

## **FITCH UPGRADES ING BANK N.V.'S INDIVIDUAL RATING TO 'B/C'; AFFIRMS IDR AT 'A+'**

Fitch Ratings-London/Paris-12 July 2011: Fitch Ratings has upgraded ING Bank N.V.'s (ING) Individual Rating to 'B/C' from 'C'. Fitch has also affirmed ING's Long-term Issuer Default Rating (IDR) at 'A+', Short-term IDR at 'F1+', Support Rating at '1' and Support Rating Floor at 'A+'. The agency has also affirmed ING's fully owned subsidiary, ING Belgium, reflecting the close integration between the two banks. ING Group's ratings and its subsidiary's, ING Verzekeringen, are unaffected by the rating actions. A full list of ratings actions is at the end of this comment.

The upgrade of the Individual Rating reflects the reduction in ING's risk profile as a result of deleveraging its balance sheet, by selling non-strategic businesses and reducing non-core, higher risk activities. At the same time, the bank has generated sufficient capital to allow it to repay part of the hybrid instruments it received from the Dutch state ('AAA/Stable), via ING Group, without materially impacting its regulatory capital ratios. Fitch expects the bank to generate sufficient profits in H211 to rebuild core capital to around 8.50% (including the Basel II transitional floor of 80% on risk-weighted assets), after the May 2011 payment of EUR3bn to the Dutch state.

Furthermore, in June 2011, ING announced it had reached an agreement with Capital One Financial Corporation for the sale of its US-based business, US Direct USA to the US financial institution, with a net positive impact on ING's core Tier 1 ratio of 99 bps. The divestment is not expected to reduce the bank's exposure to the legacy Alt-A portfolio, as an adjustment to the Dutch state illiquid assets back-up facility is to be made.

The bank's profitability has been improving steadily, thanks to the value it obtains from its strong franchise, especially in the Benelux region. Its sound loan book has allowed impairment charges to fall to more manageable levels and cost-cutting efforts undertaken in 2009 have resulted in improved efficiency. Securities impairment charges are not expected to impinge further on ING's operating profitability as these securities have already been significantly marked down. Nonetheless, despite the improvements, margins remain under pressure, as at most Dutch banks, from strong competition for savings and from increasingly difficult wholesale markets. Loan impairment charges are expected to trend back to their historical average, but may remain under moderate pressure in the near term as the economic situation remains fragile.

The quality of ING's loan book remains sound, underpinned by a high proportion of mortgages and a focus on the Benelux home markets. At end-Q111, 2.1% of loans were classified as impaired, a worse figure than pre-crisis but better than other international banks. The loan book is diversified by borrowers and industry. Its exposure to the real estate sector (development and investment management), which was a significant cause of the impairments and negative fair value adjustments reported in 2008/2009, is being reduced.

ING's 'B/C' Individual Rating is equivalent to an 'unsupported' Long-term IDR of 'A'. ING's Long-term and Short-Term IDRs, its unsecured debt ratings, its Support Rating, and Support Rating Floor continue to reflect the potential support from the Dutch state, should this be required. Although the Outlook is Stable, there is growing political will to explore ways to reduce the implicit state support of systemically important banks and this represents a potential threat to ratings that are support dependent.

ING Belgium's ratings reflect Fitch's view that should ING Belgium require support this is extremely likely to be provided by ING, reflecting the close integration between the two banks and the fact that capital and funding between the two entities is largely fungible.

ING is part of the ING Group, a holding company which also owns ING Verzekeringen, which runs most of the group's insurance activities.

The ratings actions are as follows:

ING Bank N.V.

Long-term IDR affirmed at 'A+'; Outlook Stable

Short-term IDR affirmed at 'F1+'

Individual Rating upgraded to 'B/C' from 'C'

Support Rating affirmed at '1'

Support Rating Floor affirmed at 'A+'

Senior unsecured rating affirmed at 'A+'/'F1+'

Market-linked notes affirmed at 'A+emr'

Subordinated debt affirmed at 'A'

Commercial paper affirmed at 'A+'/'F1+'

Dutch government guaranteed debt affirmed at 'AAA'/'F1+'

Senior unsecured guaranteed notes affirmed at 'A+'

ING Belgium

Long-term IDR affirmed at 'A+'; Outlook Stable

Senior unsecured rating affirmed at 'A+'

Short-term IDR affirmed at 'F1+'

Support Rating affirmed at '1'

Senior unsecured rating affirmed at 'A+'

Market-Linked Notes affirmed at 'A+emr'

Senior guaranteed notes affirmed at 'A+'

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Additional information is available at [www.fitchratings.com](http://www.fitchratings.com).

Applicable criteria, 'Global Financial Institutions Rating Criteria', dated 16 August 2010, 'Short-Term Ratings Criteria for Corporate Finance', dated 2 November 2010, 'Treatment of Hybrid in Bank Capital Analysis', dated 11 July 2011, and 'Rating Hybrid Securities', dated 29 December 2009; are available at [www.fitchratings.com](http://www.fitchratings.com).

Applicable Criteria and Related Research:

Global Financial Institutions Rating Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=547685](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=547685)

Short-Term Ratings Criteria for Corporate Finance

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=568726](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=568726)

Treatment of Hybrids in Bank Capital Analysis

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=641269](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=641269)

Rating Hybrid Securities

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=493086](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=493086)

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