

EuroRating affirmed 'BBB' credit rating with a stable outlook assigned to the bank ING Bank Slaski S.A.

Public / Private rating	public
Continued / One off rating	continued (monitored rating)
Category	rating for the issuer
Name of the rated entity	ING Bank Slaski S.A.
Type of the rated entity	bank
Type of the credit rating	long-term, international scale
Date of rating affirmation	27.02.2024
Rating level	BBB
Rating outlook	stable

Warsaw, 27 February 2024 – EuroRating credit rating agency has revised the credit rating for the bank ING Bank Slaski S.A. The rating has been affirmed at 'BBB' with a stable outlook.

KEY RATING DRIVERS

Moderate level of equity: After significant declines in equity value in 2021-2022, mainly caused by negative valuation of cash flow hedging instruments, the bank's equity experienced a substantial increase in 2023 (from PLN 9.3 billion to PLN 16.7 billion compared to the previous year) and was only about 10% lower than the previous highest value achieved at the end of 2020. However, due to the continued growth of the assets, the equity to balance sheet total ratio at the end of 2023 remained relatively low (6.8%, compared to 10% at the end of 2020).

Safe levels of regulatory capital ratios: Regulatory capital ratios have shown less variability over the past three years than the equity to balance sheet total ratio, consistently remaining at satisfactory levels. Over the last five quarters, these ratios increased to safe levels: 16.7% for TCR (Total Capital Ratio) and 15.3% for Tier 1. This implies that, by the end of 2023 these ratios exceeded minimum capital requirements set by financial supervision by 5.4 and 6.0 percentage points, respectively.

Very good quality of the loan portfolio: The share of non-performing loans (NPLs) in the total loan portfolio of ING has maintained at a very low level for many years. At the end of 2023, the NPLs ratio amounted to 2.7%, compared to the market average of 5.2%. Additionally, the coverage of potentially risky loans by reserves is relatively high, around 60%.

Growing net asset profitability: ING's operations have been characterized by a relatively high return on assets ratio (ROA) over the long term, which in previous years had consistently remained at a good level of around 0.8-1.2%. In 2023, mainly due to the continued high NBP interest rates, the bank

achieved its highest ever interest income (PLN 12.4 billion) and a record net profit (PLN 4.4 billion). This was reflected in the increase of ROA to its highest ever level of 1.9%.

Large scale of operations, strong brand and good reputation: ING Bank Slaski is one of the largest banks on the Polish market. The bank has a strong, recognizable brand and a good reputation on the capital market (ING shares have been listed on the Warsaw Stock Exchange since 1994).

High probability of support: The majority shareholder of ING Bank Slaski (owning 75% of the shares) is ING Bank N.V., a Dutch bank with a good financial condition and high creditworthiness. EuroRating estimates that the probability of obtaining support from the majority shareholder in the event of a crisis is high.

Planned high dividend payout: The management of ING intends to pay out approximately 75% of the net profit achieved in 2023 in the form of a dividend in the current year. EuroRating considers the payment of high dividends, in the context of the still relatively low share of equity in the balance sheet total, to be a negative factor from the point of view of credit risk assessment.

STABLE RATING OUTLOOK

The stable rating outlook means that, according to the current EuroRating's estimates, the rating assigned to the company should most likely remain unchanged in the horizon of the next 12 months.

MAIN FACTORS THAT COULD LEAD TO A RATING CHANGE

The most significant potential factors that could (individually or collectively) lead to a positive rating action (change of the rating outlook to positive and/or rating upgrade), EuroRating includes: a significant and sustained increase in the value of equity and its share in the balance sheet total; further increase of regulatory capital ratios; the maintenance of high levels of financial results; as well as sustaining a very low level of non-performing loans (NPL).

The most significant potential factors that could (individually or collectively) lead to a downgrade of current credit rating (and/or to a change of the rating outlook to negative): a decline in the value of equity and/or its share in the balance sheet total; potential decline in regulatory capital ratios below the required levels; significant deterioration of financial results (including, in particular, the generation of losses); as well as the payout of excessively high dividends to shareholders.

BEST/WORST RATING SCENARIO

The full range of best- and worst-case scenarios for all rating categories spans from 'AAA' to 'D'. Historical long-term statistics on rating migrations (changes between individual rating classes) for entities rated by EuroRating are published in the report on rating statistics, available at: <https://www.eurorating.com/en/ratings/statistics> (annexes No. 6-9).

REGULATORY DISCLOSURES

Information on the EuroRating credit rating agency

EuroRating is a fully independent international credit rating agency operating since 2007, specializing in assessing the credit risk of enterprises and financial institutions. EuroRating Sp. z o.o. is formally registered by the European Securities and Markets Authority (ESMA) as a credit rating agency authorized to issue public credit ratings throughout the European Union (in accordance with the Regulation of the European Parliament and of the Council No. 1060/2009 on credit rating agencies) and is under direct supervision of ESMA.

EuroRating holds the ECAI (External Credit Assessment Institution) status in the European Union, pursuant to the Regulation of the European Parliament and of the Council No. 575/2013 on prudential requirements for credit institutions and investment firms (CRR Directive). The credit ratings (including unsolicited ratings) assigned by EuroRating are valid throughout the European Union and can be used for regulatory purposes under EU legislation by all financial institutions or any other entities and are entirely equal to credit ratings issued by other credit rating agencies registered by ESMA.

Methodology

The presented credit rating for the bank ING Bank Slaski S.A. is an issuer credit rating – it is a general assessment of the creditworthiness of the assessed entity and concerns the credit risk of its senior, unsecured and unsubordinated financial obligations.

The presented credit rating has been assigned in accordance with the Regulation (EC) No. 1060/2009 of the European Parliament and of the Council on credit rating agencies.

The methodology used in this rating was "Credit rating methodology for banks" published in June 2023 and available at: <https://www.eurorating.com/en/ratings/methodology/credit-risk-assessment-methodology>

The rating scale of the EuroRating credit rating agency as well as detailed rating definitions are published at: <https://www.eurorating.com/en/ratings/rating-scale>

Historical default statistics for entities assessed by EuroRating are published in the report on rating statistics, available at: <https://www.eurorating.com/en/ratings/statistics>

EuroRating's definition of default as well as definitions of rating notations can be found in the agency's website at: <https://www.eurorating.com/en/ratings/methodology/definition-of-default>

Credit ratings assigned by the EuroRating credit rating agency are not solely estimates of the probability of default of a rated entity, but represent a total estimated assessment of a risk of loss (i.e. the ultimate loss of part or all of the receivables along with any interest) by the creditors of the rated entity in the event of its default. Ratings assigned by EuroRating therefore express a combination of the estimated probability of default of the rated entity and the estimated level of loss of receivables by its creditors in the event of an actual default (Loss Given Default).

Public status of the credit rating / terms of use

The presented credit rating for the bank ING Bank Slaski S.A. is a public rating. The date of the first publication of the rating, the current rating level and the full rating history are published on the EuroRating's website in the section "Credit ratings", in the relevant tab on the rated entity/security.

The terms of use for credit ratings issued by EuroRating are published on the agency's website at: <https://www.eurorating.com/en/ratings/about-credit-ratings/terms-of-use>

Solicitation status

The rating assigned to the bank ING Bank Slaski S.A. was not solicited by the rated entity or any related third parties. The rated entity did not participate in the rating process and the EuroRating had no access to internal documents or the management of the rated entity. The analytical process relied solely on publicly available information. Key sources of information included: interim financial statements, presentations and reports from the rated entity, along with media coverage of the economy and relevant industries, as well as public information about the rated entity itself. The assigned credit rating was presented to the rated entity in advance and issued without any changes resulting from this disclosure.

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