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PRESENTATION

Operator

Good morning. Welcome to the ING 1Q 2015 conference call. Before handing this conference call over to Ralph Hamers, Chief Executive Officer of ING Group, let me first say that today's conference may include forward-looking statements such as statements regarding future developments in our business, expectations for our future financial performance and any statements not involving an historical fact.

Actual results may differ materially from those projected in any forward-looking statement. A discussion of factors that may cause actual results to differ from those in any forward-looking statements is contained in our public filings, including our most recent annual report on Form 20F filed with the United States Securities and Exchange Commission and our earnings press release as posted on our website today.

Furthermore, nothing in today's comments constitutes an offer to sell or a solicitation of an offer to buy any securities.

Good morning, Ralph, over to you.

Ralph Hamers *ING Group - CEO & Chairman of the Executive Board*

Good morning. Welcome, everyone, to ING's first quarter 2015 results conference call.

So I'll walk you through today's presentation. With me are Patrick Flynn and Wilfred Nagel from the Executive Board, to answer further questions as well.

Turning to page 2, ING posted a very strong set of results in the first quarter of 2015. The underlying net profit was EUR1,187 million, up 43% from the first quarter of 2014 and more than double that of the fourth quarter 2014.

Income generation was robust reflecting the positive momentum in our business. Bank capital generation remains strong at 40 basis points, offset by a 33 basis points upstream to Group. The fully loaded core Tier 1 ratio increased 110 basis points for the Group to 11.6%.

So in the first quarter we also continued to make progress on our Think Forward strategy, and just to give you some highlights there, we turn to page 3.

In March 2014 we launched the strategy with one clear purpose: empowering people to stay a step ahead in life and in business. And the core of that strategy, and I keep repeating that, is to create a differentiating customer experience, and that is all about our customers.

And that's why the net promotor score, as you can see in this slide, is so important to us. In most countries, we're number one, but not in all. So there is absolutely room for improvement.

But I'm also happy to say that we welcome more than 350,000 new customers also in the first quarter of 2015 and almost 100,000 new primary bank relationships. As you know, that's real core to our strategy, with particular strong growth in the countries that we call challengers and growth countries, fully in line with our strategy.

So our customer focus contributed to good commercial growth during the first quarter of this year, and that was reflected in strong deposit growth but also strong lending growth.

Now over the last couple of quarters I've mentioned to you examples on the retail banking side as to how we use technology and innovation to improve the customer experience and I'd like to talk about an innovation that we have tested with our commercial banking customers.

So we have made progress on the development of a commercial banking platform, a digital platform, called InsideBusiness. We have run a pilot over the last six months. And this InsideBusiness will provide clients with a single point of access to all of their commercial banking products and services, such as payments and cash management, trade finance, lending. It provides real time information. It gives customized reporting. It can be accessed 24/7 and from any mobile device. It gives multi-country, multi-product and multi-device information.

I think that's another prime example of how we are pioneering technologies that keep us at the forefront of modern banking and basically, for us to set the bench in customer experience in a digital area.

Now turning to the first quarter results.

Slide 6. ING's first quarter results were very strong, I said before. The underlying profit before tax was EUR1,661 million, up 41.2% from the first quarter of 2014 and more than double the pre-tax result in the fourth quarter of 2014.

Strong results were supported by some volatile items, such as positive results from hedge ineffectiveness and capital gains. But even excluding these and other volatile items in previous quarters, and you can see that in this paragraph, the pre-tax result increased by 28.3% if you compare to the first quarter of last year, and 11.9% if you compare to the fourth quarter of last year. And that is clearly reflecting the positive momentum in our business that I was mentioning.

Customer lending in our core lending franchises increased by EUR6.9 billion, or on an annualized basis, 5.3%, and pre-tax results at financial markets were seasonally strong.

Now looking at the income side of the result. Income growth was robust in the first quarter. What I think is particularly encouraging is the positive trend in net interest income. The net interest income, excluding Vysya increased 7.2% from the first quarter 2014 and it was slightly down from the fourth quarter 2014, but that was due to lower interests for financial markets. I will get back into more details on that one.

Financial markets performed very well in the first quarter and this was mainly visible in other income, but not so much in net interest income. If we exclude financial markets, however, the net interest income increased 9% from the first quarter 2014 and 1% from the fourth quarter 2014. So it's continuing its upward trend, driven by solid lending growth.

So if we then turn to the lending growth on page 8, you see that the core lending businesses increased by EUR6.9 billion or, as indicated, 5.3% annualized, with healthy growth in most geographies in which we are present.

Net production in Germany was only marginally up, as the positive growth in consumer lending and commercial banking loans were offset by small reduction in mortgage loans and that was caused by high prepayments in the Germany mortgage book.

Turning to the net interest margin; the net interest margin decreased by 6 basis points from the fourth quarter. If you go deeper into this you see that 3 basis points were attributable to the lower net interest results at financial markets. This is an item that we report on on a quarterly basis and you see that there is volatility in this quarter on quarter. You see that on the slide. And 2 basis points decrease in net interest margin was due to an increase of the average balance sheet and that increase was driven by foreign exchange, financial markets and bank treasury.

If we then look at the underlying business, we see that the lending margins have increased from the last quarter in 2014 and that is because of higher margins in retail in most of the countries and higher margins on the commercial banking lending as well. And they partly offset the lower margins that we see on deposits in the first quarter.

Turning to slide 10, talking about the margins on deposits. We see that the margin has declined versus last quarter. That is because of the lower reinvestment yields, but it's partly offset by the client savings rate that we have reduced in some of the countries in the first quarter.

Now this may reverse in the second quarter 2015 as we have further reduced our savings rate in the second quarter already in the countries where we have our largest deposits base, like the Netherlands and Belgium. But also our reduction in Germany, that you can see here in the first quarter, was more at the end of the first quarter. So the benefits of this further decrease will come through in the second quarter.

And as I said, we will continue to review our client rate proposition, given the unprecedented low interest rates that we see. But if you take a good look at the slide, you also see that there is scope for further reduction going forward in order to manage that margin for the foreseeable quarters.

Then if we turn from interest income to non-interest income, slide 11, we see that the commission income rose 8.2% from the first quarter 2014 and 9% from the fourth quarter in 2014. That is mainly due to higher industry lending fees at commercial banking, which is basically fees that we collect when we close new deals, as well as higher fees in retail Benelux and retail Germany and that's more on the sale of asset management products. Which is also a kind of a seasonal phenomenon, people moving to asset management products in the first quarter.

Investment income was 7.6% higher than a year ago and you see that also in the slide at EUR113 million and that includes EUR75 million of gains on the sale of debt securities and EUR36 million on the sale of an equity investment in a real estate run-off portfolio.

Other income rose strongly in the first quarter of 2015, mainly because of three items. First, bank treasury benefited from positive results from hedge ineffectiveness. That is in the mortgage hedge accounting and mainly related to the introduction of quantitative easing. Secondly, financial markets posted a seasonally strong quarter. And finally we had a quarter without CVA/DVA. Basically it was very low at minus EUR1 million versus minus EUR66 million for the same quarter last year. So the first quarter last year.

So that's why you see the other income going up. These are the three reasons for that.

Then looking closer at financial markets, financial markets really posted a seasonally strong quarter. As you can see in the graph on the right-hand side, the quarter tends to be relatively strong. The first quarter always is seasonally strong, with the exception of the first quarter of 2014, and you may remember that the volatility in the market at that moment was relatively low.

We now have seen a first quarter with higher volatility in the markets. And while the financial markets' performance in the first quarter of 2015 was relatively strong compared to last year, it was not exceptional if you compare to the first quarter performance in 2011, 2012 and 2013. So it's quite normal that the first quarter is strong and given the volatility that we have seen in the markets, this is a good result.

Going then from income to cost, slide 13. You see that in the first quarter of this year that the expenses have mainly been impacted by regulatory costs in Belgium, Poland and Germany.

If you adjust for these impacts and you adjust also for Vysya and FX, the expenses increased by 2.4% from the first quarter last year and 2.2% from the fourth quarter, and that reflects the earlier announced investments for future growth in the challengers and growth markets, where we have a disciplined program as to costs growth only allowed if the income growth is twice as high.

And it also has to do with the announcement of additional investments in retail Netherlands, where we do an omni-channel environment, investing heavily in IT, but with cost savings attached to it later on, as you can see also on this slide.

So the first quarter included, on the regulatory side, the Germany contribution to the resolution fund. The contribution from other countries as well as the Dutch DGS and other additional regulatory expenses are expected to be implemented later this year.

In total, we expect regulatory costs to be up by EUR200 million to EUR250 million versus 2014. And that will weigh heavily on our expense base this year.

Then, if you go to the other component of cost, the risk costs, risk costs were at EUR432 million in the first quarter of this year, down EUR36 million from the first quarter last year, but up EUR32 million from the fourth quarter, mainly due to higher risk costs in commercial banking and retail Belgium.

The NPL ratio remained stable at 3%.

Retail banking showed improved results in most of the segments. If we now go to the more segment analysis, on slide 15, we see that in most of the countries and segment we see improved results, apart from retail Belgium.

The decrease in retail Belgium versus the first quarter last year is fully explained by the fact that we had gains on sale of bonds in the first quarter last year in Belgium. If we would exclude these capital gains, the pre-tax result actually rose 8.5%, also in Belgium.

The decrease in the first quarter in Belgium versus the fourth quarter in Belgium can be explained by the annual Belgium bank tax that we book fully in the first quarter.

Last quarter, we took you through the case of Spain and how the strategy is working out in Spain. This quarter, we want to take you through the case of Germany and how the strategy is working out in Germany.

Basically, you see that in Germany we continue to be the number one in net promoter score. And for the ninth consecutive year, we have been called the most preferred consumer bank in the German market. That results in a continuing growth in savings and a continuing growth in the loan book as well.

However, we have also decided, as part of our strategy, to grow our commercial banking business in Germany, and that's what you see here as well. So we see strong volume growth in deposits and consumer loans, but you see also now the success of the commercial banking strategy coming into the German results.

If we put it into numbers, we see consumer lending up 15% per annum in the period of 2011 to 2014, and another 14% if you compare it first quarter this year versus first quarter last year. So we see a continuing growth in consumer lending there at the annual rate of 14% to 15%.

The commercial banking loans have grown 39% per annum in the same period, 2011 to 2014. And if you do that on a year-on-year basis, so the first quarter of this year versus first quarter last year, we actually see an acceleration of that growth, because it was at 66%. We expect that trend to continue.

This is not only commercial banking exposure generated in the German market; this is also commercial banking exposure that is part of the global strategy of commercial banking. As you know, some of our centers of excellence and expertise are now in Germany, and we book international business also in Germany. That's the case, Germany.

If we then turn to the commercial banking results for this quarter, we see that commercial banking delivered improved results in most segments. We see the industry lending results continuing to be strong. The financial market results, we have already discussed.

Then we see the pre-tax results on general lending and transaction services. They doubled from a year ago, but declined from the fourth quarter. The volatility that you actually see in this picture is all caused by risk cost, because the gross result is up quarter and quarter, and year on year. And it's the risk costs that always make the difference in this one.

Then, if we turn to structured finance, slide 18, structured finance, which is part of the industry lending segment within commercial banking, continued its strong performance. The underlying income grew by 42.1% from the first quarter last year, and 8.5% from the fourth quarter in 2014. That was due to ongoing loan growth. And that was reflected, again, in higher interest income, higher commission income.

The net lending growth in structured finance, if you exclude the impact of foreign exchange, was EUR2.2 billion in the first quarter of 2015.

And the lending margins actually have increased, from -- if you compare them to the first quarter of last year, and have remained stable if you compare them to the fourth quarter of last year. Hence, the return on equity is also stable, around a very attractive level of 20%. So, that franchise doing really good.

All of that leads to a strong Bank profit, as said. But we have also booked contributions from both NN Group and Voya this quarter, and that takes the results of the Bank, EUR1,187 million up to EUR1,769 million for the Group. And you see the result on NN Group of EUR276 million, and the result of Voya of EUR323 million.

So, you see that the result of the Group is even better because of the results on the insurance stakes.

And regarding dividends, our intentions remain unchanged. We pay at least 40% of the annual profit each year. And there's a willingness to return to shareholders the net proceeds of our insurance divestments by way of dividends over time, but subject to developments on the regulatory front.

Looking at the capital position at the Bank and the Group level, ING Bank capital generation remains strong at 40 basis points. But that was offset by 30 basis points upstream to the Group (sic - see slide 20, "33bps").

We manage the surplus capital at the Group level. We manage the core Tier 1 at the Bank level, around 11% level. So here, again, you see the Bank core Tier 1 ratio, even after the payment of the dividends, is stable at 11.4%. It does cover the growth, and it covers the dividend payment, and still we have a very strong core Tier 1 on Bank level.

Now, on the Group core Tier 1 level, that increased by EUR4.2 billion. That's supported by the sale of Voya, it's supported by the stake that we sold in NN Group, and it was supported by the capital generated at the Bank. But it was also partly offset by the first quarter 2015 dividend deduction of EUR700 million. And that's basically the regulators want us to basically deduct for the dividend accrual at the rate at which we want to pay dividends.

The Group core Tier 1 ratio increased 110 basis points to 11.6%.

Following the sale of Voya last year, and our only remaining insurance asset now is NN Group. We hold a 54.6% stake in that group. Now, our base case scenario for the divestment of NN Group is a sell-down; sell-down through a series of follow-on offerings over the next 12 to 18 months. That will result then in a pro forma core Tier 1 ratio of 13.5% of the Group.

If you take the good results of the Bank and you take the good results on Group level and the improvements of capital levels, both on the Bank level and the Group level, then you see, and you can conclude, that we are on track to deliver our ambitions for 2017. That is page 21.

If you look at this slide, we see that we have reached most of our goals. But I think it's too early to be happy with this. The first quarter is always the best quarter of the year. Furthermore, we have to absorb a significant amount of additional regulatory costs, as I mentioned already. That will be booked in the P&L later this year.

And, in addition to that, we have to work in an environment with unprecedented low interest rates. There is also the ongoing regulatory uncertainty about required capital levels, risk [rates], and leverage ratios.

Despite these challenges, I'm very pleased on the progress we're making. I think that these results show, both on the commercial side, as well as on the financial side, that the beginning of the execution of the Think Forward strategy is successful. It shows we're on the right track. We're doing the right things. And I'm confident that we will be able to deliver on our Ambition 2017.

To wrap it up, good first quarter result for the Bank; good first quarter result for the Group; stronger capital position for the Bank and the Group overall; and real progress on the execution of our Think Forward strategy, focusing on the clients, going for digital interactions with our clients, getting more clients. So momentum on many sides.

With that, I'd like to open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Martin Leitgeb, Goldman Sachs.

Martin Leitgeb *Goldman Sachs - Analyst*

Just two quick questions, and I think both related to interest margin, which obviously was down this quarter. I remember, from the Investor Day, the guidance of 1.50% to 1.55%, and I was just wondering if you could shed a little bit of light on how we think in terms of the transition from where we are now, 1.47%, towards this 1.50% to 1.55%.

Because I'm particularly interested in how quickly, obviously, the deposit rate cuts feed through on the liability side, whilst probably the pressure on the asset side is coming through more gradually. So all as equal, should we think that margin is likely to stay below 1.50% for the next couple of quarters before the asset mix shifts as you plan, and then margin increases again? Or how should we think here in terms of progression?

The second question is specifically with regards to Dutch deposits. I note you're still paying around 1%, and I think if I'm not mistaken one of your competitors there has cut its rate to below 1% now. Do you see the further opportunity to cut rates further? Is there the opportunity that you close or that you represent part of that funding in Netherlands with German deposits, which I think are roughly 40 basis points cheaper compared to Dutch deposits? Is that a further opportunity for you to stabilize margins? Thank you.

Ralph Hamers *ING Group - CEO & Chairman of the Executive Board*

I'll take the questions and Patrick will fill in on the margin range, and that income margin range going forward.

You've seen that in this quarter we've seen some volatility from the financial markets side on it, as well as the Bank -- as the balance sheet increase. The underlying business, actually, on the lending side we see margins holding up. We see in the first quarter a bit of pressure on the savings rate, and as I already said we feel that we have sufficient room to maneuver on the savings rate in the countries in which we're active, certainly also given the continuing inflow of savings, in order to manage the margin around 150 [bps] level in the foreseeable quarters.

Turning to the Netherlands specifically, yes, you see, in this picture you see the 1%, but we also have saving products which pay lower, and one of those larger savings products that we have is also paying 90 basis points. So it's not like we're holding back on further reduction there, it's more how you move tactically in the market and how do you time your decreases. But there's nothing holding us back from further decreases there. I'm looking at Patrick.

Patrick Flynn *ING Group - CFO*

Yes, in terms of our target range 1.50%/1.55%, I see no reason whatsoever to change that or challenge that. In fact if you look at interest earnings in euro terms and exclude financial markets, which we know is a volatile item, they increased as Ralph mentioned in the slide up

EUR30 million or 1% quarter on quarter.

What I think is particularly impressive in that is we have lending growth of EUR6.9 billion, EUR4 billion of that is commercial banking, and that growth is coming at stable and healthy margins. The commercial growth we're getting is still at very good margins.

Excluding financial markets interest, we seek progressive increase in euro in earnings. The balance sheet was volatile, it's always volatile on the first quarter with inflow particularly accentuated with the FX and the moves in interest rates from Draghi's quantitative easing. But that's just noise. So the fundamental point is we're still on track, we're delivering growth in interest earnings and 1.50%/1.55% stays as our target.

Martin Leitgeb *Goldman Sachs - Analyst*

Many thanks.

Operator

David Lock, Deutsche Bank.

David Lock *Deutsche Bank Research - Analyst*

My first question is on costs. I note you're flagging the additional regulatory costs this year; I just wondered how we should think about this being phased over the course of the year. Is there a particular lumpiness in the quarters with how that comes through? Is there anything you're expecting to offset through savings through the course of the year?

I also just wanted to confirm are you expecting any additional costs next year, so is this it in terms of regulatory costs in terms of the Dutch and German DGS charges, or should we expect even more next year?

My second one is on tax rate. I think it was 28% in the first quarter, historically this has been about 25%, 26% I think. I just wondered what the guidance for this was going forward and whether this is impacted by the regulatory costs that you've already mentioned. I don't know whether these are tax deductible items, some of the ones that you flagged on the cost line. Thank you.

Patrick Flynn *ING Group - CFO*

So our tax guidance remains the same, and I think we were at 27%, wasn't it, in the middle of the range; so no change there.

In terms of lumpiness of regulatory costs, yes, it is lumpy. What we've seen in Q1 is that in Belgium it all came upfront at around EUR90 million which is the same as last quarter last year.

The Dutch levy is back-ended in the fourth quarter, as you remember. We will see an increase of somewhere between EUR200 million and EUR250 million from DGS schemes coming in this year; not totally clear when that will be reflected in legislation. It's only when it's reflected in legislation that we will see it. Probably the earliest is in the third quarter, but that may come in the fourth quarter as well.

Ralph Hamers *ING Group - CEO & Chairman of the Executive Board*

And as to whether our regulatory costs will further increase, who knows? We don't hope so but we see a steep increase this year because of the combination of bank taxes, DGS being introduced in some countries, but also the contribution to the Single regulatory -- Resolution Mechanism.

So, we see basically different [amounts] coming at us. Clearly we hope that this is it because it's a high -- it's already at a high level. This year it's around EUR640 million to EUR650 million in total, we expect. But, yes, you never know. But hopefully this is where it stays.

David Lock *Deutsche Bank Research - Analyst*

I guess what I was hinting at is if DGS comes in in the first half, is that -- the EUR200 million to EUR250 million, is that one half's cost or is it for the full year?

Patrick Flynn *ING Group - CFO*

It's probably half.

David Lock *Deutsche Bank Research - Analyst*

So we should assume that it is double the regulatory cost that you've flagged?

Patrick Flynn *ING Group - CFO*

If it comes in half the year, it'll be half, and the full year will be higher in next year. So annualizing regulatory costs, like we said, we think it's around EUR650 million total, going up by EUR200 million, EUR250 million this year for regulatory cost; and the annualization effect means in 2017 it will be higher again.

David Lock *Deutsche Bank Research - Analyst*

Thank you.

Operator

JP Lambert, KBW.

JP Lambert *KBW - Analyst*

First question is on your view on dividend going forwards above the 40%. There are two issues; the first one is how much capital do you think should be earmarked for changing the risk weights potentially? And, also the location where this capital could be earmarked? Apparently not at the Bank because you upstreamed dividend this quarter. And also, the spreading over time, at what pace you see the excess capital generated by the insurance sales spread in terms of the dividend distribution.

The second question is on the leverage; there are discussions involving the Ministry of Finance in the Netherlands interested in 4% but they're not the regulator. So I'm not sure if the Central Bank will be neutral on this, what's the view of the ECB? Is there a possibility of a local higher leverage? These are the two questions. Thank you.

Patrick Flynn *ING Group - CFO*

Well, on leverage the question seems to be whether it'll be at 4% in the Netherlands and we are up around that level, a little bit above it on an IFRS basis. So I don't see that a 4% leverage ratio will be a constraint for us going forward.

In terms of dividends, you had a number of questions there. We said before that we have a willingness to return the net proceeds of insurance divestments to shareholders over time. This will part of our regular annual dividends discussion.

As you recall, we said before that the minimum is 40% but at the end of the year we'll look to see the lay of the land in terms of profit, economic development and also regulatory developments. But assuming on the basis that they are benign we have a willingness to pay more than the 40% and return the insurance surplus to shareholders over time.

The time scale that we'll take, we're not going to be too prescriptive about. The payout ratio will be somewhere between 40% but not exceeding 100% of net profits including the gains we currently see in the first quarter. Why not 100%, clearly 100% because that's the point where you need to go to regulatory approval and we prefer to not have to do that. Although with 100%, that gives us quite a lot of fire power as I mentioned already.

So this will take a number of years to return this surplus to shareholders. We believe that a prolonged, sustained I should say, elevated dividend payout ratio is a better value proposition than returning capital over a shorter timeframe.

And also, importantly, it does give us some protection in the event that the uncertain regulatory environment does change adversely. You asked about the (inaudible) weightings, which frankly we don't know exactly how that -- it's still too much of moving target to be prescriptive.

But we have a significant capital surplus in the Group. We, [as I say], are disposed to return the insurance surplus over time but we want to keep an eye on how regulatory developments come. And obviously you don't want to end up returning capital to shareholders and then finding that there's a regulatory change that was adverse. .

So we're going to be prudent in the return and keeping an eye on the regulatory capital developments.

JP Lambert KBW - Analyst

And would you earmark some capital at the level of the Bank going forwards, rather than upstreaming dividends to the Group?

Patrick Flynn ING Group - CFO

The Group and the Bank are one and the same now virtually; we will, once we exit -- we've exited Voya completely, once we exit NN, they're just two companies as part of our Group.

So our policies will be around trying to maintain excess capital at the holding company. We did that this quarter, you know there's a strong capital generation in the Bank which I think is very positive, notwithstanding EUR6 billion of lending growth. We increased our capital ratio by 40 basis points in the Bank. So we can support both growth and increase capital at the same time, which I think is very strong.

But our target is to keep the Bank capital ratio at somewhere around the 11% mark, as we said, our objective. And as it was higher, we moved EUR1 billion up to the holding Company. We've total flexibility, you know we can put the capital back down next day if needed.

So it's just a policy and a discipline thing to keep capital at the holding Company, but it's available to ING both for supporting dividends to shareholders, as I talked about earlier, and in the event it's needed for regulatory change, we can use it there as well.

JP Lambert KBW - Analyst

Great, thank you very much.

Operator

Tarik El Mejjad, BofA Merrill Lynch.

Tarik El Mejjad BofA Merrill Lynch - Analyst

A couple of questions please. First of all on your quite good performance in structured finance lending growth, EUR2.2 billion in the quarter is quite good compared to the last two quarters. I just want to understand what's the source of that by sector and if you can also help by geography? Would that be that you are more comfortable about your oil and gas or Russia exposure, and then you opened the pipes again, or if you can clarify that?

And secondly, on the asset quality; part of the [iteration] came from Ukraine but the rest is from [some files] in commercial lending. Can you please specify in which geographies? Thank you very much.

Ralph Hamers ING Group - CEO & Chairman of the Executive Board

On your first question in terms of the growth in structured finance, EUR2.2 billion, that's basically across the board. It's globally and it's also across the different sectors. So in the areas of energy, transport and infrastructure, that's where we see growth, 5%. In the area of international trade and export finance we see growth of 1.3%.

And in some areas we see a bit of a decrease, which are more the specialized financing groups. But if it comes to the sectors, like oil and gas, metals and mining, infrastructure and all that, it's really across, so it's not dependent on one particular sector. So it's driven by our sector expertise, it's driven by our core relationships that we have in those businesses and we're happy with that growth.

In terms of risk cost and how we see Russia and oil and gas developing, the oil and gas exposure developing, I'd like to give the word to Wilfred.

Wilfred Nagel *ING Group - Chief Risk Officer*

Yes, so on oil and gas, I think was an important part of your question. Are we more relaxed? Well, I wouldn't say more relaxed; we're seeing what looks like a stabilization of the oil price and a bit of an uptick from the lows; that is good news. Frankly the low oil price as such is good news for a big part of our portfolio, so the focus on just wanting oil prices higher is a little bit too narrow. I think overall we're benefiting from the fact that energy has become cheaper and, yes, it puts a bit more pressure on some of the book, but less on other parts.

Having said that, we've always been open for business in the oil and gas sphere. You see at the back of Ralph's presentation, on page 34, and breakdown of the portfolio in terms of how sensitive these exposures are to the oil price movements, and as you can see, not a lot of the book is directly linked into performance to the oil prices.

And, indeed, we are doing business also in that sphere and you may notice, for example, compared to last quarter, that in reserve-based lending there have been a few new deals and that is simply because at the current oil prices and the buffers below them, that does look like a solid business despite all the nervousness around this.

And then on risk cost more in general, indeed there was some related to Ukraine. Russia is actually quite stable in terms of the NPL and provisioning; no new issues there. And the main uptick in commercial banking was simply in general lending, as always a little bit lumpy, a few bigger files in Continental Europe.

Tarik El Mejjad *BofA Merrill Lynch - Analyst*

Okay, thank you.

Operator

Andrew Coombs, Citi.

Andrew Coombs *Citi - Analyst*

Two questions, please. Firstly, just returning to the net interest margin, you talked about a reversal in the second quarter, following the deposit cuts in Germany in the end of March, and in Belgium and Netherlands in April.

So perhaps you could just quantify, all else held equal, what the boost to net interest margin would be from those deposit cuts? Or failing that, perhaps you could just provide the absolute amount of deposits that are impacted by those rate cuts in each of those three regions.

And then the second question would just be on the hedging effectiveness, and the capital gains that you've built during the quarter. Perhaps you could just elaborate on that, provide a bit more color? And also whether you expect those to repeat as the year progresses. Thank you.

Patrick Flynn *ING Group - CFO*

In terms of the latter two, in capital gains, EUR70 million odd in bond gains. We've invested in building out our bank treasury, and they're looking far more closely at how we manage in the low rate environment. We were cautious about bond gains, because there's a question about taking an upfront gain and then having a negative impact on future NII.

But what we found, a number of these bonds were swapped, so we had asset swap structures, whereby unwinding the asset swap structure and releasing the cash could actually lead to an accretive situation where the cash can be deployed at a better yield than in the asset swap.

So this was a net win win effect. And I would have said, maybe two weeks ago, that we would continue to do this, but we have to be very careful about how -- where interest rates are now going, given it's quite volatile.

But it does go to show that we are actively managing our positions, and looking to do, economically, what the right thing is. So if rates go back down again, or if they -- if this volatility eases off, we may even see further such moves on the gains on the bond front.

In terms of hedging effectiveness, this, I think, was a function arising from the volatility in market rates. We do see -- we have seen losses, hedging effectiveness losses in previous quarters, I think it was about EUR26 million last quarter. Yet there was quite a significant gain this

quarter.

We saw a flattening of the curve, which led to some ineffectiveness on the designation of floating rate swaps against the underlying hedged item. I won't go into too much detail on that.

But as I say, that partially covers a loss in the previous quarter. It is primarily accounting, not economics, to the extent that there is an economic element to it. We've looked to lock out that piece. So we have actually locked out a piece of that, a smallish piece of that gain. But this is more a function of volatility in markets, and it can give noise in the accounting, which you cannot rule out in future. And we've had it before.

So in terms of savings rates, yes, I don't want to be too precise on which books are impacted. In each of our markets we will have a number of different deposit-type propositions. They don't all get changed at the same time, so this is not something I'll give a precise monetary answer. But this is directionally positive for interest margin on deposits in Q2.

Andrew Coombs Citi - Analyst

Okay, thank you.

Operator

Ashik Musaddi, JPMorgan.

Ashik Musaddi JPMorgan - Analyst

So a couple of questions. First of all, can you give us some thoughts on around your 11% capital ratio? What are the recent debate you have at the ECB on the capital? So any color on that. And both on the Group level and the Bank level, i.e., do you think that both will merge sooner or later? So any thought on that.

Secondly, any thoughts on risk weight harmonization, what's going on? Because one of your German peer has come out and said that they expect this capital allocation towards more risk weight harmonization thing. So what sort of risk you see from that? So yes, that would be fine, thank you.

Patrick Flynn ING Group - CFO

In terms of capital ratio in discussion with the ECB, the short answer is none. The ECB has given us frameworks on dividends; they've given the market a framework around how you pay dividends. They are, so far, sticking to that framework.

So obviously we inform them about the dividend upstream to the Bank. But there was no real discussion arising from that. And our dividend policy, 40% payout in the fourth quarter, likewise. So it's not really the subject of much discussion.

Ashik Musaddi JPMorgan - Analyst

I wanted to check on this 11% target you have. Is it still a fixed target at the moment, or is it still an uncertain, moving target, i.e., it could be 12%, 13%, 14%, going forward? Any thought on that?

Ralph Hamers ING Group - CEO & Chairman of the Executive Board

Well, the 11% is there because we have indicated before that we want to manage as a comfortable buffer, above 10%. That's what we're doing, and that's where we are, 11%, 11.4%.

If we're a little bit higher we upstream it; if we need it back in the Bank, we'll downstream it; that's the way we manage it. If requirements, regulatory requirements change, yes, then we'll have to take a view as to how we manage that.

And then going to your -- the second part of your question, as to whether there are changes foreseeable, not so much in the percentage, but at least in the risk weighting, for that I'd like to give the floor to Wilfred.

Wilfred Nagel *ING Group - Chief Risk Officer*

Yes, so obviously the discussion about the BIS consultation is one that we're following very closely. It could have significant impact for sure. But at this point, it is very, very much work in progress.

There's so many variations and combinations possible here, and what is obvious is that the calibration of the floors, the exact drivers that are going to be used in the models, at this point are going to really determine the outcome more than the concepts that are being discussed. So the actual implementation will only make it possible to understand what the impact is.

The general observation you can make is that portfolios that have advanced internal ratings-based modeling, and very strong collateral, are likely to be the most sensitive to these developments. And obviously Dutch banks, including ING, do have these portfolios.

The relative position of ING among the Dutch peers is that our risk weights tend to be higher than the average so we would be relatively less impacted. I think it's -- all in all, it's too early to comment on the actual impact. What I would say, though, is that the strong capital generation that Ralph talked about and the current comfortable position with regard to capital that Patrick mentioned gives a very good basis to deal with whatever comes.

Ashik Musaddi *JPMorgan - Analyst*

Thanks Wilfred, that's really very clear and very helpful. Just a follow-up. Would you try to run ahead of the final rules on these things, especially on the risk weight of mortgages? I remember a year or two back, you increased the risk weight on mortgages from 10%, 12% or 13% to around 18%, 19%. But do you really want to move ahead of the final regulation in terms of moving towards a 25% or 30% risk weight on your mortgages? Thank you.

Wilfred Nagel *ING Group - Chief Risk Officer*

No, not really. The increases that you refer to were all driven by our own modeling and the actual experience and the adjustment following from that. We believe in our models. If you look back, we've been, certainly with the Dutch mortgage book, through pretty heavy real life test. And through that test, it never consumed more than one-third of its operating profits in terms of risk cost.

So there is nothing in the recent history or indeed in the longer time history that suggests that our risk weights and our capital for this book is too low. I'd also note that the ECB is still -- claims to be in favor of a risk-based approach and does not want to discard models, just wants to check them, make them more transparent and refine them. And we support that effort.

Ashik Musaddi *JPMorgan - Analyst*

That's very clear. Thanks a lot for your help.

Operator

Anton Kryachok, UBS.

Anton Kryachok *UBS - Analyst*

I just have two follow-ups, please. Firstly on capital. Now at the Group level you seem to have EUR2.4 billion of excess cash sitting on the balance sheet and I was just wondering what prevents you from distributing those EUR2.4 billion earlier than the end of this year or early 2016.

And then also, it seems that now you are more likely to use the gradual sell-down of [your] stake as your main exit option rather than doing a spin-out. I was wondering what is the rationale behind the decision.

And the second question please, on Russia. It seems that the rate of the decline in the loan book has slowed in Q1. Have you reached a level at which you are happy with your overall exposure there or shall we expect you to continue managing that down? Thank you.

Patrick Flynn *ING Group - CFO*

Yes. You note in the slides we point out that the Group now has a capital surplus. In the past we used to talk about double leverage, but that's gone. So we're in a surplus position, healthy surplus position, and that's available for dividends.

Our policy is for both an interim and a final. I'm not sure if you remember that. So we will pay an interim dividend of a minimum of 40% out of the first-half profits, pro rata, probably based on underlying results. And then, at the year-end, we have, as mentioned, I mentioned earlier, we will pay a minimum of 40% of the Group. And we'll look to see, given, as I mentioned earlier, profit outlook, regulatory outlook, actual results, a holistic view of where we're at. It's somewhere between 40% and 100% of net underlying -- sorry, net [net] Group results.

And that EUR2.4 billion, plus future profits we make, will be available to support the dividends both interim and final.

Ralph Hamers *ING Group - CEO & Chairman of the Executive Board*

Just maybe to add, I think what we are indicating is that -- just a willingness to distribute the insurance divestments and the proceeds of that back to the shareholders over time.

The reason why we're going for a different divestment of NN than the spin itself, the spin is still there as a fallback option. Don't get me wrong, but we have seen the liquidity in the NN share is not where it should be yet. We have promised the market an orderly sell-down, that's why we're following that route. We have good experience with that route as well, on Voya. That's why we are spreading it out, but the spin is still there as a fallback option. So this is just the new base case scenario, paying out insurance surplus.

Over the years we basically see that we want to make sure that we manage a buffer on the Group level for regulatory shocks that could come. Maybe they don't come, hopefully they don't come. And it would be regrettable if we were to pay the insurance surplus quickly and then find that, because of changes in regulatory requirements, we end up with capital constraints and can't really build on the Bank's strategy in order to generate a sustainable dividend going forward.

So it's basically those kind of dilemmas that we're weighing as to how we go about distributing the insurance surplus. But the presumption is that the insurance surplus will go back to the shareholders. And that's basically what you have seen already. Our fourth quarter dividend announcement for 2014 actually was an advance and is an advance against the insurance surplus. So that shows the intention and the willingness.

Then I'll give the word to Wilfred, I think, on the second part of the question.

Wilfred Nagel *ING Group - Chief Risk Officer*

So on Russia, you're right. If you look at the numbers, the pace of the reduction of exposure dropped in Q1. I assume you've seen page 32 of the presentation which describes that in a bit more detail and shows you that the actual drop in exposure in euro terms was around EUR260 million, EUR270 million. However in constant FX it was more like EUR760 million negative.

In other words, a big impact came from the rise of the dollar in Q1. Now that, of course, has since then partially reversed so that effect alone will give us a bit of a drop in Q2, but also, we still continue to look at the exposures and bring them down where we can.

Stepping back, looking at the big picture, we have consistently said that our strategy in Russia is to protect the franchise whilst reducing risk. Both remain unchanged, in other words we still intend to protect the franchise and we still intend to reduce our risk.

In 2014 the main focus was on simply reducing overall exposure because that was the most effective way to deal with the reduction that we wanted. That meant both shedding exposures that were non-essential to our clients, as well as shedding clients that were non-essential to the franchise, frankly.

Now that has happened. Where we are now is at the core of what we believe the franchise should be, and we're now working on improving the risk profile of what we have with these clients and that ranges from doing more export credit agency business to more mitigated

commercial transactions like trading commodity finance, pre-export finance, and things like that.

On top of that, we continue also to move more exposure onshore, which is also locally funded at the moment pretty much for 100%, although that tends to be a bit volatile because a lot of it comes from a corporate deposit base. But nonetheless it improves the quality and therefore it lowers the risk profile of what we have and that continues to be the strategy.

Anton Kryachok UBS - Analyst

That's very clear, thank you.

Operator

Farquhar Murray, Autonomous Research.

Farquhar Murray Autonomous Research - Analyst

Just one question from me, really coming back to the leverage ratio. Now I appreciate that this is not really a near-term issue and there's usually a lot of flex within the exposure figure. But if we look at the Delegated Act number of 3.7%, and we say well that's not fully loaded in the sense that it includes grandfathered Tier 1, but obviously we can offset that with AT1 over time, we still end up being slightly short of the 4% level that's being discussed in the Netherlands.

I just wondered if you could give a sense of how you might ultimately intend to reach that 4% level over time, in particular what options might be available to moderate the exposure number if you have to go down that route. Thanks.

Patrick Flynn ING Group - CFO

We just issued a hybrid Tier 1 one, we hadn't been able to do that till now, a higher successful transaction, 24 times oversubscribed. You're not going to do that every month. It's important that avenue is now open. We were comfortably able to manage our balance sheet to get to the 4% on an IFRS basis, and we've a number of levers we can apply in terms of managing how the Delegated Act is calculated.

We're looking at doing that, but that's something we will do first and talk about later. We're comfortable, I'm comfortable that by the time the Delegated Act bites that we'll be able to move ourselves closer to the required level.

Farquhar Murray Autonomous Research - Analyst

Can you not just give us some color on what those levers are? Presumably it's some kind of form of netting within the accounts or something.

Patrick Flynn ING Group - CFO

That's one avenue potentially that we can look at, and we just look more closely at the users of the balance sheet under the Delegated Act definition and optimize how we want to allocate that usage across our businesses. We have time to do so, and actually we're doing it already. But like I said, I prefer to talk about what we've done after we've done it, but I do not -- I'm not concerned about achieving this target.

Farquhar Murray Autonomous Research - Analyst

Okay. Then just more generally, the 4% number that's being discussed in the Netherlands, is that on the Delegated Act's basis or the IFRS basis, or is frankly it still not really particularly clear?

Patrick Flynn ING Group - CFO

It's not particularly clear.

Farquhar Murray Autonomous Research - Analyst

Okay, fine. Great. Thanks, guys.

Operator

Matthew Clark, Nomura.

Matthew Clark Nomura - Analyst

A couple of questions on your comments around this potential spin-off of NN Group. I guess firstly I struggle a bit to reconcile you saying that it's still there as a fallback option, but that the reason you can't pursue it is because there's not enough liquidity in NN Group. If you've got obligations to ensure sufficient liquidity then presumably it isn't there as a fallback option if the liquidity isn't there. Maybe if you can just clarify there firstly.

Secondly on the 100% ceiling on payout ratio, is it your interpretation that that would include a spin-off as being within the payout ratio for the purposes of that ceiling, so they would regard a spin-off as being a dividend in kind, and treat it the same as a cash dividend? Thank you.

Ralph Hamers ING Group - CEO & Chairman of the Executive Board

What we've done over the last six months in meetings with shareholders we have asked them how they look at -- how we should go about monetizing the insurance shares going forward. Basically we get a range of answers; we get answers saying well, okay, I'd like a spin, many of them don't like a spin, because they are bank investors. Some argue monetize it as an asset back in the business at these high return equities that you are actually generating and other banks are only talking about.

So there is a diverse -- we get diverse answers on the preference of our shareholders as to how to go about it. That's input into our decision to make a base case, one in which we sell-down over time. In that base case there is certainly still -- the spin is still a fallback. Why is it a fallback? Because as we have promised an orderly exit and doing it in orderly markets, we also have to adhere to some deadlines that are still valid on the timing of the divestments. That's why in the end there's still a fallback option.

Matthew Clark Nomura - Analyst

You don't see liquidity as being a constraint that would prevent a spin?

Ralph Hamers ING Group - CEO & Chairman of the Executive Board

In the end you can always spin, that's so, but--

Matthew Clark Nomura - Analyst

If you've got an obligation to maintain liquidity from the IPO agreement, then presumably you can't just spin if that would disrupt the market. Or have I missed --?

Patrick Flynn ING Group - CFO

We need all the ammunition -- all the alternatives that we have them, to exit NN. We need to deconsolidate by the end of this year. Like we did with Voya, we got a very -- we got ahead of the game so this potential constraint on orderly market we push away by being proactive.

And we said before and we will continue that the next step, which is deconsolidation, which is what we need to do by the end of this year, we'll aim to do by an orderly sell-down for cash. The next deadline would be full exit by the end of the 2016; that's 18 months away, so whilst if we had to, in extremis, to prioritize our constraints, the ultimate exit, we could potentially think about using spin if we had to, in an extreme scenario.

However, I don't think we'll need to because we've been successful and are ahead of track in terms of orderly sell-down. So spin is a fallback option that in extremis, unlikely event, we'd need to -- we would use. That's why we asked for shareholder approval and obtained it. But it's more in our back pocket from an exit scenario.

So in context of shareholder return, as a tool in shareholder return, we think there -- it's a better proposition given what Ralph said about the diverse views and some of them very strongly held on both sides. We think on balance, listening to shareholders, it's a better route to take to return the surplus capital to shareholders by monetizing it initially and then a through-time return in cash dividends. That, on balance, is the better approach for capital return.

So there's two elements; one is a tool for exit, don't think we'll need it but we'll keep it in the back pocket. Then secondly, as a tool for

returning capital to shareholders, we think that cash dividends through time are a better alternative.

And then also the other point that was made earlier, spin is an up-front, large chunk that comes in one go and then -- that's not consistent with the -- our preference to keep our powder dry in case of regulatory change. And it also would require regulatory approval, the spin option, and that would not be a foregone conclusion to get it.

So there's multiple reasons, both in terms of the techniques we use to exit NN and also the preferred option in terms of how we return capital to shareholders, why we think spin is more of a back pocket tool rather than a primary tool.

Matthew Clark Nomura - Analyst

Okay. And in terms of whether a spin would be viewed as part of the payout by the ECB, albeit it seems somewhat academic given what you've just said.

Patrick Flynn ING Group - CFO

Don't know, but don't ask them.

Matthew Clark Nomura - Analyst

Okay. Thank you.

Operator

Kiri Vijayarajah, Barclays.

Kiri Vijayarajah Barclays - Analyst

A couple of questions. Firstly on Germany, you've got an excellent cost performance there, the cost-income ratio down to 43%, but of course a lot of the competition in German retail are running with cost-incomes in the 70% or 80% range. So I guess my question is at what point do you think you might need to or see an opportunity to maybe ramp up investments there and make a bigger push for market share there? Or am I thinking about your business plan in Germany in the wrong way there?

And then turning more generally to the fee and commission performance. At Group level it looks pretty good, but a lot of that driven by the commercial Bank and actually in the retail Bank, it's kind of okay. And I guess the question is are you happy with what you're seeing in terms of retail fee and commission and what's your outlook for the rest of the year? Are you seeing your retail clients getting a little bit more active on the fee and commission side of things? Thanks.

Ralph Hamers ING Group - CEO & Chairman of the Executive Board

On Germany -- yes, thanks for the compliment. It's good that you noted that. We're very proud, of course, of the performance of Germany, but I can also tell you it's not unlike most of the other banks that we have in the challenger markets where we see that our model is favored by clients and hence it grows very fast; and given the fact that we're working with much lower efficiency curve that we can outperform our peers in those markets in terms of cost-income.

In Germany, if you look at the strategic challenges there, it is really how can we continue to grow momentum, which in terms of getting more clients is not necessarily the issue because we still are getting between 700 and 1,000 new clients a day in Germany. So it's -- we don't have to accelerate that. We find that there's still a good momentum that we have there.

The challenge in Germany is on the asset side, as we have indicated before. The savings keep coming in; the liquidity is there. Some of that we are used -- we are allowed to use for Group funding, but only to a certain limit. So we're looking as to -- at how can we basically grow on the asset side.

Now what we've done so far is we are growing on the mortgage side, we're growing on the consumer lending side. We have started a commercial banking strategy for the local German businesses, like the larger German corporates that we already have relationships with on the back of our global network, but we now also do more and more business within Germany itself.

And then we have set up specific expertise centers as part of our industry lending and structured finance franchise globally that work out of Germany. And so a lot of that work is performed in Frankfurt and therefore we use that balance sheet in Germany.

So that basically gives us the diversification on the asset side. There's still room. So the ramping up of the strategy from that perspective -- if it is kind of assets or if it is teams that can generate assets, that's what we would be interested in looking at in terms of making sure that the success of Germany continues in a very balanced way going forward.

Then your next question, on the retail commissions. The point about the retail commissions is basically that it's part of the success of our model. So our model is really one in which we want to be very transparent to our clients and not so much charge commissions for charging commissions.

You need to have a real reason to charge a commission or fee to your customer, and it's basically why clients like us. And that's why we get so many new clients, more than 350,000 just in this quarter. It is because they like the transparency in our services and the transparency in the cost of our services.

So we charge commissions for what we feel we can charge commissions for, but we don't charge commissions for what we think we can charge commissions for. And that is basically the difference between ING and any other bank out there.

Kiri Vijayarajah Barclays - Analyst

Okay, very clear. Thanks.

Operator

Anke Reingen, Royal Bank of Canada.

Anke Reingen Royal Bank of Canada - Analyst

Just two questions please. First on net interest income in absolute terms. I just wanted to confirm that Q1 was -- basically, you expect to be the lowest level for the year and we should see an improvement from the current level.

And then secondly just on net interest income in financial markets. Could you explain a bit why it was so weak, and is there any correlation with the strong trading result? Thank you.

Patrick Flynn ING Group - CFO

In terms of the outlook for net interest margin, and Ralph's mentioned already that we had rate cuts at the beginning of this quarter which will help offset the impact of lower rate environment. When you look into the numbers, you'll see that the Netherlands retail margin dropped, and that was because there was no rate cut in Q1. There are rate cuts in Q2 so I think that should help the stability of retail margins, deposit margins.

The positive piece is that we are getting good margins on lending, both retail lending and also commercial banking there holding up well. And that's a positive. And this is the same recipe we've been trying to apply for the past year or so, and it's behind why we think we will be able to stay in the 1.50%, 1.55%, offsetting low rate effects from deposits, complemented with higher volume. So a change in mix.

So higher volume, good yielding commercial and retail assets generation. And as I said, the positive thing in Q1 is that the commercial banking and the loan production in retail was at good margins. So we're not seeing them eroding, and that's the healthy piece.

So that I think that sustains us in terms of how we will continue to deliver on meeting the 1.50%, 1.55%. [We will have to] look again at balance sheet utilization, although as I said already that was somewhat extreme scenarios in Q1 with the huge dollar moves and the volatility in rates. So that may be a one-off piece, the huge balance sheet volatility, balance sheet expansion.

In terms of financial markets, the results were very good overall. Big increase in profitability as you see in the slide. You really have to look

at this in its totality; we do not manage financial markets on the relative [commission] -- part of the results come from trading or from net interest income.

They manage on the total and the element that turns out to be NII or dealing profits is a second-order effect. So you really need to disregard the interest movements quarter on quarter for the financial markets. As I said, the main point is that the results were up. As it happened, more of it was in dealing profit this quarter than NII and that's a second-order outcome.

If you exclude financial markets from overall NII, it was up 1% quarter on quarter, so the euro earnings from the managed NII part of our balance sheet increased 1%. So there's continued NII improvement, notwithstanding a little bit weaker margins in retail.

Anke Reingen Royal Bank of Canada - Analyst

Thank you, but I wondered about net interest income in absolute terms. So you think Q1 is a trough as well and we should see growth going forward?

Patrick Flynn ING Group - CFO

Well, excluding financial markets it was not a drop, it increased. That's my key point. Excluding financial markets, net interest income increased quarter on quarter, so that's why there's still positive momentum in interest margins.

Anke Reingen Royal Bank of Canada - Analyst

Okay.

Operator

Paul Fenner, Societe Generale.

Paul Fenner Societe Generale - Analyst

On TLAC, can you just give us an update on thoughts domestically around whether or not the Dutch regulator, whether you are lobbying for something similar to the German solution in the sense of statutorily subordinating senior creditors in order to make senior unsecured out of a bank TLAC eligible?

And allied to that whole TLAC issue, I wonder if you can just give us an update on what it is that you're intending to do around funding in terms of the Group holdco versus Bank? And whether you're going to pursue a UK style shift out of bank funding at the senior as well as the subordinated level into holdco now that you've given up getting rid of the holdco? Thanks.

Ralph Hamers ING Group - CEO & Chairman of the Executive Board

On TLAC, basically if you go to slide 30 of the presentation you'll see where we are at ING. (multiple speakers). You see where we expect the TLAC requirements to come out. [If you] assume TLAC requirements and then you see our situation and what we would need to do.

Clearly what Germany is going through, the good thing about that is that you know we had the senior creditors' treatment on a statutory basis as part of the bail-in so that you don't have to go through a more structured or more contractual way of attracting this debt. And the good thing there is that it is also consistent with the way MREL applies to most of the -- in the European area. So I think that's the good thing about the way the Germans go about it.

Now clearly, if we can across Europe come to a consistent solution, and this one is the solution, then it would be good for the Dutch Government to follow that one and we would certainly support that. But we have different ways to go about TLAC solution, and that's also why we still have, as you have indicated, also the holdco.

So we have that in the back pocket if it is necessary as a solution. But as a preferred scenario it is how do we get consistency across Europe, and how do we get consistency between TLAC and MREL? And for that the German solution is a good solution and we would support that.

Paul Fenner *Societe Generale - Analyst*

That's great, that's very clear. Thank you very much.

Operator

Cor Kluis, Rabobank Equity Research.

Cor Kluis *Rabobank Equity Research - Analyst*

I've got two questions. First of all on the risk weighting of mortgages, can you indicate what the risk weighting of mortgages is at this moment for both the Netherlands as well as for Germany and Belgium?

And my second question is more strategic. You mentioned during the call that the presumption is that the excess capital will go back to the shareholders over time. Could this capital also be used for acquisitions? You've got EUR2.4 billion cash in the holding, probably that will rise positively by around EUR5 billion from the NN stake going forward, so a big amount of money. Do you exclude acquisitions with that money, and could you give your idea about that? Thank you.

Wilfred Nagel *ING Group - Chief Risk Officer*

On the risk weights, in Netherlands we have at 18, Belgium at 15, Germany at 24. Average of the three, just below 20.

Ralph Hamers *ING Group - CEO & Chairman of the Executive Board*

As you know, we're still subject to an acquisition ban until we deconsolidate NN, or in November 18 of this year. And as a consequence of that, our strategy the way we have developed it does not include acquisitions.

But the strategy is built on what we call a sustainable share framework. In that framework we know which areas we can improve and which areas we can accelerate. And we have organic growth programs for improvements for all of the activities that we have, whether from a business line perspective or a geographic perspective.

In that sense, we are looking at opportunities as well. We had a very strong organic improvement plan for India. But nevertheless, when the opportunity came by to merge with Kotak Mahindra, we basically followed an opportunity there that accelerated the value creation for shareholders by five years. And it's good for our clients; it's good for our shareholders. So basically, clearly, we jumped at that opportunity because it fitted the sustainable share framework, and it fitted the strategic direction.

I get asked the question on acquisitions more and more. What you can expect from us is that the acquisitions that we would consider would very much be within the light of the strategic framework, being more in terms of acquisitions of asset portfolios, teams, technology, which is very important for us as well.

We will certainly monitor what's going on if it comes to in-country consolidation, because that can specifically impact our own situation in specific countries as well. But we don't have any specific plans for acquisitions in new geographies, or transformational ones.

I think in the total, and now I will come to, basically, answering your question, if you look at the way we want to go about this, we feel that the capital generation of the Bank is sufficient to support any of these improvements that we would foresee as part of our strategy and getting to our plans that we have to improve the sustainable share positions that we have in the business lines, and in the countries in which we're active.

Cor Kluis *Rabobank Equity Research - Analyst*

Okay, thank you. Very clear.

Operator

Omar Fall, Jefferies.

Omar Fall Jefferies - Analyst

Two small questions, please. Just looking at the split of loan growth this quarter, it seems as if we're now seeing material signs of acceleration in non-mortgage loan growth in retail, so SME and consumer credit, which, I guess, is a key part of the strategy.

It's still early days, but can you help us get a sense of timing in terms of when we can get some NIM benefit from this mix shift. Is it next year? Is it very much a multi-year period? Because, I guess, you can't really rely on savings deposit rate cuts to boost NIM forever.

Secondly, from what I can see, risk-weighted assets were flat when excluding FX. You highlight, in the report, that there was some positive risk migration. Can you just give some more color on that, please? Thanks.

Ralph Hamers ING Group - CEO & Chairman of the Executive Board

In terms of -- basically, you're referring to the change in asset composition as a consequence of the success of the engines to generate SME and consumer finance, consumer lending.

Well, what we see, for example, in Germany, is that the consumer lending business develops quite well. We see the same in Belgium, in Poland, in Turkey, so we see growth there. We see growth in the SME business in Belgium, in Poland, in Turkey, and also in Spain, where we're also starting the SME business.

But before that really starts to shift the needle on NIM, it's more back-ended in our strategy. So towards the end of 2016, and beginning, and throughout 2017, you can expect some real influence on the NIM from the change in asset composition.

I give the floor to Wilfred, for the answer to the final question.

Wilfred Nagel ING Group - Chief Risk Officer

Yes, indeed, there were quite some moving parts underneath that are the number that you're seeing.

On the risk migration, this is spread fairly broadly over the various book, geographically. Some of it in the Netherlands, that's a good chunk, some in Germany and in the other challengers. And also, about -- slightly less than half of it was in commercial banking rest of the world. Generally, this simply reflects the gradual economic improvement and the reaction of our models to that.

Omar Fall Jefferies - Analyst

Okay, got it. Sorry, just a very quick follow-up. In the corporate centre, you talk about a substantial positive one-off from the release of a legal provision. How much was that?

Patrick Flynn ING Group - CFO

Yes, that's about EUR40 million, EUR50 million.

Omar Fall Jefferies - Analyst

EUR40 million, EUR50 million. Thank you.

Patrick Flynn ING Group - CFO

That's nothing to do with the capital ratings, obviously.

Omar Fall Jefferies - Analyst

Absolutely.

Ralph Hamers ING Group - CEO & Chairman of the Executive Board

Okay, we have to end this session. Thanks for your availability and patience to stay in this call. I really thank you for all the questions, and the interest that you take in ING.

I think that the first quarter proves, once again, that the Think Forward strategy that we have announced a year ago, that the success is really showing. It's showing in terms of what we do in the client relationships; it's showing in the number of clients that we get on board; it's showing in the growth on the lending side and the savings side; and it's showing in the performance of the results, as well as the capital improvements. So we're quite happy with the results this quarter.

Thanks for your interest, and I'll talk to you next time. Thank you. Bye.

Operator

That will conclude today's conference call. Thank you for your participation, ladies and gentlemen. You may now disconnect.

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