

Rating Action: ING Bank N.V. (Brazil)

Moody's downgrades ING's ratings

London, 21 October 2008 -- Moody's Investors Service has downgraded the bank financial strength rating (BFSR) of ING Bank N.V. ("ING Bank") to B- from B and its long term senior debt ratings to Aa2 from Aa1. The senior debt of ING Verzekeringen N.V. ("ING Insurance") was also downgraded by one notch to A1 from Aa3. At the same time, Moody's downgraded the senior debt rating of ING Groep N.V. ("ING Group"), the main holding company, to Aa3 from Aa2. All these ratings have stable outlooks. Moody's also placed on review for possible downgrade the Aa3 insurance financial strength (IFS) ratings of ING's U.S. life insurance operating companies (collectively "ING US"). The short-term debt ratings of all entities were affirmed.

A complete list of rating actions is listed below.

Moody's rating actions reflect the view that the group's profitability, particularly at ING Bank, has deteriorated since 2007 and will continue to be pressured as a result of overall economic slowdown and current financial market conditions. Given the importance of ING Bank to the group overall, the downgrade of ING Bank's BFSR indicates that the credit profile of the entire group has diminished, with a consequent rating impact on ING Group and ING Insurance.

The rating actions follow but are not the direct result of the recent announcements of (i) preliminary third-quarter 2008 net loss of approximately €500 million mostly driven by €1.6 billion impairments, and (ii) a €10.0 billion capital injection into the ING Group by the Dutch State, and (iii) the sale of ING's Taiwan insurance business. Moody's expects that the €10.0 billion capital injection is likely to considerably offset both the capital deterioration that has occurred at ING Group and any further potential impact that could emerge due to the exposure to pressurized assets. As such, this is a primary driver of the stable rating outlook. Moody's added that the nature and extent of support provided to ING Group by the Dutch State is a strong example of systemic support available for the group, as well as providing a material improvement to its capital position.

ING BANK RATINGS

The downgrade of ING Bank's financial strength and debt ratings reflects primarily the deterioration of its already weak operating performance since 2007. As an illustration, according to Moody's own calculations, the Bank's net income/RWA declined from 1.16% in 2006 to 1.0% in 2007, while its efficiency ratio deteriorated over the same period from 64% to 70%. In Moody's view, the bank is now a clear outlier within its rating category for both profitability and efficiency, a consequence of the low margins in banking activities in the Benelux and in ING Direct's operations, coupled with high operating costs in the Benelux.

In addition, Moody's added that, based on available information, the liquidity management and liquidity position of the Bank appear to be strong and remain central to the Bank's overall rating. There is nonetheless an inherent mismatch at ING Direct level, although Moody's harbours no short term concerns, between fixed, but withdraw-able deposits which support the bank's longer term financial investments. Moody's will continue to monitor the stickiness of deposits at ING Direct as we understand that is a central factor of this business model.

The bank maintains sizeable exposure to pressurized asset classes, in particular those from the c.a. €22 billion U.S. Alt-A portfolio, €2.2 billion of US subprime RMBS and €4.3 billion CDOs and CLOs. Moody's acknowledges that part of the impairments on this portfolio have already been recognized through negative revaluation reserves, and that the capital injections from the Group and Dutch state help offset the recent capital deterioration and potential further capital losses on this portfolio. Moody's will, however, continue to closely monitor the development of this asset portfolio.

ING US RATINGS

Moody's also placed on review for possible downgrade the Aa3 IFS ratings of ING's U.S. life insurance operating companies. The ratings of these insurers are based on the operations' stand-alone credit profiles as well as the benefits of being part of the wider ING Group. Commenting on the review for possible downgrade of the IFS and other ratings of ING US, Moody's said it was driven by the weakening of the U.S. operations' stand-alone credit profile, as well as the weakening financial flexibility at the overall group level. The deterioration in ING US's credit profile has been driven by higher realized and unrealized investment losses in its sizable portfolio of subprime and Alt-A residential mortgage-backed securities and commercial mortgage-backed securities, which continue to remain largely illiquid and whose market valuations are

depressed. The review will focus on the expected and stress-level losses likely to materialize on the investment portfolio, as well as the pressure that the large unrealized losses could place on the company's liquidity profile and capitalization and the extent to which the US operations will benefit from the recent capital injection at Group level. The effect of the volatile equity market and economic turbulence on ING US' heavily equity-based and interest-sensitive accumulation businesses will be an additional focus of Moody's review.

ING VERZEKERING RATINGS

The downgrade of ING Insurance reflects some limited deterioration in the credit quality of the operations on a stand alone basis, as well as the deterioration of the credit profile of the Bank and the Group, from whom ING Insurance draws benefits.

In addition to the asset-related issues from ING Insurance's US subsidiaries, Moody's expects ING Insurance's profitability to continue to be challenged as a result of the difficult external economic environment. Overall insurance underlying profits before tax fell by 38% to €1.9 billion in the first two quarters of 2008 compared with the same period in 2007. Moody's added that the capital injections from the Dutch State into the insurance operation - €2.0 billion - helps to offset recent interest rate and spread movements which have led to large fluctuations in ING insurance's reported capital position under an economic perspective and IFRS-based shareholders' equity. Furthermore Moody's notes that the sale of ING Taiwan, although leading to an IFRS loss of €427 million post tax, will also result in a substantial improvement to risk-based capitalization, due to the significant level of interest rates guarantees in that business. In aggregate, following these actions, Moody's continues to see the insurance capitalization as strong.

ING GROUP RATINGS

The downgrade at the holding company level reflects the credit deterioration at ING Bank and, to a lesser degree, at ING Insurance; ING Group's rating continues to incorporate the benefits deriving from a highly integrated and diversified financial conglomerate. ING Group's debt ratings also reflect the structural subordination of the holding company's senior obligations to the obligations of the banking and insurance operating entities.

Moody's added that financial flexibility at group level has somewhat weakened in the last few quarters, as demonstrated by deteriorating fixed charge coverage, itself driven by reducing bottom line earnings. Group interest coverage was 7.4x in 2007 and has further reduced in 3QYTD following the third-quarter 2008 net loss of approximately €500 million. Moody's added however that the capital injection mitigates some of these more recent concerns.

RATING OUTLOOK

The stable outlooks for ING Bank, ING Insurance and ING Group reflect Moody's expectation that the strong capital position following the €10.0 billion capital infusion will be sufficient to compensate for further potential deteriorations in various asset classes and in particular in the pressurized portfolio.

The current ratings also take into consideration an expected deterioration in the earning profile of the group mainly as a consequence of an overall economic slowdown and current financial market conditions. Moody's added however that BFSR and debt ratings at ING Bank could see upwards pressure if the bank's profitability and efficiency ratios were to improve sustainably (PPP/RWA around 2%, net income/RWA around 1.5%, efficiency at 60% or below), while retaining a satisfactory solvency.

RATINGS AFFECTED

The following ratings were downgraded with a stable outlook:

ING Groep N.V.: senior debt to Aa3 from Aa2;

ING Groep N.V.: subordinated debt to A1 from Aa3;

ING Groep N.V.: preference stocks to A2 from A1;

ING Verzekeringen, N.V.: senior debt to A1 from Aa3;

ING Verzekeringen, N.V.: subordinated debt to A2 from A1;

Lion Connecticut Holdings, Inc.: guaranteed (by ING Groep N.V.) senior debt to Aa3 from Aa2;

ING America Insurance Holdings, Inc. guaranteed (by ING Verzekeringen, N.V.) senior debt to A1 from Aa3;

ING Capital Funding Trust I; guaranteed (by ING Groep N.V.) preferred debt to A2 from A1;

ING Capital Funding Trust II; guaranteed (by ING Groep N.V.) preferred debt to A2 from A1;

ING Capital Funding Trust III; guaranteed (by ING Groep N.V.) preferred debt to A2 from A1;

ING Capital Funding I LLC; guaranteed (by ING Groep N.V.) preferred debt to A2 from A1;

ING Bank N.V.: bank financial strength rating to B- from B;

ING Bank N.V.: long-term bank deposits, senior unsecured and senior unsecured MTN to Aa2 from Aa1;

ING Bank N.V.: subordinate MTN and junior subordinate MTN to Aa3 from Aa2;

ING Belgium SA/NV: long-term bank deposits to Aa2 from Aa1;

ING Belgium International Finance S.A.: senior unsecured and senior unsecured MTN to Aa2 from Aa1 (guaranteed by ING Belgium SA/NV);

ING Belgium International Finance S.A.: subordinated debt to Aa3 from Aa2 (guaranteed by ING Belgium SA/NV);

Internationale Nederlanden Bank N.V., Paris: long-term bank deposits to Aa2 from Aa1;

ING Bank N.V., Tokyo Branch: long-term bank deposits to Aa2 from Aa1;

Postbank Groen N.V.: senior unsecured MTN to Aa2 from Aa1;

Postbank Groen N.V.: subordinate MTN and junior subordinate MTN to Aa3 from Aa2;

Postbank Groen N.V.: Tier III debt MTN to Aa3 from Aa2;

ING Bank of Canada: subordinate and subordinate MTN (guaranteed by ING Bank N.V.) to Aa3 from Aa2;

ING Bank (Australia) Ltd.: senior unsecured and senior unsecured MTN to Aa2 from Aa1;

ING Bank (Australia) Ltd.: long-term deposit note/CD program to Aa2 from Aa1.

The following ratings were placed under review for possible downgrade:

Security Life of Denver Insurance Company: insurance financial strength at Aa3;

ING Life Insurance & Annuity Company: insurance financial strength at Aa3;

ING USA Annuity and Life Insurance Company: insurance financial strength at Aa3;

Reliastar Life Insurance Company: insurance financial strength at Aa3;

Reliastar Life Insurance Company of New York: insurance financial strength at Aa3;

ING USA Global Funding Trusts 1-6: senior secured debt at Aa3;

Reliastar Financial Corp: guaranteed senior debt at A1;

Lion Connecticut Holdings, Inc.: unguaranteed senior unsecured debt at A1; long-term issuer rating at A1.

Equitable of Iowa Companies Capital Trust II: preferred stock at A2

ING Security Life Institutional Funding: senior secured debt rating at Aa3

The following ratings were affirmed with a stable outlook:

ING Belgium SA/NV: bank financial strength rating at B-;

ING Bank N.V., Sao Paulo: local currency long-term bank deposits at A1;

ING Bank N.V., Sao Paulo: foreign currency long-term bank deposits at Ba2;

ING Bank N.V., Sao Paulo: foreign currency short-term bank deposits at Non-Prime;

ING Bank N.V., Sao Paulo: long-term national scale rating at Aaa.br;

ING Bank N.V., Sao Paulo: short-term national scale rating at BR-1;

ING Bank Slaski S.A.: bank financial strength rating at D+;

ING Bank Slaski S.A.: local currency long-term bank deposits at A1;

ING Bank Slaski S.A.: foreign currency long-term bank deposits at A2;

ING Bank Slaski S.A.: local and foreign currency short-term bank deposits at Prime-1;

ING Bank Ukraine: bank financial strength rating at D;

ING Bank Ukraine: local currency long-term bank deposits at Ba1;

ING Bank Ukraine: foreign currency long-term bank deposits at B2;

ING Bank Ukraine: local and foreign currency short-term bank deposits at Non-Prime;

ING Bank Ukraine: long-term national scale rating at Aa1.ua;

ING Bank Eurasia: bank financial strength rating at D;

ING Bank Eurasia: long-term bank deposits at Baa1;

ING Bank Eurasia: long-term national scale rating at Aaa.ru;

ING Bank, S.A. (Mexico): bank financial strength rating at D+;

ING Bank, S.A. (Mexico): local currency long-term bank deposits at A1;

ING Bank, S.A. (Mexico): foreign currency long-term bank deposits at Baa1;

ING Bank, S.A. (Mexico): long-term national scale rating at Aaa.mx;

ING Bank, S.A. (Mexico): short-term national scale rating at MX-1;

ING Bank of Canada: bank financial strength at C;

ING Bank (Australia) Ltd.: bank financial strength rating at C+;

ING Bank (Australia) Ltd.: long-term bank deposits and issuer rating at Aa3;

The following ratings were affirmed:

ING Verzekeringen, N.V: short-term rating for commercial paper at Prime-1

Security Life of Denver Insurance Company: short-term insurance financial strength at Prime-1;

ING USA Annuity and Life Insurance Company: short-term insurance financial strength rating at Prime-1;

ING America Insurance Holdings, Inc.: short-term rating for commercial paper (guaranteed by ING Verzekeringen, N.V.) at Prime-1;

ING Bank N.V.: short-term bank deposits, commercial paper at Prime-1;

ING Belgium SA/NV: short-term bank deposits at Prime-1;

ING (U.S.) Funding LLC: commercial paper at Prime-1 (guaranteed by ING Bank N.V.);

Internationale Nederlanden Bank N.V., Paris: short-term bank deposits at Prime-1;

ING Bank N.V., Tokyo Branch: short-term bank deposits and commercial paper at Prime-1;

ING Bank N.V., Sao Paulo: local currency short-term bank deposits at Prime-1;

Postbank Groen N.V.: short-term debt at Prime-1;

ING Bank Eurasia: short-term bank deposits at Prime-2;

ING Bank, S.A. (Mexico): local currency short-term bank deposits at Prime-1;

ING Bank, S.A. (Mexico): foreign currency short-term bank deposits at Prime-2;

ING Bank of Canada: short-term deposit note/CD program at Prime-1;

ING Bank (Australia) Ltd.: short-term bank deposits and issuer rating at Prime-1.

Based in Amsterdam, ING Groep N.V. had total assets amounting to €1,370 billion at end-June 2008 (YE 2007: €1,312 billion) and reported a net profit of €3.46 billion for the 6 months ending June 2008 (end-June 2007: €4.45 billion).

Based in Amsterdam, ING Banking activities had total assets amounting to €1,072 billion at end-June 2008 (YE 2007: €994 billion) and its Tier 1 ratio stood at 8.15% (YE 2007: 9.9%), on a Basel II basis. At year-end 2007, the Tier 1 ratio under Basel I was 7.39%. In H1 2008, the banking activities of ING Groep reported a net profit of €1.77 billion, down from €1.96 billion in H1 2007.

The insurance activities of ING Groep had total assets amounting to €304.4 billion at end-June 2008, down from €322.1 billion at year-end 2007 and the insurance capital coverage ratios for insurance activities was 281%, up from 244% at year-end 2007. In H1 2008, the insurance activities of ING Groep reported a net profit of €1.69 billion, down from €2.50 billion in H1 2007.

ING Americas segment (which is largely composed of the above-mentioned subsidiaries, along with other North American affiliates) reported total assets (general and separate accounts) of \$207 billion and total capital of close to \$14 billion (on an IFRS basis) at end- June 2008.

London

Antonello Aquino

VP - Senior Credit Officer

Financial Institutions Group

Moody's Investors Service Ltd.

JOURNALISTS: 44 20 7772 5456

SUBSCRIBERS: 44 20 7772 5454

Paris

Stephane Le Priol

VP - Senior Credit Officer

Financial Institutions Group

Moody's France S.A.

JOURNALISTS: 44 20 7772 5456

SUBSCRIBERS: 44 20 7772 5454

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