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Fitch Downgrades ING Verzekeringen; Affirms ING Bank and ING Group Ratings

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Fitch Ratings-Paris/London/Chicago-27 October 2009: Fitch Ratings has today downgraded ING Verzekeringen N.V.'s Long-term Issuer Default Rating (IDR) to 'A-' from 'A' and placed it on Rating Watch Negative (RWN). ING Verzekeringen's U.S. subsidiaries are also downgraded to Insurer Financial Strength (IFS) 'A-' and remain on RWN.

In addition, Fitch has affirmed ING Bank N.V.'s Long-term IDR at 'A+' with a Stable Outlook and downgraded its Individual rating to 'C' from 'B/C'. Moreover, Fitch has affirmed ING Group's Long-term IDR at 'A', changed the Outlook to Stable from Negative and assigned a Support Rating of '1' and a Support Rating Floor of 'A'. A full rating breakdown is provided at the end of this comment.

The rating actions reflect ING Group's announcement that it intends to dispose its insurance operations by end-2013. As of today, ING Group, the group holding company, has two main subsidiaries: ING Bank, which operates most of the group's banking businesses, and ING Verzekeringen, which runs most of the insurance activities.

The divestment of insurance operations is part of the restructuring plan filed with the European Commission (EC). In addition, in order to get EC approval, ING Bank needs to divest ING Direct USA as well as a few small Dutch banking subsidiaries. Moreover, ING Group will be making a EUR7.5bn capital issue to repay the Dutch State EUR5bn of hybrid capital (leaving another EUR5bn outstanding) and additional payments to be made to the Dutch State on the illiquid asset back-up facility under which the Dutch State assumes 80% of the economic risk of ING's Alt A portfolio.

ING Verzekeringen's downgrade reflects Fitch's view that insurance operations will no longer benefit from being part of a large bank-insurance organisation and as such will see reduced risk and business diversification as well as less financial flexibility. The RWN reflects the uncertainties that the sale will generate with respect to the franchise and business position of ING insurance operations. Fitch will resolve the RWN once the disposal process is finalised and the new shareholding structure of ING Verzekeringen has been put in place. ING Verzekeringen's ratings continue to reflect its strong business positions and excellent geographic diversification. Although capital adequacy is in line with the current ratings, it is unlikely to be materially strengthened by internal accumulation until the profitability of the insurance operations substantially recover, which is unlikely in 2009.

The downgrade of the ratings of the US insurance operations, ING America Insurance Holdings Inc. and its subsidiaries, follow that of its parent. Fitch views US insurance operations as very important but not core to ING Verzekeringen due to the material restructuring that has begun in the US insurance operations. Fitch will resolve the RWN on ING Verzekeringen's U.S. subsidiaries based on the execution of its restructuring strategy and the resulting allocation of ongoing/run-off businesses, capitalisation and business profiles of the individual legal entities.

ING Bank's Long-term IDR is at its Support Rating Floor and hence carries a Stable Outlook. The Support Rating Floor indicates an extremely high probability of additional government support in case of need. The downgrade of ING Bank's Individual rating reflects pressure on profitability, which continues to be affected by financial market impacts; in Q309, the bank booked EUR650m of impairments on debt securities, essentially on Alt A RMBS, and EUR400m of negative fair value changes on real estate investments. In addition, given the worsening economic environment, asset quality is expected to deteriorate further leading to additional loan impairments. The bank's Individual rating continues to reflect the bank's strong franchise in the Benelux countries and in other mature markets via ING Direct, good funding base and adequate capital.

Once the insurance companies have been divested, ING Group will reduce the double leverage held at the holding company level. Moreover, ING Group will progressively become more of a pure bank holding company rather than a bank-insurance holding company. As Fitch believes that there is an extremely high probability of additional government support in case of need for a holding company like ING Group, the agency has assigned it a Support Rating of '1' and a Support Rating Floor of 'A'. Once all of the insurance companies have been sold and the holding company debt repaid, ING Group is expected to be merged with ING Bank.

The rating actions are as follows:

ING Group

Long-term IDR affirmed at 'A'; Outlook revised to Stable from Negative
Senior unsecured rating affirmed at 'A'
Subordinated debt affirmed at 'A-'
Hybrid capital affirmed at 'B+'; removed from Rating Watch Negative
Short-term IDR affirmed at 'F1'
Support rating of '1' assigned
Support Rating Floor of 'A' assigned

ING Verzekeringen N.V.

Long-term IDR downgraded to 'A-' from 'A'; placed on Rating Watch Negative
Short-term IDR downgraded to 'F2' from 'F1'; placed on Rating Watch Negative
Senior unsecured rating downgraded to 'BBB+' from 'A-'; placed on Rating Watch Negative
Subordinated debt downgraded to 'BBB' from 'BBB+'; placed on Rating Watch Negative
Hybrid capital affirmed at 'B+'; removed from Rating Watch Negative

ING Bank N.V.

Long-term IDR affirmed at 'A+'; Outlook Stable
Senior unsecured rating affirmed at 'A+'
Subordinated debt affirmed at 'A'
Short-term IDR affirmed at 'F1+'
Commercial paper affirmed at 'A+'/'F1+'
Individual rating downgraded to 'C' from 'B/C'
Support rating affirmed at '1'
Support Rating Floor affirmed at 'A+'
Mortgage covered bonds rated 'AAA' are unaffected by today's rating actions
The 'AAA'/'F1+' ratings of the Dutch government guaranteed fixed income programme are unaffected by today's rating actions.

ING Belgium

Long-term IDR affirmed at 'A+'; Outlook Stable
Senior unsecured rating affirmed at 'A+'
Short-term IDR affirmed at 'F1+'
Individual rating downgraded to 'C' from 'B/C'
Support rating affirmed at '1'
Support Rating Floor affirmed at 'A-'

ING Bank Slaski

Long-term IDR affirmed at 'A'; Outlook Stable
Short-term IDR affirmed at 'F1'
Individual rating affirmed at 'C'
Support rating affirmed at '1'

ING America Insurance Holdings Inc.

Commercial paper guaranteed by ING Verzekeringen N.V. downgraded to 'F2' from 'F1'

Lion Connecticut Holdings

Senior unsecured notes, guaranteed by ING Verzekeringen N.V., downgraded to 'BBB+' from 'A-'; placed on Rating Watch Negative

ReliaStar Financial Corp

Long-term IDR downgraded to 'BBB-' from 'BBB'; rating withdrawn with Rating Watch Negative

Equitable of Iowa Companies, Inc

Long-term IDR downgraded to 'BBB' from 'BBB+'; remains on Rating Watch Negative
Equitable of Iowa Companies, Inc Capital Trust II affirmed at 'B+'; removed from Rating Watch Negative

ING Life Insurance and Annuity Company

Insurer Financial Strength rating (IFS) downgraded to 'A-' from 'A'; remains on Rating Watch Negative

ING USA Annuity and Life Insurance Company

IFS downgraded to 'A-' from 'A'; remains on Rating Watch Negative

ReliaStar Life Insurance Co.
IFS downgraded to 'A-' from 'A'; remains on Rating Watch Negative

ReliaStar Life Insurance Company of New York
IFS downgraded to 'A-' from 'A'; remains on Rating Watch Negative

Security Life of Denver Insurance Company
IFS downgraded to 'A-' from 'A'; remains on Rating Watch Negative

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