

# Increasing revenues in a competitive market

ING Investor Day

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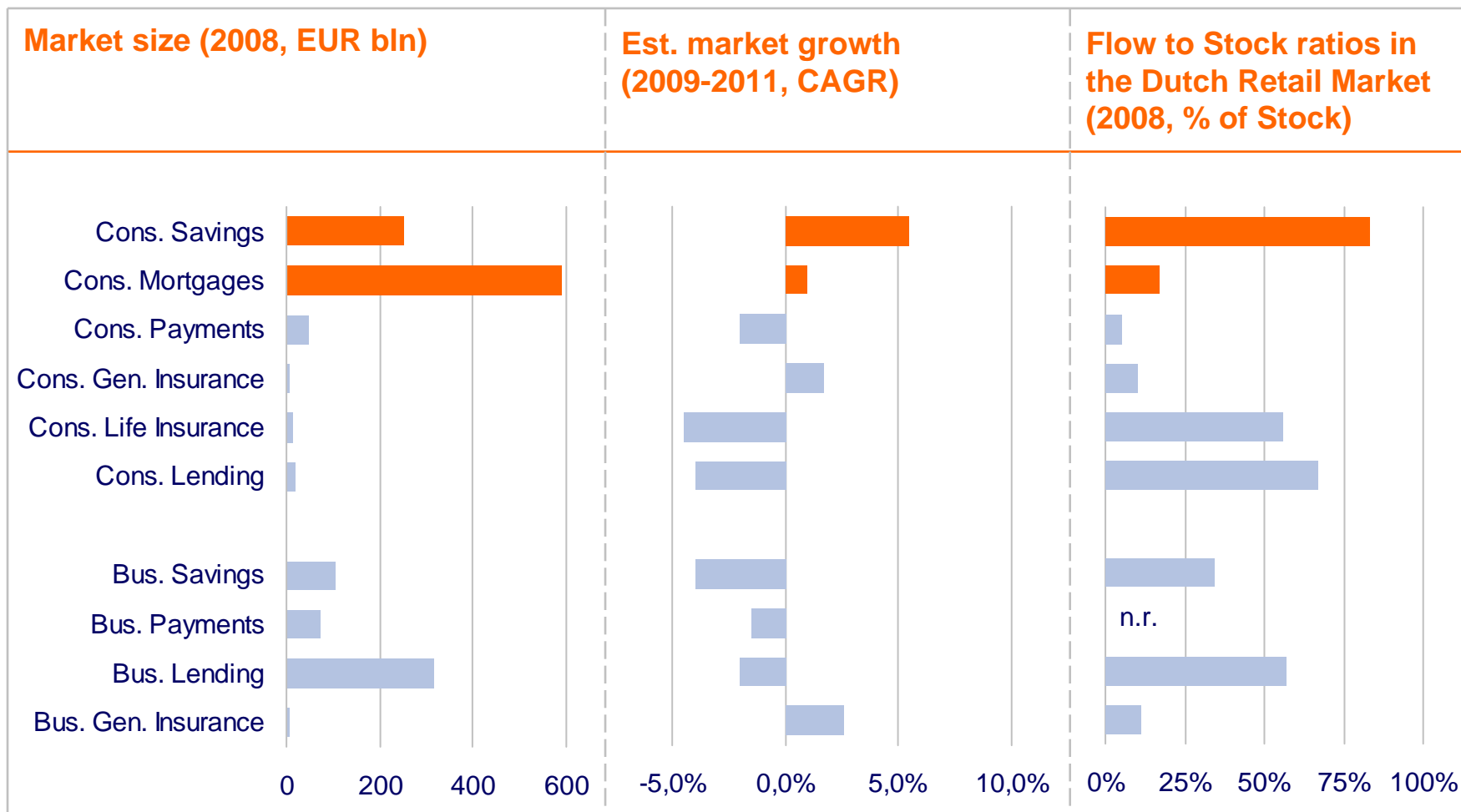
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[www.ing.com](http://www.ing.com)

# Key messages

- There are still significant growth opportunities for ING, despite the maturity of the Dutch Retail Banking market
- The new ING is built to maximise share of wallet among its 8.9 mln customers
- ING's central steering guarantees price realisation, optimal customer targeting and the ability to react to changes in the market landscape
- The ING brand combined with specialised sales forces enables successful cross-selling of advice intensive products
- Direct channels are the core sales operation: the large number of interactions with customers creates numerous sales opportunities

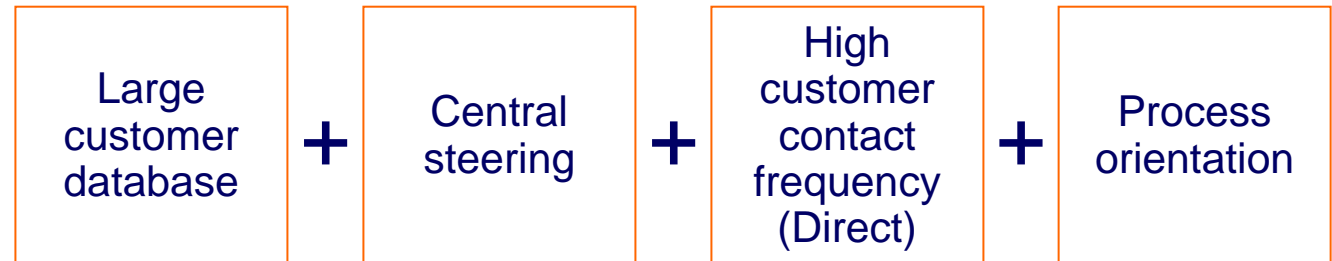
# Dutch market is mature, but growth in key products and flows can be captured



1 Average of 2006 and 2007; 200% of 2008 does not represent normal flow Source: ING Economic Affairs; CBS; DNB n.r. = no reliable data available  
 Note: Stock defined as total market volume; flow defined as volume that is (re)contracted to banks/insurance companies in a year



# The new ING is built to maximise share of wallet at above average margins

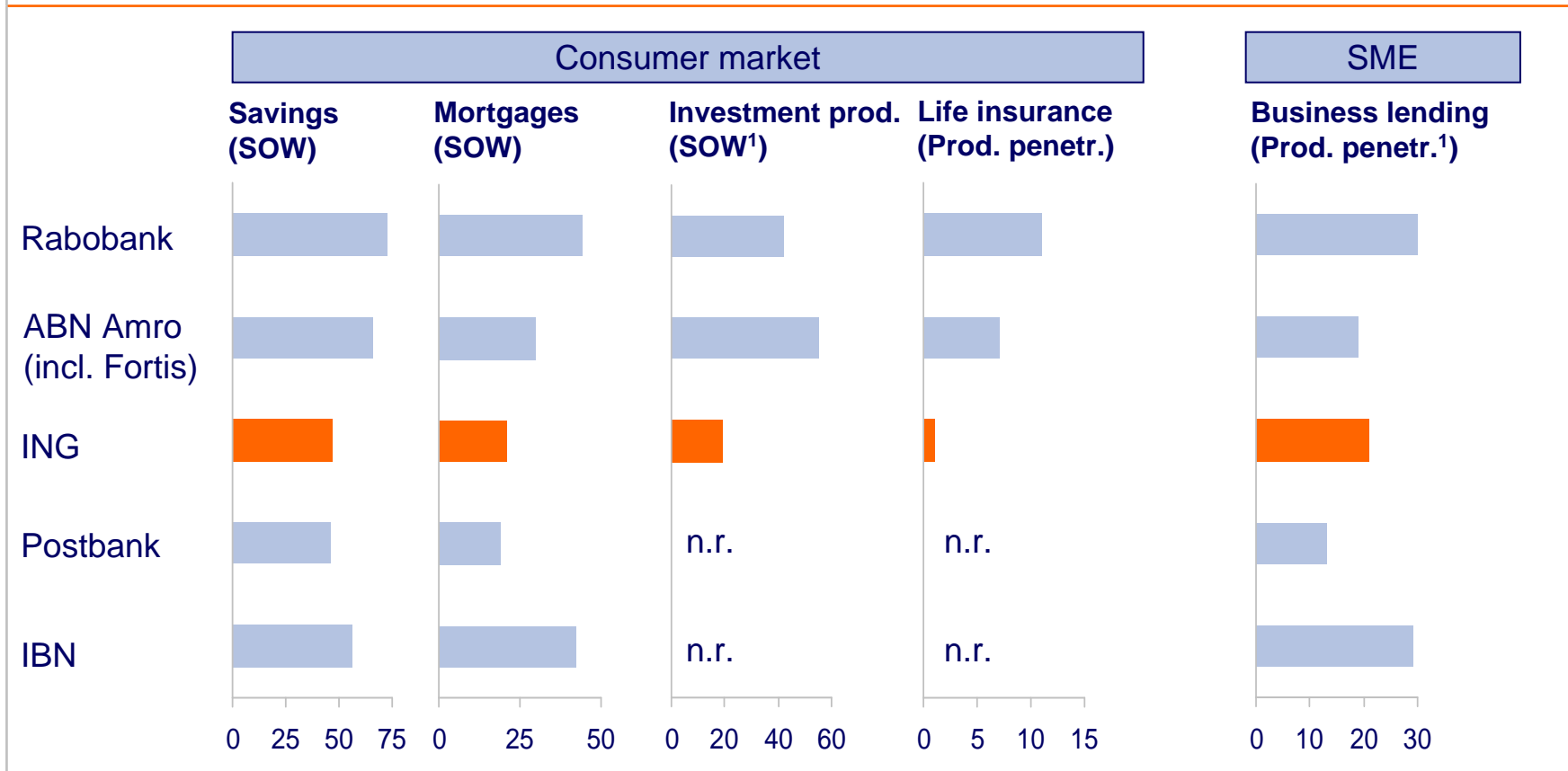


Plus the enablers to grow share of wallet



# Customer base offers significant room to grow

## Share of wallet (SOW), market share and product penetration among primary customers in 2008



Note: Reliable SOW data not available for Life insurance and Business lending n.r. = not relevant <sup>1</sup> Of total number of customers Source: TOF 2008; TNS Nipo  
 Share of wallet = % of a client's total assets/liabilities that he/she has with a particular bank, e.g. when 60k of 100k savings is with ING, SOW equals 60%



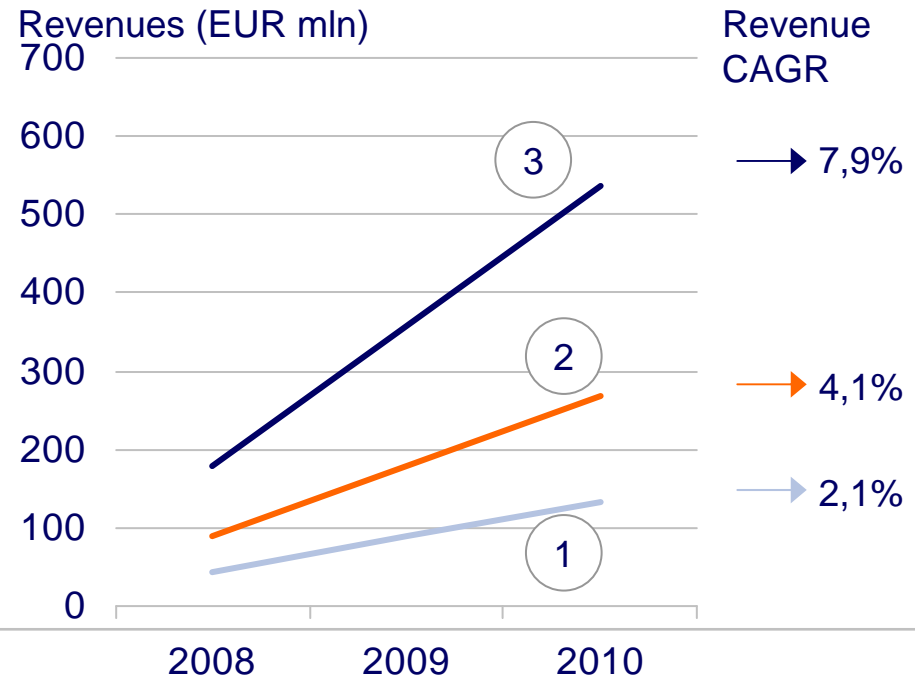
# Share of wallet growth has a large impact on future revenues

## Three scenarios

- |   |  |
|---|--|
| 1 | Close share of wallet gap with best in class by 1% point per year  |
| 2 | Close share of wallet gap with best in class by 2% points per year |
| 3 | Close share of wallet gap with best in class by 3% points per year |

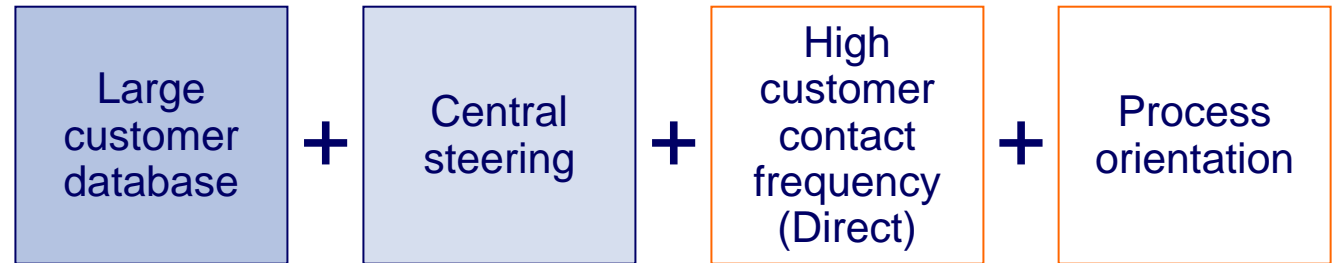
Excluding autonomous market growth

## Impact on revenues



Note: in EUR of 2008; excluding changes in pricing, excluding margin changes, assuming number of primary customers continues to grow at current rate of 70,000 per year; growth of share of wallet among non-primary customers assumed to be 50% of that among primary customers

# The new ING is built to maximise share of wallet at above average margins



Plus the enablers to grow share of wallet



# Customer intelligence is leveraged to tailor offerings

Large customer database

## In-depth knowledge of our customers...

- ING Retail NL has 8.9 mln customers in the consumer market
  - 3.3 mln primary customers regard ING as their main bank
- 0.74 mln business customers
- In-depth knowledge on these customers is gained via
  - Product usage
  - Transaction data
  - Demographic data
- Dutch banks are allowed to use customer data to target their own customers for cross/deep-selling

## ...that we use to tailor products and distribution channels to the various customer segments

- Sales are geared towards customer differentiation
- Ensure that all of our sales channels are provided with customer-specific sales suggestions every day

Type of client	Acquisition	Deep sell	Up sell	Retention
Not yet saving with ING	✓			
Not price sensitive		✓		
Checks prices regularly				✓

Source: ING Customer Intelligence





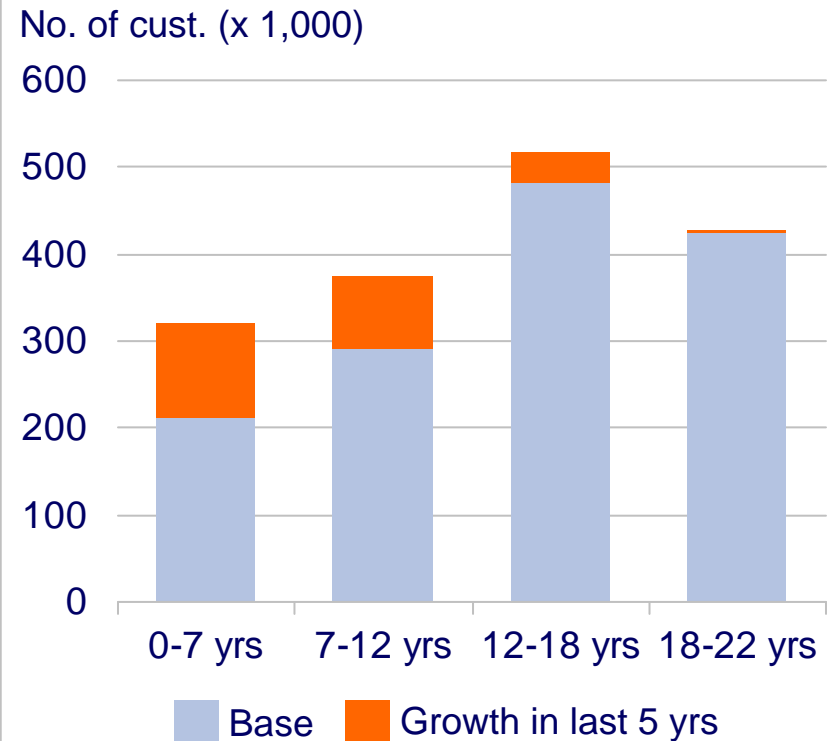
# Further growth in primary customer base is expected

Large customer database

## Primary customers are sticky...

- On average we obtain 55,000 primary customers per year
- People choose early; increased focus on young customers
- Postbank was less successful with students
- Key success factors
  - The new ING brand
  - Advice capabilities
- Further growth in primary customer base

## ...we actively manage the funnel



During the first months of 2009 growth of primary customers increased by 40%

Source: ING Customer Intelligence



# Price differentiation ensures maximum long-term profitability

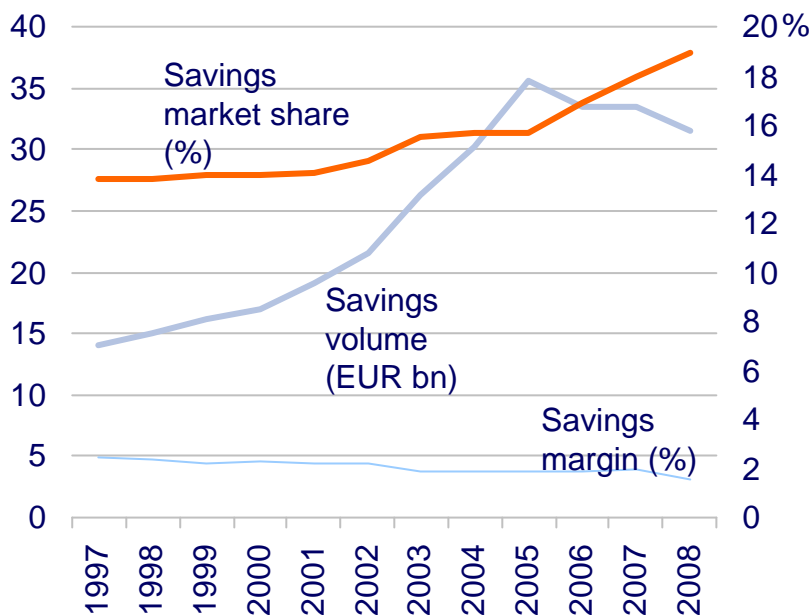
Central steering

## ING uses price differentiation...

- ING practices client-specific pricing
- A pricing strategy is determined for each product group
  - Based on product usage
  - Propensity to buy
  - Propensity to defect
- Differentiating price between acquisition and retention is key for growing and maintaining high margins
- Pricing strategy is comparable to other retailers
  - E.g. telecommunications companies, internet providers, print media, car dealers

## ...which has been very successful

### Postbank's variable savings portfolio (in EUR bln)



Source: ING Retail Finance



# Central steering is key to managing margins

Central steering

## Centrally steered direct bank

- Central customer ownership
- Central pricing
- Central targeting
- Direct channels lead
  - Face to face channels support

## Branch based bank

- Branch owns customer
- Branch sets prices
- Branch targets customers
- Branch in the lead
  - Direct channels support



## The new ING

- Centrally steered
  - Central customer ownership
  - Central pricing
  - Central targeting
- Direct channels used to maximise contacts
- Strong advice capabilities for complex products

Central steering is key to managing margins and maximising the value of customer intelligence; advice capabilities are critical for the effectiveness of targeted products

# Central steering enables ING to adapt to changes swiftly

Central steering

## Savings can shift quickly from margin to volume when needed

Used when interbank funding was a much more expensive source of funding than the savings market

- Increasing outbound marketing efforts
- Intensive retention measures on term deposits
- People withdrawing money were made a new offer two days later
- Postbank SME customers were provided ING Bank savings products
- Margin pressure remains due to yield curve and shift to term deposits

8% increase in savings volume in five months

## Pricing of business lending provides enough flexibility to steer margin

The composition of the lending portfolio

- 18% is based on the ING base rate, which can be changed at any moment
- 37% is based on Euribor, which can be changed annually
- 44% is based on a fixed rate with an average maturity of 4.5 years

The market allows ING to adapt pricing

- Business lending customers are sticky
- The economic developments of the last year have made them even stickier

Pricing for 65% of business lending can be influenced within a year

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# ING: a very strong advisor brand

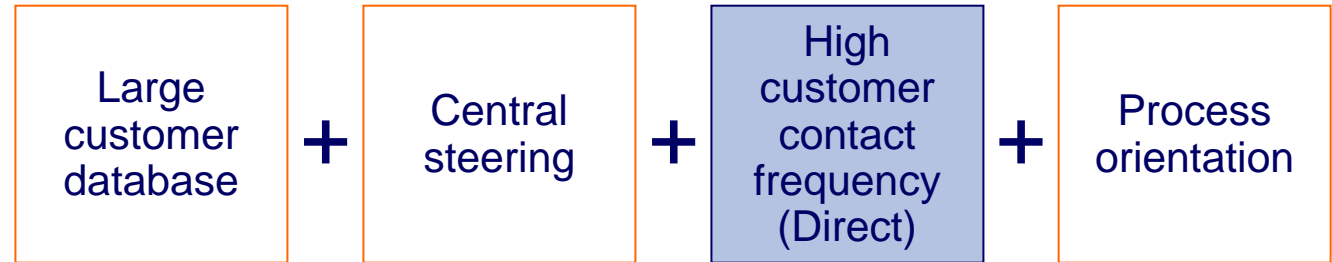
Advisor brand

- ING is already a well-established brand in the Dutch market
  - Autonomous awareness of ING brand has risen from 61% in Q2 to 79% in Q4 2008
  - 99% of our customers were aware of the new name of Postbank and ING Bank Netherlands right before the launch of the new bank
- ING Bank Netherlands always had a strong advice reputation, both in the consumer as well as in the business market
- The new ING brand is based on three pillars:
  - Easy
  - Knowledgeable
  - Value for money
- The ING brand will be built over the next years
  - Being widely known is already an excellent starting position
  - ING has very high visibility
  - Customer experience will time and again prove that we live our three brand values



# The new ING is built to maximise share of wallet at above average margins

High customer contact frequency



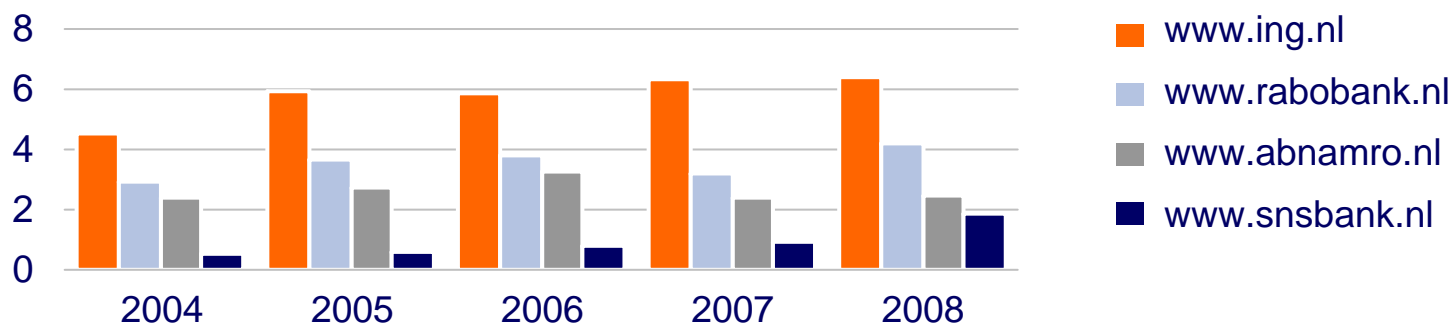
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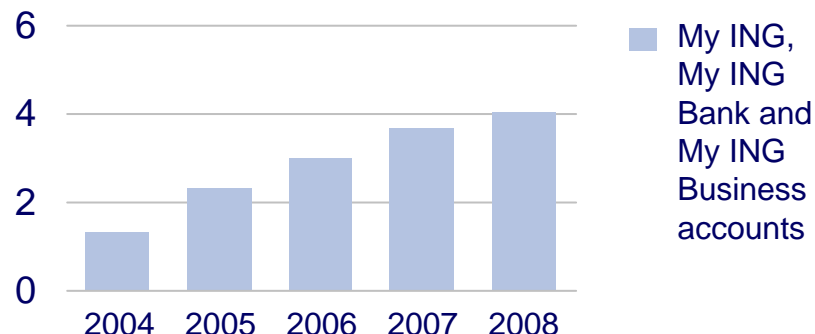
# The largest internet bank in the Netherlands

High customer contact frequency

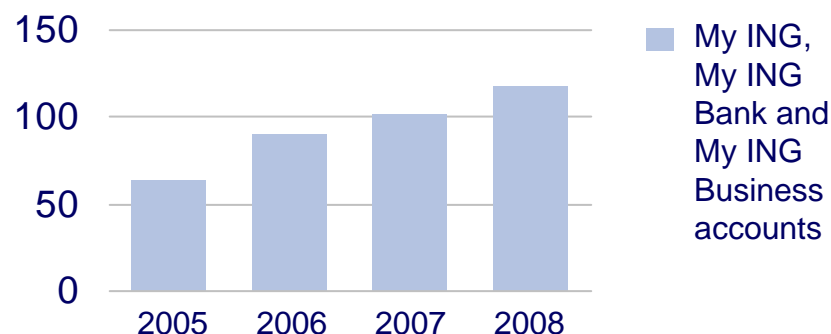
## Large number of unique visitors in open environment (in mln)



## Large and still growing # of online banking clients (in mln)



## Increasing # of sessions per client per year on My ING



In total more than 400 million client contact moments per year



# Internet realises significant and rapidly growing present value

High customer contact frequency

## Present value generated by online sales at ING consumer banking (in EUR mln)



Source: ING Retail Finance





# Leveraging internet traffic volume to generate sales and leads

High customer contact frequency

## Present value steering via 'shopkeeper' system

- 25 internet marketers are responsible for sales, representing the biggest internet department in NL focused on online sales
- Each internet marketer runs an online 'shop' (savings, mortgages, etc)
- Each cm<sup>2</sup> pixel is managed with present value; every cm<sup>2</sup> is used well
- Each shop has a present value target, and competes with the other shops
- Special web analytics and experiment team support the internet marketers
- Ideas are first tested, and a small amount "live" traffic may be split to the test page. The ideas with the highest conversion/PV will be implemented

## Example: For one week, one marketer offered a rentepunten promotion

► **750 Rentepunten cadeau!**  
Als u nu automatisch gaat sparen

Views: 567,969



Clicks: 1,867 (0.33%)



Sales: 158 (8.5%)

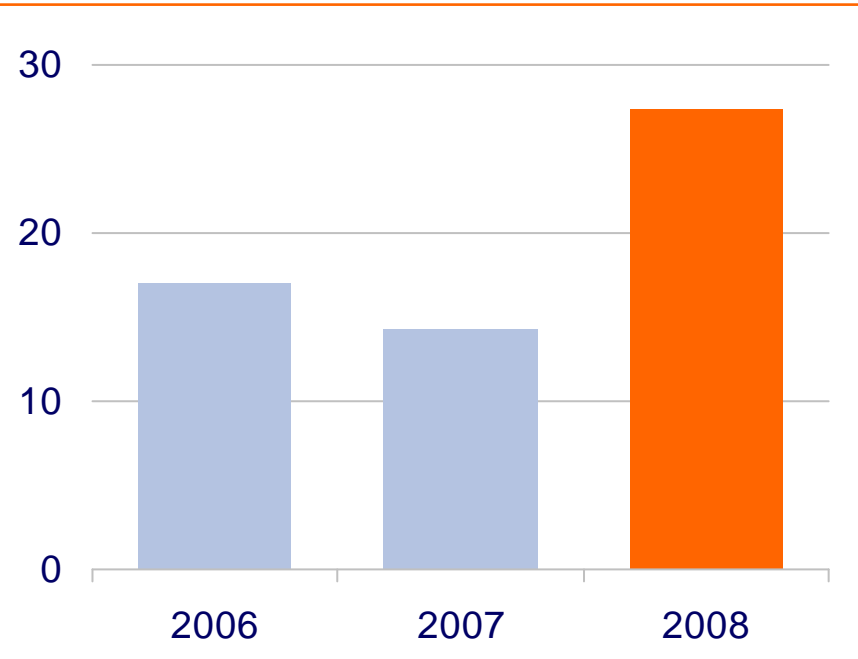


Present Value: € 24,410

# Present value steering proves effective; strong increase in 2008

High customer contact frequency

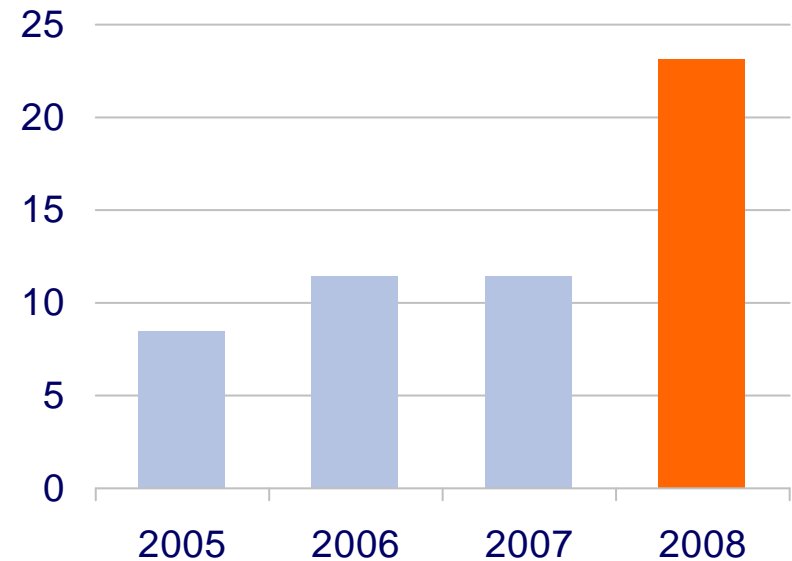
## Present value generated by online sales ING business customers (in EUR mln)



Source: ING Retail Finance

## Sales steering increased mortgage leads for ING Bank Netherlands clients

Presales (# in 1,000)



Most significant driver in doubling of result in 2008:  
from steering on input/maintenance to steering on present value targets



# Continuous innovation of sales and lead generation: behavioural targeting

High customer contact frequency

## Behavioural targeting: the right proposition for the right user at the right time

- Real-time collection of behavioural activity data, combined with profiling based on behaviour and product portfolio
- Information is used to show the user specific content that will appeal to him. In addition to banners and content, images, video, audio, navigation menus, hyperlinks, etc. are also used

## Two banners on log-off screen driven by Behavioral targeting tool

The screenshot shows the ING website's log-off screen. At the top, there is a search bar and navigation links for 'Klantenservice' and 'Contact'. Below the navigation, there are tabs for 'Particulier' and 'Zakelijk', and a link for 'Inloggen Mijn ING'. The main heading is 'U bent succesvol uitgelogd'. There are four promotional banners arranged in a 2x2 grid:

- Top Left:** 'Sparen en 2.500 Rentepunten cadeau!' with an image of a person holding a certificate. Text: 'Sparen is nu nog aantrekkelijker! Want als u vóór 19 april 2009 € 500 of meer spaart, ontvangt u gratis 2.500 Rentepunten.' Buttons: 'Lees meer', 'Aanvragen'.
- Top Right:** 'Gratis stormparaplu bij BetaalPakket' with an image of an umbrella. Text: 'Kies voor het voordelige BetaalPakket. En ontvang het nu 1 jaar gratis en met een sterke stormparaplu.' Buttons: 'Lees meer', 'Aanvragen'.
- Bottom Left:** 'Snel uw maximale hypotheek berekenen' with an image of a family. Text: 'Beantwoord enkele vragen en zie direct hoeveel hypotheek u ongeveer kunt krijgen bij de ING. Makkelijk en snel.' Button: 'Lees meer'.
- Bottom Right:** 'Complete start met Starterspakket' with an image of a dog. Text: 'Met het Starterspakket maakt u een goede en complete start en profiteert u van extra Startersvoordeel.' Buttons: 'Meer over deze actie', 'Aanvragen'.

On the right side of the page, there is a section titled 'Vraag van vandaag' dated '2 april 2009' with a poll question: 'Voor werknemers is de arbeidsmarkt in de laatste drie maanden...'. The poll options are: 'sterk verbeterd', 'enigszins verbeterd', 'niet verbeterd of verslechterd', 'enigszins verslechterd', and 'sterk verslechterd'. A 'Stem nu' button is at the bottom.

Annotations on the screenshot:

- A red box highlights the top two banners, with a callout: 'Fixed position High prio campaigns'.
- A green box highlights the bottom two banners, with a callout: 'Best 2 BT campaigns out of 10'.

BT leads to 27% more clicks on banners and links and an increase in sales of 11.6%

# Continuous innovation of sales and lead generation: ING Chatbot

High customer contact frequency

**Bereken hoeveel hypotheek u ongeveer kunt krijgen**

Bruto jaarinkomen (inclusief toeslagen)   
Uw jaarinkomen vindt u op uw jaaropgaaf.  
 Euro

Eigen vermogen (voor financiering woning), inclusief mogelijke overwaarde (optioneel)  
 Euro

Maandelijkse verplichtingen  (optioneel)  
Maandelijkse verplichtingen zijn rente en (verplichte) aflossingen van consumptieve leningen, alimentatie en erfachtverplichtingen (canon).  
 Euro

Heeft u een partner van wie u het inkomen wilt meelaten?  
 Nee  
 Ja

Bruto jaarinkomen partner   
 Euro

Maandelijkse verplichtingen partner  (optioneel)  
Maandelijkse verplichtingen zijn rente en (verplichte) aflossingen van consumptieve leningen, alimentatie en erfachtverplichtingen (canon).  
 Euro

Voorletter(s) en achternaam

Geslacht  
 Man  Vrouw

Adres

Vul de velden links in en u ziet direct een indicatief hypotheekbedrag. In uw persoonlijk geval is er wellicht meer mogelijk. De Hypotheekadviseur van de ING kan u advies op maat geven.

**Telefonisch advies over uw maximale hypotheek?**  
Maar lievers direct een afspraak voor een persoonlijke berekening.

**Hilf me nu**

Als u telefonisch advies aanvraagt, hoeft u uw gegevens hiernaast niet meer in te vullen.

De uitkomst is gebaseerd op de door u ingevulde gegevens. U kunt aan deze uitkomst geen rechten ontleenen.



ING  Zoek Klantenservice Contact

**Particulier Zakelijk** Inloggen Mijn ING

Betalen Sparen Beleggen Hypotheken Verzekeren Lenen Pensioenen Meer over Internetbankieren

Particulier > Hypotheken > Maximale hypotheek berekenen

### Maximum Mortgage Calculation

**ING says:**  
Welcome to the ING Chatbot. After a couple of questions I can estimate your maximum mortgage.

**ING says:**  
Shall we start with information needed for the calculation?

**You say:**  
Let's start!

**ING says:**  
What's your annual household income before taxes? (including extra's)

**You say:**  
My annual household income is 30.000 euro

**ING says:**  
Ok, your annual household income is 30.000 euro

**ING says:**  
Will you be making a down payment or use the surplus value of your house, and if so how much?

**You say:**  
My surplus value is 20.000 euro.

**ING is typing a message...**

**You say:**

**Send**

### Extra information

**Progress**

Monthly financial obligations / Monthly financial obligations are rent or monthly payments for loans, alimony and ground rent obligations.

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Conversion via traditional 'impersonal' form is 9.2%

Conversion via chatbot is 17.4% (+89%)



# A strong two-tiered branch network


Physical outlets for sales

- 285 full-fledged ING branches ready by 2012
- 530 shop-in-shop locations where customers can execute their basic transactions
- All centrally managed, with customer ownership and P&L responsibility held by the central organization
- ING branches will have a strong sales focus, with an emphasis on cross-selling



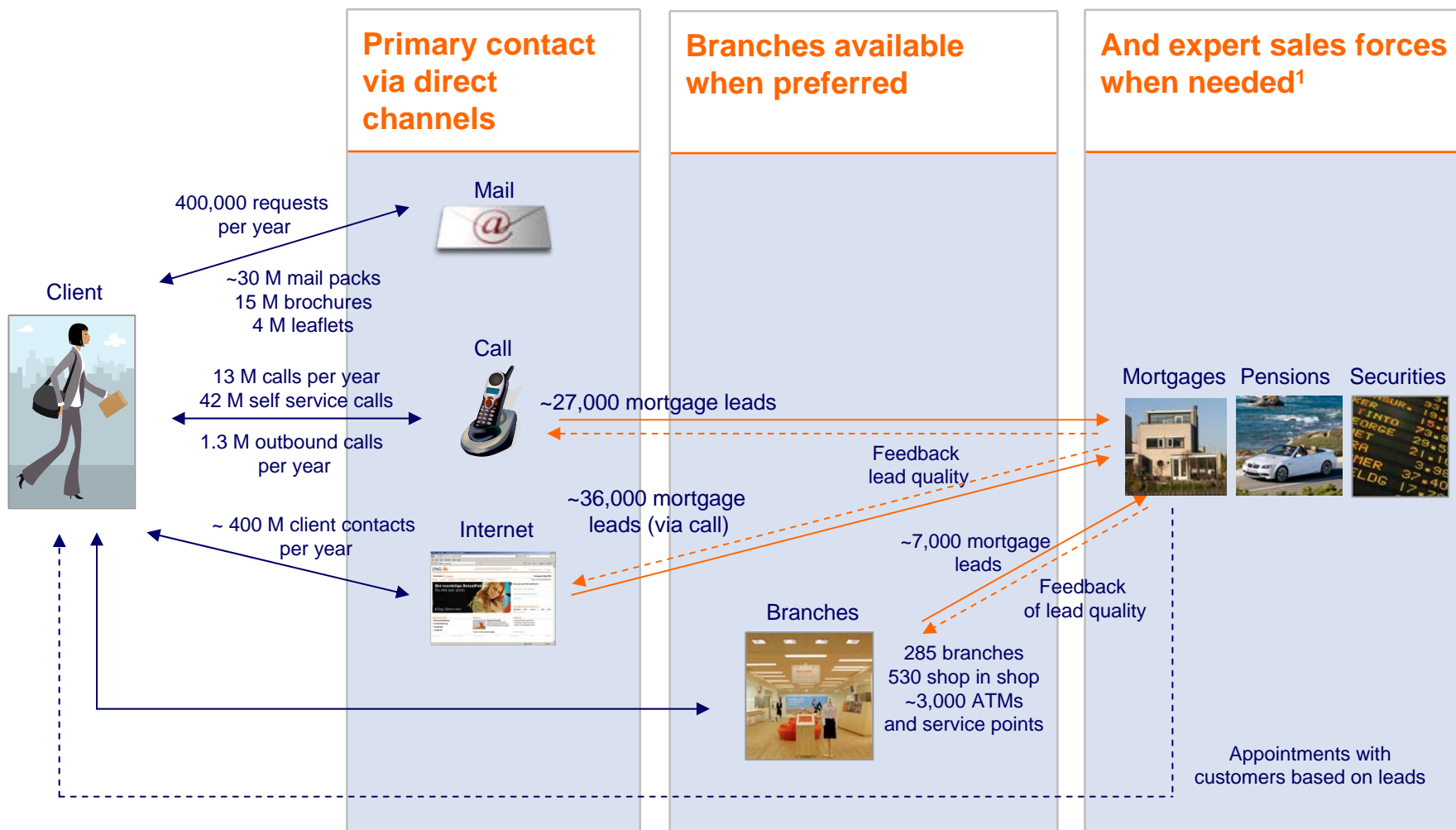
# Seven sales forces geared towards selling advice-intensive products

Specialised sales forces

Sales Force	Targeted segment	Number of advisors
Mortgages	All consumer mortgages	 <p>Over 1,000 advisors in total</p>
Securities	Customers with > EUR 75k securities with ING	
Pensions	High mass and affluent customers	
Private Banking	Customers with > EUR 500k securities with ING	
SME	Small businesses	
Business Banking	All businesses	
Bus. Gen. Insurance	All businesses	

# All channels work to generate leads for the sales forces

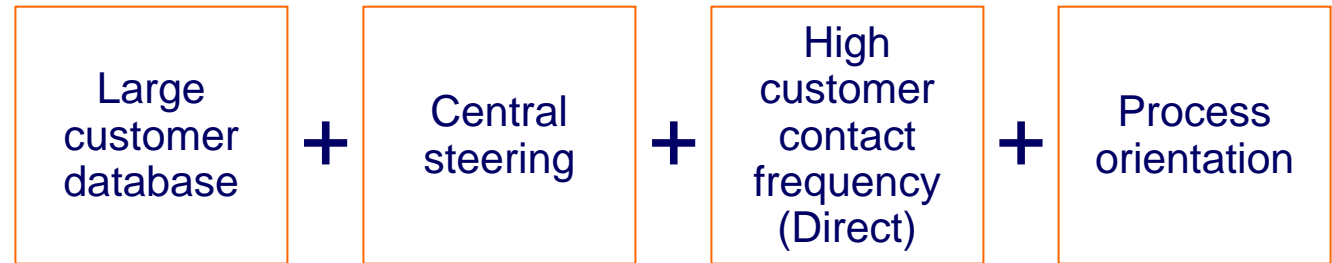
Specialised sales forces



1. Only the Mortgages lead flow is shown in this example



# The new ING is built to maximise share of wallet at above average margins



Plus the enablers to grow share of wallet





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