

July 27, 2021

Lead analysts:

Batchuluun Lkhagvaa, Director
+7 (495) 139-0480 ext. 135
batchuluun.lkhagvaa@acra-
ratings.ru

Irina Nosova, Director
+7 (495) 139-0481
irina.nosova@acra-ratings.ru

Key rating assessment
factors

ACRA affirms AAA(RU) to ING BANK (EURASIA) JSC, outlook Stable

The credit rating of [ING BANK \(EURASIA\) JSC](#) (hereinafter, the Bank) is based on the high likelihood of extraordinary support from the Bank's parent entity, ING Bank N.V. (hereinafter the Supporting Entity, the SE, or the Group).

At the same time, the Bank's standalone creditworthiness assessment (SCA) is also high and is determined by the adequate business profile, strong capital adequacy position, adequate risk profile, and adequate liquidity and funding position.

ING BANK (EURASIA) JSC is a 100% subsidiary of ING Bank N.V., a part of ING Group, a major European financial group headquartered in Amsterdam and operating in more than 40 countries as of July 2021. In Russia, the Bank has traditionally focused on blue chip corporates and large financial institutions.

Very high likelihood of support from the Supporting Entity. In ACRA's view, if necessary the SE will provide the Bank with short-term and long-term funding and capital injections in light of the following:

- The creditworthiness of ING Bank N.V. is high compared to the standalone creditworthiness of the Bank. The scope of the Bank's business is not a factor that could limit the effectiveness of potential support;
- The Group exercises complete shareholder and operational control over the Bank (the parent company determines the Bank's corporate risk management procedures and standards, taking into account Russian law);
- The Bank and the Group operate under the same brand and therefore a possible default of the Bank may be associated with the Group.

The Agency takes into account the fact that the SE operates in a jurisdiction that differs from the jurisdiction of presence of the Bank, which makes the possibility of providing support dependent on the freedom of movement of capital between the countries. In addition, the termination of the Bank's activities or its deconsolidation will not lead to the emergence of critical risks for the implementation of the group-wide strategy.

Due to the above, as well as taking into account possible reputational risks for ING Bank N.V. in the event of the Bank's default, ACRA sets the Bank's credit rating at AAA(RU).

The Bank's (a-) business profile reflects its relatively high positions in the Russian banking system. As of June 1, 2021, the Bank ranked 38th in terms of capital and 40th in terms of assets among Russian banks. However, ACRA notes that the reduction in capital as a result of dividend payments led to a decrease in this indicator. The Bank is part of the ING Wholesale Banking division, which allows it to attract high-quality Russian and international clients, some of which are serviced simultaneously by both the Bank and the SE. At the same time, the Bank does not seek to expand geographically or significantly in terms of new business niches in the Russian Federation.

The Bank's business diversification remains quite low reflecting its provision of banking services to a limited number of subsidiaries of multinational corporations in Russia who are clients of the SE, and also to large Russian entities with high creditworthiness. At the same time, ACRA notes the high volatility of operating income, as well as its sharp decline in 2020. The Bank's strategy is in line with its SE's overall approach to developing markets, which is underlined by a conservative risk-taking approach.

ACRA assesses the Bank's capital adequacy as strong. Tier 1 capital as of end-March 2021 stood at 22.5%, which, according to ACRA's stress test, reflects the Bank's ample capacity to absorb credit risks within the 12 to 18-month horizon.

The averaged capital generation ratio calculated net of dividend payments for 2016–2020 is -116 bps, which is mainly due to a RUB 6.7 bln dividend payment in 2020.

The Bank's risk profile is assessed as adequate due to the high quality of both the loan portfolio and the securities portfolio. According to the Bank's IFRS financial statements, as of year-end 2020, the Bank had no impaired or overdue loans, which is typical for the Bank and reflects an adequate risk management policy that solely focuses on lending to companies with high credit quality. In assessing the risk profile, ACRA also took into account the high concentration of the loan portfolio on the largest groups of related borrowers. This, however, is mitigated by the sufficient credit quality of these borrowers.

The adequate funding and liquidity assessment is driven by a sufficient surplus of short-term liquidity in both ACRA's base case and stress scenarios, a stable position on long-term liquidity, and a lack of reliance on regulatory funding.

The assessment is also supported by balances held at financial institutions with high creditworthiness and access to a significant amount of regulatory funding, if necessary. In addition, the Bank benefits from a substantial credit lines provided by the Supporting Entity. At the same time, ACRA acknowledges significant concentration on major depositors.

Key assumptions

- Maintaining the current emphasis on a conservative development model and the high quality of the loan portfolio;
- Capital adequacy ratio (N1.2) above 12% within the 12 to 18-month horizon;
- Retained shareholding and operating control by the SE.

Potential outlook or rating change factors

The **Stable outlook** assumes that the rating will most likely stay unchanged within the 12 to 18-month horizon.

A negative rating action may be prompted by:

- Sudden deterioration of risk management prudence, substantial growth of NPLs in the loan portfolio;
- Significant drop in capital adequacy metrics and internal capital generation capacity;
- Substantial deterioration of the creditworthiness of the SE.

Rating components

SCA: aa-

Adjustments: none.

Support: ACRA is of the opinion that in case of need, the supporting entity would be able to provide the Bank with extraordinary support in the form of capital and/or liquidity. Taking into account the support factors, the Bank's rating is set three notches above the SCA.

Regulatory disclosure

The credit rating has been assigned under the national scale for the Russian Federation based on the [Methodology for Credit Ratings Assignment to Banks and Bank Groups Under the National Scale for the Russian Federation](#), the Methodology for Analyzing Rated Entities Associated with a State or a Group, and the [Key Concepts Used by the Analytical Credit Rating Agency within the Scope of Its Rating Activities](#).

The credit rating of ING BANK (EURASIA) JSC was published by ACRA for the first time on August 10, 2017. The credit rating and its outlook are expected to be revised within one year following the publication date of this press release.

The credit rating was assigned based on data provided by ING BANK (EURASIA) JSC, information from publicly available sources, and ACRA's own databases. The rating analysis

was performed using the consolidated IFRS financial statements of ING BANK (EURASIA) JSC and the financial statements of ING BANK (EURASIA) JSC drawn up in compliance with Bank of Russia Ordinance No. 4927-U dated October 8, 2018. The credit rating is solicited, and ING BANK (EURASIA) JSC participated in its assignment.

In assigning the credit rating, ACRA used only information, the quality and reliability of which was, in ACRA's opinion, appropriate and sufficient to apply the methodologies.

ACRA provided additional services to ING BANK (EURASIA) JSC. No conflicts of interest were discovered in the course of credit rating assignment.

(C) 2021

Analytical Credit Rating Agency (Joint-Stock Company), ACRA (JSC)
75, Sadovnicheskaya embankment, Moscow, Russia
www.acra-ratings.com

The Analytical Credit Rating Agency (ACRA) was founded in 2015, with its 27 shareholders representing major Russian corporate and financial institutions and its authorized capital exceeding RUB 3 bln. ACRA's main objective is to provide the Russian financial market with high-quality rating products. Methodologies and internal documents of ACRA are developed in compliance with Russian legislation and with regard to global rating industry best practices.

The provided information, including, without limitation, credit and non-credit ratings, rating assessment factors, detailed credit analysis results, methodologies, models, forecasts, analytical reviews and materials, as well as other information placed on the ACRA website (further referred to as Information), coupled with the ACRA website software and other applications, are intended for information purposes only. Information must not be modified, reproduced or distributed by any means, in any way or form, either in whole, or in part, in marketing materials, as part of public relations events, in news bulletins, in commercial materials or reports without prior written consent from, and reference to, ACRA. Any use of Information in violation of these requirements or the law is prohibited.

ACRA credit ratings reflect ACRA's opinion about the ability of a rated entity to meet its financial obligations or about the credit risk of individual financial obligations and instruments of a rated entity at the time of publication of the relevant Information.

Non-credit ratings reflect ACRA's opinion about certain non-credit risks assumed by interested parties interacting with a rated entity.

The assigned credit and non-credit ratings reflect all material information pertaining to a rated entity and known by ACRA (including the information received from third parties), the quality and reliability of which ACRA considers appropriate. ACRA shall not be responsible for the accuracy of information provided by clients or relevant third parties. ACRA does not audit or otherwise verify the provided data and shall not be held responsible for their accuracy and completeness. ACRA conducts rating analysis of information provided by customers using its own methodologies, with the texts thereof available on ACRA's website – www.acra-ratings.com/criteria.

The only source that reflects the latest Information, including the one about credit and non-credit ratings assigned by ACRA, is ACRA's official website – www.acra-ratings.com. Information is provided on an "as is" basis.

Information shall be considered by users exclusively as ACRA's statement of opinion and must not be regarded as advice, recommendation or suggestion to buy, hold or sell securities or other financial instruments of any kind, nor shall it be viewed as an offer or advertisement.

Neither ACRA, nor its employees and persons affiliated with ACRA (further referred to as the ACRA Parties) provide any direct or implied guarantee expressed in any form or by any means regarding the accuracy, timeliness, completeness or applicability of Information for making investment and other decisions. ACRA does not act as a fiduciary, auditor, investment or financial advisor. Information must be regarded solely as one of the factors affecting an investment decision or any other business decision made by any person who uses ACRA's information. It is essential that each of such persons conduct their own research and evaluation of a financial market participant, as well as an issuer and its debt obligations that may be regarded as an object of purchase, sale or possession. Users of Information shall make decisions on their own, involving their own independent advisors, if they deem it necessary.

ACRA Parties shall not be responsible for any action taken by users based on Information provided by ACRA. ACRA Parties shall under no circumstances be responsible for any direct, indirect or consequential damages or losses resulting from interpretations, conclusions, recommendations and other actions taken by third parties and directly or indirectly connected with such information.

Information provided by ACRA is valid only as of the date of preparation and publication of materials and may be amended by ACRA in the future. ACRA shall not be obliged to update, modify or supplement Information or inform anyone about such actions, unless the latter was recorded separately in a written agreement or is required by legislation of the Russian Federation.

ACRA does not provide advisory services. ACRA may provide additional services, if this does not create a conflict of interest with rating activities.

ACRA and its employees take all reasonable measures to protect all confidential and/or material non-public information in their possession from fraud, theft, unlawful use or inadvertent disclosure. ACRA provides protection of confidential information obtained in the course of its business activities as required by legislation of the Russian Federation.