

## ING BELGIUM'S RESULTS FOR FIRST HALF OF 2019<sup>1</sup>

With the 'Start to app' week initiative ING Belgium made further efforts towards developing an **inclusive digital society** during the first half of the year. These efforts have borne fruit. The number of **new active mobile users increased by 10%** during the first half of the year after setting a record of more than 1 million at the end of 2018.

Further steps were also taken in **transforming ING into a single integrated bank in Belgium and the Netherlands**. With 11 million customers in both countries served from the same platform, ING will become one of the biggest banking platforms in the Benelux.

As regards the financial results, **ING Belgium posted a strong result before tax of € 435 million, 14.4% up** on the same period of last year. In the first half of 2019, the increased lending volumes also formed a significant counterweight to the pressure of persistent low interest rates on the result before tax.

### Financial update

- **Result before tax 1H2019 at € 435 million** is up € 55 million or **14.4%** versus the same period last year.
- **Net Interest Income increases by € 65 million** when compared to 1H2018, despite the worsening of the low interest rate environment. Sustainable growth in the loan book at better margins allows for the offset of the income drop in savings and current accounts.
- **Operating expenses are down 2.7%** versus the same period last year mostly due to lower staff costs.
- **Deposits** reach a total volume **€ 105.1 billion, an increase of 3.0%** or € 3.1 billion compared to 1H2018.
- **Lending volumes<sup>2</sup>** end at **€ 106.4 billion**, an increase of 4.6% or € 4.6 billion compared to 1H2018, albeit that growth in 1H2019 is at a slower pace than the growth observed in 2018.
- **Risk costs are up € 32 million** versus last year's low level in 1H2018, trending towards their long-term average. Capital ratios and liquidity buffers remain well above the minimum requirements.

### Commercial update<sup>3</sup>

- Net increase of 24,000 ING Lion Accounts, or +2.18%
- Net decrease of 13,000 active customers<sup>4</sup>, or -0.88%
- Net decrease of 6,500 primary customers<sup>5</sup>, or -0.46%
- Net increase of 108,000 new active mobile users, or +10.06%

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<sup>1</sup> ING in Belgium comprises the ING entities with banking and leasing activities in Belgium and Luxembourg, excluding their foreign branches

<sup>2</sup> Excluding volatile part of overdraft facilities

<sup>3</sup> Evolution during 1H2019

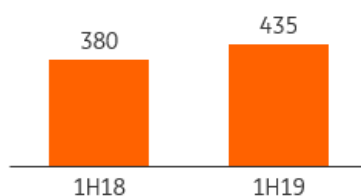
<sup>4</sup> An active customer has a current account with ING that has regular flows coming in, for instance salary

<sup>5</sup> A primary customer has a current account with ING that has regular flows coming in, for instance salary, and at least one additional product

## Financial update

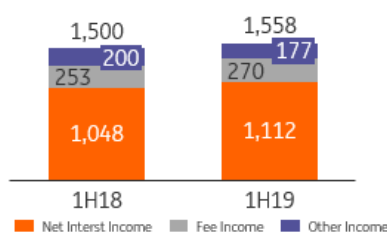
In the first half of 2019, ING<sup>6</sup> reported a strong **result before tax** of **€ 435 million**, which is 14.4% higher when compared to the same semester in 2018. The increase was mainly attributable to lower staff costs and higher lending income. The positive year-on-year development was further helped by non-recurring revenues from treasury-related activities. Risk costs, however, were € 32 million higher than the same period last year. The first semester of 2018 also benefitted from the release of a legal provision in Luxembourg.

Result before tax (in € million)



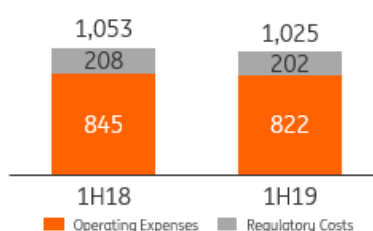
Compared to the first half of 2018, **income** went up by € 58 million, supported by sustainable growth at better margins in the lending business. The income increase is achieved despite the negative impact from the worsening interest rate environment on savings and current accounts, and offsets the drop of income resulting from transferring some of the Financial Markets trading activities to the UK in the course of 2018.

Total Income (in € million)



Underlying **expenses** amounted to € 1,025 million, down 2.7% when compared to the same period last year, which included the release of a legal provision. This decrease mainly reflects lower staff costs and lower regulatory costs.

Total Expenses (in € million)

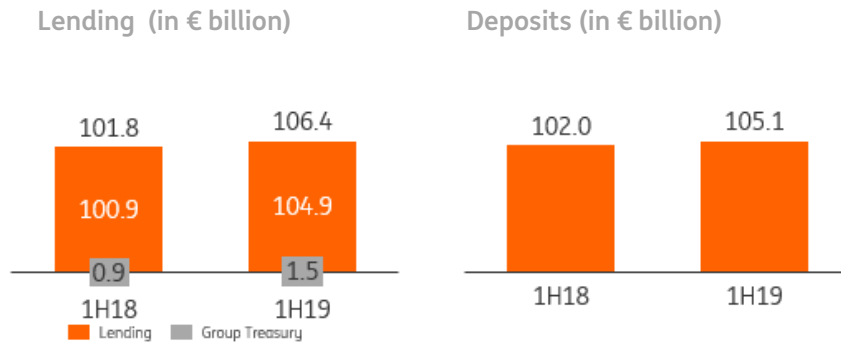


The lending portfolio<sup>7</sup> ended at € 106.4 billion, reflecting an annual growth of € 4.6 billion, including € 0.6 billion growth related to treasury activities. Excluding treasury activities, lending increased by

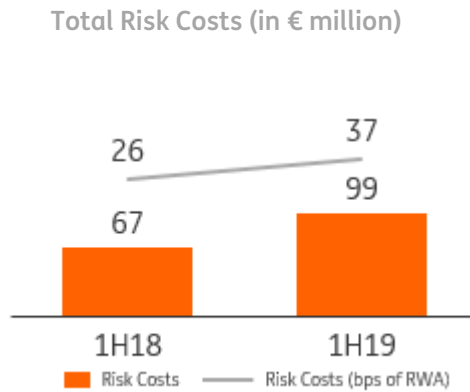
<sup>6</sup> As per 1Q2019, financials of Nordics locations (which are managed from Brussels) transferred from Wholesale Banking Rest of World to Belgium. Historical figures have been adjusted

<sup>7</sup> Excluding volatile part of overdraft facilities

€ 4.0 billion, being a 4.0% growth year-on-year, mostly driven by mortgages and business lending. Total customer deposits at the end of June stood at € 105.1 billion; this includes € 3.1 billion of net growth year-on-year, primarily in current accounts.



In the first half of 2019, risk costs were € 99 million, which translates into 37 basis points of average Risk Weighted Assets. This represents a growth of € 32 million when compared to the same period last year, mostly visible in business lending.



## Commercial update

### Digital inclusion for financial autonomy

The number of new active mobile users increased by a further 10.06% during the first half of the year after setting a record of more than 1 million at the end of 2018. At the end of the first half of the year **1,179,000 customers** manage their banking business through the ING Smart Banking app.

ING Belgium believes that digital banking makes banking easier and therefore made further efforts towards developing an inclusive digital society. It helps people to obtain a better overview of their financial affairs and to be able to make better financial choices and to be longer financially autonomous.

ING notices however, that some customers are still reluctant to make the switch to digital banking. With the **'Start to app' week** initiative among others, ING strives to make customers feel comfortable with digital banking. In March and June, ING organised no less than 200 digital workshops throughout Belgium and signed up more than 7,000 customers. Customers can also call on the 'customer coaches' for help at any of the six Client Houses and 640 branches. The coaches welcome customers and accompany them in the use of the digital channels. They also explain which banking transactions can be handled by telephone via the customer service and put the customer in touch with a bank employee for more complex questions when the banker's expertise provides added value.

At the same time ING set up a **fund for 'Digital inclusion'**, which is managed by the King Baudouin Foundation. Over a two-year period ING will donate € 600,000 to projects promoting digital inclusion in Flanders, Brussels and Wallonia. The ING Fund aims to strengthen digital inclusion by helping people to develop their digital skills and ensuring that digital products and services are accessible to all.

These efforts have borne fruit. By the end of June 2019, more than half of primary customers in the 66+ age group used digital banking<sup>8</sup>. In just two years this figure has risen from 36% to 52%. In the 56 to 65 year age group, the proportion using digital banking was as high as 72%. This represents an increase of 12% in two years. Meanwhile the corresponding figure for our primary account holders in the 18 to 25 year age group is 96%. What is even more interesting to note is that when looking at the mobile adoption<sup>9</sup> of the 66+ primary customers, there is an increase of 9% to 21% in two years. If this growth continues, this could mean that this age group will be almost entirely banking mobile beyond 2022.

The new sales campaign also focuses on digital adoption. The number of ING Lion Accounts (online current accounts) has so far increased by 2.18% to reach 1,120,500. With the Record Bank migration fully concluded, there is a modest decline in the number of active and primary customers, by 0.88% (which brings us at 2,903,500) and 0.46% (which gives a total of 1,415,000) respectively.

## Unite be+nl

### Digital solutions delivered faster to the customer thanks to a more efficient business model

Because the world is going digital faster than anyone had expected, ING's objective is to bring digital solutions to the customers faster as well. Both customers' behaviour and their expectations have changed. Therefore, ING has taken on the challenge of building a single integrated bank in Belgium and the Netherlands.

With 11 million customers in Belgium and the Netherlands (and in the longer term customers in other ING countries too) served from the same platform, ING will become one of the biggest banking platforms in the Benelux.

The resulting economies of scale enable ING to speed up the development of innovations for customers. **It will take less time to develop a product or application, because an innovation in one country can immediately be adopted by other countries that are on the platform.** For the new ING Banking app, for

<sup>8</sup> Digital banking is online banking (Home'Bank and Business'Bank) and mobile banking (Smart Banking app)

<sup>9</sup> Mobile banking is banking via the Smart Banking app

example, the payment module was developed by ING Germany, the product overview by ING Netherlands and the address book module to manage beneficiaries, by ING Belgium. The app is expected to be **launched in stages** in Belgium **later this year**.

**This way ING is evolving towards a digital platform that will be enriched with complementary services** that customers are looking for, such as the ING+ deals. Since November 2018, customers with **ING+ deals** can get cashbacks on their (day-to-day) purchases. ING has so far concluded exclusive deals with 35 major brands. Customers pay the full amount via their ING account, bank card or credit card. The discounts are automatically calculated and generally paid back the month following the purchase. **In the first half of 2019 more than 65,000 customers (85,000 since the start) signed up for the ING+ deals**. Since the launch, about 20,000 transactions were registered.

ING continues to work on improving the current **ING Smart Banking app**. The app now allows customers to easily replace a credit card, change credit card limits, add and remove powers of attorney and manage beneficiaries. ING is also the first bank in Belgium to enable its customers to ask questions about their banking affairs to a virtual assistant, [Google Assistant](#), via voice commands in Dutch and French. For ING this is a first step in the development of more applications for Google Assistant.

### Agile way of working

This digital transformation is also supported by the **agile way of working** in the various ING countries, which ensures more efficient cooperation as a single organisation across borders. The fact that all IT employees in both countries now have the same way of working, the same functions and the same tasks, forms the basis for the coming migration of ING customers to a single integrated banking platform.

This way of working also means that feedback from customers can be incorporated faster into new and existing products and services. **For example, the new ING Banking App is being developed jointly with customers**. This means specifically that in the run-up to the launch a limited number of customers will be invited to discover the new digital channels, which are not yet equipped with all functionalities in this phase. On the one hand, customers' feedback is used to establish the sequence in which certain functionalities are developed, and is on the other hand used to improve the quality of existing products, channels and services and to enhance user experience.

### Employees

ING's working towards a more efficient business model entails a further reduction in the number of employees in the framework of the social plan that was announced in October 2016. Through a collective labour agreement, support measures are activated for employees leaving the bank.

During the first half of 2019, 148 employees left the bank via the early leave measure (55+) (920 since October 2016), and another 120 applied for it, but have not yet left the organisation. Employees taking early leave from the bank are encouraged to stay active. 24% of them asked for and obtained permission from ING to start a new activity. 13 employees left the bank during the first half of 2019 in order to start their own businesses with the support of ING (86 since October 2016). 3 employees obtained voluntary or recognised leave during that same period (426 since October 2016).

ING limited the number of dismissals to 47 during the first half of 2019 (439 since October 2016). Since October 2016 a total of 1,871 employees have left the organisation in the framework of the collective labour agreement measures.

Next to that, ING hired 409 new employees and organised almost 11,000 training days in the first semester of 2019.

## Notable achievements

After being the first to introduce standard same-day payments in Belgium in March 2018, ING also offers [instant payments](#) since the end of March 2019. Private individual customers can automatically use this service for free, and do not have to do anything. Companies pay € 5 (+VAT). They still have the possibility to execute same day payments for free as long as they are executed before 2.30 pm.

A few figures:

- 7,485,275 instant payments were processed between the beginning of April and the end of June 2019;
- That equates to around 7,000 instant payments per working hour, 1,755 per quarter-hour, 117 a minute or two a second.

Some of ING's most notable business partnerships in the first half of 2019:

- ING advised and accompanied [Aedifica](#) in closing a record deal: 92 healthcare facilities for £ 450 million in the United Kingdom;
- In close cooperation with the Dutch colleagues, the ING Food & Agro team from the Kempen in Belgium granted cross-border financing to **Nukamel**. This enables the company to expand the capacity of its Dutch factory and provides it with a new financial impulse;
- ING Real Estate Finance Belgium granted three green (and social) loans to **Belgian regulated real estate companies** (B-REITs) for a total amount of € 140 million. These funds, granted to B-REITs active in student accommodation, retirement homes and the logistics sector, will be used to finance green buildings, solar panels and carbon emission reduction;
- ING also took a position in '[We Are Jane](#)', a fund run by women for women. ING is very proud to support this unique investment fund, which seeks to bring change in the male-dominated investment world.

### Additional information:

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