MOODY'S INVESTORS SERVICE

Credit Opinion: ING Groep N.V.

Global Credit Research - 17 Feb 2012

Amsterdam, Netherlands

Ratings

Category	Moody's Rating
Outlook	Rating(s) Under Review
Senior Unsecured -Dom Curr	*A1
Subordinate MTN -Dom Curr	**(P)A2
Jr Subordinate -Fgn Curr	**Ba1 (hyb)
Jr Subordinate -Dom Curr	Ba1 (hyb)
Pref. Stock	Ba1 (hyb)
ING (Mexico), S.A. C.V. Casa de Bolsa	
Outlook	Stable
Issuer Rating -Dom Curr	A3
NSR Issuer Rating -Dom Curr	Aaa.mx
ST Issuer Rating -Dom Curr	P-2
NSR ST Issuer Rating -Dom Curr	MX-1
ING Bank N.V., Tokyo Branch	
Outlook	Rating(s) Under Review
Bank Deposits	*Aa3/P-1
Commercial Paper -Dom Curr	P-1

* Placed under review for possible downgrade on February 15, 2012
** Placed under review for possible downgrade on November 29, 2011

Contacts

Analyst	Phone
Yasuko Nakamura/Paris	33.1.53.30.10.20
Benjamin Serra/Paris	
Carola Schuler/Frankfurt am Main	49.69.707.30.700
Guillaume Lucien-Baugas/Paris	

Key Indicators

ING Groep N.V.[1]

	2010	2009	2008	2007	2006
Total Assets (EUR Mil.)	1,247,110	1,163,643	1,331,663	1,312,510	1,226,307
Shareholders' Equity (EUR Mil.)	47,284	39,778	28,928	39,531	41,215
Net Result Before Minority Interests (EUR Mil.)	3,325	(1,053)	(766)	9,508	8,033

Double Leverage (ING Groep)	**114%**	**117%**	**124%**	**115%**	**113%**
Total Leverage (Insurance operations)	**45.7%**	**52.0%**	**76.3%**	**51.9%**	**52.4%**

[1] Information based on IFRS financial statements

Opinion

RECENT CREDIT DEVELOPMENTS

On 15 February 2012, Moody's placed on review for downgrade the A1 long-term senior unsecured rating of ING Groep N.V. (Ing Group). The review will consider a potential downgrade of the long-term rating of up to one notch.

This follows the initiation of a review for downgrade on ING Bank N.V.'s (ING Bank) C+/A2 standalone ratings and Aa3 long-term senior debt and deposit ratings, further to Moody's announcement on the same day to place a number of European banks on review for downgrade, reflecting the multiple challenges we consider these banks face, notably (1) a weakening macroeconomic environment; (2) costly and constrained market funding; and (3) pressure on profits. These challenges may lead us to reduce our assessment of several important rating factors, notably economic stability, franchise value, risk positioning, liquidity, profitability and capital. Moreover, some governments are becoming more constrained in their ability to provide support for banks over the medium term. As a consequence, European banks face immediate pressures centered on their ability to retain the confidence of investors. For more details please see our press release "Moody's Reviews Ratings for European Banks" published on 15 February 2012, and our reports "Global Bank Ratings Likely To Decline In 2012", "Euro Area Debt Crisis Weakens Bank Credit Profiles" and "European Banks: How Moody's Approach Reflects Evolving Challenges", published on January 19, 2012.

On 7 December 2011, Moody's downgraded the senior debt rating of ING Verzekeringen N.V. to Baa2 from Baa1, and assigned a developing outlook to these ratings. This followed the announcement by ING Group that it expected to take a EUR0.9 -- 1.1 billion reserve charge for policyholder behavior assumption changes related to guarantees in the variable annuity (VA) block at its US operations.

On November 29, 2011, Moody's placed on review for downgrade ING Groep's A2 subordinated debt and ING Bank's A1 subordinated debt ratings. The rating action followed Moody's announcement on the same day to place on review for downgrade all subordinated, junior subordinated and Tier 3 debt ratings of banks in those European countries where the subordinated debt still incorporates some ratings uplift from Moody's assumptions of government support, with the potential complete removal of government support in these ratings. Consequently, the subordinated debts ratings of both ING Groep and ING Bank were also placed on review for downgrade.

SUMMARY RATING RATIONALE

The senior unsecured debt rating of ING Groep N.V. ("ING Group") of A1, on review for downgrade, reflects the global franchise and the credit strengths of the group's various operating entities but also the view that the group's profitability will continue to be pressured as a result of the overall economic slowdown and fragile financial market conditions. The rating also reflects the very strong systemic support available to the group, as demonstrated by the EUR10.0 billion capital injection by the Dutch State announced in November 2008 and the illiquid assets back-up facility arranged with the government in Q1 2009.

ING Group is currently the main holding company of the group and parent company of ING Verzekeringen N.V. ("ING Insurance", Baa2 senior unsecured debt rating) and ING Bank N.V. ("ING Bank", C+ BFSR on review for downgrade and Aa3 long term bank deposits rating also on review for downgrade). Going forward, and following the announcement by the management of its intention to divest the entire insurance operation by the end of 2013, ING Group will become a pure bank with its ownership limited to ING's banking activities. Therefore, ING Group's senior and subordinated ratings reflect Moody's standard notching for bank holding companies relative to ING Bank's ratings. The review for downgrade on ING Group's ratings reflects the review on ING Bank's senior rating.

ING Group is currently one of the major providers of banking and insurance services in the Benelux region; the group ranks among the leaders in both retail and commercial banking and life insurance in the Netherlands, and number three in commercial banking in Belgium (ING Belgium SA/NV, C+ BFSR on review for downgrade and Aa3 long-term bank deposits rating also on review for downgrade). ING Group also has a strong market share in insurance in the US, where it ranks in the top-three in the retirement services arena and in the top-ten in individual life (ING Life and Insurance Annuity Company and ING USA Annuity and Life Insurance Company, both A2 insurance financial strength rating).

Credit Profile of Significant Subsidiaries

ING Bank

ING's banking segment consists of both retail - which represented 61% of the banking underlying income in 2011 when including ING Direct - and commercial banking activities which represented the remaining income.

The C+ BFSR on review for downgrade of ING Bank, which translates into a Baseline Credit Assessment of A2, reflects the bank's strong franchise in the Benelux, which is rooted in a robust retail presence, as well as the international scope given by ING Direct. The rating also incorporates the strong recovery in the bank's net income since the end of 2009, mainly attributable to a significant decline in impairment on loans, securities and property development, as well as negative change in value of real estate investments. A large part of the exposures that generated high losses in 2008 and 2009 has been reduced.

ING Bank's Aa3 long-term debt and deposit ratings, on review for downgrade, reflects Moody's view that the bank is and will remain a systemically important institution in two European markets, the Netherlands and Belgium, and continues to have a significant retail presence throughout Europe via ING Direct.

The review for downgrade on both the bank's BFSR and senior debt and deposit ratings reflects Moody's concerns about continued pressures on European banks resulting from unfavorable macroeconomic and financing conditions.

For further discussion of the credit fundamentals of ING Bank N.V. please refer to ING Bank N.V.'s credit opinion and ING Bank N.V. Credit Analysis.

ING Insurance

Moody's Baa2 senior unsecured debt rating and P-2 short-term debt rating of ING Verzekeringen reflect the credit fundamentals of each insurance subsidiary (notably US entities, rated A3 for insurance financial strength, with a stable outlook, as well as European and Asian entities) and the structural subordination of the holding company's obligations to the obligations of the insurance operating entities.

More specifically, ING insurance operations benefit from a good franchise in some markets, namely in the Benelux and in the US, and relatively limited exposure to high risk assets. These strengths are partly offset by a high exposure to interest rate risk and financial risks in general, resulting from the Group's product risk profile and volatile profitability.

ING Verzekeringen N.V. is currently owned at 100% by ING Groep N.V., the holding company of the ING Group. However, as a part of its restructuring plan, approved by the European Commission in November 2009, the group has committed to dispose all its insurance activities by the end of 2013. Therefore, ING Verzekeringen's rating mostly reflects the stand-alone financial strength of the insurance group. Nonetheless, ING Group continues to support ING Verzekeringen, by providing liquidity support or contingent capital solutions for example.

ING Group has indicated that it is envisaging two IPOs for the divestment of its insurance operations: one for the US operations, one for European and Asian operations. The uncertainties related to the IPOs process and the potential changes in the capital structure and debt structure of the holding company following these IPOs are reflected in the developing outlook for ING Verzekeringen (please refer to Moody's Credit Opinion on ING Verzekeringen for more details).

Rating Drivers

Strengths

- Very strong systemic support available to the group, as demonstrated by the EUR10.0 billion capital injection by the Dutch State announced in November 2008 and the illiquid assets back-up facility arranged with the government in Q1 2009.

- Strong global franchise in insurance, retail and direct banking, and asset management; going forward the franchise will narrow to the banking business with the planned divesture of the insurance operations by the end of 2013

- Leading banking and insurance position in the Dutch home market and in the US insurance market with diversification in emerging countries

Weaknesses

- Completing the divestment of its insurance operations subject to fragile investor appetite;

- The generally low-margin and highly competitive nature of banking markets in the Benelux region;

- Reliance on wholesale funding of the operations carried by the Dutch banking operating entity and consequent vulnerability to financing market disruptions

Rating Outlook

ING Groep N.V.'s A1 senior rating is on review for downgrade, reflecting the review on ING Bank's senior rating.

ING Groep N.V.'s subordinated debt rating is on review for downgrade (see Recent Credit Developments section above).

ING Groep N.V.'s hybrid securities' Ba1 (hyb) and B1(hyb) ratings continue to reflect our view that, given the restructuring of the group, there is still some risk of coupon deferral on these securities. The positive outlook reflects the possibility of these ratings to go up when the execution risk deriving from the group's restructuring process diminishes. These ratings are not affected by the review initiated on 15 February 2012 on ING Groep N.V.'s long term senior rating.

What Could Change the Rating - Up

ING Groep's long-term senior ratings are currently under review for downgrade. At present and over the immediate rating horizon, we do not see any meaningful upwards rating pressure on the group's debt and deposit ratings.

What Could Change the Rating - Down

- Downgrade of ING Bank ratings, which could be triggered by (i) a significant deterioration in the macro-economic environment leading to higher credit losses; (ii)a reappraisal of risks on the Dutch housing market and implications for the Bank; (iii) a reappraisal of its reliance on wholesale funding in the context of an increasingly fragile funding environment; (iv) the current restructuring of ING Group resulting into weakerthan-expected franchise or capital of the bank; (v) pressure on margins resulting into a significant decrease in the bank's profitability; and (vi) a deterioration in the creditworthiness of the support provider, the Netherlands, or its ability and/or willingness to provide support to the benefit of creditors.

- Material increase in ING Group's double leverage

Recent Results and Company Events

On 7 December 2011, ING Group announced that it expected to take a EUR0.9 -- 1.1 billion reserve charge for policyholder behavior assumption changes related to guarantees in the variable annuity (VA) block at its US operations. Following this announcement, Moody's Investors Service has downgraded the senior debt rating of ING Verzekeringen N.V. to Baa2 from Baa1, and assigned a developing outlook to this rating.

On 3 November 2011, ING announced its intention to create a separate holding company under ING Verzekeringen N.V. for the insurance Eurasian businesses. This new structure represents additional step towards the likely separation of US and Eurasian operations.

On 25 July 2011, ING announced that it had reached an agreement to sell its Latin American pensions, life insurance and investment management operations for a total consideration of approximately EUR2,7 billion to Grupo de Inversiones Suramericana. ING expects the sale to deliver a net transaction result of approximately EUR 1 billion. The transaction is expected to close by year-end. The group intends to use the proceeds of the transaction to reduce the leverage in ING Insurance by approximately EUR 2.8 billion.

On 17 June, 2011, ING announced the group had agreed to sell ING Direct USA to Capital One Financial Corporation for USD9 billion. The transaction is expected to close in the fourth quarter of 2011. It is expected to result into a net regulatory capital release of EUR4.1 billion. It marked a step forward in the restructuring of the group required by the European Commission.

On 13 May 2011, ING announced it had repurchased EUR2 billion Core Tier-1 securities from the Dutch State which, added to a 50% repurchase premium, resulted into total payment of EUR3 billion.

On 16 February 2011, ING announced the sale of the majority of ING Real Estate Investment Management business for USD 1 billion.

ING Group reported a net profit before minorities of EUR4,580million in the first nine months of 2011 (3Q2010 YTD: EUR2,680 million). Most of the progress versus 2010 comes from improvement at insurance.

Capital Structure and Liquidity

ING Group has historically had an integrated treasury and capital management strategy, whereby perpetual hybrid securities were raised via direct issuance of the parent company, ING Groep N.V.. Conversely, lower Tier-2 capital or subordinated debt was raised directly from the main banking or insurance operations according to their needs. However, as ING Group will sell its insurance activities, ING Verzekeringen is expected to become increasingly autonomous.

In May 2011, ING repurchased EUR2 billion Core Tier-1 securities from the Dutch State, which added to 50% repurchase premium, resulted into total payment of EUR3 billion. The amount was entirely up-streamed from ING Bank to the parent company. The residual amount of hybrid securities held by the government is currently EUR3 billion, which the group intends to repay with retained earnings from the bank.

As at the end of June 2011, the double leverage at ING Groep N.V. was approximately 13% as per Moody's estimate (calculated as the ratio between capital investments in subsidiaries and shareholders' equity , where hybrids are included in both the numerator and denominator), which as such remains reasonable. ING intends to use part of the proceeds of the projected divestments of the insurance operations to reduce the leverage at the holding company. It should however be noted that given the financial leverage within the insurance operations (mainly at the level of ING Verzekeringen) and which is not reflected in the holding company's 13% double leverage, the magnitude of the reduction in ING Groep N.V.'s indebtedness will not only depend on the outcome of the projected IPOs, but also to what extent the proceeds will be used first to reduce financial leverage within the insurance operations. For more details on the capital structure of the insurance operations, please refer to Moody's credit opinion on ING Verzekeringen N.V. dated 12 December 2011.

The subordinated debts issued by ING Groep N.V. are perpetual securities. Hence, the refinancing risk only concerns senior debt. Approximately EUR3.4 billion out of the EUR8 billion core debt of ING Groep N.V. outstanding as at the end of June 2011 are short-term and EUR1 billion long-term debt will mature by the end of 2013.

ING Groep N.V.'s principal source of cash consists of dividends paid by ING Bank and ING Verzekeringen. Apart from EUR200 million interim dividend paid by ING Bank to the holding company in December 2010, no final dividend was up streamed from the banking and the insurance operations with respect to 2010. Meanwhile, EUR 3 billion retained earnings from ING Bank have been used to repay part of the hybrid securities held by the State in May 2011, and the bank is expected to provide the cash for the repayment of the balance in the coming years. Given both these constraints on the banking side and continuous pressure on earnings on the insurance side, Moody's believes that prospective fixed charge coverage will remain under pressure.