



Delivering a sustainable cost effective business model

ING Investor Day

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Key messages

- The case for change in 2006: timing was crucial and in retrospect perfect
- The creation of a new, sustainable business model for the future
- New model creates structural competitive cost advantages
- Execution of integration is well on track
- Foundation for new Retail Banking standards of excellence – in place

Case for change in 2006: timing was crucial

ING Bank Netherlands (IBN) was subscale and had limited future growth potential

- Limited share of primary customers in the consumer segment
- Inability to fully leverage its comprehensive bank infrastructure (including sales capacity) given its small primary customer base
- Insufficient budget for product innovation

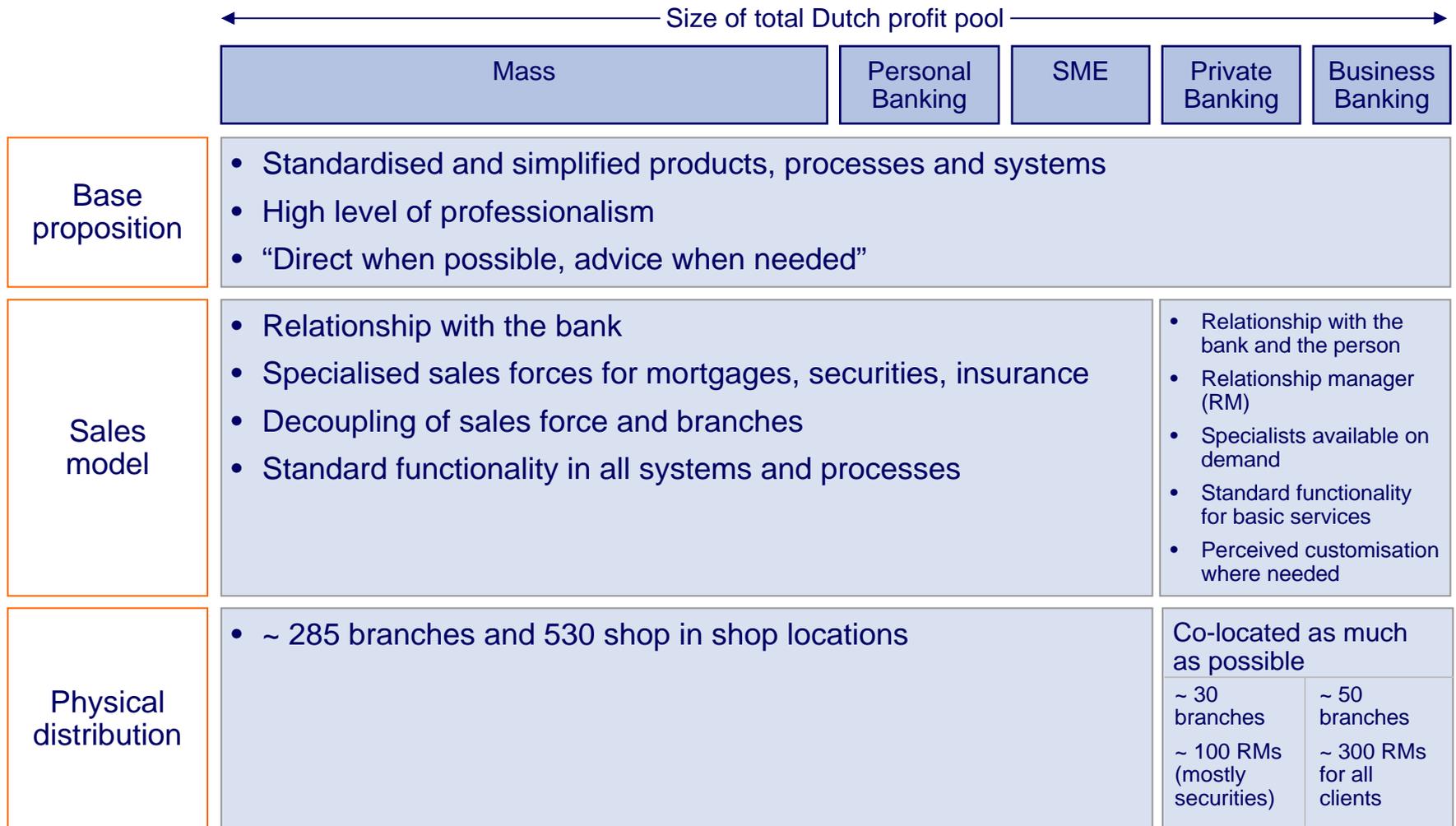
The Postbank model could not continue to deliver high profit growth

- Inadequate physical distribution network and low 'professional and serious' image
- Weak advice proposition resulted in limited ability to fully leverage its large primary customer base
- Market share decline reflected the inability to retain starters and mortgage seekers
- Distribution costs were expected to increase due to rollout of additional Postbank shops and cost allocation with TNT joint venture

IBN and Postbank both required significant IT investments to update complex and outdated systems

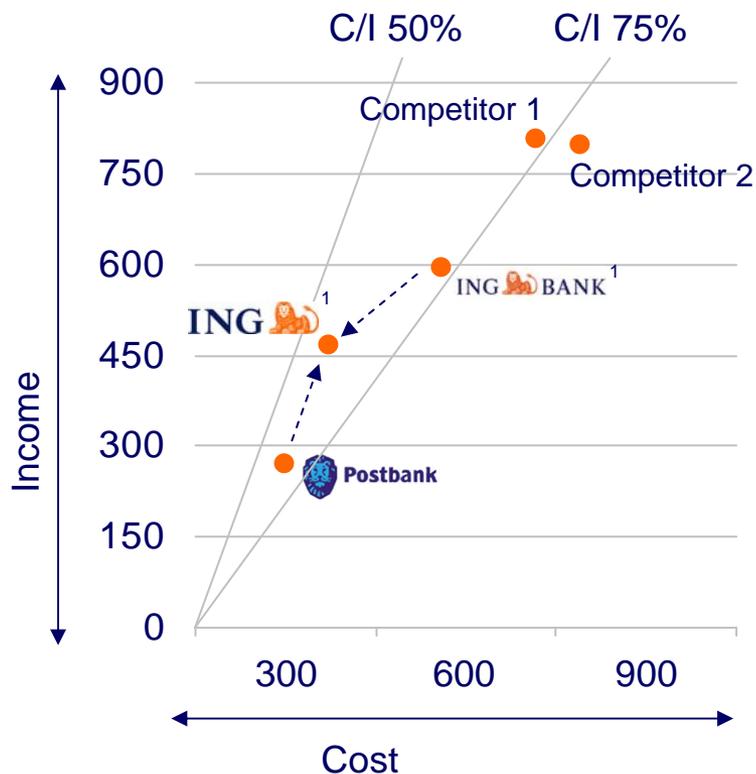
- Approximately EUR 300 mln in IT investments was required in 2007

A sustainable business model was created



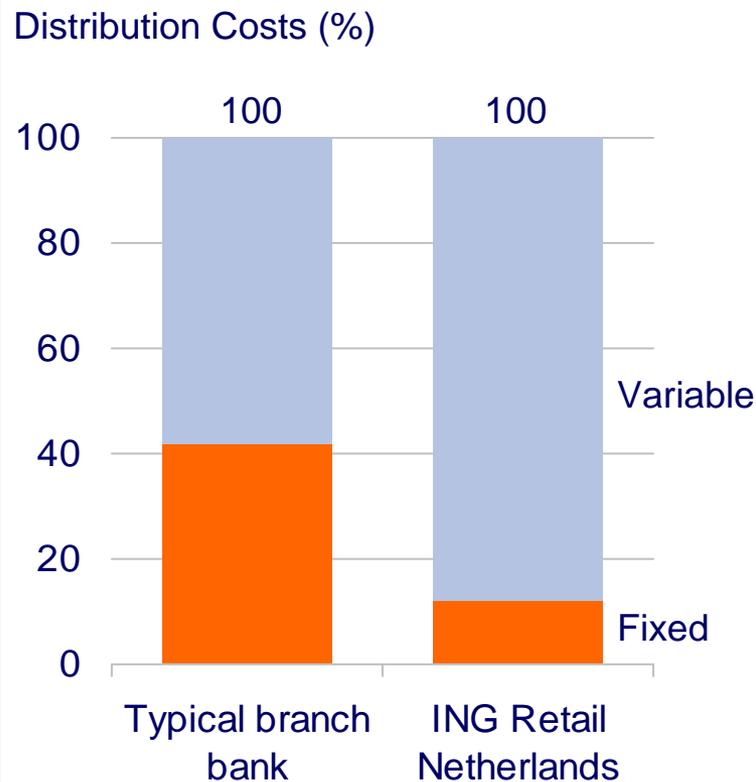
Resulting in structural competitive cost advantages

Lowest cost/income ratio



1. ING Bank without MKB and PBKZ
Source: ING-NL Finance department; Annual reports of individual banks

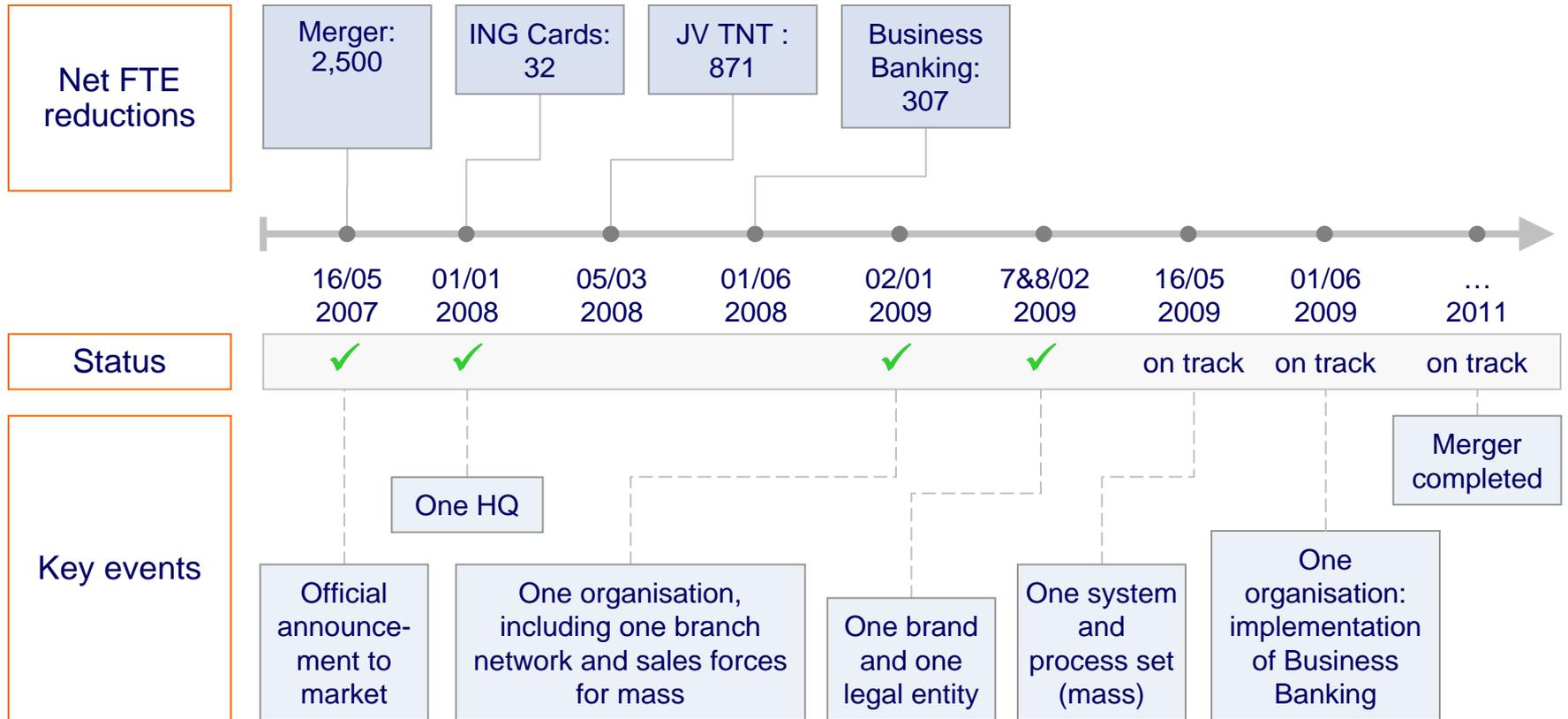
Low fixed-cost distribution model



Distribution costs amount to 50% of total costs for a normal branch bank



Progress of integration is well on track



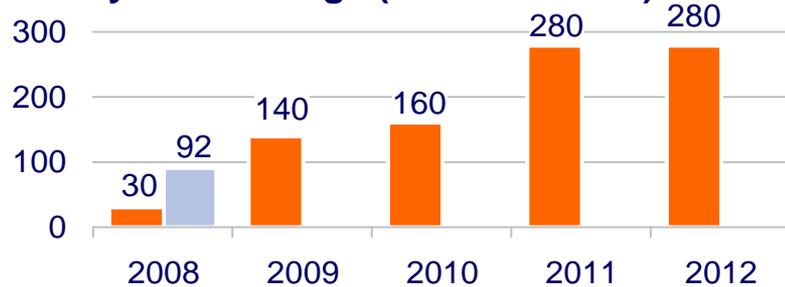
- Customer awareness of the merger is 99%
- Since the announcement in May 2007, the net inflow of customers has improved
- Call volume and complaints have been significantly lower than expected

Estimated cost savings are ahead of schedule

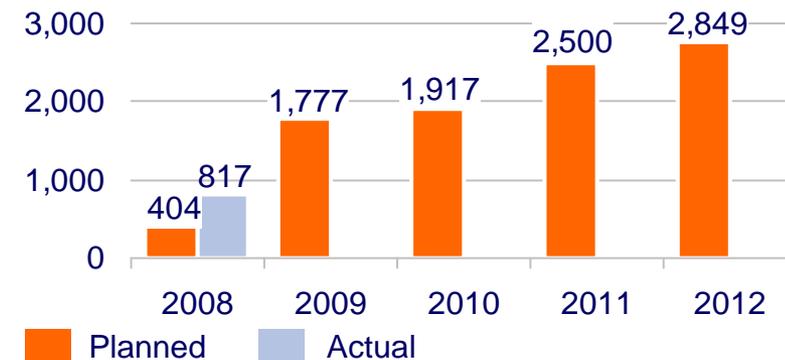
- Total FTE reduction amounts to 4,230 by 2012
- Associated expected cost savings of EUR 220 million by 2012 on top of original business case

Cost savings ahead of schedule

Yearly cost savings (in EUR million)

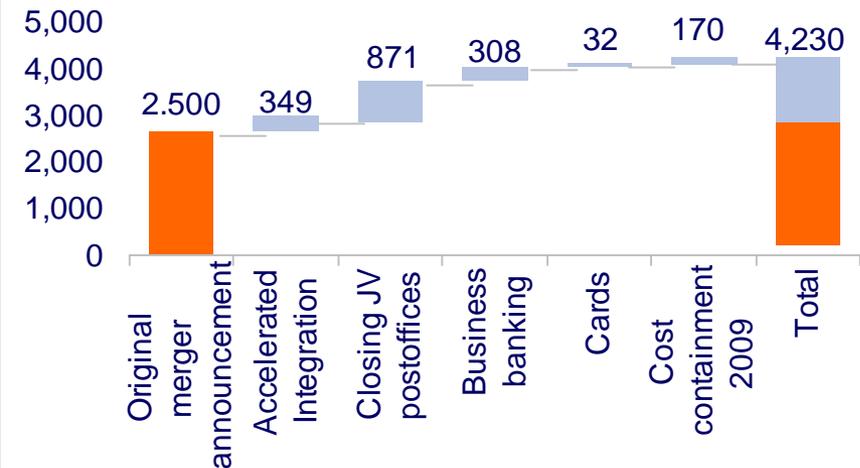


Net FTE reduction



Future FTE reduction

Expected net FTE reduction by 2012



Net FTE savings now equal to originally estimated gross FTEs impacted



Foundation for new Retail Banking standards of excellence – in place

What we want to leverage

- Customer knowledge through centralised databases and integrated multi-channel sales capabilities
- A strong brand, reflecting professionalism, to further enhance customer acquisition and retention
- Effective distribution network
- Market leading operational efficiency of target platform to increase quality and reduce unit costs of all product processes
- No-nonsense, low-cost philosophy and central steering model

Elements the merger delivered

- New specialised sales forces for mortgages, securities and pensions
- Optimised leads processes, complaints processes, etc.
- 285 remodelled ING branches
- New debit and credit cards for all clients
- 10 mln personalised mailings sent to customers informing them of new value proposition
- Closing of post offices (duplicate branch network) on schedule; flexible agent structure established
- New ING website (open and closed environment)
- Product portfolio harmonised and rationalised for mass segment (e.g. reduction from 70 to 21 savings products)
- Migration of first wave of 700,000 ING customers to more efficient Postbank platform on schedule for Q2 2009
- All Postbank systems have been rebranded to ING
- Two head offices integrated into one
- 4,000 FTE redundancies identified and announced

Customer benefits

- Easy to deal with
- High level of professional, advice
- Value for money

ING is well positioned in a market that continues to evolve

- In retrospect, the timing of the integration was perfect
- ING Retail Netherlands is ahead of schedule on cost containment
 - By the end of 2009, twice as many FTEs will have been reduced as compared to the base "case for change" at the end of 2006
- ING's operating model and cost structure are now easier to adapt to changing market circumstances
 - Specialised sales forces (decoupled from branches) facilitate ease of FTE deployment
 - Agent-based distribution network allows flexibility to adapt geographic footprint
 - Central steering enables faster, more informed and more rigorous reactions to market conditions

A sustainable cost advantage for the future has been created

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