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CREDIT OPINION

3 August 2016

Update

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RATINGS

ING Groep N.V.

Domicile	Amsterdam, Netherlands
Long Term Debt	Baa1
Type	Senior Unsecured - Dom Curr
Outlook	Stable
Long Term Deposit	Not Available
Type	Not Available
Outlook	Not Available

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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ING Groep N.V.

Semiannual Update

Summary Rating Rationale

ING Groep is the ultimate holding company of the ING group and the parent company of the main operating entities ING Bank N.V. (ING Bank; A1/A1 stable; baa1) and, until April 2016, NN Group N.V. (Baa2 stable).

ING Groep is the largest financial group by total assets in the Netherlands (€869 billion at end-March 2016), where it holds a strong position in commercial and retail banking. It also has a solid universal banking franchise in Belgium and Germany, where it operates through its local subsidiaries ING Belgium SA/NV (A1/A1 stable; baa1) and ING DiBa AG (A2 stable, a2), respectively. The group has completed in April 2016 the divestment of its insurance operations - initially agreed with the European Commission in 2009 and amended in November 2012 and November 2013 - by the sale of its remaining 14.1% stake in NN Group N.V. (a holding company which absorbed the former ING Verzekeringen in 2014). As a result, ING Groep has become a 'pure' bank holding company, with stakes limited to the group's banking activities.

ING Groep's Baa1 long-term senior unsecured debt rating reflects primarily its most significant subsidiary ING Bank's sound credit fundamentals, notably its (1) strong profitability, based on a diversified business mix, (2) its low asset risk, despite exposures to riskier market segments as part of its diversified wholesale banking operations, and (3) its sound liquidity profile. For further details on ING Bank's baseline credit assessment (BCA), please refer to the related Credit Opinion. We consider that ING Groep senior unsecured debt would suffer moderate loss-given-failure, placing it in line with ING Bank's BCA of baa1. Finally, we consider the probability of government support to ING Groep's senior unsecured debt to be low because such support would likely be provided only to the operating entity ING Bank to limit the risks that its failure would pose to financial stability.

Credit Strengths

- » ING Bank's profitability is strong and has been resilient over the last years, due to a balanced business mix across products, business lines and geographies;
- » Asset risk is low, despite the fact that the generally well diversified wholesale banking business includes exposures to riskier activities e.g. real estate finance and activities in Russia, Ukraine and Turkey;
- » ING Bank's liquidity and funding profile is sound, despite reliance on confidence-sensitive market funding, which is mitigated by lengthening debt maturities and group-wide asset-liability management.

Credit Challenges

- » ING Bank's capital position is adequate with respect to risks incurred, but the bank needs to further increase its bail-in-able debt buffers (which includes capital instruments) to fulfill forthcoming regulation on minimum requirements for own funds and eligible liabilities (MREL) and total loss-absorbing capacity (TLAC);
- » Moderate growth prospects in the economies where the bank operates and low interest rates challenge ING Bank's profitability.

Rating Outlook

The stable outlook reflects our expectations that ING Bank's profitability will resist to pressure from low interest rate over the next 12-18 months, while asset risk will remain low and the capital position will stay adequate. It also incorporates our expectation that bail-in-able debt buffers are going to increase either at the bank level or in the Group, dependent on the choice of resolution entity.

Factors that Could Lead to an Upgrade

We could upgrade ING Bank's baa1 BCA if a material improvement in the operating environment in the EU countries to which ING Bank is mostly exposed were to lead to substantially improved asset risk and higher profitability levels. A strengthening capital position and a reduction in reliance on wholesale funding could also be positive for the BCA. A positive change in ING Bank's BCA would likely affect all ratings of ING Bank and ING Groep.

ING Bank's long-term debt and deposit ratings could also be upgraded if either the bank itself or the holding company ING Groep were to issue a significant amount of long-term debt and/or junior instruments, other factors being equal.

Factors that Could Lead to a Downgrade

Conversely, ING Bank's BCA could be downgraded as a result of a deteriorating asset risk and profitability or a lower than expected capital position. A negative change in ING Bank's BCA would likely affect all ratings of ING Bank and ING Groep.

Key Indicators

Exhibit 1

ING Groep N.V. (Consolidated Financials) [1]

	12-15 ²	12-14 ²	12-13 ²	12-12 ²	12-11 ²	Avg.
Total managed assets (EUR thousand)	814,426,992.3	964,337,998.9	1,058,487,988.5	1,166,190,998.0	1,279,227,999.1	-10.7 ³
Total managed assets (USD thousand)	884,708,222.3	1,166,900,205.6	1,458,534,976.4	1,537,496,371.7	1,660,623,368.1	-14.6 ³
Pretax Preprovision profits / Average Managed Assets (%)	0.9	0.7	0.5	0.5	0.6	0.6 ⁴
Net Income / Average Managed Assets (%)	0.5	0.3	0.3	0.3	0.5	0.4 ⁴
24 Month Coverage (%)	41.9	22.5	25.2	27.3	42.7	31.9 ⁴
Secured Debt / Gross Tangible Assets (%)	-	-	0.0	0.5	0.9	0.5 ⁴
Tangible Common Equity (Finance) / Tangible Managed Assets (%)	5.6	4.7	4.0	4.0	3.2	4.3 ⁴
Problem Loans / Gross Loans (Finance) (%)	2.8	3.2	2.9	2.6	2.2	2.8 ⁴

[1] All figures and ratios are adjusted using Moody's standard adjustments [2] IFRS [3] Compound Annual Growth Rate based on IFRS reporting periods [4] IFRS reporting periods have been used for average calculation

Source: Moody's Financial Metrics

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Detailed Rating Considerations

The financial data in the following sections are sources from ING Groep's financial statements unless otherwise stated.

CAPITAL STRUCTURE

ING Groep has historically had an integrated treasury and capital management strategy, whereby perpetual hybrid securities were raised via direct issuance at the level of the ultimate holding company (ING Groep) or via dedicated funding vehicles guaranteed by ING Groep. Conversely, lower Tier 2 capital or subordinated debt was raised directly from the main banking or insurance subsidiaries, according to their needs. In April 2016, ING Bank issued €1 billion Tier 2 bonds with an issuer substitution option through exchange to ING Groep Tier 2 bonds until April 2018. This gives the group flexibility as to the issuing entity, in the context of the future resolution strategy and creditor hierarchy yet to be implemented in the Netherlands.

ING Groep holds a capital surplus of about €7 billion (pro-forma as of end-year 2015), which places its fully-applied CET 1 ratio at 12.9% as at March 2016, 1.1 percentage point higher than ING Bank. We expect ING Groep to use part of this surplus to meet higher capital requirement and to return the rest to investors over the medium to long term.

The disposal of the remaining group's insurance operations has been completed with the sale of ING Groep's residual stake of 14.1% in NN Group, in April 2016, in accordance with the terms of the group's agreement with the Dutch state and the European Commission. As a result of this last transaction, ING Groep expects the group's CET 1 Basel III fully-loaded ratio to increase to 13.2%, from 12.9% in March 2016, all other factors being equal.

We expect ING Groep's bail-in-able buffers to increase further as a result of forthcoming regulatory requirements, in particular the EU's MREL and Financial Stability Board (FSB)'s TLAC requirements (see ING Bank Credit Opinion).

Notching Considerations

LOSS GIVEN FAILURE AND ADDITIONAL NOTCHING

ING Groep (together with its subsidiary ING Bank) is subject to the EU Bank Recovery and Resolution Directive (BRRD), which we consider to be an Operational Resolution Regime. We assume a residual tangible common equity at failure of 3% and losses post-failure of 8% of tangible banking assets, a 25% run-off in "junior" wholesale deposits (amounting to 26% of total deposits), a 5% run-off in preferred deposits, and assign a 25% probability of deposits being preferred to senior unsecured debt. These are in line with our standard assumptions.

For ING Groep's senior unsecured debt, our Advanced LGF analysis shows moderate loss-given-failure, due to the combination of its own volume and the amount of debt subordinated to it. This places its rating in line with ING Bank's BCA of baa1.

For dated subordinated debt issued by ING Groep our LGF analysis confirms a high loss-given-failure, given the small volume of debt and limited protection from more subordinated instruments and residual equity. This places it one notch below ING Bank's baa1 BCA, at baa2. We also incorporate additional downward notching to reflect coupon suspension risk ahead of failure, of one notch, for junior subordinated, and two notches, for preference share instruments, at baa3 and ba1, respectively.

Please refer to the Credit Opinion for ING Bank, for further details on our LGF analysis.

GOVERNMENT SUPPORT

We consider the probability of government support to ING Groep's senior unsecured debt to be low as such support would likely be provided only to the operating entity in order to maintain its critical functions and mitigate risks to financial stability. Similarly, for junior securities, the probability of government support is low, and, as such, the ratings for these instruments do not include any related uplift.

Ratings

Exhibit 2

Category	Moody's Rating
ING GROEP N.V.	
Outlook	Stable
Senior Unsecured -Dom Curr	Baa1
Subordinate MTN -Dom Curr	(P)Baa2
Jr Subordinate -Fgn Curr	Baa3 (hyb)
Jr Subordinate -Dom Curr	Baa3 (hyb)
Pref. Stock	Baa3 (hyb)
Pref. Stock Non-cumulative	Ba1 (hyb)
Pref. Shelf Non-cumulative	(P)Ba1
ING BANK A.S. (TURKEY)	
Outlook	Rating(s) Under Review
Bank Deposits	Baa3/P-3 ¹
NSR Bank Deposits	Aaa.tr/TR-1
Baseline Credit Assessment	ba3 ²
Adjusted Baseline Credit Assessment	baa3 ²
Counterparty Risk Assessment	Baa2(cr)/P-2(cr) ¹
ING BANK N.V., TOKYO BRANCH	
Outlook	Stable
Bank Deposits	A1/P-1
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Commercial Paper -Dom Curr	P-1
ING BANK N.V.	
Outlook	Stable
Bank Deposits	A1/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Senior Unsecured	A1
Subordinate	Baa2
Commercial Paper -Dom Curr	P-1
Other Short Term	(P)P-1
ING AMERICAS ISSUANCE B.V.	
Bkd Sr Unsec MTN -Dom Curr	(P)A1
ING BANK N.V., SYDNEY BRANCH	
Outlook	Stable
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Senior Unsecured -Dom Curr	A1
Commercial Paper	P-1
Other Short Term	(P)P-1
ING DIBA AG	
Outlook	Stable
Bank Deposits	A2/P-1
Baseline Credit Assessment	a2
Adjusted Baseline Credit Assessment	a2
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
ING BANK N.V. (SINGAPORE)	
Outlook	Stable
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Senior Unsecured	A1
ING BANK EURASIA	
Outlook	Negative
Bank Deposits -Fgn Curr	Ba2/NP
Bank Deposits -Dom Curr	Baa3/P-3
Baseline Credit Assessment	ba3
Adjusted Baseline Credit Assessment	baa3

Counterparty Risk Assessment	Baa3(cr)/P-3(cr)
Senior Unsecured -Dom Curr	Baa3

ING GROENBANK N.V.

Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Senior Unsecured MTN -Dom Curr	(P)A1
Other Short Term -Dom Curr	(P)P-1

1 - Rating(s) within this class was/were placed on review on July 19 2016 2 - Placed under review for possible downgrade on July 19 2016

Source: Moody's Investors Service

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