings Detail (As Of March 2, 2018) (cont.)	
Sovereign Rating	
Netherlands	AAA/Stable/A-1+
Related Entities	
ING Bank (Australia) Ltd.	
Issuer Credit Rating	A/Stable/A-1
ING Bank N.V.	
Issuer Credit Rating	A+/Stable/A-1
Certificate Of Deposit	
Local Currency	A-1
Commercial Paper	
Local Currency	A-1
Senior Secured	AAA/Stable
Senior Unsecured	A+
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
ING Belgium S.A./N.V.	
Issuer Credit Rating	A+/Stable/A-1
ING Financial Markets, LLC	
Issuer Credit Rating	A+/Stable/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.

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