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CREDIT OPINION
16 November 2022

Update

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RATINGS

ING-DiBa AG

Domicile	Frankfurt am Main, Germany
Long Term CRR	Aa3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	A2
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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ING-DiBa AG

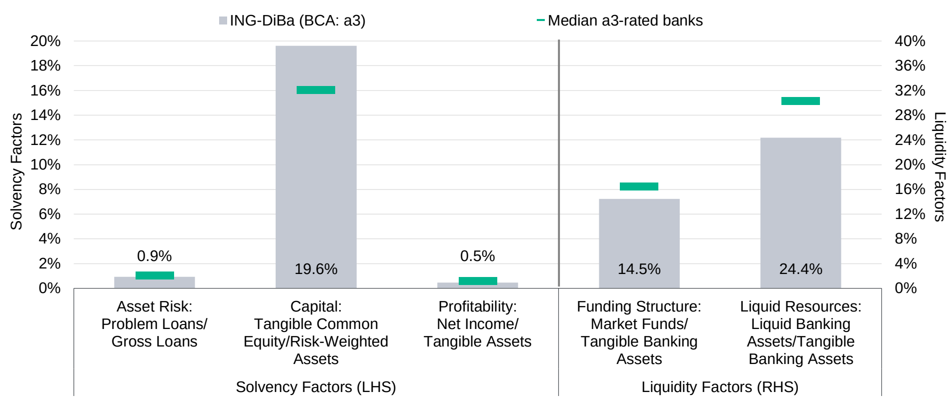
Update to credit analysis

Summary

ING-DiBa AG's (ING-DiBa) A2 deposit and issuer ratings reflect the bank's a3 Baseline Credit Assessment (BCA) and the application of our Advanced Loss Given Failure (LGF) analysis to its liabilities, which results in a low loss given failure and one notch of uplift. ING-DiBa's ratings do not benefit from government support uplift because of its still-limited interconnectedness within the German banking sector, despite its market shares.

ING-DiBa's a3 BCA is capped one notch above the BCA of its Dutch parent bank, ING Bank N.V. (ING Bank, Aa3/A1 stable, baa1[1]). This reflects the weaker credit strength of the parent bank and the financial, operational and stragetic links between the two entities. ING-DiBa's standalone credit profile reflects the bank's de minimis market funding reliance as an almost exclusively deposit-funded institution, its strong and improved capitalisation, and its generally very sound asset quality in a highly granular and secured residential mortgage lending book. It also reflects its solid profitability supported by rising interest rates despite higher risk provisions in a less benign credit environment and a potential decline in liquid resources.

Exhibit 1
Rating Scorecard - Key financial ratios



Source: Moody's Financial Metrics

Credit strengths

» Large deposit base that benefits the funding profile; de minimis dependence on market funds

» Strong risk-weighted capitalisation

» Solid profitability benefitting from streamlined processes, general cost efficiency and growing revenues

Credit challenges

» Tight integration into ING Groep N.V. (ING Groep, Baa1 stable[2]) limits the bank's ability to delink itself from the lower credit strength of the parent

» Concentrations in the German property market because of strong mortgage demand

» High leverage because of the strong use of internal risk models to determine risk-weighted assets (RWA)

Outlook

» The outlook on ING-DiBa's long-term issuer rating is stable, reflecting our expectation that the BCA of its parent ING Bank will remain unchanged and ING-DiBa's standalone creditworthiness will not weaken, and takes into account our forward-looking analysis of the bank's liability structure.

Factors that could lead to an upgrade

» Upward pressure on ING-DiBa's a3 BCA remains subject to an improvement in ING Bank's baa1 BCA because of the cap of ING-DiBa's BCA at one notch above its Dutch parent bank's BCA.

» The ratings could also be upgraded if ING-DiBa were to issue additional loss-absorbing debt externally or within ING Groep such that it reduces the expected loss for deposits and senior unsecured debt instruments.

Factors that could lead to a downgrade

» ING-DiBa's BCA could be downgraded if the Dutch parent bank's credit profile weakens, constraining its BCA further,or a deterioration of ING-DiBa's financial profile because of an unexpected and more significant reduction in its regulatory capital ratios.

» Negative pressure on ratings could also arise from significantly lower volumes of junior senior unsecured and subordinated debt instruments in relation to tangible banking assets than we currently expect.

Key indicators

Exhibit 2

ING Holding Deutschland GmbH (Consolidated Financials) [1]

	12-21[2]	12-20[2]	12-19[2]	12-18[2]	12-17[2]	CAGR/Avg.[3]
Total Assets (EUR Billion)	177.6	184.1	171.6	169.1	162.7	2.2[4]
Total Assets (USD Billion)	201.2	225.3	192.7	193.3	195.3	0.7[4]
Tangible Common Equity (EUR Billion)	8.9	8.9	8.3	7.8	7.4	4.9[4]
Tangible Common Equity (USD Billion)	10.1	10.9	9.3	8.9	8.9	3.4[4]
Problem Loans / Gross Loans (%)	0.9	1.0	0.6	0.7	0.7	0.8[5]
Tangible Common Equity / Risk Weighted Assets (%)	19.6	18.3	16.8	16.6	16.7	17.6[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	12.6	13.2	8.8	10.0	10.1	10.9[5]
Net Interest Margin (%)	1.1	1.2	1.2	1.3	1.3	1.2[5]
PPI / Average RWA (%)	2.8	2.7	2.7	2.9	2.8	2.8[6]
Net Income / Tangible Assets (%)	0.5	0.4	0.5	0.5	0.5	0.5[5]
Cost / Income Ratio (%)	50.6	49.3	48.3	46.7	47.2	48.4[5]
Market Funds / Tangible Banking Assets (%)	14.5	13.6	11.1	11.0	11.2	12.3[5]
Liquid Banking Assets / Tangible Banking Assets (%)	24.4	29.7	24.8	26.2	28.5	26.7[5]
Gross Loans / Due to Customers (%)	94.1	83.9	85.5	83.9	85.5	86.6[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Investors Service and company filings

Profile

ING-DiBa AG (ING-DiBa) is the third-largest retail bank in Germany (Aaa stable), with 9.1 million customers as of 31 December 2021. The bank increased its presence in commercial banking in recent years, with operations being closely integrated into the global wholesale banking network of ING Groep. ING-DiBa is wholly owned by the Netherlands-based ING Groep, through ING Deutschland GmbH. ING Groep had more than 6,000 full-time-equivalent employees at ING-DiBa and its other German activities, including Interhyp AG, as of the end of December 2021. The bank operates from its headquarters in Frankfurt and maintains branches in Hanover, Nuremberg and Vienna, with a representative office in Berlin.

As of 31 December 2021, ING-DiBa reported total consolidated assets of €182 billion and customer loans of €128 billion, of which €86 billion were residential mortgages and €31 billion wholesale banking loans. The bank's asset base, which also included an investment portfolio in excess of €22 billion, was funded to a large extent by €136 billion of customer deposits. In the first three quarters of 2022, its residential mortgage lending remained broadly stable with €85 billion while the deposits continued to grow again to €135 billion compared to €129 billion in the first quarter 2022, which is the first reported period after the bank sold its retail business in Austria by year-end 2021.

On the retail side, ING-DiBa is a pure direct bank, providing banking services in Germany. The bank focuses on residential mortgage lending and savings and current accounts, but its range of retail products and services also includes consumer loans, direct securities accounts and brokerage services. In wholesale banking, ING-DiBa provides corporate lending and transaction services, structured finance and real estate finance, and financial markets products, such as hedges for currency, commodity and interest rate risk. The bank's wholesale customer base mostly comprises large German and Austrian companies with more than €250 million in revenue, as well as international investors, such as pension funds.

Moreover, ING-DiBa intends to grow its business banking for small and medium-sized enterprises (SMEs) in Germany. To do so it has now fully integrated Lendico in ING-DiBa, which has launched a digital lending offering for small and medium-sized enterprises (SMEs) in Germany.

ING-DiBa's Weighted Macro Profile is Strong+

ING-DiBa's Weighted Macro Profile is Strong+, on par with Germany's Macro Profile. Germany accounted for 74% of the total risk positions of ING-DiBa as of year-end 2021, while 13% were related to other EU countries (10% stemmed from the Netherlands) and the remaining 12% were sourced from other international markets and 1% from the US.

Detailed credit considerations

Since 2018, consolidated financial disclosures are no longer prepared under IFRS accounting standards at the level of ING-DiBa, but instead at the level of its German parent, ING Holding Deutschland GmbH (ING Deutschland), which consolidates the results of the mortgage broker Interhyp AG. Hence, we base the scorecard and the ratings of ING-DiBa on the financials of ING Deutschland[3].

High probability of joint resolution with ING Groep limits the level of ING-DiBa's BCA

We assign a BCA of a3 to ING-DiBa, one notch above the baa1 BCA of its parent ING Bank, reflecting ING-DiBa's strong ties to a parent with a weaker BCA.

ING-DiBa is a fully owned subsidiary of ING Bank and is linked to its parent through relevant financial, operational and strategic interlinkages. Because of these dependencies, we limit the scope for differences between the BCA of ING-DiBa and its parent and cap the BCA of ING-DiBa at a3, one notch above the BCA of its parent.

However, ING-DiBa will likely issue additional internal loss absorbing capital (ILAC) in the form of junior senior unsecured instruments to its parent. In our advanced LGF analysis, this results in rating uplift for more senior liability classes, reflecting the greater levels of protection afforded to the bank's senior creditors.

Because ING-DiBa acts as a standalone financial institution in the German market, the bank may benefit from a ring-fencing of its operations in the event of a resolution prompted by distress at the parent level. At the same time, the growing integration through the single-point-of-entry approach for the group, the full ownership and the ties with the parent would pose important barriers to a swift sale or separation of ING-DiBa in such a scenario.

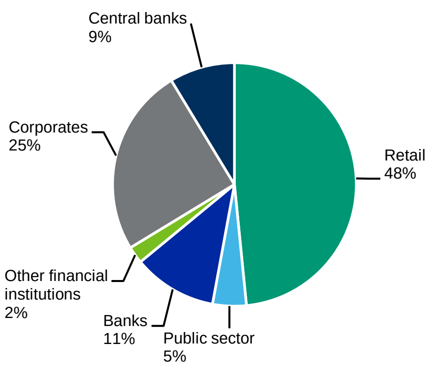
Low level of problem loans, but concentration risks in the German real estate market

We assign an a3 Asset Risk score to ING-DiBa, four notches below the aa2 initial score, to take into account its the bank's asset-risk concentrations in the residential real estate market as well as some loan growth in consumer lending. Nevertheless, the assigned score is at the high end of the current Asset Risk score range for German banks.

ING-DiBa's total loan book of €128 billion displayed a strong growth in recent years and remains concentrated in residential mortgages which continued to increase by 7% to €86 billion in 2021 representing 10x the bank's tangible common equity (TCE). At the same time consumer lending also increased by 5% to €10 billion (1.1x TCE). The bank's total lending growth in previous years was mainly driven by the strong growth in the bank's corporate lending book, which more than doubled during 2015-18, but remained stable since 2018 at around €31 billion. Based on ING Groep financials for Q3 2022, the overall loan book slightly decreased by €1 billion to €127 billion compared to year-end 2021.

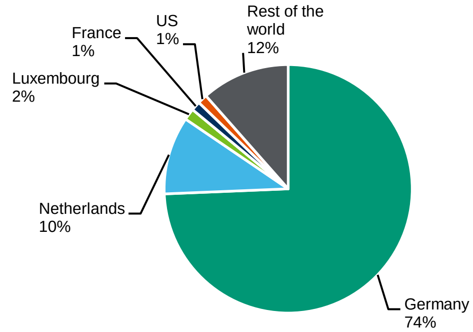
In addition to concentration risks in the residential mortgage sector in Germany, and loan growth, ING-DiBa holds an exposure of €2.1 billion in Russia or 21% of its tangible common equity (TCE) as of year-end 2021, which represents an additional asset risk. Following the military conflict in Ukraine, the bank has already built loan loss provisions of €413 million in the first quarter of 2022[4], while the second quarter showed a normalized provisioning level again (€25 million). Besides that, ING-DiBa's intragroup exposures are contained within regulatory limits and are, to a large extent, collateralised.

Exhibit 3
ING-DiBa's exposure composition by segment
Year-end 2021 share as percentage of total risk exposure of €208 billion



On and off balance sheet exposures
Source: Company reports

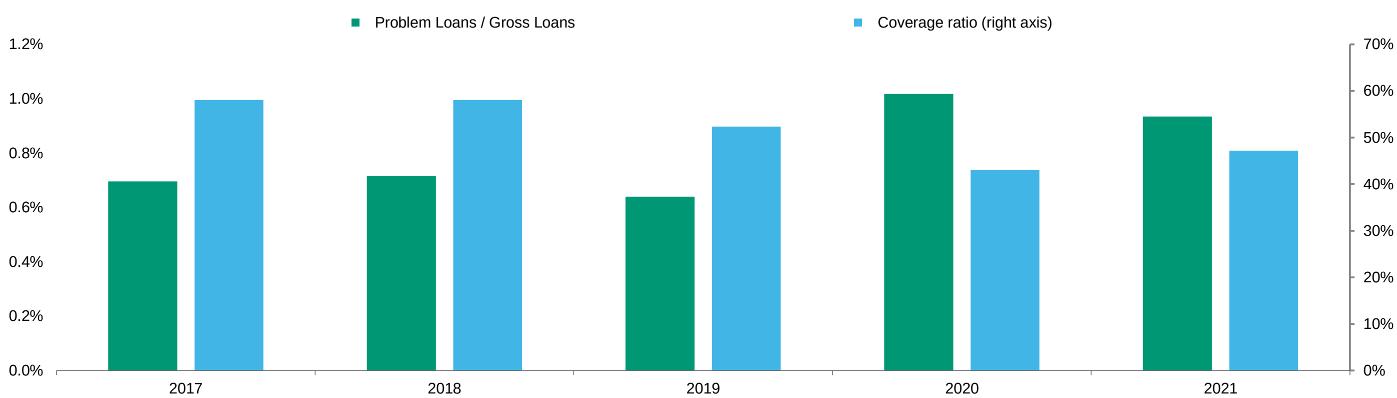
Exhibit 4
ING-DiBa's portfolio composition by country based on
Year-end 2021 share as percentage of total risk exposure of €208 billion



On and off balance sheet exposures
Source: Company reports

The impaired loan ratio for ING-DiBa's residential mortgage portfolio is low with 0.4%, and for the riskier but much smaller consumer loan portfolio, it was a modest 3.5% as of year-end 2021. The impaired loan ratio on the €31 billion wholesale banking portfolio was also low at 1.3%, with most of the impaired loans fully collateralised or guaranteed. As a result, the overall problem loan ratio of of 0.9% as of year-end 2021 benefits from the still moderate presence in corporate and SME lending. This factor, along with the bank's prudent underwriting practices and a rigid termination process for nonperforming loans, will likely contain the increase in the bank's problem loan metrics in 2022.

Exhibit 5
ING-DiBa's problem loan ratio stable around 1%, but unseasoned risks remain



The problem loan ratio is per our definition.
Here and in further charts, the financials for 2018-21 refer to ING Deutschland, whereas up to 2017, they refer to ING-DiBa.
Sources: Company and Moody's Investors Service

Strong risk-weighted capitalisation but high balance-sheet leverage

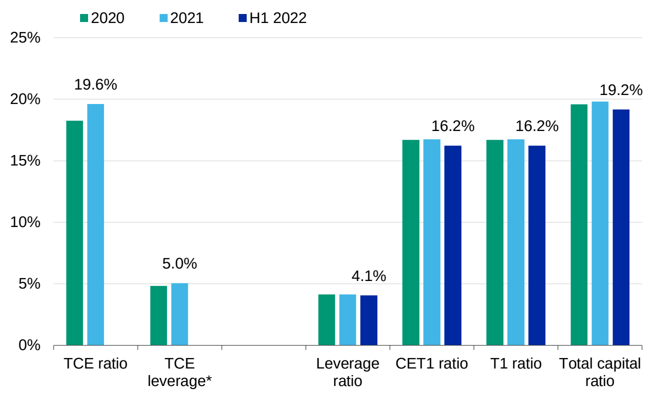
We assign an a1 Capital score, two notches below the aa2 initial score, reflecting the bank's strong capitalisation as well as our view that the TCE ratio will likely soften from the current levels, while the bank's regulatory leverage remains relatively high.

Overall, we expect ING-DiBa to remain comfortably capitalised because we assume that the bank will maintain sufficient flexibility to retain a portion of its annual profit, notwithstanding the automatic transfer of profit under a profit-and-loss transfer agreement with its holding company, ING Deutschland GmbH. However, there is a potential risk that the parent bank, in the interest of optimising the group's capital allocation, may require ING-DiBa to upstream capital through dividends. However, we currently deem such a scenario unlikely.

ING-DiBa's TCE ratio of 19.6% as of December 2021 improved from 18.3% as of December 2020 as a result of a decrease in risk weighted assets (RWA) by €3.1 billion to €45.6 billion. The reduction in RWA in 2021 resulted from the exit from its retail business in Austria among other impacts like positive rating migration. The difference between our 2021 TCE ratio of 19.6% and the Common Equity Tier 1 (CET1) capital ratio[5] of 16.7% mainly stems from regulatory deductions including €244 million for the bank's IRBA[6] shortfall among others deductions. At the same time, the bank's leverage ratio (TCE to tangible assets) of 5.0% as well as the fully loaded regulatory leverage ratio of 4.1% remained low as of year-end 2021. During the first half of 2022, the regulatory capital ratios remained stable compared to year-end 2021.

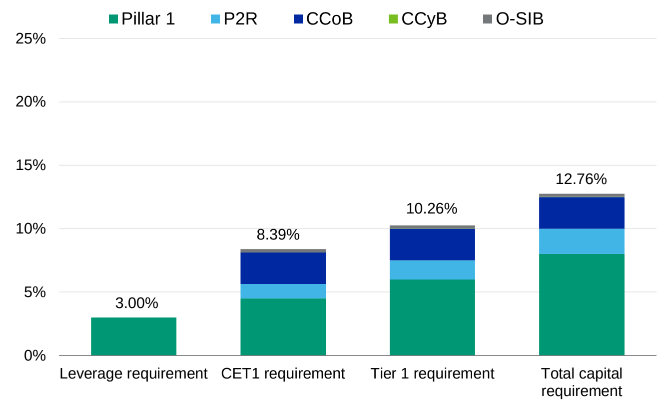
Over the next 12 to 18 months, we expect a slight decline in risk-weighted capitalisation that will likely result from investments in additional wholesale portfolios as well as its exposure to Russia and Basel IV impacts, while, at the same time, the capital requirements will increase following the implementation of a countercyclical capital buffer (CCyB) requirement of 0.75% of domestic RWA and an additional sectoral buffer of 2.0% of RWA from domestic loans backed by residential properties starting in February 2023. Nevertheless, ING-DiBa's capitalisation is well above its requirements.

Exhibit 6
ING-DiBa substantially exceeds its capital requirements, but its leverage ratio remains below our requirement
Capital ratios at the level of ING Holding Deutschland



TCE = Tangible common equity (our calculation); CET1 = Common Equity Tier 1.
Sources: Company and Moody's Investors Service

Exhibit 7
ING-DiBa's regulatory capital requirements in detail
As of end-June 2022



CCoB = Capital conservation buffer; CCyB = Countercyclical capital buffer; O-SIB = Other systemically important banks buffer.
Source: Company

Sound profitability but higher risk provisions could absorb higher earnings following rates increase

We assign a baa3 Profitability score, one notch above the ba1 initial score, reflecting ING-DiBa's strong efficiency and solid revenue generation which is supported by the increasing interest rates but also upcoming challenges based on our expectation of higher cost of risk because of a weaker economic environment and a slowdown in new business growth.

ING-DiBa's earnings are largely dependent on net interest income (NII) representing 75% of the total revenues in 2021, which resulted in pressure on the bank's NII during the negative interest rate environment. However, the recent increase in interest rates will support the bank's NII especially through the recovery of deposit margins and a generally growing business volume. Moreover, we understand that the bank aims to diversify away from its strong focus on German mortgage lending and consumer and other non-mortgage lending will improve earnings diversification, despite carrying higher risk.

ING-DiBa also continues to accelerate its digitalisation strategies in retail banking aiming to improve clients' digital and mobile experience, which results in a further increase in the number of mobile users. Its position as one of Germany's largest retail deposit gatherers enables it with a strong platform based on which it can strengthen its fee-generating business through the use of brokerage products. In SME lending, we expect additional growth via ING-DiBa's digital platform, Lendico, in collaboration with Amazon.com, Inc.

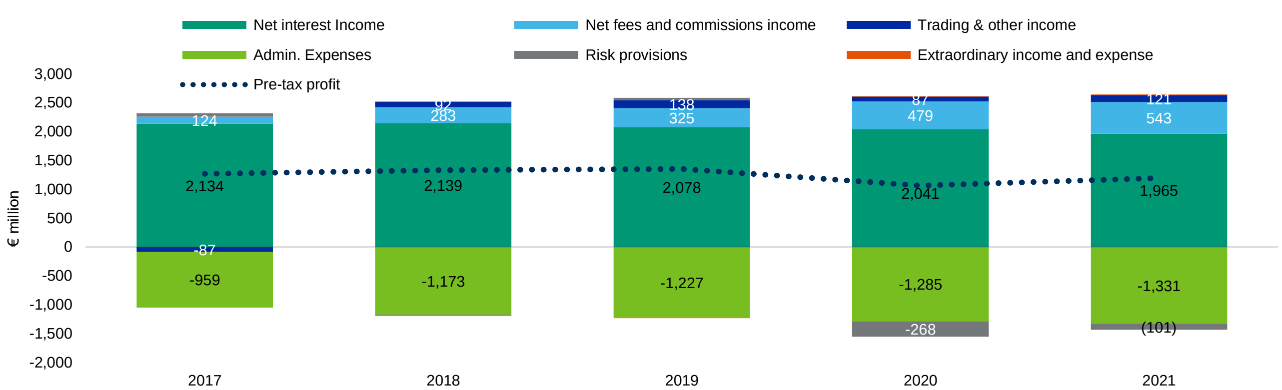
(Amazon, A1 stable), which offers loans to eligible Amazon sellers with maturities of up to three years. Internally, the focus is to further increase process automation levels, which in turn will enable rising economies of scale of the growing franchise while maintaining some of the strongest efficiency metrics in the German retail banking market with 51% as of year-end 2021.

Despite the sound profitability that will be supported by rising interest rates, we expect for 2022 this positive impact to be partially offset by the increase in loan loss provisions due to a weakening in the economic environment and in relation to its exposure in Russia, that were already booked in the first quarter of 2022. Overall, we expect that the bank's sustainable net income to tangible assets will remain at a level of around 50 basis points.

In 2021, despite the difficulties of the low interest rate environment, ING-DiBa achieved a pretax profit of €1.2 billion up by 12% from a year earlier. The 4% decline in net interest income to €2.0 billion in 2021 was offset by a 13% increase in fee and commission income of €543 million. In addition, other income increased by 38% to €121 million (€88 million a year earlier) and was mainly from a €98 million gain from financial instruments recorded at fair value through profit and loss. Moreover, the risk provisions of €101 million was considerably lower in 2021 than the €268 million of charge in 2020. Administrative expenses decreased by 1% to €657 million as of 31 December 2021 and there was a 9% increase in personnel expenses to €691 million (2020: €634 million).

Exhibit 8

ING-DiBa has strong earnings generation capacity, despite the difficult low interest rate environment



Sources: Company and Moody's Investors Service

The funding profile benefits from a large deposit base; de minimis dependence on confidence-sensitive market funds

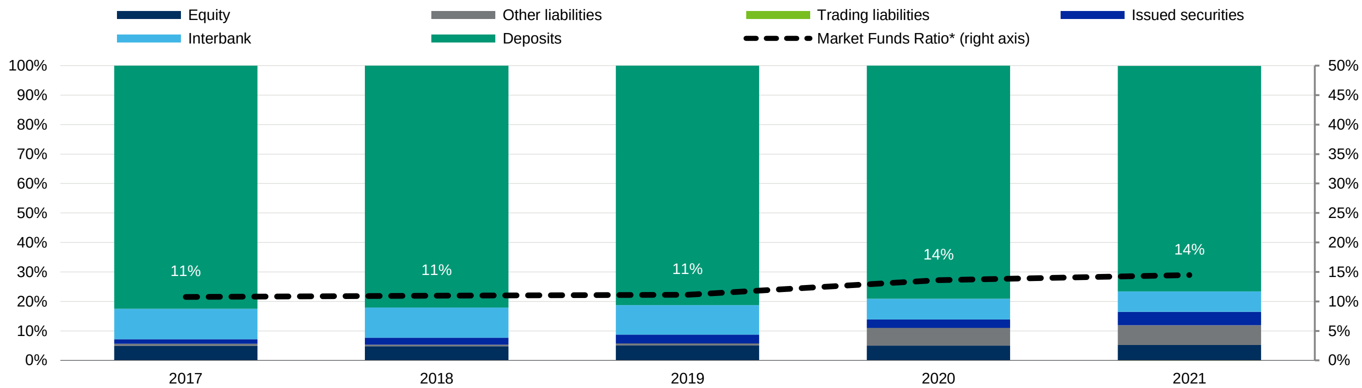
We assign a Funding Structure score of aa1, four notches above the a2 initial score, reflecting ING-DiBa's granular deposit base as well as the substantial parent and development bank pass-through funding, which we do not consider confidence-sensitive market funding.

As a primarily retail-funded institution, ING-DiBa's funding structure is a key credit strength and our assessment takes account of the high granularity of most of ING-DiBa's retail deposits, which is generally more stable than large institutional deposits. The large decrease in its customer liabilities to €136 billion from €146 billion in 2021 was largely driven by the exit from the Austrian retail market which accounted for €7 billion of the decrease, while around €3 billion relate to the custody fees the bank charged until July 2022 for deposits above €50,000. For 2022, we expect ING-DiBa's retail deposits to grow again as the bank dismissed its custody feeds on deposits in July 2022 and will start paying interest rates again in December 2022 amid the rising demand for direct banking remains unchanged in Germany.

Besides its strong deposit franchise, the bank's modest market funding ratio of 14.5% largely consists of interbank liabilities of €12 billion, parent bank funding of €11 billion as well as covered bonds of €5.0 billion[7] as of year-end 2021. Our assessment positively considers that part of interbank relates to pass-through lending from development banks and that parental funding mostly reflects repo transactions through which ING-DiBa accessed €11 billion in funds sourced under the ECB's TLTRO, which is a temporary funding component for the bank.

In the context of capital optimisation, ING-DiBa sourced €3.1 billion of subordinated debt from ING Groep via ING Deutschland GmbH in 2021. We expect ING-DiBa to issue additional loss-absorbing instruments to its parent between 2022 and 2024 to ensure compliance with internal minimum requirements for own funds and eligible liabilities.

Exhibit 9
ING-DiBa's stable and strong deposit-based funding
Composition of market funding sources



*Market funds ratio = market funds/tangible banking assets.
Sources: Company and Moody's Investors Service

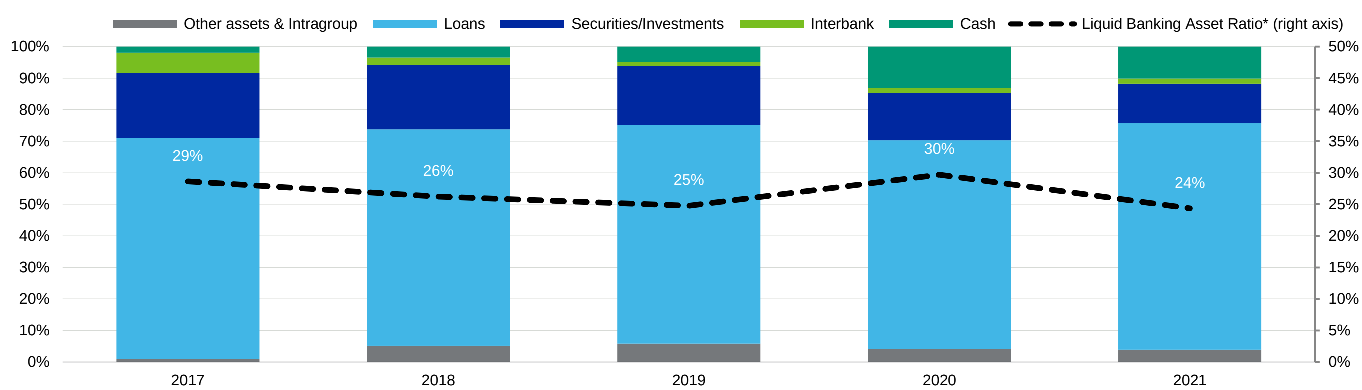
Comfortable liquidity position and largely unencumbered mortgage loan book

We assign a baa1 Liquid Resources score, in line with the initial score, taking into account asset encumbrance and the over-collateralisation of the bank's cover pool.

As of year-end 2021, the liquid banking assets to tangible banking assets ratio of 24.4% mainly comprises of €18 billion cash and central bank assets, €22 billion liquid securities and €3 billion of interbank assets. Our assessment further considers that large parts of the liquid resources relates to the bank's temporarily indirect participation in the ECB's TLTRO III limiting the sustainable liquid resources ratio. However, we positively consider additional liquid resources the bank can generate through overcollateralisation in its mortgage covered bond programme. In case of need, ING-DiBa can increase issuances and post them at the central bank to generate additional cash because of the current status of overcollateralisation in the programme.

Moreover, ING-DiBa comfortably meets the new CRR-based liquidity and funding requirements, as illustrated by its strong liquidity coverage ratio (LCR) above 200% and net stable funding ratio (NSFR) of 136% as of year-end 2021.

Exhibit 10
ING-DiBa's liquid assets mostly represent the bank's investment portfolio
Composition of liquid assets



*Liquid banking assets ratio = liquid assets/tangible banking assets.
Sources: Company and Moody's Investors Service

ESG considerations

ING-DIBA AG's ESG Credit Impact Score Is Neutral-to-Low CIS-2

Exhibit 11
ESG Credit Impact Score

CIS-2
Neutral-to-Low

For an issuer scored CIS-2 (Neutral-to-Low), its ESG attributes are overall considered as having a neutral-to-low impact on the current rating; i.e., the overall influence of these attributes on the rating is non-material.

Source: Moody's Investors Service

ING-DiBa's ESG Credit Impact Score is neutral-to-low (**CIS-2**), reflecting the limited credit impact of environment and social factors on the ratings to date, as well as neutral-to-low governance risks.

Exhibit 12
ESG Issuer Profile Scores

ENVIRONMENTAL
E-3
Moderately Negative

SOCIAL
S-4
Highly Negative

GOVERNANCE
G-2
Neutral-to-Low

Source: Moody's Investors Service

Environmental
ING-DiBa faces moderate exposure to environmental risks primarily because of its portfolio exposure to carbon transition risk as a large universal bank in Germany. In line with its peers, ING-DiBa is facing mounting business risks and stakeholder pressure to meet broader carbon transition goals. In response, ING-DiBa is engaging in transforming its lending book towards less carbon-intensive assets and is part of groupwide initiatives to further develop its climate risk management and reporting frameworks.

Social
ING-DiBa faces high industrywide social risks from customer relations, related to regulatory risk and litigation exposure and is required to meet high compliance standards. These risks are mitigated by the bank's and the group's developed policies and procedures. High cyber and personal data risks are mitigated by technology solutions and organisational measures to prevent data breaches.

Governance
ING-DiBa faces neutral-to-low governance risks, and its risk management framework, policies and procedures are in line with industry practices. The bank has a proven track record of meeting its strategic and financial targets. Because ING-DiBa is effectively controlled by ING Bank through its 100% shareholding, we have aligned the subsidiary's board structure, policies and procedures score with that of its parent, given the bank's strategic importance and public affiliation with the group, the parent's oversight of its subsidiary board and the regulated nature of both entities.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on www.moodys.com. To view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Affiliate support

ING-DiBa's Dutch parent bank, ING Bank, would likely support its German subsidiary in case of need. Therefore, we assume very high affiliate support for ING-DiBa in the event of need. However, this does not result in any rating uplift because ING-DiBa's BCA is higher than that of its ultimate parent.

We allow for a one-notch flexibility above the ultimate parent bank's BCA because per the EU's Bank Recovery and Resolution Directive (BRRD), Europe's resolution regime may allow for the ring-fencing of strong and viable subsidiaries in the event of a resolution prompted by distress at the parent level.

Loss Given Failure (LGF) analysis

ING-DiBa is subject to the EU BRRD, which we consider an operational resolution regime. Therefore, we apply our Advanced LGF analysis, where we take into consideration the risks faced by the different debt and deposit classes across the liability structure, should the bank enter resolution. In our Advanced LGF analysis, we consider the results of both the formal legal position (pari passu or de jure scenario), to which we assign a 75% probability, and an alternative liability ranking, reflecting the resolution authority's discretion to prefer deposits over senior unsecured debt (full depositor preference or de facto scenario), to which we assign a 25% probability. We further assume residual TCE of 3% and post-failure losses of 8% of tangible banking assets, a 25% run-off in junior wholesale deposits and a 5% run-off in preferred deposits. These ratios are in line with our standard assumptions. In addition, we assume that only a very small percentage (10%) of the deposit base can actually be considered junior and qualify as bail-in-able under the BRRD.

ING-DiBa will likely issue ILAC in the form of junior senior unsecured instruments to its parent, which supports the ratings of the bank, reflecting the greater levels of protection afforded to the bank's senior creditors. Because we use private data provided by the bank to determine such future new issuance expectations of junior senior unsecured debt, we do not disclose the underlying volumes of the liability tranches included in our Advanced LGF analysis for ING-DiBa.

The results of our Advanced LGF analysis are:

» For deposits, positioned at A2, our LGF analysis indicates a low loss given failure, leading to a one-notch uplift from the a3 Adjusted BCA.

» For the issuer rating, positioned at A2, our LGF analysis indicates a low loss given failure, leading to a one-notch uplift from the a3 Adjusted BCA.

Government support

German banks operate in an environment of significantly weakened prospects for financial assistance from the government. ING-DiBa does not have high domestic systemic relevance, given the bank's low complexity and modest interconnectedness with the financial sector. Therefore, we do not include any rating uplift for support from the Government of Germany in our ratings for ING-DiBa.

Counterparty Risk Ratings (CRRs)

ING-DiBa's CRRs are Aa3/P-1

The CRRs are three notches above the Adjusted BCA of a3, reflecting the extremely low loss given failure from the volume of instruments, primarily junior deposits, which are subordinated to CRR liabilities in our Advanced LGF analysis.

Counterparty Risk (CR) Assessment

ING-DiBa's CR Assessment is Aa3(cr)/P-1(cr)

The bank's CR Assessment is three notches above the a3 Adjusted BCA, based on the buffer against default provided to the senior obligations represented by the CR Assessment by more subordinated instruments, primarily junior deposits. To determine the CR Assessment, we focus purely on subordination, taking no account of the volume of the instrument class.

Methodology and scorecard

Methodology

The principal methodology used in rating ING-DiBa is our Banks methodology, published in July 2021.

About Moody's Bank Scorecard

Our Bank Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 13

ING Holding Deutschland GmbH

MACRO FACTORS							
WEIGHTED MACRO PROFILE	**STRONG +**	**100%**					
FACTOR	**HISTORIC RATIO**	**INITIAL SCORE**	**EXPECTED TREND**	**ASSIGNED SCORE**	**KEY DRIVER #1**	**KEY DRIVER #2**	
Solvency							
Asset Risk							
Problem Loans / Gross Loans	0.9%	aa2	↔	a3	Sector concentration	Expected trend	
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	19.6%	aa2	↔	a1	Nominal leverage	Expected trend	
Profitability							
Net Income / Tangible Assets	0.5%	ba1	↑	baa3	Expected trend	Earnings quality	
Combined Solvency Score		a1		a3			
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets	14.5%	a2	↔	aa1	Extent of market funding reliance	Deposit quality	
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets	24.4%	baa1	↔	baa1	Asset encumbrance	Additional liquidity resources	
Combined Liquidity Score		a3		a1			
Financial Profile				a2			
Qualitative Adjustments				Adjustment			
Business Diversification				0			
Opacity and Complexity				0			
Corporate Behavior				0			
Total Qualitative Adjustments				0			
Sovereign or Affiliate constraint				-			
BCA Scorecard-indicated Outcome - Range				a2 - baa1			
Assigned BCA				a3			
Affiliate Support notching				0			
Adjusted BCA				a3			

Balance Sheet is not applicable.

DEBT CLASS	DE JURE WATERFALL		DE FACTO WATERFALL		NOTCHING		LGF NOTCHING GUIDANCE VS. ADJUSTED BCA	ASSIGNED LGF NOTCHING	ADDITIONAL NOTCHING	PRELIMINARY RATING ASSESSMENT
	INSTRUMENT VOLUME + SUBORDINATION	SUB-ORDINATION	INSTRUMENT VOLUME + SUBORDINATION	SUB-ORDINATION	DE JURE	DE FACTO				
Counterparty Risk Rating	-	-	-	-	-	-	-	3	0	aa3
Counterparty Risk Assessment	-	-	-	-	-	-	-	3	0	aa3 (cr)
Deposits	-	-	-	-	-	-	-	1	0	a2
Senior unsecured bank debt	-	-	-	-	-	-	-	1	0	a2

INSTRUMENT CLASS	LOSS GIVEN FAILURE NOTCHING	ADDITIONAL NOTCHING	PRELIMINARY RATING ASSESSMENT	GOVERNMENT SUPPORT NOTCHING	LOCAL CURRENCY RATING	FOREIGN CURRENCY RATING
Counterparty Risk Rating	3	0	aa3	0	Aa3	Aa3
Counterparty Risk Assessment	3	0	aa3 (cr)	0	Aa3(cr)	
Deposits	1	0	a2	0	A2	A2
Senior unsecured bank debt	1	0	a2	0	A2	A2

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Investors Service

Ratings

Exhibit 14

Category	Moody's Rating
ING-DIBA AG	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Bank Deposits	A2/P-1
Baseline Credit Assessment	a3
Adjusted Baseline Credit Assessment	a3
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Issuer Rating	A2

Source: Moody's Investors Service

Endnotes

1 The ratings shown are ING Bank's deposit rating/senior unsecured rating and outlook, and its BCA.

2 The ratings shown for ING Groep represent holding company unsecured rating and outlook.

3 Throughout this report, we refer to ING-DiBa when mentioning the financials of ING Deutschland.

4 Based on ING Groep numbers

5 Since 2019, ING-DiBa's CET1 ratio has been based on IFRS accounting capital, replacing the previous local GAAP basis.

6 Internal ratings-based approach.

7 The market funding ratio only considers 50% of covered bonds as market funding

REPORT NUMBER 1327739

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