

# MOODY'S

## RATINGS

### **Rating Action: Moody's Ratings affirms ING Bank N.V.'s long-term deposit and senior unsecured ratings of Aa3 and A1 respectively**

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27 Jun 2024

#### **Outlooks changed to positive from stable on senior unsecured ratings of ING Bank N.V. and ING Groep N.V.**

Paris, June 27, 2024 -- Moody's Ratings ("Moody's") today affirmed the Aa3 long-term deposit and A1 senior unsecured debt ratings of ING Bank N.V. (ING Bank). The outlook remains stable on the long-term deposit ratings but is changed to positive from stable on the senior unsecured ratings. We also affirmed the Baa1 senior unsecured debt ratings of ING Groep N.V. (ING Groep), ING Bank's holding company, and changed to a positive outlook on these ratings, from stable previously. ING Bank's Baseline Credit Assessment (BCA) and Adjusted BCA of baa1 were also affirmed.

Please click on this link [https://www.moodys.com/viewresearchdoc.aspx?docid=PBC\\_ARFTL492495](https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL492495) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

#### **RATINGS RATIONALE**

##### **Rationale for the affirmation of ING Bank's BCA and Adjusted BCA of baa1**

The affirmation of ING Bank's BCA of baa1 reflects our view that the bank's financial fundamentals including robust solvency and liquidity metrics will remain strong over the outlook horizon, despite lower expected capitalisation as per the bank's target.

ING Bank's loan portfolio is sound and highly diversified, both geographically and by sector. While retail loans represent two-thirds of its exposures, the wholesale banking portfolio includes some material exposure concentrations to cyclical sectors such as the oil and gas industry and commercial real estate. The bank has reported a very low cost of risk of 8 basis points (bps) of average customer lending in 2023 and 16 bps in the first quarter of 2024, but we expect higher cost of risk going forward due to subdued economic conditions. ING Bank's recurring profitability is good, as shown by

a return on assets (net income/tangible assets) of 51 bps on average between 2019 and 2023, peaking at 79 bps in 2023 due increased net interest margins, contained costs and low cost of risk. We expect profitability to moderately abate in 2024 due to (i) slightly lower net interest margins than in 2023 as a result of policy rate cuts and (ii) increasing cost of risk closer to long-term historical averages.

We view the group's solvency as solid and providing ample buffers in a credit downturn, despite capital targets constraining its credit profile. ING Groep's Common Equity Tier 1 (CET1) was 14.8% at end-March 2024 and 14.1% when incorporating a €2.5 billion share buyback announced in May. The group has a medium-term CET1 target of around 12.5%, towards which it should converge by 2025.

Rationale for the affirmation of ING Bank's and ING Groep's deposit and senior unsecured ratings

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 very 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 notch of uplift, leading to long-term deposit ratings of Aa3 and senior unsecured ratings 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 are expected to absorb losses in case of resolution, resulting in no uplift. ING Groep's senior debt provides structural subordination protecting ING Bank's senior creditors in case of failure.

## OUTLOOKS

The stable outlook on ING Bank's long-term deposit ratings reflects our view that the group will maintain its sound fundamentals over the outlook horizon, even if the exceptional financial performance reported in 2023 is unlikely to be repeated in the next 12-18 months.

The change of outlook to positive from stable on the senior unsecured ratings of ING Groep and ING Bank reflects the bank's issuance plans for 2024, which are already partly completed and points towards future lower loss-given-failure for these senior instruments.

## FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

ING Bank's BCA could be upgraded if the bank decided to significantly increase its capital target – which is unlikely at present viewing its current public target of around 12.5% CET1 ratio by 2025 – whilst its asset-risk profile and profitability remained at

current strong levels. An upgrade of its BCA would likely lead to an upgrade of all the ratings of ING Bank and ING Groep.

As indicated by the positive outlook, the senior unsecured debt ratings of both ING Groep and ING Bank could be upgraded if the holding company continues to issue further significant amounts of long-term debt or junior instruments, leading to lower loss severity for senior creditors.

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

The principal methodology used in these ratings was Banks Methodology published in March 2024 and available at <https://ratings.moodys.com/rmc-documents/409852>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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- EU Endorsement Status
- UK Endorsement Status
- Rating Solicitation
- Issuer Participation
- Participation: Access to Management
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- Lead Analyst
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For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the

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