



# ING Direct

The journey to becoming the world's most preferred consumer bank

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Madrid – 19 September 2008  
[www.ing.com](http://www.ing.com)

**BANKING - INVESTMENTS - LIFE INSURANCE - RETIREMENT SERVICES**



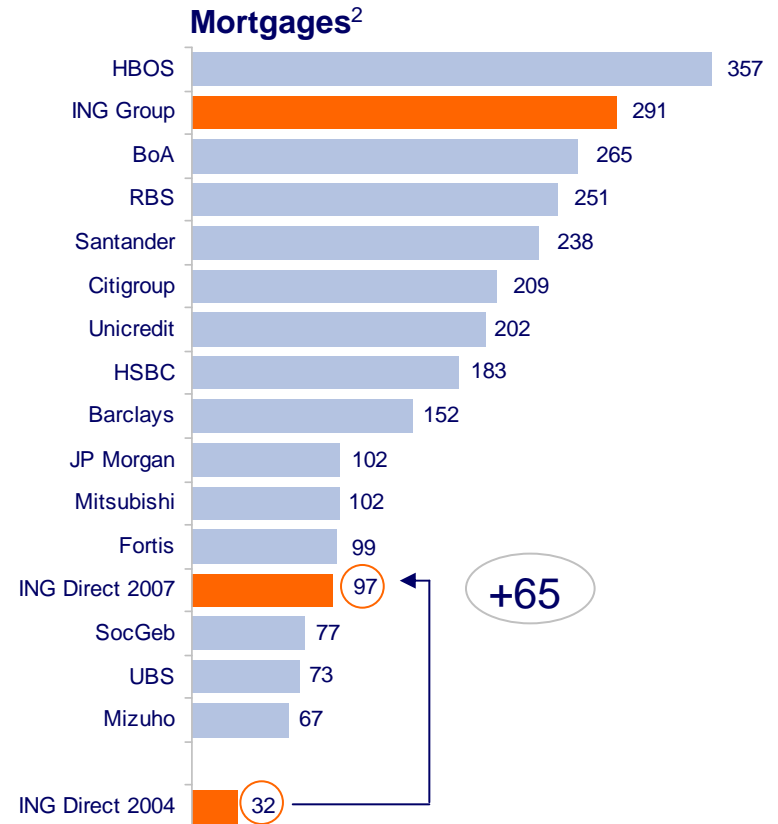
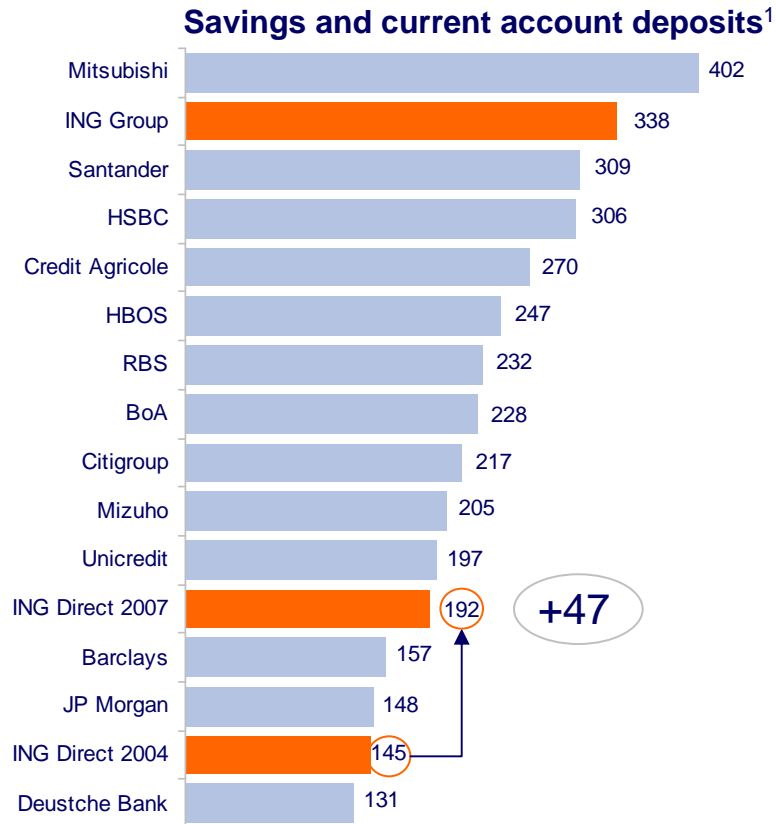
# The journey to becoming the world's most preferred consumer bank

Where we are on this journey



# ING Direct: the world's largest direct bank and a significant player in retail banking

2007 FY (EUR bn)

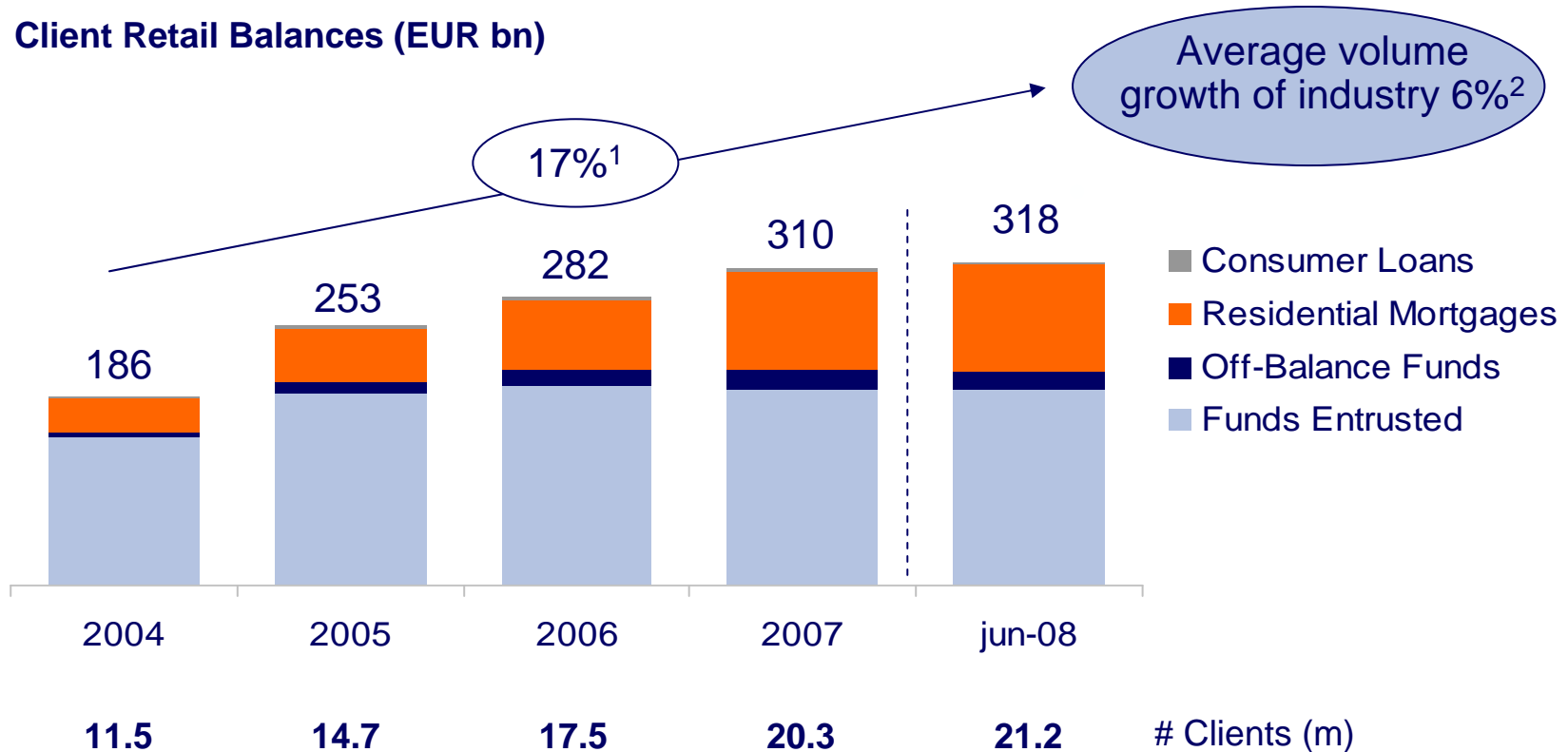


1. Top 15 global, listed banks. BNP Paribas, Credit Suisse, Fortis, ICBC and UBC not included due to lack of data

2. Top 15 global, listed banks. BNP Paribas, Credit Agricole and Credit Suisse not included due to lack of data

# Growing more than twice the speed of global retail banking industry

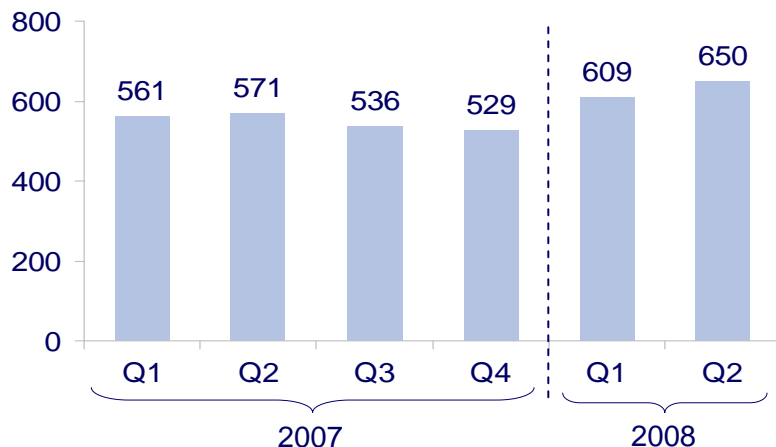
Client Retail Balances (EUR bn)



1. Excluding currency effects 18%; 2) Source: McKinsey&Company

# Solid income growth in a challenging environment

ING Direct Income (EUR m)



- Income increased 14% in 2Q08 despite challenging environment
- ING Direct contributed 9% to ING Group's results in 2Q08

## P&L & Efficiency ratios

	2Q 2007	2Q 2008	Change
Income (EUR m)	571	650	+14%
Pre-tax Profit (EUR m)	171	179	+5%
Opex. to Retail Balances (bps)	35	39	+4
Efficiency Ratio (C/I) (%)	67.6%	64.8%	-2.8%-point
RAROC before tax <sup>1</sup>	23.2%	25.4%	+2.2%-point

1. YTD numbers

# ING Direct - Vision

## Vision

**To become the world's most preferred consumer bank**

## Sources of growth

**Continued growth in existing geographies**

**Expanding the product range (mortgages, consumer lending, payment accounts, investment products)**

**Further geographic expansion**

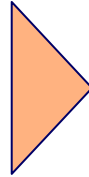
## End result

**ING Direct will have a narrow range of simple products in each product category with substantial scale, efficiency and profitability**

# Trends in retail banking



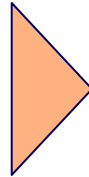
Increasing customer expectations



- Need for competitive rates and a superior customer experience



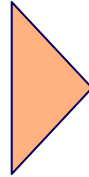
Changing regulatory requirements



- Need for fair and transparent product offering



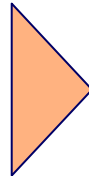
Increasing direct channel usage



- Direct channel is the channel of the future



Increasing competition from attackers in mature countries



- Being a leading retail bank requires presence in mature markets with cost efficient business model

# ING Direct formula capitalises on market trends



## Customer Experience:

- Excellent Customer Service / Satisfaction
- Value for money proposition
- “Treats me fairly”
- Efficient and mass marketing linked to customers’ needs

## Simplicity and Transparency:

- Making things simple for the customer
- No product proliferation!



ING  DIRECT



## Low Cost:

- Large volumes per product, Operational efficiency
- Direct distribution
- Making things simple for the bank

## The Fleet of Companies:

- Local implementation
- Copy best practices



ING 



# Focusing on a proven model

“Stay focused and keep it simple”

“Retail is Detail”

“Don’t outsmart the customer”

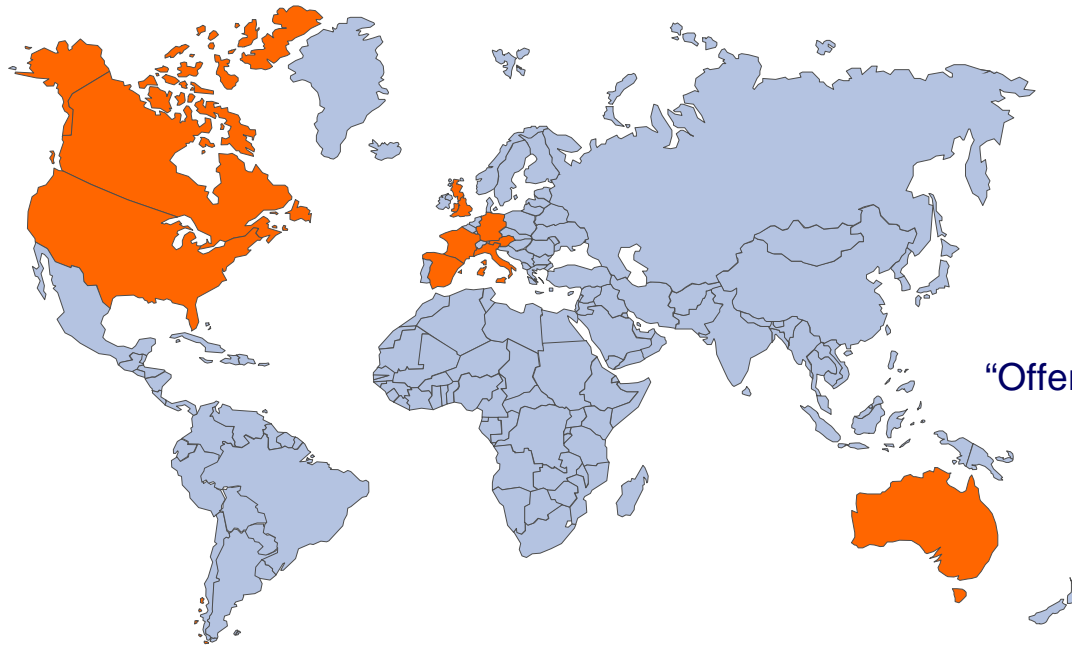
“Execution is the game”

“Less is More”

“Every product contributes at least 5 % to results”

“Treats me fairly”

“Offering value for money”



By consistently executing our strategy,  
ING Direct is the # 1 direct bank in all our chosen markets

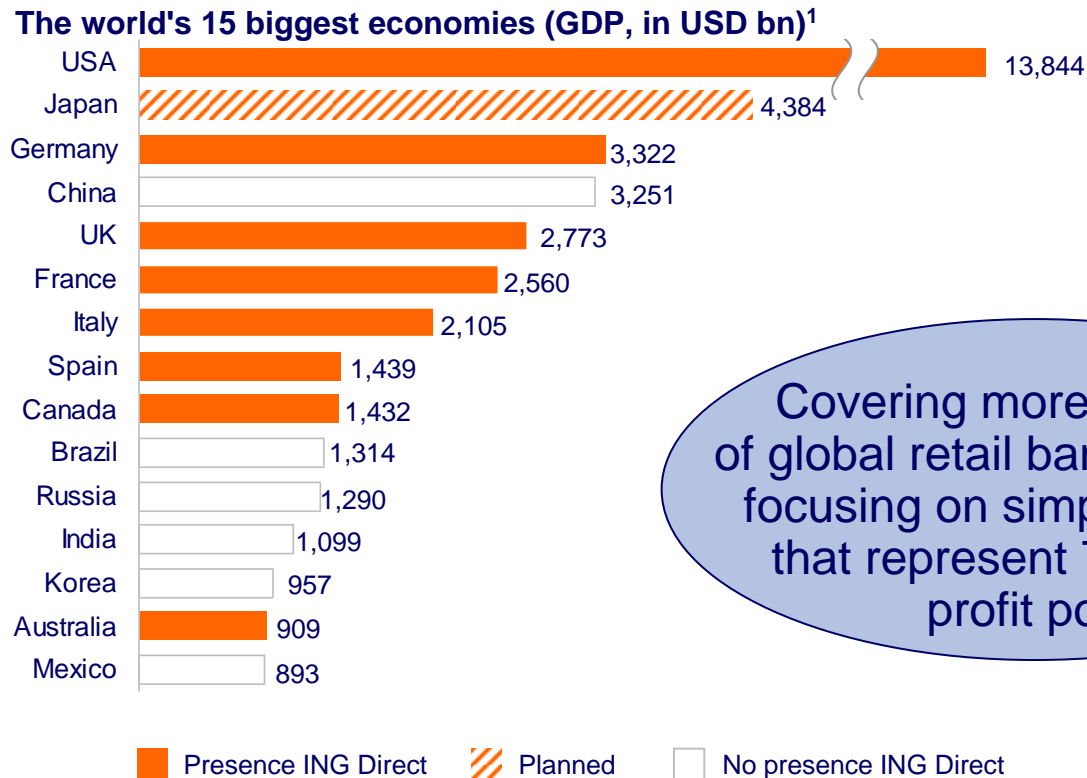


# The journey to becoming the world's most preferred consumer bank

What are we doing to get there?












# ING Direct: Covering the world's biggest markets



1) Source: IMF, April 2008. Data for the year 2007.

2) Source: McKinsey & Company

# ING Direct: Covering the main customer needs

Products		Customer acquisition <sup>1</sup>	Income diversification <sup>2</sup>	Highlights
5 main customers needs	Savings		n/a	<ul style="list-style-type: none"> <li>Remains the core acquisition product</li> <li>Develops strong awareness</li> <li>Builds large customer base</li> </ul>
	Retail Investment Products			<ul style="list-style-type: none"> <li>Increases share of wallet</li> <li>Efficient use of capital</li> </ul>
	Mortgages			<ul style="list-style-type: none"> <li>Balance sheet management</li> <li>Stable income stream</li> </ul>
	Payment Accounts			<ul style="list-style-type: none"> <li>Deepens customer relationship</li> <li>Increases share of wallet</li> </ul>
	Consumer Lending			<ul style="list-style-type: none"> <li>Easy to cross-sell (limited credit risk once you know the customer)</li> </ul>

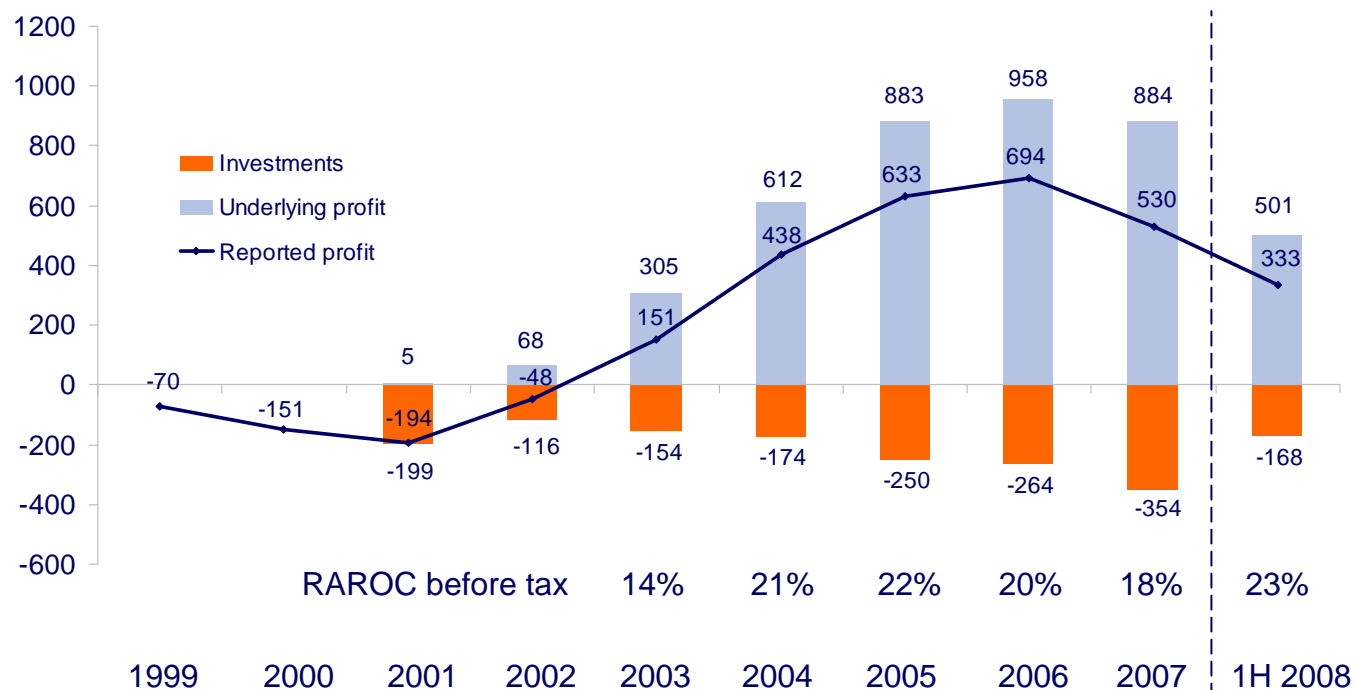
1. Within ING Direct

2. Versus Savings within ING Direct

 Core
  High
  Medium
  Limited

# Investing in scale and diversification

Pretax profit and investments<sup>1</sup> (EUR m)



Investments since start up: EUR 1.9 bn

Since 2004 RAROC consistently above the hurdle

1. Investments defined as: Start up losses Savings, acquisition expenses Mortgages and investments in Payment Accounts

# Delivering attractive returns on all products, with no cross-subsidies

## Savings / saving balances (bps)<sup>3</sup>

P&L	1H 2008
Income	83
Total costs	49
- Opex	33
- Marketing	16
LLP	0
Pretax	33
Balances	€ 190 bn

■ established  
■ launch phase

## Total/ Total Client Retail Balance (bps)<sup>4</sup>

P&L	1H 2008
Income <sup>2</sup>	80
Total costs	54
- Opex	39
- Marketing	15
LLP	5
Pretax	21
Pretax RAROC	23%
Balances	€ 318 bn

## Investment Products / balances (bps)

P&L	1H 2008
Income	78
Total costs	99
- Opex	70
- Marketing	29
LLP	0
Pretax	-21
Balances (bn)	€ 19 bn

## Mortgages / mortgage balances (bps)

P&L	1H 2008
Income <sup>1</sup>	76
Total costs	51
- Maintenance	11
- Acquisition	40
LLP	12
Pretax	13
Balances (bn)	€ 104 bn

## Payment Accounts / payment balances (bps)

P&L	1H 2008
Income	476
Total costs	953
- Opex	579
- Marketing	374
LLP	30
Pretax	-506
Balances (bn)	€ 2 bn

In mature phase all product lines will be profitable on a stand-alone basis

1. Excluding mortgage commission 2. Including mortgage commissions 3. Including Electric Orange of ING Direct USA (EUR 7.3 in Balances) 4. Including Other products

Bps calculations are on annualised basis



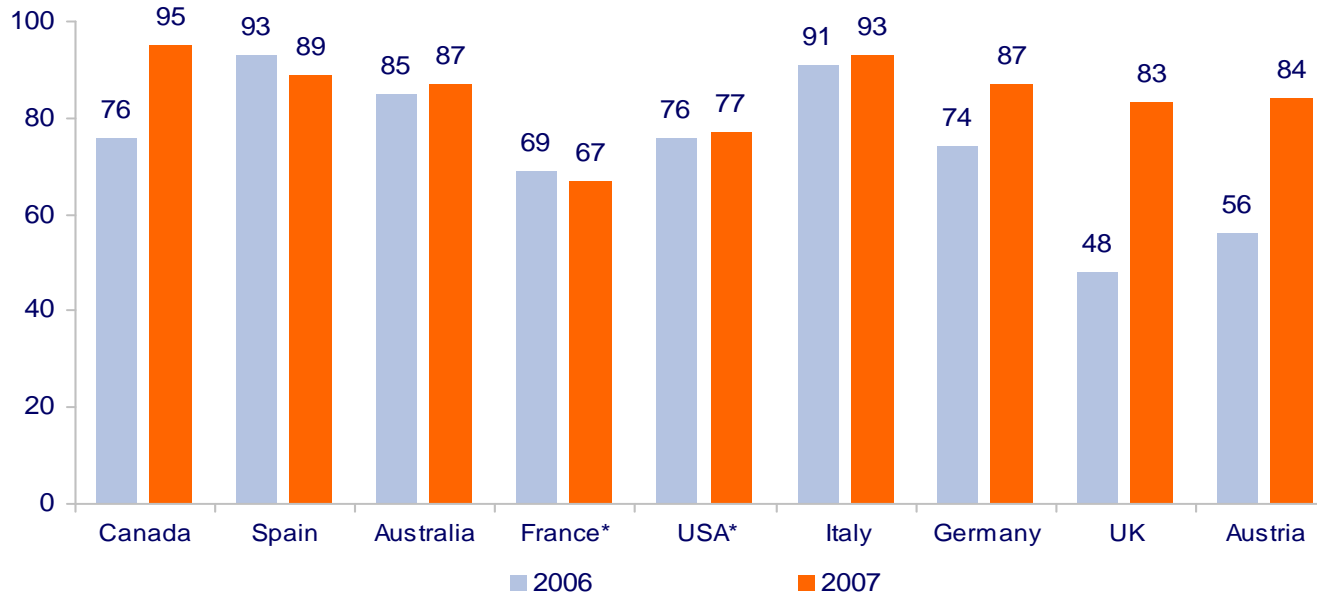
# The journey to becoming the world's most preferred consumer bank

Why are we well positioned to succeed?



# A strong brand

## Brand awareness (%)



### Brand positioning

- Price
- Freedom
- Convenience
- Simplicity

### Brand image

- Innovative
- Reliable
- Value for money
- Easy to deal with
- Fair

ING brand is one of the most valuable banking brands and continues to rise steadily

Note: Research methodology in 2007 changed: 2007 figures refer to brand awareness of financial services providers in *general*, whilst 2006 figures refer to brand awareness of financial services providers offering *savings accounts*. \* 2006 and 2007 figures refer to brand awareness of financial services providers offering savings accounts

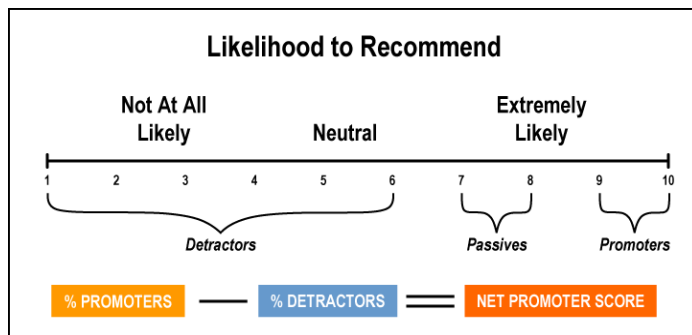
Source: Research International, Global Brand Tracking Survey





# Satisfied customers drive growth

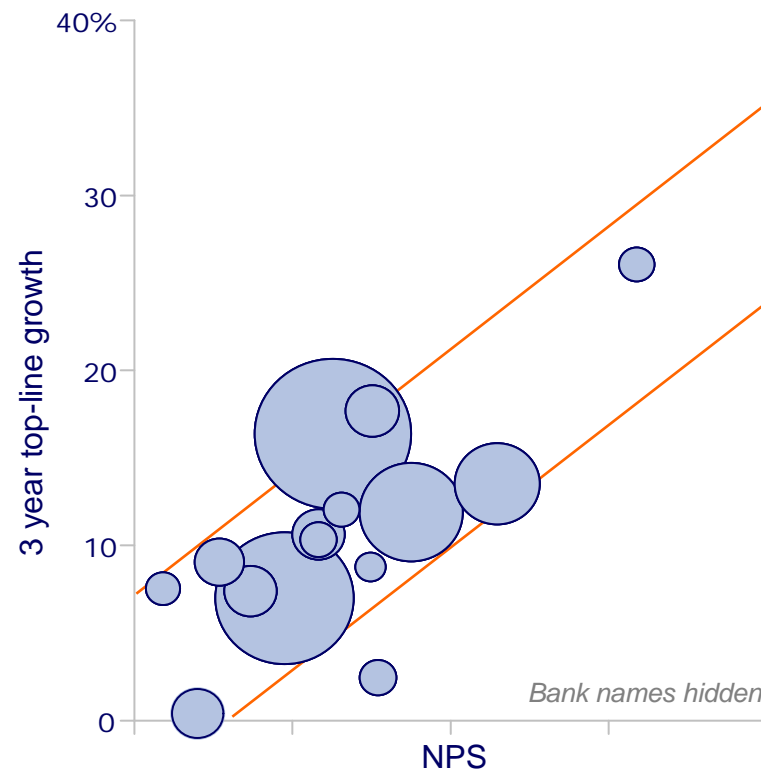
## ING Direct has high Net Promoter Scores (NPS)



Country	NPS rank vs competition
• Australia	1
• Italy	1
• Spain	1
• USA	1
• Canada	2
• UK	2
• Austria	NA
• France	NA
• Germany	NA

Source: MilwardBrown survey 2007

## Strong relationship in retail banking industry between NPS and top line growth



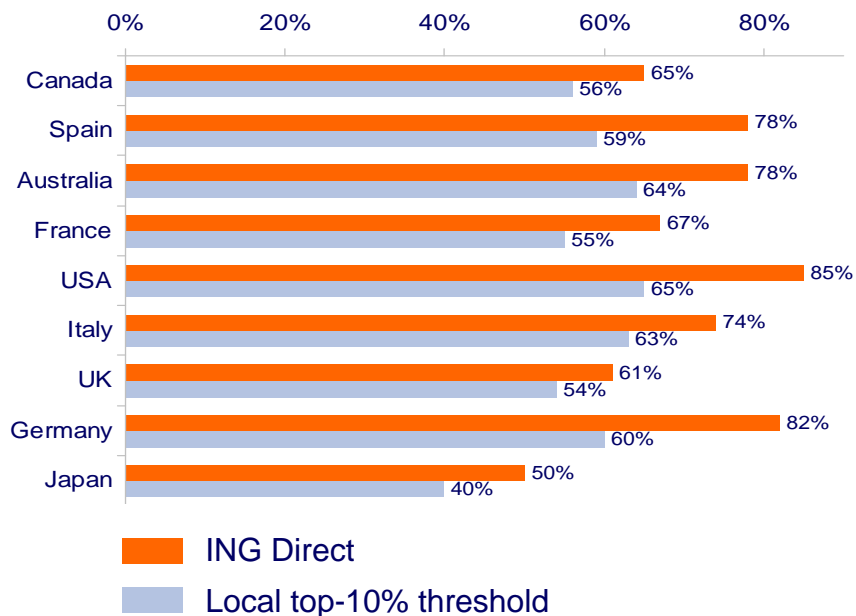
Source: Bain & Company

93% of customers state that ING Direct meets their expectations

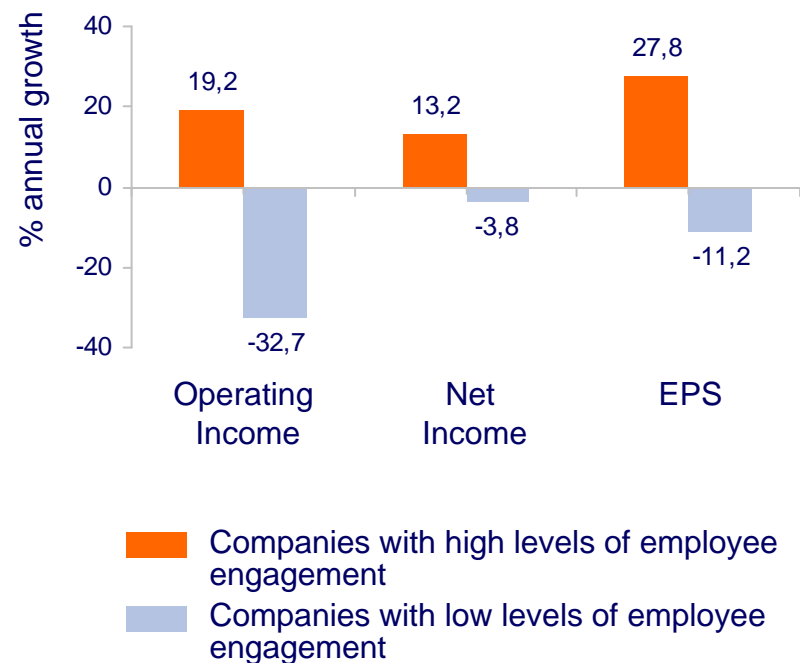


# Engaged employees drive growth

## ING Direct employee engagement scores within top 10% of companies in each country<sup>1</sup>



## Strong link in Financial services between employee engagement and business results<sup>2</sup>

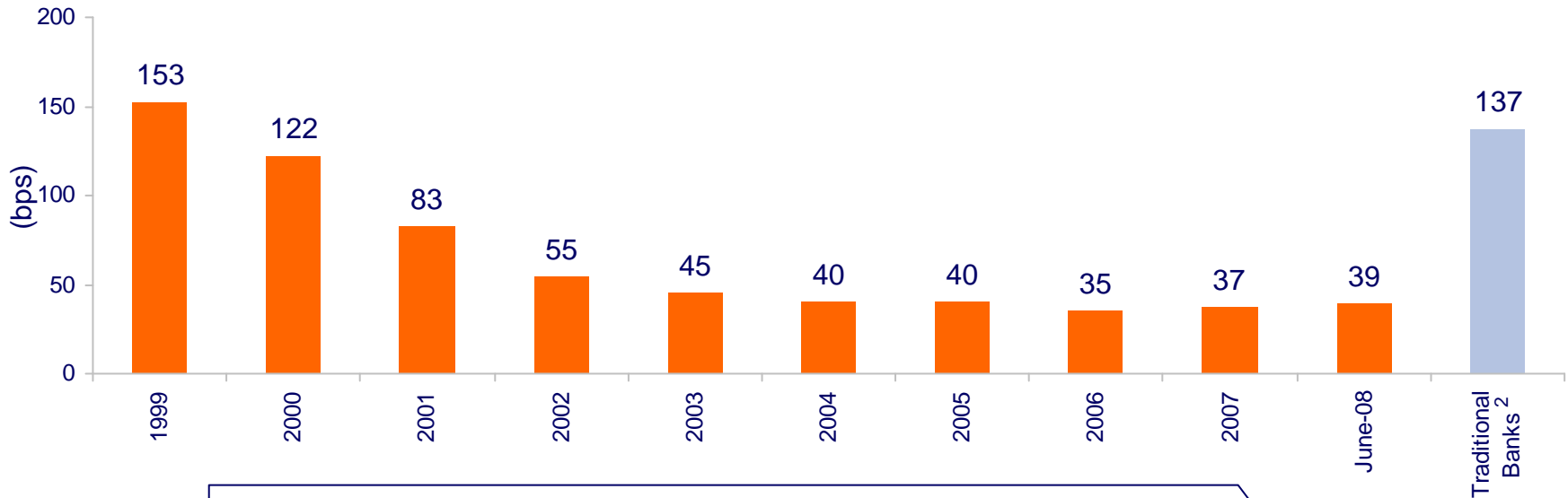


1. Source: Kinexa employee research 2008

2. Source: Towers Perrin 12 month study of 50 financial organizations

# Industry-leading efficiency

## Opex to Client Retail Balances



### Launched countries

Canada  
Spain  
Australia  
France  
USA  
Italy  
Germany  
UK  
Austria

### Launched products<sup>1</sup>

Savings  
Mortgages  
Retail Investment Products  
Payment accounts

ING Direct is better positioned to offer customers value for money in competitive environment

1. Product launch marked when live in > 3 countries

2. Source: BCG sample incumbents 2007

# The journey to becoming the world's most preferred consumer bank

## Adapting well to challenges



# Challenges

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Increased competition for Savings

Repositioning of ING Direct UK

Asset quality in current credit market

# The fight for funding leads to fiercer competition in Savings

The collage features several overlapping advertisements:

- Top Left:** A banner with a red speedboat and the text "Zinserhöhung 15.7." and "> Mehr Zinsen".
- Top Center:** A yellow banner for "LA PRIMA BANCA CHE TI DÀ GLI INTERESSI IN ANTICIPO!" with a man in a white shirt. It lists: "4,70% SUL DEPOSITO A UN ANNO", "ZERO SPESE E ZERO SORPRESE", and "SOLDI SEMPRE DISPONIBILI". It also says "Interessi subito disponibili sul Conto Tascabile." and "APRILO SUBITO".
- Top Right:** A dark blue banner for Citibank Ultimate Saver with a silhouette of a runner. It says "Money you've worked hard for. Your money working harder for you." and "Earn 8.00% p.a. On the portion of your balance from \$10,000 to \$1,000,000".
- Middle Left:** An orange banner for "Depósito a 1 Mes" with the text "Porque somos un banco" and a large "1 + 1 = 11% T.A.E. (1)" followed by "de 3.000 a 30.000 euros. Solo para nuevos clientes y contratable a través de bankinter.com".
- Middle Center:** A blue banner for "Banesto.com" with a woman's face and "Bienvenido al LOW COST BANKING". It lists "cuenta AZUL 5,5% TAE" and "Hasta el 31 de diciembre de 2008 sin comisiones y con total disponibilidad de tu dinero.".
- Middle Right:** A green banner featuring a kangaroo mascot and the text "leNet Saver".
- Bottom Left:** A white banner for "Citibank Savings and Investments" with the Citi logo and "Introducing our easy access Flexible Saver Issue 4" with rates "6.43%" and "6.25%".
- Bottom Center:** A white banner for "Abbey eSaver Direct gives you a great rate of up to ... 6.50% Gross p.a. JAE" with a red 3D block showing the rate.
- Bottom Right:** A white banner for "HSBC Serious Saver. 5 simple steps in 5 minutes." with a large red "7" and "4000" graphic.

# Impacts customer value proposition

## Keep customer value proposition through the cycle

When short term interest rates rise

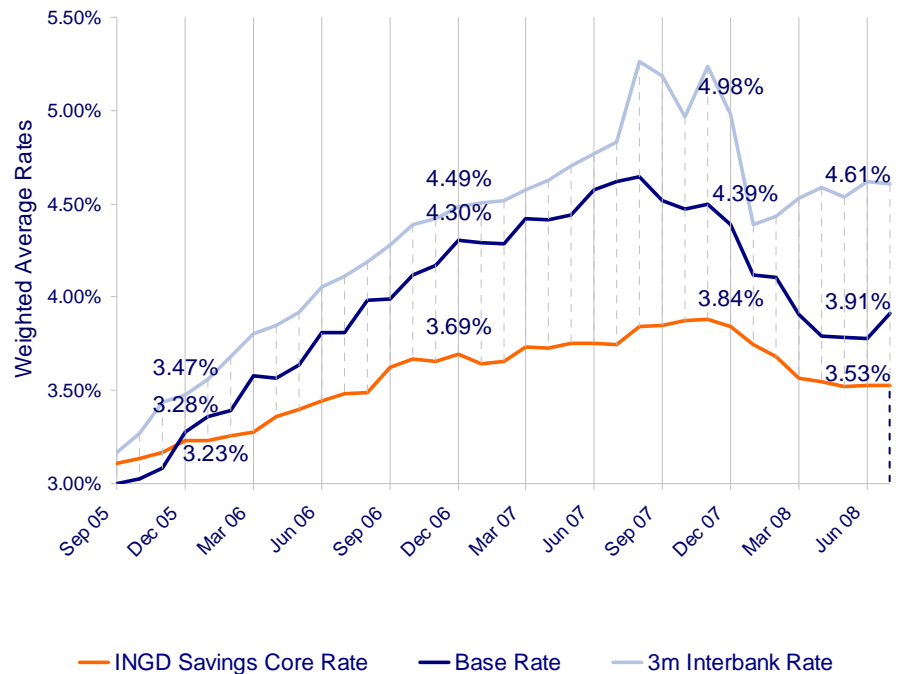
Lower margins to keep customer value proposition & increased pressure from competition

When short term interest rates decrease

Higher margins and better competitive positioning

## Savings Pricings since 2005 (weighted average rates)

ING Direct Core Rate vs Base Rate & 3m Interbank Rate



# Multiple price points deliver growth

## Objectives

Acquisition

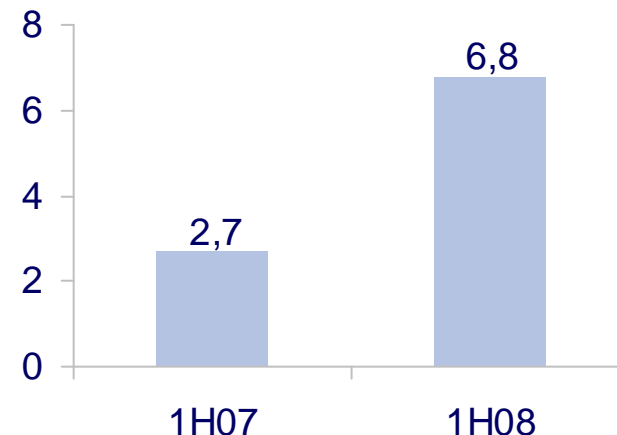
Up-selling

Retention

## Actions

- Promotional rates for new funds
- Cash incentives
- Attractive core rate
- Promotional rates for new funds (mainly targeted at lower balance customers)
- Competitive Fixed Term Deposits (mainly targeted at higher balance customers)
- Attractive core rate for liquid product

## YTD production (in EUR bn)<sup>1</sup>



Multiple Price Points are being introduced in all countries to tackle fiercer competition and sustain further growth without compromising the ING Direct brand values

1. Excluding currency effects



# Higher credit spreads on new funds support savings strategy

## What has been the evolution on our margin build-up?

(All in bps)

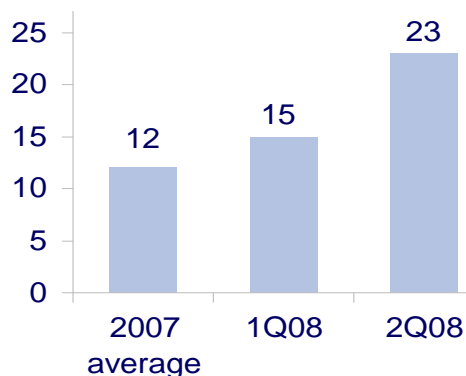
	Historically	Today	Future?
Margin build-up	80 bps	130 bps	80-90 bps
• Credit & Liquidity spread (AAA)	± 20 bps	± 100 bps	± 40-50 bps
• Duration income (lowering it)	± 60 bps	± 30 bps	± 40 bps

Allows for more competitive pricing

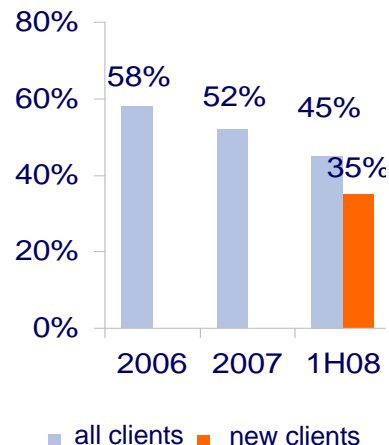
# Repositioning ING Direct UK

## 1) Acquiring more customers, which are less rate sensitive

Quarterly new clients ('000)



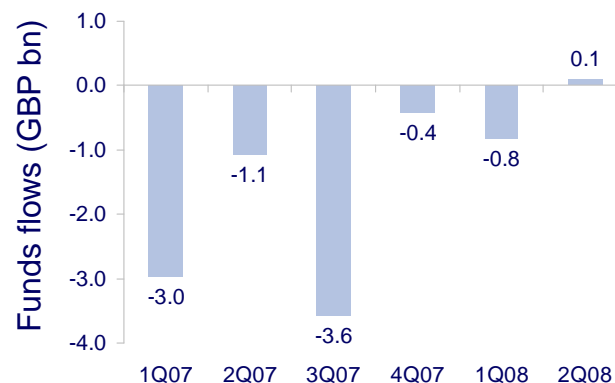
Clients that review rates at least monthly



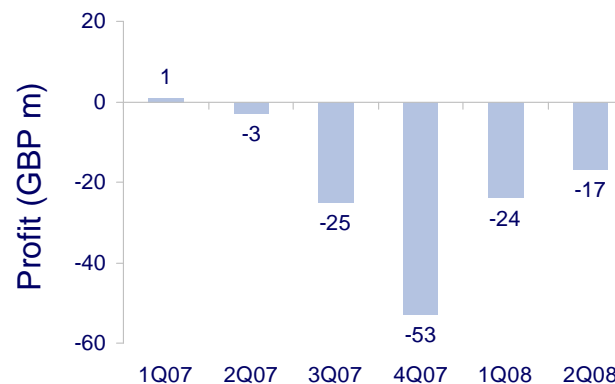
## 2) Redefined strategy for existing customers:

- Tracking base rate more closely
- Implementing multiple price points for Acquisition, Up-selling and Retention

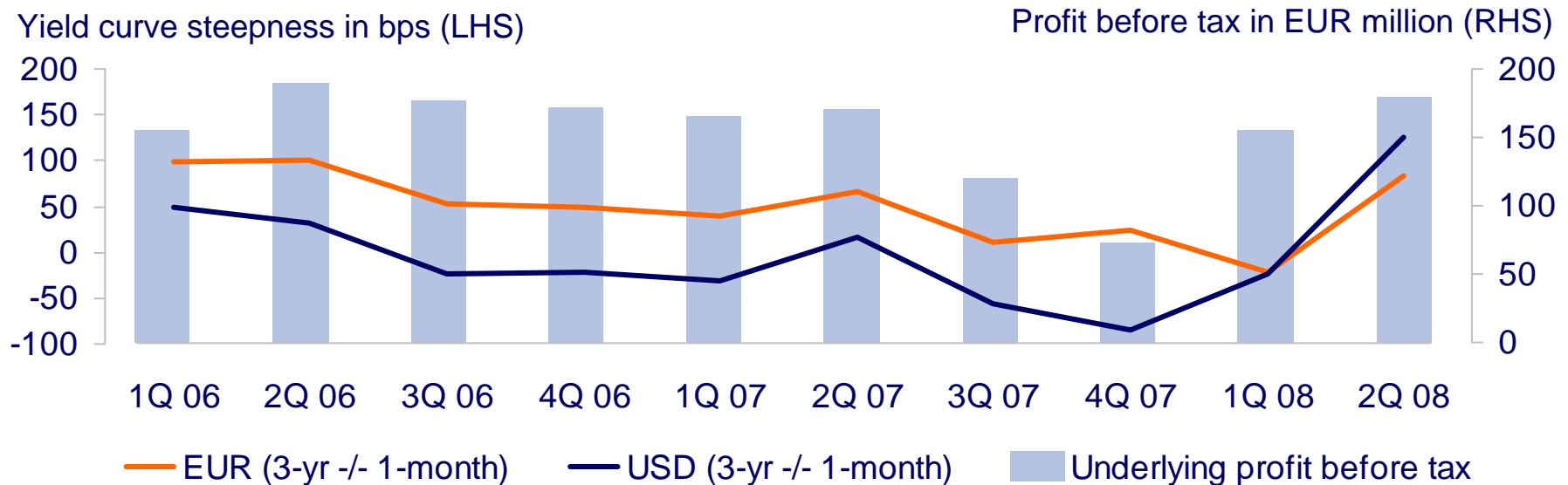
## Stabilising balances



## Improving results



# ING Direct maintained its profitability despite a prolonged flat yield curve environment



ING Direct maintained attractive profit levels in flat yield curve environment:

- Decline in 2H 2007 mainly due to the specific UK situation
- Yield curve steepening and wide credit spreads beneficial to profitability

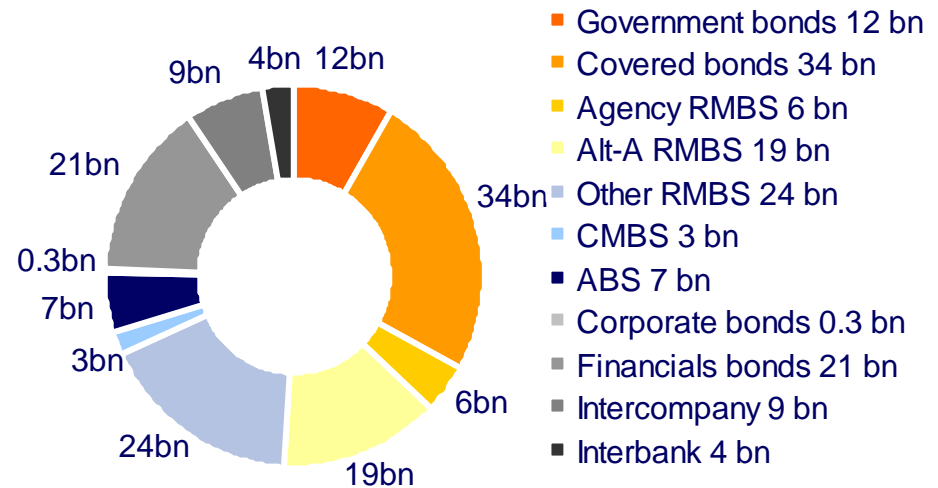
# ING Direct is risk averse in its investment portfolio

## 1. Investment portfolio guidelines:

- No equities
- No CDOs
- No CDS
- No credit trading
- Limited credit risk
- Highly liquid assets
- Limited # of standardised products
- Derivatives only for hedging purposes

## 2. Historically, a RWA constraint under Basel I

## Investment Portfolio: EUR 140 billion (30 June 2008)<sup>1</sup>



- Preference for highly rated, liquid, asset backed fixed income securities
- Other RMBS is primarily European AAA RMBS
- ING Direct is net liquidity provider within ING Bank's liquidity framework

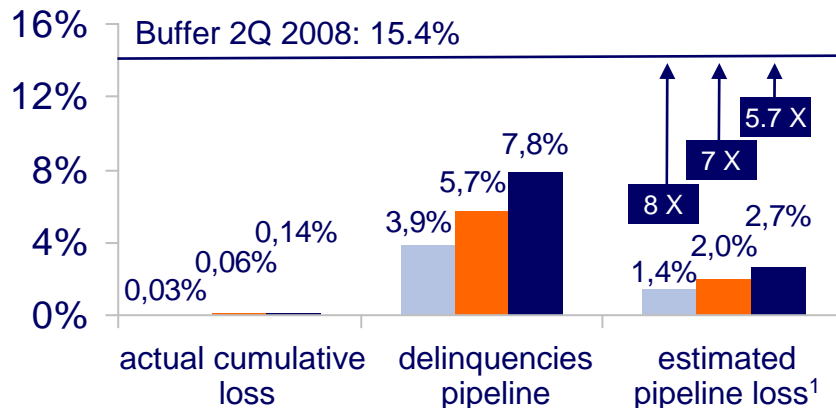
**Sacrificing yield to maintain low risk fixed income portfolio**

1. Includes securities that are included in "loans and advances" and intercompany and interbank assets

# ING Direct's Alt-A RMBS: no impairments to date, but delinquencies are increasing

- EUR 18.7 billion portfolio, market price 81.9% at 30 June 2008
- No impairments to date as the high credit enhancements in the RMBS tranches more than adequately cover losses in underlying mortgage pools
- However, US Alt-A delinquencies have risen. As a result the average coverage ratio of credit enhancement over estimated pipeline loss declined from 8 times at year-end 2007 to 5.7 times at 30 June 2008

## ING Direct's Alt-A RMBS and underlying mortgages (30 June 2008)



Delinquencies in the underlying mortgage pools have risen to 7.8% at 30 June 2008

Average credit enhancement can absorb 5.7x pipeline losses in underlying Alt-A mortgages

<sup>1</sup> Estimated pipeline loss = delinquencies pipeline x 35% loss given default

# Solid performance of our mortgage portfolio

Delinquencies of 90+ days or non-performing loans (NPLs) are stable in ING Direct's own originated mortgage portfolio, except for the US where NPLs increased to 1.4% at the end of June. This is below the industry average of 5.7 % for US Prime ARMs.

	Residential Mortgages (EUR bn), Q2 2008	Average LTV, Q2 2008	NPL (%), Q1 2008	NPL (%), Q2 2008
Germany	38.7	74%	0.7%	0.7%
Australia	20.3	68%	0.4%	0.4%
United States	19.0	70%	0.9%	1.4%
Canada	12.9	77%	0.2%	0.2%
Spain	7.4	56%	0.1%	0.1%
Italy	4.1	57%	0.0%	0.1%
United Kingdom	1.7	37%	0.0%	0.0%

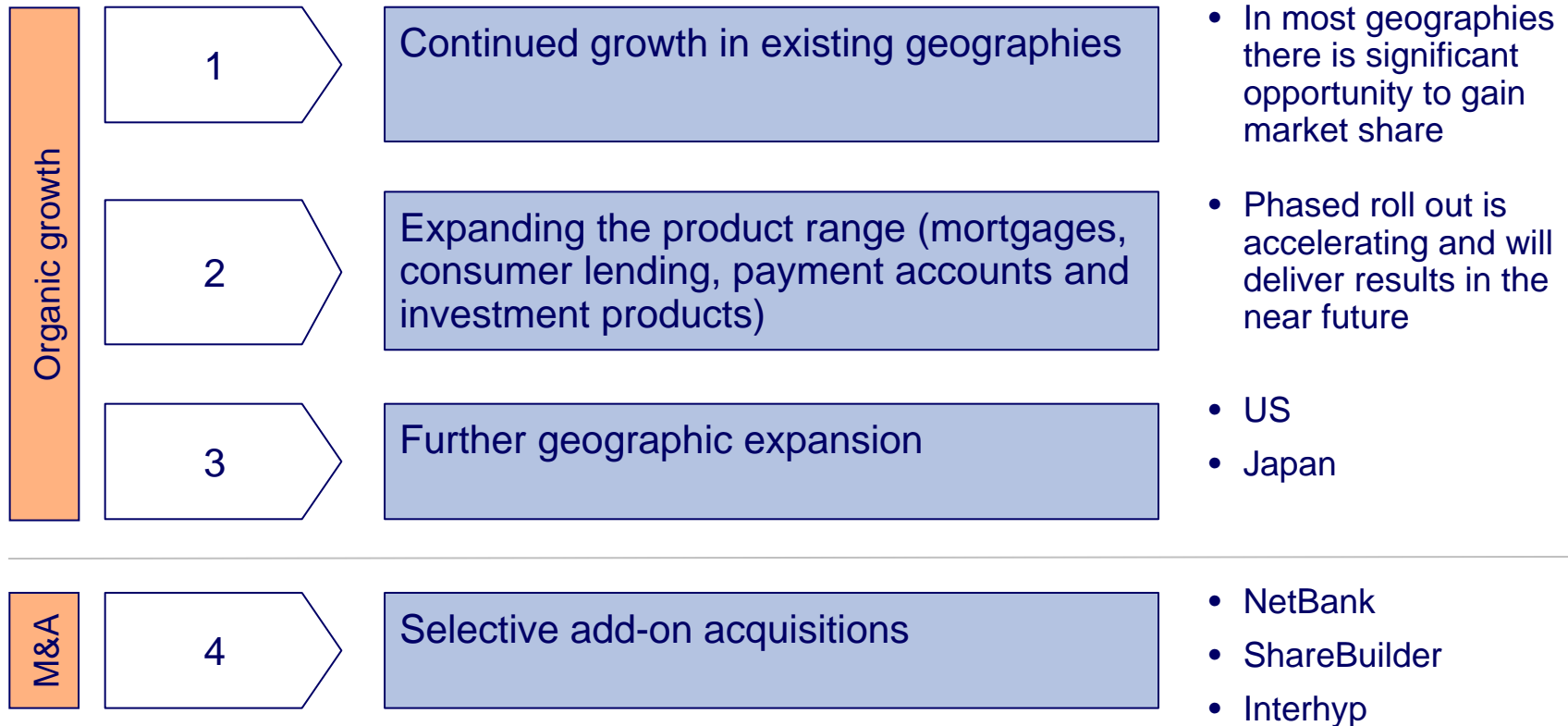
Resulting from ING Direct strict underwriting standards

# The journey to becoming the world's most preferred consumer bank

## Capitalising on our strengths



# Ambition to double Client Retail Balances in next 5 years



Ambition to double Client Retail Balances in the next 5 years



# Continued growth in existing geographies

Savings Market share <sup>1</sup>	Countries	Market size (EUR) (balances) <sup>1</sup>	Mortgages Market share <sup>1</sup>	Countries	Market size (EUR) (balances) <sup>1</sup>
< 2%	<ul style="list-style-type: none"> <li>- France</li> <li>- Italy</li> <li>- USA</li> <li>- UK</li> </ul>	6.8 trln	< 1%	<ul style="list-style-type: none"> <li>- UK</li> <li>- USA</li> </ul>	9.1 trln
2%-4%	<ul style="list-style-type: none"> <li>- Austria</li> <li>- Canada</li> <li>- Spain</li> </ul>	1.0 trln	1%-2%	<ul style="list-style-type: none"> <li>- Italy</li> <li>- Spain</li> </ul>	0.9 trln
> 4%	<ul style="list-style-type: none"> <li>- Australia</li> <li>- Germany</li> </ul>	1.1 trln	> 2%	<ul style="list-style-type: none"> <li>- Australia</li> <li>- Canada</li> <li>- Germany</li> </ul>	2.0 trln
Weighted average marketshare:	2.1%	Total: 8.9 trln	Weighted average marketshare:	0.8%	Total: 12.1 trln





1. 2007 estimates

Source: McKinsey & Company

# Expanding our product range

Product categories	ING Direct business units							
	Canada	Spain	Australia	France	USA	Italy	Germany	UK
Savings	✓	✓	✓	✓	✓	✓	✓	✓
Mortgages	✓	✓	✓		✓	✓	✓	✓
Retail investment products*	✓	✓		✓	✓	✓	✓	
Payment accounts		✓	◇	◇	✓	◇	✓	
Consumer Loans	✓	✓			✓		✓	

Note: \* Includes mutual funds, ebrokerage, pension plans and guaranteed equity products

 >20% of Client Retail Balances  
 10%-20% of Client Retail Balances  
 <10% of Client Retail Balances  
 Product launch in preparation phases

Three countries in preparation for launching payment accounts

# Further geographic expansion in US and launch of Japan

	USA	Japan
Retail Banking Balances	<ul style="list-style-type: none"><li>• Retail banking savings balances: EUR 4.0 trillion</li><li>• Retail banking balances: EUR 27.5 trillion</li></ul>	<ul style="list-style-type: none"><li>• Retail banking savings balances: EUR 3.1 trillion</li><li>• Retail banking balances: EUR 10.3 trillion</li></ul>
Population	<ul style="list-style-type: none"><li>• GDP: EUR 9,489 billion</li><li>• Inhabitants: 303 million</li><li>• Market share ING Direct Savings: 1%</li></ul>	<ul style="list-style-type: none"><li>• 46% concentrated in major areas</li><li>• 48.5 million bankable households</li><li>• Second largest GDP after the US with EUR 3,004 bn</li><li>• Household savings among the highest worldwide</li><li>• Risk averse behavior: retail deposits 82%</li></ul>

Top 2 revenue pools in the world

Source: McKinsey & Company

# Selected add-on acquisitions – latest example

## Interhyp

### Leading market position

- No. 1 multi-lender mortgage distributor in the German market
- Open product platform with over 70 different mortgage providers
- No. 1 German mortgage website

### Market opportunity

- German mortgage brokerage market still underdeveloped – significant market share potential from currently 29% to 45% by 2011<sup>1</sup>
- Underlying trend towards online financial services

### Superior business model

- Multi-channel sales approach: online lead generation and face-to-face advice in 18 regional offices
- Two distinct business models: direct and intermediary channel
- Highly scalable technology and sales platform

### Financial track record

- Strong top and bottom line growth
- EBIT 2007: EUR 28.5 m and new mortgages 2007: EUR 5.7 bn

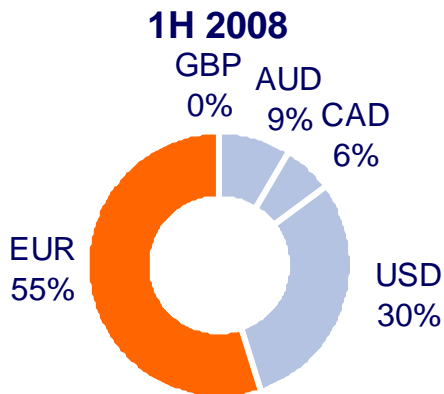
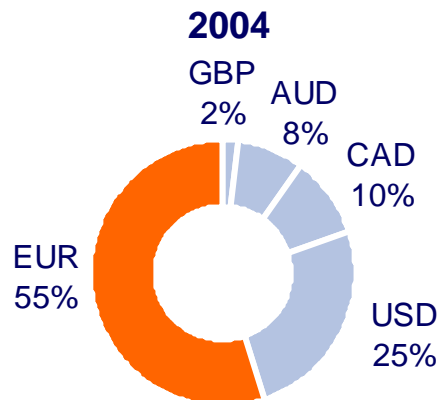


Currently exploring options to roll-out model in other European countries

1. source: Oliver Wyman

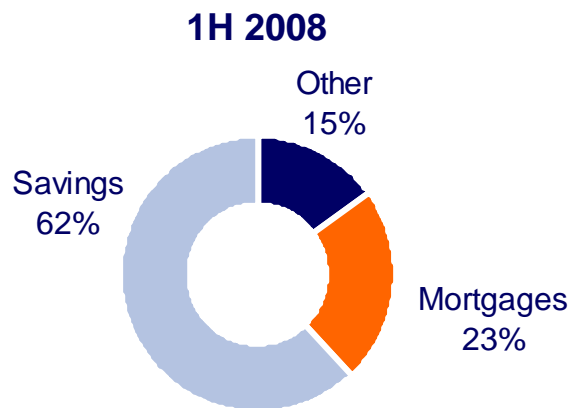
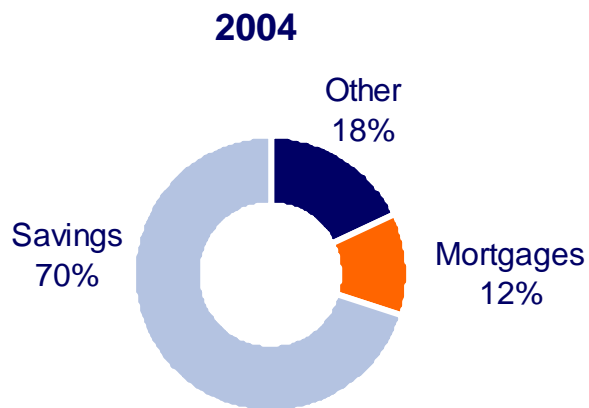
# Resulting in a diversified portfolio...

## Geographical income



Contribution  
EUR less  
than 50 %

## Product income



Contribution  
Savings  
less than  
50%

# ...with a sustainable profit margin and efficient cost base

## Margins based on Client Retail Balances

	1H 2008 <sup>1</sup>	Target at mature phase
Revenue (bps)	80	75-85
Total costs (bps)	54	40-45
LLP (bps)	5	5
Profit (bps)	21	25-35
RAROC before tax	23%	25-35%

1. Annualised

# Conclusion – well positioned for growth

- ING Direct is the world's largest Direct bank growing at twice the speed of the banking industry
- Our mission is to become the world's most preferred consumer bank
  - Superior customer experience
  - Simple products covering the main customer needs
  - Value for money
  - Low cost provider
  - Diversified across geographies and products
- ING Direct is adapting well to challenges in the current environment
- Ambition is to double Client Retail Balances in 5 years

Certain of the statements contained in this release are statements of future expectations and other forward-looking statements. These expectations are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those in such statements due to, among other things, (i) general economic conditions, in particular economic conditions in ING's core markets, (ii) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) interest rate levels, (vii) currency exchange rates, (viii) general competitive factors, (ix) changes in laws and regulations, and (x) changes in the policies of governments and/or regulatory authorities. ING assumes no obligation to update any forward-looking information contained in this document.

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