

ING-DiBa AG

Long-Term Issuer Rating: A

Outlook: stable

Short-Term Rating: L2

Preferred Sen. Unsec. Debt: A

Non-Preferred Sen. Unsec. Debt: -

Tier 2 Capital: BBB-

AT1 Capital: BB+

22 October 2019

Rating Action:

Creditreform Rating affirms ING Groep N.V. (Group) long-term issuer rating at 'A' (Outlook: stable) as well as the credit rating of its subsidiaries ING Bank N.V., ING Belgium N.V. and ING DiBa AG

Creditreform Rating (CRA) has affirmed ING Groep N.V. (Group) – in the following ING - long-term issuer rating at 'A' and the short-term rating at 'L2'. The rating outlook is stable. Concurrently we affirm the issuer rating of the Group's subsidiaries ING Bank N.V., ING Belgium N.V. and ING-DiBa AG, which reflects ING's issuer rating, in line with our methodology.

Moreover, CRA affirms its ratings of the Tier 2 capital of ING and its subsidiaries at 'BBB-' and the rating of AT1 Capital at 'BB+'. However, adjustments in our rating methodology for bank capital and debt instruments occurred because of legislative alterations in the European Union. As a result, CRA reclassifies its rating of senior unsecured debt of ING and its subsidiaries to preferred senior unsecured debt and affirms it at 'A' for ING Bank N.V., ING Belgium, N.V. and ING-DiBa AG. However we withdraw the rating (set to not rated) of preferred senior unsecured debt at ING Group level as the Group has chosen the single point of entry approach and thus does not issue preferred senior unsecured debt.

In addition, CRA assigns the non-preferred senior unsecured debt of ING Groep N.V. (Group), which ranks junior to preferred senior unsecured debt, the following rating: 'A-'.

Please find a complete list of rating actions regarding the bank and its affected subsidiaries at the end of this rating update. In addition, we refer to the more detailed report of the Group from 23.02.2018 and the Rating Update from 03.08.2018 on our homepage.

Key Rating Drivers

CRA has affirmed the rating of ING and its bank capital and debt instruments as a result of our periodic updating process for the following reasons:

- Stable and sound earnings figures
- Good asset quality along with a relatively low NPL ratio
- Adequate capital figures

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Rating Rationale

ING's credit rating affirmation was primarily driven by its stable profitability, the sound asset quality and the adequate capitalization.

Profitability

ING showed a stable profitability year-over-year (2017 to 2018). The bank had to absorb the negative impact of EUR 775 million due to with investigations regarding various requirements for client on-boarding and the prevention of money laundering and corrupt practices. Despite the increase in personal expense of about EUR 200 million (mostly related to external employees), ING displays favorable income ratios. In particular, the cost-income ratio of 54% is clearly ahead of the peer group average and reflects the bank's digitalization strategy.

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.

Asset Situation and Asset Quality

ING's asset quality remains at a satisfying level. In particular, ING was even able to improve its NPL ratio to 1.65% (measured in 2018 as stage 3 loans over net loans to customers) and reveals relatively low and declining asset write-downs.

In addition, we acknowledge that the Group manages to continuously reduce its risk-weighted assets ratio.

Refinancing and Capital Quality

Overall, we consider the Group's capitalization as adequate. However, ING reveals declining capital figures in comparison to the previous year as a result of the IFRS9 implementation and an increased amount of risk weighted assets. In addition, we expect the Group's regulatory capital figures to decline, as the Group's ambition for CET1 ratio in 2020 is at 13.5%. Thus, ING might lose its favorable capital position in comparison to its competitors.

We particularly note, that the Group (as the single point-point-of-entry) is replacing the maturing ING Bank N.V.'s debt instruments by issuing senior non-preferred unsecured debt in order to build up its MREL capacity.

Liquidity

In our opinion, the overall liquidity situation of ING Group N.V. remains satisfactory. The Group's liquidity coverage ratio is at the lower bound in our peer group comparison.

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 competitive level in the upcoming years while maintaining a sound level of capitalization.

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 significantly better in the "best case" scenario and only slightly worse in the "worst case" scenario. The ratings of bank capital and 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.

Creditreform Bank Rating

ING Groep N.V. (Group) as parent of
ING-DiBa AG

Creditreform 
Rating

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. 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. (Group):

- Long-Term Issuer Rating affirmed at 'A', stable outlook
- Short-term rating affirmed at 'L2'
- Senior unsecured debt reclassified to preferred senior unsecured debt and set to 'not rated'
- Non-preferred senior unsecured debt rated at 'A-'
- Tier 2 capital affirmed at 'BBB-'
- AT1 capital affirmed at 'BB+'

ING Bank N.V.:

- Long-Term Issuer Rating affirmed at 'A', stable outlook
- Short-term rating affirmed at 'L2'
- Senior unsecured debt reclassified to preferred senior unsecured debt and affirmed at 'A'
- Tier 2 capital affirmed at 'BBB-'
- AT1 capital affirmed at 'BB+'

ING Belgium N.V.:

- Long-Term Issuer Rating affirmed at 'A', stable outlook
- Short-term rating affirmed at 'L2'
- Senior unsecured debt reclassified to preferred senior unsecured debt and affirmed at 'A'
- Tier 2 capital affirmed at 'BBB-'
- AT1 capital affirmed at 'BB+'

ING DiBa AG:

- Long-Term Issuer Rating affirmed at 'A', stable outlook
- Short-term rating affirmed at 'L2'
- Senior unsecured debt reclassified to preferred senior unsecured debt and affirmed at 'A'
- Tier 2 capital affirmed at 'BBB-'
- AT1 capital affirmed at '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.

Preferred senior unsecured debt (PSU): **A**
 Non-preferred senior unsecured debt (NPS): **-**
 Tier 2 (T2): **BBB-**
 Additional Tier 1 (AT1): **BB+**

Ratings Detail and History

Please consult our website www.creditreform-rating.de for additional information regarding the dates of publication.

Figure 1: Rating History

Bank Issuer Rating	Rating Date	Result
LT / Outlook / Short-Term (Initial)	23.02.2018	A / stable / L2
Rating Update	03.08.2018	A / stable / L2
Rating Update	22.10.2019	A / stable / L2
Bank Capital and Debt Instruments	Rating Date	Result
Senior Unsecured / T2 / AT1 (Initial)	23.02.2018	A / BBB / BB+
Senior Unsecured / T2 / AT1	03.08.2018	A / BBB- / BB+
PSU / NPS / T2 / AT1	22.10.2019	n.r. / A- / BBB- / BB+
Subsidiaries of the Bank	Rating Date	Result
ING Bank N.V.		
LT / Outlook / Short-Term (Initial)	04.12.2018	A / stable / L2
Rating Update	22.10.2019	A / stable / L2
Bank Capital and Debt Instruments of ING Bank N.V.		
Senior Unsecured / T2 / AT1 (Initial)	04.12.2018	A / BBB- / BB+
PSU / NPS / T2 / AT1	22.10.2019	A / - / BBB- / BB+
ING Belgium N.V.		
LT / Outlook / Short-Term (Initial)	03.08.2018	A / stable / L2
Rating Update	22.10.2019	A / stable / L2
Bank Capital and Debt Instruments of ING Belgium N.V.		
Senior Unsecured / T2 / AT1 (Initial)	03.08.2018	A / BBB- / BB+
PSU / NPS / T2 / AT1	22.10.2019	A / - / BBB- / BB+

Creditreform Bank Rating

ING Groep N.V. (Group) as parent of
ING-DiBa AG



ING-DiBa AG		
LT / Outlook / Short-Term (Initial)	03.08.2018	A / stable / L2
Rating Update	22.10.2019	A / stable / L2
Bank Capital and Debt Instruments of ING-DiBa AG		
Senior Unsecured / T2 / AT1 (Initial)	03.08.2018	A / BBB- / BB+
PSU / NPS / T2 / AT1	22.10.2019	A / - / BBB- / BB+

Appendix

Figure 2: Group income statement | Source: eValueRate / CRA

Income Statement	2015	2016	2017	%	2018
Income (€000)					
Net Interest Income	12.561.000	13.241.000	13.714.000	+1,5	13.916.000
Net Fee & Commission Income	2.318.000	2.433.000	2.710.000	+3,2	2.798.000
Net Insurance Income	-	-	-	-	-
Net Trading Income	1.283.000	1.134.000	743.000	+62,2	1.205.000
Equity Accounted Results	492.000	88.000	178.000	-19,7	143.000
Dividends from Equity Instruments	63.000	87.000	80.000	+27,5	102.000
Other Income	279.000	540.000	350.000	-61,1	136.000
Operating Income	16.996.000	17.523.000	17.775.000	+3,0	18.300.000
Expenses (€000)					
Depreciation and Amortisation	642.000	643.000	516.000	+4,7	540.000
Personnel Expense	4.972.000	5.039.000	5.202.000	+4,2	5.420.000
Tech & Communications Expense	753.000	740.000	737.000	+5,7	779.000
Marketing and Promotion Expense	418.000	404.000	455.000	-11,6	402.000
Other Provisions	165.000	1.402.000	162.000	<-100	-9.000
Other Expense	2.393.000	2.405.000	2.757.000	+0,7	2.776.000
Operating Expense	9.343.000	10.633.000	9.829.000	+0,8	9.908.000
Operating Profit & Impairment (€000)					
Pre-impairment Operating Profit	7.653.000	6.890.000	7.946.000	+5,6	8.392.000
Asset Writedowns	1.481.000	987.000	679.000	-3,4	656.000
Net Income (€000)					
Non-Recurring Income	-	-	1.000	-	-
Non-Recurring Expense	-	-	-	-	898.000
Pre-tax Profit	6.172.000	5.903.000	7.268.000	-5,9	6.838.000
Income Tax Expense	1.637.000	1.618.000	2.281.000	-11,1	2.027.000
Discontinued Operations	-122.000	441.000	-	-	-
Net Profit (€000)	4.413.000	4.726.000	4.987.000	-3,5	4.811.000
Attributable to minority interest (non-controlling interest)	403.000	75.000	82.000	+31,7	108.000
Attributable to owners of the parent	4.010.000	4.651.000	4.905.000	-4,1	4.703.000

Figure 3: Group key earnings figures | Source: eValueRate / CRA

Income Ratios (%)	2015	2016	2017	%	2018
Cost Income Ratio (CIR)	54,97	60,68	55,30	-1,15	54,14
Cost Income Ratio ex. Trading (CIRex)	59,46	64,88	57,71	+0,25	57,96
Return on Assets (ROA)	0,44	0,56	0,59	-0,05	0,54
Return on Equity (ROE)	9,10	9,38	9,76	-0,46	9,30
Return on Assets before Taxes (ROAbT)	0,61	0,70	0,86	-0,09	0,77
Return on Equity before Taxes (ROEbT)	12,73	11,71	14,22	-1,00	13,22
Return on Risk-Weighted Assets (RORWA)	1,37	1,50	1,61	-0,08	1,53
Return on Risk-Weighted Assets before Taxes (RORWAbT)	1,92	1,88	2,35	-0,17	2,18
Net Interest Margin (NIM)	1,41	1,74	1,75	-0,01	1,73
Pre-impairment Operating Profit / Assets	0,76	0,82	0,94	-0,08	0,86
Cost of Funds (COF)	3,59	4,00	3,90	-2,21	1,69
Change in %Points					

Figure 4: Development of assets | Source: eValueRate / CRA

Assets (€000)	2015	2016	2017	%	2018
Cash and Balances with Central Banks	22.562.000	21.024.000	21.989.000	> +100	49.988.000
Net Loans to Banks	28.884.000	25.978.000	28.811.000	+5,6	30.422.000
Net Loans to Customers	766.294.000	623.984.000	645.195.000	+4,3	672.747.000
Total Securities	125.028.000	112.711.000	101.959.000	-8,1	93.658.000
Total Derivative Assets	42.359.000	40.721.000	29.675.000	-16,5	24.774.000
Other Financial Assets	-	-	-	-	-
Financial Assets	985.127.000	824.418.000	827.629.000	+5,3	871.589.000
Equity Accounted Investments	962.000	1.141.000	1.088.000	+10,6	1.203.000
Other Investments	77.000	65.000	65.000	-16,9	54.000
Insurance Assets	-	-	-	-	-
Non-current Assets & Discontinued Ops	2.153.000	-	-	-	1.262.000
Tangible and Intangible Assets	3.594.000	3.486.000	3.270.000	+7,0	3.498.000
Tax Assets	1.136.000	1.314.000	1.142.000	-8,7	1.043.000
Total Other Assets	12.184.000	14.657.000	13.022.000	-35,6	8.381.000
Total Assets	1.005.233.000	845.081.000	846.216.000	+4,8	887.030.000

Figure 5: Development of asset quality | Source: eValueRate / CRA

Asset Ratios (%)	2015	2016	2017	%	2018
Net Loans/ Assets	69,72	66,70	76,24	-0,40	75,84
Risk-weighted Assets/ Assets	31,95	37,19	36,62	-1,20	35,42
NPLs / Net Loans to Customers	2,19	2,41	1,93	-0,28	1,65
NPLs / Risk-weighted Assets	4,77	4,33	4,03	-0,49	3,53
Potential Problem Loans / NPLs	28,24	29,20	34,87	+5,12	39,99
Reserves/ NPLs	37,66	38,08	36,17	+4,28	40,45
Reserves/ Net Loans	0,82	0,92	0,70	-0,03	0,67
Net Write-offs/ Net Loans	-	-	-	-	-
Net Write-offs/ Risk-weighted Assets	-	-	-	-	-
Change in %Points					

Figure 6: Development of refinancing and capital adequacy | Source: eValueRate / CRA

Liabilities (€000)	2015	2016	2017	%	2018
Total Deposits from Banks	33.813.000	31.964.000	36.821.000	+1,4	37.330.000
Total Deposits from Customers	664.241.000	522.942.000	539.799.000	+3,0	555.812.000
Total Debt	159.431.000	138.844.000	126.704.000	+16,3	147.367.000
Derivative Liabilities	45.160.000	42.834.000	28.244.000	-15,6	23.829.000
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	38.789.000	37.753.000	44.248.000	+24,2	54.973.000
Total Financial Liabilities	941.434.000	774.337.000	775.816.000	+5,6	819.311.000
Insurance Liabilities	-	-	-	-	-
Non-current Liabilities & Discontinued Ops	-	-	-	-	-
Tax Liabilities	1.233.000	1.465.000	1.502.000	-2,7	1.462.000
Provisions	964.000	2.028.000	1.713.000	-41,0	1.011.000
Total Other Liabilities	13.132.000	16.852.000	16.064.000	-15,9	13.511.000
Total Liabilities	956.763.000	794.682.000	795.095.000	+5,1	835.295.000
Total Equity	48.470.000	50.399.000	51.121.000	+1,2	51.735.000
Total Liabilities and Equity	1.005.233.000	845.081.000	846.216.000	+4,8	887.030.000

Figure 7: Development of capital ratios | Source: eValueRate / CRA

Capital Ratios (€000)	2015	2016	2017	%	2018
Total Equity/ Total Assets	4,82	5,96	6,04	-0,21	5,83
Leverage Ratio	4,30	4,70	4,70	-0,30	4,40
Phased-in: Common Equity Tier 1 Ratio (CET1)	12,94	14,15	14,71	-0,23	14,48
Phased-in: Tier 1 Ratio (CET1 + AT1)	14,45	16,34	16,24	-0,04	16,20
Phased-in: Total Capital Ratio (CET1 + AT1 + T2)	16,92	19,33	18,53	-0,13	18,40
Fully Loaded: Common Equity Tier 1 Ratio (CET1)	12,70	14,18	14,70	-0,23	14,47
Fully Loaded: Tier 1 Ratio (CET1 + AT1)	14,75	16,63	16,37	-0,19	16,18
Fully Loaded: Total Capital Ratio (CET1 + AT1 + T2)	17,45	19,68	19,14	-0,70	18,44
Change in %Points					

Figure 8: Development of liquidity | Source: eValueRate / CRA

Liquidity (%)	2015	2016	2017	%	2018
Net Loans/ Deposits (LTD)	115,36	119,32	119,53	+1,51	121,04
Interbank Ratio	85,42	81,27	78,25	+3,25	81,49
Liquidity Coverage Ratio	-	-	114,00	+9,00	123,00
Customer Deposits / Total Funding (excl. Derivates)	72,87	69,55	70,39	-1,90	68,49
Change in %Points					

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 eValueRate / CRA. Subject to a peer group analysis were 24 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 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".

The complete presentation of the rating methodologies used by Creditreform Rating AG and the basic document "Rating Criteria and Definitions" is published on the following homepage:

www.creditreform-rating.de/de/regulatory-requirements/.

On 22 October 2019, 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. (Group) 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 valid until withdrawal and is subject to monitoring from the rating date (see cover page). The rating will be comprehensively reviewed at least once every year. Within this period, the rating can be updated.

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound 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 or any other natural person 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 approving credit ratings and rating outlooks.

In case 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 policy "Rating Committee," 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 following substantially material sources:

1. Aggregated data base by eValueRate
2. Annual Report and interim reports
3. Investors relations information and other publications
4. Website of the rated bank

There are no other attributes and limitations of the credit rating or rating outlook other than 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 available historical data as sufficient.

Between the 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 case 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 credit rating and indicates how the different methodologies or these 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 as well as best-case scenario credit ratings are explained in mentioned methodologies and / or in the credit rating report.

The date at which the credit rating was released for distribution for the first time and when it was last updated including any rating outlooks is indicated clearly and prominently in the “Basic data” card as a “Rating action”; first 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 registered or certified credit rating agency shall make available in a central repository established by ESMA information on its historical performance data, including the ratings 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.

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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.

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