



Reinventing Retail in the Netherlands

ING Investor Day

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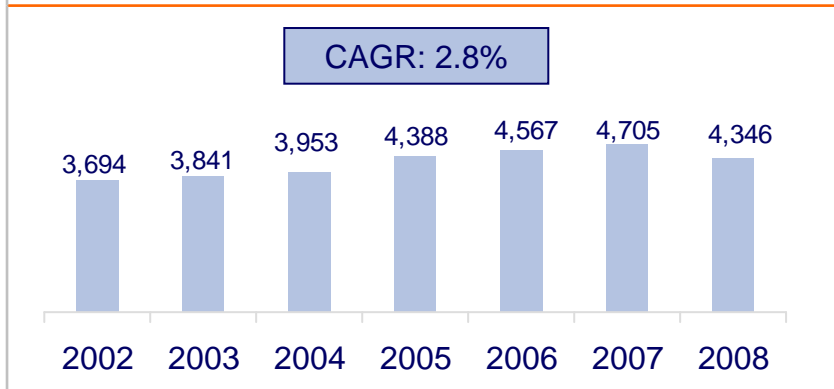
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Key Messages

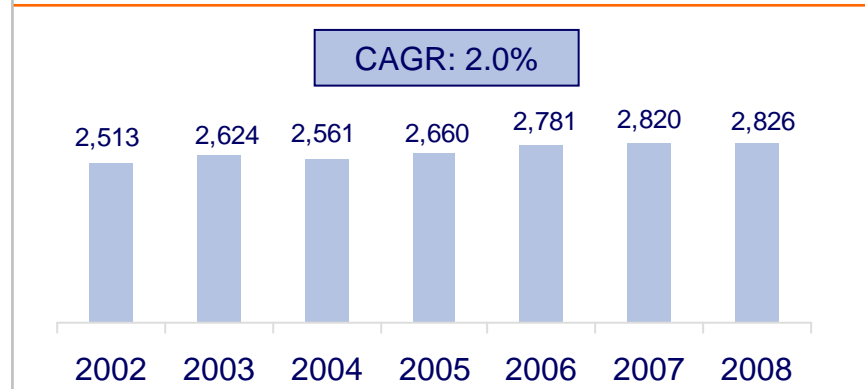
- A consistently solid performance
- ING Retail NL reinvented
 - Maximise share of wallet
 - Lean and flexible cost structure
- Integration is ahead of schedule
- Current market developments and future performance

Consistent solid financial performance

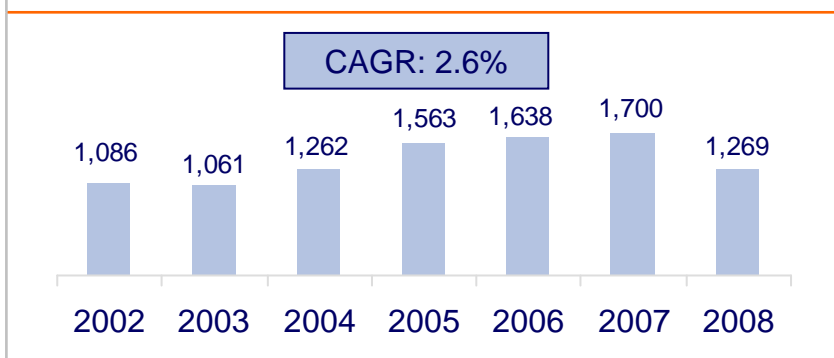
Revenue ING Retail NL '02-'08 * (EUR mln)



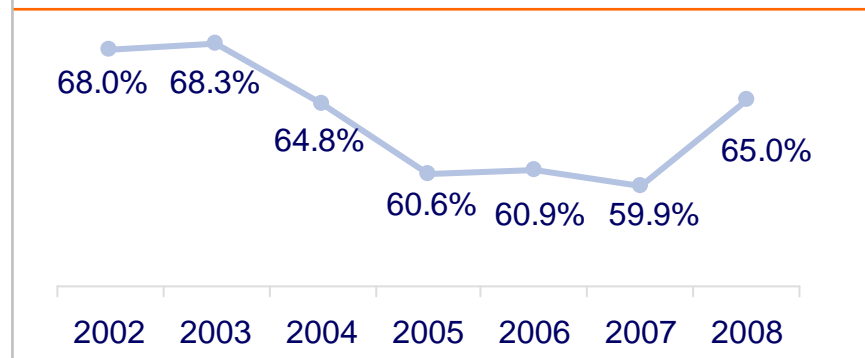
Cost ING Retail NL '02-'08 * (EUR mln)



Profit ING Retail NL '02-'08 * (EUR mln)



Cost/Income ratio ING Retail NL '02-'08 *



* Figures 2002/2005 made comparable by including estimated results of mid-corporates and 50% of Postkantoren B.V.



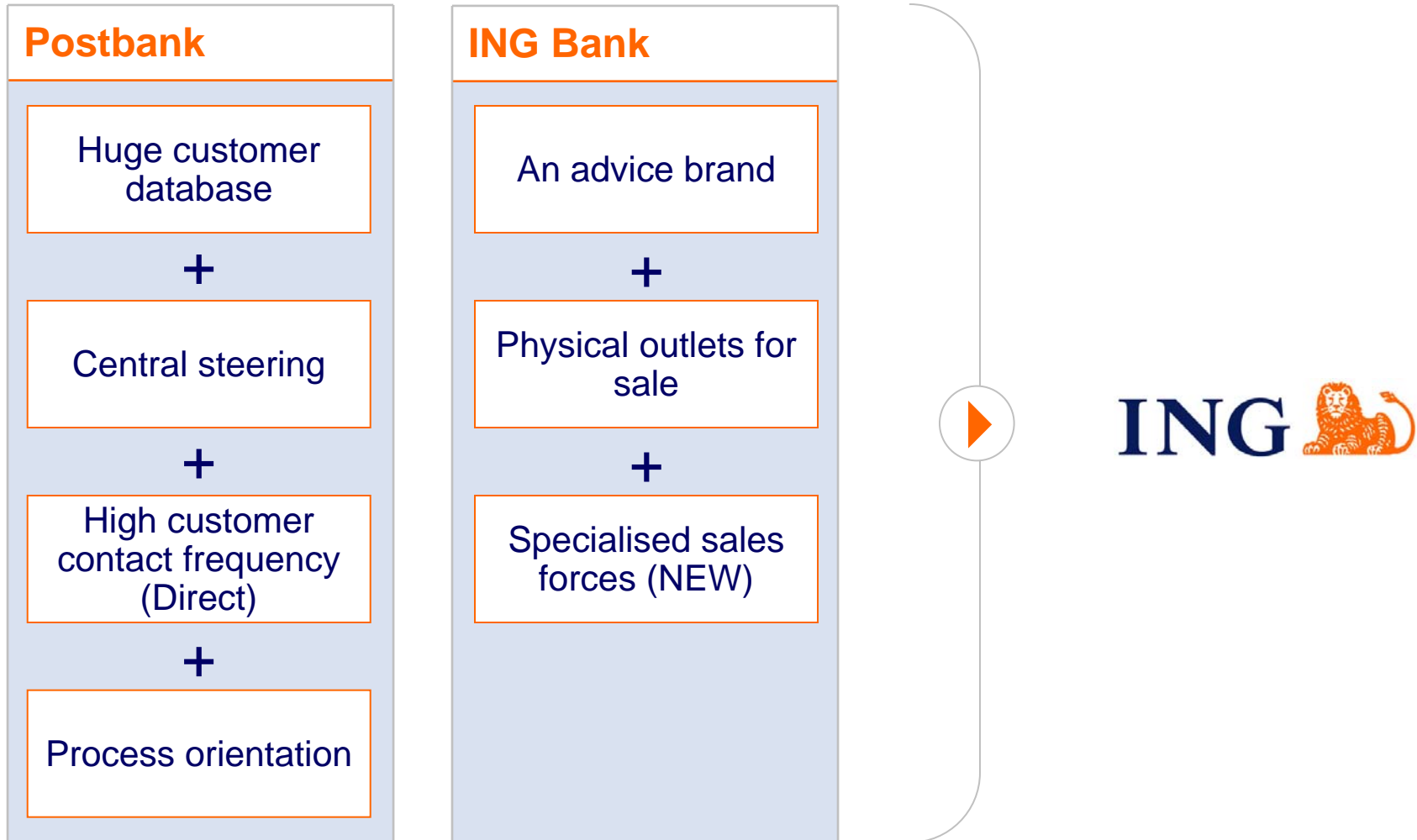
Case for change - new model to capture revenue and cost opportunities

- End of 2006 Postbank and ING Bank Netherlands (IBN) were successful, but competitors were also making progress
- ING Bank Netherlands was subscale with limited further growth potential
- Postbank model unable to continue high profit growth
- Postbank and IBN faced large IT investments to update complex and aged systems (EUR 300 mln)

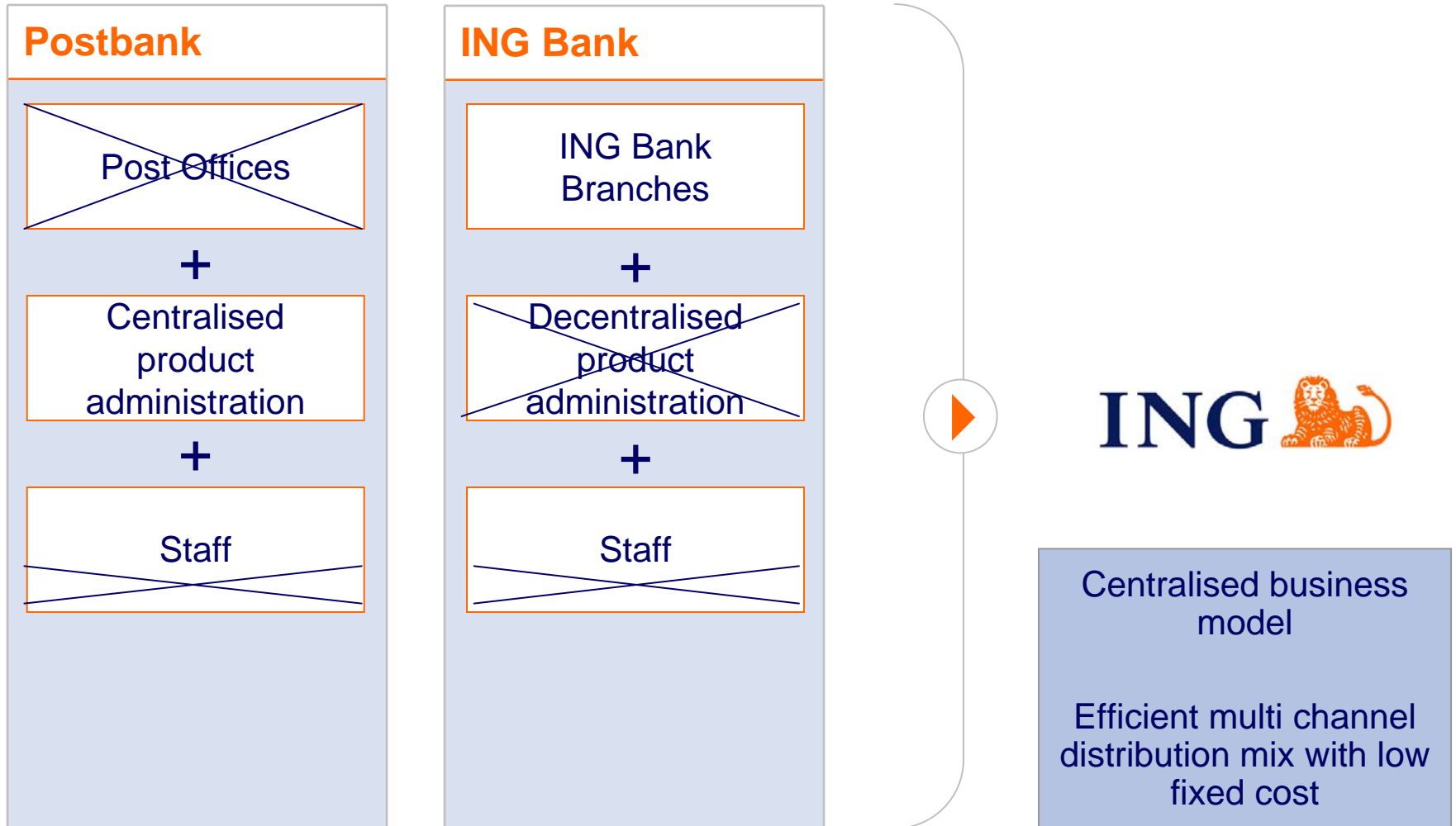


Two key objectives: capture additional **revenues** and **cost** improvement opportunities

New business model structured to maximise share of wallet

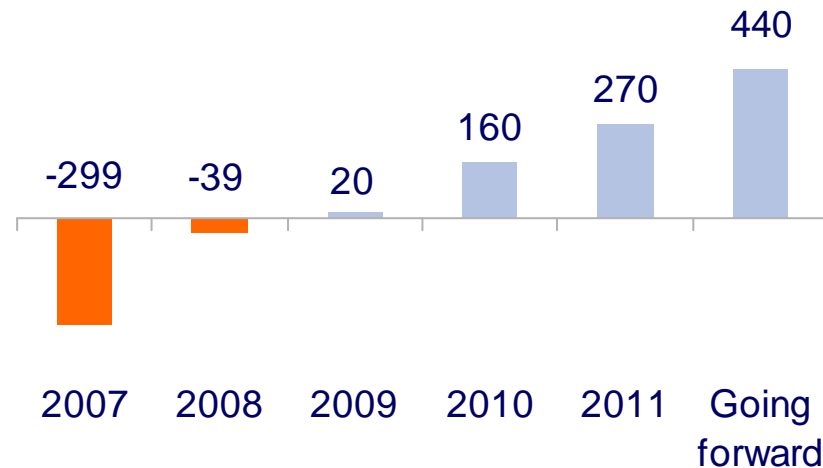


New business model: lean and flexible cost structure



Integrating ING Bank and Postbank ahead of plan

P&L impact before tax (EUR mln)



Positive Customer Reactions to New ING:

- 85% of customers is positive or neutral towards merger
- Increased customer base from 8.6 to 8.9 million
- No increase in call/complaint volume

Annual financial impact of integration programme

Plan	2007	2008	2009	2010	2011
Cost savings	0	30	140	160	280
Additional revenues	0	40	70	120	160
Non-recurring costs	-300	-110	-190	-120	-170
Profit impact	-300	-40	20	160	270

Update on integration programme

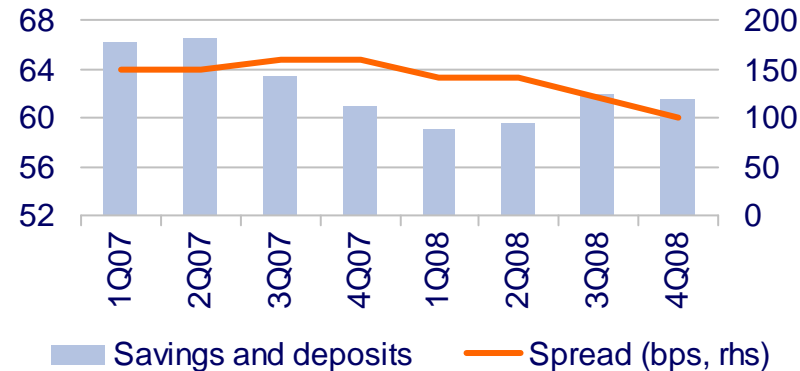
- Cost savings ahead of schedule; EUR 92 million realised in 2009
- Expected cost savings on top of integration programme of EUR 220 mln by 2012
- Resulting in total cost savings of EUR 500 mln in 2012



We will deliver on our promise, with more emphasis on costs

Current market impact on revenues

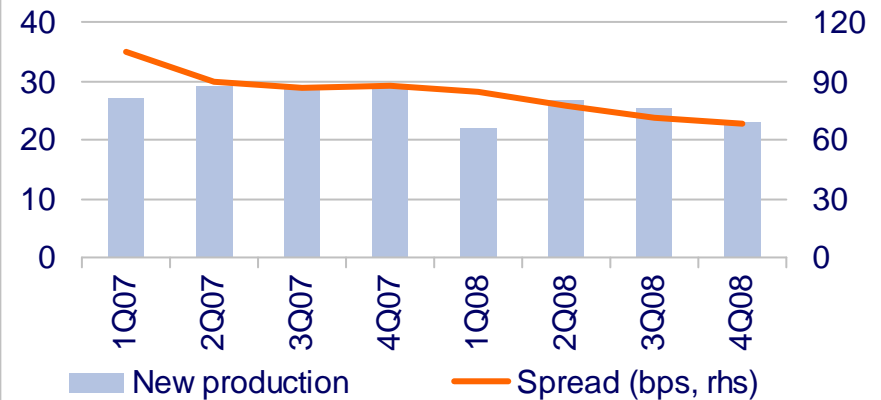
Savings and deposits (excl mid-corporates, EUR bln)



Current developments

- Rates came down for term deposits and variable rates (only small players maintain high rates on 1-year deposits)
- Yield curve declined even more resulting in a spread reduction of more than 50% early 2009
- Rates on deposits and savings are expected to decline further resulting in healthier margins by the end of the year
- Critical profit generator for every bank

New mortgage production (EUR bln)



2008

- New mortgage production declined 17% in 2008
- Margin of new production decreased under competitive pressure

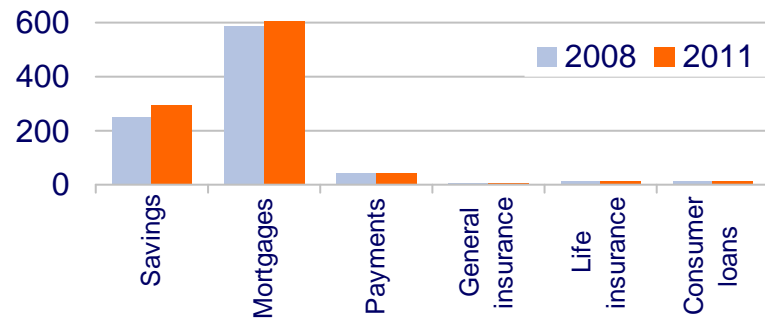
Positive developments

- Small aggressive entrants have left the market
- Lower competitive pressure
- Margins improving towards 80 bps in early 2009

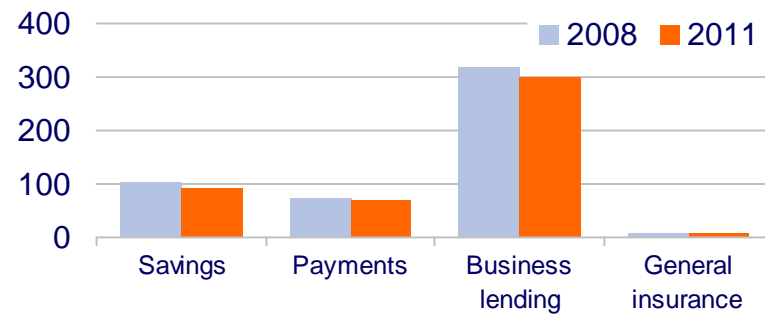
Mature, but dynamic market with opportunities for growth

A mature market but

Consumer Banking: revenue pools (EUR bln)



Business Banking: revenue pools (EUR bln)

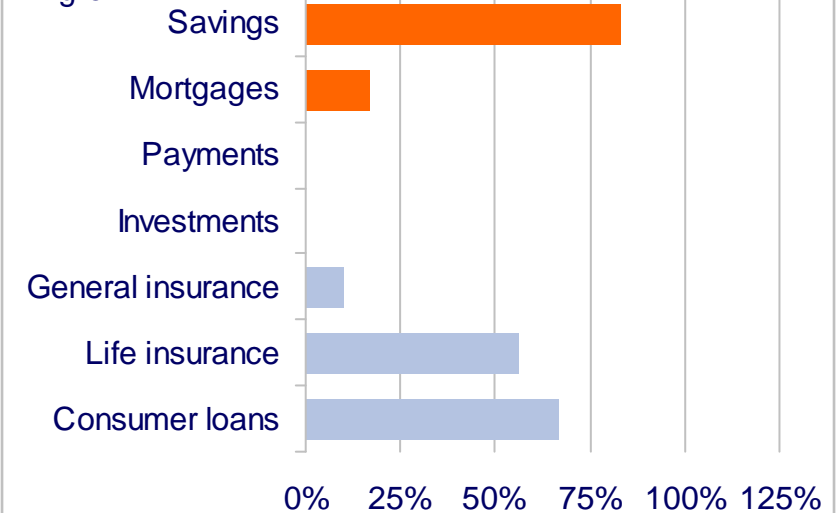


Source: ING Economic Affairs; CBS; DNB; ING estimates



dynamic, with significant flows to capture

- With flow stock ratio's from 10-120 % in the Dutch consumer market there is significant room for ING to grow



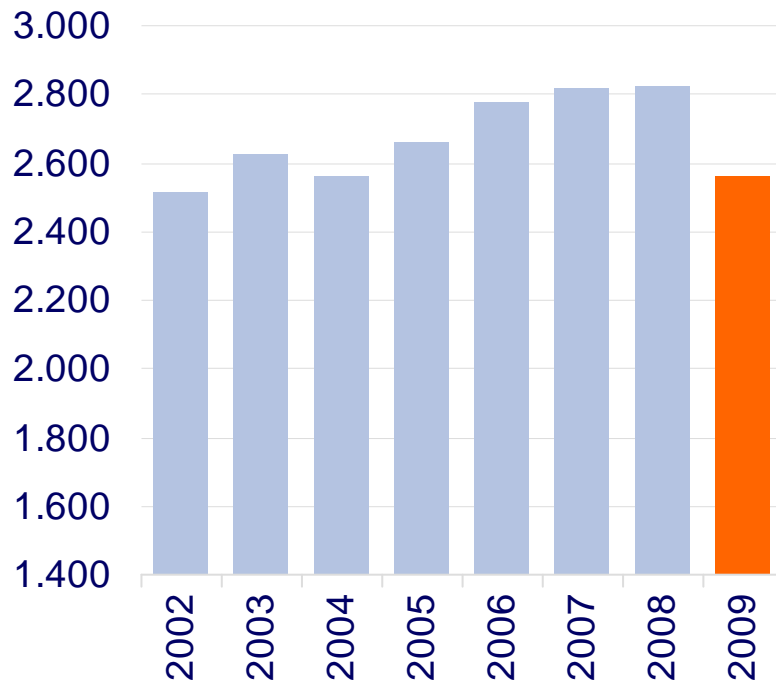
Opportunity for ING to leverage customer base of 8.9 million by increasing share of wallet

1 Average of 2006-2008. Source: ING Economic Affairs; CBS; DNB
 Note: Stock defined as total market volume; Flow defined as volume that is (re)contracted to banks/insurance companies



Competitive advantage: costs in 2009 moving towards level of 2002

Cost development ING Retail NL* (in EUR mln)



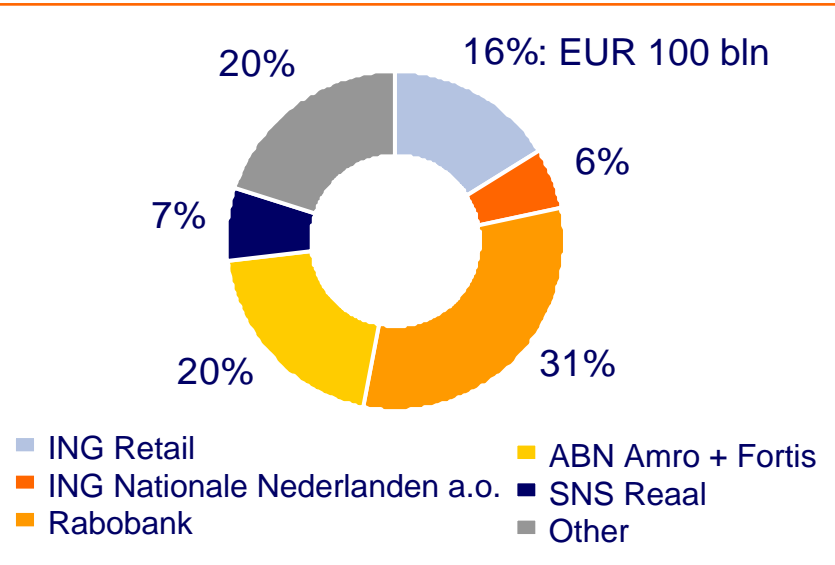
Strong Cost Leadership

- Cost level 2009 will be comparable to 2002, despite inflation, salary increases and higher volumes
- Combining ING Bank and Postbank will significantly reduce costs
- Additional efficiencies identified on top of integration
- Programme for additional cost containment is implemented

* 2007 and 2008 including mid-corporates, 2002-2006 including mid-corporates in proportion of 2007

Mortgages: Risk costs will increase but remain manageable

ING Group: 22% market share in Dutch mortgages (outstanding)



Dutch mortgage market: Less risky than perceived

Four main features provide structural support:

- Fiscal system: tax-deductible interest payments
- Supply constraint: structural shortage land and houses
- Regulation: drives prudent underwriting and fixed-rate products
- Social security system: buffers to absorb income loss





ING Retail's mortgage portfolio: manageable risk costs

- Relatively high LTVs do not translate into high LGDs: EUR 100 bln mortgage portfolio had EUR 53 mln risk costs in 2008 with LGD 2%
- Stress tests show peak risk costs of up to EUR 330 mln in 2010
- Risk strategy concentrates on risk reduction in portfolio, helping clients to meet payments

Closing Remarks

- Timing of decision to integrate just right and business model offers opportunities for the future
- Accelerated cost savings cover impact of liquidity crisis on income
- Risk cost will increase but under control
- Current business model provides us with an excellent structure in changing circumstances to reach our objective, **long term profitability**:
 - We have just started to exploit the key capabilities of our new model to increase profitability in the Dutch market
 - We will further benefit from our sustainable cost advantage
 - Each building block of the new ING Retail is based on a former best practice
 - Execution clearly ahead of plan: we delivered on our promise, keeping clients a priority

Detailed information will be delivered during the break outs

Value drivers for long-term profitability	Key objective	Our priorities in challenging 2009	Break-out session
Revenues	<ul style="list-style-type: none"> Revenue Improvement 	<ul style="list-style-type: none"> Clients: improved service levels for clients based on improved processes Savings: inflow and income on Savings portfolio Primary clients and market share: increase number of primary clients and maintain market shares of all product groups stable 	
Cost	<ul style="list-style-type: none"> Cost Improvement 	<ul style="list-style-type: none"> Costs: cost containment committee to actively monitor cost development Integration: keep on delivering on promises; migration IBN clients to target system, Business Banking, further FTE reduction 	
Risk	<ul style="list-style-type: none"> Pro-actively managing the Risk 	<ul style="list-style-type: none"> Risks: install program to de-risk the loan/mortgage portfolios 	
Belgium	<ul style="list-style-type: none"> Accelerate transformation to “Direct where possible, advice when needed”. Product Innovation to capture market share Stringent cost management and proactive client approach to de-risk portfolio 		

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