



4Q18 ANALYST meeting Transcript

6 February 2019

Operator: Good morning, welcome to the ING Q4 2018 conference call. Before handing this conference call over to Mr. Ralph Hamers, CEO of ING Group, let me first say that today's comments 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 a 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 statement is contained in our public filings, including our most recent Annual Report on form 20F, filed with the US 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 – CEO ING: Thank you, operator. Good morning everyone. Welcome to the full year 2018 results call. I am here with CFO, Koos Timmermans, and our CRO, Steven van Rijswijk. Let us go through the presentation that I hope you have in front of you.

ING posted a net profit of EUR 4.7 billion. If we exclude the settlement with the Dutch authorities in the third quarter, the net profit for 2018 came in at EUR 5.4 billion. That translates into a healthy return on equity of 11.2%. In the fourth quarter we continuing to work on the KYC enhancement programme. As you know, we take this responsibility very seriously. Regulatory compliance is a key priority, not just for management, but for the firm as a whole.

If we look at 2018 from a commercial perspective, things have really continued to progress. Our primary customer base group furthered by around 10% to 12.5 million. The core lending growth for 2018 came in at 6.4% underlying, underlining our continued growth in, if you look at it, nearly all markets, while at the same time we were able to keep the interest margins up as well. The group's CET1 ratio ended the year at a solid 14.5%. If you look at the future, our ambition is to grow profitably within our risk appetite, but we also see some market dynamics through which we expect maybe some lower Wholesale Banking growth.

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From that perspective, some of the programmes that we have running if we cannot translate those into operational leverage to grow, we will look more on the cost side of things in order to ensure that we will continue to work on our cost/income ratio. We also see some regulatory expenses increasing, including a potential Romanian bank tax, which may be introduced in 2019.

For the year we propose to pay an attractive full-year cash dividend of EUR 0.68, which is obviously subject to the AGM in April.

Slide 3 basically sums up the commercial performance. You see that the strategy that we launched about five years ago, with a real focus on our client experience, that we are on the right track here. Primary customers were up 1.1 million for 2018, 300,000 in the fourth quarter alone, so a very good fourth quarter result there as well. We are getting closer to our target of 14 million by the year 2020.

If you look at where this growth comes from, it is really coming from all the different countries in which we play, but specifically Australia and Germany have showed real continued growth in primary customers, but also market leaders and the other growth markets. So, it is really well-spread across the many markets in which we see these customers coming in and also the primary customers coming in.

Translated into net core lending growth that came in at EUR 36.6 billion for the year. As indicated that is a 6.4% increase. And there was also a good customer deposit growth of EUR 19.3 billion and that is 3.6% increase year-on-year. So again in 2018 from a lending perspective, we have exceeded our 3% to 4% loan growth ambition.

More specifically in Retail Netherlands we have also basically returned to core lending growth in 2018 and we will come back to that later.

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In the fourth quarter we were ranked number one in six of our thirteen retail markets in terms of net promoter score. In another three markets we were ranked number two.

Then turning to the transformation programmes and where we are on these. Every quarter we give you a bit of an update here. If you look at the programme in Belgium and the milestones reached in the fourth quarter, we migrated the servicing of former Record Bank mortgages and consumer loans to Stater, which is an important step to show that we can also start decommissioning now the legacy of Record Bank systems.

If we look at the Model Bank programme, which is basically programmed where we built one bank for five different countries, we have reached a very important milestone. The team migrated all savings customers in the Czech Republic to the new retail platform. As you know, this will later be used for the other Challenger countries. That new platform makes use of the latest ING IT building blocks like TouchPoint Architecture, our Private Cloud. With that we create scalability and flexibility towards building the one cross-border retail platform.

On Welcome, the programme that we have running in Germany, we continued our digitalisation and operational excellence initiatives to build the leading digital bank for the future. We are getting closer to the end of this programme. It is basically delivering everything that we wanted and even more on some sides and in some areas. So, that is quite good as well.

On the Wholesale Bank we continue to streamline operations and further sharpened controls through the use of real-time transaction monitoring. So, progress on all programmes here.

So, turning the page, we get into an update on sustainability. One thing that we are specifically very proud of is the Terra approach. As you know we launched the Terra approach, which basically is a methodology through which we engage with our clients to see how we can decrease the indirect foot print of our asset base in line with the Paris Agreement. We came to a specific commitment and we launched that in Katowice, together with four other European

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banks. We are so happy with that, because in the end it is all about how do you create an industry standard. We pledged our commitment to decrease our indirect foot print and we pledged our commitment to this methodology. Clearly, if there is better methodology in the future, we will certainly adopt that as well. In the end for you and for many other stakeholders it is important that we do that in a standard way and that we agree on the standard. Therefore, having the other European banks on board, this shows first that this is an open source approach and secondly that I think that we can get going to really influence climate change.

We do more on this. We also issued the largest green bond to-date by a European bank. We got the IFR 2018 SRI Bond of the Year award for that. That also shows that we can become more sustainable. It is not only our clients, but ourselves as well. So, this is another testimony to the fact that we take this very seriously.

In the Netherlands we have agreed with the other large banks to put our ATM's together in one and the same company in order to get better and give better customer service and at the same time be able to save cost. That will happen over time with the Geldmaat initiative.

On the innovation side I want to highlight two things specifically. The first one is Cobase. We invested through our ING Ventures Fund some more in Cobase. Cobase is this multibank aggregation platform for the corporate market and it is really successful. It is getting more and more clients. It offers payments, cash management and treasury services all in one place. For the average treasurer this is the real help in managing the finances of the company.

On the other side, we also invested in a company called Axyon, together with an Italian bank. Axyon delivers artificial intelligence to improve syndicated loan decisions. For our syndicated loan business, in which you know we are one of the larger banks specifically in Europe, we are very happy that we get support through artificial intelligence to improve our distribution of our loans. That is the update on the innovation side.

Now we turn to the year results at slide 7.

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The underlying net result increased to EUR 5.4 billion in 2018, an increase of 8.7%. That is mainly supported by a higher income and a lower effective tax rate. 2017 had a higher effective tax rate, due to the one-time impact of deferred tax assets as a result of the corporate tax reductions in the US and also in Belgium for us. For the full year we managed to achieve an underlying return on equity of 11.2%, while at the same time the group's CET1 ratio remained solid and increased to 14.5%. Quite an achievement.

On slide 8 we can see some of the key drivers underlying the income growth. The underlying income growth itself grew 3% since 2015 annually, a CAGR of 3%. Despite the impact from the low rate environment on our liability income the NII has grown over the past years as you can see here as well. Also, the fee income has grown as well in line with our ambition of growing this by 5% to 10% per annum. So, basically, you see the composition of the underlying income growth in net interest result as well as in net fee and commission income. A very solid picture here.

If you compare it to 2017, the underlying income grew 2.2% in 2018. That is mostly because of the stronger NII in the Retail Challengers & Growth Markets and Wholesale Banking, except for Financial Markets, as well as a marked improvement in the Corporate Line that we have. Net fee and commission income were up despite a more volatile Equity Markets backdrop in the fourth quarter, as you know. That backdrop put some pressure on investment product fees. I think you are all familiar with that. We also see now in the net fee and commission income that our acquisition of Payvision, which was completed in the second quarter of the year, is also contributing nicely to our fee line. So, good movements there as well.

Turning to the expense side. If we excluded the regulatory costs, you can see that the expenses have been well-controlled in the past years despite a substantial increase in digital investments following the decision to accelerate our Think Forward Strategy in 2016. You see a CAGR there of 1.3%, whereas the volume has really increased and whereas we have truly invested in our offering to our customers to improve the offering, through which we get all

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these new clients. So, that is pretty well managed and with that you manage the operating leverage. A real improvement there.

The risk costs remained broadly stable in 2018 at EUR 656 million or translated 21 bps of average RWA. As you know, this is well below our through-the-cycle average of 40 to 45 bps of our RWA.

As we guided, we expected a 2018 cost income ratio around 55%. Due to strict cost discipline we managed to end up just below that number at 54.8%. You see in the picture on the right-hand side that, if you take out the ever-increasing regulatory cost, and this is regulatory costs in terms of cash-out regulatory costs, we are actually running a very efficient operation with a cost/income ratio of just below 50%, as we continue to work on becoming efficient. It is a continuing story. We think that we can become even more efficient, but you also see that regulatory costs have a major influence on our cost/income ratio here.

Coming to the financial ambitions and where we are on that, on slide 10. We continued to perform well against nearly all the stated financial ambitions. Both the CET1 and the leverage ratios remain well ahead of the minimum regulatory requirements and our own financial ambitions. Regarding operational leverage we see that maybe the structural approach to new business in terms of return and where we are in the economic cycle, could result in lending growth in Wholesale Banking being a little bit slower. The efficiency programmes continue. The investments in digital continue. So, if the operational leverage that we achieve through that, we cannot use to continue to grow, we will have to work it on the cost side through the same programmes. That is the discipline that we have. At the same time, we are also confronted with increasing regulatory costs, as I just showed you on the previous page. That will have an influence as well. There is also some continuing pressure of low rates on our liability income. Operational leverage is certainly an important one for us to manage. In the end it is an input factor into the key performance driver which is the return on equity, which you see has increased a full percentage point between 2018 and 2017. So, there are many

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different drivers that support the key performance indicator here, the return on equity. That is the one that in the end we all manage and that has increased by a full 1%.

On the dividend side also there for 2019 our policy is to pay a progressive dividend.

Let us go briefly through the 4Q2018 results and then open the call for questions.

The underlying pre-tax result was around EUR 1.7 billion in the fourth quarter. That marks an 8.5% improvement versus the same quarter last year. This is largely caused by a strong net interest income at resilient margins, which I will come back on later, a solid fee income and a higher profit for our stake in the Thai bank, TMB. That came in to the income.

If we look at things sequentially, the underlying result before tax fell 20.3%. That is mainly caused by higher expenses, of which the largest part relates to the annual Dutch bank tax. That is not a surprise. It is also due to lower bank treasury results and if you compare the quarters sequentially in the third quarter, we had a Bank of Beijing dividend coming in, which we do not have in the fourth quarter.

The underlying income in the fourth quarter contained a few larger one-offs in the quarter. We reached an agreement for the intended sale of the lease run-off portfolio in Italy. That led to a loss of EUR 123 million in the investment income line. At the same time, in other income we recorded a EUR 101 million gain from the sale of an equity-linked bond in Belgium.

Turning to the NII, NII excluding Financial Markets increased 3.6% year-on-year. That is driven by higher interest results and customer lending, while the overall lending margin remained stable, compared to the year ago quarter. This result related to customer deposits compressed a little bit if you compare it to the fourth quarter of 2017. Higher volumes could not offset the pressure on savings on this one and current accounts, as the reinvestment yields are lower in the replicating portfolio.

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The group's NIM was up at 156 bps in the fourth quarter. That marks a 4 bps improvement quarter-on-quarter, fully explained by a higher interest result in Financial Markets. The NII results in Financial Markets tend to be volatile as you know. We report on that every quarter, as to how we qualify or classify income on the Financial Market side. In the Financial Market side there was an offset in the other income line, which you will see later. From a margin perspective you see an improvement of 4 bps on the back of Financial Markets. If you then look at the four-quarter rolling NIM, which filters out some of those volatile items, the NIM was stable at 153 bps.

We now look at core lending growth. In the fourth quarter we reported EUR 3.2 billion net core lending. After good quarters in 2018, we see a continuation on the Retail Bank of that growth. The Retail Bank increased by EUR 4.7 billion of which EUR 3.5 billion was in mortgages in almost all countries. The other lending growth of EUR 1.2 billion mostly relates to the business lending in Belgium. You can see that here as well in this picture.

On the Wholesale Banking side, we have reported a decline of EUR 1.5 billion. That was predominantly in Trade & Commodity Finance, largely as a consequence of a substantial drop in oil prices. So, that is really what has impacted this number. We have seen growth in the Transportation & Logistics portfolio but also the Energy portfolio. The drop in oil prices really impacted the TCF volumes. That is the resulting number you see here.

Our focus on return as well as the appropriate risk, as I have indicated earlier already, may lead to some lower growth on the Wholesale Banking side going forward. We still see strong competition and looser credit standards in the market. As you know, as a general principle and as a sign of good credit risk culture, we are unwilling to compromise on structure or amend our risk and return standards. That is how we have built the business over the last 25 years and no matter what might happen in the market this is what we keep doing.

The fee income rose to EUR 704 million from EUR 674 million in the fourth quarter last year. In the Retail Banking this was mainly visible in The Netherlands and Germany as a result of

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higher daily banking fees. We saw a decrease in Turkey and Belgium. In Belgium that is mostly related to lower investment product activity, due to the volatile equity markets.

The total fee income growth in the Wholesale Banking was supported by a number of large deals. You know that the fee income on the Wholesale Banking side can be a bit fluctuating, depending on when we close deals, because that is how we make the fees in the Wholesale Bank. This was a good quarter. As I mentioned before already, specifically also on the Wholesale Banking side fee income growth is also benefiting from the inclusion of Payvision as of the second quarter in 2018.

Financial Market's total income excluding CVA/DVA was down on both comparable quarters in line with our peers. You also see here the classification of the Financial Markets income into net interest income and non-interest income, as we referred to earlier today. That changes all the time. This is one of the explanations for the peak NIM for the end of the year. As said, the NIM itself also on fourth quarter rolling basis is really good.

Looking at Financial Markets specifically, the impact from an overall income perspective was visible in the fixed income and corporate finance business. I think specifically the fixed income stuff or the fixed business you see with more of our peers. The lower rate environment causes lower client activity to hedge. We see challenging global market conditions as well. So, that is an area that, as we have already indicated last quarter, we are really looking at how we can further improve that.

As you are used to, I like to spend a few minutes highlighting one of our business every quarter. This time I would like to give you a peek into what we are doing in Spain. Spain had a phenomenal year. It has got a strong commercial momentum across the board. I think the key to Spain's success is its model of having built a fully-fledged digital universal bank, increasing primary clients with the additional bank owning increasing cross-buy. You can see that there is as well in a digital bank owning on the back of a digital product offering. You see the percentage of clients that have two or three products. You see that you can build full-

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fledged digital universal banks with primary clients and deliver cross-buy. It is a proof of our strategy.

What is also clear from this page is the quick change away from desktop banking to mobile banking, both in terms of contact that we have with our clients and in terms of sales. 68% of our total sales in Spain is now fully digital, with mobile growing very quickly as you can see from this picture as well.

One of the things our Spanish colleagues have done really well is to focus on how we deliver on client experience. For many years in a row we have been number one in net promoter score in Spain, with a 27 points difference versus the best competitor. We compare ourselves to all the large banks in this market. So, it is the example of how you can challenge a market and an example of how you can deliver on superior client experience digital-only. You can really grow from a primary customer perspective as well.

Earlier I referred to the model bank. You know the building of one platform to cater for four different markets. That approach is fully based on the Spanish model and the Spanish success.

Expenses excluding regulatory costs went down by 2.2% compared to a year ago for the quarter. That is due the continuous strict cost discipline that we have, despite the inclusion of Payvision. So, a real accomplishment on this one.

The fourth quarter last year included some additional restructuring costs and additions to legal provisions. Quarter-on-quarter expenses excluding regulatory costs were up 3.9% from Q3 to Q4. That was visible in most segments except for Retail Germany. This quarter also included higher spend on compliance and the KYC enhancement programme.

Regulatory costs remained at a high level at a high level and went up 5% for the full year compared to 2017, as you can see. Bank taxes have become a meaningful part of regulatory

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costs and are expected to go up even further in 2019 with the potential introduction of a bank tax in Romania as well.

On a four-quarter rolling average base its cost/income ratio improved to 54.8%. In the quarter itself the cost/income ratio was 57.1% and that is due to the higher regulatory costs, seasonal regulatory costs, but again lower than the cost/income ratio in the fourth quarter of 2017. So, you see a continuous improvement over time.

Risk costs in the fourth quarter came in at EUR 242 million, or 31 bps of average RWA. This compares to EUR 215 million in the third quarter and EUR 190 million in the same quarter last year. Retail Netherlands swung to higher risk costs in the quarter, but the increase is nearly fully explained by a more cautious approach for part of the Dutch mortgage portfolio. In the Retail Challengers & Growth Markets risk costs were almost fully related to other lending and not to mortgages. In Germany there was a EUR 45 million net release after the review of the consumer lending portfolio. That is also included here. Maybe to specifically focus on C&G on this one, Turkey saw an increase in risk costs for the quarter and that is partly due to the individual stage 3 files in SME and Mid-Corporates, but also partly due to a stage 2 migration. As you know, under IFRS9, we have to look at the macroeconomic scenarios and that has an influence on risk costs here as well. Looking at the stage 3 ratio for the country, it is still manageable at 2.7%. As you know and as you are familiar in situations like this, we keep monitoring this situation closely.

Wholesale banking risk costs were low this quarter at EUR 54 million, with a few individual stage 3 files in the Americas and Italy, but no trend detected. So, they are pretty individual files.

Turning to capital on slide 19. We see good progress on the CET1 ratio. It improved meaningfully to 14.5% from 14% in the third quarter. That was a result of the slightly lower risk-weighted assets, but for most the increasing capital was caused by retaining most of our

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fourth quarter net profit. So, the net profit in the fourth quarter is partly used to pay the dividend and also the progressiveness in the dividend, but the remainder is put into capital.

The movement in the risk-weighted assets mainly reflects another quarter with positive risk migration, lower operation risk-weighted assets, but we have also seen other model updates and higher market risk-weighted assets. All small amounts. In the appendix there is more information on that.

The conclusion is that we continue to be well-positioned to achieve a Basel IV fully-loaded CET1 ratio of around 13.5%. We remain well ahead of our SREP-requirement of 11.8% as well. For the full year 2018 this puts us in a very strong position to propose another attractive progressive dividend of EUR 0.68.

Looking at the debt issuance programme 2019 on slide 20, we are well-positioned for other regulatory requirements, most notably the build-up of our bail-in buffer for either TLAC and/or MREL. Our pro-forma TLAC ratio, which only includes eligible instruments issued from the holding company, stood at a comfortable 24.5% at the end of 2018. We have been quite active in the last quarter as you know in the markets that raise substantial amounts of wholesale debts. We continue to have strong access to the main funding markets. Most notably we have been active in the euro and dollar markets, but also in a range of other currencies and different formats as well. In the years to come we will continue to build our TLAC and MREL position. We will do this through refinancing tier 2 instruments and grandfathering AT1 instruments with CRD4 compliant bonds issued by the Group. In addition to that we will keep recycling our maturing OpCo senior debts with HoldCo senior debt. That is in line with our strategy of having ING Group as a designation resolution entity.

This has been quite a long introduction to having a set of Q&A. I am going to wrap it up.

The 2018 performance confirms that we continue on the right track with the execution of our Think Forward Strategy. The direction that we took five years ago to build the digital bank of

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the future is even more valid today, as we see that the world around us is changing even faster. We have laid a strong operational and financial foundation in the past few years. You should expect us to continue to have a relentless focus on achieving operational excellence and operational leverage.

2018 certainly had its challenges, which has forced us to reprioritize. Our regulatory compliance remained the key priority for the firm for the years to come. It has been a year with two sides: a very strong commercial and financial performance and on the other side the sentiment. Clearly, we will continue to work on that, but I think it is also good that we start to take a look ahead. I am very happy to welcome many of you at our Investor Day in Frankfurt next month to give you more insight into our capabilities and digital leadership.

Lastly, and I know there are many fans on the line here, I would not want to miss the opportunity to express my gratitude to Koos, our CFO, who has been with us for 20 years, of which 12 years in the Management Board. He has shown exemplary leadership, taking us through many challenges that we had to face in the last twelve years. Restructuring from a bank insurance company into a bank and from a bank into a digital bank, with superior knowledge in many areas. I think I am speaking on behalf of many of the guys and ladies on the other side of the line: Koos, thank you very much. With that, I would like to turn to the audience and give some space for questions.

QUESTIONS AND ANSWERS

- **Benjamin Goy – Deutsche Bank**

Good morning. Two questions please. The first is on your Benelux transition. Can you give some more colour on how the IT migration is going, where you are standing on your risk course and whether we are through the most critical part of this journey? The second question is on industry lending and general lending revenue performance. It was strong across net interest income and fee income, in particular given the headwinds you highlighted. Some additional insights will be much appreciated.

Ralph Hamers – CEO ING: On the Benelux Unite update I will give you a transformation update. Steven can give you an update from a risk perspective. In 2018 we really made some major steps integrating the organisation into the Agile way of working, integrating the Record Bank into ING, migrating 600,000 customers onto the ING platform in Belgium, closing 600 branches. Now we are also migrating our portfolios in consumer lending and mortgages lending of Record Bank to an outside party, so that we can start decommissioning. From a strategic milestone perspective we are absolutely on track. There are many challenges with these huge programmes. As you know, during a transformation like this you have to keep looking at the different indicators. Do you keep your commercial momentum? Are you still getting the right returns? Is the cost really decreasing? But also: is the risk within the appetite. For that, I will give the word to Steven.

Steven van Rijswijk – CRO ING: When you look at the operational risks – and I also refer to the page that was once presented in the Financial Times – every quarter we look at all kinds of operational metrics on the commercial side, the revenue side and the clients side, but also the risk costs and the operational and IT risks. We do that in every country to see what goes well and where we need to improve. You can see these dashboards as score cards, if you will. You already saw that where we want this score to be is in line with where we want to be in terms of keeping it under control. At the same point in time, we will continue to work every day

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on keeping our control risks and processing risks under control and our IT risks under control. The teams have done a good job in progressing further on this one.

Ralph Hamers – CEO ING: The second question is about industry lending. Last quarter we already indicated that we felt we were kind of top of cycle. We are looking at economic growth both globally and Eurozone. We are looking at the developments in the world. We have already indicated that we are going to be much more cautious in the leverage finance area and in the real estate finance area. We will continue to be cautious and that may influence some of the growth there. At the same time, we are very disciplined in the way we price our business in the industry lending activities. This is a global activity. We have Basel IV coming. We are pricing at a higher CET1 and we just do not know whether competitors will follow suit. If you combine all of this, you could expect some lower growth. Over the last couple of years, we have grown some years 6% to 7% in wholesale. Maybe it is going to be 2% to 3% going forward. We will have to see. What is important, is that we are cautious here. At the same time, we must look at how we ensure that the operational leverage stays intact, so to the extent that some of these transformation programmes increase the efficiency. If we cannot translate it into more business, we may have to translate it into lower costs. It is ongoing, so it is nothing new. You know that we are very cost-disciplined and also very cautious on the risk side. We will continue to do so.

- **Robin van den Broek – Mediobanca**

Good morning, everybody. My first question is on your ability to grow NII going forward. If I listen to Ralph, it seems that on wholesale banking you sound a little bit more cautious than before. Secondly, if I look at the euro swaps curve, obviously the December move has increased the pressure on the replicating liability portfolio quite significantly. I was just wondering how we should look at that from the Q4 level going forward.

The second question is on capital. I guess your 14.5% includes your Basel IV guidance of before, which I assume has not changed. Thus far it translates into a fully loaded Basel IV

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CET1 ratio of 14.1% to 14.2%. That is fairly close to the 14.5% you target to go to. I was just wondering what your thinking was on the positive risk migration of 15 bps over the quarters you have had as a tailwind. With IFRS9 making things more cyclical as well, how comfortable are you on the progressive dividend policy from that perspective?

Koos Timmermans – CFO ING: The first question. If you look at the interest margin, overall you state the right points that on the wholesale side we want to be a bit more cautious with growth. At the same time, the December move with the low interest rates does not help either from that angle. We see the five year's swap rate now at 15 bps, whereas if you look at an average portfolio yield is higher. So, reinvestment does not help. Having said that, there are still a few things we can do to support our net interest margin. Over the last four years we very carefully looked at the composition of the balance sheet. The second part is: making sure that we manage the balance sheet a bit efficient in terms of the total size of it. The third element is important as well: to look at the repricing. If I read this morning that the ECB says: TLT rose and do not take it for granted, it could mean that credit spreads go up. We are for EUR 600 billion a credit spread receiver and for EUR 100 billion a credit spread payer. That is what our balance sheet looks like. Those are the offsetting things. Nevertheless, we are always a bit cautious on the margin, so the low one-fifties, high one-forties is what our guidance is up to the second quarter 2019. As you can see, various factors play a role there.

Steven van Rijswijk – CRO ING: Your second question is a good question. That is exactly the reason why we keep a buffer. If you look at positive risk migration, which you see now and again quarter-on-quarter for example due to a lower unemployment or higher housing prices, that could also sway the other way around. In our stress testing we look with certain time intervals what that could be in a down-turn scenario. As you know, we have a SREP-requirement of 11.8%, so that is why we say: if you look at these swings going back and forth, including IFRS-volatility, that brings us to an ambition of approximately 13.5% under Basel IV. Hence, we are building up capital to get to that level by 2022.

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Robin van den Broek – Mediobanca: The Basel IV guidance is still the same as when you came out with it last year? Does that still stand?

Steven van Rijswijk – CRO ING: Yes. Do you mean anything by that?

Robin van den Broek – Mediobanca: No, I know your Basel IV inflation is more driven by input factors, which puts you in a different basket than your main competitor in The Netherlands. Your main competitor in The Netherlands has said that some of the capital accrual of 2018 was not sticky on their Basel IV. I was just wondering if there are any moving parts in your capital position from that perspective.

Steven van Rijswijk – CRO ING: No, there are not. You are correct that our Basel IV requirements are largely based on input factors. We have always said that the impact would be approximately 15% to 18% of RWA, everything ceteris paribus. 80% of that would be a result of the input factor, so i.e. by 1 January 2022 we could mitigate approximately a third of that. That leaves us with an increase on capital of 1.2% until that period. We try to build that capital to get to that level in 2022.

Ralph Hamers – CEO ING: Your calculation of 13.1% or 13.2% is conservative. In the calculation that Steven was just indicating you would get to 13.2% to 13.3%, which may make us have to generate capital in order to stay around 13.5 of 30 bps over the next three years. In an average year we generate 170 bps of capital. We pay about just a little bit more than half of that, so plenty of room to build that capital and also to support growth.

- **Farquhar Murray – Autonomous**

Good morning, gentlemen. Two questions if I may. Firstly, on the outlook for capital. Please could you tell us whether there is anything we should anticipate with regards to TRIM, EBA guidelines, IFRS16? Additionally, can you talk us through how that interacts with the Basel IV position. For instance, I think most of the TRIM-impact probably has no effect at all. And finally, on the hedge ineffectiveness number: it is quite a big swing factor this quarter. Can you explain

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the rationale both for the hedging approach and the swings we are seeing? Is it fair to assume that that volatile item is normally zero in a given accord or is there any structural component to it at all?

Steven van Rijswijk – CRO ING: On the CET1 outlook regarding TRIM: like I said in previous quarters, we have had already the TRIM investigations on the mortgages portfolios in The Netherlands and Belgium as well as on the SME-portfolio in The Netherlands. I expect the impact on those portfolios to be limited. We are currently in the close-out phase on these letters. At the same point in time the TRIM exercises are starting on wholesale banking. We are finalising the first phase of the low default portfolio, so let us say the corporate portfolio part on TRIM. The second phase will be there with the financial institutions and specialised lending portfolios. I do not know the impact of that yet. These exercises are just starting. If there would be impact on that I expect that coming later this year, most notably in the second half of this year of maybe even later. It may have an impact, it may have not. Hence again why we cater for room in our capital, because part of the impact of Basel IV is then countervailed by the impact of TRIM. It may come a bit earlier or a bit later. That depends on the impact of TRIM, but it is all catered for in the ambition level that we currently have of 13.5%. IFRS16 is about the lease impact and we currently do not see any impact in that regard.

Koos Timmermans – CFO ING: Hedge ineffectiveness. Maybe there are two things for which we use swaps. We use interest rate swaps to hedge our interest rate risk on the balance sheet and if you look at that in combination with fair valuing some of our mortgages and swaps against it, that gives normally a result number one. That means that we have mortgages fair valued and they are discounted against a Libor-curve and then we have swaps where we are a payer swap and they are discounted against an OIS-curve. If the Libor versus OIS starts to widen, you have a market loss. But that one did not cause a lot. Maybe it is more the second one in this case. That is the basis swap. In funding we have a dollar loan book and the dollar loan book is basically funded for EUR 25 billion with currency swaps. That means we are a lender of euros and a borrower of dollars. If you do that for EUR 25 billion, you can say roughly, if you have a narrowing of the basis spread there, that it causes somewhat EUR 10 million

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market-to-market. On your funding side, you have a negative market-to-market of EUR 10 million and in your loan book you just book that as accruals. A 5 bps movement you can easily have on that basis, so that causes a EUR 15 million result. This is the most important explanation for that. That arises in Germany, where as you know we booked some US-assets as well. This is the one which is causing that result right now. But indeed, all that what I am saying now, is all average out to zero, so in that sense you can forget about the elaborate answer.

- **Nick Davy – Redburn**

Good morning, everyone. Two questions please. The first one on the cost outlook for 2019, if you are happy to say anything about that. It does seem like ex regulatory expense you are running about flat year-on-year in 2018. If I remember well from the last Investor Day, the 2019 was the year where we should start to see a meaningful step up in saving and a step down in investment costs. I know you do not like giving too much absolute cost guidance, but can we dream of a declining cost base this year?

The second question is a sort of flavour of the day really. Maybe just some comments on the funding plan for 2019. I can see the slide in your pack, talking about EUR 7 billion to EUR 9 billion at Holdco senior issuance this year, seemingly above the rolling over of existing senior debt. Could you talk a little bit about the overall TLAC funding plan and whether there is anything in that new issuance which you think will meaningfully impact margin this year or the sort of trajectory of momentum in NII?

Ralph Hamers – CEO ING: Indeed, we do not give specific hints as to how the costs will develop. As you know, we grow, we gain market share. Generally, we work more on operational leverage. As you have seen in the presentation, in the last four years we have been able to keep cost increases to 1% to 1.3% per annum, which, given the sheer growth that we have been able to get in and the investment programme that we are into, shows that the underlying costs are decreasing in order to give room for investment. If not, they are there

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to maintain almost the same level in order to create operating leverage. Now, that is the one we really look at, operating leverage. The summary of that is in the cost/income ratio, although I do not like to cost/income ratio too much from that perspective because there are two components there and it is very difficult to compare banks with banks. If the operating leverage that we are creating and the operational efficiencies that we are continuing to create through our transformation programmes cannot be used for further growth and with that further income, it will have to come from the cost side. That is what we always do and what we will continue to do. In this case, if one way or the other, the income component is not to our liking at a certain moment in time, it will have to come from the cost. If the income on the back of continued growth is good, we do not mind having the growth in cost itself. Therefore, we do not necessarily manage a perfectly flat cost line. But we will have to play it per year and we will look at it quarter by quarter. The good thing is that we give you an update quarter by quarter anyway.

Koos Timmermans – CFO ING: On the funding plan. As you have seen, this time we have included a slide on the funding. We did not do that in the past because we always had the idea that there were not a lot of surprises on the funding part. Last year, in order to avoid surprises, we did not issue over the summer, which means that our issuance schedule in Q4 was a bit heavy. Now we are again back to normality and normality means that we are recycling Opco debt into Holdco debt. That has everything to do with the MREL-requirements. Is the Holdco that we are planning to issue a lot higher than Opco maturities? The answer is: not really. So, in that sense it is quite normalised. Does it impact the cost of funding? To be honest, even if your Holdco debt is 50 bps higher than your Opco debt, you could say that that translates into 0.2 bps of your net interest margin, not a lot. You can also say that Opco debt should get a lot cheaper because there is so much seniority which is in the Holdco debt part already in there. I am not too worried on the cost of that.

Nick Davy – Redburn: Thank you, very clear. Can I quickly follow up on the cost question? Can you talk about the cost/income ratio? For most of this year you have been saying it is not likely to see much of an improvement of the 55.5%. What should we expect in 2019, if you are

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willing to talk about that number? 50% to 52% is still quite distant. Do you think you will be taking noticeable strides towards your target in 2019?

Ralph Hamers – CEO ING: Yes, I did not say anything about the cost/income there. I just said that we continuously look at operational leverage. If the operational efficiencies that we gain through the transformation programmes cannot be used for growth, it will have to come from costs. On the cost/income side these transformation programmes are delivering benefits as we go. Some are a bit behind plan, some are ahead of plan, so it is a mixed pack. We do expect the cost/income ratio to further decrease towards the ambition. We have not left that path.

- **Stefan Nedialkov – Citi**

Good morning. A couple of questions on my side. You mentioned in terms of loan growth 2% to 3% in the wholesale book. Are you sticking with the official group loan growth guidance of 3% to 4% or should we be more thinking like 3% or 2% to 3%? What is the implication for your outlook on the retail side of things in that regard?

My second question has to do with capital. Obviously, you have been benefiting from a fair amount of positive credit risk migration in your RWA for the past couple of years. If we start getting a bit of a normalisation in the credit cycle, are you expecting most of those gains to be reversed? Or are we, depending on your assumptions, looking more like half of those gains to be reversed or more than 100% reversed?

Ralph Hamers – CEO ING: In terms of loan growth, on the wholesale banking side it could be that it is lower than indicated before. The ambition from a lending assets perspective has been 3% to 4% overall. On the retail side we do not see any reason why we should expect lower growth, honestly. Also, because we are in so many different markets. We go in the market shares, so we do not have to do any specific things in order to get that growth in. In the end also there it is about strict pricing. All the growth that we get in, has to be profitable growth. It is not like we only do strict pricing in the Wholesale Bank, it is also in the Retail Bank. Having

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said that, there are so many opportunities to gain new clients that I do not think it is going to be a particular challenge on the retail growth side. For the question about capital and the risk migration I will give the word to Steven.

Steven van Rijswijk – CRO ING: What goes up must come down. At some time, when the cycle reverses, you will see risk migration the other way around. We have been benefiting over the last five or six years from positive credit migration. At some point in time, if the GDP cycle turns, that positive migration will fade away again. That is exactly in our stress testing in what we do to have a capital buffer over the requirement of 11.8%. If you look at what we had under the previous regime and what we have under the current/future regime, there will be two effects. There will be more volatility under IFRS9, but on the flip side lower volatility under Basel IV, because the number of the input and output floors will decrease the volatility. Now that has all been factored into our capital stack.

Stefan Nedialkov – Citi: Okay, fantastic. Just to follow up on the loan growth guidance. You are sticking with the 3% to 4% of the group level.

Ralph Hamers – CEO ING: It is the guidance. We have been guiding this for the last couple of years. We came out higher and so it could be at 3% or at 4%.

- **Benoit Pétrarque – Kepler Cheuvreux**

Good morning. Two questions on my side. The first one again on capital and Basel IV. Coming back on the positive risk migration we have seen again this quarter. That should all be neutral from a Basel IV perspective. I was wondering why you are keeping your Basel IV risk-weighted assets inflation guidance tabled at 15% to 18%. This was based on the 2017 CET1 ratio level. We had quite some migration in 2018. Could you explain why you keep this guidance on the inflation table?

The second one is on the growth of the fee business. You are targeting a growth higher than your net interest income. I think this is working perfectly well, but what is your outlook in terms

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of growing the fee business in 2019? We have seen a slowing down in PMI's across the board. I was wondering if fees on industry lending are sensitive to slowing down.

Ralph Hamers – CEO ING: On the fees side. As you know over time, we are changing our model in most of the Challenger markets into a model that is universal a direct bank with primary customers. The reason why we are focusing on these primary customers, is that they do current account business with us. Through the current account business we have more contacts with them. If we have more contacts with them, we know them better. If we know them better, we think there is a better chance for us to be able to offer them the right products for their needs. On one side it is a focus on doing more current account business in order to get to know them better. On the other side we have to cater for more products to be offered. That is why we showed the example today in Spain, which is a full-fledged digital bank selling more products to the same customer. That example will be followed by many. With the introduction of third-party products and even investment products we have quite some room to grow, because we as a bank are underpenetrated from that perspective with our customers. But also from an insurance perspective. As you know we have launched this AXA joint venture. We were very happy with that. That will also deliver third-party products against a fee. From that perspective on the retail side we do expect fee and commission income to continue to grow.

On the wholesale banking side, you have a point in saying that if there is lower growth, maybe there are less deals coming through on the lending side and therefore that fee and commission may decrease. True, but on the other side we are also increasing our efforts to cross-sell financial market products, specifically through this strong sector relationships that we have and for which we are putting programmes together as we speak. We also expect our capital markets business to further grow and therefore, more fee and commission income to come from that. All in all, this is a lot of colour to confirm that we expect fee and commission income to continue to grow with the guidance that we have given, 5% to 10%.

Steven van Rijswijk – CRO ING: With regards to Basel IV and capital. Last year we said that we based our 15% to 18% on the total RWA at the end of 2017. That was at that point in time

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EUR 311 billion. Currently, that is EUR 314 billion, so the difference is negligible. The composition of our RWA has not dramatically changed over the different books. We are largely hit by input factors. You are alluding to ABN. They are hit by output factors. We do not see a reason the change our guidance based on a slight difference at RWA at this point in time. So, the answer is no.

- **Kiri Vijayarajah – HSBC**

Good morning. Firstly, on the Dutch mortgage margins. Going back to the last quarter you sounded reasonably constructive on the front book mortgage margin in The Netherlands. Is that outlook still intact? Could you give us some colour on how the competitive dynamics are shaping up in 2019?

Secondly, on Romania, I wonder if you could give us a feel of where the ROE is before and after the bank tax, just to see the impact there.

Ralph Hamers – CEO ING: On margins, on a quarterly basis I give you a bit of an insight anyway of what we see happening in the market. In The Netherlands and in the mortgage business specifically we see a continued improvement of margins. That is confirming what we said last time. So, the margins are improving on the mortgage business on the front book. Business lending is a bit under pressure in The Netherlands from a margin perspective. In Belgium the mortgage margins are okay, kind of similar. The business lending there has a bit of margin pressure, not too much. In Challenges & Growth overall we see improving margins. In the wholesale banking side we see a bit on the industry lending side, given the change of composition of the new productions towards lower risk-weighted assets. We see the new production coming in at lower margins. But it is different business, so you cannot really come to a conclusion there. Lending and transaction services and PCM are all either similar margins or improving margins. PCM has improving margins. That is the tour of the world of how we see things happening in the market.

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Then coming back to Romania. Honestly, the whole discussion about the bank tax and the moving parts there, we have to see how we deal with it, whether it is going to be introduced, if it is introduced and how it is exactly going to affect us. If it is going to affect us, that is never good news. Let us face it. I cannot give you the returns specifically, because we do not disclose those. It is a very healthy return business and specifically from a long-term perspective we are very positive about the developments in Romania and how our bank is doing there.

- **Adrian Cighi – RBC Capital Markets**

Thank you very much. Just two follow-up questions. On impairments: can we confirm that the higher provision in Retail Netherlands is a one-off adjustment? One question on the Italian lease portfolio that you are in the process of disposing of. Can you give us any indication of the contribution to NII on costs currently? Maybe once it comes off, we can remove that.

Koos Timmermans – CFO ING: On the mortgage impairment in The Netherlands. From time to time we review our portfolios. In this case we find it necessary to make an adjustment towards a bullet loan portfolio, at least a specific part of that. From time to time we do that, but I do not expect that to be a recurring theme.

Ralph Hamers – CEO ING: Can you repeat the question on the lease portfolio please?

Adrian Cighi – RBC Capital Markets: The Italian lease portfolio that you are in the process of disposing of, what was the contribution of that portfolio to NII and costs? Maybe we can remove that once you have actually disposed of it.

Koos Timmermans – CFO ING: It was a portfolio of a few billion. If you look at that from a total balance sheet perspective, it is very benign. The capital impact will be benign, but if we sell it, there is a positive impact on our RWA.

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- **Bruce Hamilton – Morgan Stanley**

Good morning, thanks for taking my questions. I have a question on the asset quality side, where things clearly still look pretty good. What is the exposure to the leverage finance? What was in your scenario in the last six months you got to be more cautious on them, hence the change into the growth expectation which makes perfect sense, but what is the balance sheet exposure, just to give us some help there? Are there any other geographies or sectors where you are getting a bit more concerned due to a weaker macro, that under an IFRS9-format could mean a bit of a pick-up as we walk through 2019? Turkey would be an obvious one but is there anywhere else that you are getting a little bit more nervous.

Secondly, just clarifying some of the comments you made on the NII in The Netherlands. It looks like that is still drifting low although the loan book is kind of stable. It still looks like there is some pressure on margins. I want to make sure I understood the answer you gave earlier that suggested things looking a bit better as we go forward.

Ralph Hamers – CEO ING: On the second question on the margin in The Netherlands. You are right from that perspective. If you look at all the different components that make the NIM, on the savings side there will still be pressure on the margins. With a lower-for-longer interest rate environment, the yield on our replicating portfolio will decrease. With that we will have and deliver pressure on our savings margins in the Dutch savings books. There is maybe some repricing, but not a lot. Yes, that will certainly have an influence there. On the other side, as I was just indicating, if you look at how our loan book is developing on the business lending side, we have grown by EUR 1.3 billion in the year with good margins. The mortgage business and the new mortgage production is at healthy margins as well. There is some compensation there, but there is certainly pressure on the savings side of the Dutch business. For the assets quality question, I give the word to Steven.

Steven van Rijswijk – CRO ING: If you look at the total leverage finance portfolio, we have a cap of EUR 9.6 billion globally. You have to bear in mind that that is a portfolio whereby we

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look at leverage over four times. There is a more generic book and part of that book is what we call structured acquisition finance. These are the loans that we disseminate when a private equity company for example makes an acquisition. Typically, that part is the higher risk part of that book, so there we are limiting final takes to a couple of tens of millions. We look at structures where we participate in both senior and total leverage levels. We will not participate as a single underwriter for a deal. That is how we manage that book. We have done that over the past number of years and we continue to do so. If we get to the cap of that book, that means that we need to recycle some of it to be able to participate in new transactions. We will not deteriorate on the structures, because that is something we stand by as an organisation.

With regards to particular concerns or books, obviously geopolitical issues remain top of mind. As a result of that, we continue to look carefully at countries like Turkey. As you have seen in the presentation, the total Turkish book went down from EUR 13.3 billion in the previous quarter to EUR 13.0 billion now. At the same point in time, we are continuing to gradually decrease the intercompany funding, so that intercompany funding decreased with EUR 300 million in the fourth quarter. We will continue to have a similar pace in 2019. That is currently what we are looking at.

- **Jason Kalamboussis – KBC**

Just a couple of questions. The first one is about the costs again. You have a guidance for 50 to 52 cost/income ratio. It has moved from 51.5 probably about a year ago to 53.5%, which means that consensus is having doubts about reaching this target eventually. Can I have your comments there? I am also looking more specifically on the cost ex regulatory expenses. If I can look specifically at the staff costs, they have gone up by about 4% year-on-year. If you look at the FTEs they went up by about 1.5%. Can I have your thoughts on this and how we should look at this next year?

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The second question is if you can give us a little bit colour on Belgium. You have mentioned that you have seen some good lending growth that has been there for three out of four quarters. What is the driver and how do you see that next year?

Ralph Hamers – CEO ING: On the cost/income side. We have this financial ambition 50 to 52. There are certainly factors that influence our cost/income ratio that we cannot completely influence and certainly not always absorb within certain time frames. It is a challenge to get to the 50 to 52 per se by 2020. However, we find it important that the content of operational leverage and how you continue to manage your cost/income ratio down is one of management hygiene in my view. You have to look continuously how you can further improve your efficiency. That is what we will continue to do. As I said earlier, operational leverage is an input factor into the key performance indicator, which is the return on equity. But there is more that makes up the year return on equity. The cost/income ratio is an important factor for us. It is one that we feel we have to continuously look at and see how you can manage it. Now and then you have a hiccup with new regulatory costs that you have to absorb one way or the other. But you cannot do it at once. You have to do it over time and that may affect sometimes how the cost/income ratio develops.

On the Belgium side the driver is that we have a good client base. While transforming we keep focus on our clients. We have a very good franchise there. You see that overall in ING. We are transforming in many different areas. Even with some of the challenges we have to deal with in KYC and people who are having to deal with that, I am particularly proud of the resilience that my colleagues are showing in dealing with all these different challenges, whether it is a transformation challenge or the KYC challenge. In the end this is a franchise that is very customer-oriented. They make sure that they continue to service the customer. On the back of that you do more business. The Belgium franchise particularly, even through the crisis, has always performed. It is a very strong franchise with a super focus on the customers.

On the staff costs I give the floor to Koos.

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Koos Timmermans – CFO ING: If you look at the staff, one of the things you see is the 4% increase in staff cost. That is including also all elements of change and one-offs. The FTEs have grown less and our staff costs, if you exclude the change element, are more in line with the FTE growth. At the same time, we do have the FTE growth and that has also to do with all the initiatives we are currently taking and all the KYC-elements therein. That caused this. If you ask if that is permanent, the answer is no. These are programmes, but at the same time we just want to make sure that we speed up on these elements. That is why we incur those costs.

Jason Kalamboussis – KBC: The growth excluding one-offs would be at around 1.5% year-on-year.

Koos Timmermans – CFO ING: It is slightly higher than that, but not close to the 4%, not at all.

- **Jose Coll – Santander**

Thank you, a first question on Turkey please. On the 3Q call Ralph said that there was no excess capital in the Turkish subsidiary. Now that the cost of risk is increasing and we have seen other Turkish banks increasing capital, do you expect that you will need to increase capital this year or next if the credit cycle continues worsening?

The second question is about Spain. Can you give us a few more details, maybe net income or capital allocated to Spain or risk-weighted assets, to get a sort of profitability ratio there?

Koos Timmermans – CFO ING: On Turkey, we probably need to play back the previous analyst call but we do not know that there is no excess capital in the sub. If the question is whether we need to inject more capital the answer is that we do not expect us to do so. There is no need for that. As a matter of fact – and I have said that already – we have both equity and intercompany loans outstanding. We expect a decrease in the intercompany loans in the

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coming year. But also in terms of our capital and the requirements in Turkey we feel comfortable there.

Ralph Hamers – CEO ING: Regarding Spain we do not disclose all those specifically per country, as you know. What you do see in Spain is that our business continues to grow, so the lending is growing, the mortgage book is growing – it is now past EUR 15 billion in Spanish mortgages – and the other customer lending is also growing. Consumer lending is around EUR 3 billion. The Wholesale Banking book there is growing as well and on the savings side and the current accounts we see a good development as well, on the back of increasing the number of primary customers. That is how we look at it from a more commercial perspective, how we build the balance sheet and how the client business develops. We can always give you a little bit more insight but for that I will give you a cliff hanger: come to Frankfurt for our Investor Day and we will take you through some of that.

Jose Coll – Santander: Thank you. If I may, just a quick follow-up on Turkey. I am just trying to get it straight. If the bank would end up needing some more capital because the cycle keeps worsening, would you be willing to commit more capital to the Turkish subsidiary?

Koos Timmermans – CFO ING: If that were to be the case we take the decision when it comes but we also have a slab of subordinated debt in there of around EUR 600 million. So, the first step that we would take is actually flip that subordinated tranche into equity before we think of putting more capital into place.

Jose Coll – Santander: Great. Thank you very much.

- **Marcell Houben – Crédit Suisse**

Good morning, I have just one question left. On the less quality revenue items, so investment, trading and other income, can you give us a little bit more guidance as we are going forward? Is the average of the last couple of quarters of years the best guess or are there certain drivers

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in there that we should take into account? Just because it would be a positive contributor to reach your cost/income ratio target.

Koos Timmermans – CFO ING: The difficulty with the low-quality part is that you have a few to think about. In financial markets we want to restore somewhere and yes, we had a difficult year but again, quarter by quarter is a very difficult one to do. If you look at the ‘other income’ items and if you particularly look at the ‘treasury’ you see that – as I told Farquhar – in the end this is a pull-to-par-type of business. So, you will see non-systemic swings in that part. In that sense it is very difficult to give guidance on the moving parts in our income and that is why it is difficult to make that one. If you look at the investment income, indeed, it was a low number in this quarter because we had a reclassification of Italy, but we know that in the third quarter next year everything else exists and we get a bit of the Bank of Beijing dividend. So, there are some patterns in there, which you can see over the past and which are in there, but particularly these a-systemic parts are kind of hard to put a number on.

Marcell Houben – Crédit Suisse: Thank you.

Koos Timmermans – CFO ING: Maybe one more thing. Ralph reminded me of that because that is very clearly the case. In the corporate line we have our so-called legacy result and the legacy result by the end of the 2021 will start to run off. That is where we are booking a negative result every year right now. I believe it is around 80 or so a year at this moment, but that will go down quickly and that will basically disappear to zero. That is the one which has a pattern or a trend in there but look for that in the corporate line.

Marcell Houben – Crédit Suisse: Excellent! Thank you very much.

- **Raul Sinha – JP Morgan**

Good morning, just a couple of questions from me to finish off as well. On capital there is a reasonable reliance on mitigating actions within your capital plan over the next three years and

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so I was wondering if you can give us some more detail on how you are progressing in terms of the mitigating actions on the main portfolios. Do you have any updated thoughts on how that might impact your business and your P&L as we go forward?

My second question is on this gap between RWA growth and loan growth. Obviously, this quarter was quite stark where your RWAs went down by a couple of billion. Leaving aside the stuff we have already discussed on the call – so just TRIM or these migration areas – are there any other big moving parts that we should be aware of from an RWA-perspective? I am wondering whether you have any models that are pending for approval but that are doing any daytime improvement exercises like you did in operational risk and whether the impact of these could be meaningful from a positive perspective.

Steven Van Rijswijk – CRO ING: On capital, as we said before, there are a number of elements that we bring to bear when to decrease the impact. One, we can look at the rating of our corporates; when you have external ratings for these corporates you can get a benefit on your capital but when you only have internal ratings you cannot. It was to bring external ratings to a number of our corporates to get that benefit. Two, when you look at security there are a number of covers that you can use for security cover that you can more specifically link to certain assets that will bring that benefit. We are currently linking those covers better to certain assets to make sure that we get that benefit. Three, you can use originated distribute to actually optimise your balance sheet versus your RWA. That is the third element. When you look at the different input and output factors in the composition of your balance sheet from a Basel IV perspective, you optimise that. That is what we are currently doing as well. We will continue to do that and we are comfortable that we will get to the impact that we have said before.

Regarding other factors, what we should take into account when we look at the RWA movement also going forward, when you look at the model scope and the model inventory that we have, basically a number of these models are being calibrated all the time. If you calibrate your models and it is a significant change you have to ask for approval again from the ECB to use that renewed model. With TRIM it may be that you say that you are going to redevelop a

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couple of models and you need to have approval for that as well. With the new regulatory standards that come on in 2020 – 2021, you will look more and more at rating systems. What I am trying to indicate with this is that model development and model redevelopment is something that is going on all the time.

Raul Sinha – JP Morgan: Okay. Can I just follow up on the first one, maybe to ask it slightly differently: how much of the mitigating actions that you outlined and talked about before are already in the bag versus stuff that you have to go out and do over the next three years?

Steven Van Rijswijk – CRO ING: I think at this point in time it is too early to call. We will look into it and when we have it we will come back to you.

Raul Sinha – JP Morgan: Okay. Thank you very much.

Ralph Hamers – CEO ING: As there are no more questions, thank you for attending this call. Thanks for all your questions. Looking back at 2018 it clearly has two sides, as mentioned before. On the one side we had the shortcomings that were detected in our role as a gatekeeper to the financial system and in our role to fight and prevent financial economic crime with the resulting settlement there. We have taken actions and we started taking actions already early 2017. We will continue those actions going forward in order to ensure that we comply with that.

On the other side we see a year in which the strategy we launched 5.5 years ago is proving itself again. Year on year you see the interest income going up. You see the fee income going up and you see the cost basically being almost stable-ish whereas we have a heavy investment programme. The risk cost remained stable year on year with the resulting return on equity of 11.2%.

I am particularly happy that with all the attention to managing a settlement situation on the one side and having some of those actions putting in place at the same time in the fourth quarter



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we have been able to show further progress on our strategy and strategic milestones, further progress on commercial momentum and financial performance. It shows a resilience of our colleagues of which I am very proud.

With that, thanks for your interest in ING, your support to ING and for following us so closely. We will speak to you next time!

End of call