

# ING Group N.V.

## Key Rating Drivers

**Robust Company Profile, Stable Financial Metrics:** ING Group N.V.'s ratings reflect its leading franchise in retail and commercial banking in the Benelux region complemented by adequate diversification in selected countries, sound and stable asset quality and earnings, solid consolidated capital ratios and balanced funding profile.

**Sound Asset Quality:** Asset quality is sound and resilient due to geographical diversification, a significant share of low-risk mortgage loans and diversified corporate lending. Fitch Ratings expects asset-quality metrics to remain broadly stable in the short term as economies in the group's main markets continue to grow, albeit at a slower pace. We believe that potential pressure from exposures to less stable economies, particularly Turkey, and trade and commodities-related industries should be contained thanks to loan book diversification.

**Exposure to Turkey Is Contained:** ING Group's credit exposure to Turkey is moderate at about 20% of its equity at end-September 2019. Despite an unstable operating environment and depreciation of the Turkish lira, the loan quality remained adequate with a Stage 3 ratio of 4.1% and a coverage ratio of 49% at end-September 2019.

**Resilient Earnings, but Weakened Outlook:** The group's strong and stable operating profitability is underpinned by product and geographic diversification together with a focus on traditional commercial banking. Operating profitability is sound, but we expect low interest rates, higher compliance-related costs and the eventual normalisation of impairment charges to weigh on earnings. This should be mitigated by moderate loan growth, focus on increasing fees and more disciplined pricing.

**Solid Capital Ratios:** Capitalisation and leverage are healthy, with a fully loaded common equity Tier 1 (CET1) ratio of 14.6% and a leverage ratio of 4.4% at end-September 2019. Earnings generation and lower-than-peers exposure to Dutch mortgage lending should help absorb the impact of regulatory-driven increases in risk-weighted assets (RWAs).

**Stable Funding, Strong Liquidity:** The stable funding profile reflects a strong franchise in some deposit-rich jurisdictions, such as Belgium and Germany, and ready access to wholesale markets. Wholesale funding maturities are reasonably spread over time and the group's ample liquidity buffer further mitigates refinancing risk.

**Main Operating Company Notched Up:** ING Bank N.V.'s Long-Term Issuer Default Rating (IDR) is one notch above its Viability Rating (VR) due to a large buffer of qualifying junior debt (QJD) that could protect third-party senior obligations from default in case of failure. We believe the buffer, including the holding company senior debt, needs to be above 10% of RWAs to maintain the uplift.

## Rating Sensitivities

**Weaker Capitalisation, Significant Increase in Risk Appetite:** ING Group's and ING Bank's VRs are likely to come under pressure if the group's capitalisation weakens or if its earnings materially deteriorate, potentially due to unexpected sharp impairment charges. Downward pressure on the VRs would also most likely derive from significantly increased risk appetite in higher-risk markets or sectors, or less prudent liquidity management. An upgrade is unlikely in the near term and would require a significant improvement in the bank's financial metrics.

**Size of the QJD Buffer:** ING Bank's Long-Term IDR is sensitive to changes in assumptions on the resolution intervention point and post-resolution capital needs, and the development of resolution planning more generally.

## Ratings

### Foreign Currency

Long-Term IDR	A+
Short-Term IDR	F1
Derivative Counterparty Rating	A+(dcr)

Viability Rating	a+
Support Rating	5
Support Rating Floor	NF

### Sovereign Risk

Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA
Country Ceiling	AAA

### Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

## Applicable Criteria

- [Bank Rating Criteria \(October 2018\)](#)
- [Short-Term Ratings Criteria \(May 2019\)](#)

## Related Research

- [Major Benelux Banks 1H19 Results \(September 2019\)](#)
- [ING Group N.V. - Ratings Navigator \(November 2019\)](#)
- [Fitch Ratings 2020 Outlook: Western European Banks \(December 2019\)](#)
- [Large European Banks Quarterly Credit Tracker - 3Q19 \(December 2019\)](#)

## Analysts

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## Issuer Ratings

Rating level	ING Group N.V.	ING Bank N.V.	ING Belgium NV/SA
Long-Term Issuer Default Rating	A+	AA-	A+
Short-Term Issuer Default Rating	F1	F1+	F1
Viability Rating	a+	a+	-
Support Rating	5	5	1
Support Rating Floor	NF	NF	-
Derivative Counterparty Rating	A+(dcr)	AA-(dcr)	A+(dcr)
Outlook	Stable	Stable	Stable

Source: Fitch Ratings

Fitch assesses the group on a consolidated basis. ING Bank, the main operating company, is ING Group's only significant asset and the probabilities of default of the two entities are highly correlated. ING Group acts as the holding company and its VR is equalised with that of ING Bank. The group is regulated on a consolidated basis, there is no double leverage at the holding company level, liquidity is managed centrally and the fungibility of capital between the holding company and the bank is high, in our view.

ING Bank's Long-Term IDR is one notch above the bank's VR since Fitch believes the risk of default on senior obligations, as measured by the Long-Term IDR, is lower than the risk of the bank failing, as measured by its VR. The one-notch uplift reflects the bank's significant and sustainable QJD buffer that could be made available to protect its reference liabilities (senior third-party creditors) from default in case of failure, either under a resolution process or as part of a private-sector solution (i.e. distressed debt exchange) to avoid a resolution action.

Without such a private-sector solution, we would expect a resolution action being taken on ING Group if it breaches minimum capital requirements. We assume the intervention point would be about its current minimum CET1 requirement of 6.25% of RWAs (Pillar 1 and 2, excluding the capital conservation and the systemic risk buffers). Fitch believes ING Group would need to meet its total minimum capital requirements immediately after a resolution action, which amounts to 15.25%, including capital conservation and systemic risk buffers. Taking into account additional undisclosed Pillar 2 guidance as well as a potential risk-weight increase in a stress scenario, a QJD buffer of 10% of RWAs would most likely be sufficient to restore the bank's viability without hitting third-party preferred senior creditors.

We expect the buffer to be sustainable. Our expectation is based on the bank's need to meet the minimum requirement for own funds and eligible liabilities (MREL), set at EUR91 billion, or 29% of end-2016 group RWAs. The group has adopted a single-point-of-entry resolution strategy, with ING Group being the resolution entity. All MREL instruments, including senior debt, are issued at group level and downstreamed to ING Bank as junior-ranked instruments to third-party senior creditors.

At end-September 2019, the combined buffer of qualifying junior debt and senior debt issued by the holding company amounted to EUR40 billion, or 12.5% of group RWAs.

ING Belgium NV/SA's Long-Term IDR is equalised with ING Bank's VR since we believe that there is an extremely high probability that ING Belgium would be supported, if needed, by its parent. Fitch has used ING Bank's VR rather than its Long-Term IDR as the anchor rating for ING Belgium because of the uncertainty that senior creditors of ING Belgium will benefit from junior debt buffers kept at the parent level since ING Bank has not been required to downstream MREL into its material subsidiaries. This is also reflected in ING Belgium's Short-Term IDR of 'F1', which is the baseline option mapping to the Long-Term IDR of 'A+'.

## Debt Rating Classes

Rating level	ING Group N.V.	ING Bank N.V.
Senior unsecured	A+/F1	AA-/F1+
Tier 2 subordinated debt	A	A
Additional Tier 1 notes	BBB-	

Source: Fitch Ratings

On 15 November 2019, Fitch published *Exposure Draft: Bank Rating Criteria*, which included proposals to alter the notching of certain debt securities.

ING Group's and ING Bank's senior unsecured debt is rated in line with their respective IDRs. The Tier 2 debt securities issued by ING Bank and ING Group are notched down once from the respective VRs to reflect the higher-than-average loss severity of this type of debt. Additional Tier 1 (AT1) instruments issued by ING Group are rated five notches below its VR. The notching reflects higher loss severity risk of these securities compared with senior unsecured debt (two notches) as well as high risk of non-performance (three notches).

## Ratings Navigator - Standalone Assessment

### ING Group N.V.



### Banks Ratings Navigator



## Significant Changes

### Towards a More Robust Customer Due-Diligence Policy

ING Group is working on improving its know-your-customer framework and controls after Dutch authorities revealed significant shortcomings in the execution of customer due-diligence and anti-money laundering (AML) policies in 2018. The group expects to roll out the know-your-customer enhancement programme globally this year, ensuring consistency across group entities.

After the Dutch investigation, authorities in Italy have opened an investigation into non-compliance with local AML regulation. ING Group had already started to remediate the control issues put forward by the local authorities under its global know-your-customer enhancement programme. We expect the investigation to end with a settlement, but the one-off should be manageable given the group's limited activities in Italy, which contributed to about 1% of 2018 revenue.

### Bar Chart Legend

- Vertical bars - VR range of Rating Factor
- Bar Colors - Influence on final VR
  - Higher influence
  - Moderate influence
  - Lower influence
- Bar Arrows - Rating Factor Outlook
  - Positive
  - Negative
  - Evolving
  - Stable

## **Moderate Impact from the Risk-Weight Floor for Dutch Mortgage Lending**

A recent proposal by the DNB, the Dutch central bank, to impose a risk-weight floor for mortgage loans from autumn 2020 should have a manageable impact on ING Group's capital ratios given its moderate exposure to Dutch mortgage loans of about 18% of total loans (including reverse repos) at end-September 2019. DNB estimates that on average risk-weights on mortgage loans will go up to 14%-15%. The measure effectively partly front-loads the impact of Basel III "endgame" rules, which would have been subject to a gradual phase-in, most likely from 2022.

## **Partnership with AXA to Distribute Non-Life Insurance Products**

In 2018, ING Group partnered with the French insurance company AXA to provide insurance products through a digital platform in several countries. The partnership is in its early stages with the first insurance products launched in 2019 in four markets. In the long run, the distribution partnership should contribute to fee income growth. ING Group aims to increase its fee income by 5%-10% a year to reduce its reliance on net interest income and may enter other partnerships to distribute third-party products and services to achieve this goal.

## Company Summary and Key Qualitative Assessment Factors

### Strong Franchise in Core Markets, Diversified Business Model

ING Group is one of the top-three Dutch banks and has a leading position in retail and commercial banking in the Netherlands and Belgium with market shares between 15% and 30% depending on the product. This results in good pricing power. The company profile is underpinned by the geographic diversification skewed towards developed European countries, where it has adequate franchises. Germany, where ING Group enjoys a solid market share of 6%-9% in retail banking, has become the largest contributor to revenue after the Benelux region.

The group's retail focus and limited exposure to capital markets activities result into a resilient business model with solid and recurrent revenue generation through the cycle. The wholesale banking business serves large corporate clients, financial institutions, and governments in more than 40 countries and focuses on lending and transaction services.

### Good Execution of the Strategy, Focus on Growth and Efficiency Gains

ING Group's strategy targets growth in its retail customer base and efficiency gains through digitalisation. We expect strong execution of the strategy and most of the 2020 financial targets should be met. The group is unlikely to achieve its medium-term cost/income ratio target by end-2020.

The group has consistently increased its retail primary customers (customers who bank mainly with ING Group) as they provide higher cross-selling revenue compared with non-primary clients. It plans to pursue the growth to reach more than 16.5 million primary clients by 2022 from 13.1 million at end-September 2019 (about a third of the customer base).

The group aims to generate cost efficiencies mainly by creating cross-border banking platforms with shared support functions and harmonised product offering. This entails some execution risk in our view and cost benefits will take time to materialise due to necessary IT investments. Netherlands and Belgium should start to operate on an integrated platform in 2020, slightly later than initially expected. France, Spain, Italy and the Czech Republic are set to share one platform from 2021.

### Sound Underwriting

Underwriting standards are in line with similarly rated peers' and we expect them to remain consistent over economic cycles. Lending is predominantly secured, with conservative limits on single-name, sector and country concentrations. The broad international footprint results in exposures to more volatile countries, such as Turkey or Poland, although these appear to be well managed.

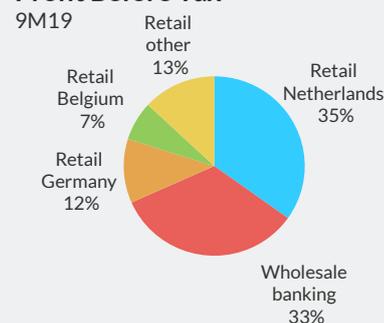
The group maintains its long-term ambition to grow lending by 3%-4% a year, which is above projected GDP growth in its main markets. However, the asset growth should be manageable relative to the group's ability to generate capital organically. The focus on winning primary customers should support loan growth. We do not view the growth target as overly aggressive and expect the group to prioritise pricing over volume. We also do not anticipate that growth would lead to a loosening of underwriting standards. The retail segment (including SMEs) is likely to drive the loan growth.

Dutch mortgage loans are underwritten at high loan/values (LTVs) by international standards because of past fiscal incentives favouring borrower leverage. Stricter origination criteria over recent years (regulatory cap on the LTV at origination gradually reduced to 100% by 2018, higher share of amortising loans since 2013) have increased the resilience of mortgage loans.

### Limited Market Risk

The main market risk to which ING Group is exposed to is the structural interest rate risk in the banking book. It is hedged after accounting for customer behaviour in relation to savings repricing and loan prepayments, and measured against the sensitivity of earnings and value of equity to interest rate changes. ING Group calculated that a 100bp upward/downward shift in interest rates for the major currencies at end-2018 would have resulted in a modest EUR106 million increase/EUR119 million decrease in net interest income (NII) over 12 months (about 0.8% of 2018 NII). Market risk in the trading book is low.

### Profit Before Tax



Source: Fitch Ratings, ING Group

### ING Group Financial Targets

(%)	End-Sep 19	2020 target
CET1 ratio <sup>a</sup>	14.6	13.5
Leverage ratio	4.4	>4
Return on equity <sup>b</sup>	10.3	10-12
Cost to income <sup>b</sup>	55.8	50-52

<sup>a</sup> The target is post-Basel III "endgame" and includes a management buffer (incl. Pillar 2 guidance) of 170bp above the 11.8% current CET1 requirement

<sup>b</sup> Four-quarter rolling average and based on underlying income. Does not have a specific timeframe.

Source: Fitch Ratings, ING Group

### Gross Loans<sup>a</sup> Incl. Reverse Repo

EUR617bn at end-September 2019



<sup>a</sup> Excluding EUR0.4bn legacy portfolio booked in the Corporate Line unit NL: Netherlands

Source: Fitch Ratings, ING Group

**Summary Financials and Key Ratios**

	30 Sep 19 9 months - 3rd quarter (EURm) Unaudited	31 Dec 18 Year end (EURm) Audited - unqualified	31 Dec 17 Year end (EURm) Audited - unqualified	31 Dec 16 Year end (EURm) Audited - unqualified
<b>Summary income statement</b>				
Net interest & dividend income	10,481	14,018	13,794	13,328
Net fees & commissions	2,133	2,798	2,710	2,433
Other operating income	1,136	1,484	977	1,674
Total operating income	13,750	18,300	17,481	17,435
Operating costs	7,678	9,908	9,829	10,614
Pre-impairment operating profit	6,072	8,392	7,652	6,821
Loan & other impairment charges	692	656	682	987
Operating profit	5,380	7,736	6,970	5,834
Other non-operating items (net)	117	-898	298	510
Tax	1,526	2,027	2,281	1,618
Net income	3,971	4,811	4,987	4,726
Other comprehensive income	n.a.	-474	-1,772	-336
Fitch comprehensive income	3,971	4,337	3,215	4,390
<b>Summary balance sheet</b>				
<b>Assets</b>				
Gross loans	617,346	596,421	578,629	568,791
- Of which impaired	11,119	11,102	12,481	13,597
Loan-loss allowances	4,559	4,491	4,515	5,178
Net loans	612,787	591,930	574,114	563,613
Interbank	36,205	23,736	24,174	25,866
Derivatives	2,534	24,774	29,675	40,721
Other securities & earning assets	201,238	182,420	178,830	177,280
Total earning assets	852,764	822,860	806,793	807,480
Cash & due from banks	54,936	49,987	21,989	18,144
Other assets	14,691	14,183	17,434	19,457
Total assets	922,391	887,030	846,216	845,081
<b>Liabilities</b>				
Customer deposits	574,246	555,812	539,799	522,942
Interbank & other short-term funding	38,173	89,567	80,468	70,686
Other long-term funding	135,928	123,434	104,340	113,815
Trading liabilities & derivatives	100,970	40,143	42,956	59,691
Total funding	849,317	808,956	767,563	767,134
Other liabilities	18,664	15,984	19,279	20,345
Pref. shares & hybrid capital	n.a.	10,355	8,253	7,203
Total equity	54,410	51,735	51,121	50,399
Total liabilities & equity	922,391	887,030	846,216	845,081

Summary Financials and Key Ratios (Cont.)

	30 Sep 19 9 months - 3rd quarter (EURm) Unaudited	31 Dec 18 Year end (EURm) Audited - unqualified	31 Dec 17 Year end (EURm) Audited - unqualified	31 Dec 16 Year end (EURm) Audited - unqualified
<b>Ratios (annualised as appropriate)</b>				
<b>Profitability</b>				
Operating profit/RWAs	2.3	2.5	2.3	1.9
Net interest income/average earning assets	1.7	1.7	1.7	1.6
Non-interest expense/gross revenue	55.8	54.6	56.5	61.1
Net income/average equity	10.0	9.5	9.8	9.5
<b>Asset quality</b>				
Impaired loans ratio	1.8	1.9	2.2	2.4
Growth in gross loans	3.5	3.1	1.7	4.7
Loan-loss allowances/impaired loans	41.0	40.5	36.2	38.1
Loan impairment charges/average gross loans	0.2	0.1	0.1	0.2
<b>Capitalisation</b>				
Fitch Core Capital ratio	16.4	15.9	16.1	15.5
Tangible equity ratio	5.7	5.6	5.9	5.8
Common equity Tier 1 ratio	14.6	14.5	14.7	14.2
Basel leverage ratio	4.4	4.4	4.7	4.7
Net impaired loans/FCC	12.5	13.3	16.0	17.3
<b>Funding &amp; liquidity</b>				
Loans/customer deposits	107.5	107.3	107.2	108.8
LCR	n.a.	n.a.	n.a.	n.a.
Customer deposits/funding	67.9	69.9	72.2	71.5
NSFR	n.a.	n.a.	n.a.	n.a.

Source: Fitch Ratings

## Key Financial Metrics – Latest Developments

### Sound Asset Quality Underpinned by Diversification

The group's Stage 3 loans ratio calculated by Fitch was stable in 9M19 reflecting still supportive economic conditions in most of the countries in which ING Group operates. Loan impairment charges started to increase in 3Q19 from historical low levels due to individual corporate defaults, but should remain below through-the-cycle average in 2020. Lending is well diversified by country, contributing to the resilience of asset quality. The three largest markets are the Netherlands (31% of gross loans including reverse repo at end-September 2019), Germany (20%) and Belgium (17%).

The large portfolio of residential mortgage loans continues to perform very well and the strengthening of underwriting standards in the Netherlands in recent years has improved the resilience in a less supportive economic environment.

The wholesale banking book has good sector and single-name diversification. ING Group's exposure to volatile commodities and trade-related sectors is moderate hovering at about 10% of gross loans and appears well managed. Stage 3 loans ratio for oil & gas, metals & mining and shipping improved over the recent years, although they still underperform on average the wholesale banking book.

### Diversification to Mitigate Earnings Pressure from Low Rates

We expect ING Group to generate sound earnings in the medium term, supported by the diversified business model. Revenue is highly reliant on net interest income (76% of total in 9M19) given the group's traditional retail and commercial banking activities. The net interest margin has been resilient, but prolonged low interest rates are likely to put increasing pressure on the top line. We believe that cautious growth in higher-margin lending, more disciplined loan pricing in core markets and selectively charging negative rates on customer deposits should mitigate this.

The group is on track to achieving its 2020 financial ambitions except for the cost/income ratio, which we expect to exceed the 50%-52% medium-term target. This expectation reflects revenue pressures but also our view that efficiency gains may not fully offset higher operating costs stemming from the roll-out of the non-financial risk remediation programme.

### Sound Capitalisation

The group's capitalisation is sound, although risk-weighted capital ratios are at the lower end of similarly or higher-rated peers. The management targets a CET1 ratio of about 13.5% post-implementation of Basel III "endgame" rules, which provides a 170bp buffer above the 2019 requirement set by the ECB at 11.8%. The group expected its end-2017 RWAs to increase by 15-18% due to regulatory measures, mainly the targeted review of internal models and the Basel III "endgame" rules. Part of the impact has already been absorbed.

We do not expect significant capital distributions on top of regular dividend payments as ING Group needs to build capital in anticipation of higher regulatory requirements. ING Group reiterated its ambition is to pay a progressive dividend.

### Good Funding Mix, Stable Liquidity

The stable funding profile is supported by strong franchises in deposit-rich markets, such as Belgium and Germany, offsetting the structural deposit shortage in the Netherlands. Customer deposits accounted for about 70% of ING Group's funding mix at end-September 2019. Wholesale debt maturities are reasonably well spread and short-term funding accounted for about 12% of funding at end-September 2019. The buffer of high-quality liquid assets was ample at EUR136 billion or 15% of total assets.

The holding company ING Group N.V. was designated the resolution entity in 2017. As a result, the group shifted issuance of Tier 2 subordinated instruments and part of senior unsecured debt to the holding company to meet MREL and total loss-absorbing capacity (TLAC) requirements. We expect MREL requirement to be more binding than TLAC. ING Group received an MREL requirement in 2018 of EUR91 billion, or 29% of end-2016 RWAs, and expects to receive an updated requirement based on the latest rules in 1Q20. We expect additional funding needs, if any, to be manageable for the group.

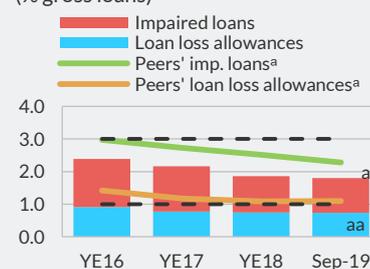
Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'aa' category.

Peer average includes ING Group N.V. (VR: 'a+'), Cooperatieve Rabobank U.A. (a+), ABN AMRO Bank N.V. (a), BNP Paribas Fortis SA/NV (a), Nordea Bank Abp (aa-), Groupe BPCE (a+) and Danske Bank A/S (a).

The latest period average calculation uses end-June 2019/1H19 data for BNP Paribas Fortis SA/NV, Cooperatieve Rabobank U.A. and Groupe BPCE

### Asset Quality

(% gross loans)



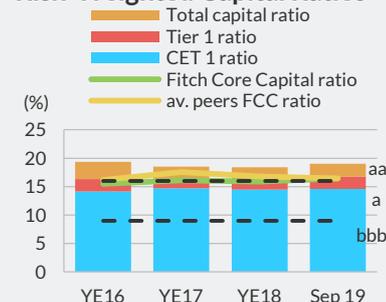
<sup>a</sup>Excluding Cooperatieve Rabobank U.A. for end-September 2019  
 Source: Fitch Ratings, Banks

### Operating Profit/RWAs



Source: Fitch Ratings, Banks

### Risk-Weighted Capital Ratios



Fitch Core Capital used as benchmark line  
 Source: Fitch Ratings, Banks

## Sovereign Support Assessment

Support Rating Floor		Value		
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)		A+ to A-		
Actual country D-SIB SRF		NF		
<b>Support Rating Floor:</b>		<b>NF</b>		
Support Factors	Positive	Neutral	Negative	
<b>Sovereign ability to support system</b>				
Size of banking system relative to economy			✓	
Size of potential problem	✓			
Structure of banking system			✓	
Liability structure of banking system		✓		
Sovereign financial flexibility (for rating level)		✓		
<b>Sovereign propensity to support system</b>				
Resolution legislation with senior debt bail-in			✓	
Track record of banking sector support		✓		
Government statements of support			✓	
<b>Sovereign propensity to support bank</b>				
Systemic importance		✓		
Liability structure of bank		✓		
Ownership		✓		
Specifics of bank failure		✓		
<b>Policy banks</b>				
Policy role				
Funding guarantees and legal status				
Government ownership				

ING Group's Support Rating of '5' and Support Rating Floor of 'No Floor' reflect Fitch's view that senior creditors can no longer rely on receiving full extraordinary support from the sovereign in the event that ING Group becomes non-viable. The EU's Bank Recovery and Resolution Directive and the Single Resolution Mechanism for eurozone banks provide a framework for resolving banks that is likely to require senior creditors participating in losses, if necessary, instead of, or ahead of, a bank receiving sovereign support.

An upgrade of the Support Rating or upward revision of the Support Rating Floor would be contingent on a positive change in the Dutch sovereign's propensity to support its banks. While not impossible, we believe this is highly unlikely.

**Environmental, Social and Governance Considerations**

FitchRatings **ING Group N.V.**

**Banks**  
 Ratings Navigator

**Credit-Relevant ESG Derivation**

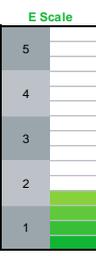
ING Group N.V. has 5 ESG potential rating drivers

- ING Group N.V. has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
	5	issues	1

**Environmental (E)**

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1	n.a.	n.a.
Energy Management	1	n.a.	n.a.
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Company Profile; Management & Strategy; Risk Appetite; Asset Quality



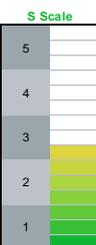
**How to Read This Page**  
 ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The **Environmental (E), Social (S) and Governance (G)** tables break out the individual components of the scale. The left-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The **Credit-Relevant ESG Derivation** table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the [number of] general ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

**Social (S)**

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Company Profile; Management & Strategy; Risk Appetite
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Company Profile; Management & Strategy; Risk Appetite
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy
Employee Wellbeing	1	n.a.	n.a.
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Company Profile; Financial Profile

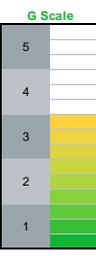


**Classification** of ESG issues has been developed from Fitch's sector and sub-sector ratings criteria and the General Issues and the Sector-Specific Issues have been informed with SASB's Materiality Map.

**Sector references** in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

**Governance (G)**

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Operational implementation of strategy	Management & Strategy
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Management & Strategy; Earnings & Profitability; Capitalisation & Leverage
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy



CREDIT-RELEVANT ESG SCALE	
How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3' – ESG issues are credit neutral or have only a minimal credit impact on ING Group, either due to their nature or the way in which they are being managed by ING Group. For more information on our ESG Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg).

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