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CREDIT OPINION
31 May 2022

Update

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ING Bank N.V.

Update following Q1 2022 results

Summary

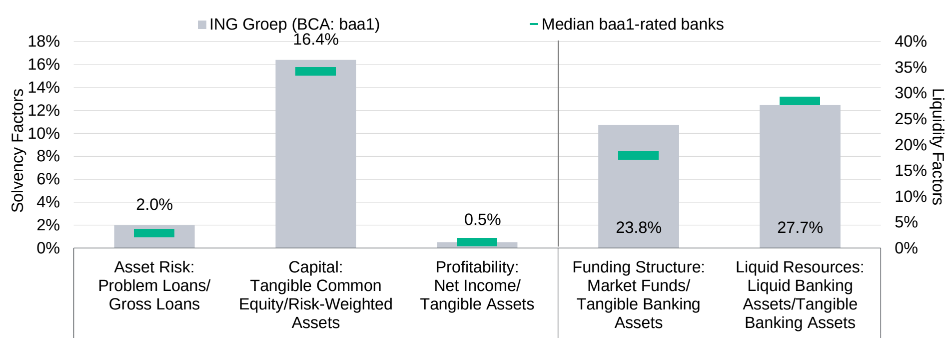
ING Groep N.V. (ING, Baa1 stable) is the largest Dutch banking group by assets (€951 billion as of the end of December 2021) and one of the largest financial institutions included on the list of global systemically important banks. ING Bank N.V. (ING Bank, Aa3/A1 stable, baa1) is ING Groep's sole operating subsidiary.

ING Bank's baa1 Baseline Credit Assessment (BCA) reflects the bank's sound asset quality based on a highly diversified loan portfolio but with significant exposures to highly cyclical sectors; its solid earnings generating capacity and good cost efficiency; its sound solvency; and its robust liquidity. We believe that the bank's fundamentals will remain resilient over the outlook horizon.

The bank's depositors benefit from extremely low loss severity in our Advanced Loss Given Failure (LGF) analysis, reflected in a three-notch uplift from the BCA. The bank's senior creditors benefit from low loss severity, reflected in a two-notch uplift from the BCA. Given the systemic status of the bank, the probability of government support is moderate, which translates into an additional one-notch uplift, leading to deposit ratings of Aa3 and senior unsecured rating of A1 for ING Bank.

The loss-given-failure is moderate and government support assumption is low for the senior unsecured debt issued by the holding company (ING Groep) as these securities along with equity are expected to absorb losses in case of resolution, resulting in no uplift from ING Bank's BCA.

Exhibit 1
Rating Scorecard - Key financial ratios



Sources: Moody's Financial Metrics and consolidated financial statement as of December 2021

RATINGS

ING Bank N.V.

Domicile	Amsterdam, Netherlands
Long Term CRR	Aa3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	A1
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	Aa3
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

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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Credit strengths

» Resilient profitability because of the group's balanced business mix across products, business lines and geographies

» Highly diversified loan portfolio

» Robust solvency

» Sound funding and liquidity

Credit challenges

» Significant exposures to highly cyclical sectors in the wholesale banking business

Outlook

The outlook on ING Bank and ING Groep's senior ratings is stable and reflects our view that the group will maintain its sound fundamentals over the outlook horizon.

Factors that could lead to an upgrade

» ING Bank's BCA could be upgraded in case of a substantial improvement in its asset-risk profile and higher profitability or a strengthening of its capital position. An upgrade of its BCA would likely lead to an upgrade of all the ratings of ING Bank and ING Groep.

» ING Groep's senior unsecured debt ratings could also be upgraded if the holding company were to issue higher-than-expected amounts of long-term debt or junior instruments, or both, leading to lower loss severity for senior creditors.

Factors that could lead to a downgrade

» ING Bank's BCA could be downgraded in case of a higher-than-expected deterioration in the bank's asset risk and profitability, or a significant weakening in its capital position. A downgrade of the bank's BCA would likely result in a downgrade of all the ratings.

» ING Bank's deposit and senior unsecured debt ratings, as well as ING Groep's senior unsecured debt rating, could be downgraded should changing regulatory requirements or management strategy lead to a reduction in loss-absorbing instruments, resulting in increased loss-given-failure.

Key indicators

Exhibit 2

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

	12-21[2]	12-20[2]	12-19[2]	12-18[2]	12-17[2]	CAGR/Avg.[3]
Total Assets (EUR Million)	934,851.0	912,662.0	876,852.0	870,846.0	826,551.0	3.1[4]
Total Assets (USD Million)	1,059,285.2	1,116,693.0	984,264.8	995,502.9	992,520.2	1.6[4]
Tangible Common Equity (EUR Million)	51,416.0	50,214.0	53,984.8	48,833.0	47,544.5	2.0[4]
Tangible Common Equity (USD Million)	58,259.8	61,439.6	60,597.9	55,823.2	57,091.3	0.5[4]
Problem Loans / Gross Loans (%)	1.9	2.2	1.9	1.9	2.2	2.0[5]
Tangible Common Equity / Risk Weighted Assets (%)	16.4	16.4	16.5	15.5	15.3	16.0[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	21.3	24.1	19.6	20.8	24.0	22.0[5]
Net Interest Margin (%)	1.4	1.5	1.6	1.6	1.7	1.6[5]
PPI / Average RWA (%)	2.4	2.3	2.6	2.5	2.6	2.5[6]
Net Income / Tangible Assets (%)	0.5	0.3	0.6	0.6	0.6	0.5[5]
Cost / Income Ratio (%)	58.9	59.3	55.5	58.2	54.6	57.3[5]
Market Funds / Tangible Banking Assets (%)	23.8	23.2	23.0	25.3	22.8	23.6[5]
Liquid Banking Assets / Tangible Banking Assets (%)	27.7	29.1	24.6	26.2	26.3	26.8[5]
Gross Loans / Due to Customers (%)	102.5	99.1	107.3	107.4	107.3	104.7[5]

[-] Further to the publication of our revised methodology in July 2021, only ratios from annual 2020 onwards included in this report reflect the change in analytical treatment of the "high-trigger" Additional Tier 1 instruments. [1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Investors Service and company filings

Profile

ING Bank N.V. (ING Bank) is the sole operating entity of ING Groep, the largest Dutch financial institution by assets (€951 billion as of the end of December 2021), and one of the largest in Europe and globally. The bank provides retail and wholesale banking services in more than 40 countries and qualifies as a global systemically important bank under the Financial Stability Board's (FSB) criteria.

ING Bank's retail banking services include mortgages, unsecured lending, payments, savings and current accounts. The retail client base comprises around 38 million individual customers. Within the retail banking segment, ING has an important presence globally, which is organised along the following business lines:

» Market leaders (the Netherlands, Belgium and Luxembourg), where the bank holds a strong position in both retail and wholesale banking sectors

» Challenger markets (Germany, Spain, Italy, France and Australia), where the bank has few or no branches and products are mostly digitally distributed. In 2021, ING decided to discontinue its retail banking activities in France (agreement reached with Boursorama in April 2022 to facilitate transfer of customers).

» Growth markets (Poland, Romania, Turkey, the Philippines and Asian bank stakes)

Wholesale banking activities are divided into the following global franchises: Lending; Daily Banking and Trade Finance; Financial Markets; and Treasury and Other.

Additionally, the bank provides wholesale banking services in other countries (including the US, Mexico, Brazil, Russia and India), given its extensive international network.

Detailed credit considerations

The loan portfolio is well diversified but exposures to some volatile sectors imply volatility in asset performance

ING has a diversified portfolio both geographically and across sectors. Retail loans represent around two-thirds of its exposures and the rest consists of the wholesale banking book.

The retail loan book bears low to moderate risk in our view. Close to two-thirds of the retail exposures consist of well-diversified mortgages across the Benelux and other regions where the bank carries out retail operations. Lending to businesses accounts for another 33% of the retail book, the bulk of which is extended in the Netherlands and Belgium and to a lesser extent in Poland. The consumer loan book is relatively small (5% of the retail banking book).

Despite its high degree of geographical and sector diversification, the wholesale loan book bears relatively high risks, in our view, as reflected by its volatile performance. Exposures to highly cyclical sectors are material. Even if lending directly exposed to oil price risk was only €3 billion, the bank's total exposure to the oil and gas sector amounted to €16.6 billion[1] (6% of the wholesale loan book and 33% of Common Equity Tier 1 [CET1] capital) at end-December 2021, which remains substantial. Although well diversified across regions and asset types, exposures to the commercial real estate (CRE) sector amounted to €49 billion[2] (98% of CET1 capital) as of the same date.

After reaching a peak of 43 basis points of average lending in 2020, loan loss provisions fell to 8 basis points in full year 2021, below the 25 basis points ten-year average prior to the pandemic. The net cost of risk of €0.5 billion included €1 billion of provisions on stage 3 loans (down from €1.9 billion in 2020), partly offset by a partial release of €0.5 billion Covid-related provisions on performing loans (stage 1 and stage 2 under IFRS 9 accounting standards).

In Q1 2022, loan loss provisions increased to 62 basis points of average lending (or €965 million), mainly driven by stage 2 provisioning. The stock of stage 2 loans indeed surged to 7.2% at end-March 2022 (year-end 2021: 6.1%; year-end 2020: 6.7%) as a result of the negative rating migration of Russia-related exposures following the beginning of the military conflict in Ukraine and the implementation of international sanctions against the country. Excluding these provisions, the cost of risk in Q1 2022 would have been limited to a low 10 basis points. The bank has been actively reduced its Russia-related exposure to €5.8 billion at the end of April down €0.9 billion since the start of the military conflict in February, of which €4.5 billion is offshore and €1.2 billion is credit insured. We expect the bank to continue actively managing this exposure (of which a material part is short term) down over the next quarters.

In addition to the incremental cost of risk, the rating migration of the Russia-related exposures triggered a €9 billion increase in the group's risk-weighted assets (RWAs) at end-March 2022 (an impact of around 44 basis points on the CET1 ratio). We believe that through both provisioning and rise in regulatory RWAs at the end of Q1 2022, ING has already taken the bulk of the hit it could incur from its residual Russia and Ukraine-related exposures on its CET1 ratio. Provisions do not yet incorporate the secondary effects of the military conflict on the rest of the economy, similar to most European peers that have reported their Q1 results.

The stock of stage 3 loans continued to decrease (1.4% at end-March 2022 versus 1.5% at year-end 2021 and 1.7% at year-end 2020) reflecting the recovery from the pandemic-related downturn.

We assign an Asset risk score of baa1, two notches below the Macro-Adjusted score of a2. The negative adjustment reflects the group's exposure to activities and markets that we consider more volatile.

Capital position offers comfortable buffer against unexpected shocks

At end-March 2022, ING Groep, which is the main regulated entity for regulatory capital purposes[3] reported a fully loaded CET1 ratio of 14.9%, down from 15.9% at year-end 2021, but well above its minimum requirement of 10.7%.[4] The decrease in the ratio in the first quarter of 2022 is due to a 7% increase in RWAs to €335 billion at end-March 2022, which primarily resulted from the introduction of a risk-weight floor on Dutch mortgages by the Dutch Central Bank and the aforementioned rise in Russia-related RWAs. With the adjustment to the risk-weight of Dutch mortgages implemented in the last quarter, we believe that ING Groep has absorbed most of the expected RWA inflation ahead of Basel IV.

In addition to €1,783 million reserved profits[5] already deducted from the regulatory capital base as of end-March 2022, ING announced further distribution of €1,250 million, which will start in May 2022 and will bring the CET1 ratio to 14.5% on a pro forma basis. This announcement is in line with the group's intention to progressively distribute the capital in excess of its CET1 ambition (including the full implementation of Basel IV effects), which was confirmed at 12.5% at year-end 2021. However, we believe that the group will preserve a material capital buffer above the stated ambition at least until the macro economic uncertainties related to the current geopolitical turmoil are lifted.

The group's leverage ratio slightly decreased to 5.7% at end-March 2022 from 5.9% at year-end 2021 as a result of slightly lower Tier Capital and higher exposures. Without the exclusion of certain central bank exposures from the denominator, which was authorised until end-March 2022, the leverage would have been 5.1%.

As a global systemically important bank, ING Groep is subject to total loss-absorbing capacity (TLAC) rules. The FSB's framework currently requires a minimum TLAC of 23% of RWAs[6] ING Groep's TLAC was 30.3% at end-March 2022. The TLAC leverage ratio was 10.3% as of the same date versus a current requirement of 6.75%.

The MREL requirement ING set out by the SRB and to be complied with by 1 January 2024 is 28.08% of RWAs on a consolidated basis, which the group already meets at end-March 2022 with a MREL ratio of 30.5%.[7]

ING Groep's tangible common equity (TCE) amounted to €51.4 billion as of the end of December 2021. The TCE-to-RWA ratio of 16.4% translates into a Macro-Adjusted Capital score of aa2. The adjusted score of a2 reflects the decrease in the ratio to result from the announced capital distribution. We believe that the group's capitalization is solid and that it will continue to provide it with ample buffers to face eventual headwinds in a credit cycle downturn.

Profitability is resilient

ING's recurring profitability is good. Its return on assets (net income/tangible assets) was 51 bps on average over the five-year period from 2017 to 2021, above that of its Dutch peers (ABN AMRO Bank N.V. (A1/A1 stable, baa1): 36 bps; Rabobank (Aa3/Aa3 stable, a3): 31 bps).

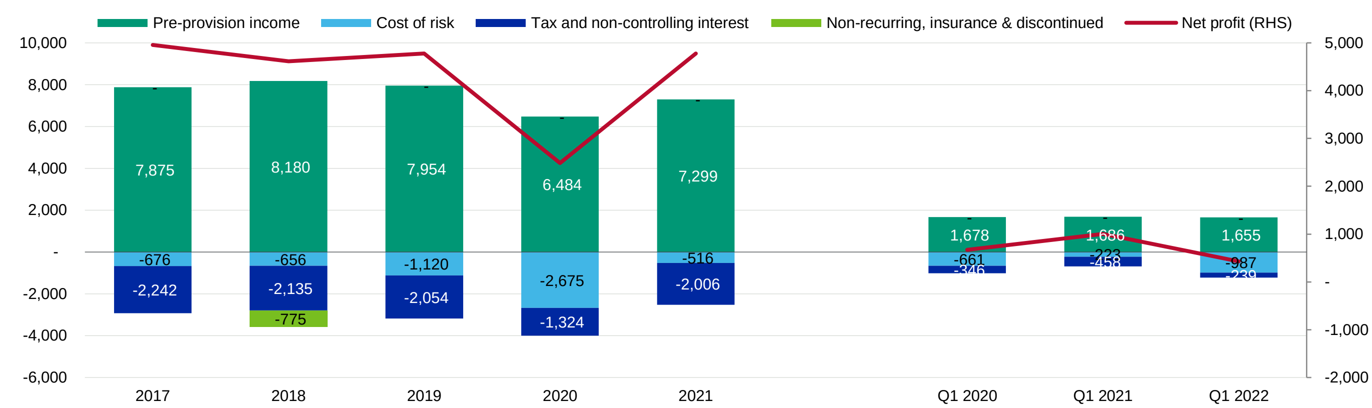
After a 48% drop in 2020 due to the pandemic, net profit rebounded to €4.7 billion in full year 2021 (or 48 bps of tangible assets) from €2.5 billion in 2020. The decrease in the cost of risk was the main driver behind this progression. The other drivers of the improvement were the growth in net banking income (+4.8% year-on-year), primarily driven by a substantial growth in fee and commission income (+17%) as well as higher income from financial markets and improved valuation adjustments. Operating expenses remained flat.

In Q1 2022, pre-provision income remained broadly stable from Q1 2021, while the cost of risk tripled because of the provisioning of the Russia-related exposures.

Exhibit 3

Net profit recovered to pre-crisis level in 2021

Breakdown of net profit in € million



Source: Company data and Moody's Investors Service

Similar to its main Dutch peers, ING is strongly reliant on interest income, which makes up 75%-80% of its total underlying income (74% in 2021), while fee and commission income accounts for around 15-20%.

While resilient up to the end of 2019 thanks to good commercial growth and stable interest margins, net interest income has been under pressure since early 2020 as a result of both sluggish growth in lending and pressure on deposit margins. In the context of ultra low interest environment, ING, like most other European banks, was confronted to the difficulty to further lower interest rates paid on retail deposits as these had already reached extremely low levels in all the euro area bank markets. ING charged negative interest rates to corporate clients, and later to retail clients above a certain threshold in the Netherlands, Belgium and Germany to lower the cost of deposits but these efforts only had a marginal effect on net interest income. The increase in customer deposits since the outbreak of the pandemic, although contained to +1.2% in 2021, exerted further pressure on net interest margins. As a result, net interest income remained stable in 2021 compared to 2020 despite 4% growth in the core lending book during the period. Without the TLTRO benefit[8], net interest income would have been down by 3.5% in 2021.

In Q1 2022, net interest income excluding the TLTRO benefit remained broadly stable compared to both Q1 and Q4 2021, although the dynamics have started to change as interest rates shifted to a rising trend. Pressure on margins is more on the lending side than on the liability side as the rise in funding costs is passed on to the remuneration of loan books with a delay. That being said, we expect ING Groep to ultimately benefit from the rise in interest rates.

Fee and commission income strongly increased in 2021 (+17%) both in retail and wholesale banking in most countries. The increase was driven by investment products and daily banking products (payment, cash management, trade and treasure services), in particular through new payment packages in the Benelux. This trend continued into Q1 2022.

Despite the pressure on revenues, ING managed to preserve a good cost efficiency compared to that of many of its European Union (EU) peers including domestic competitors. Excluding non-recurring items[9], the group's cost-to-income ratio was still a reasonable 59% in 2021, stable compared to 2020, although up from 56% in 2019. The cost-to-income ratio in Q1 2022 (64%) is inflated compared to annual ratios because most regulatory costs are booked in Q1 (and the latter increased substantially to €649 million from €587 million in Q1 last year). Excluding these, operating expenses in Q1 2022 was below the four preceding quarters.

The assigned Profitability score is ba1, in line with the Macro-adjusted score.

ING Groep's liquidity and funding are sound, despite its reliance on confidence-sensitive market funding

ING had a consolidated loan-to-deposit (LTD) ratio of 100% at end-March 2022, the lowest among the large Dutch banks. This primarily reflects the consolidation of deposit-rich subsidiaries in Belgium and Germany, while the Dutch parent company has historically been operating with a material shortage of customer deposits over loans[10]. ING's relatively high reliance on wholesale funding (20% of consolidated liabilities and equity at end-March 2022[11]) despite the low consolidated LTD ratio is partly due to the fact that funds are not fully fungible within the group, that is, the excess liquidity in an entity, if any, cannot be entirely used to fund the shortage in another entity through intercompany loans[12].

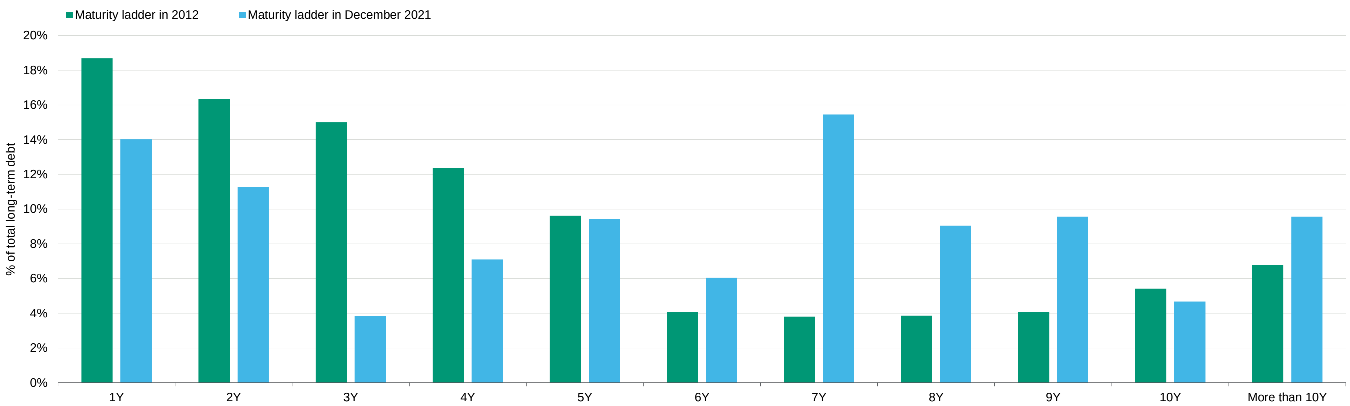
That being said, the group has progressively optimised its cash-rich entities' liquidity since 2012 by transferring to them or originating out of them increasing amounts of assets — wholesale assets (for example, structured finance loans to ING Belgium and ING Germany) and retail assets (for example, Belgian and Dutch mortgages to ING Germany). The cash-rich entities thereby reduced their excess funding while the Dutch entity reduced its structural funding shortage, resulting in a significantly better-balanced funding structure across the group than in the past. Under the group's funding policy, operating entities are primarily self-funded through the local customer deposits and own-raised covered bonds and RMBS. Senior unsecured debt is essentially raised by the parent to fund its own operations or the subsidiaries' operations that are not covered by their own liabilities.

ING's reliance on confidence-sensitive funding is mitigated by the sound term structure of its wholesale debt. The group has significantly lengthened the maturity profile of its long-term wholesale funding, thus reducing its refinancing risk. The increased issuance of TLAC/MREL-eligible senior unsecured debt by the holding company (ING Groep) in recent years[13], and the borrowings from the Targeted Long-term Refinancing Operations (TLTRO III) in June 2020 and March 2021[14] have contributed to this.

Exhibit 4

ING's long-term maturity profile has been extended

ING's long-term debt maturity ladders in 2012 and 2021 (as a percentage of total outstanding long-term debt



Source: ING's financial statements

The group's high-quality liquid assets portfolio amounted to €165.4 billion (of which €155 billion were level 1 assets) at end-December 2021 representing 3.5 times its wholesale debt maturing within one year[15], which we consider a comfortable coverage. Furthermore, the reported proportion of encumbered assets was 21.7% as of year-2021, a level that leaves sufficient loans available to be packaged into central bank-eligible securitisations, if needed. The group's consolidated 12-month moving average liquidity coverage ratio (LCR) was 139% at end-December 2021.

Both market funding and liquidity scores reflect the abundant source of cheap funding and liquidity available from the European Central Bank through the TLTROs. As of end-December 2021, the bank had €65.5 billion of outstanding TLTRO (stable from year-end 2020). This extensive drawdown is deposited back at the ECB to take advantage of favorable terms offered on deposits rather than for being recycled for lending and/or investment purposes. Consequently the bank's balance sheet is temporarily inflated because the portion of borrowed funds that are re-deposited at the ECB will be running off medium-term. We excluded this amount, when estimating the adjusted amount of 2021 market funding and liquid resources ratios. This adjustment would result in a reduction of ING's market funding ratio to around 20% from 23.7% and ING's adjusted liquid Banking Assets ratio would reduce to around 24% from around 27.7% at year-end 2021.

These factors are reflected in a combined Liquidity score of baa1.

ESG considerations

ING BANK N.V.'s ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 5

ESG Credit Impact Score

CIS-2

Neutral-to-Low

For an issuer scored CIS-2 (Neutral-to-Low), its ESG attributes are overall considered as having a neutral-to-low impact on the current rating; i.e., the overall influence of these attributes on the rating is non-material.

Source: Moody's Investors Service

ING's ESG Credit Impact Score is neutral-to-low (**CIS-2**), reflecting the limited credit impact of environmental, social and governance factors on the ratings to date.

Exhibit 6
ESG Issuer Profile Scores

ENVIRONMENTAL	SOCIAL	GOVERNANCE
E-3	S-4	G-2
Moderately Negative	Highly Negative	Neutral-to-Low

Source: Moody's Investors Service

Environmental
ING faces moderate environmental risks mainly because of its portfolio exposure to carbon transition risk. In line with its peers, the bank is exposed to mounting business risks and stakeholder pressure to meet more demanding carbon transition targets. ING is actively engaged in further developing its climate risk management and reporting frameworks, including building its “Terra” climate approach.

Social
ING faces high industrywide social risks, related to regulatory and litigation risks, requiring the bank to meet high compliance standards. The Dutch regulator’s high focus on mis-selling and misrepresentation is mitigated by well-developed policies and procedures. ING’s high cyber and personal data risks are mitigated by technology solutions and organizational measures to prevent data breaches.

Governance
ING reported various risk management and compliance failures in recent years, which it is gradually addressing through considerable investments in its control policies and capabilities. The group has solid corporate governance practices and prudent financial policies. Like other global systemically important banks, ING has a complex legal structure, which reflects its diversified domestic and global footprint, and entails governance and risk management challenges.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Loss Given Failure (LGF) analysis
ING Groep is subject to the EU Bank Recovery and Resolution Directive, which we consider an operational resolution regime. We assume a residual TCE at failure of 3% and post-failure losses of 8% of tangible banking assets, a 25% runoff in junior wholesale deposits (amounting to 26% of total deposits), a 5% runoff in preferred deposits, and assign a 25% probability of deposits being preferred over senior unsecured debt. These are in line with our standard assumptions. All Additional Tier 1 (AT1) instruments are included in our LGF analysis, including the €6.8 billion of high-trigger AT1 instruments as of year-end 2021.

Considering the bank's overseas subsidiaries, we view that group-wide resolutions will be coordinated in a unified manner for entities required to issue internal loss absorbing capital in jurisdictions that have an operational resolution regime for banks, leading to a likely transfer of losses from subsidiaries to parents at the point of failure. In the case of ING, we include the tangible banking assets of its subsidiaries ING-DiBa AG, ING Belgium SA/NV and ING Bank Slaski S.A. in the resolution perimeter of ING Groep., designated as the single point of entry for the group resolution. We leave ING Australia's assets outside the group's resolution perimeter as it has no internal MREL requirements at this stage.

Under our Advanced LGF analysis, the portion of ING's TLTRO drawdowns which we estimate are redeposited at the ECB are deducted from the bank’s tangible banking assets, thereby reducing the inflationary impact of TLTRO on the bank’s balance-sheet. We assume that the portion of borrowed funds re-deposited at the ECB will be running off medium-term. This adjustment does not result in a change in ratings uplift.

Our Advanced LGF analysis indicates an extremely low loss-given-failure for ING Bank's junior depositors and a low loss-given-failure for its senior unsecured creditors, resulting in a three-notch and two-notch uplift respectively from the bank's Adjusted BCA of baa1

With regard to ING Groep's senior unsecured debt, our LGF analysis shows a moderate loss-given-failure, which results in no rating uplift from the bank's Adjusted BCA.

For the junior securities issued by ING Bank and ING Groep, our LGF analysis shows a high loss-given-failure. This leads to ratings one notch below the bank's Adjusted BCA. For ING Groep's junior subordinated and preference share instruments, we also incorporate an additional downward adjustment to ING Bank's Adjusted BCA by one and two notches, to baa3 and ba1, respectively, to reflect coupon suspension risk ahead of failure.

Government support considerations

We consider a moderate probability of government support for ING Bank's senior debt and deposits because of its systemic importance both domestically and on a broader level. This results in an additional one-notch uplift for ING Bank's deposit and debt ratings.

For ING Groep's senior unsecured debt, we consider the probability of government support to be low, given its explicitly loss-absorbing nature, which results in no uplift from the bank's Adjusted BCA.

For junior securities, the probability of government support is also low, and the ratings for these instruments do not include any related uplift, either.

Counterparty Risk (CR) Assessment

ING Bank's CR Assessment is Aa3(cr)/Prime-1(cr)

ING Bank's CR Assessment, before government support, is three notches above the bank's BCA of baa1, based on the buffer against default provided by instruments subordinated to the senior obligations represented by the CR Assessment. The CR Assessment also benefits from one notch of government support uplift, in line with our support assumptions on deposits and senior unsecured debt.

Counterparty Risk Ratings (CRRs)

ING Bank's CRRs are Aa3/Prime-1

ING Bank's CRR, before government support, is three notches higher than the Adjusted BCA of baa1, based on the level of subordination to CRR liabilities in the bank's balance sheet and assuming a nominal volume of such liabilities. The CRR also benefits from one notch of government support uplift, in line with our support assumptions on deposits and senior unsecured debt.

Methodology and scorecard

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 7

ING Groep N.V.

MACRO FACTORS		
WEIGHTED MACRO PROFILE	STRONG +	100%

FACTOR	HISTORIC RATIO	INITIAL SCORE	EXPECTED TREND	ASSIGNED SCORE	KEY DRIVER #1	KEY DRIVER #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	2.0%	a2	↔	baa1	Expected trend	Sector diversification
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	16.4%	aa2	↔	a2	Expected trend	
Profitability						
Net Income / Tangible Assets	0.5%	ba1	↔	ba1	Expected trend	
Combined Solvency Score		a2		baa1		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	23.8%	baa1	↔	baa1	Term structure	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	27.7%	a3	↔	baa1		
Combined Liquidity Score		baa1		baa1		
Financial Profile				baa1		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				Aaa		
BCA Scorecard-indicated Outcome - Range				a3 - baa2		
Assigned BCA				baa1		
Affiliate Support notching				0		
Adjusted BCA				baa1		

BALANCE SHEET	IN-SCOPE (EUR MILLION)	% IN-SCOPE	AT-FAILURE (EUR MILLION)	% AT-FAILURE
Other liabilities	168,704	20.1%	228,474	27.2%
Deposits	585,981	69.9%	526,211	62.8%
Preferred deposits	433,626	51.7%	411,944	49.1%
Junior deposits	152,355	18.2%	114,266	13.6%
Senior unsecured bank debt	7,839	0.9%	7,839	0.9%
Dated subordinated bank debt	865	0.1%	865	0.1%
Senior unsecured holding company debt	34,102	4.1%	34,102	4.1%
Dated subordinated holding company debt	9,001	1.1%	9,001	1.1%
Preference shares(holding company)	6,840	0.8%	6,840	0.8%
Equity	25,155	3.0%	25,155	3.0%
Total Tangible Banking Assets	838,487	100.0%	838,487	100.0%

DEBT CLASS	DE JURE WATERFALL		DE FACTO WATERFALL		NOTCHING		LGF NOTCHING GUIDANCE VS. ADJUSTED BCA	ASSIGNED LGF NOTCHING	ADDITIONAL NOTCHING	PRELIMINARY RATING ASSESSMENT
	INSTRUMENT VOLUME + SUBORDINATION	SUB-ORDINATION	INSTRUMENT VOLUME + SUBORDINATION	SUB-ORDINATION	DE JURE	DE FACTO				
Counterparty Risk Rating	23.6%	23.6%	23.6%	23.6%	3	3	3	3	0	a1
Counterparty Risk Assessment	23.6%	23.6%	23.6%	23.6%	3	3	3	3	0	a1 (cr)
Deposits	23.6%	9.1%	23.6%	10.0%	3	3	3	3	0	a1
Senior unsecured bank debt	23.6%	9.1%	10.0%	9.1%	3	1	2	2	0	a2
Senior unsecured holding company debt	9.1%	5.0%	9.1%	5.0%	0	0	0	0	0	baa1
Dated subordinated bank debt	5.0%	3.8%	5.0%	3.8%	-1	-1	-1	-1	0	baa2
Dated subordinated holding company debt	5.0%	3.8%	5.0%	3.8%	-1	-1	-1	-1	0	baa2
Holding company non-cumulative preference shares	3.8%	3.0%	3.8%	3.0%	-1	-1	-1	-1	-2	ba1

INSTRUMENT CLASS	LOSS GIVEN FAILURE NOTCHING	ADDITIONAL NOTCHING	PRELIMINARY RATING ASSESSMENT	GOVERNMENT SUPPORT NOTCHING	LOCAL CURRENCY RATING	FOREIGN CURRENCY RATING
Counterparty Risk Rating	3	0	a1	1	Aa3	Aa3
Counterparty Risk Assessment	3	0	a1 (cr)	1	Aa3(cr)	
Deposits	3	0	a1	1	Aa3	Aa3
Senior unsecured bank debt	2	0	a2	1	(P)A1	A1
Senior unsecured holding company debt	0	0	baa1	0	Baa1	Baa1
Dated subordinated bank debt	-1	0	baa2	0	Baa2	Baa2
Dated subordinated holding company debt	-1	0	baa2	0	Baa2	Baa2
Holding company non-cumulative preference shares	-1	-2	ba1	0		Ba1 (hyb)

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Investors Service

Ratings

Exhibit 8

Category	Moody's Rating
ING BANK N.V.	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Bank Deposits	Aa3/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Issuer Rating -Dom Curr	A1
Senior Unsecured	A1
Subordinate	Baa2
Commercial Paper -Dom Curr	P-1
Other Short Term -Dom Curr	(P)P-1
ING BANK N.V., TOKYO BRANCH	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Bank Deposits	Aa3/P-1
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Commercial Paper -Dom Curr	P-1
ING BANK SLASKI S.A.	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Bank Deposits	A2/P-1
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	A1(cr)/P-1(cr)
ING BANK N.V., SYDNEY BRANCH	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Senior Unsecured -Dom Curr	A1
Commercial Paper	P-1
Other Short Term	(P)P-1
ING (U.S.) FUNDING LLC	
Bkd Commercial Paper	P-1
ING BELGIUM INTERNATIONAL FINANCE S.A.	
Outlook	Stable
Bkd Sr Unsec MTN -Dom Curr	(P)A1
ING BELGIUM SA/NV	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Bank Deposits	A1/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Issuer Rating -Dom Curr	A1
ING-DIBA AG	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Bank Deposits	A2/P-1
Baseline Credit Assessment	a3
Adjusted Baseline Credit Assessment	a3
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Issuer Rating	A2
ING BANK (AUSTRALIA) LIMITED	
Outlook	Stable
Counterparty Risk Rating	A2/P-1

Bank Deposits	A3/P-2
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	a3
Counterparty Risk Assessment	A2(cr)/P-1(cr)
Issuer Rating	A3
ST Issuer Rating	P-2
ING BANK N.V. (SINGAPORE)	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Senior Unsecured	A1
ING BANK HIPOTECZNY S.A.	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Issuer Rating	A3
ST Issuer Rating	P-2
ING GROENBANK N.V.	
Counterparty Risk Rating	Aa3/P-1
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Senior Unsecured MTN -Dom Curr	(P)A1
Other Short Term -Dom Curr	(P)P-1

Source: Moody's Investors Service

Endnotes

1 This does not include the exposure to trade and commodity finance companies

2 Around one-third of this exposure is booked in the retail banking book.

3 ING's supervisory authorities are the European Central Bank and De Nederlandsche Bank.

4 The CET1 requirement includes a 4.5% Pillar 1 requirement (P1), a 0.98% Pillar 2 requirement (P2R), a 2.5% Capital Conservation Buffer, a 0.24% countercyclical buffer (CCyB - fully-loaded) and a 2.5% Systemic Risk Buffer (SRB).

5 The bulk of which will be distributed as the final cash dividend of 2021

6 TLAC requirement of 18% from (effective from January 2022) plus a capital conservation buffer of 2.5%, a SRB of 2.5% and a CCyB of 0.03% (as of end-March 2022).

7 The intermediary requirement, which has been applicable since the beginning of 2022 is 27.32% of RWAs.

8 Banks could benefit from the most favorable interest rate of -100 basis points if they met the lending threshold of 0% between 1 March 2020 and 31 March 2021. ING met the threshold.

9 Including costs related to the announced restructuring of the branch network

10 The customer funding gap typically reflects a structural feature of the Dutch banking system: a high proportion of Dutch households' savings are channelled towards mandatory pension funds, which structurally decreases the total amount of bank deposits.

11 The 20% ratio is calculated as the sum of interbank borrowings, debt securities in issue and subordinated debt divided by total liabilities and equity.

12 The transferability of ING's liquidity to the group's various entities is constrained by the local supervisors' requirement to maintain minimum liquidity buffers in some subsidiaries.

13 Over the past four years, the group increased its MREL/TLAC buffer to build a management buffer above the minimum requirement and to protect the bank's senior creditors by using its holding company ING Groep. Since 2017, ING Groep issued €9 billion in Tier 2 debt and €34.1 billion in senior unsecured debt that are structurally subordinated to the bank's own senior unsecured debt and deposits in a resolution scenario. We expect ING Groep to continue its issuance programme so as to preserve its MREL buffers. Part of the debt to be issued by the holdco will replace ING Bank's senior debt that will mature.

14 The outstanding amount of TLTRO as of the end of December 2021 was €65.5 billion.

15 Based on our own calculation.

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

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