Increasing revenues in a competitive market

ING Investor Day

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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

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Cons. Savings</td>
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<tr>
<td>Cons. Mortgages</td>
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<td>Cons. Payments</td>
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<td>Cons. Gen. Insurance</td>
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<td>Cons. Life Insurance</td>
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<td>Cons. Lending</td>
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<td>Bus. Savings</td>
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<td>Bus. Gen. Insurance</td>
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</tr>
<tr>
<td>0 200 400 600</td>
<td>-5,0% 0,0% 5,0% 10,0% 0% 25% 50% 75% 100%</td>
<td>n.r.</td>
</tr>
</tbody>
</table>

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

- Large customer database
- Central steering
- High customer contact frequency (Direct)
- Process orientation

Plus the enablers to grow share of wallet

- An advisor brand
- Physical outlets for sale
- Specialised sales forces
Customer base offers significant room to grow

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

<table>
<thead>
<tr>
<th></th>
<th>Consumer market</th>
<th>SME</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Savings (SOW)</td>
<td>Mortgages (SOW)</td>
</tr>
<tr>
<td>Rabobank</td>
<td><img src="image" alt="Savings" /> <img src="image" alt="Mortgages" /> <img src="image" alt="Investment" /> <img src="image" alt="Life insurance" /></td>
<td><img src="image" alt="Savings" /> <img src="image" alt="Mortgages" /> <img src="image" alt="Investment" /> <img src="image" alt="Life insurance" /></td>
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<tr>
<td>ABN Amro (incl. Fortis)</td>
<td><img src="image" alt="Savings" /> <img src="image" alt="Mortgages" /> <img src="image" alt="Investment" /> <img src="image" alt="Life insurance" /></td>
<td><img src="image" alt="Savings" /> <img src="image" alt="Mortgages" /> <img src="image" alt="Investment" /> <img src="image" alt="Life insurance" /></td>
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<tr>
<td>ING</td>
<td><img src="image" alt="Savings" /> <img src="image" alt="Mortgages" /> <img src="image" alt="Investment" /> <img src="image" alt="Life insurance" /></td>
<td><img src="image" alt="Savings" /> <img src="image" alt="Mortgages" /> <img src="image" alt="Investment" /> <img src="image" alt="Life insurance" /></td>
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<tr>
<td>Postbank</td>
<td><img src="image" alt="Savings" /> <img src="image" alt="Mortgages" /> <img src="image" alt="Investment" /> <img src="image" alt="Life insurance" /></td>
<td><img src="image" alt="Savings" /> <img src="image" alt="Mortgages" /> <img src="image" alt="Investment" /> <img src="image" alt="Life insurance" /></td>
</tr>
<tr>
<td>IBN</td>
<td><img src="image" alt="Savings" /> <img src="image" alt="Mortgages" /> <img src="image" alt="Investment" /> <img src="image" alt="Life insurance" /></td>
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</tr>
</tbody>
</table>

Note: Reliable SOW data not available for Life insurance and Business lending. n.r. = not relevant. 1 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

<table>
<thead>
<tr>
<th>Three scenarios</th>
<th>Impact on revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Close share of wallet gap with best in class by 1% point per year</td>
</tr>
<tr>
<td>2</td>
<td>Close share of wallet gap with best in class by 2% points per year</td>
</tr>
<tr>
<td>3</td>
<td>Close share of wallet gap with best in class by 3% points per year</td>
</tr>
</tbody>
</table>

Excluding autonomous market growth

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

- Large customer database + Central steering + High customer contact frequency (Direct) + Process orientation

Plus the enablers to grow share of wallet

- An advisor brand + Physical outlets for sale + Specialised sales forces
Customer intelligence is leveraged to tailor offerings

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

<table>
<thead>
<tr>
<th>Type of client</th>
<th>Acquisition</th>
<th>Deep sell</th>
<th>Up sell</th>
<th>Retention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not yet saving with ING</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not price sensitive</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Checks prices regularly</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

Source: ING Customer Intelligence
Further growth in primary customer base is expected

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

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 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

<table>
<thead>
<tr>
<th>Savings can shift quickly from margin to volume when needed</th>
<th>Pricing of business lending provides enough flexibility to steer margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Used when interbank funding was a much more expensive source of funding than the savings market</td>
<td></td>
</tr>
<tr>
<td>• Increasing outbound marketing efforts</td>
<td></td>
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<tr>
<td>• Intensive retention measures on term deposits</td>
<td></td>
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<tr>
<td>• People withdrawing money were made a new offer two days later</td>
<td></td>
</tr>
<tr>
<td>• Postbank SME customers were provided ING Bank savings products</td>
<td></td>
</tr>
<tr>
<td>• Margin pressure remains due to yield curve and shift to term deposits</td>
<td></td>
</tr>
<tr>
<td>8% increase in savings volume in five months</td>
<td></td>
</tr>
<tr>
<td>The composition of the lending portfolio</td>
<td></td>
</tr>
<tr>
<td>• 18% is based on the ING base rate, which can be changed at any moment</td>
<td></td>
</tr>
<tr>
<td>• 37% is based on Euribor, which can be changed annually</td>
<td></td>
</tr>
<tr>
<td>• 44% is based on a fixed rate with an average maturity of 4.5 years</td>
<td></td>
</tr>
<tr>
<td>The market allows ING to adapt pricing</td>
<td></td>
</tr>
<tr>
<td>• Business lending customers are sticky</td>
<td></td>
</tr>
<tr>
<td>• The economic developments of the last year have made them even stickier</td>
<td></td>
</tr>
<tr>
<td>Pricing for 65% of business lending can be influenced within a year</td>
<td></td>
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</tbody>
</table>
ING: a very strong 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

- Large customer database
- Central steering
- High customer contact frequency (Direct)
- Process orientation

Plus the enablers to grow share of wallet

- An advisor brand
- Physical outlets for sale
- Specialised sales forces
The largest internet bank in the Netherlands

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

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

Source: ING Retail Finance

Present Value is defined as gross margin over expected lifetime of customer contract, discounted to EUR of today
Leveraging internet traffic volume to generate sales and leads

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 cm² pixel is managed with present value; every cm² 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

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

Sales steering increased mortgage
leads for ING Bank Netherlands clients

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

Source: ING Retail Finance
Continuous innovation of sales and lead generation: behavioural targeting

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

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

Conversion via traditional ‘impersonal’ form is 9.2%

Conversion via chatbot is 17.4% (+89%)
A strong two-tiered branch network

- 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

<table>
<thead>
<tr>
<th>Sales Force</th>
<th>Targeted segment</th>
<th>Number of advisors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages</td>
<td>All consumer mortgages</td>
<td></td>
</tr>
<tr>
<td>Securities</td>
<td>Customers with &gt; EUR 75k securities with ING</td>
<td></td>
</tr>
<tr>
<td>Pensions</td>
<td>High mass and affluent customers</td>
<td></td>
</tr>
<tr>
<td>Private Banking</td>
<td>Customers with &gt; EUR 500k securities with ING</td>
<td></td>
</tr>
<tr>
<td>SME</td>
<td>Small businesses</td>
<td></td>
</tr>
<tr>
<td>Business Banking</td>
<td>All businesses</td>
<td></td>
</tr>
<tr>
<td>Bus. Gen. Insurance</td>
<td>All businesses</td>
<td></td>
</tr>
</tbody>
</table>

Over 1,000 advisors in total
All channels work to generate leads for the sales forces.

Primary contact via direct channels:
- 400,000 requests per year
- ~30 M mail packs
- 15 M brochures
- 4 M leaflets
- 13 M calls per year
- 42 M self service calls
- 1.3 M outbound calls per year
- ~400 M client contacts per year

Branches available when preferred:
- ~27,000 mortgage leads
- ~36,000 mortgage leads (via call)
- ~7,000 mortgage leads
- Feedback of lead quality

And expert sales forces when needed:
- 285 branches
- 530 shop in shop
- ~3,000 ATMs and service points
- Appointments with customers based on leads

Mortgages Pensions Securities

Client

Specialised sales forces

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