

## ING Canada stock drops as ING Groep completes exit

Lynne Olver  
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ING Canada shares fell as much as 15.6 percent on Wednesday after former parent ING Groep NV said it had struck a deal to sell off the last chunk of what had been its controlling stake in the Canadian property and casualty insurer.

**Accountability Research Corp** analyst Mark Rosen said the stock drop is likely short term, and that ING Canada stands to benefit from its new independent status. Independence will free up the company to pursue acquisitions, and increased liquidity will make its stock more attractive, he said.

The sharp decline in ING Canada stock does not reflect the asset quality, Rosen said, but market jitters over the deep discount that Dutch bank ING Groep offered in its aggressive stock sale.

"I think people don't understand quite yet that it's not a dilutive offering," Rosen said. "So, it's strange to see it down so much, but at the same time, it was sold at such a discount."

ING Groep said on Wednesday that it has an agreement to sell about 8.6 million common shares of ING Canada, its last 7 percent holding in the company, for C\$26.35 apiece in a bought deal offering with a syndicate of underwriters.

In combination with two other share sales and an overallotment announced on Tuesday, total proceeds of ING Groep's sales of ING Canada shares are \$2.16 billion, ING Canada spokesman Gilles Gratton said.

Shares were sold at a discount to ING Canada's last trade at \$33.70 on Tuesday on the Toronto Stock Exchange. ING Canada stock bottomed at \$28.50 on Wednesday before edging higher to \$29.85.

On Tuesday, ING Groep raised \$904.5 million, selling 36.18 million shares to institutional investors at \$25 apiece, Gratton said. The private placement was led by CIBC World Markets and Goldman Sachs.

It also sold 47.75 million shares at \$26.35 each, which included an overallotment. The bought deal public offering, led by CIBC World Markets and TD Securities, was worth \$1.258 billion.

The funds will be used to bolster the Dutch bank's capital position. ING Canada will not receive any proceeds.

"I think they just made a quick decision," Rosen said of the sale. "There might have been some strategic reasons for it, but for the most part, I think they just needed cash fast."

ING Groep announced late last month it would take a 2008 loss of 1 billion euros, tap into 22 billion euros of Dutch state loan guarantees for its troubled loan portfolio and slash 7,000 jobs. Its chief executive also stepped down.

Several U.S. and European banks have pulled out of some major foreign investments recently to try to bolster their balance sheets as the economic downturn worsens.

A string of investors recently sold discounted stakes in Chinese banks, for example. Last month, Royal Bank of Scotland sold its 4.3 percent stake in Bank of China at a discount, and Swiss bank UBS did the same with its 1.5 percent share.