FitchRatings

FITCH AFFIRMS ING AND ABN AMRO

Fitch Ratings-London/Paris-11 April 2013: Fitch Ratings has affirmed ING Group's, ING Bank NV's (ING Bank), and ABN AMRO Bank NV's (ABN AMRO) ratings. The Outlook on the Long-term Issuer Default Ratings (IDRs) is Negative. A full list of ratings actions is at the end of this comment.

RATING ACTION RATIONALE

The affirmations of ING Bank and ABN AMRO's Viability Ratings (VRs) reflect Fitch's opinion that while both banks' profitability is materially challenged by elevated loan impairment charges (LICs), as would be expected in a low phase of the economic cycle, their fundamentals have so far proven resilient. Both banks reported significant improvement in their already solid capitalisation in 2012, further streamlined their funding profiles and have continued to maintain large liquidity buffers. The latter mitigates the risk associated with their structural reliance on capital markets for funding.

The Netherlands has experienced poor economic conditions since H212 and Fitch forecasts this will prevail until late this year. GDP contracted by 0.9% in 2012 and is forecast to fall by a further 1% in 2013. This has resulted in a number of material challenges for Dutch banks, including the impact of rising unemployment, higher company bankruptcies and significant strains in commercial real estate. However, their strong domestic (and in the case of ING Bank, also in neighbouring countries) franchises in retail and commercial banking have provided them with resilient revenues.

The affirmation of ING Bank's, ING Group's and ABN AMRO's IDRs, Support Rating Floors (SRFs), Support Ratings and senior debt ratings reflects Fitch's belief that the Dutch state's willingness to support systemically important domestic banks, and not impose losses on senior creditors remains strong given a still unsettled eurozone crisis and related turbulences in the financial markets.

RATING DRIVERS AND SENSITIVITIES - IDRs, SENIOR DEBT, SUPPORT RATING and SUPPORT RATING FLOOR

ING Bank and ABN AMRO's IDRs are at their SRFs of 'A+'. The SRFs reflect Fitch's expectation that there is an extremely high probability that the Dutch state will support these institutions, given their respective systemic importance to the domestic financial system.

ING Group is the holding group for ING Bank and ING's insurance operations. Its SRF and Long-term IDR is currently notched down once from ING Bank's, indicating Fitch's view that although still extremely high, the probability that the holding company will receive support is slightly weaker than the bank's, given that support could flow to the bank directly.

All the entities' IDRs, SRFs and senior debt ratings are sensitive to any change in the Dutch state's ability or willingness to support them.

The Dutch state's ability to provide such support is largely dependent upon its creditworthiness, which is reflected in its ratings ('AAA'/Negative). For European banks, Fitch considers it appropriate to only have SRFs of 'A+' for banks in 'AAA' countries that have shown a strong willingness to support senior creditors. A sovereign downgrade by one notch would no longer be commensurate with a 'A+' SRF. Should this take place, Fitch would likely downgrade ING Bank and ABN AMRO's Long-term and Short-term IDRs by one notch.

Furthermore, there is a clear political intention within the EU to ultimately reduce the implicit state support for systemically important banks, as demonstrated by a series of policy and regulatory initiatives aimed at curbing systemic risk posed by the banking industry. This will result in Fitch factoring less support into banks' IDRs in the medium term. ING Bank's and ABN AMRO's SRFs and, therefore, their Long-term and Short-term IDRs are highly sensitive to a change in Fitch's view of the likelihood of authorities in Europe to provide full support to creditors in their banks. The resolution of two major banks in Cyprus demonstrates that there could be a more rapid removal of support than previously anticipated. Given that ING Bank's VR is at 'a', any support-driven downgrade would be limited to one notch.

RATING DRIVERS AND SENSITIVITIES - VRs
ING Bank's 'a' VR continues to be driven its strong banking franchise, especially in the Benelux, which provides the bank with solid and resilient income streams and sizeable deposit gathering capacities. ING Bank is essentially exposed to the health of the eurozone economies (with manageable exposures to the peripheral countries, virtually all Spain and Italy) and, in particular, to the economic conditions in the Netherlands, as its domestic exposure represents around one-third of total lending. Although LICs eroded close to 40% of pre-impairment operating profitability in 2012 (and will erode earnings again in 2013), operating profitability remains acceptable given the economic environment.

Wholesale funding reliance remains, but is lower than other Dutch banks, benefiting from the geographical diversification of the bank's deposit base, and access to capital markets has been resilient. ING Bank's liquidity position is good despite liquidity being not fully fungible within the group. Aided by deleveraging, capitalisation improved significantly in 2012, a necessary move ahead of the repayment of residual state aid (EUR3.375bn including repayment premium) and increased regulatory capital requirements from Basel III/CDR IV regulations. Taking these and expected retained earnings into account, Fitch views ING Bank's capitalisation as robust.

ING Bank's VR is sensitive to any effective or anticipated materially higher economic stress in the Netherlands and/or in the eurozone, notably in Spain and Italy (EUR30bn and EUR20bn of exposures at end-2012, i.e. 80% and 53% of equity, respectively). Investor sentiment turning against the bank or any marked reduced prudence in liquidity management would also be detrimental to its VR given ING Bank's funding reliance on capital markets. Although not expected, any setback in ING Group's ample on-going restructuring plan could also potentially create negative pressure on ING Bank's VR.

ABN AMRO's 'bbb+' VR reflects its solid domestic franchise, moderate risk profile, robust capitalisation, but also its funding reliance on confidence-sensitive wholesale funding, a structural feature of Dutch banks. This is mitigated by its liquidity position, which although materially composed of retained securitisations, is solid. The bank's access to the capital markets has been uninterrupted in recent years.

Downside risks from economic headwinds in the Netherlands weigh on ABN AMRO's VR more than ING Bank because of its greater domestic focus. Any material revision of the scale and length of the economic recession and the related impacts on the bank's asset quality, capital and potentially its access to wholesale funding would be detrimental to the bank's VR. The continued improvements in the banks' fundamentals (in particular capitalisation and funding profile) indicate a potential upgrade of the VR, provided the bank's capitalisation and liquidity remain resilient to the current economic recession in the Netherlands.

RATING DRIVERS AND SENSITIVITIES - GOVERNMENT-GUARANTEED DEBT
ING Bank's and ABN AMRO's state-guaranteed debt securities are rated 'AAA', reflecting the sovereign Dutch guarantee and so are sensitive to any change in the Netherlands' rating.

SUSBIDIARY AND AFFILIATED COMPANY RATING DRIVERS AND SENSITIVITIES
Fitch considers ING Belgium as a 'core' subsidiary of ING Bank and its Long-term IDR is equalised with ING Bank's, in line with the agency's criteria 'Rating FI Subsidiaries and Holding Companies'. ING Belgium's IDR is sensitive to any change in ING Bank's IDR.

RATING DRIVERS AND SENSITIVITIES - SUBORDINATED DEBT AND HYBRID SECURITIES
The ratings of the subordinated debt and other hybrid capital issued by these institutions are all notched down from their VRs in accordance with Fitch's assessment of each instrument's respective

non-performance and relatively loss severity risk profiles, which vary considerably. Hence they are sensitive to any change in the VRs.

The rating actions are as follows:

ABN AMRO
Long-term IDR: affirmed at 'A+'; Outlook Negative
Short-term IDR: affirmed at 'F1+'
Viability Rating: affirmed at 'bbb+'
Support Rating: affirmed at '1'
Support Rating Floor: affirmed at 'A+'
Commercial paper: affirmed at 'F1+'
Long-term senior unsecured notes: affirmed at 'A+'
Short-term senior unsecured notes: affirmed at 'F1+'
Subordinated debt: affirmed at 'BBB'
Non-innovative Tier 1 subordinated debt (XS0246487457): affirmed at 'BB'
Upper Tier 2 subordinated debt (XS0244754254): affirmed at 'BB+'
Dutch government guaranteed securities: affirmed at 'AAA'/'F1+'

ABN AMRO Funding USA LLC
Short-term senior unsecured notes: affirmed at 'F1+';

ING Group
Long-term IDR: affirmed at 'A'; Outlook Negative
Short-term IDR: affirmed at 'F1'
Support Rating: affirmed at '1'
Support Rating Floor: affirmed at 'A'
Senior unsecured debt rating affirmed at 'A'/'F1'
Subordinated perpetual preference shares (US456837AC74): affirmed at 'BB+'

ING Bank
Long-term IDR: affirmed at 'A+'; Outlook Negative
Short-term IDR: affirmed at 'F1+'
Viability Rating: affirmed at 'a'
Support Rating: affirmed at '1'
Support Rating Floor: affirmed at 'A+';
Subordinated debt: affirmed at 'A-'
Senior unsecured notes: affirmed at 'A+/F1+'
Short-term senior unsecured notes: affirmed at 'F1+'
Market-Linked notes: affirmed at 'A+emr'
Commercial paper affirmed at 'A+/F1+'
Dutch government guaranteed securities: affirmed at 'AAA'/'F1+'

ING Belgium
Long-term IDR: affirmed at 'A+'; Outlook Negative
Short-term IDR: affirmed at 'F1+'
Support Rating: affirmed at '1'
Senior unsecured notes: affirmed at 'A+'
Market-linked notes: affirmed at 'A+emr'
Senior guaranteed notes: affirmed at 'A+'

Fitch will shortly publish a special report on the major Dutch banks' exposure to real estate lending and a report on these banks' 2012 results.

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Additional information is available at www.fitchratings.com. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable criteria, 'Global Financial Institutions Rating Criteria', dated 15 August 2012', 'Assessing and Rating Bank Subordinated and Hybrid Securities', dated 5 December 2012, 'Rating FI Subsidiaries and Holding Companies' dated 10 August 2012 and 'Evaluating Corporate Governance' dated 12 December 2012 are available at www.fitchratings.com.

Applicable Criteria and Related Research
Global Financial Institutions Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686181
Assessing and Rating Bank Subordinated and Hybrid Securities
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=695542
Rating FI Subsidiaries and Holding Companies
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=679209
Evaluating Corporate Governance
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