03. August 2018 – Neuss, Germany

Rating Action:

Creditreform Rating affirms ING Groep N.V.'s (Group) long-term issuer rating at 'A' (Outlook: stable), however, ING's Tier 2 Capital is downgraded by one notch to BBB-. At the same time CRA sets the credit rating of two main subsidiaries of the Group

Creditreform Rating (CRA) has affirmed ING Groep N.V.'s (as parent of ING Bank NV) long-term issuer rating at 'A' and the short-term Rating at 'L2'. The rating outlook is stable. At the same time, we affirm the rating of ING Groep NV's (hereafter ING) 'senior unsecured' debt instruments at 'A' and AT1 capital at 'BB+. However, we downgrade ING's Tier 2 Capital to 'BBB-' from 'BBB'.
Concurrently we set the issuer rating of the Group's subsidiaries ING Belgium SA/NV and ING-DiBa AG, which reflects ING Groep N.V.'s (Group) issuer rating, in line with our methodology.

Please find a complete list of rating actions regarding the bank and its affected subsidiaries at the end of this rating action paper.

Key Rating Drivers

CRA has affirmed the rating of ING Groep N.V.'s long-term issuer rating and its bank capital and debt instruments; however, we downgrade ING's Tier 2 capital, as a result of our periodic monitoring process for the following reasons:

- ING's resilient profitability
- Good asset quality
- Sound capitalization
- Diversified business model underpinned by its digital leadership
- Reduced amount of AT1 capital, which leads to a downgrade of the Group's Tier 2 capital, due to a lower amount of subordinated bank capital and debt instruments

Rating Rationale

ING Groep N.V.'s credit rating affirmation is primarily driven by its stable profitability and the good asset quality. In addition, ING Groep N.V. remains well capitalized.

Profitability

ING Group N.V. showed a stable profitability year-over-year (2016 to 2017). In line with our expectations, ING was able to improve its operating income slightly while keeping its operating costs at a stable level (net of various one-off effects). Moreover, a further decrease of the Group's personal costs is expected, as ING is continuously reducing its number of employees over recent years and promotes its digitalization. In addition, the Group benefits from the favorable economic conditions in its markets. As a result of the Group's strategy 'accelerating thinking forward' we expect, that the Group will keep its profitability at a competitive level while the Group will manage to improve its cost to income ratios. Moreover, we are confident that ING Group N.V. is able to reach all key targets for 2020 such as a cost to income ratio of 50%-52%.

Asset Situation and Asset Quality

ING Group N.V.'s asset quality remains at a satisfying level YOY and is in line with our expectations. In addition, we acknowledge that the Group manages to reduce its risk-weighted assets as well as its already relatively low NPL ratio.

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Refinancing and Capital Quality

Overall, the Group's capitalization is sufficient. However, while ING Group N.V. managed to improve its CET1 ratio YOY, the Group showed deteriorating Additional Tier 1 and Total Capital ratios in the same time (fully loaded and phased-in).

However, we take in particular note, that the Group reduced (redeemed) a considerable amount of AT1 capital (€2.5bn), which leads according to our methodology for the rating of bank capital and unsecured debt instruments to a downgrade of the Group's Tier 2 capital by one notch, as a result of a lower amount of subordinated bank capital and debt instruments.

Liquidity

In our opinion, the overall liquidity situation of ING Group N.V. remains satisfactory.

Outlook

We consider the outlook of ING Groep N.V.'s long-term issuer rating and its bank capital and debt instruments as stable. This reflects our view that ING Groep N.V.'s is likely to keep its profitability at a sustainable and competitive level in the upcoming years while its capitalizations remains at a sound level despite increasing regulatory requirements. However, we will observe if ING Groep N.V. is able to meet its targets according to its strategy.

In addition, we assume a stable political and economic environment in ING Groep N.V.'s markets of operations.

Scenario Analysis

In a scenario analysis, ING Groep N.V.'s rating developed slightly better in the "best case" scenario and marginally worse in the "worst case" scenario. The ratings of bank capital and senior unsecured debt would behave similarly based on our rating mechanism. These ratings are especially sensitive to changes in total equity and to the bank capital and debt structure in general.

We could upgrade ING Groep N.V.'s long-term issuer credit rating and its bank capital and debt instruments if we see the Group outperforming its current level of profitability. In addition, an increased capitalization of the bank which outperforms its competitors as well as an improved asset quality might lead to an upgrade as well.

By contrast, a downgrade of ING Groep N.V.'s long-term issuer credit rating and its bank capital and debt instruments is likely if we see that the Group is not able to keep its level of profitability or struggles to meet its targets according to its strategy. In addition, a deterioration of the Group's asset quality, as well as problems in keeping its level of capitalization might lead to a downgrade as well.

CRA's rating actions at a glance

ING Groep N.V. as parent of ING Bank NV:

- Long-Term Issuer Rating affirmed at ‘A’, stable outlook
- Short-term rating affirmed at ‘L2’
- Senior unsecured debt instruments affirmed at ‘A’
- Tier 2 capital downgraded to 'BBB-' from 'BBB'
- AT1 capital affirmed at 'BB+'

ING Belgium SA/NV:

- Long-Term Issuer Rating set to 'A', stable outlook
- Short-term rating set to ‘L2’
- Senior unsecured debt instruments set to ‘A‘
- Tier 2 capital set to 'BBB-'
- AT1 capital set to 'BB+'

ING-DiBa AG:

- Long-Term Issuer Rating set to 'A', stable outlook
- Short-term rating set to ‘L2’
- Senior unsecured debt instruments set to ‘A‘
- Tier 2 capital set to 'BBB-'
- AT1 capital set to 'BB+'

Ratings Detail

Bank ratings

The bank ratings are dependent on a host of quantitative and qualitative factors. An improvement in either sub-category may result in a higher rating score.

LT Issuer / Outlook / Short-Term **A / stable / L2**

Bank Capital and Debt Instruments Ratings

The ratings for bank capital and debt instruments are inter alia dependent on subordination and relative size of the instrument class, based on the long-term issuer rating of the bank.

Senior unsecured debt:	**A**
Tier 2 (T2):	**BBB-**
Additional Tier 1 (AT1):	**BB+**

Ratings Detail and History

Ratings			
Bank Issuer Ratings			
Instruments	Rating Date	Publication Date	Ratings
LT Issuer / Outlook / Short-Term (Initial Rating)	23.02.2018	05.03.2018	A / stable / L2
LT Issuer / Outlook / Short-Term	03.08.2018	24.08.2018	A / stable / L2
Bank Capital and Debt Instruments			
Type	Rating Date	Publication Date	Ratings
Senior Unsecured / T2 / AT1 (Initial Rating)	23.02.2018	05.03.2018	A / BBB / BB+
Senior Unsecured / T2 / AT1	03.08.2018	24.08.2018	A / BBB- / BB+
Subsidiaries of the Bank			
Type	Rating Date	Publication Date	Ratings
ING Belgium SA/NV			
LT Issuer / Outlook / Short-Term	03.08.2018	24.08.2018	A / stable / L2
Senior Unsecured / T2 / AT1	03.08.2018	24.08.2018	A / BBB- / BB+
ING-DiBa AG			
LT Issuer / Outlook / Short-Term	03.08.2018	24.08.2018	A / stable / L2
Senior Unsecured / T2 / AT1	03.08.2018	24.08.2018	A / BBB- / BB+

Figure 1: Ratings Detail and History

Appendix

Income Statement	2014	%	2015	%	2016	%	2017	%
Income (€000)								
Net Interest Income	12,304,000	80.0%	12,561,000	75.2%	13,241,000	76.6%	13,714,000	77.6%
Net Fee & Commission Income	2,293,000	14.9%	2,318,000	13.9%	2,433,000	14.1%	2,710,000	15.3%
Net Insurance Income	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Net Trading Income	501,000	3.3%	1,473,000	8.8%	1,314,000	7.6%	740,000	4.2%
Equity Accounted Results	138,000	0.9%	95,000	0.6%	70,000	0.4%	81,000	0.5%
Dividends from Equity Instruments	36,000	0.2%	63,000	0.4%	71,000	0.4%	80,000	0.5%
Rental Revenue	6,000	0.0%	4,000	0.0%	4,000	0.0%	3,000	0.0%
Lease and Rental Revenue	5,000	0.0%	2,000	0.0%	2,000	0.0%	2,000	0.0%
Other Income	95,000	0.6%	191,000	1.1%	155,000	0.9%	348,000	2.0%
Operating Income	**15,378,000**	**100%**	**16,707,000**	**100%**	**17,290,000**	**100%**	**17,678,000**	**100%**
Expenses (€000)								
Depreciation and Amortisation	576,000	5.8%	598,000	6.4%	517,000	5.5%	498,000	5.1%
Personnel Expense	5,788,000	58.6%	4,972,000	53.5%	5,039,000	53.2%	5,202,000	53.0%
Occupancy & Equipment	239,000	2.4%	281,000	3.0%	310,000	3.3%	307,000	3.1%
Tech & Communications Expense	764,000	7.7%	809,000	8.7%	788,000	8.3%	787,000	8.0%
Marketing and Promotion Expense	405,000	4.1%	418,000	4.5%	404,000	4.3%	455,000	4.6%
Other Provisions	469,000	4.7%	172,000	1.8%	370,000	3.9%	162,000	1.7%
Other Expense	1,639,000	16.6%	2,050,000	22.0%	2,047,000	21.6%	2,400,000	24.5%
Operating Expense	**9,880,000**	**100%**	**9,299,000**	**100%**	**9,475,000**	**100%**	**9,811,000**	**100%**
Operating Profit & Impairment (€000)								
Pre-impairment Operating Profit	**5,498,000**		**7,408,000**		**7,815,000**		**7,867,000**	
Asset Writedowns	1,682,000		1,508,000		1,097,000		697,000	
Net Income (€000)								
Non-recurring Revenue	195,000		399,000		217,000		98,000	
Non-recurring Expense	304,000		127,000		1,032,000		0	
Pre-tax Profit	**3,707,000**		**6,172,000**		**5,903,000**		**7,268,000**	
Income Tax Expense	971,000	26.2%	1,637,000	26.5%	1,618,000	27.4%	2,281,000	31.4%
Discontinued Operations	-1,296,000		-122,000		441,000		0	
Net Profit	**1,440,000**		**4,413,000**		**4,726,000**		**4,987,000**	

Figure 2: Group income statement
(Source: S&P Global Market Intelligence)

Income Ratios (%)	2014	%	2015	%	2016	%	2017	%
Return on Average Assets (ROAA)	NA	NA	0.40	NA	0.51	0.11	0.58	0.07
Return on Equity (ROAE)	NA	NA	8.21	NA	9.51	1.31	9.83	0.31
RoRWA	NA	NA	1.42	NA	1.49	0.07	1.60	0.11
Net Interest Margin	NA	NA	1.24	NA	1.46	0.22	1.63	0.17
Cost income Ratio ex. Trading	66.41	NA	61.04	-5.37	59.31	-1.73	57.92	-1.38
Cost income Ratio	64.25	NA	55.66	-8.59	54.80	-0.86	55.50	0.70
Change in %-Points								

Figure 3: Group key earnings figures
(Source: S&P Global Market Intelligence)

Assets (€000)	2014	%	2015	%	2016	%	2017	%
Cash and Balances with Central Banks	12,233,000	1.0%	21,458,000	2.1%	18,144,000	2.1%	21,989,000	2.6%
Net Loans to Banks	37,119,000	3.1%	29,988,000	3.0%	28,858,000	3.4%	28,811,000	3.4%
Net Loans to Customers	756,476,000	64.2%	766,294,000	76.2%	623,984,000	73.8%	645,195,000	76.2%
Total Securities	188,543,000	16.0%	167,387,000	16.7%	153,432,000	18.2%	131,634,000	15.6%
Financial Assets	**994,371,000**	**84%**	**985,127,000**	**98%**	**824,418,000**	**98%**	**827,629,000**	**98%**
Equity Accounted Investments	953,000	0.1%	962,000	0.1%	1,141,000	0.1%	1,088,000	0.1%
Other Investments	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Insurance Assets	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Non-current Assets HFS & Discontinued Ops	165,617,000	14.1%	2,224,000	0.2%	75,000	0.0%	74,000	0.0%
Tangible and Intangible Assets	3,835,000	0.3%	3,671,000	0.4%	3,551,000	0.4%	3,335,000	0.4%
Tax Assets	1,434,000	0.1%	1,136,000	0.1%	1,314,000	0.2%	1,142,000	0.1%
Total Other Assets	12,447,000	1.1%	12,113,000	1.2%	14,582,000	1.7%	12,948,000	1.5%
Total Assets	**1,178,657,000**	**100%**	**1,005,233,000**	**100%**	**845,081,000**	**100%**	**846,216,000**	**100%**

Figure 4: Development of assets
(Source: S&P Global Market Intelligence)

Asset-Quality (%)	2014	%	2015	%	2016	%	2017	%
Non-Performing Loans (NPL) / Loans	2.40	NA	2.19	-0.21	2.41	0.23	2.17	-0.24
NPL / RWA	5.62	NA	4.77	-0.85	4.33	-0.45	4.03	-0.30
Potential Problem Loans / NPL	23.62	NA	26.90	3.28	58.26	31.37	46.86	-11.40
Reserves / Impaired Loans	35.46	NA	37.66	2.20	38.08	0.42	36.17	-1.91
Net Write-offs / Risk-adjusted Assets	NA	NA	0.52	NA	0.44	-0.08	0.39	-0.05
Risk-weighted Assets/ Assets	25.51	NA	31.95	6.44	37.19	5.25	36.62	-0.57
Change in %-Points								

Figure 5: Development of asset quality
(Source: S&P Global Market Intelligence)

Liabilities (€000)	2014	%	2015	%	2016	%	2017	%
Total Deposits from Banks	29,999,000	2.7%	33,813,000	3.5%	31,964,000	4.0%	36,821,000	4.6%
Total Deposits from Customers	707,834,000	63.2%	703,437,000	73.5%	561,664,000	70.7%	583,446,000	73.4%
Total Debt	164,313,000	14.7%	155,251,000	16.2%	135,900,000	17.1%	126,704,000	15.9%
Derivative Liabilities	54,059,000	4.8%	45,160,000	4.7%	42,834,000	5.4%	28,244,000	3.6%
Securities Sold, not yet Purchased	4,658,000	0.4%	3,773,000	0.4%	1,975,000	0.2%	601,000	0.1%
Other Financial Liabilities	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total Financial Liabilities	**960,863,000**	**86%**	**941,434,000**	**98%**	**774,337,000**	**97%**	**775,816,000**	**98%**
Insurance Liabilities	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Non-current Liab. HFS & Discontinued Ops	142,132,000	12.7%	0	0.0%	0	0.0%	0	0.0%
Unit-Linked Insurance and Investment Contr.	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Tax Liabilities	1,310,000	0.1%	1,233,000	0.1%	1,465,000	0.2%	1,502,000	0.2%
Non-current Asset Retirement Obligations	777,000	0.1%	596,000	0.1%	608,000	0.1%	563,000	0.1%
Other Provisions	1,017,000	0.1%	964,000	0.1%	2,028,000	0.3%	1,713,000	0.2%
Total Other Liabilities	13,142,000	1.2%	12,536,000	1.3%	16,244,000	2.0%	15,501,000	1.9%
Total Liabilities	**1,119,241,000**	**95.0%**	**956,763,000**	**95.2%**	**794,682,000**	**94.0%**	**795,095,000**	**94.0%**
Total Equity	**59,416,000**	**5.0%**	**48,470,000**	**4.8%**	**50,399,000**	**6.0%**	**51,121,000**	**6.0%**
Total Passiva	**1,178,657,000**	**100%**	**1,005,233,000**	**100%**	**845,081,000**	**100%**	**846,216,000**	**100%**
Deposits from Customers Growth*	NA	NA	-0.62	NA	-20.15	-19.53	3.88	24.03
Change in %-Points								

Figure 6: Development of refinancing and capital adequacy
(Source: S&P Global Market Intelligence)

Capital (€000)	2014	%	2015	%	2016	%	2017	%
Total Capital	43,834,000	NA	54,325,000	23.93	60,765,000	11.85	57,410,000	-5.52
Total Risk-weighted Assets	300,648,000	NA	321,135,000	6.81	314,325,000	-2.12	309,887,000	-1.41
Capital Ratios (%)								
Core Tier 1 Ratio	13.49	NA	12.94	-0.55	14.15	1.21	14.71	0.56
Tier 1 Ratio	13.49	NA	14.45	0.97	16.34	1.89	16.24	-0.10
Total Capital Ratio	14.58	NA	16.92	2.34	19.33	2.42	18.53	-0.81
Leverage Ratio	3.40	NA	4.40	1.00	4.80	0.40	4.70	-0.10
Fully Loaded: Common Equity Tier 1 Ratio	10.48	NA	12.70	2.22	14.18	1.48	14.70	0.52
Fully Loaded: Tier 1 Ratio	12.38	NA	14.75	2.37	16.63	1.88	16.37	-0.26
Fully Loaded: Risk-weighted Capital Ratio	15.53	NA	17.45	1.92	19.68	2.24	19.14	-0.55
Total Equity/ Total Assets	5.04	NA	4.82	-0.22	5.96	1.14	6.04	0.08
Change in %-Points								

Figure 7: Development of capital ratios
(Source: S&P Global Market Intelligence)

Liquidity (%)	2014	%	2015	%	2016	%	2017	%
Liquidity Coverage Ratio	NA	NA	NA	NA	NA	NA	114.00	NA
Interbank Ratio	123.73	123.73	88.69	-35.05	90.28	1.60	78.25	-12.04
Loan to Deposit (LTD)	106.87	106.87	108.94	2.06	111.10	2.16	110.58	-0.51
Change in %-Points								

Figure 8: Development of liquidity
(Source: S&P Global Market Intelligence and ING Groep NV Pillar III Report 2017)

Regulatory

Creditreform Rating AG was neither commissioned by the rating object nor by any other third party for the rating. The analysis took place on a voluntary basis by Creditreform Rating AG and is to be described in the regulatory sense as an unsolicited rating.

The rating is based on publicly available information and internal evaluation methods for the rated bank. The quantitative analysis is based mainly on the latest annual accounts, interim reports, other investor relations information of the bank, and calculated key figures by S&P Global Market Intelligence. Subject to a peer group analysis were 35 competing institutes.

The information and documents processed met the requirements of the rating system of Creditreform Rating AG as published on the website www.creditreform-rating.de. The rating was carried out on the basis of the rating methodology for unsolicited bank ratings as well as the methodology for the rating of bank capital and unsecured debt instruments in conjunction with Creditreform`s basic document “Rating Criteria and Definitions”.

On 03 August 2018, the rating was presented by the analysts to the rating committee and adopted in a resolution.

The rating result was communicated to ING Groep N.V and its subsidiaries, and the preliminary rating report was made available to the bank. There was no change in the rating score.

The rating is subject to one-year monitoring from the rating date and is valid until withdrawal of the rating. Within this period, the rating can be updated. At the latest after one year, a monitoring is required to maintain the validity of the rating.

In 2011, Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on this registration, Creditreform Rating AG (CRA) is permitted to issue credit ratings within the EU, and is obligated to comply with the provisions of the CRA-Regulation.

Conflict of Interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved nor any other natural persons whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

In the event of providing ancillary services to the rated entity, CRA will disclose all ancillary services in the credit rating report.

Rules on the Presentation of Credit Ratings and Rating Outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our ‘Rating Committee’ policy, all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, CRA has used the following substantially material sources:

1. Transaction structure and participants

2. Transaction documents

3. Issuance documents

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the CRA website. Furthermore, CRA considers satisfactory the quality and extent of information available on the rated entity. In regard to the rated entity Creditreform Rating AG regarded the available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The ‘Basic Data’ information card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated including any rating outlooks is indicated clearly and prominently in the ‘Basic Data’ card as a “rating action”; initial release is indicated as “initial rating”, other updates are indicated as an “update”, “upgrade” or “downgrade”, “not rated”, “confirmed”, “selective default” or “default”.

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within ‘Basic Data’ information card.

In accordance to Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website: https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml.

An explanatory statement of the meaning of Creditreform`s default rates are available in the credit rating methodologies disclosed on the website.

Disclaimer

Any rating performed by Creditreform Rating AG is subject to the Creditreform Rating AG Code of Conduct which has been published on the web pages of Creditreform Rating AG. In this Code of Conduct, Creditreform Rating AG commits itself – systematically and with due diligence – to establish its independent and objective opinion as to the sustainability, risks and opportunities concerning the enterprise or the issue under review.

Future events are uncertain, and forecasts are necessarily based on assessments and assumptions. This rating is therefore no statement of fact, but an opinion. For this reason, Creditreform Rating AG cannot be held liable for the consequences of decisions made on the basis of any of their ratings. Neither should these ratings be construed as recommendations for investors, buyers or sellers. They should only be used by market participants (entrepreneurs, bankers, investors etc.) as one factor among others when arriving at corporate or investment decisions. Ratings are not meant to be used as substitutes for one's own research, inquiries and assessments.

We have assumed that the documents and information made available to us by the client are complete and accurate and that the copies provided to us represent the full and unchanged contents of the original documents. Creditreform Rating AG assumes no responsibility for the true and fair representation of the original information.

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