S&P Global
Ratings

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Update: ING Groep N.V. (Holding Company); ING Bank N.V. (Lead Bank)

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Rating Score Snapshot

Issuer Credit Rating
A-/Stable/A-2

SACP: a

Anchor	bbb+	
Business position	Strong	+1
Capital and earnings	Strong	+1
Risk position	Adequate	0
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

Support: +1

ALAC support	+1
GRE support	0
Group support	0
Sovereign support	0

Additional factors: 0

Issuer credit rating
A+/Stable/A-1
Resolution counterparty rating
AA-/A-1+
Holding company ICR
A-/Stable/A-2

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Leading position in the Netherlands, Belgium, and Luxembourg (Benelux) and good geographical diversity.	The economic slowdown represents headwinds to business prospects, operating costs, and asset quality.
Well-defined and executed strategy, with established digital approach to banking business.	Continuous need to enhance nonfinancial risk framework and culture throughout the organization.
Growing earnings benefit from rising interest rates and further support already robust capital generation capability, and solid bail-in-able buffers.	

We expect ING Groep N.V. (ING)'s earnings to grow significantly this year, benefiting from rising interest rates. ING continuously displays a resilient earnings generation profile, supported by its well-diversified business model and expanding share of fee and commission income. In the first quarter of 2023 ING reported net income of €1,591 million, up from €429 million a year ago, supported by tailwinds from rising interest rates and a decline in credit loss provisions thanks to some release in Russian related exposure and only limited additions on individual client files. The group's total income increased by 21% year-on-year, supported by a similar increase in net interest income (NIM) primarily from improving margins. Reported NIM increased to 1.59% for the first quarter of 2023, up from 1.37% a year ago. We forecast operating revenues to increase by 11%–14% in 2023 as a rising interest rates environment will sustain higher NIM.

ING Groep N.V.--Key ratios and forecasts

	--Fiscal year ended Dec. 31--				
(%)	2021a	2022a	2023f	2024f	2025f
Growth in operating revenue	4.7	1.2	13.5-16.5	0.8-1.5	1.3-1.6
Growth in customer loans	4.9	1.2	0.3-0.8	0.7-1.2	0.9-1.4
Cost to income ratio	57.1	57.7	52.1-54.7	51.7-54.3	51.5-54.2
Return on average common equity	8.8	7.1	11.4-12.4	11.0-12.2	11.6-12.6
New loan loss provisions/average customer loans	0.1	0.3	0.2-0.2	0.2-0.3	0.2-0.3
Gross nonperforming assets/customer loans	1.9	1.8	1.7-1.9	1.9-2.1	2.0-2.2
Risk-adjusted capital ratio	10.9	10.4	10.0-10.3	10.0-10.2	10.0-10.2

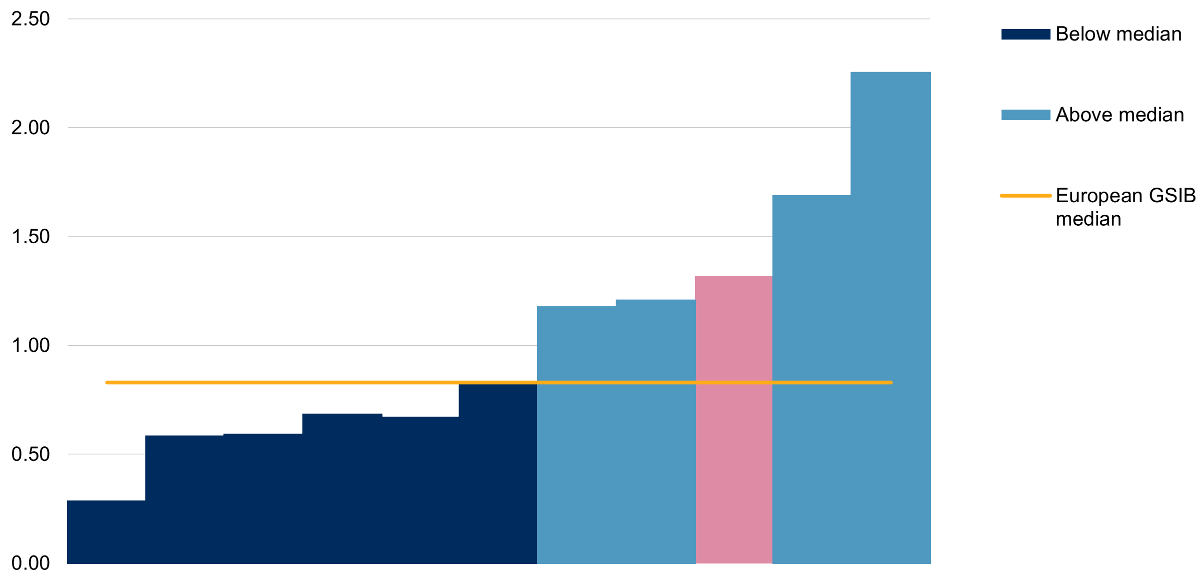
All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast. NIM--Net interest margin.

We consider ING Groep's 2025 financial targets as achievable. Higher interest rates will boost total revenues despite likely lower business growth over 2023. A focus on primary accounts growth with banking packages and investment accounts should continue supporting fee and commission income growth, but we think it will land at the lower end of the targeted annual growth of 5%-10% given challenging conditions. The group's target to reach a cost-to-income ratio of 50%-52% by 2025 (60% as of end-2022) seems challenging considering inflationary pressure and continuous investments. However, expected revenue improvement should help reduce the cost-to-income ratio to 52%-54%, in our view.

As the group continues its capital optimization plan, we expect our Risk-Adjusted Capital (RAC) ratio to decline but remain above 10%, supported by strong capital generation capability. We estimate our RAC ratio at 10.0%-10.3% over the next two years, reducing from 10.8% at end-2021 mainly due to continuous implementation of ING's capital optimization strategy and some growth of risk-weighted exposures. ING's Common Equity Tier (CET) 1 ratio stood at 14.8% as of end-March 2023 and we expect it to gradually converge toward the group's target of around 12.5% under Basel IV by 2025. ING intends to achieve this by making additional distributions, via dividends or share buybacks, in addition to its 50% dividend payout policy. We assume the group's capital management to remain prudent. We forecast additional distribution between €2.5-€3.0 billion per year or a cumulative payout of around €8.2 billion by 2025, above the 50% yearly dividend payout. Further, we anticipate ING's robust earnings generation capacity, better than that of majority of its GSBI peers (see chart 1), will support keeping our RAC ratio above 10% over the next two years.

Chart 1

ING's profitability is above the median for European GSIBs
European GSIBs: Earnings buffer forecast for year-end 2023



UBS Group AG is not included to above chart as it is expected to report a loss in 2023. Source: S&P Global Ratings.

Asset quality remains good, with stage 3 total loans stable at 1.4% as of end-March 2023 and a further decline in Russian exposure. Of the group's total loan portfolio, the share of stage 2 loans declined slightly to 6.6% as of end-March 2023, from 7.1% as of year-end 2022, led by an improved-macroeconomic environment compared to 2022 and further decline in off-shore Russia-related exposures (€2.3 billion as of end-March 2023 down from €5.3 billion in February 2022). Similarly, the group's credit loss provisions decreased to €152 million or 9 basis points (bps) in the first quarter of 2023, well below the through-the-cycle levels of 25 bps.

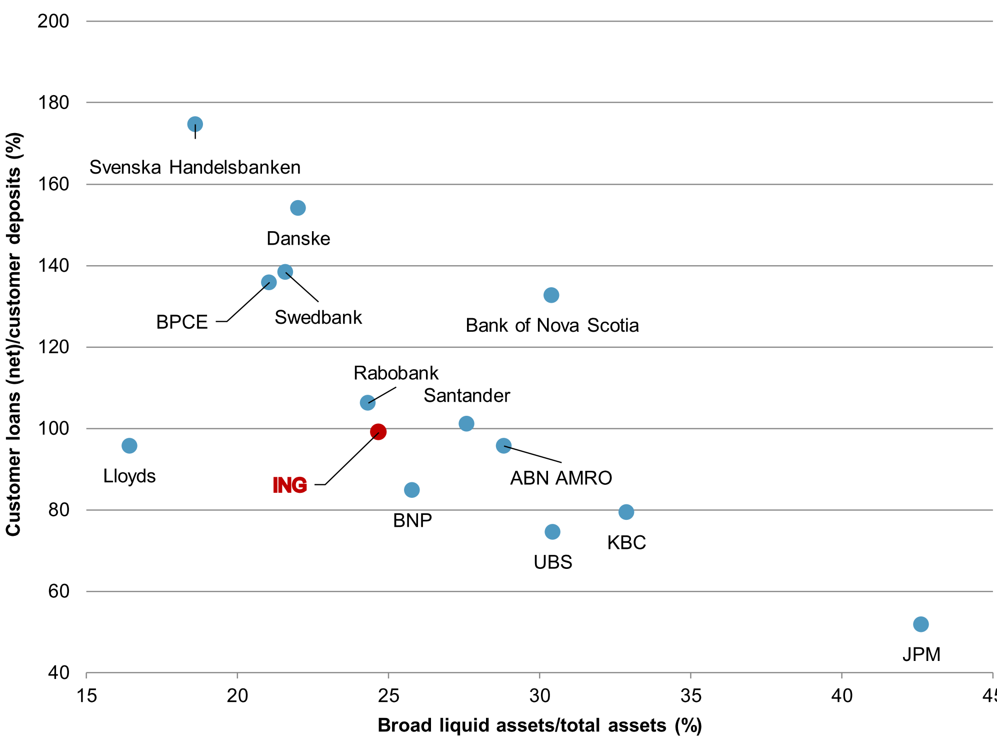
That said, we believe ING's diverse geographic profile also brings in some pockets of risk such as from its presence in Turkey, exposure in leverage finance and commercial real estate, as well as outstanding Russia-related exposure. We expect ING' nonperforming loan ratio could increase modestly to around 2.1% by 2025 from 1.8% at year-end 2022, as the current macro environment remains challenging, with high inflation, low growth and rising interest rates putting pressure on households and corporate borrowers' debt-service capacity.

ING has a resilient and balanced funding profile. Thanks to its deposit-rich digital banking franchise, ING benefits from less reliance on wholesale funding compared with several peers, particularly those in France and Scandinavia. Although customer deposits (74% of the funding mix) include some potentially less stable elements, such as large corporate and institutional balances, the majority are franchise-driven retail and commercial balances that have exhibited stability through turbulent market conditions. More than 60% of its customer deposit base is insured as of end-March 2023, which is higher than many European and global peers. The consolidated loan-to-deposit ratio was 99% at year-end 2022, at the lower end of its peer set (see chart 2).

ING's stock of TLTRO III participation stood at €31 billion as of end-March 2023, following repayment of about €34.5 billion in 2022 and the first quarter of 2023. We believe the outstanding participation can be easily accommodated by ING's robust liquidity and issuance plan. ING's reported liquidity coverage ratio (12 months average) remained stable at 134% as of end-March 2023.

Chart 2

ING maintains a good liquidity position with loans to deposit ratio of under 100%



Data as of year-end 2022. Source: S&P Global Ratings.

Outlook

ING Groep N.V. (holding company) and ING Bank N.V. (main operating bank)

The stable outlooks on the group's entities indicate geographical and business diversification will support their financial profiles through the economic slowdown. We expect the group to continue to display resilient earnings and improve its profitability on the back of rising interest rates. We assume the group's capital management to remain prudent. Although the CET 1 ratio will gradually converge toward the group's target of around 12.5% (under Basel IV) we anticipate robust earnings generation capacity to keep our projected RAC ratio before diversification above 10% over the next 18-24 months. The stable outlook on ING Bank N.V. reflects our view that the group will maintain its buffer of bail-in-able debt, mainly through the issuance of senior unsecured debt by the nonoperating holding company (NOHC) ING Groep. This will ensure a buffer to protect the bank's senior preferred bondholders in the event of a resolution.

Downside scenario

We see a scenario of lowering the ratings on the operating company (ING Bank) as remote. This is because in case we revise downward our assessment of the group stand-alone credit profile (SACP), this weakening would likely be counterbalanced by higher external support via the bank's buffer of bail-in-able debt. However, a downward revision of the group SACP would lead to a lowering of the holding company ratings and downgrade of ING Bank's dated subordinated and AT1 instruments that move in tandem with the group SACP. This could happen if we observe more aggressive capital management by ING Groep such that we forecast its RAC ratio will fall below 10%, and at the same time its revenue generation capacity lags that of international peers.

Upside scenario

We see upside as remote at present but could consider a positive rating action if the group materially improves its financial profile and demonstrates better performance than peers.

Key Statistics

Table 1

ING Groep N.V.--Key figures

	--Year ended Dec. 31--				
(Mil. €)	**2023***	**2022**	**2021**	**2020**	**2019**
Adjusted assets	1,020,616	966,715	950,134	935,881	889,828
Customer loans (gross)	639,490	640,184	632,711	603,332	616,175
Adjusted common equity	50,467	47,315	48,162	45,751	47,266
Operating revenues	5,567	18,752	18,521	17,686	18,189
Noninterest expenses	3,070	10,813	10,575	10,372	10,293
Core earnings	1,630	4,251	5,400	3,381	4,856

*Data as of March 31.

Table 2

ING Groep N.V.--Business position

	--Year ended Dec. 31--				
(%)	**2023***	**2022**	**2021**	**2020**	**2019**
Total revenues from business line (€'MM)	N/A	18,758.0	18,521.0	17,875.0	18,306.0
Commercial banking/total revenues from business line	N.M.	34.0	33.2	30.3	32.0
Retail banking/total revenues from business line	N.M.	66.0	66.8	69.7	68.0
Return on average common equity	12.5	7.1	8.8	4.6	9.1

N.M.--Not meaningful. N/A--Not applicable. *Data as of March 31.

Table 3

ING Groep N.V.--Capital and earnings

	--Year ended Dec. 31--				
(%)	**2023***	**2022**	**2021**	**2020**	**2019**
Tier 1 capital ratio	17.0	16.4	18.1	17.3	16.7
S&P Global Ratings' RAC ratio before diversification	N/A	10.4	10.9	10.8	11.2
S&P Global Ratings' RAC ratio after diversification	N/A	11.9	12.3	12.3	12.6
Adjusted common equity/total adjusted capital	88.9	88.3	87.6	88.9	87.1
Double leverage	N/A	85.4	89.0	87.3	87.6
Net interest income/operating revenues	72.1	73.4	73.5	76.9	77.4
Fee income/operating revenues	16.1	19.1	19.0	17.0	15.8
Market-sensitive income/operating revenues	0.3	8.2	4.8	5.0	4.5
Cost to income ratio	55.2	57.7	57.1	58.7	56.6
Preprovision operating income/average assets	1.0	0.8	0.8	0.8	0.9
Core earnings/average managed assets	0.7	0.4	0.6	0.4	0.6

N/A--Not applicable. RAC--Risk-adjusted capital. *Data as of March 31.

Table 4

ING Groep N.V.--Risk-adjusted capital framework data

(Mil. €)	**Exposure***	**Basel III RWA**	**Average Basel III RW(%)**	**S&P Global RWA**	**Average S&P Global RW (%)**
Credit risk					
Government & central banks	202,568	1,747	1	7,412	4
Of which regional governments and local authorities	37	31	84	4	11
Institutions and CCPs	69,296	12,781	18	19,061	28
Corporate	500,668	149,840	30	281,335	56
Retail	381,325	77,128	20	123,643	32
Of which mortgage	336,951	52,587	16	89,845	27
Securitization§	15,014	2,466	16	3,483	23
Other assets†	11,560	598	5	17,324	150
Total credit risk	1,180,431	244,559	21	452,257	38
Credit valuation adjustment					
Total credit valuation adjustment	--	864	--	3,375	--

Table 4

ING Groep N.V.--Risk-adjusted capital framework data (cont.)					
Market risk					
Equity in the banking book	707	1,846	261	5,894	834
Trading book market risk	--	13,951	--	18,603	--
Total market risk	--	15,797	--	24,497	--
Operational risk					
Total operational risk	--	35,000	--	37,388	--

(Mil. €)	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global RWA	% of S&P Global RWA
Diversification adjustments					
RWA before diversification	--	332,037	--	517,517	100
Total Diversification/ Concentration Adjustments	--	--	--	-65,900	-13
RWA after diversification	--	332,037	--	451,617	87

(Mil. €)	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global RAC ratio (%)
Capital ratio	Standard & Poor's RWA	Standard & Poor's RWA	Standard & Poor's RWA	Standard & Poor's RWA
Capital ratio before adjustments	54,316	16.4	53,610	10.36
Capital ratio after adjustments‡	54,316	16.4	53,610	11.87

*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of 'Dec. 31 2022', S&P Global Ratings.

Table 5

ING Groep N.V.--Risk position

	--Year ended Dec. 31--				
(%)	**2023***	**2022**	**2021**	**2020**	**2019**
Growth in customer loans	(0.4)	1.2	4.9	(2.1)	3.3
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	-12.7	(11.7)	(11.7)	(11.7)
Total managed assets/adjusted common equity (x)	20.3	20.5	19.8	20.5	18.9
New loan loss provisions/average customer loans	0.1	0.3	0.1	0.4	0.2
Net charge-offs/average customer loans	N.M.	0.2	0.1	0.2	0.2
Gross nonperforming assets/customer loans + other real estate owned	1.8	1.8	1.9	2.3	1.9
Loan loss reserves/gross nonperforming assets	51.7	51.0	43.7	42.6	39.7

RWA--Risk-weighted assets. N/A--Not applicable. N.M.--Not meaningful. *Data as of March 31.

Table 6

ING Groep N.V.--Funding and liquidity

	--Year ended Dec. 31--				
(%)	**2023***	**2022**	**2021**	**2020**	**2019**
Core deposits/funding base	72.2	74.2	72.1	72.9	72.2
Customer loans (net)/customer deposits	96.0	99.0	101.6	98.0	106.5

Table 6

ING Groep N.V.--Funding and liquidity (cont.)					
	--Year ended Dec. 31--				
(%)	2023*	2022	2021	2020	2019
Long-term funding ratio	83.0	84.6	88.9	89.4	84.7
Stable funding ratio	119.8	110.5	117.0	122.4	107.2
Short-term wholesale funding/funding base	18.1	16.4	11.9	11.4	16.5
Regulatory net stable funding ratio	N/A	132.0	137.0	N/A	N/A
Broad liquid assets/short-term wholesale funding (x)	2.0	1.7	2.4	2.7	1.5
Broad liquid assets/total assets	31.8	24.7	25.4	27.6	22.3
Broad liquid assets/customer deposits	49.2	37.3	39.2	42.4	34.6
Net broad liquid assets/short-term customer deposits	24.3	15.3	22.9	27.0	11.9
Regulatory liquidity coverage ratio (LCR) (x)	134.0	134.0	139.0	N/A	N/A
Short-term wholesale funding/total wholesale funding	63.6	61.8	41.4	40.8	57.5
Narrow liquid assets/3-month wholesale funding (x)	2.8	2.7	2.7	3.1	4.1

N/A--Not applicable. *Data as of March 31.

ING Groep N.V.--Rating Component Scores	
Issuer Credit Rating	A+/Stable/A-1
SACP	a
Anchor	bbb+
Economic risk	3
Industry risk	3
Business position	Strong
Capital and earnings	Strong
Risk position	Adequate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	+1
ALAC support	+1
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology , Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions , Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings , Oct. 10, 2021

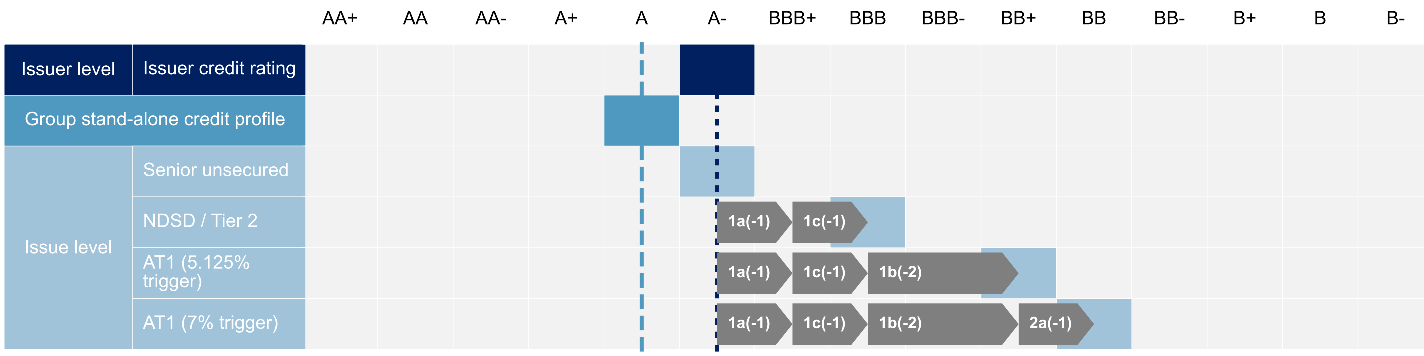
- ARCHIVE | General Criteria: Hybrid Capital: Methodology And Assumptions , July 1, 2019
- General Criteria: Group Rating Methodology , July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology , July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- General Criteria: Guarantee Criteria , Oct. 21, 2016
- General Criteria: Principles Of Credit Ratings , Feb. 16, 2011

Related Research

- Banking Industry Country Risk Assessment Update: June 2023, June 30, 2023
- European Banks: Protecting Liquidity Will Come At An Increasing Cost, June 29, 2023
- European G-SIBs Monitor H1 2023: Weathering Market Volatility, April 25, 2023
- European Banks' Asset Quality: Tougher Times Ahead Require Extra Caution, Apr. 20, 2023
- Crisis Management Observations From Recent European And U.S. Banking Sector Volatility, Apr. 19, 2023
- BPCE, Oct. 12, 2022
- ING Groep N.V., Oct. 14, 2022

Appendix

ING Groep N.V.: NOHC Notching



Key to notching

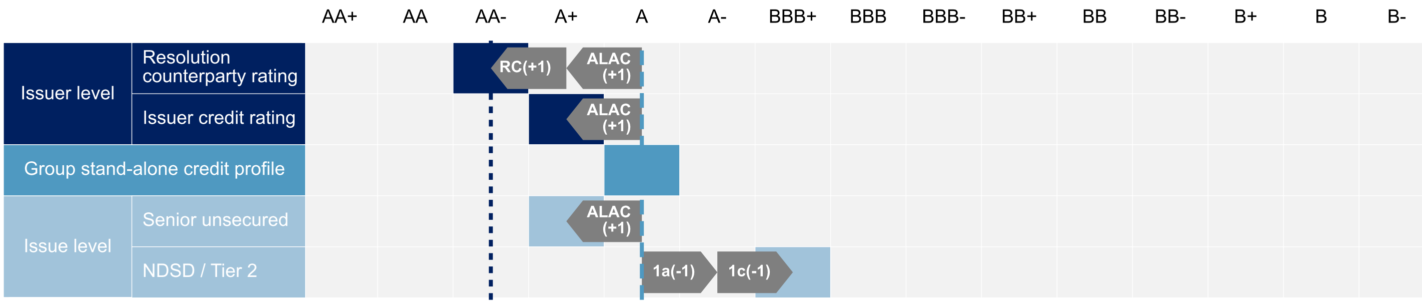
- - - - - Group stand-alone credit profile

- - - - - - Issuer credit rating

1a	Contractual subordination
1b	Discretionary or mandatory nonpayment clause and whether the regulator classifies it as regulatory capital
1c	Mandatory contingent capital clause or equivalent
2a	Mandatory going-concern, regulatory capital-based trigger (either statutory or contractual)

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our “Hybrid Capital: Methodology And Assumptions” criteria, published on March 2, 2022.
The nonoperating holding company (NOHC) issuer credit rating and senior unsecured debt ratings are notched from the group stand-alone credit profile (SACP) under our criteria. Since ALAC notching does not benefit NOHCs, for simplicity the diagram above is stylized to show the positioning of these ratings with reference to the group SACP.
AT1--Additional Tier 1. NDSD--Non-deferrable subordinated debt.

ING Bank N.V.: Notching



Key to notching

---	Group stand-alone credit profile
----	Issuer credit rating
RC	Resolution counterparty liabilities (senior secured debt)
ALAC	Additional loss-absorbing capacity buffer
1a	Contractual subordination
1c	Mandatory contingent capital clause or equivalent

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our “Hybrid Capital: Methodology And Assumptions” criteria, published on March 2, 2022.
NDSD--Non-deferrable subordinated debt.

Ratings Detail (As Of July 5, 2023)*	
ING Groep N.V.	
Issuer Credit Rating	A-/Stable/A-2
Junior Subordinated	BB
Junior Subordinated	BB+
Senior Unsecured	A-
Short-Term Debt	A-2
Subordinated	BBB
Issuer Credit Ratings History	
24-Jun-2021	A-/Stable/A-2

Ratings Detail (As Of July 5, 2023)*(cont.)	
23-Apr-2020	A-/Negative/A-2
08-Jun-2015	A-/Stable/A-2
Sovereign Rating	
Netherlands	AAA/Stable/A-1+
Related Entities	
ING Bank (Australia) Ltd.	
Issuer Credit Rating	A/Stable/A-1
ING Bank N.V.	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Certificate Of Deposit	
Local Currency	A-1
Commercial Paper	
Local Currency	A-1
Senior Secured	AAA/Stable
Senior Unsecured	A+
Short-Term Debt	A-1
Subordinated	BBB
Subordinated	BBB+
ING Bank N.V. (Dublin Branch)	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
ING Bank N.V. (Sydney Branch)	
Senior Unsecured	A+
ING Financial Markets LLC	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	A+/--/A-1

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.