

# ING Groep N.V. (INGA NA)

## Implementing the Digital Plan

### Key Takeaway

**ING reported Group Net Income of €1,376m and a clean PBT of €1,971m, which was 6% ahead of JFe and 8% ahead of cons. A small beat driven by good performance in NL and WB, on the other side Belgium and G&C markets were penalized by small regulatory one-offs or acceleration of the transformation plan. CoR remains low in all divisions. The CET1 remains flat at 14.5%. NIM is strong at 153bp due to good volume growth and non-recurrent hedging effect. RoE at 11%.**

**Market reaction:** Disappointment for some investors on a first read, however, the lower performance in BL and G&C is driven by the acceleration of transforming plan or some one-off regulatory items. We keep our views unchanged and we believe ING remains the best way to play the digital transformation in banking and we expect to see the benefits of their investment by late 2018.

**Retail Netherlands:** A strong beat in NL but mainly due to a one-off transaction with WUB, which supported NII (+1% YoY), whilst fees continue to perform strongly (+6% YoY) albeit down by 1% QoQ. Loans continue to decline, mortgages are down by 6% YoY.

**Retail Belgium:** Miss in Belgium driven by lower revenues but the cost control remains strong due to the restructuring progress. Revenues are down by 5% YoY with NII down by 9% YoY, due to margin pressure, whilst fees are up by 3% YoY. The volumes continue to be strong and are up by 4.5% YoY.

**Retail Other:** Lower than expected. **Germany** - revenues are down by 2% YoY driven by strong fees (+12% YoY) and flat NII due to deposit repricing done in Q2. Opex higher due to reg cost and digital expense, the CoR remains record low. Loans are up by 3% YoY. **Other retail** - revenues are up by 5% with both NII and fees growth strong, +15% YoY and +16% YoY, respectively. Without exceptional items, the results are just in-line. Loans are up by 8% YoY.

**Wholesale banking:** Good performance especially in **Industry** with revenues up by 5% YoY driven by strong volumes in structured and real estate finance. CoR benefited from write-backs in structured finance. **General lending**, revenues are up by 6% YoY with a strong volume growth +19% YoY.

**Group CET1 remains flat at 14.5%.** Leverage at 4.5% from 4.6% in 2Q-17. CoR remains record low at 21bps with NPLs at 2.3%. Primary customers at 10.5m.

**Valuation:** ING trades on 1.2x 2018 TNAV with a 12% adj RoTE by 2019. On P/E, it trades at 10.3x 2018 earnings with a 4.4% dividend yield in 2017.

**Conference call:** 8am UK time, tel: +44 20 4465 3209, Code:268099#.

**BUY**

Bloomberg NXT AM: INGA NA  
Price target €18.80  
Price €15.94<sup>^</sup>

<sup>^</sup>Prior trading day's closing price unless otherwise noted.

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ING Bank N.V. provides various banking services in the Netherlands, Belgium, Rest of Europe, North America, Latin America, Asia, and Australia. The company operates through Retail Netherlands, Retail Belgium, Retail Germany, Retail Other, and Wholesale Banking segments. It accepts current and savings accounts; and offers business lending, mortgage, and other consumer lending products. The company also provides payments and cash management, corporate finance, real estate, leasing, factoring, and treasury services, as well as equity and debt capital market solutions. It serves individuals, small and medium-sized enterprises, mid-corporates, financial institutions, governments, and supranational bodies. The company was incorporated in 1927 and is headquartered in Amsterdam, the Netherlands. ING Bank N.V. is a subsidiary of ING Groep N.V.

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### (Article 3(1)e and Article 7 of MAR)

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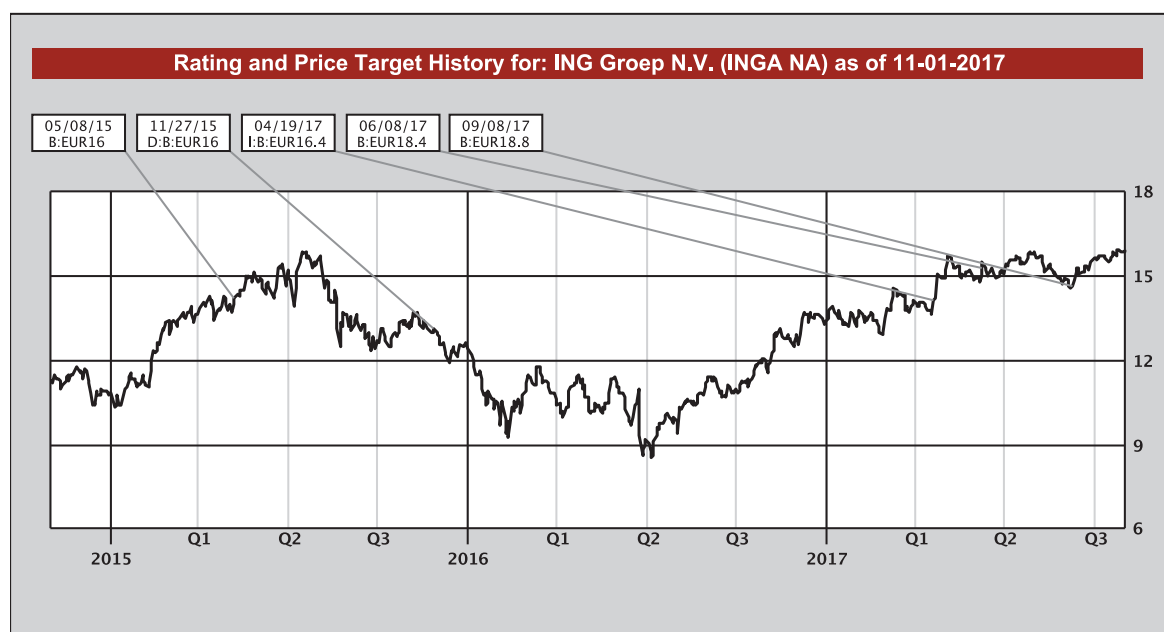
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			Count	Percent	Count	Percent
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