Creditreform Bank Rating
ING Groep N.V.

Creditreform Rating

Rating Object	Rating Information
ING Groep N.V.	Long Term Issuer Rating / Outlook: **A / stable** — Short Term: **L2**
Creditreform ID: 1178852 Management: Steven van Rijswijk, CEO, chairman Executive Board ING Group and chairman of the Management Board Banking Tanate Phutrakul, CFO, member Executive Board ING Group and Management Board Banking	Type: Update / Unsolicited
Rating Date: **23 September 2021** Monitoring until: withdrawal of the rating Rating Methodology: CRA "Bank Ratings v.3.0" CRA "Rating of Bank Capital and Unsecured Debt Instruments v.2.0" CRA "Environmental, Social and Governance Score for Banks v.1.0" CRA "Rating Criteria and Definitions v.1.3" Rating History: www.creditreform-rating.de	Rating of Bank Capital and Unsecured Debt Instruments: Preferred Senior Unsecured: **-** Non-Preferred Senior Unsecured: **A-** Tier 2: **BBB-** Additional Tier 1: **BB+**

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Key Rating Driver

- \+ Global systemically important bank and largest financial institute in the Netherlands with a diversified business model (geographically and by business sector)
- \+ Resilient profitability
- \+ Continuous process of digital transformation with consistently applying its "Think Forward" strategy
- \+ Global network provides competitive advantage
- +/- High proportion of operating income in the Netherlands and Belgium
- \- High interest income dependency in a low-interest rate environment, which puts pressure on the bank's profitability
- \- Significant exposure affected by payment holidays
- \- Moderate growth opportunities in core markets

Executive Summary

Creditreform Rating affirms the unsolicited long-term issuer rating of ING Groep N.V. at A. However, we raise the outlook from negative to stable. The raise of the outlook and the affirmation of the credit rating is a result of the only minor impact of the Corona crisis on ING's performance. In addition, we expect ING already to regain its sound level of profitability in 2021. Moreover, ING still benefits from its diversified business model primarily with large business activities in economic strong countries, its sound asset quality, but shows only average capital figures and has to be aware of increasing potential problem loans.

Company Overview

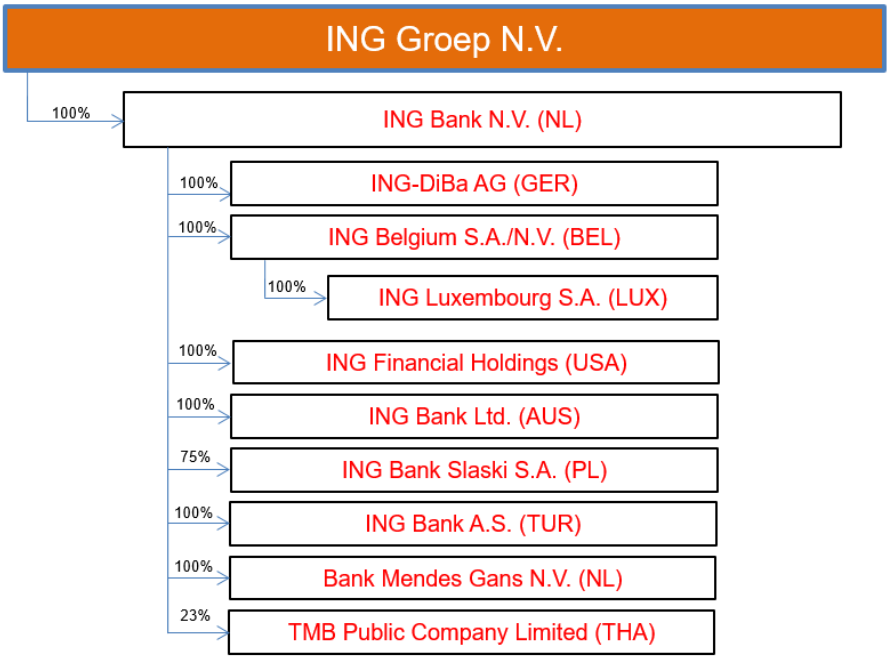
ING Groep N.V. (hereafter ING or the Group) is a non-operating holding company headquartered in Amsterdam. The Group acts as a parent company for various banks, entities and subsidiaries worldwide, whereby the ING Bank N.V. is the most significant asset and the best known subsidiary as well as the largest financial institute in the Netherlands in terms of total assets. As ING is one of the global systemically important banks (G-SIB), the bank must therefore comply with additional regulatory requirements. ING was founded in 1991 by a merger between the insurance company Nationale-Nederlanden and the banking company NMB Postbank Group. In recent years, ING transformed from a diversified financial services company into a standalone bank holding. With 57,896 employees (FTE's at H1-2021 period-end), the Group serves approximately 39.3 million customers.

ING has a presence in more than 40 countries and operates primarily in Europe as well as in North America, South America, the Middle East, Asia and Australia. The Group is divided into four business lines. "Retail Benelux" represents the major contributor to the Groups operating income and is responsible for the retail banking business of private customers in the Netherlands, Belgium and Luxembourg. The business line "Retail Challengers & Growth Markets" is primarily responsible for retail banking business among others in Germany, Australia, Poland, Turkey, and some business units in Asia. The business line "Wholesale Banking" serves business clients and organizations with tailored financial products. By contrast, "Corporate Line" is a reflection of capital management activities and certain expenses that are not allocated to the banking businesses. See chapter Profitability for the contribution of each business line to ING's operating income.

ING is currently pursuing the "Think Forward" strategy. According to this, ING aims to earn the primary relationship to its customers, develop and use data analytics to serve customer needs, increase the pace of innovation to keep up with the transformation of banking (includes also partner with outside parties such as Fintechs). In addition, ING questions traditional banking to develop new services and business models (e.g. one globally scalable platform) to keep up with the digital disruption of the banking industry. This strategy reflects in a growing number of customers, a leading position in digital banking, reduced operating costs and ongoing investments in the digital transformation.

The principal subsidiaries, investments in associates and joint ventures of the ING Group can be found in chart 1 below:

Chart 1: Principal subsidiaries, investments in associates and joint ventures of the ING Groep N.V. | Source: Own presentation based on date of ING's annual report 2020



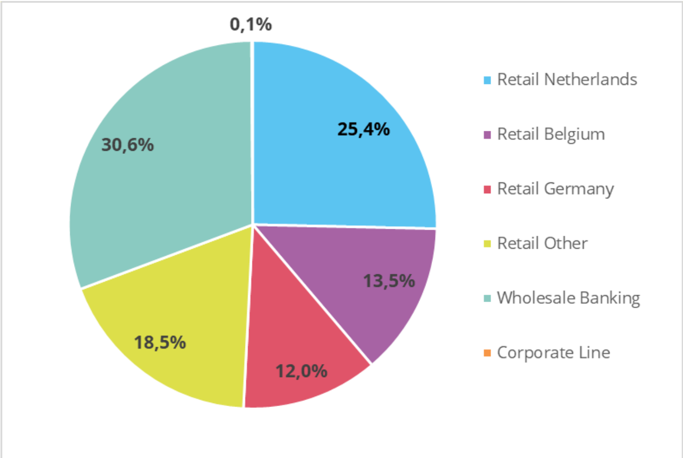
Considering ING's development in the structure of the Group in recent years, there was only one major change. In July 2019, ING completed the sale of ING Lease Italy with the settlement price of about €1.1 billion.

Business Development

Profitability

ING's operating income amounted to €17.8 billion in 2020, decreasing by about 2% in a year-over-year comparison (-€350 million). The operating income of ING by its business lines can be found in chart 2 below:

Chart 2: Operating income by banking segments | Source: Annual Report ING Groep 2020



Net interest income contributed the major share to operating income (76%), but decreased year-over-year by about €474 million. ING struggles with the low interest rate environment, which puts a significant pressure on its interest margins. In addition, lower demand for loans (-€3.5bn interest income on loans YOY) and a relative increase in average liability volumes in recent years lead to a lower net interest result. Even through the introduction of negative interest rates on customer deposits and the participation on the ECB's TLTRO III program (positive impact of €164mn in 2020) ING was not able to counteract the negative development. Fees and commissions as the second largest source of income increased YOY by €143mn, which shows ING's approach to increase its diversification of income sources. However, ING is only able to record a slow progress in this regard over the recent years. Considering the bank's H1-2021 report, ING reports a further decline of the net interest income but an overproportioned increase of the net fee and commission income.

Net trading income contributed the lowest share of the three main driver of operating income, but increased by 27% YOY (€228 million). The increase is primarily a result of fair value gains of the Group's hedging derivatives. In general, the majority of ING's risks involved in security and currency trading are hedged with derivatives with fair value changes causing the volatility in this position.

Operating expense amounted to €11.15 billion in 2020, increasing by 7.7% in a year-over-year comparison (€799 million). In addition, ING recorded steadily increasing operating expense in recent years following its business expansion. Personnel expenses as the major expense position increased primarily due to the increasing head count of ING (2020: 55,901 FTE vs. 2018: 52,233 FTE). Moreover, the bank recorded an impairment loss on its software following the decision to discontinue its Project Maggie (Model Bank) which lead to increased depreciation and amortization expense in 2020 but represents rather a one-off effect. Other expense consist among other of regulatory expense (contributions to Deposit Guarantee Scheme of €413mn, local bank taxes of €414mn and the Single Resolution Fund of €277mn) and external advisory fees of €418 million.

ING's asset write-downs increased in 2020 significantly as a result of the Corona crisis. However, this strong increase is primarily related to considerable loan loss provisions (€2,675mn), which are related to changed macroeconomic scenarios. About €1.9bn of the mentioned loan loss provisions are related to stage three loans. However, we expect a significant lowering and reversals of these provisions in the upcoming years as actual write-downs are rather rare due to various government support measures. Thus, we expect ING to get back to its naturel level of costs of risk starting from 2021 and expect the bank to achieve a net profit of about €5bn in 2021. Despite the strong negative impact of the Corona crisis in 2020 ING achieved a considerable net result.

A detailed group income statement for the years of 2017 through 2020 can be found in Figure 1 below:

Figure 1: Group income statement | Source: eValueRate / CRA

Income Statement (EUR m)	2020	%	2019	2018	2017
Income					
Net Interest Income	13.604	-3,4	14.078	13.916	13.714
Net Fee & Commission Income	3.011	+5,0	2.868	2.798	2.710
Net Insurance Income	-	-	-	-	-
Net Trading Income	1.065	+27,2	837	1.124	628
Equity Accounted Results	66	-19,5	82	143	178
Dividends from Equity Instruments	107	-7,0	115	102	80
Other Income	21	-91,4	244	140	490
Operating Income	**17.874**	**-1,9**	**18.224**	**18.223**	**17.800**
Expense					
Depreciation and Amortisation	1.076	+27,0	847	540	538
Personnel Expense	5.812	+1,0	5.755	5.420	5.202
Tech & Communications Expense	850	+5,6	805	779	737
Marketing and Promotion Expense	335	-14,3	391	402	455
Other Provisions	188	> +100	35	-9	162
Other Expense	2.581	+2,4	2.520	2.776	2.757
Operating Expense	**10.842**	**+4,7**	**10.353**	**9.908**	**9.851**
Operating Profit & Impairment					
Pre-impairment Operating Profit	**7.032**	**-10,7**	**7.871**	**8.315**	**7.949**
Asset Writedowns	2.910	> +100	1.154	656	682
Net Income					
Non-Recurring Income	0	-100,0	119	77	1
Non-Recurring Expense	313	> +100	2	898	-
Pre-tax Profit	**3.809**	**-44,3**	**6.834**	**6.838**	**7.268**
Income Tax Expense	1.246	-36,3	1.955	2.027	2.281
Discontinued Operations	-	-	-	-	-
Net Profit	**2.563**	**-47,5**	**4.879**	**4.811**	**4.987**
Attributable to minority interest (non-controlling interest)	78	-21,2	99	108	82
Attributable to owners of the parent	2.485	-48,0	4.781	4.703	4.905

Due to Corona impact on the net result in 2020, ING's earnings ratios worsened in a year-over-year comparison clearly. Nevertheless, ING achieved a considerable result. The values for ROA, ROE and RoRWA before and after taxes are at a below average level, however; we expect ING to reach its good level of profitability, which ING was able to achieve in the pre Corona periods. However, over the recent years ING's intrinsic profitability worsened slightly, which is indicated but the steadily increasing cost to income ratios. However, ING's cost to income ratios are still satisfactory. Moreover, the bank's net financial margin is still at a considerable level. Overall, we acknowledge the stable and resilient profitability of ING. Moreover, we expect ING's earnings ratios to regain its status as the best performers in any of the areas analyzed in 2021.

A detailed overview of the income ratios for the years of 2017 through 2020 can be found in Figure 2 below:

Figure 2: Group key earnings figures| Source: eValueRate / CRA

Income Ratios (%)	2020	%	2019	2018	2017
Cost Income Ratio (CIR)	60,66	+3,85	56,81	54,37	55,34
Cost Income Ratio ex. Trading (CIRex)	64,50	+4,96	59,54	57,94	57,37
Return on Assets (ROA)	0,27	-0,27	0,55	0,54	0,59
Return on Equity (ROE)	4,60	-4,32	8,93	9,30	9,76
Return on Assets before Taxes (ROAbT)	0,41	-0,36	0,77	0,77	0,86
Return on Equity before Taxes (ROEbT)	6,84	-5,66	12,50	13,22	14,22
Return on Risk-Weighted Assets (RORWA)	0,84	-0,66	1,49	1,53	1,61
Return on Risk-Weighted Assets before Taxes (RORWAbT)	1,24	-0,85	2,09	2,18	2,35
Net Interest Margin (NIM)	1,59	-0,11	1,70	1,73	1,73
Pre-Impairment Operating Profit / Assets	0,75	-0,13	0,88	0,94	0,94
Cost of Funds (COF)	1,05	-0,70	1,75	1,74	3,90
Change in %Points					

Asset Situation and Asset Quality

Net loans to customers represent the largest share of ING's assets, accounting for about 64% of total assets but decreasing by 2.3% YOY (€14 billion). While mortgage loans increased by about €4bn to €356.3bn lending to corporates decreased significantly by about €17bn to €173.1bn. This development is a result of increased customer loan repayments, which seek to borrow at lower interest rates. In addition, government loans following the Corona pandemic as a support measures lead to a lower demand as well. Thus, ING struggled to invest its customer cash inflows and was not able to at least keep its loan volume constant. In addition, ING granted payment holidays for a total amount of €19.4 billion (approximately to 196,000 customers), which might bear an additional risk. Overall, 59% of ING's customer loans are secured mortgages loans whereas 29% are corporate loans. As of June 2021, ING was able to slightly increase its customer loans to about €610bn.

Total securities, as the other major asset increased by about €6bn YOY (6.3%). ING holds primarily government's debt securities with about €49 billion (primarily low risk countries as Belgium, the Netherlands, USA and Germany). In addition, ING holds

about €24.7bn debt securities of sub-sovereign, supranational and agencies and about €7.8bn of covered bonds. In this regard, we do not perceive any specific risk, as ING's debt securities portfolio is well diversified. However, ING reveals difficulties in investing its customer cash inflow due to a lack of investment opportunities.
Moreover, ING increased its cash balances at central banks significantly to about €113.6 billion; following the participation at ECB's TLTRO III funding program with about €59.5 billion (repayment of 17.7bn previous TLTRO), which enables ING very favorable funding conditions at a negative interest rate. As a result, we expect ING to increase its lending activities in the short run and benefit from the very favorable conditions over the next years, which will have a significant positive impact on the bank's net interest income. Other financial assets represents ING's reverse repurchase loans with credit institutions.

A detailed look at the development of the asset side of the balance sheet for the years of 2017 through 2020 can be taken in Figure 3 below:

Figure 3: Development of assets | Source: eValueRate / CRA

Assets (EUR m)	2020	%	2019	2018	2017
Cash and Balances with Central Banks	113.607	> +100	56.387	49.988	26.021
Net Loans to Banks	21.348	-23,7	27.990	35.012	20.142
Net Loans to Customers	597.552	-2,3	611.585	592.196	644.774
Total Securities	102.977	+6,3	96.878	93.658	101.959
Total Derivative Assets	30.822	+28,7	23.951	24.774	29.675
Other Financial Assets	58.175	-3,2	60.077	75.961	5.058
Financial Assets	**924.481**	**+5,4**	**876.868**	**871.589**	**827.629**
Equity Accounted Investments	1.475	-17,6	1.790	1.203	1.088
Other Investments	20	-56,5	46	54	65
Insurance Assets	-	-	-	-	-
Non-current Assets & Discontinued Ops	72	-26,5	98	1.262	-
Tangible and Intangible Assets	4.235	-16,8	5.088	3.622	3.270
Tax Assets	1.192	+21,5	981	1.043	1.142
Total Other Assets	5.800	-15,6	6.873	8.257	13.022
Total Assets	**937.275**	**+5,1**	**891.744**	**887.030**	**846.216**

ING's asset quality remained despite the Corona pandemic impact at a sound level in 2020. The bank's NPL ratio of 2.24%, despite the recent increase, is still more favorable than the one of most other European banks. In addition, as of June 2021 ING already reports a decline of its stage 3 ratio, which shows already the economic recovery. The Stage 2 Loans / Net Loans to Customers ratio worsened YOY significantly and reached a substandard level. Other European banks outperform ING clearly in this regard, which shows significant potential problem loans at ING. ING's stage 2 exposure rose by about €20bn YOY mostly in the non-investment grade tier (2020: 53bn vs. 2019: €36bn of stage 2 exposure at non-investment grade tier). Despite the reported improvement as of H1-2021, ING is subject to significant risk in this regard which requires close monitoring.
The net-write-offs in relation to risk-weighted assets as well as in relation to total assets of ING strongly increased. However, this development is in line with most other European banks and is a result of the large loan loss provisions of ING due to the

worsening of the macroeconomic conditions in 2020. However, as the expected massive negative effects of the Corona pandemic did not materialize following the large government support measures, we expect ING to reach its previous year level in this regard with the mentioned ratios. In addition, we expect ING to benefit from significant reversals of loan loss impairments in 2021.
ING's risk weighted assets ratio declined to a low level at 32.7%. The decrease is primarily a result of lower lending volumes, foreign exchange movements and better overall profile of the loan book. As of June 2021, ING was even able to record a further reduction of its RWA ratio to about 31.5%. Overall, ING's asset quality figures are the best performers of all areas analyzed.

A detailed overview of the asset quality for the years of 2017 through 2020 can be found in Figure 4 below:

Figure 4: Development of asset quality| Source: eValueRate / CRA

Asset Ratios (%)	2020	%	2019	2018	2017
Net Loans/ Assets	63,75	-4,83	68,58	66,76	76,19
Risk-weighted Assets/ Assets	32,68	-3,92	36,60	35,42	36,62
NPLs*/ Net Loans to Customers	2,24	+0,45	1,79	1,87	1,94
NPLs*/ Risk-weighted Assets	4,37	+1,02	3,36	3,53	4,03
Potential Problem Loans**/ Net Loans to Customers	10,37	+3,66	6,72	7,23	0,67
Reserves/ NPLs*	43,13	+1,23	41,90	40,45	36,17
Reserves/ Net Loans	0,97	+0,22	0,75	0,76	0,70
Net Write-offs/ Net Loans	0,49	+0,30	0,19	0,11	0,11
Net Write-offs/ Risk-weighted Assets	0,95	+0,60	0,35	0,21	0,22
Net Write-offs/ Total Assets	0,31	+0,18	0,13	0,07	0,08
Level 3 Assets/ Total Assets	0,25	-0,01	0,26	0,61	0,24
Change in %- Points					

* NPLs are represented from 2017 onwards by Stage 3 Loans.
** Potential Problem Loans are Stage 2 Loans where available.

Refinancing, Capital Quality and Liquidity

Total deposits from customers represent the major funding source of ING with about 69% of total liabilities, increasing by 6% YOY (€34.7 billion) due to a strong inflow at current and saving accounts following the Corona pandemic and the resulting excess liquidity at the customer base. As of H1-2021, ING records a further growth in customer deposits to about €621 billion. On one hand, customer deposits are a very favorable source of refinancing. On the other hand, due to the negative interest rate environment ING faces negative interest rates for its deposits at the ECB, which in turn burdens the bank. However, ING started to counteract this development by introducing negative interest rates for its customer deposits. Thus, this strategy might improve ING's net income result.
Total debt, accounting for only 11.8% of ING's liabilities, decreasing strongly over the past year as a result of the crowding out effect of the TLTRO III funding program by the ECB. This in turn increased the bank's liabilities to banks and enables a very favorable funding at a negative interest rate if the conditions are met. With regard to ING's debt securities, ING issued about €70 billion debt securities with a fixed rate while €14 billion of ING's debt securities have a floating interest rate with a balanced maturity profile. The decrease YOY is primarily related to a reduction of short-term running

commercial papers by about €18.2bn, a reduction of €8.1bn in certificates of deposits in addition to matured bonds of about €10.7bn.
The Group's total equity increased as a result of retained earnings. Moreover, ING follows all ECB recommendations with regard to dividend payments, which we explicitly appreciate. In February 2021, ING paid only a dividend of about €468mn in line with the ECB recommendation, which depends on the adjusted net profit.

A detailed overview of the development of liabilities for the years of 2017 through 2020 can be found in Figure 5 below:

Figure 5: Development of refinancing and capital adequacy| Source: eValueRate / CRA

Liabilities (EUR m)	2020	%	2019	2018	2017
Total Deposits from Banks	76.127	> +100	34.621	37.330	36.821
Total Deposits from Customers	610.793	+6,0	576.093	555.812	539.799
Total Debt	104.404	-27,2	143.415	147.367	170.952
Derivative Liabilities	27.366	+16,2	23.541	23.829	28.244
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	49.703	+11,3	44.647	54.973	-
Total Financial Liabilities	**868.393**	**+5,6**	**822.317**	**819.311**	**775.816**
Insurance Liabilities	-	-	-	-	-
Non-current Liabilities & Discontinued Ops	-	-	-	-	-
Tax Liabilities	926	-25,9	1.249	1.462	1.502
Provisions	1.124	-10,4	1.255	1.012	1.713
Total Other Liabilities	11.172	-8,9	12.260	13.510	16.064
Total Liabilities	**881.615**	**+5,3**	**837.081**	**835.295**	**795.095**
Total Equity	**55.660**	**+1,8**	**54.663**	**51.735**	**51.121**
Total Liabilities and Equity	**937.275**	**+5,1**	**891.744**	**887.030**	**846.216**

ING's regulatory capital ratios increased widely in 2020 in comparison to the previous years. The CET1 ratio improved by almost one percentage point, and reached an above average level. In addition, ING remained well above its targeted CET1 ratio of 12.5%, (which were reduced from 13.5%) and the solvency requirement of 10.5% (significant reduction YOY). However, the improvement in this regard is almost entirely related to the reduction of the risk-weighted assets. The Group's Tier 1 volume decreased following some redeemed AT1 capital, which was not offset by additional issues. However, due to the reduction in RWA the Group is able to report an increase in this ratio whereby ING reaches an above average level. Moreover, ING remained with its Tier 2 ratio at a remarkable level whereby the actual amount of this capital did not change. As of June 2021, ING reported only little movements in the aforementioned regulatory capital ratios.

ING's total equity / total assets ratio decreased slightly due to the increased total assets and is now slightly at a below average level. In addition, despite ING's improved leverage ratio by 0.2 percentage points, ING is still reaches only a below average level. Overall, ING meets comfortably all regulatory requirements with its capital ratios and shows a reasonable capitalization.

ING has not published any exact figures for its Net Stable Funding Ratio. The Group's LCR increased as a result of its excess liquidity to 137% and is in line with other the large European banks whereby ING comfortably meets the regulatory requirements.

The customer deposits to total funding ratio reports the Group's stable and favorable source of funding - the deposits of its customers – which remained at a very stable proportion. However, considering the negative interest rate for deposits at the ECB, ING faces the negative impact of its excess liquidity. Moreover, the Group relies more on customer deposits as source of funding than most other large European banks. In addition, the almost equal LTD ratio with about 98% shows an adequate demand for the Group's loans but a negative development over the recent years.

Up to now, we do not perceive any liquidity issues at ING and the whole banking sector.

A detailed overview of the development of capital and liquidity ratios for the years of 2017 through 2020 can be found in Figure 6 below:

Figure 6: Development of capital and liquidity ratios | Source: eValueRate / CRA

Capital Ratios and Liquidity (%)	2020	%	2019	2018	2017
Total Equity/ Total Assets	5,94	-0,19	6,13	5,83	6,04
Leverage Ratio	4,81	+0,21	4,60	4,40	4,70
Common Equity Tier 1 Ratio (CET1)*	15,45	+0,88	14,57	14,47	14,70
Tier 1 Ratio (CET1 + AT1)*	17,31	+0,61	16,70	16,18	16,37
Total Capital Ratio (CET1 + AT1 + T2)+	20,09	+1,00	19,09	18,44	19,14
SREP Capital Requirements	10,51	-1,32	11,83	10,43	9,02
Net Loans/ Deposits (LTD)	97,83	-8,33	106,16	106,55	119,45
Interbank Ratio	28,04	-52,80	80,85	93,79	54,70
Liquidity Coverage Ratio	137,00	+10,00	127,00	123,00	114,00
Customer Deposits / Total Funding (excl. Derivates)	71,50	+0,69	70,81	68,49	70,39
Change in %- Points					

*Fully loaded figures whenever available.

Due to ING's bank capital and debt structure, as well as its status as a G-SIB, the Group's Preferred Senior Unsecured Debt instruments have not been notched down in comparison to the long-term issuer rating. Due to the seniority structure, ING's Non-Preferred Senior Unsecured debt has been notched down by one notch. However, ING's Tier 2 capital rating was downgraded by one notch due to a relative decrease of its CET1 capital in relation to its total assets and is now rated three notches below the long-term issuer rating based on the bank's capital structure and seniority in accordance with our rating methodology. Additional Tier 1 capital is rated five notches below the long-term issuer rating, reflecting a high bail-in risk in the event of resolution.

ING Groep N.V. adopted the single point of entry strategy in a resolution case. In addition, ING is the entity within the Group responsible for meeting the MREL Capital requirements. Thus, only ING Groep obtains a rating for Non-Preferred Senior Unsecured Debt instruments. By contrast, only the issuing subsidiary ING Bank of the Group obtains a rating for Preferred Senior Unsecured Debt.

Environmental, Social and Governance (ESG) Score Card

ING Groep NV has one significant and two moderate ESG rating driver

• Corporate Governance is identified as a highly significant rating driver. The relevance for the credit rating results from the impact of the corporate governance factor on all other ESG factors and the overall well-being of the bank. This sub-factor is rated positive due to ING's strong economic track record, the implemented ESG policies and its leading role in digitization among the major European banks.

• Corporate Behaviour and Green Financing / Promoting are identified as moderate rating driver. Green Financing / Promoting is rated positive due to the early implementation and continues emission of green bonds, whereas Corporate Behaviour is rated negative due the misconduct in recent years in relation with money laundering.

ESG Score
3,5 / 5

ESG Score Guidance	
> 4,25	Outstanding
>3,5 - 4,25	Above-average
>2,5 - 3,5	Average
>1,75 - 2,5	Substandard
< = 1,75	Poor

Factor	Sub-Factor	Consideration	Relevance Scale 2021	Eval.
Environmental	1.1 Green Financing / Promoting	The sub-factor "Green Financing/Promoting" has a moderate relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	3	(+)
	1.2 Exposure to Environ-mental Factors	The sub-factor "Exposure to Environmental Factors" has a low relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	2	( )
	1.3 Resource Efficiency	The sub-factor "Resource Efficiency" has no significant relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	1	(+)
Social	2.1 Human Capital	The sub-factor "Human Capital" has low relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	2	(+)
	2.2 Social Responsibility	The sub-factor "Social Responsibility" has no significant relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	1	( )
Governance	3.1 Corporate Governance	The sub-factor "Corporate Governance" is highly relevant for the credit rating, and is rated positive in terms of the CRA ESG criteria.	4	(+)
	3.2 Corporate Behaviour	The sub-factor "Corporate Behaviour" has a moderate relevance for the credit rating, and is rated negative in terms of the CRA ESG criteria.	3	(-)
	3.3 Corporate Transparency	The sub-factor "Corporate Transparency" has no significant relevance for the credit rating, and is rated very positive in terms of the CRA ESG criteria.	1	(+ +)

ESG Relevance Scale	
5	Highest Relevance
4	High Relevance
3	Moderate Relevance
2	Low Relevance
1	No significant Relevance

ESG Evaluation Guidance	
(+ +)	Strong positive
(+)	Positive
( )	Neutral
(-)	Negative
(- -)	Strong negativ

The ESG Score is based on the Methodology "Environmental, Social and Governance Score of Banken (Version 1.0)" of Creditreform Rating AG, which is available on our homepage https://creditreform-rating.de/en/about-us/regulatory-requirements.html. In addition, we refer to CRA's position paper "Consodering the Impact of ESG Factors".

Conclusion

Creditreform Rating affirms the rating of ING at 'A' and increases the outlook from negative to stable.

Overall, ING showed a resilient performance in 2020 despite the Corona pandemic impact. The Group reported significant loan loss provisions in 2020, but will benefit from reversals of impairments, as the Corona pandemic did not materialize as previously expected, which was the main reason for the negative outlook. Thus, ING is likely to regain its pre-Corona level of profitability already in 2021. However, ING is highly dependent on its interest income and struggles with the ongoing low interest rate environment, which imposes a severe challenge for the bank. A further diversification of its income sources would serve the Group well to maintain its level of profitably in the long-run. Regardless of this, ING benefits from its early-imposed and continuous application of its digitization strategy and the global diversification.

ING benefited amid the Corona pandemic from its sound asset quality and it business operations, which it conducts predominantly in countries with an economically sound background. These countries were able to counteract the negative development by large stimulus measures by the governments. The Group recorded only little increases in the NPL ratio. However, the Group reports significant potential problem loans exposure, which bears a risk once all government support measures run out. The cutback of the risk-weighted assets volume is remarkable in the current environment and leads to rising regulatory capital ratios. Overall, the capitalization of ING remains satisfactory. However, ING lowered its targeted CET1 ratio to only 12.5%, which is an indication of a further reduction in this regard. The Group complies with and exceeds all regulatory capital requirements.
On the liabilities side, the Group records large inflows of customer deposits, but starts to introduce negative interest rates to gain an additional source of income. In addition, ING benefits from the favorable conditions of the TLTRO III program, which pushes the bank's interest income as well. Furthermore, the liquidity situation of the Group and the banking sector in general remains satisfactory.
Even though the final impact of the Corona pandemic remains unclear, we assume ING to overcome this challenging environment with its global franchise and the clear strategy.

Outlook

We raised the outlook of ING Groep N.V. (Group) long-term issuer rating and its bank capital and debt instruments from negative to stable. This reflects our view that the economic downturn due to the Corona pandemic with a strong negative impact on ING did not materialize as expected. Thus, the reason for the negative outlook no longer exists. Instead, we expect ING to regain its pre-Corona level of portability and benefit from reversal of its loan loss provisions. This expectation is underpinned by the Group's half-year 2021 report, which shows a strong improvement. In addition, various government measures are in place, which will help ING to overcome the remaining Corona crisis impact. Moreover, we assume no significant economic worsening due to the Corona pandemic and stable political environment in the bank's markets of operations.

Scenario Analysis

Best-case scenario: A+

Worst-case scenario: BBB+

Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

In a scenario analysis, the bank is able to reach an "A+" rating in the "best case" scenario and an "BBB+" rating 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 might upgrade ING's long-term issuer credit rating and its bank capital and debt instruments if we see that ING is able to achieve a sustainable increase of its profitability while holding its sound asset quality at least constant. In addition, a significant improvement of ING capital ratios might lead to an upgrade as well.

By contrast, a downgrade of the Group's long-term issuer credit rating and its bank capital and debt instruments is likely if we see a lasting decline of ING's profitability and / or a reduction of the banks' capital ratios. In addition, we will observe the final impact of the Corona pandemic on ING's asset quality and its business activities in general.

Appendix

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): **-**
Non-Preferred Senior Unsecured Debt (NPS): **A-**
Tier 2 (T2): **BBB-**
Additional Tier 1 (AT1): **BB+**

Rating History

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

Figure 7: 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
Monitoring	24.03.2020	A / NEW / L2
Rating Update	29.10.2020	A / negative / L2
Rating Update	23.09.2021	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+
PSU / NPS / T2 / AT1 (NEW)	24.03.2020	- / A- / BBB- / BB+
PSU / NPS / T2 / AT1	29.10.2020	- / A- / BBB / BB+
PSU / NPS / T2 / AT1	23.09.2021	- / 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

Monitoring	24.03.2020	A / NEW / L2
Rating Update	29.10.2020	A / negative / L2
Rating Update	23.09.2021	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+
PSU / NPS / T2 / AT1 (NEW)	24.03.2020	A / - / BBB- / BB+
PSU / NPS / T2 / AT1	29.10.2020	A / - / BBB / BB+
PSU / NPS / T2 / AT1	23.09.2021	A / - / BBB- / BB+

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 following scheme clarifies the level of participation of the rated entity (rating object):

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	No
With Access to Internal Documents	No
With Access to Management	No

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.

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 (v3.0), the methodology for the rating of bank capital and unsecured debt instruments (v2.0), the methodology for Environmental, Social and Governance Score for Banks (v1.0) in conjunction with Creditreform's basic document Rating Criteria and Definitions (v1.3).

The complete presentation of the rating methodologies used by Creditreform Rating AG and the basic document Rating Criteria and Definitions (v1.3) are published on our homepage:

https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html

On 23 September 2021, 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 the relevant subsidiary, 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.

Rating Endorsement Status: The rating of ING Groep N.V. (Group) was not endorsed by Creditreform Rating AG from a third country as defined in Article 4 (3) 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.

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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
5. Public and internal market analyses
6. Internet research

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.

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