

04. December 2018 – Neuss, Germany

Rating Action:

Creditreform Rating sets ING Bank N.V.'s long-term issuer rating at 'A' (Outlook: stable) in conformity with our rating of its parent ING Groep N.V. (Group) as of 03 August 2018.

Creditreform Rating (CRA) has set ING Bank N.V.'s long-term issuer rating at 'A' and the short-term Rating at 'L2'. The rating outlook is stable. At the same time, we set the rating of ING Bank N.V.'s 'senior unsecured' debt instruments at 'A', the Tier 2 Capital at 'BBB-' and the AT1 capital at 'BB+'. The rating of ING Bank N.V. reflects our credit rating of its parent ING Groep N.V.'s (Group) as of 03. August 2018 due to its group structure.

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

Key Rating Drivers

CRA has set the rating of ING Bank N.V.'s long-term issuer rating and its bank capital and debt instruments which reflects our credit rating of its parent ING Groep N.V.'s (Group). Our credit rating of the Group is driven by the following reasons:

- ING's resilient profitability
- Good asset quality
- Sound capitalization
- Diversified business model underpinned by its digital leadership

Please see for more details the rating report of ING Groep N.V. (Group) from 23 February 2018 and the monitoring report from 03. August 2018.

Rating Rationale

ING Bank N.V. is the major asset as well as the major issuing entity of covered and uncovered bonds of the Group. Therefore we refer for the main reasons of our monitoring report of the ING Groep N.V. as of 03. August 2018:

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

Analysts

Daniel Keller
d.keller@creditreform-rating.de
Lead-Analyst

Philipp J. Beckmann
p.beckmann@creditreform-rating.de
Senior Analyst

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.

Creditreform Bank Rating

ING Groep N.V. (Group) as parent of
ING Bank N.V.

Creditreform Rating

www.creditreform-rating.de

CRA's rating actions at a glance

ING Bank N.V.:

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

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

Ratings Detail and History

Ratings				
Bank Capital and Debt Instruments				
Instruments	Rating Date	Publication Date	Ratings	
Senior Unsecured / T2 / AT1 (Initial Rating)	04.12.2018	13.12.2018	A / BBB- / BB+	
Bank Issuer Ratings				
Type	Rating Date	Publication Date	Ratings	
LT Issuer / Outlook / Short-Term (Initial Rating)	04.12.2018	13.12.2018	A / stable / L2	

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 Write-downs	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: Based on data of S&P Global Market Intelligence as of 03 August 2018)

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 3-Points								

Figure 3: Group key earnings figures

(Source: Based on data of S&P Global Market Intelligence as of 03 August 2018)

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: Based on data of S&P Global Market Intelligence as of 03 August 2018)

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: Based on data of S&P Global Market Intelligence as of 03 August 2018)

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: Based on data of S&P Global Market Intelligence as of 03 August 2018)

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: Based on data of S&P Global Market Intelligence as of 03 August 2018)

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: Based on data of S&P Global Market Intelligence as of 03 August 2018 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 data of the latest annual accounts, interim reports, other investor relations information of the bank, and calculated key figures by S&P Global Market Intelligence as of 03 August 2018. 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 04 December 2018, the rating was presented by the analysts to the rating committee and adopted in a resolution.

The rating result was communicated to ING Bank N.V, 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.

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Creditreform Rating AG

Contact information

Creditreform Rating AG
Hellersbergstraße 11
D-41460 Neuss

Phone +49 (0) 2131 / 109-626
Fax +49 (0) 2131 / 109-627

E-Mail info@creditreform-rating.de
www.creditreform-rating.de

CEO: Dr. Michael Munsch

Chairman of the Board: Prof. Dr. Helmut Rödl
HR Neuss B 10522