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CREDIT OPINION
19 December 2023

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

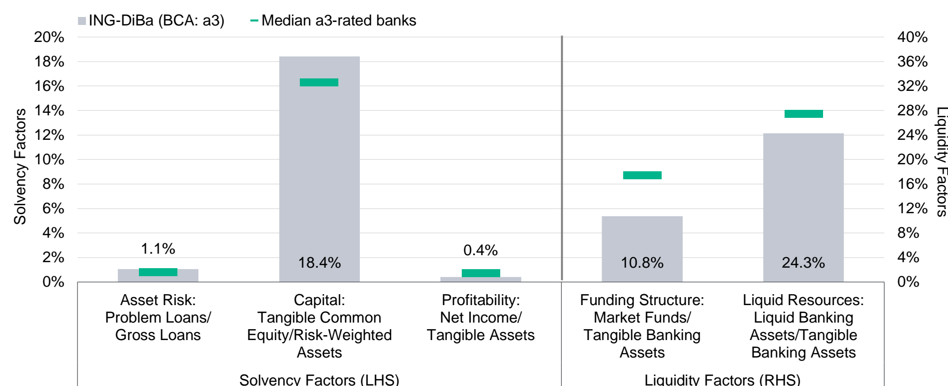
Update following rating affirmation

Summary

On 15 December, we affirmed ING-DiBa AG's (ING-DiBa) A2 long-term deposit and issuer ratings, and the bank's a3 Baseline Credit Assessment (BCA) and Adjusted BCA. ING-DiBa's ratings benefit from one notch of uplift from our Advanced Loss Given Failure (LGF) analysis, which incorporates the relative loss severity of a liability class. ING-DiBa's ratings do not benefit from government support uplift because we do not consider ING to be of domestic systemic importance for financial stability given its still limited interconnectedness within the sector and despite its solid 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 strategic links between the two entities. ING-DiBa's BCA reflects the bank's negligible market funding reliance as an almost exclusively deposit-funded institution; its strong capitalisation; and the generally very sound asset quality of its highly granular and secured residential mortgage lending book. The a3 BCA further reflects the bank's solid profitability which will be supported by rising interest rates going forward. Our assessment also takes account of potentially higher risk provisions in a less benign credit environment and a potential slight decline in liquid resources.

Exhibit 1
Rating Scorecard – ING-DiBa AG – Key financial ratios



Source: Moody's Financial Metrics

Credit strengths

» Large deposit base benefits the funding profile and results in negligible dependence on more confidence-sensitive and costly market funding

» Strong risk-weighted capitalisation

» Solid profitability benefitting from streamlined processes, general cost efficiency and growing revenues in the higher interest-rate environment

Credit challenges

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

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

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

Outlook

» The stable outlook on ING-DiBa's long-term deposit and issuer ratings reflects Moody's expectation of a stable standalone creditworthiness of the bank as well as its parent ING Bank and takes into account the rating agency's assessment of an unchanged liability structure going forward.

Factors that could lead to an upgrade

» Upward pressure on ING-DiBa's a3 BCA remains subject to an improvement of 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 N.V. (senior unsecured Baa1 stable) such that it reduces the expected loss for deposits and senior unsecured debt instruments under Moody's Advanced LGF analysis.

Factors that could lead to a downgrade

» ING-DiBa's BCA could be downgraded in the event of a weakening of the Dutch parent bank's credit profile, constraining its BCA further, or a significant weakening of ING-DiBa's financial profile, for example because of a more meaningful and sudden outflow of deposits causing an increase in more confidence-sensitive market funding sources or a sustained reduction of the bank's adequate liquidity buffers or an unexpected and 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.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on https://ratings.moodys.com for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2
ING Holding Deutschland GmbH (Consolidated Financials) [1]

	12-22[2]	12-21[2]	12-20[2]	12-19[2]	12-18[2]	CAGR/Avg.[3]
Total Assets (EUR Billion)	174.4	177.6	184.1	171.6	169.1	0.8[4]
Total Assets (USD Billion)	186.2	201.2	225.3	192.7	193.3	(0.9)[4]
Tangible Common Equity (EUR Billion)	8.9	8.9	8.9	8.3	7.8	3.2[4]
Tangible Common Equity (USD Billion)	9.4	10.1	10.9	9.3	8.9	1.4[4]
Problem Loans / Gross Loans (%)	1.1	0.9	1.0	0.6	0.7	0.9[5]
Tangible Common Equity / Risk Weighted Assets (%)	18.4	19.6	18.3	16.8	16.6	17.9[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	13.8	12.6	13.2	8.8	10.0	11.7[5]
Net Interest Margin (%)	1.3	1.1	1.2	1.2	1.3	1.2[5]
PPI / Average RWA (%)	3.2	2.8	2.7	2.7	2.9	2.9[6]
Net Income / Tangible Assets (%)	0.4	0.5	0.4	0.5	0.5	0.5[5]
Cost / Income Ratio (%)	46.8	50.6	49.3	48.3	46.7	48.3[5]
Market Funds / Tangible Banking Assets (%)	10.8	14.5	13.6	11.1	11.0	12.2[5]
Liquid Banking Assets / Tangible Banking Assets (%)	24.3	24.4	29.7	24.8	26.2	25.9[5]
Gross Loans / Due to Customers (%)	91.3	94.1	83.9	85.5	83.9	87.8[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), serving 9.1 million customers as of 31 December 2022. 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 around 6,000 full-time-equivalent employees at ING-DiBa and its other German activities, including Interhyp AG, as of the end of December 2022. The bank operates from its headquarters in Frankfurt and maintains branches in Berlin, Hanover and Nuremberg.

As of 31 December 2022, ING-DiBa reported total consolidated assets of €198 billion and customer loans of €126 billion (2021: €127 billion), of which €86 billion (2021: €86 billion) were residential mortgages and €29 billion (2021: €31 billion) wholesale banking loans. The bank's asset base, which also included an investment portfolio of €18 billion (2021: €22 billion), was funded to a large extent by €139 billion (2021: €136 billion) of customer deposits.

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 globally-operating German and Austrian companies with more than €1 billion 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 into ING-DiBa, extending its digital lending offering for domestic SMEs.

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 78% of the total risk positions of ING-DiBa as of year-end 2022, while 10% were related to other EU countries (8% stemmed from the Netherlands) and the remaining 11% were sourced from other international markets and 1% from the UK.

Detailed credit considerations

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

We assign an a3 Asset Risk score to ING-DiBa, three notches below the aa3 initial score, to take into account the bank's asset-risk concentrations in the German residential real estate market.

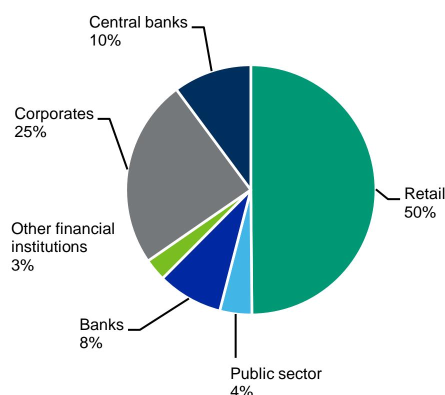
ING-DiBa's total loan book of €127 billion as of the end of 2022 (2021: €128 billion) has stabilized following several years of above-average growth, which was driven by its expansion into corporate loans, in part sourced from its parent. This loan book grew to €31 billion at its peak in 2019, but has been kept stable since and stood at €29 billion as of the end of 2022. The overall loan book remains concentrated in German residential mortgages (€86 billion in 2022, stable year-over-year), representing almost 10x the bank's tangible common equity (TCE). The bank's consumer lending book of €10 billion (1.1x TCE) also remained stable. There are no meaningful further concentrations within the bank's wholesale lending book, which also comprises a small portion (less than 3% of total gross loans) of lending towards commercial real estate with very low loan-to-value ratios typically below 50%.

In addition to concentration risks towards the residential mortgage sector in Germany, ING-DiBa held a gross exposure of €1.7 billion in Russia or 19% of its tangible common equity (TCE) as of year-end 2022. Approximately €800 million of these exposures were covered by export credit agency (ECA) guarantees or Credit and Political Risk Insurance (CPRI). This additional risk concentration has caused the bank to build additional loan loss provisions of €289 million in 2022, which have meaningfully reduced its reported results. During 2023, we anticipate these exposures to have been further reduced with no additional charges to be booked against the bank's P&L.

Besides that, ING-DiBa's intragroup exposures are contained within regulatory limits and are, to a large extent, collateralised.

Exhibit 3

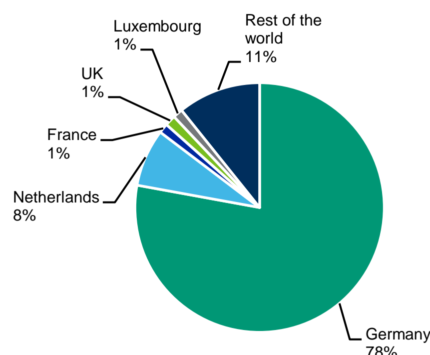
ING-DiBa's exposure composition by segment
Year-end 2022 share as percentage of total risk exposure of €211 billion



On and off balance sheet exposures
Source: Company reports

Exhibit 4

ING-DiBa's portfolio composition by country based on
Year-end 2022 share as percentage of total risk exposure of €211 billion



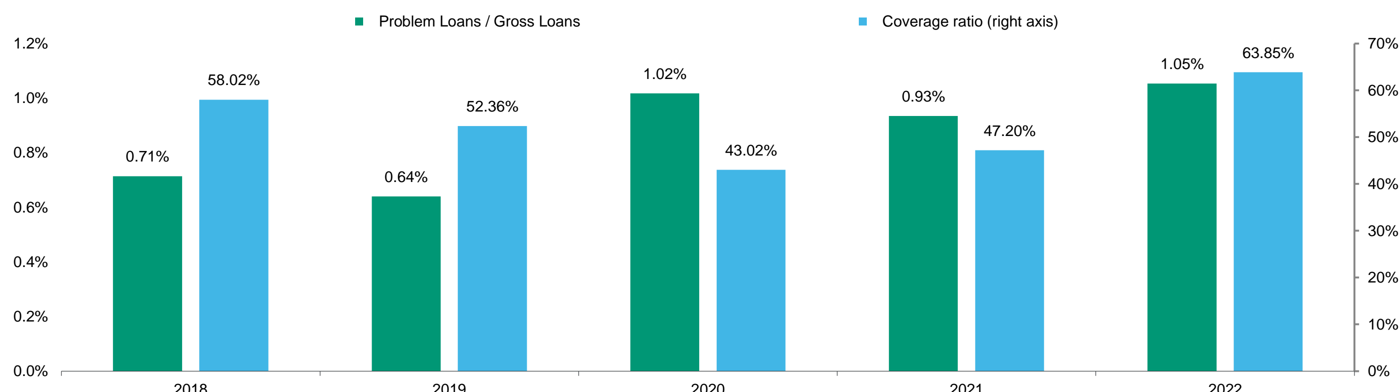
On and off balance sheet exposures
Source: Company reports

ING-DiBa displayed a problem loan ratio of 1.1% as of year-end 2022 (2021: 0.9%), benefitting from a very low problem loan ratio of 0.4% (2021: 0.4%) in its €86 billion residential mortgage book. The impaired loan ratio for ING-DiBa's €29 billion wholesale banking portfolio was also low at 1.8% (2021: 1.3%), with most of the impaired loans fully collateralised or even guaranteed. Within the smaller (and largely unsecured) €10 billion consumer lending book, the problem loan ratio stood at 3.7% (2021: 3.5%).

For its total €1.34 billion of impaired lending exposures, ING-DiBa has built loan loss reserves of €855 million or 64% of problem exposures as of the end of 2022. This good and improved coverage, along with the bank's prudent underwriting practices and a rigid termination process for nonperforming loans, will likely contain a potential increase in the bank's problem loan metrics in 2023.

Exhibit 5

ING-DiBa's problem loan ratio stable around 1%; good coverage ratio



The problem loan ratio is per our definition.
Sources: Company and Moody's Investors Service

Strong risk-weighted capitalisation but high balance-sheet leverage

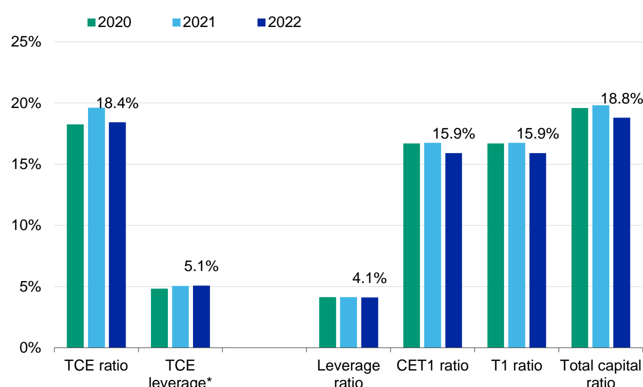
We assign an a1 Capital score, two notches below the aa2 initial score, reflecting the bank's strong capitalisation as well as our view that the TCE ratio will likely soften from the current levels, while the bank's regulatory leverage remains relatively high. Overall, we expect ING-DiBa to remain comfortably capitalised because we assume that the bank will maintain sufficient flexibility to retain a certain proportion of its annual profit, notwithstanding the automatic transfer of profits under a profit-and-loss transfer agreement with its holding company, ING Deutschland GmbH.

ING-DiBa's TCE ratio of 18.4% as of December 2022 was down from 19.6% as of December 2021 as a result of an increase in risk weighted assets (RWA) by 5.5% to €48.1 billion. The increase in RWA in 2022 resulted from higher credit risks in the corporate lending book, in part owing to the bank's Russian exposures. The difference between our 2022 TCE ratio of 18.4% and the Common Equity Tier 1 (CET1) capital ratio[3] of 15.9% mainly stems from regulatory deductions, including €157 million for the bank's IRBA[4] shortfall. At the same time, the bank's leverage ratio (TCE to tangible assets) of 5.1% as well as the fully loaded regulatory leverage ratio of 4.1% as of year-end 2022 continue to indicate fairly high balance sheet leverage.

In 2023 and 2024, we expect an improvement in ING-DiBa's risk-weighted capitalisation that will likely result from strongly improved profitability offsetting rising credit risks in the wholesale and residential lending books[5], prior to negative effects from the finalization of Basel III from 1 January 2025 and beyond. Nevertheless, ING-DiBa's capitalisation is and will remain well above its requirements.

Exhibit 6

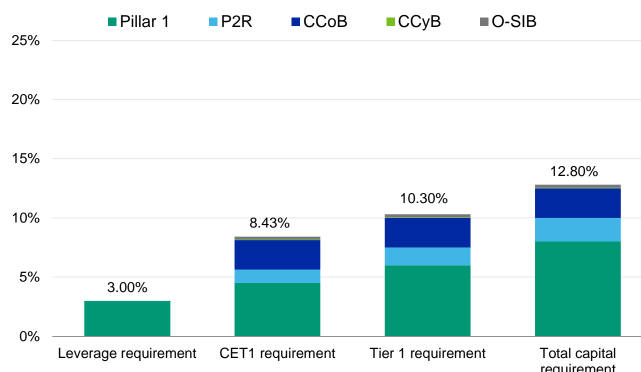
ING-DiBa substantially exceeds its capital requirements, but its leverage ratio remains low
Capital ratios at the level of ING Holding Deutschland



TCE = Tangible common equity (Moody's 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 December 2022



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

Sound profitability but higher risk provisions and rising deposit costs could absorb some of its future earnings potential

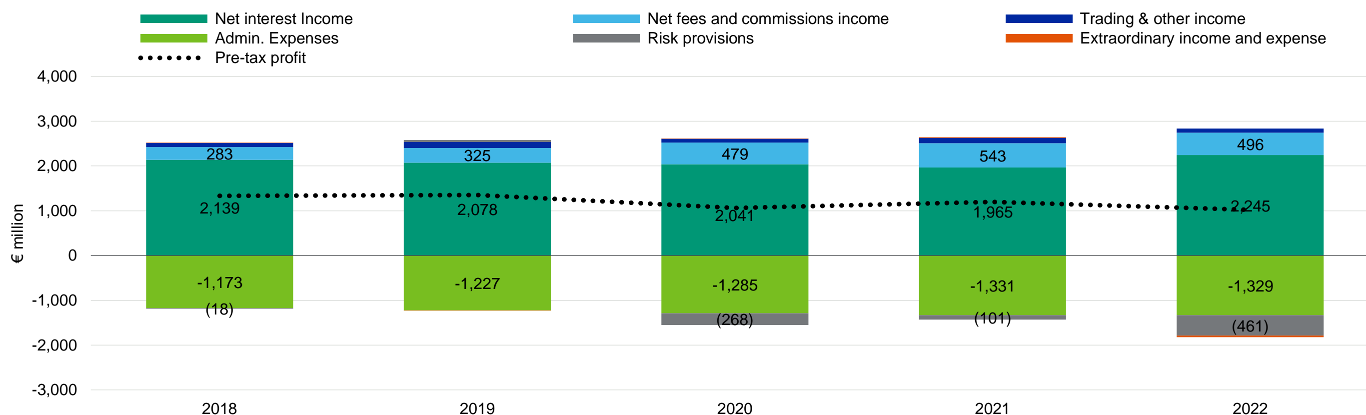
We assign a baa2 Profitability score to ING-DiBa, two notches above the ba1 initial score. The score reflects the bank's strong efficiency and solid revenue generation which is supported by higher interest rates and also captures our expectation of higher, yet well contained, risk costs, deposit repricing, and a slowdown in new business growth. Overall, we expect that the bank's sustainable net income to tangible assets will increase towards a level of around or above 50 basis points.

ING-DiBa's earnings are largely dependent on net interest income (NII), which represented 79% of total revenues in 2022. The recent strong increase in interest rates has supported and will likely continue to support the bank's NII through the recovery of deposit margins and the continued, albeit slower, repricing of lending assets. At the same time, and owing to its funding almost exclusively stemming from client deposits, stiff competition and significantly higher interest rates for deposits may limit future NII growth, depending on the speed of deposit repricing. For 2023, however, we expect the bank to post healthy gains, up meaningfully from the prior-year level.

In 2022 ING-DiBa achieved a pretax profit of €1.0 billion, an 11% decline from a year earlier. The 14% increase in net interest income to €2.2 billion in 2022 (2021: €2.0 billion) was offset by a 9% decrease in fee and commission income to €496 million and an 18% decrease in other income to €99 million (2021: €121 million). Moreover, risk provisions of €460 million were considerably higher in 2022 than the €113 million in 2021, largely owing to €289 million higher risk provision for the bank's Russian exposures. Administrative expenses of €656 million (2021: €657 million) and personnel expenses of €685 million (2021: €691 million) remained stable during 2022, supporting the bank's overall cost-to-income ratio of 46.8% in 2022 (2021: 50.6%), one of the strongest efficiency metrics in the German retail banking market.

Exhibit 8

ING-DiBa has strong earnings generation capacity



Sources: Company and Moody's Investors Service

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 offering of brokerage products.

In Business Banking, which caters to the needs of small business clients (SMEs), we expect additional growth through the bank's 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 likely enable rising economies of scale of the growing franchise while maintaining its strong efficiency metrics.

The funding profile benefits from a large, granular deposit base, resulting in negligible dependence on confidence-sensitive market funding

The assigned Funding Structure score of aa2, three notches above the a2 initial score, reflects ING-DiBa's very granular and largely insured deposit base as well as the substantial parent and development bank pass-through funding, which we do not consider confidence-sensitive market funding. The assigned score is among the highest for any German bank with own, independent deposit franchises.

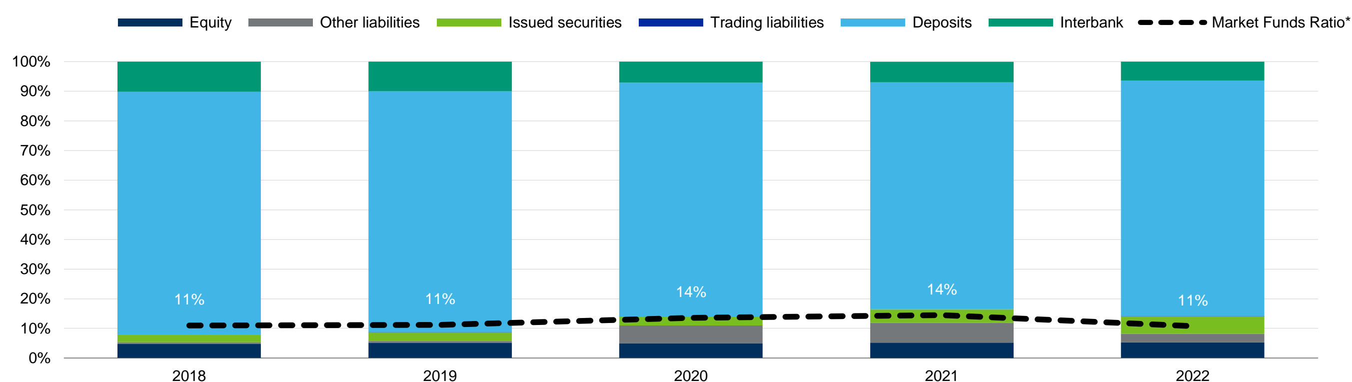
As a primarily retail-funded institution, ING-DiBa's funding structure is a key credit strength and our assessment takes account of the high granularity of most of ING-DiBa's retail deposits, which are generally more stable than large institutional deposits. The increase in its customer liabilities to €139 billion as of the end of 2022 from €136 billion in 2021 was largely driven by the increase in interest rates for new customers (for a limited teaser period), which the bank passed on to its customers as one of the first banks in Germany.

Besides its strong deposit franchise, the bank's modest market funding ratio of 10.8% largely consists of interbank liabilities of €11 billion, parent bank funding of €4.5 billion[6] as well as covered bonds of €6.4 billion[7] as of year-end 2022. Our assessment positively considers that a larger part of interbank funding relates to pass-through lending from development banks and that parental funding mostly reflects repo transactions through which ING-DiBa accessed €4.5 billion in funds sourced under the ECB's TLTRO, which is a temporary funding component for the bank.

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

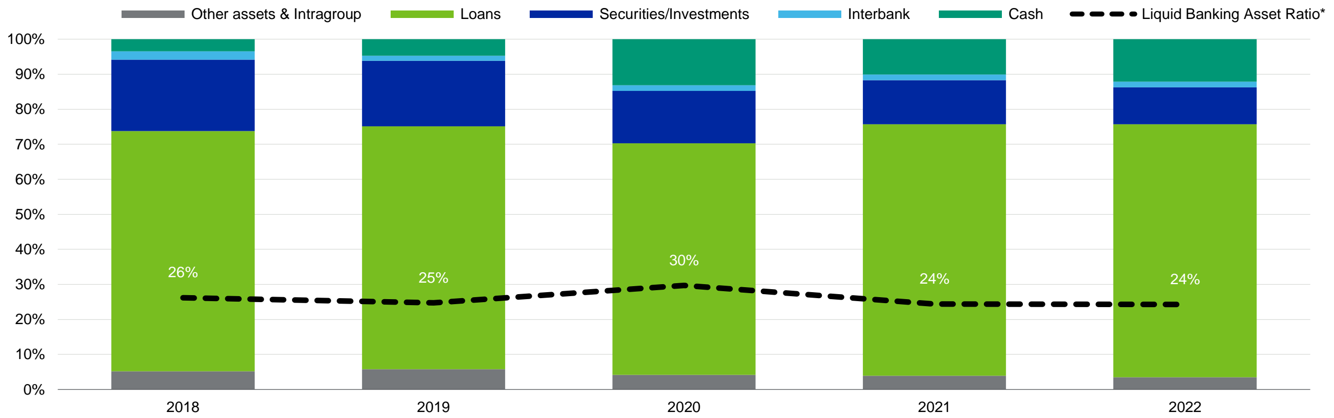
Comfortable liquidity position and largely unencumbered mortgage loan book

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 2022, our liquid banking assets to tangible banking assets ratio of 24.3% was mainly comprised of €21 billion cash and central bank assets, €18 billion liquid securities and €3 billion of interbank assets. Our assessment further considers that some parts of the liquid resources related 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 the current over-collateralisation in its mortgage covered bond programme which will allow it to increase issuances and post them at the central bank to generate additional cash. Further, and while we do not consider it to be quickly available liquidity, the bank has ample room for further covered bond issuance considering only €6.4 billion of covered bonds outstanding against its total €86 billion residential mortgage book.

As of year-end 2022, ING-DiBa reported a strong liquidity coverage ratio (LCR) of 220% and a net stable funding ratio (NSFR) of 144%.

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

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

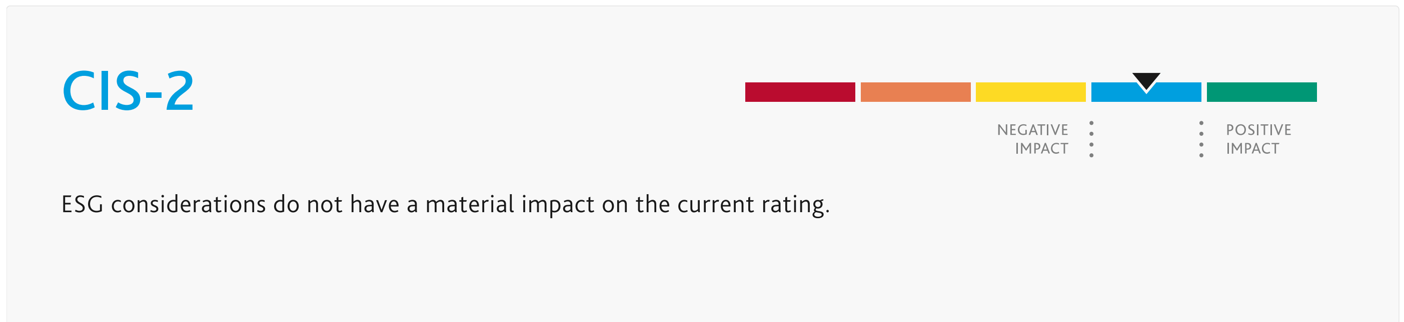
Overall, we assign a BCA of a3 to ING-DiBa, one notch above the baa1 BCA of its parent ING Bank, reflecting ING-DiBa's strong ties to a parent with a weaker BCA.

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.

ESG considerations

ING-DiBa AG's ESG credit impact score is CIS-2

Exhibit 11
ESG credit impact score



Source: Moody's Investors Service

ING DiBa AG's (ING DiBa) **CIS-2** indicates that ESG considerations do not have a material impact on the current rating.

Exhibit 12
ESG issuer profile scores

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 group-wide 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 exposures 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 organizational measures to prevent data breaches.

Governance

ING-DiBa faces 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 N.V. 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 Moodys.com. In order 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 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, which may benefit ING-DiBa as a standalone financial institution in the German market. 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.

Loss Given Failure (LGF) analysis

ING-DiBa is subject to the EU's Bank Recovery and Resolution Directive (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 bank's deposit base can actually be considered junior and qualify as bail-in-able under the BRRD, owing to the high granularity of deposits.

ING-DiBa will likely issue iLAC in the form of junior senior unsecured instruments or Additional Tier 1 (AT1) instruments to its parent, which results in rating uplift for more senior liability classes and supports the ratings of the bank owing to the greater level 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, 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, 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 German financial sector, as reflected in a low O-SII capital buffer of 0.25%[8]. Therefore, we do not include any rating uplift for support from the Government of Germany in our ratings for ING-DiBa.

Aa3/P-1 Counterparty Risk Ratings (CRRs)

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.

Aa3(cr)/P-1(cr) Counterparty Risk (CR) Assessment

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.

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[9].

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	1.1%	aa3	↔	a3	Loan growth	Sector concentration
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	18.4%	aa2	↔	a1	Nominal leverage	Expected trend
Profitability						
Net Income / Tangible Assets	0.4%	ba1	↑	baa2	Expected trend	Earnings quality
Combined Solvency Score		a1		a3		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	10.8%	a2	↔	aa2	Extent of market funding reliance	Deposit quality
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	24.3%	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	SUBORDINATION	INSTRUMENT VOLUME + SUBORDINATION	SUBORDINATION	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 Since 2019, ING-DiBa's CET1 ratio has been based on IFRS accounting capital, replacing the previous local GAAP basis.

4 Internal ratings-based approach.

5 Capital requirements have increased 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 for domestic loans backed by residential properties, effective February 2023.

6 In the context of capital optimisation, ING-DiBa also sourced €3.9 billion of subordinated debt from ING Groep via ING Deutschland GmbH in 2022. We expect ING-DiBa to issue additional internal loss-absorbing instruments to its parent between 2023 and 2024 to ensure compliance with internal minimum requirements for own funds and eligible liabilities (iMREL).

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

8 German regulator BaFin sets appropriate capital buffers for other systemically important institutions (O-SIIs) in Germany, ranging from 2.0% to 0.25% for the 16 identified institutions as of 1 January 2023.

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

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