



Dutch mortgages

Kempen & Co

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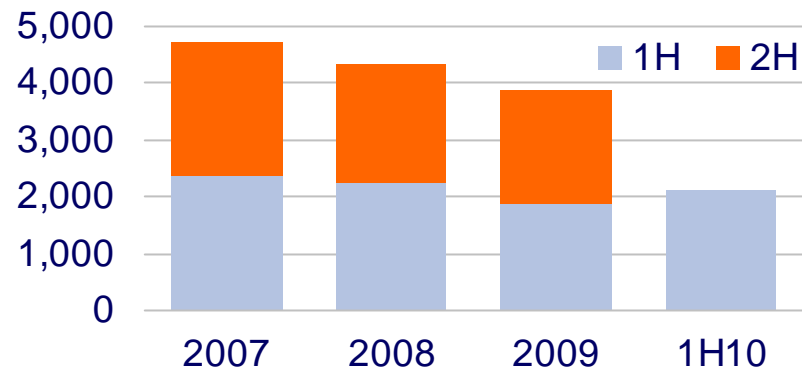
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Dutch Mortgages: Key Points

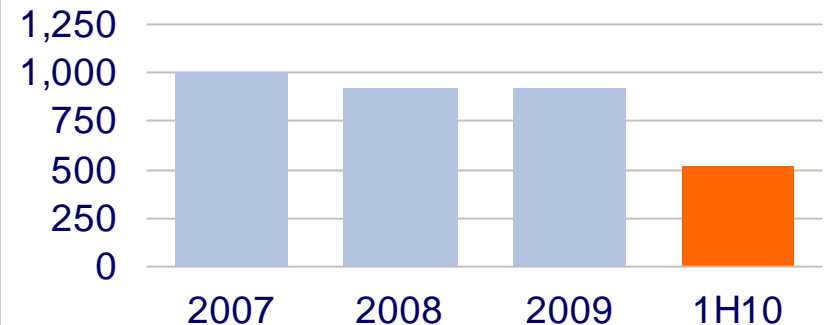
- Dutch mortgage market: Stable source of income and low risk
- Mortgage production is stabilising
- Growth of mortgage business to increase share of wallet
- Four factors provide structural support for the mortgage market
- Risk strategy concentrates on risk reduction in the portfolio, helping customers to meet mortgage payments
- CEBS stress tests shows risk costs in adverse scenario are manageable

Dutch mortgages provide stable source of income and low risk

Total income ING Retail NL (EUR mln)

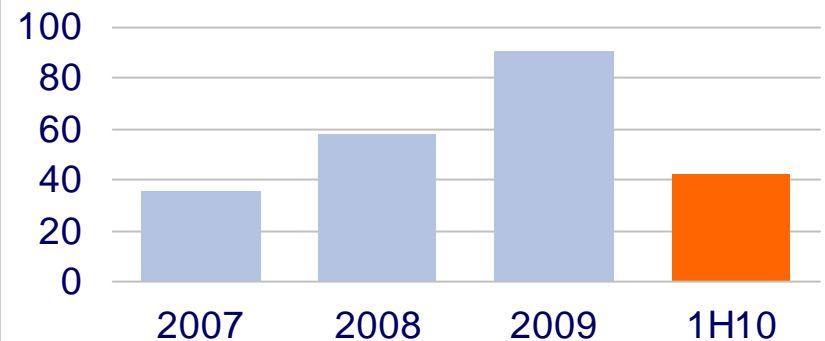


Mortgage income (EUR mln)



- Total income up 12.7% due to volume growth and a normalisation of margins, especially in savings
- Mortgage income as a percentage of total income has been relatively stable at around 25%
- Risk costs have been manageable

Risk costs Dutch mortgages (EUR mln)

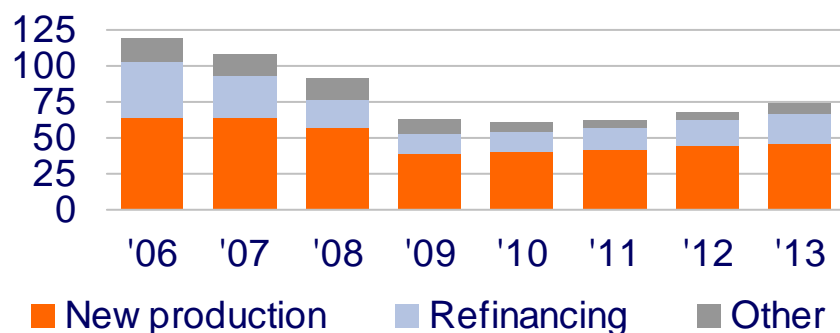


Data including WUH



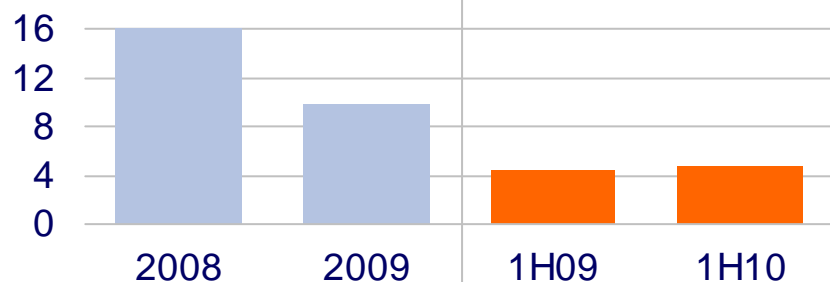
Mortgage production is stabilising

Mortgage production Dutch Market (bln)

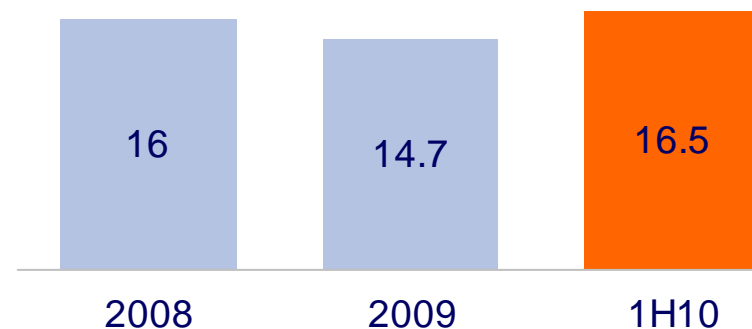


- Total mortgage production in Netherlands has decreased strongly, but is expected to increase again as of 2011
- ING's production of mortgages has stabilised in 1H10 versus 2H09 following a strong decline in 2009 versus 2008
- ING's market share has been relatively stable at around 16% in the past years

Production of mortgages ING Retail NL (EUR bln)*



Market share ING Retail NL** (%)



Source: ING Economics Department, Kadaster

* Production excludes WUH

** Please note that market share ING total (incl. RVS, InterAdvies and NN) was 22.4% in 2009



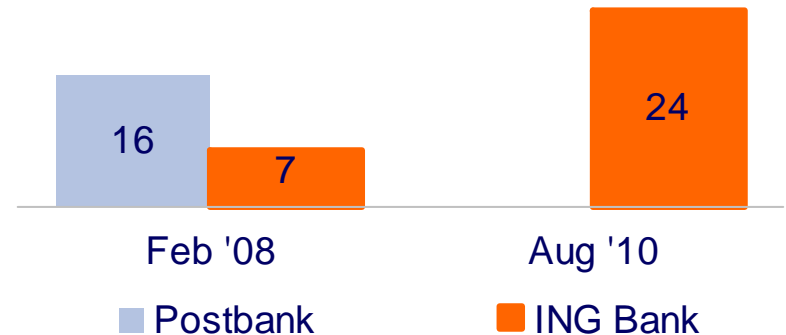
Mortgage business to grow share of wallet

Large customer base	<ul style="list-style-type: none">• 8,9 mln customers offers significant room to grow share of wallet in savings, mortgages and investment products
Direct: lead generation and service	<ul style="list-style-type: none">• High contact frequency with customers on internet supports lead generation• Call centre for servicing during contract
Advice: sales force and intermediaries	<ul style="list-style-type: none">• Specialised sales force, providing advice at home and after opening hours• Top position in intermediary channel
Operating model	<ul style="list-style-type: none">• Focus on service excellence• Standardised products, central steering• Fixed costs significantly lowered as a result of merging ING Bank and Postbank resulting in a flexible cost structure

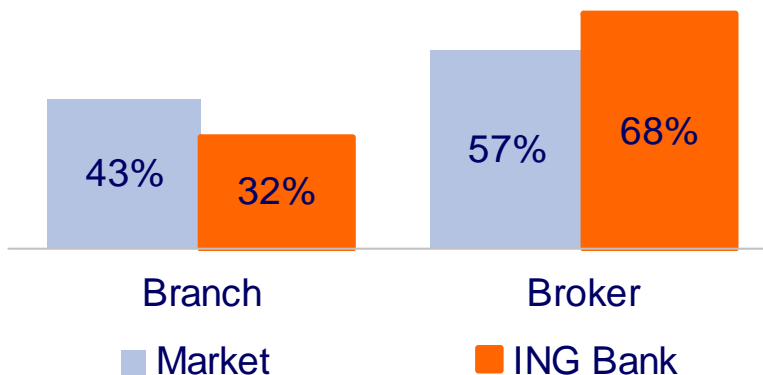
Preference for ING improved back to pre-crisis levels

- Customer preference for ING higher than pre-crisis levels
- Customer centricity, easy to deal with, knowledgeable and value for money are key drivers
- No negative effects since completion of merging ING Bank and Postbank in early 2009

Customer preference for ING



Mortgage distribution by channel



- Brokerage channel accounts for more than 60% of ING's production
- Resulting in a flexible cost structure
- At current low volume market, this is beneficial for costs compared to cost per mortgage of own sales force

Dutch mortgage market: Four factors provide structural support

Shortage of houses

- Balanced price growth and structural shortage of available housing and land

Regulation

- (Self) regulation prescribes prudent underwriting criteria, drives fixed rate products and allows broad claims on borrowers after foreclosure

Beneficial fiscal system

- Relatively high LTVs driven by fiscal system: tax deductible interest payments

Buffers through social security

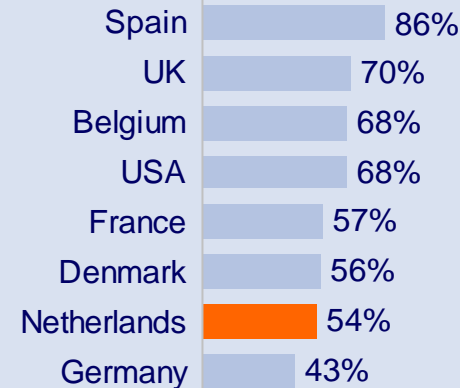
- Low unemployment, social security and financial assets provide buffers in case of loss of income

Dutch housing market: balanced price growth and shortage of available housing

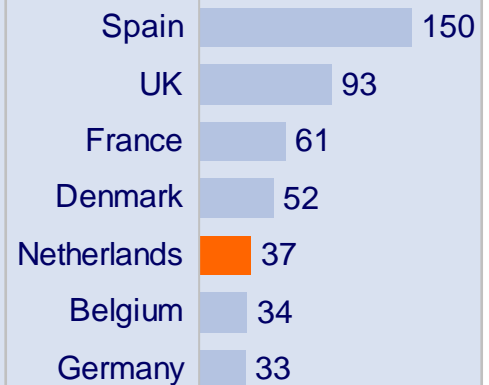
Supply of houses structurally below demand

- Home ownership is relatively low
- Number of one-person households increasing
- Housing limited by geographical constraints and building regulations

Home ownership, 2008



New properties per 1000 inhabitants, 2003-2007

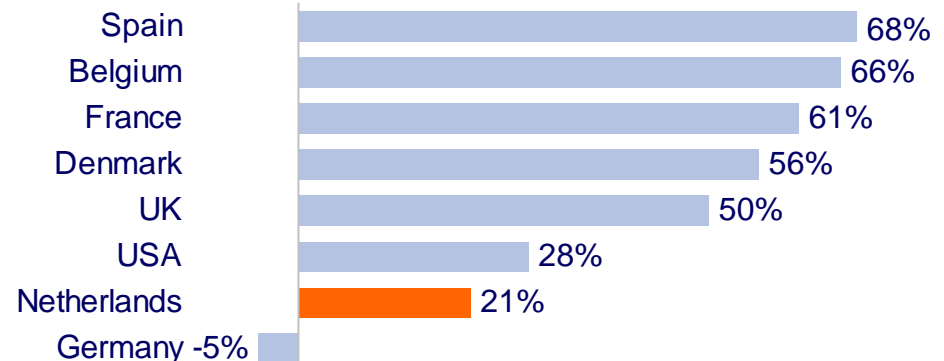


Source: EMF

Balanced price developments

- No price boom pre-crisis
- Annual price growth not much higher than inflation and household income growth
- Average price has declined 6% since the peak in August 2008

Increase in nominal property prices, '03-'07



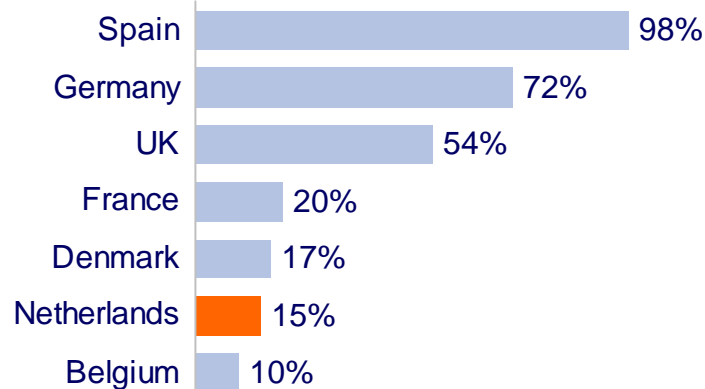
Source: EMF

(Self) regulation drives prudent underwriting and fixed rate products

Prudent underwriting criteria

- No subprime market: Code of Conduct limits borrowers' debt/income ratio
- National credit register check (Bureau Krediet Registratie)
- Law allows lenders to claim income and assets of borrowers in arrears
- Government can guarantee mortgages up to €265,000 (National Mortgage Guarantee). As of July 2009, this amount has temporarily been increased to €350,000
- Lenders retain loss claim on borrower after foreclosure

Mortgages with variable interest rate, 2008



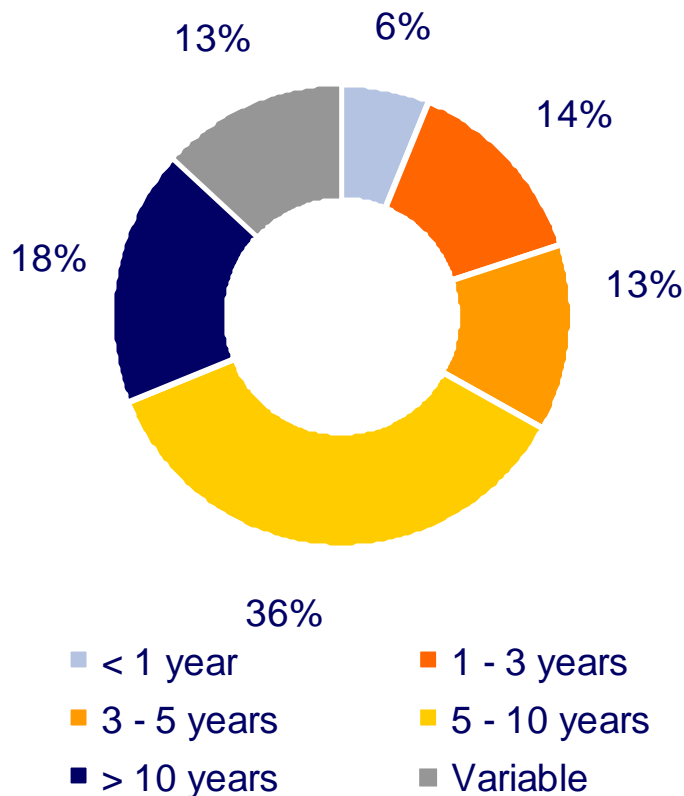
Source: McKinsey

Dutch mortgage market is less sensitive to interest rate increases

- Code of Conduct forces to calculate the maximum debt capacity of a borrower based on a 10-yr fixed rate mortgage to limit interest sensitivity
- Coupled with interest rate deductibility, this leads to fixed-rate mortgages as prevailing product
- ING Retail NL mortgage book has average remaining fixed-rate period of 6 year

ING mortgages are largely long-term fixed interest rates

Breakdown of ING Retail NL mortgage portfolio by remaining fixed interest period



- 54% of ING's mortgage portfolio has remaining interest rate fixed over 5 years and 67% over 3 years
- ING Retail NL mortgage book has average remaining fixed-rate period of 6 year

Fiscal system drives high LTVs, which does not translate into high LGDs

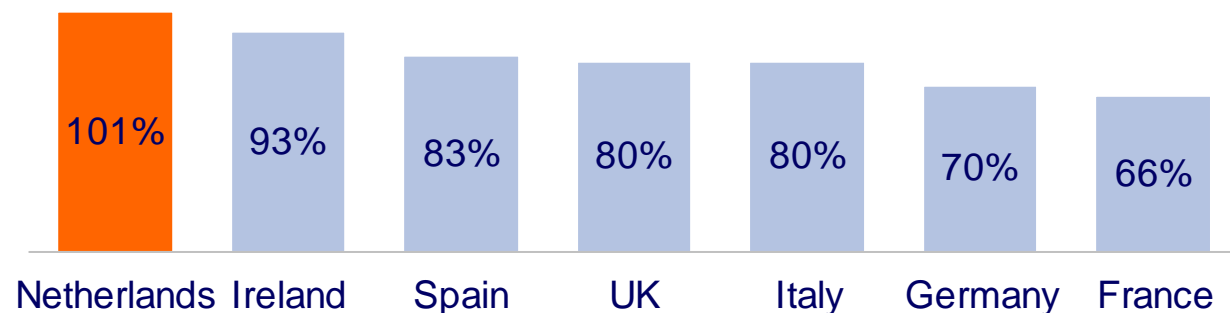
Beneficial fiscal treatment main driver high LTVs

- Mortgage application cost and interest payments are deductible from the taxable income for 30 years
- Tax benefit: 34% - 52% of interest payments
- System favours products that do not directly involve principal repayment: Use of non-amortising mortgages in combination with savings and investment plans or life insurance to repay loan at maturity

High LTVs do not translate into high LGDs

- High LTVs are partially compensated by secondary covers from savings/investment plans and life insurance policies.
- LGD in 1H10 on average 2.5%

Average LTV at production



ING Retail NL (1H10): average LTV new production 83.8%, average LTV portfolio 77.8%*

Source: ECB, McKinsey, adapted by ING * Loan to fair market value (LTV), excluding mortgages guaranteed by NHG,

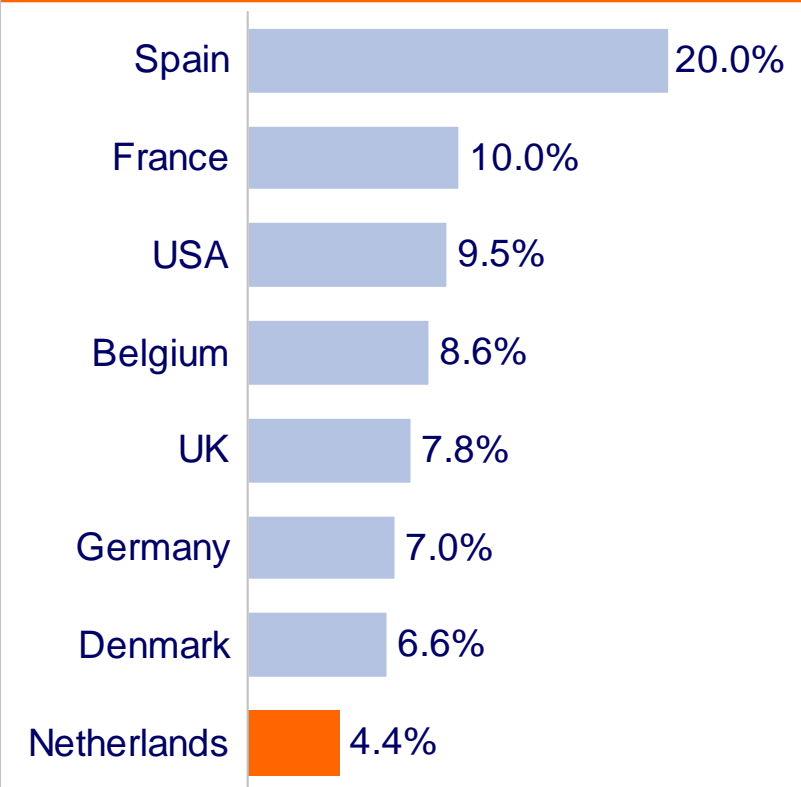


Social security and personal savings provide buffers in case of loss of income

Unemployment does not necessarily imply loss of ability to pay the mortgage

- The Netherlands has a very low unemployment rate compared to other countries
- Social security system providing unemployment benefits for 3 to 36 months
- Financial compensations for lay-offs
- Relatively high % of savings compared to disposable income
- Cases show that the average borrower has some resilience to pay their mortgage after loss of job
- However these buffers offer less protection for self-employed

Unemployment, June 2010



Source: OECD, Eurostat.

Graph provides unemployment figures based on standardised European definition

Risk strategy concentrates on risk reduction in the portfolio and helping clients to meet mortgage payments

Risk strategy

1. Primarily concentrate on risk reduction in the portfolio, rather than exclusively focussing on reducing risk of new production
2. Help customers to pay their mortgage, avoiding losses to both parties

Risk modelling

- Monitor economic developments
- Identify customers with higher risk profile
- Stress test the portfolio

Underwriting practices

- Reduce inflow of high risk customers...
- ...while protecting production volume

Portfolio management

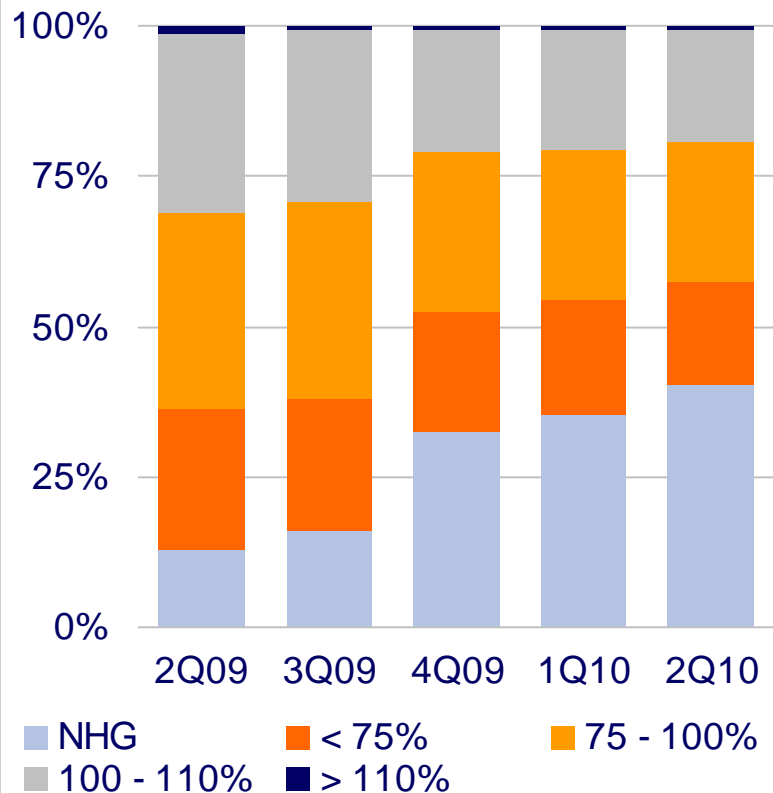
- Update information of customers
- Develop measures to assist customers in paying their bills
- Ramp up plan developed

Collections and arrears

- Help customer to pay on time
- Develop measures to assist customers to get out of arrears
- Ramp up plan developed

ING further improved the quality of its mortgage book while maintaining production

LTV new production (excl. WUH)



LTV: Loan to fair market value

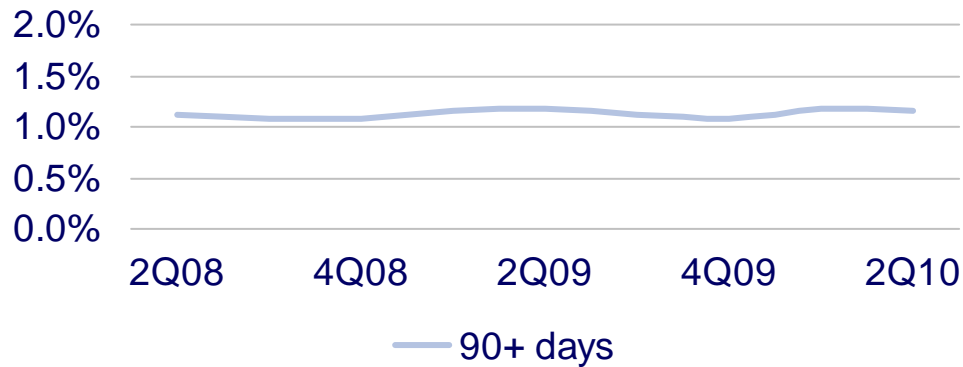
New mortgage offers Retail NL (excl. WUH)

	2Q10	2Q09	4Q07
% LTV > 110%	0.5%	1.4%	1.2%
High risk customer segment	0.1%	1.4%	6.3%

- ING has improved the quality of its new mortgage risk intake by:
 - Significantly increasing the share of new mortgage loans covered by a Dutch State-backed guarantee (NHG), from 13% in 2Q09 to 40% in 2Q10
 - Reducing production of LTV mortgages higher than 110% (0.5% in 2Q10)
- While maintaining volume production

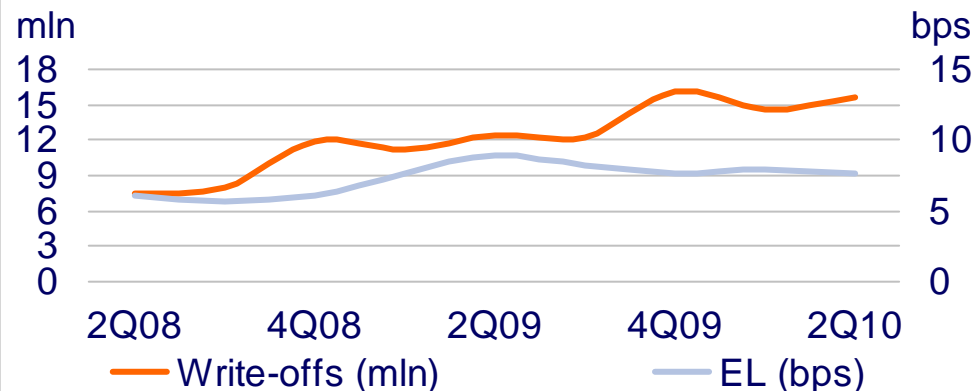
Stable delinquency rates in ING Retail portfolio

ING Retail NL: delinquencies



- The portion of mortgages that were delinquent 90 days or more have been stable since the crisis started
- At the end of 2Q10, delinquencies were 1.15%

ING Retail NL: Expected loss and write downs



- Write downs increased to EUR 30 million in 1H10, from EUR 24 million 1H09
- Expected loss as % of outstanding reached its peak in 2Q 2009 and has declined since then
- Risk costs declined in 1H10 versus 1H09

Impact from stress test of CEBS on ING's Dutch mortgage portfolio would be manageable

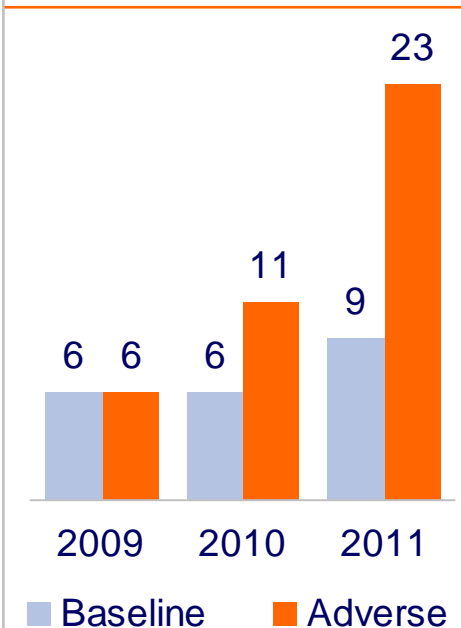
Baseline scenario

	GDP change	Unemployment	Long-term interest rates	CPI	House price index
2009	-3.9%	5.5%	3.6%	1.2%	-3.3%
2010	0.9%	5.4%	3.8%	0.8%	0.0%
2011	1.6%	6.0%	4.1%	1.2%	0.0%

Adverse scenario

	GDP change	Unemployment	Long-term interest rates	CPI	House price index
2009	-3.9%	5.5%	3.6%	1.2%	-3.3%
2010	0.0%	5.5%	4.3%	0.8%	-10.0%
2011	-1.0%	7.0%	5.1%	1.0%	-10.0%

Risk costs % of outstanding (bps)



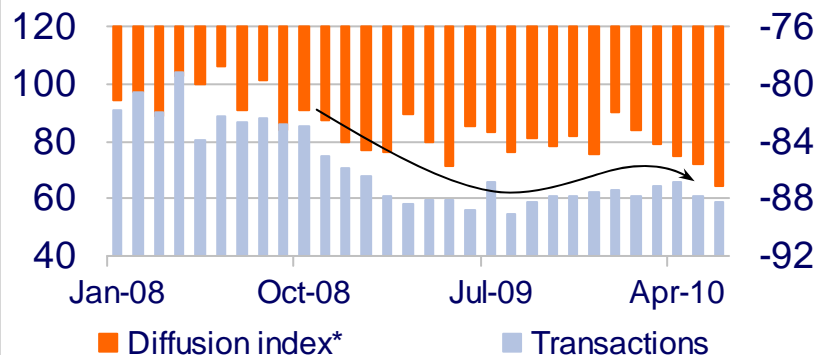
- The annual risk costs could increase from EUR 66 mln in 2009 to EUR 103 mln (base case) or EUR 255 mln (adverse scenario) in 2011. Compared to the profitability of Retail NL, this is manageable

Data excluding WUH

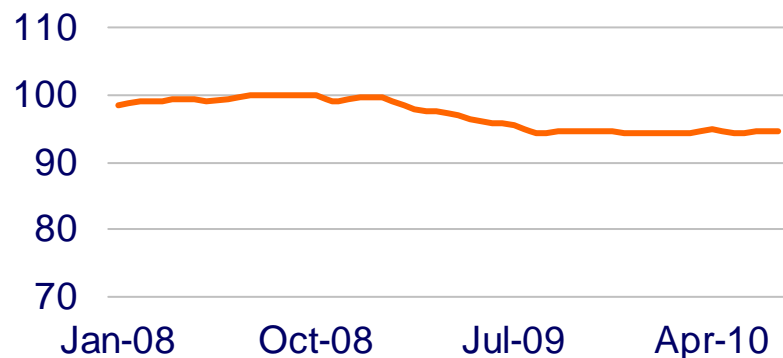


Dutch mortgage market: looking forward

Home sales (indexed, 2006= 100)



Home prices (indexed, 2006= 100)



*Survey about the intentions of buying a house in the coming 12 months

Several factors (potentially) impacting future growth

- Recovery on Dutch housing market slowing down
 - Uncertainty has increased since recovery in 2H09
 - Appetite to buy is decreasing
 - Recovery depends on new Dutch government
- Fiscal system
- Basel III
- Code of conduct

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Disclaimer

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In preparing the financial information in this document, the same accounting principles are applied as in the 2009 ING Group Annual Accounts. All figures in this document are unaudited. Small differences are possible in the tables due to rounding.

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