

# First quarter 2019 results

ING posts 1Q19 net result of €1,119 million

Ralph Hamers, CEO ING Group

Amsterdam • 2 May 2019

thinkforward



# Key points

- ING posted 1Q19 net profit of €1,119 mln
- Primary customers increased by 150,000 to 12.6 mln, growth mainly in Australia and Germany
- We recorded net core lending growth of €8.7 bln in the quarter; net customer deposit inflow amounted to €4.8 bln
- Furthermore, results were supported by solid income despite challenging market conditions, good cost control, relatively low risk costs, and the release of a currency translation reserve
- On a four-quarter rolling average basis, underlying return on equity was 11.0%
- ING Group's CET1 ratio improved to 14.7% supported by the sale of ING's stake in Kotak Mahindra Bank
- We continue to improve the way we manage non-financial risk; global KYC enhancement programme is rolled out across more than 40 countries and 38 million customers with over 2,500 FTEs working on KYC across the bank

# Key value accelerators



Grow **primary customers**  
in Retail and Wholesale



Increase **cross-buy**  
leveraging own, partners'  
and third parties' products



Improve cross-border **scalability**



Faster **time-to-volume**



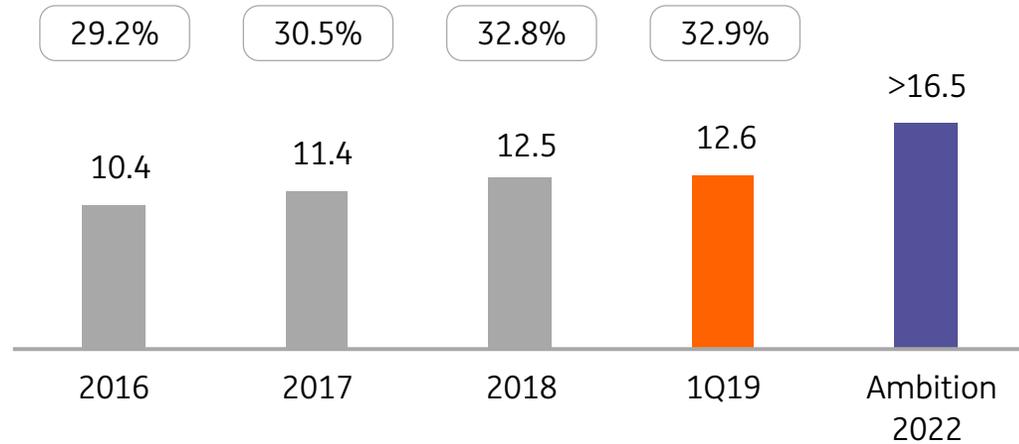
Benefit from attractive  
funding and lending **mix**



Enhance **sustainability** profile  
to increase opportunities

# Our focus on primary customers and digital drives value

## New target to reach 16.5 mln primary customers\* by 2022



Primary as a % of total retail customers

## Core lending

1Q19 net growth

€ **+8.7** bln

## Net promoter scores (NPS)

1Q19

**#1** in **6** out of 13  
retail countries

## Customer deposits

1Q19 net growth

€ **+4.8** bln

## # of digital interactions\*\*

1Q19

**1.0** bln  
**+25.6% YoY**

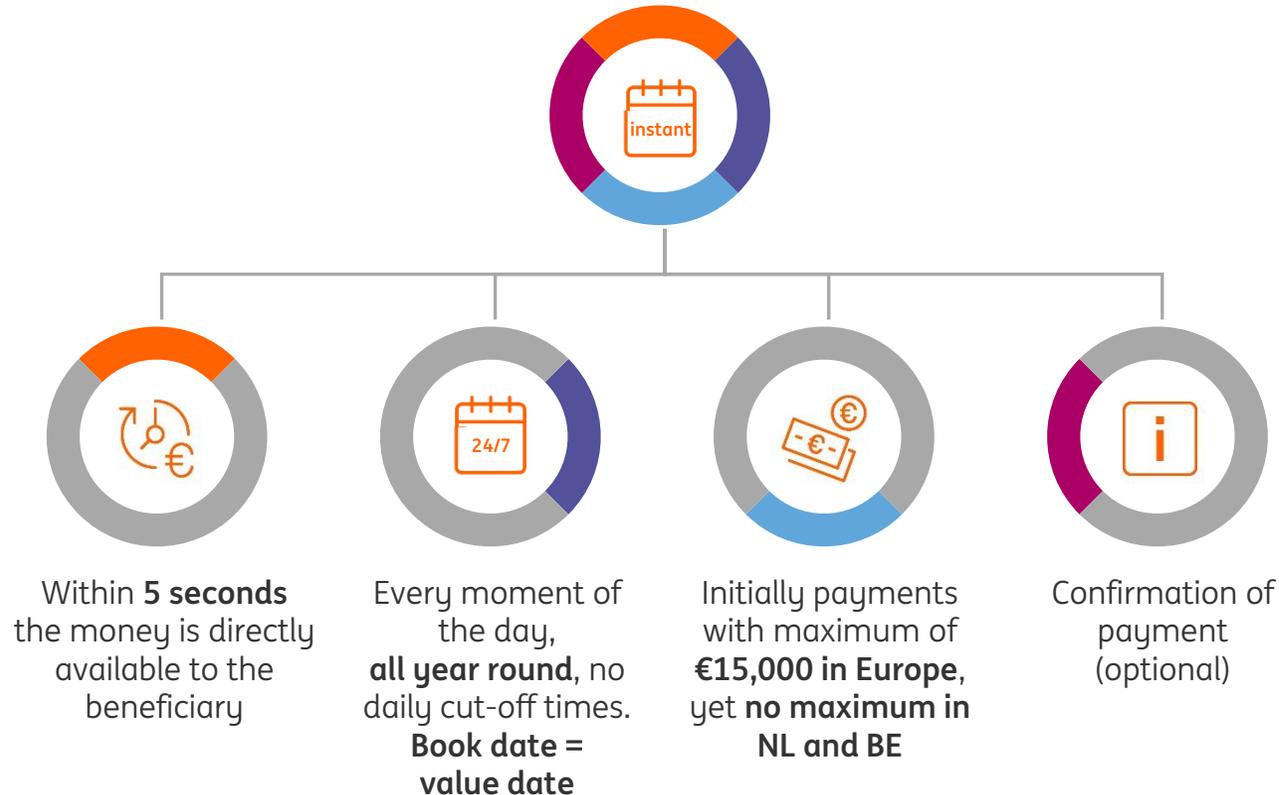


\* Definition: active payment customers with recurring income and at least one extra active product category

\*\* Log-in to mobile app or Internet banking

# New innovative solutions in the Payments and DLT space

## Instant payments launched in the Netherlands and Belgium



## Main DLT\* initiatives of ING in the trade space

- ING joined a consortium with MineHub to develop a blockchain-based platform that would help our clients in the metals and mining sector to lower costs, increase transparency and contribute to sustainable production and trading



- First client transaction completed on Komgo, a platform that digitalises and streamlines trade and commodity finance



\* DLT – Distributed Ledger Technology

# We are recognised as an industry leader in sustainability

## Strong sustainability deal activity in 1Q19

- In 1Q19, ING has supported the issuance of 12 sustainable bond transactions, leading to a significant improvement in our Green Bond league table position, and 16 sustainable loan transactions of which 4 green loan transactions and 12 sustainability improvement loans, several of them structured by ING
- This included some sustainability 'firsts' as we empower clients in the transition to a low-carbon economy:



PHP 15 bln green bond – 1<sup>st</sup> from the Philippines under ASEAN Green Bond Standards



€500 mln green bond to finance electric vehicles – 1<sup>st</sup> for LeasePlan



\$800 mln RCF – 1<sup>st</sup> sustainability improvement loan in the US general industrial sector

## Recognition



**Ranked 9<sup>th</sup> and Industry Leader** of 336 global banks by Sustainalytics in March 2019



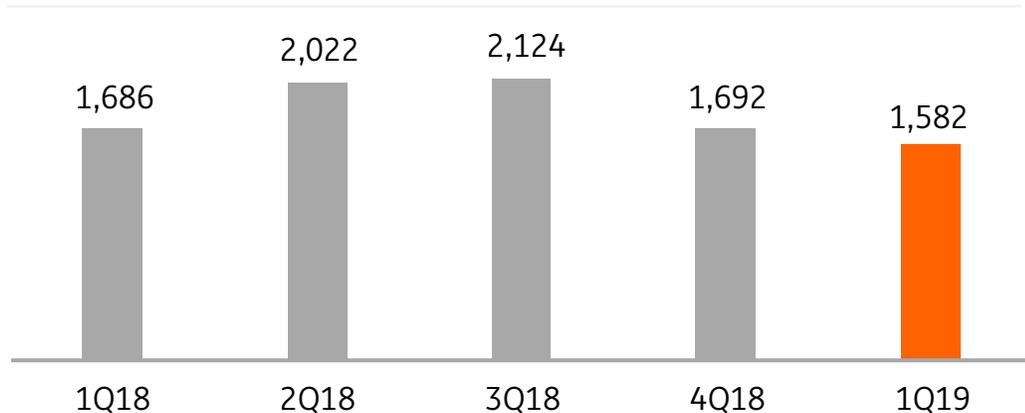
In January 2019, ING was named to **CDP's Climate A-list** for the 4<sup>th</sup> year running

- Our sustainability expertise was also recognised by several governments:
  -  ING took part in an Austrian government working group on green finance to shape a sustainable future for the country
  -  We received a Polish government mandate to issue euro-denominated green bonds
  -  We were awarded a recurrent mandate to help Spanish regional governments in their sustainability goals

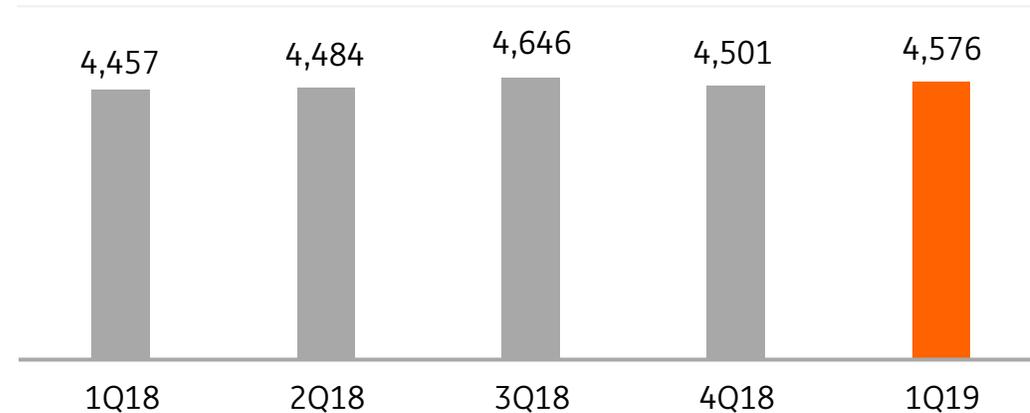
# 1Q19 results

# Pre-tax result reflects solid income and higher but still relatively low risk costs

Underlying pre-tax result (in € mln)



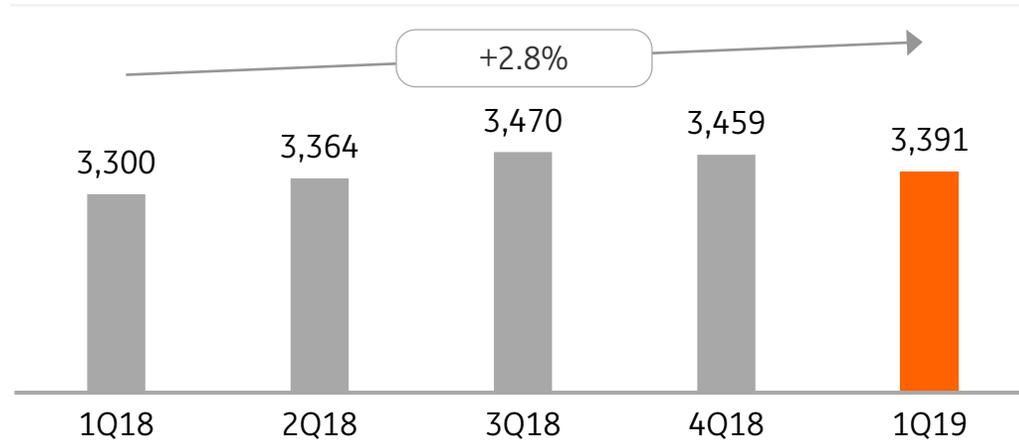
Total underlying income (in € mln)



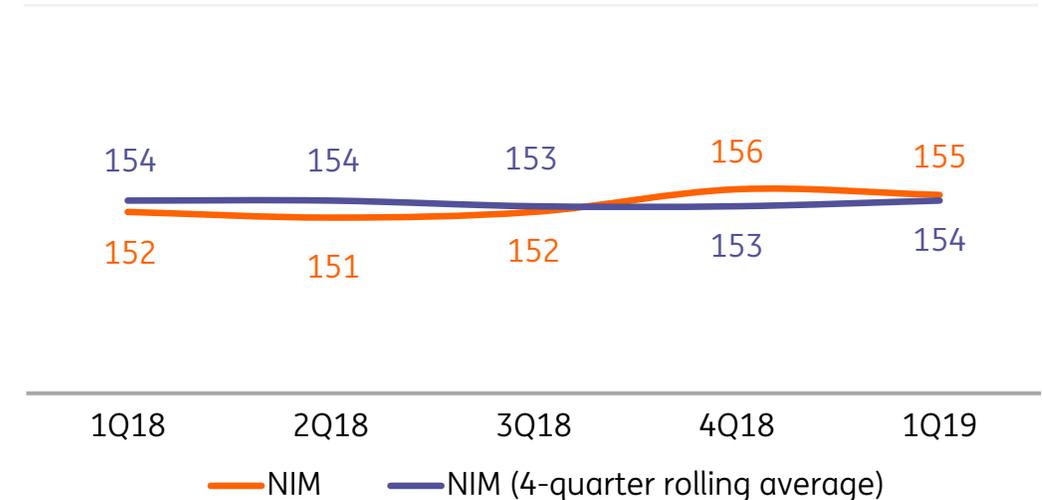
- 1Q19 underlying result before tax was €1,582 mln, down 6.2% from a year ago, fully explained by higher but still relatively low risk costs as an increase in operating expenses was more than offset by higher income
- The increase in total underlying income mainly reflects a €119 mln gain on the release of a currency translation reserve following the sale of ING's stake in Kotak Mahindra Bank in 1Q19. Excluding this gain, income was stable year-on-year as the impact of continued business growth was largely offset by lower Treasury-related revenues and negative valuation adjustments in Financial Markets
- Sequentially, the reduction in pre-tax result was almost fully caused by the seasonally higher regulatory costs recorded in the first quarter

# NII improved year-on-year; 4-quarter rolling NIM at 154 bps

Net interest income excl. Financial Markets (FM)  
(in € mln)



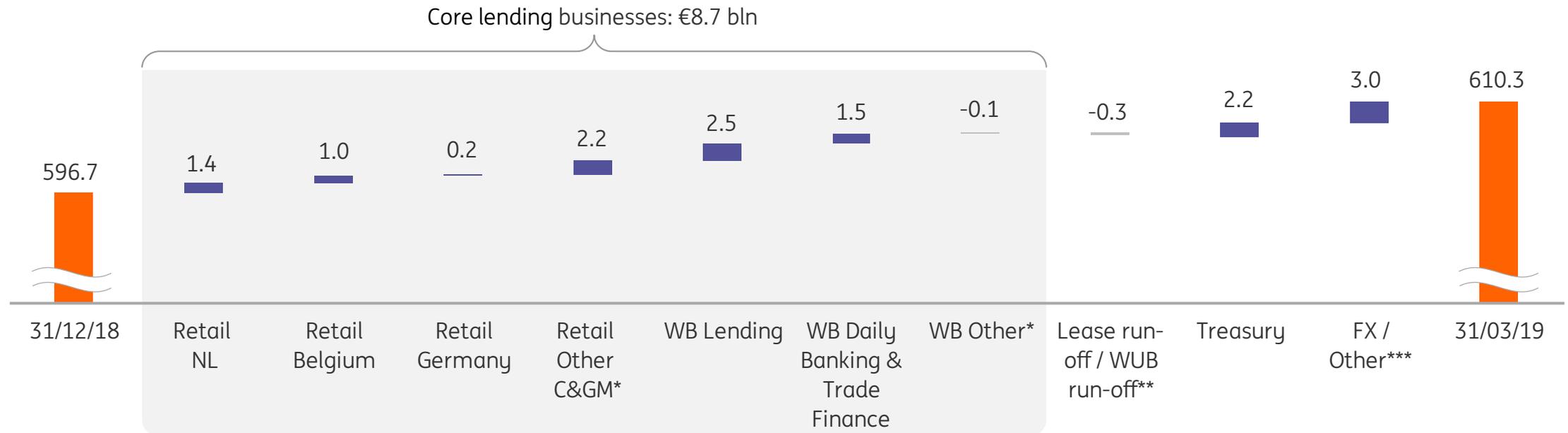
Net interest margin remained resilient in 1Q19  
(in bps)



- Net interest income, excluding Financial Markets, increased 2.8% compared to 1Q18. The increase was driven by higher interest results on customer lending due to volume growth and an improvement of the interest margin on residential mortgages. The interest margin on other customer lending and customer deposits declined
- Quarter-on-quarter, the decline in NII mirrors similar margin trends as described above despite higher average product volumes in 1Q19
- NIM at 155 bps, one basis point down on 4Q18, attributable to lower (volatile) interest results in Financial Markets, whereas the impact of lower interest margins on non-mortgage lending and customer deposits was offset by a lower average balance sheet

# Well-diversified net core lending growth in 1Q19

## Customer lending ING Group 1Q19 (in € bln)



- Our core lending franchises grew by €8.7 bln in 1Q19:
  - Retail Banking increased by €4.8 bln of which €2.9 bln was mortgage growth in most countries and €2.0 bln was other lending growth, primarily in Retail Benelux
  - WB reported an increase of €3.9 bln, including volume growth in oil-price related Trade & Commodity Finance (TCF)

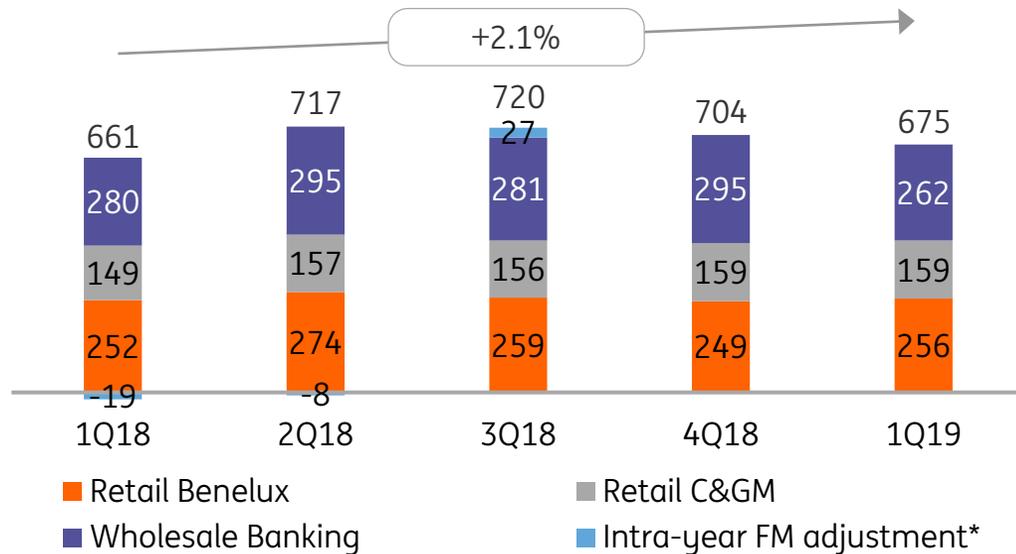
\* C&GM is Challengers & Growth Markets; WB Other includes Financial Markets

\*\* Lease and WUB run-off was €-0.3 bln (predominantly WUB)

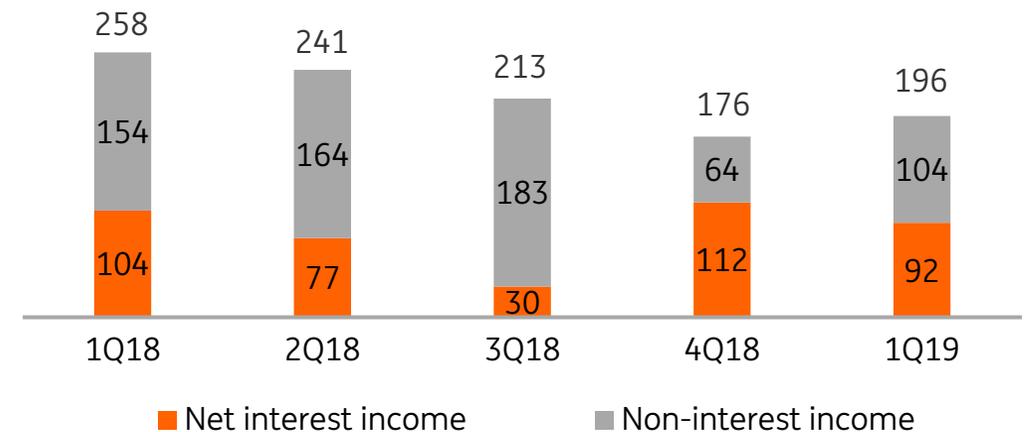
\*\*\* FX impact was €2.4 bln and Other €0.6 bln

# Resilient fee income development; challenging quarter for FM

Net fee and commission income (in € mln)



Underlying income Financial Markets (in € mln)



- Net fee and commission income rose to €675 mln from €661 mln one year ago, almost fully explained by higher Retail fees in the Netherlands and Germany, while fees in Turkey and Belgium declined. Fees in Wholesale Banking were down compared to 1Q18
- Sequentially, net fee and commission income fell by €29 mln, predominantly due to seasonally lower deal activity in WB Lending
- Financial Markets' total income was down on 1Q18, mainly caused by negative valuation adjustments which were only partly compensated by higher Rates and Credit Trading. The better trading result was the main explanation for the quarter-on-quarter increase in total income despite the aforementioned negative valuation adjustments in 1Q19

\* Increase in Wholesale Banking fees in 3Q18 included €27 mln of income related to Global Capital Markets activities that was recorded under 'other income' in 1H18

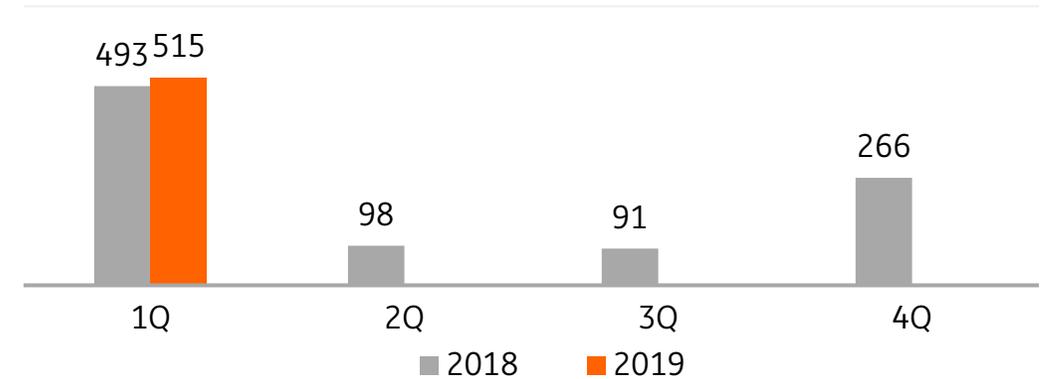
# Retail Benelux cost savings underpin well-controlled cost base

Underlying operating expenses (in € mln)

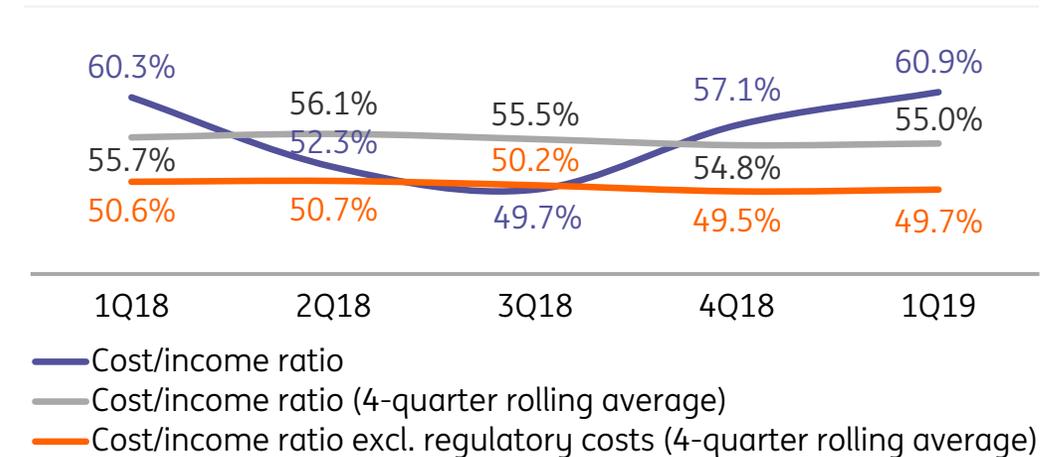


- Expenses excl. regulatory costs rose by €79 mln YoY, mainly in Retail Challengers & Growth Markets and Corporate Line. WB expenses excl. regulatory costs were broadly flat when corrected for the release of a litigation provision in Luxembourg in 1Q18. Retail Benelux recorded lower expenses due to cost savings
- Expenses excluding regulatory costs were down by €31 mln (or -1.3%) QoQ due to lower staff- and transformation-related expenses, as well as lower marketing costs, primarily in Retail Benelux

Regulatory costs\* (in € mln)



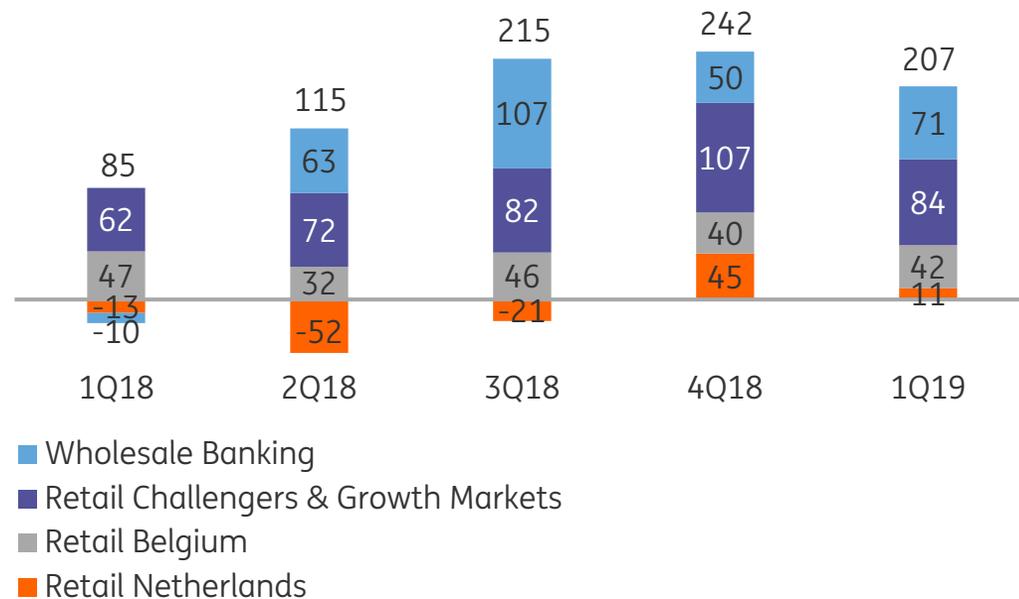
Underlying cost/income ratio



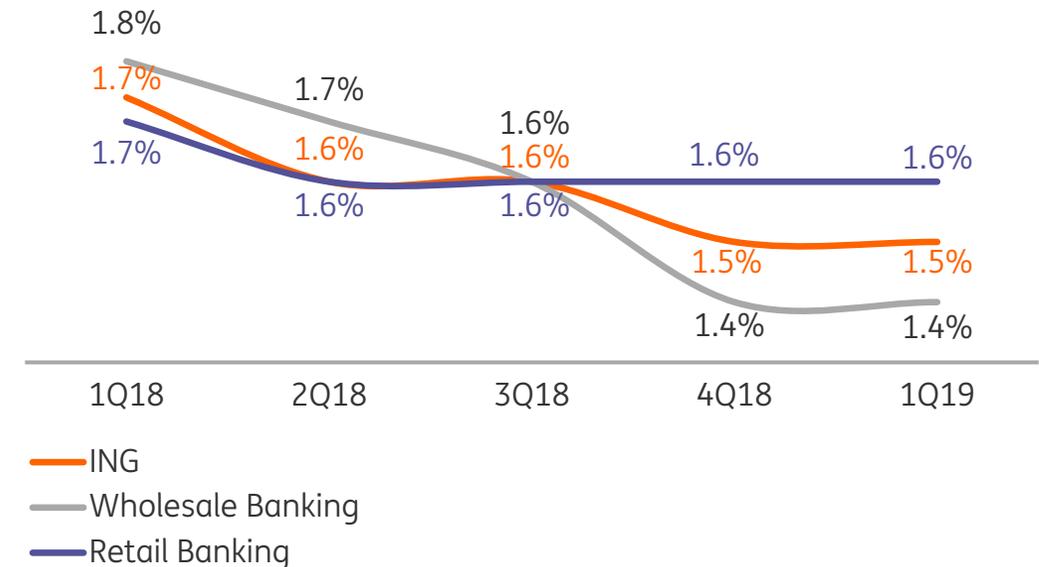
\* Formal build-up phase of Deposit Guarantee Schemes (DGS) and Single Resolution Fund (SRF) should be completed by 2024

# Risk costs up YoY, but remain below through-the-cycle average

Risk costs (in € mln)



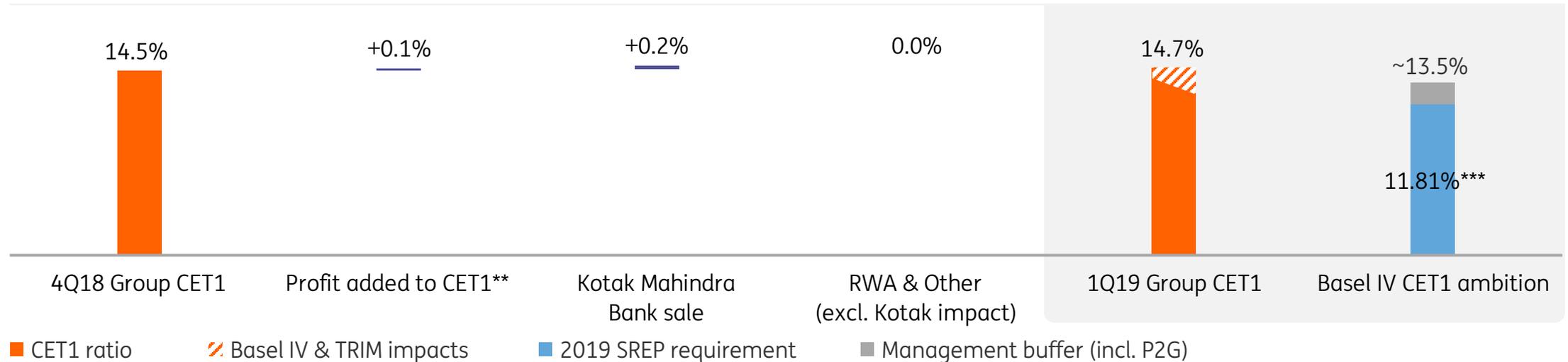
Stage 3 ratio



- 1Q19 risk costs were €207 mln, or 14 bps of average customer lending, below the through-the-cycle average of approx. 25 bps. The bank's Stage 3 ratio remained unchanged at 1.5%
- Retail Netherlands recorded low risk costs of €11 mln in the quarter. Risk costs in Retail Belgium were broadly stable at €42 mln and were mainly related to business lending. Risk costs in the Retail Challengers & Growth Markets (€84 mln) were recorded mainly in Turkey, Spain and Poland, whereas risk costs in Germany were limited at €2 mln
- Wholesale Banking risk costs were €71 mln, mainly caused by a few individual Stage 3 provisions

# ING Group CET1 ratio up at 14.7% supported by Kotak sale

## ING Group CET1 ratio development\*



- 1Q19 CET1 ratio increased to 14.7% due to the addition of interim profits and lower RWAs. RWAs were down by €2.3 bln QoQ, mostly explained by the sale of our stake in Kotak Mahindra Bank and positive risk migration. These decreases were partly offset by currency impacts, model updates and volume growth
- Approx. 80% of Basel IV RWA impact is expected from revisions to internal models (effective as per Jan-2022). Other regulatory developments (e.g. TRIM) remain uncertain with respect to magnitude and timing
- With a long implementation phase, potential management actions and the pending transposition of Basel IV into EU law, we are well positioned to achieve our CET1 ratio ambition of around 13.5%

\* Small differences in the graph due to rounding

\*\* €237 mln which consists of 1Q19 Group net profit of €1,119 mln minus €882 mln set aside for future dividend payments

\*\*\* Current SREP requirement is 11.81% but is expected to rise to 11.83% by end-2019 and 11.84% in 2020 due to phasing-in of countercyclical buffers

# Consistent focus on creating operating leverage

## Roadmap from current market positions



# ING Group financial ambitions

		Actual 2018	Actual 1Q19	Financial ambitions
<b>Capital</b>	• CET1 ratio (%)	14.5%	<b>14.7%</b>	~13.5%* (Basel IV)
	• Leverage ratio (%)	4.4%	<b>4.4%</b>	>4%
<b>Profitability</b>	• Underlying ROE (%)** (IFRS-EU Equity)	11.2%	<b>11.0%</b>	10-12%
	• <i>Underlying C/I ratio (%)**</i>	54.8%	<b>55.0%</b>	50-52%
<b>Dividend</b>	• Dividend (per share)	€0.68		Progressive dividend

\* Implies management buffer (incl. Pillar 2 Guidance) of ~170 bps over prevailing fully loaded CET1 requirements (currently 11.81% but is expected to rise to 11.83% by end-2019 and 11.84% in 2020 due to phasing-in of countercyclical buffers)

\*\* Based on 4-quarter rolling average, the ING Group ROE is calculated using IFRS-EU shareholders' equity after excluding 'interim profit not included in CET1 capital'. As at 31 March 2019, this comprised the 2018 final dividend of €1,712 mln and €882 mln of the 1Q19 interim profit set aside for future dividend payments

# Wrap up

# Wrap up

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- Primary customers increased by 150,000 to 12.6 mln, growth mainly in Australia and Germany
- We recorded net core lending growth of €8.7 bln in the quarter; net customer deposit inflow amounted to €4.8 bln
- Furthermore, results were supported by solid income despite challenging market conditions, good cost control, relatively low risk costs, and the release of a currency translation reserve
- On a four-quarter rolling average basis, underlying return on equity was 11.0%
- ING Group's CET1 ratio improved to 14.7% supported by the sale of ING's stake in Kotak Mahindra Bank
- We continue to improve the way we manage non-financial risk; global KYC enhancement programme is rolled out across more than 40 countries and 38 million customers with over 2,500 FTEs working on KYC across the bank

# Appendix

# WB reporting aligned with new structure following strategic review

## WB reporting structure until 4Q18



## WB reporting structure per 1Q19



\* Real Estate Finance Dutch Domestic Midcorporates reported under Retail Netherlands per 1Q19

# 1Q19 pre-tax result positively impacted by volatile items

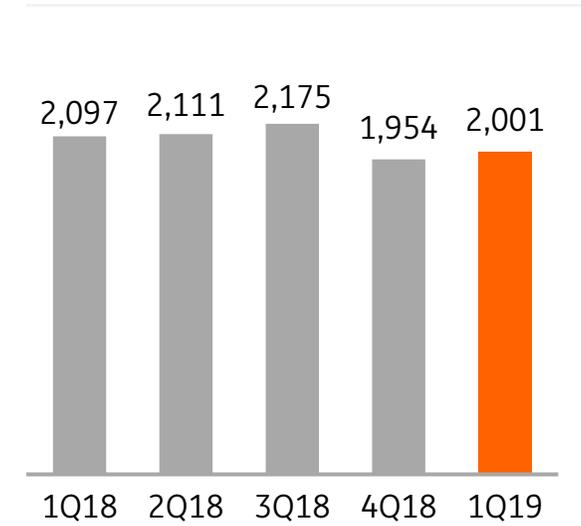
Underlying pre-tax result  
(in € mln)



Volatile items and regulatory costs  
(in € mln)

	1Q18	2Q18	3Q18	4Q18	1Q19
WB/FM – valuation adjustments	13	3	-13	-4	-58
Capital gains/losses	63	29	-3	-10	28
Hedge ineffectiveness	6	-23	56	-10	7
Other items*				28	119
<b>Total volatile items</b>	<b>82</b>	<b>9</b>	<b>40</b>	<b>4</b>	<b>96</b>
<b>Regulatory costs</b>	<b>-493</b>	<b>-98</b>	<b>-91</b>	<b>-266</b>	<b>-515</b>

Pre-tax result excl. volatile items  
and regulatory costs (in € mln)



- Excluding volatile items and regulatory costs, 1Q19 pre-tax result was down 4.6% from 1Q18, as higher income could not compensate for higher expenses and an increase in risk costs
- Quarter-on-quarter, the underlying result before tax excluding volatile items and regulatory costs was up 2.4%, mostly due to lower expenses and lower risk costs

\* Other items in 4Q18 included a €101 mln gain on an equity-linked bond transaction in Belgium, a €50 mln higher contribution from TMB (driven by one-offs) and a €-123 mln loss on the intended sale of an Italian lease run-off portfolio; 1Q19 concerns a €119 mln one-off gain on the release of a currency translation reserve related to sale of ING's stake in Kotak Mahindra Bank

# Group CET1 ratio at 14.7% and underlying ROE at 11.0%

## Group CET1 ratio development during 1Q19 (amounts in € bln and %)

	Capital	RWA	Ratio	Change
<b>Actuals 31 December 2018</b>	<b>45.4</b>	<b>314.1</b>	<b>14.5%</b>	
Net profit included in CET1*	0.2			0.08%
Kotak Mahindra Bank		-3.6		0.17%
Other equity stakes	0.3	1.1		0.04%
FX**		1.3		-0.05%
RWA & Other***	-0.1	-1.1		0.03%
<b>Actuals 31 March 2019</b>	<b>45.9</b>	<b>311.9</b>	<b>14.7%</b>	<b>0.26%</b>

## Group underlying ROE calculation in 1Q19 (in € mln)

As of 31 March 2019	
IFRS-EU shareholders' equity	52,788
deduct: Interim profit not included in CET1 capital****	2,595
<b>Adjusted shareholders' equity</b>	<b>50,193</b>
Adjusted shareholders' equity (4Q-rolling average)	48,449
Underlying net result (last four quarters)	5,315
<b>Underlying ROE (4Q-rolling average)</b>	<b>11.0%</b>

\* 1Q19 Group net profit (€1,119 mln) is partly reserved for dividends (€882 mln) and remainder is included in Group CET1 capital (€237 mln)

\*\* FX impact includes a €119 mln gain on the release of a currency translation reserve following the sale of ING's stake in Kotak Mahindra Bank which is recycled through P&L. Adjusting for the €119 mln gain, FX impact is only -1 bp

\*\*\* RWA and Other includes the positive impact from risk migration (+28 bps) and Market RWA excl. Kotak sale (+5 bps), which were mostly offset by the negative impact from volume growth (-18 bps), model updates (-4 bps) and other items (-9 bps)

\*\*\*\* The profit not included in CET1 capital is €2,595 mln which comprised the 2018 final dividend (€1,712 mln) and €882 mln of the 1Q19 interim profit set aside for future dividend payments

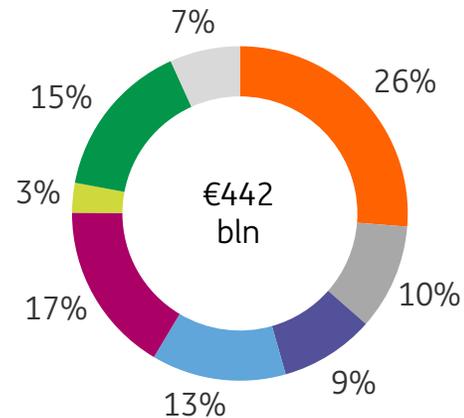
# Well-diversified lending credit outstandings by activity

## ING Group\*



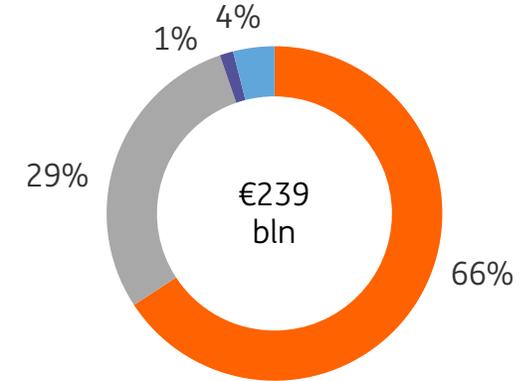
- Retail Banking
- Wholesale Banking

## Retail Banking\*



- Mortgages Netherlands
- Other lending Netherlands
- Mortgages Belgium
- Other lending Belgium
- Mortgages Germany
- Other lending Germany
- Mortgages Other C&GM
- Other lending Other C&GM

## Wholesale Banking\*



- Lending
- Daily Banking & Trade Finance
- Financial Markets
- Treasury & Other

- ING has a well-diversified and well-collateralised loan book with a strong focus on own-originated mortgages; 65% of the portfolio is retail-based

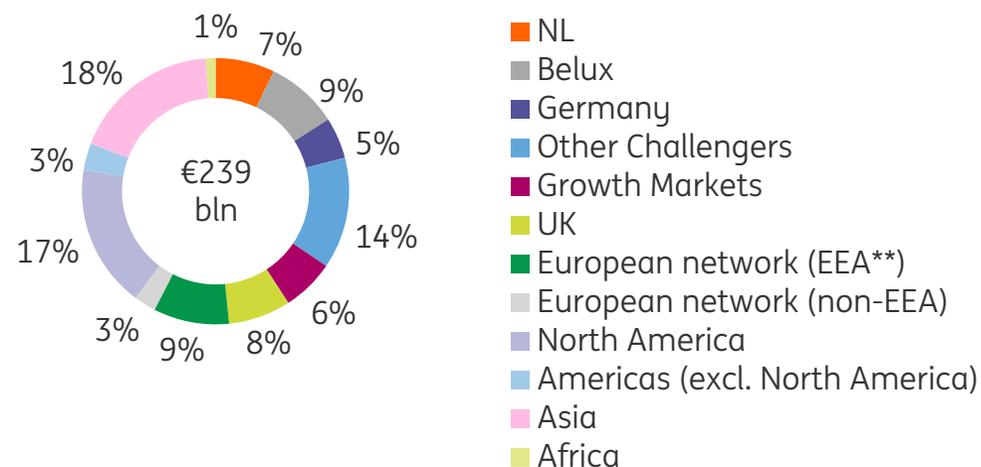
Note: percentages for Retail (Netherlands) and Wholesale Banking have changed versus 4Q18 as Real Estate Finance portfolio related to Dutch domestic midcorporates was transferred to Retail Netherlands from Wholesale Banking as per 1Q19

\* 31 March 2019 lending and money market credit outstandings, including guarantees and letters of credit, but excluding undrawn committed exposures (off-balance sheet positions)

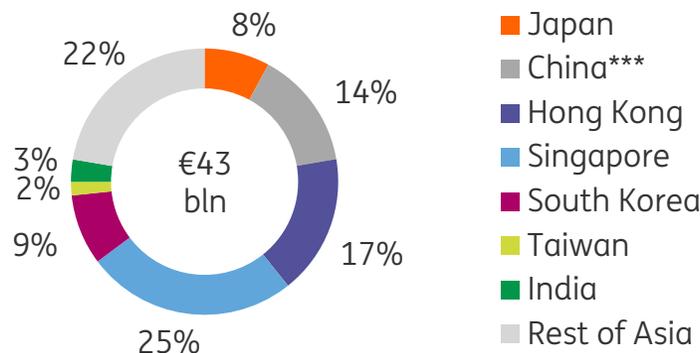
# Granular Wholesale Banking lending credit outstandings by geography and sector

## Loan portfolio is well diversified across geographies...

Lending Credit O/S Wholesale Banking (1Q19)\*

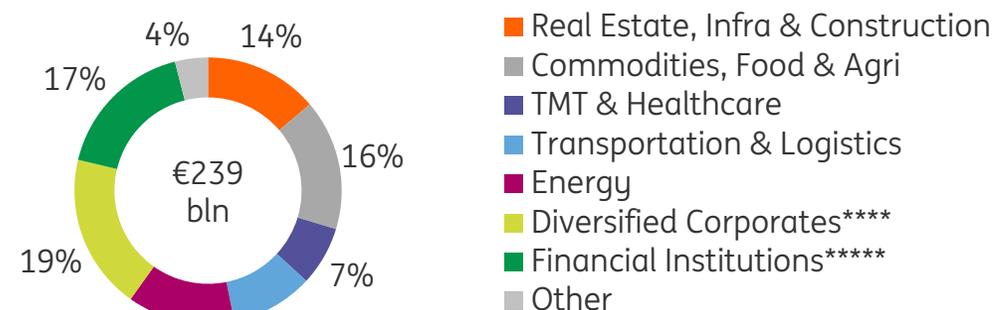


Lending Credit O/S Wholesale Banking Asia (1Q19)\*



## ...and sectors

Lending Credit O/S Wholesale Banking (1Q19)\*



Note: percentages for WB Netherlands are lower versus 4Q18 as Real Estate Finance portfolio related to Dutch domestic midcorporates was transferred to Retail Netherlands from Wholesale Banking as per 1Q19

\* Data is based on country/region of residence; Lending and money market credit O/S, including guarantees and letters of credit but excluding undrawn committed exposures (off-balance sheet positions)

\*\* Member countries of the European Economic Area (EEA)

\*\*\* Excluding our stake in Bank of Beijing (€2.3 bln at 31 March 2019)

\*\*\*\* Large corporate clients active across multiple sectors

\*\*\*\*\* Including Financial sponsors

# Detailed Stage 3 disclosure on selected portfolios

## Selected portfolios (in € mln)

	Lending credit O/S 1Q19	Stage 3 ratio 1Q19	Lending credit O/S 4Q18	Stage 3 ratio 4Q18	Lending credit O/S 1Q18	Stage 3 ratio 1Q18
<b>Wholesale Banking</b>	<b>238,992</b>	<b>1.4%</b>	<b>236,248</b>	<b>1.4%</b>	<b>221,882</b>	<b>1.8%</b>
Lending	157,262	1.4%	153,260	1.5%	135,273	2.2%
Daily Banking & Trade Finance	69,196	0.4%	68,708	0.3%	71,696	0.0%
<b>Selected industries</b>						
Real Estate Finance*	33,400	0.9%	33,800	1.1%	31,700	1.6%
Oil & Gas related**	39,228	1.6%	38,000	1.6%	37,941	2.5%
Metals & Mining	17,299	2.3%	16,249	2.2%	14,962	3.8%
Shipping & Ports***	15,292	3.3%	14,605	3.7%	13,175	5.7%
<b>Selected countries</b>						
Turkey****	12,073	3.1%	13,011	2.8%	15,627	2.4%
Russia	5,469	0.0%	5,700	0.2%	4,481	2.7%
Ukraine	924	21.0%	876	21.6%	798	41.6%

\* Includes both WB Real Estate Finance portfolio and Dutch domestic midcorporates portfolio which was transferred from Wholesale Banking to Retail Netherlands in 1Q19

\*\* Of which €3.2 bln (or 8% of Oil & Gas related exposures) are reserve-based lending activities

\*\*\* Shipping & Ports includes Coastal and Inland Water Freight which is booked within Retail Netherlands. Excluding this portfolio, Stage 3 ratio is 2.1%

\*\*\*\* Turkey includes Retail Banking activities (€5.2 bln)

# Overview Turkey exposure

## Total exposure ING to Turkey\* (in € mln)

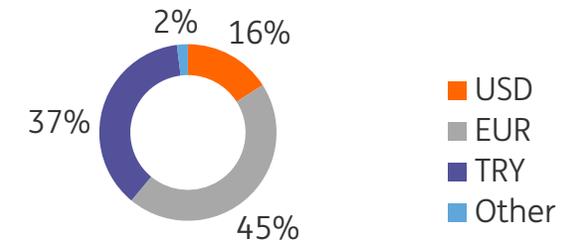
	1Q19	4Q18	Change
<b>Lending Credit O/S Retail Banking</b>	<b>5,189</b>	<b>5,709</b>	<b>-9.1%</b>
Residential mortgages	573	595	-3.7%
Consumer lending	1,243	1,355	-8.3%
SME/Midcorp	3,373	3,760	-10.3%
<b>Lending Credit O/S Wholesale Banking</b>	<b>6,884</b>	<b>7,301</b>	<b>-5.7%</b>
<b>Total Lending Credit O/S*</b>	<b>12,073</b>	<b>13,011</b>	<b>-7.2%</b>

- Amortisation of loan book is being used to reduce intra-group funding (from €3.0 bln at end-4Q18 to €2.7 bln at end-1Q19)
- Total outstandings to Turkey reduced rapidly, mostly due to Turkish lira depreciation
- ING only provides FX lending to corporate customers with proven FX revenues; only limited rolling-over of FX lending facilities
- ECA-insured lending (Export Credit Agencies) is approx. €1.7 bln; approx. €0.9 bln of SME/Midcorp lending benefits from KGF cover (Turkish Credit Guarantee Fund)
- Quality of the portfolio remains strong with a Stage 3 ratio of 3.1%

\* Data based on country of residence. Lending credit outstandings, including guarantees and letters of credit, but excluding undrawn committed exposures (off-balance sheet positions)

\*\* Excludes residential mortgages, which have an average remaining maturity of ~6 years

## Lending Credit O/S by currency



## Lending Credit O/S by remaining maturity

TRY**	~1 year
FX	~2 years

## Stage 3 ratio and coverage ratio

	1Q19	4Q18
Stage 3 ratio	3.1%	2.8%
Coverage ratio	55%	48%

# Important legal information

ING Group's annual accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS-EU'). In preparing the financial information in this document, except as described otherwise, the same accounting principles are applied as in the 2018 ING Group consolidated annual accounts. All figures in this document are unaudited. Small differences are possible in the tables due to rounding.

Certain of the statements contained herein are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to a number of factors, including, without limitation: (1) changes in general economic conditions, in particular economic conditions in ING's core markets, (2) changes in performance of financial markets, including developing markets, (3) potential consequences of the United Kingdom leaving the European Union or a break-up of the euro, (4) changes in the fiscal position and the future economic performance of the US including potential consequences of a downgrade of the sovereign credit rating of the US government, (5) potential consequences of a European sovereign debt crisis, (6) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, (7) changes in conditions in the credit and capital markets generally, including changes in borrower and counterparty creditworthiness, (8) changes affecting interest rate levels, (9) inflation and deflation in our principal markets, (10) changes affecting currency exchange rates, (11) changes in investor and customer behaviour, (12) changes in general competitive factors, (13) changes in or discontinuation of 'benchmark' indices, (14) changes in laws and regulations and the interpretation and application thereof, (15) changes in compliance obligations including, but not limited to, those posed by the implementation of DAC6, (16) geopolitical risks, political instabilities and policies and actions of governmental and regulatory authorities, (17) changes in standards and interpretations under International Financial Reporting Standards (IFRS) and the application thereof, (18) conclusions with regard to purchase accounting assumptions and methodologies, and other changes in accounting assumptions and methodologies including changes in valuation of issued securities and credit market exposure, (19) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, (20) changes in credit ratings, (21) the outcome of current and future legal and regulatory proceedings, (22) operational risks, such as system disruptions or failures, breaches of security, cyber-attacks, human error, changes in operational practices or inadequate controls including in respect of third parties with which we do business, (23) risks and challenges related to cybercrime including the effects of cyber-attacks and changes in legislation and regulation related to cybersecurity and data privacy, (24) the inability to protect our intellectual property and infringement claims by third parties, (25) the inability to retain key personnel, (26) business, operational, regulatory, reputation and other risks in connection with climate change, (27) ING's ability to achieve its strategy, including projected operational synergies and cost-saving programmes and (28) the other risks and uncertainties detailed in this annual report of ING Groep N.V. (including the Risk Factors contained therein) and ING's more recent disclosures, including press releases, which are available on [www.ING.com](http://www.ING.com). (29) This document may contain inactive textual addresses to internet websites operated by us and third parties. Reference to such websites is made for information purposes only, and information found at such websites is not incorporated by reference into this document. ING does not make any representation or warranty with respect to the accuracy or completeness of, or take any responsibility for, any information found at any websites operated by third parties. ING specifically disclaims any liability with respect to any information found at websites operated by third parties. ING cannot guarantee that websites operated by third parties remain available following the publication of this document, or that any information found at such websites will not change following the filing of this document. Many of those factors are beyond ING's control.

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