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PRESENTATION

Operator

Good morning. This is Patricia welcoming you to ING's fourth quarter 2017 conference call. Before handing this conference call over to Mr. Ralph Hamers, Chief Executive Officer 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 statement not involving an historical fact. Actual results may differ materially from those projected in any forward-looking statement. A discussion of factors that may cause actual results to differ from those in any forward-looking statement is contained in our public filings, including our most recent Annual Report on Form 20-F filed with the United States Securities and Exchange Commission and our earnings press release as posted on our website today. Furthermore, nothing of 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 A. J. G. Hamers - *ING Groep N.V. - Chairman of the Executive Board & CEO*

Thank you, operator. Good morning, everyone, and welcome to this full year 2017 results call. As always, I'm here with CFO, Koos Timmermans and the CRO, Steven Van Rijswijk. We posted a net profit for the year of just shy of EUR 5 billion, which is a solid 5.5% increase versus 2016. On the retail side, we reached 10.8 million primary customers, which shows that we are well underway to achieve our Ambition 2020. We recorded net core lending for the year in the growth percentage of 4.8%, which is again ahead of the 3% to 4% loan growth guidance with part of this growth has been trended by customer deposits inflow. We also continued to make good progress on commission income. Operating expenses rose in the quarter as we stepped up our digital investments. Risk costs remained well below our through-the-cycle average.

The group's CET1 capital position strengthened to 14.7% and we only expect a modest IFRS 9 impact of around minus 20 basis points from the fully loaded CET1 position on the 1st of January 2018. All of this puts us in a strong position to propose an attractive full year cash dividend of EUR 0.67 especially when you combine this with our ability to capture profitable growth going forward. That's a wrap -- those are the key points of the things I'm going to take you through. Turning to slide 3, you see that also in 2017 the Think Forward strategy continued to underpin our commercial momentum. We continued to focus on customer acquisition. We managed to strongly exceed our interim target of 10 million primary customers that we had set by the end of 2017. We're actually at 10.8 million at the end of 2017, well on our way in order to meet the 14 million mark by 2020.

And I'm very pleased to see that once again many of our countries contributed to this growth. So, this is not singled out in one specific country, this is truly across the broad. In 2017, as said, core lending outpaced customer deposits growth, which helps us in our effort to optimize balance sheet usage as well. So see -- in the difference between core lending growth and customer deposit growth, here you see balance sheet optimization at work. Obviously these results have not been achieved without our continued focus on improving the customer experience and that's what you see in an increase in the number of countries in which we are now #1 in net promoter score, which we have increased to 9 out of 13 retail countries. So, that's a real achievement particularly also that we have made now also the #1 position in net promoter score in Belgium. Actually, we are going through a major transformation there. It's a real, real good result.

Let me take you through the overview of the full year results starting with Slide 4. If you look at this, the net result was nearly EUR 5 billion in 2017, which is broadly flat on last year despite the persistent pressures in the low interest rate environment and our step up in digital investments. For the full year we managed to achieve return on equity of 10.2% while the fully loaded CET1 position continues to strengthen, we ended the year at 14.7%. Slide 5, you can see some of the key drivers of the underlying results. Here you see the quality of the results particularly because of the challenging operating environment, you see that the net income --- net interest income shows a strong increase versus 2016 if you look at the results excluding financial market. So, that's the true quality of result. The NII increased very much on the back of steady lending growth and stable margins if not improving margins, but we'll get into that later.

Our annual growth in fee income was 11.5%. That was broad based reflects an improvement in almost all segments and products with the relatively strongest increase of commission income in Retail and Challengers & Growth Markets. Now investment and other income declined due to lower one-offs and volatile items such as -- just to -- for you to remind you the one-off gain of EUR 200 million that we had last year on the back of the sale of the Visa shares. If you look at the underlying development -- the underlying income and the quality of the underlying income is really -- has really, really improved. On the expense side if we exclude the regulatory cost, I'm now on Slide 6, the underlying expense base was up due to an acceleration in digital investments, higher marketing costs, higher staff expenses to support the business growth in the Challengers & Growth Markets and the wholesale bank and also a couple of one-offs.

Continue to benefit from the improved macroeconomic additions in most of our markets. That is what you see in the risk cost. So, these conditions -- these improved conditions are now translating into a 22 basis points for average risk-weighted assets risk cost for the year, well below our through-the-cycle average of 40 basis points to 45 basis points and we expect the risk environment to remain favorable in 2018 as well. As expected with the investments coming in ahead of the savings in the acceleration of the Think Forward strategy, the cost/income ratio was up for the year to 55.5%. We see the first savings from the digital transformation programs coming in the end of 2018. However, now we'll also have ongoing investments in 2018, but the real improvement in our cost/income ratio will be visible towards the end of 2019, but certainly 2020 and 2021.

On the capital side, turning to Slide 7 now. We made real good progress in our CET1 ratio improved to 14.7%. It's on the one side a result of slightly lower risk-weighted assets and the other side increasing capital as we retained our profits -- fourth quarter net profit on our capital. The SREP process should be confirmed at our 2018 to when our requirement will be 10.4% and while our fully-loaded requirements remain unchanged at 11.8%. This gives us a real comfortable buffer. As you know, ING has a progressive dividend policy. We would like to propose a full year cash dividend of EUR 0.67. This proposal takes into account the different regulatory developments as well as the opportunities for growth that we continue to see. We now compare where we are versus our financial targets and the Ambition 2020. On Slide 8, you can see that we continue to perform well against these targets.

The CET1 leverage ratio, we remain well ahead of the minimum regulatory requirements. Furthermore, we've again reached important milestones with respect to our transformation programs and that will help us to bring our cost/income down to the range of 50% to 52% as we have guided. I will elaborate on these milestones shortly. Finally, in 2017, the group return on equity stood at a robust 10.2% while we keep growing the lending book and face pressure from the low rate environment. Turning to the transformation programs just to give you a bit of a heads up there. If you look at the overall in the fourth quarter and we'll come back to that later. But in the fourth quarter, we've ramped up our digital investment spend related to our digital information -- transformation.

We ended the year at EUR 206 million of investments and that's just below the initial indication that we gave to you on our Investor Day last year of EUR 210 million. So, basically we guided EUR 210 million for 2017 and we've spent EUR 206 million and that's a little bit back ended in the fourth quarter. We'll come back to that. In the past quarters we've made really good progress in Belgium where we rolled out the Agile way of working. We also integrated with the Netherlands now from that perspective. Around 5,000 staff have successfully gone through a redeployment process. The lion's share of our colleagues have managed to find a role within the new organization. This is good news as well. Also in the other countries, we have achieved some important milestones. In Germany, for instance, we now have a fully digital account opening process fully up and running where you can open your account fully digital in just a few minutes.

In the wholesale bank, we're keeping -- we keep working on the streamlining of our Financial Markets business, normalization of the global IT platform for the different lending businesses that we have. Our progress on all of these programs and the investments within guided level of investment as you can see here on the slide, but we still have EUR 600* million of investments to go and we still guide the same savings that we expect by 2021. Now as you know, I'm turning to Slide 10, in order to continue to differentiate our client experience; we invest in digital, but we also innovate and the innovation we don't only do ourselves, we -- also sometimes we partner up. Good example of some of the blockchain initiatives that we have taken and that we are involved in are in the trade and commodity, finance fields. We partner with other banks and energy and commodity trading companies to digitalize documentation process for energy and commodity trades.

These initiatives will be a separate venture going forward. Another initiative focuses on agricultural commodities and we have just completed the first trade together with partners from -- together with our partners and that was a trade from Brazil to China on soya and that actually cut back total time of doing that trade, which would normally be a paper-based process from 24 days to 3 days. It shows you the magnitude of impact that is going to have on efficiency in these kind of processes. So, it is very promising for all that. Also in the wholesale bank, we see all of these examples are in wholesale bank. We are really charging ahead not only in Retail Bank improving our client experience, but also in the wholesale bank. Also in the wholesale bank, as said, we have another tool called Katana. Katana helps bond traders to make faster and better informed pricing decisions by using artificial intelligence.

Earlier this week we announced that we have agreed to take a 75% stake in a leading payment service provider Payvision. Our partnership will allow our customers to choose from a wide range of omnichannel payment solutions and to the extent there's questions that you haven't been able to raise, we can also address that a little later as to where we see this venture going and how strategically this is. Turning to Slide 11. As many CEOs, I also spent a few days in Davos last week for really the topic of climate change is a very important one. We take this very seriously. That's one of the reasons why we have updated our sustainability direction. As part of that, we have for instance also sharpened our coal policy. Also committing EUR 100 million to support sustainable scaleups well. And the sustainability efforts are recognized externally as we are ranked as one of the leading banks, which comes through the different sub-scores.

We're very proud of that not only because we're charging ahead with climate change and sustainability and certainly economy, but also because these are the solutions that our clients really want and expect from us and it's really good work. Yet again also on the green bond side, we supported some of our clients. One of the examples that we have here is that we acted as a book runner on a EUR 600 million green bond for Toyota. Also, a good deal. Personally I'm inspired by the story of a town in The Netherlands where inhabitants created the largest floating solar park in Europe. And it may not be a big deal, it's the inhabitants that took the initiative. We financed it and it shows what is going on in society and what you can do together in order to improve. That was really inspiring. Turning to the fourth quarter results and let me go to Slide 13 directly then for you. Commercially, this was a really excellent quarter.

*The mentioned figure is incorrect. Correct figure is EUR 450 million. (Also see slide 9 of the 4Q2017 Analyst Presentation)

Core lending was up, the NIM is up, fees are up, the primary customers are up. So, the fundamental development of the fourth quarter was really, really strong. [ATF] spend was higher at EUR 87 million in the quarter and the fourth quarter saw an accumulation of several incidental loss items as well. We are about to finish the move of Financial Markets to London. We had to finish PSD2, KYC, some extra projects there, additional temporary external support for some of the transformation elements as well. All the work was a ramp-up of the digital investments on one side and there were some one-offs on the other side as well. The underlying pre-tax result was down in both comparable quarters and that's mainly the result of those higher costs as mentioned and a weaker quarter for the Financial Markets business. On the back of further growth in core lending of nearly EUR 7 billion as well as relatively stable margins, the NII excluding Financial Markets was actually up 3% in the quarter compared to the fourth quarter last year.

Basically you see that the underlying development not only the commercial development, but also the underlying income development in NII and commissions is really strong. Turning to Page 14. In line with the broader market, as said, Financial Markets had a sharp decline in revenues. We took lower client activity, lower markets volatility. However, the net interest income within FM which is pretty volatile was up. NIM was up 1 basis points from third quarter 2017 to 158 basis points. The QonQ move is largely explained by the technicalities as you can see here; minus 4 basis points on the impact of the ending of the hedge relationships, plus 3 basis points on Financial Markets, but the most important one here is the plus 2 basis points on higher lending margins, which is as a consequence of higher lending itself, higher margins on lending; but also the composition of the balance sheet, which is tilting more and more towards higher margin lending.

So, we see that the NIM is also structurally improving on that side and that's a good performance. We go then to the core lending on Page 15. This is a slide that you're used to where we basically show you different buckets of growth in our lending franchise. We grew total core lending by EUR 6.8 billion, 4.8% on an annualized basis. The growth comes in at good returns. We keep the same risk appetite, we keep the same pricing discipline while we are certainly facing competition, but we're not letting -- but we're not leaving the discipline that is [guiding] us here and we will stick with that. You see also from this picture that there's many engines for this growth. Particularly if you remember in the third quarter last year we saw that in wholesale banking, the general lending business and the transaction services business was growing faster and industry lending was growing less fast and now you see it really the other way around.

And it shows that we have a diversified activity not only from a product perspective, but also from a geography perspective and from a sector perspective and it shows the strength of our franchise. In Retail Bank, we continue to see strong commercial performance in Belgium Challengers & Growth Markets. Also this quarter the skew towards mortgages; but in relative terms, business lending and consumer finance keep growing fast as well. Turning to fee growth on Slide 16. Commission income keeps growing very fast as you can see. Year-on-year growth came in at just over 10%, which is well ahead of our stated ambition to increase the proportion of fee income. Increasing commission income was recorded in most segments and products with a relatively stronger growth in wholesale banking on the back of industry lending deals, on the back of corporate finance activities in Retail Netherlands and Retail Germany, particularly in investment products.

In Retail Bank we see that also through digital channels and with the large range of products now, we can increase the fee income that will continue. You've asked questions before as to how structural this is. But you see that we're really changing the model around from a savings franchise to a full-fledged bank and on the back of a full-fledged bank, we have more cross buy opportunities and those cross buy opportunities bring additional fee income and that's what you see continuing here in this picture. A key product group there in the Challengers & Growth Markets, but in the retail markets overall is the investment products where we recorded a EUR 13 billion increase in the balances over 2017 and that is more than half caused by net inflows. We offer investment product solutions in all of the markets in retail. We offer digital assistance tools. Last quarter, as you know as you probably remember, we announced a strategic partnership with Scalable Capital in Germany.

We see around 1,000 new customers coming in a week. So far we have accumulated EUR 300 million in assets under management since we launched. You see actually that as developing very favorably and that approach is working out. Turning to Slide 17 on the expenses. In the fourth quarter we recorded substantial step-up in our digital investments as I mentioned earlier and we're actually closed to the initial indication of EUR 210 million and we work more to spend extra in this year in order to do the transformation. Like in the past quarters, we had additional expenses to support business growth in the wholesale bank and the Retail and Challengers & Growth Markets. As you know, we are growing in the number of FTEs in some of these activities because we're growing the wholesale bank; really real commercial momentum there. Same in the Challengers & Growth Markets, we're growing very fast.

Although we're digitizing, there is some activities that you need people for and that's where you see some of the growth -- the business growth also causing increased expenses. All these expenses are also caused by extra marketing programs and you see that also back in the retail customer numbers so we should reap the benefit of that going forward. The remaining cost growth was an accumulation of incidentally higher costs in one-offs, which as we already mentioned; Financial Markets move, PS2 readiness, KYC, higher temporary professional services that we needed to hire combined with a slightly higher regulatory cost versus last year's Q4 and also versus the third quarter. This led to a 4-quarter rolling average cost/income ratio of 55. 5%. So overall, we remain committed to the 50% to 52% cost/income ratio by 2020. 2018 is still expected to be an investment year as I mentioned before.

We expect the full impact of the transformation programs to come through in the years 2019, certainly in 2020 and we remain committed to achieve the full savings of EUR 900 million by 2021. So, confirming both the investments as well as the savings as we announced them just over a year ago in the Investor Day. Financial risk costs, risk environment remains very benign. The overall NPL ratio is even dropping, is now dropping below the 2% mark. Risk costs in Retail Benelux remained low due to the improved macroeconomic circumstances and housing markets that we see here as well. The Retail and Challengers & Growth Markets saw an increase in comparable quarters, but those are mainly caused by an LGD model update in Turkey and an add-on in Spain despite a release in Germany for the consumer lending portfolio.

The wholesale bank risk costs are still low at 18 basis points of average risk-weighted assets. We were up quarter-on-quarter as in the third quarter we benefited from a low number of provisions on one side and some significant releases. The underlying development was very, very healthy there as well. For 2018, we remain constructive and we expect risk costs to stay below our through-to-cycle average of 40 basis points to 45 basis points. To wrap up if you look at the year, if you look at the quarter, we see commercial momentum is continuing not only in the number of customers -- not only in the number of primary customers, but also in the underlying development of the business in lending, in savings, in the improvement of the NIM, in the commission income.

And I think that's the cornerstone and that's the confirmation that we are doing the right thing and that structurally we had a very good year. We had actually also commercially and financially from that perspective a good quarter. The innovation initiatives that we either develop ourselves that we see the market, I think we're still very excited. We think that it can help us to stay ahead of the competition. The acquisition of the Payvision, for example, will certainly put us in the competitive [famous] domain. It's a serious step to build a platform on the capital side and we are convinced that we can meet future capital requirements. We have now Basel IV more or less clarity, we have IFRS 9 clarity, puts us truly in a strong position to capture profitable growth going forward and deliver on our dividend payment.

With that, I would want to open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is from Mr. Stefan Nedialkov of Citi.

Stefan Rosenov Nedialkov - *Citigroup Inc, Research Division - Director*

I just wanted to get a little bit of color on your potential timing for new capital targets, also capital return potentially via increased dividends, potentially special buybacks, etcetera; and how that ties in to Basel IV, the trend process as well? Thank you.

Ralph A. J. G. Hamers - *ING Groep N.V. - Chairman of the Executive Board & CEO*

Koos?

Koos J. V. Timmermans

A few comments on this. So, what we have is we have the Basel IV update and what you see is if we would have keep same portfolio for 10 years in the same economic circumstance, then in essence we got 15% to 18% higher capital requirement. Now that amount seems manageable. If you look at it because I mean that is in terms of core Tier 1, that is around roughly 2%. What you see is our current capital ratio is around 14.7%. You know that our capital requirement is around 11.8% excluding buffers. So, that means like there seems to be room in the capital position although you need a buffer as well. So, that means like we might be nearly there with Basel. At the same time what you have to think about is we like the following. We make 10% ROE, we pay 5% we use for growth on our loan portfolio because we like new customers and we also pay roughly 53% out to you. So, that means like half of our profit goes there. This is something a practice we like to continue. What we need to do on our side is 2 things if we want to continue that is to make sure that we can cope with negative credit migration in the future and to make sure that we can cope with the procyclicality of IFRS 9. If we can translate these 2 into a buffer, then we can say further like how does it work in terms of adjusting payout and this work is something which we want to do and this is something which we hope to finalize by the end of Q1. So, this is the way how we look at it right now. For the moment, it just means we can continue our loan growth and we can continue our dividend policy.

Stefan Rosenov Nedialkov - *Citigroup Inc, Research Division - Director*

And just as a quick follow-up in terms of the interaction between the different buffers. So on one hand, the management buffer versus P2G. Is it your understanding that some of the risks that are covered by the P2G have historically been covered by your management buffer so maybe we'll get a reduction in the management buffer on your side going forward? And on -- as a second point on the DSIB of 300 basis points, is there some sort of timeline for the regulator and the Central Bank to basically come in and say look, we had actually put in X basis points for Basel IV. Now that this has been cleared and the impact is lower, we can actually lower the 300 bps down to X.

Koos J. V. Timmermans

I think overall maybe on the 2 questions, 1 is the interaction between the buffers. We always hear a bit mixed stories about to P2G. I mean we have heard some comment from regulators who say like yes, you can dip into it; but if you dip into it, you're at our mercy and that is not always a pleasant one and in that case it's not a guidance, but it's a hard buffer. So you can normally assume that our management buffer is overlapping, but maybe a little bit larger than the P2G. But this is something which we will establish. But the most important one is do we know with IFRS 9, the increased provision and the credit risk migration that the 2 of them, how much effect do they have around the same time and can we make sure that it doesn't disturb our loan growth or our current payout and once we have figured that one out, then we can come back. The other part on the SRB, fully recognize that still we are working under a 2% higher capital requirement and for instance to Spanish banks or some of the French banks. So, this is clearly something where we are discussing with the DMB. Now they are not connecting it timing wise to Basel IV. What they are saying is we are connecting it more towards our size of banking versus the Dutch economy and by the time we are paying more in resolution funds and by the time that you -- we become in that sense more European and that we have built up our TLAC, then that argumentation stops to be there. So the discussion is not directly linked to Basel IV, but it's linked to us in fact becoming more European. So, this is an ongoing discussion and this is something which we continue to push for.

Operator

Our following question is from Ms. Alicia Chung.

Alicia Marianne Chung - *Exane BNP Paribas, Research Division - Analyst on the Pan-European Banks Sector*

Firstly, just circling back on the cost. From the Capital Markets Day, you had previously guided to about EUR 170 million of investments for 2018 with about EUR 200 million additional cost savings. Given your comments, would you expect investments to be higher than this for 2018 so a bit front loaded and also is it fair to assume limited cost savings at this stage and so again that will be basically pushed back into 2019, 2020 overall? And then secondly on -- in terms of net interest income, you previously indicated that for H1 we could expect the net interest margin to broadly hold the line, but that all else equal in H2 the net interest margin is likely to be under pressure unless rates rise. Can you give a sense of whether to what extent the net interest margin would be under pressure from H2 next year? Can we expect a violent move or is it like to be very gentle and also would we expect that to be more than offset by the current level of loan growth? Thank you.

Ralph A. J. G. Hamers - *ING Groep N.V. - Chairman of the Executive Board & CEO*

Alicia, I'll take your first question and Koos will take the second one. On your costs and the cost guidance, at least the additional investments that we were projecting, we are doing this according to the guidance that we have given. So, that's how we do it over time. The investments are front loaded for the savings coming out of these programs, but at the same time we are benefiting from the savings coming out of the programs that we had before. You can actually see that in the annual results of, for example, Netherlands where we had quite some programs started 3, 4 years ago and see the cost route truly going down there. So, what this means is that we will follow the pattern that we have guided to you in terms of the extra investments under the Think Forward strategy on one side and we do expect that savings will continue to come in from previous programs and that the savings from the [ATF] programs are more towards the end of 2019, 2020, the full savings in 2021. But from a cost/income ratio perspective and that's I think the most important one is that we expect 2018 to be around this number, 2019 to go lower, 2020 to be back and making the rates that we have indicated at our Investor Day at 50% to 52%. So, that's basically where we feel things will go and it is according to what we have guided before. On NIM, Koos?

Koos J. V. Timmermans

Alicia, maybe on the NIM, my answer would be gentle and is based on the following. If you look at our total liabilities because that is where the pressure is on the savings, it's EUR 540 billion. Out of that EUR 540 billion, roughly EUR 320 billion is in savings. Savings we normally invest roughly in 5 years if you look at the swap. What you see currently is that the current swap market, current 5 years is already higher than the average of the swaps of the last 5 years. So that means that your leakage on savings, if I take this as a very crude proxy, is quite low. So where you do still have some leakage is on the retail current account, the EUR 140 billion, because there our reinvestment rate is somewhat lower. But overall, it is gentler than what we would have expected last year given where the current yield curve is.

Alicia Marianne Chung - *Exane BNP Paribas, Research Division - Analyst on the Pan-European Banks Sector*

And just to clarify in terms of the loan growth that we can expect so say 3% to 4%, would that more than offset the net interest margin pressure would you expect so we could still expect NII growth?

Koos J. V. Timmermans

Overall what you see is that we have still so far over the last 2 years, we've always countered by being more efficient with the balance sheet and by the loan growth, we have countered the deposits now in the sense the deposits leakage. So, till so far we have been successful on that. We are always a bit on the careful side and say like well, now can we continue to do so? I don't know, but this is why we are saying like well, relatively speaking the high 140s, low 150s is for the full year the guidance. Then again we are a little bit more optimistic than what we were in the past given where the current interest rates are. And in the end, loan growth for us it's not a target as such. I mean we only do it once it passes a hurdle and when it's profitable.

Operator

The following question is from Mr. Bruce Hamilton, Morgan Stanley.

Bruce Allan Hamilton - *Morgan Stanley, Research Division - Equity Analyst*

On the -- I mean you mentioned some interesting sort of use cases on blockchain, you've made the payments acquisition. It feels like you're quite well positioned on PSD2. How do you think about sort of financial impact? Can this drive efficiencies to cost via blockchain on a 3-year view or in the current sort of mid-term plan or is it longer-dated and how should we think about the impact on sort of degrowth and on sort of non-NII growth from both the acquisition of the payments business and given the possible market share you could pick up from our PSD2? And then secondly, on the investment product growth, I mean you mentioned fairly encouraging sort of momentum there. Can you remind me I think this is third-party products and I assume mainly passive, but if there's any color on what you're successfully selling with clients, I'd be quite interested and where you see the scope for that looking out from here?

Ralph A. J. G. Hamers - *ING Groep N.V. - Chairman of the Executive Board & CEO*

Actually the financial impact of these innovation plans remains to be seen on the blockchain side and why do I say that? What we have done on one side, on the energy side as well as on the soft commodities the soya side, we basically kind of rebuilt whatever paper process in a digital way with the different parties there and it seems to be working. It is more safe, it is faster and it's more efficient. Now that's 1 thing, that is 1 deal, it is 1 shipment. For this, we'll really become a game changer for banks in terms of cost and for the other parties on this platform in terms of speed and efficiency. This needs to be adopted as a market standard because in the end, trade processes are global and for these processes, you need more banks than just a few that collaborate on the blockchain initiatives that we have launched. Having said that, they look to be very promising. As I said, the soya one cutting back in days from 24 to 3. Honestly, I think there is no reason why you wouldn't be able to cut it back to 1. So over time when we get this to market standards, I think efficiency, speed and safety will improve a lot and that will be promising. But I think that's not for the next 2 years, but we will charge ahead and see how quickly we can establish market standards and then it can have a major impact. On the payment side, your second question there on Payvision, you will not see this in our topline numbers yet. But what Payvision does is it caters for many clients across the globe. It's a payment service provider that offers 80 different payment solutions in the e-commerce world and we know that is the faster growing world as well and it kind of solves the issue that merchants are confronted with with all the new innovations and all the new payment methodologies that people are inventing and basically Payvision is offering combination of those, really 80 different solutions in 150 different currencies. Where we see this going is that this will be a platform going forward to get new clients, Payvision clients; but also for this platform to offer to our clients and then on the back of that to generate information score or additional working capital production, lending production. So, you really see that this is a major step into the digital era and into digital scoring of credit for different, different, different company and in different countries as well. Next step, your next question on investment products. Yes, this is mostly passive. It is mostly third-party products. The success of the growth in assets under management is twofold. On one side, we are seen as the house where your money is safe because we have the reputation of being a good savings bank, that's what clients see in us and savings don't generate too much of a return. At this moment in time, clients are looking for alternative. We want to show them easy alternatives, alternatives that are digital because they are used to that and that's what we do. So example in the collaboration with Scalable, we run an algorithm that matches the investment to -- with the profile of the customer as of EUR 10,000. It's very easily accessible, low entry barriers from that perspective. It's a low cost solution in comparison to what other banks are offering and that's a combination of success. So on one side it's the offering and the ease of access and the digital approach, on the other side is our reputation, our prime reputation as the savings bank. And that's what's making the success as we see it right now.

Operator

Our next question is from Mr. Johan Ekblom of UBS.

Johan Ekblom

To come back to maybe to, I guess, following on on this growth in AUM and things. If we look at the fee growth, clearly there was a big step up in momentum during 2017 and I think you commented before that maybe some of the particularly strong results in Q2 et cetera might have been a bit of one-off. But how should we think about fee income growth for 2018? Is there any reason to think that the sort of strong positive underlying drivers are not going to be there? And then maybe just to come back on your NIM guidance so you're sort of at the top end of your range given the strong performance in the fourth quarter. So when you talk about sort of extending that guidance for 2018, how much would you say of that comfort are you getting from a better starting point and how much is because of the move you've seen in the swap rates? Just to get a sense of sort of how sensitive you are should swap rates move down again?

Ralph A. J. G. Hamers - *ING Groep N.V. - Chairman of the Executive Board & CEO*

I'll take the first one and Koos will follow up on your second one. The fee growth momentum, I don't think it's a one-off. We are not in this business -- we're not optimistic in this business. We're not charging fees because we can charge fees. We charge fees because we add value to our customers. And what we see is that over the last couple of years, we've really transformed our saving franchises to full-fledged banks. The whole philosophy behind the strategy is that if you have a primary relationship and that relationship thinks of a bank and they think of ING, it's digital. And if that think of ING for their next product, we should be able to offer that product. Now, 1 of the products that generates fees is the investment product. We're also looking at new products on the insurance side also work. So, you should see this fee income growth not as an opportunistic growth. Clearly it has to do with some of the market circumstances. It is a growth that is on the back of the number of customers as well because we're growing there as well. It's on the back of the growing savings flow coming in as well because in the end customers then tend to move their savings into investment products. And also now -- also banking side, you see that the fee income is on the back of deals that we closed. If you then look at what is kind of more a momentum thing and what is more structural, the overall structural element of the fees is around like [EUR 650, like EUR 660] for the year. So, it kind of takes away -- that answers your question on what is kind of a one-off, maybe there is a bit of one-off there. But there's real structural improvements of our franchise, broadening our franchise and on the back of that, better fee income. NIM, Koos?

Koos J. V. Timmermans

So, the question is how comfortable. I mean again disregard the financial market side so you see 155% and it's still 2 basis points higher than the 153% we've seen before. So in that sense, it's good. The 4 ingredients which play a role there. One, loan growth and yes, we had good loan growth and we had good loan growth at different margins. We are quite comfortable there in the sense that what you've seen over the last quarter is that loan growth every time comes from something different. It doesn't come from the Netherlands, but if you look at for instance the wholesale bank or if you look at the C&G, it always comes out of different areas. So, apparently we are able to generate the loans at decent margins from different sources. So, that clearly helps. Balance sheet usage, I also feel quite comfortable there. What you've seen over last year is now the name of the game in ALM just take deposits if you can make loans and what you've seen is we made EUR 27 billion of loan and EUR 19 billion of deposit. So, we didn't need to bring a lot of money to the ECB unnecessarily. So, clearly that helps you and supports the margin as well. Like I mentioned, the leakage what you get on the savings side on the reinvestment starts to be lower because current rates are higher than average portfolio. If I take that simplified example of the swap, it's slightly more complicated but nevertheless it's better. So, the only linkage is a bit on the current account part. So in that sense, yes, we can be a bit more comfortable with the underlying structure. But again, and like I said before, loan growth we just make sure it's not a stop gap to just protect the margin, we do it because we may pass a certain hurdle, that's how. That's always the uncertainty we have in there, but overall yes, we feel slightly more comfortable than what we had last year.

Operator

Our next question is from Mr. Bart Horsten, Kempen & Co.

Bart Horsten - *Kempen & Co. N.V., Research Division - Senior Research Analyst*

I have a few follow-up question on Payvision transaction, if I may. First of all, you mentioned you will focus on the merchants. To what extent do you also see yourself focusing more and more on the clients of these merchants because you obviously also obtained that data and do you see yourself becoming a payment initiation service provider or an account information service provider to that extent going forward? And as it's also a scaled business, do you expect more acquisitions in this space? And my final question is a bit detail on Payvision itself. Could you elaborate on the segments in which Payvision is active and whether you may shift some focus during -- because of know your customer requirements and things like that? Thank you.

Ralph A. J. G. Hamers - *ING Groep N.V. - Chairman of the Executive Board & CEO*

On Payvision, yes, we will certainly focus on their clients, but we'll also make sure that we offer Payvision to our clients. Payvision is a real strategic acquisition and it's a fintech that has developed very, very, very fast with the latest technology. It's easily scalable -- easily scalable, which means that from the base they have, they can grow fast without too much additional investment and cost relative to what you can achieve with it. What you in the end create is a -- you will -- a go-to platform for financial services in that if you are able with an offering like Payvision combine all the different payment methods, but also a platform where buyers and sellers come together, merchants and the individual clients and indeed you have a platform through which you can also gain access to new clients. But that remains to be seen how we develop that, we certainly have our views around that and it looks to be very promising. Will we consider further acquisitions in this space? It really depends on how it develops. But as I said, if it comes to acquisitions, we look at where we can add skills and where we can add only innovation and this is certainly one of them. So, it fits the category of what I've always been kind of indicating to you as where we would see acquisitions coming and that's that.

Operator

Our following question is from Mr. Maxence Le Gouvello of Jefferies.

Maxence Patrick Patrick Laurent Le Gouvello du Timat - *Jefferies LLC, Research Division - Equity Analyst*

My first question would be on Belgium, quite surprising to have such a rebound of the lending activities especially on the mortgage. Can you give us some color and what we should especially on mortgages going forward? Second question is a follow-up regarding your comment, Ralph, on primary customers. You're well ahead of your target over the year. Do you -- can you please share with us your 2018 target and also how much of the acceleration of the fees is coming from these new primary customers buying more products? If you can able to quantify it a bit more on that side, it would be much appreciated. Thank you.

Ralph A. J. G. Hamers - *ING Groep N.V. - Chairman of the Executive Board & CEO*

On the mortgage lending in Belgium, actually we've seen the mortgage book growing in Belgium over last couple of years. Clearly there has been moments in which particularly the Belgium book was kind of renewed on the back of the lower pricing that clients would get access to because of the low fees they needed to pay to refinance. So, you saw some movements in the books across different -- across the market. We've always been kind of active in the market and in growing this at the speed building of growth. Again, there we are very disciplined in risk appetite and pricing and sometimes you have a bit of a higher market share and sometimes you have a bit of a lower market share. On the primary customer side, the 2018 target, we don't really have an annual target honestly. We have the 2020 kind of target of EUR 14 million and that's what we kind of focus on. We kind of focus to make sure that we get there on one side and the other side we shouldn't exaggerate it either. Sometimes new customers come in directly as a primary customer and sometimes these have been customers with us from a long time and now suddenly become a primary customer because of our offering. So, it's a mixed bag. And as for the fees, I think that in the end and that's the philosophy and that's what we're working on and once we have more information on this, we will certainly go about it. When we had the Investor Day, I showed you a formula, a formula in which we basically indicated that the client value was made of -- or the value of the company was made of the number of clients versus the percentage of primary multiplied by the cross-buy multiplied by the number of -- by the product value. And it's literally that formula that we're following. So growing the number of customers, improving the percentage of primary, improving the cross-buy across the primary by offering more products and improving the value of the products. Now the numbers I can give you behind is not so much in terms of fees related to it, but certainly there will be more fees coming from primary customers than from non-primary customers. The most important thing as to how they create value is that primary customers are 8x more loyal and in the first years of ING, they increased their value by 3x, multiplied by 3, and have a cross-buy that's higher than any other client. But overall if you recalculate that in value, primary customers generate 2.5x more value than the average ordinary customer. And that's the number to keep in mind because that is what we do with future value creation. Now we give you these numbers of growth in primary customers all the time and some of this is costing us money, but it is because we are convinced that it will create and they are creating more value in the future. Hope that helps?

Maxence Patrick Patrick Laurent Le Gouvello du Timat - *Jefferies LLC, Research Division - Equity Analyst*

I understand the logic, we saw all the figures growing and then now we need to -- at a certain point to see a utilization of the acceleration of the revenues. Is it -- when I'm listening to you it's most likely going to affirm end of '18, mid of '19, is it a right assumption?

Ralph A. J. G. Hamers - *ING Groep N.V. - Chairman of the Executive Board & CEO*

Yes, but you see the revenues already increasing. If you look at the commission income as I said, a lot of the commission income increase is on the back of the increase in share of primary customers. Of course it's the primary customers that think of us as doing more business with us and looking at the different products from the initial products which they came in. Normal acquisition products for us are savings for sure or mortgage on the other side. But once they're a client, the question is whether they can become a primary customer and then they produce the real fees because on savings we don't make fees. On the mortgages in the Challengers & Growth Markets to the extent there is a brokerage model, we actually pay fees so it's not an income generation on the fee side. So, fees that you see in the retail space is more or less related to how primary customers do more business with us.

Operator

Our next question is from Mr. Matthew Clark, MainFirst.

Matthew Clark

My first question is on net interest margin. You mentioned better lending margins, could you just talk a bit more about which product areas or what's driving that strength, why and whether you think that that's sustainable? And then a follow-up question is on the dividend. It seems to be a statement of intent that you're increasing the dividend by the EUR 0.01. What would really have to change for you to materially increase the pace of the dividend increasing, is it really just the accounting issues around IFRS 9 and for cyclicality or is it really just a case of you saying we see ourselves as a growth story rather than a payout story? Thank you.

Koos J. V. Timmermans

Maybe if I look at a few things of margin improvement. It's Koos here. It's structured finance looks good this quarter, we also see well, real estate finance was positive but marginally positive. If I look at general lending, it looked good. So, a lot of products on the wholesale side were quite good. PCM was flattish. If I look at the other contributors, if I look at the Netherlands, mortgage flattish; mid-corp did quite well actually similar in Belgium. So overall, the picture is slightly better on a number of the business like product. That is how I would summarize that. So in that sense, yes, on the margin side I'm quite happy. On the dividend side it is 1 basis point, but please remember that over the last year we have had quite a lot of RWA migration positive. So in that sense, this is something which at a certain moment can turn around. And also although the IFRS 9 impact at the start will be maybe only 20 basis points or something like that, for us the puzzle is how will -- in a scenario where you move into a downturn, how will -- at that time the stage migration that is called in technical terms in IFRS 9, how will that create additional or earlier recognition at provisions and that is exactly at the same time when you have negative credit progressing. This is the one we want to figure out and there we need to play around to be honest with our models for the next 3 months. By that time, we can translate that into a buffer and then we know if you take our current ROE how much is now for payout or how much is now for loan growth. So, if we can take these steps because we prefer the continuity of it rather than to be too quick and then later create a sort of a start-stop in either loan growth or dividend. And so give us in that sense a little bit of time and we will come back on that.

Ralph A. J. G. Hamers - *ING Groep N.V. - Chairman of the Executive Board & CEO*

And by the way, overall payout is not that dramatic at 53%.

Operator

Our following question is from Mr. Alex Koagne of Natixis.

Alex Koagne - *Natixis S.A., Research Division - Analyst*

Number one is on the cost of risk. I do understand your comment that the cost of risk should stay below the guidance, the through-the-cycle guidance but from the 22 basis point we have in 2017, what should we look for going forward for 2018? Is there any provision release we can activate or should we expect sentiment to have the implementation of IFRS 9 to have a negative impact on the cost of risk? The second point is on your operating expense guidance, I'm not sure I quite understand what you say for 2018 when you say that we should stay at the same level. Is it in term of overall cost or is it in term of cost/income ratio? Those are my 2 question. Thank you.

Ralph A. J. G. Hamers - *ING Groep N.V. - Chairman of the Executive Board & CEO*

Alex, it's Ralph. I'll answer the second one quickly, it's in terms of cost/income ratio. Note that's already in terms of cost so the cost/income ratio we manage flattish for 2018. And then savings for the risk side?

Steven van Rijswijk

For the risk side if you look at IFRS 9, the initial impact that we had both on the credit and the investment book is around 20 basis points negative. That also includes Stage 2 migration based on the new regulation, i.e. based on IFRS 9. What we currently see is a positive outlook on GDP and on the industry that means that in as far that continues, the stage migration to Stage 2 will be limited. So in that sense as long as we have that outlook, we feel that the risk costs for 2018 will be well below the long-term average.

Alex Koagne - *Natixis S.A., Research Division - Analyst*

Okay. If I may have an additional question, please. If there is any capital excess above the buffer and with the impact of IFRS 9 and the procyclicality, what is the use you're looking for? Is that a special dividend only or is it also -- it can be also a form of share buyback?

Ralph A. J. G. Hamers - *ING Groep N.V. - Chairman of the Executive Board & CEO*

I think I'd like to have that luxury, but I first want to cross that bridge and think like okay, what is it now that we really need to keep and preserve the stability if we have crossed that bridge, then you can look at the means how you will get there or how you will pay that out because I mean you can add a (inaudible) or you can say it is buyback, you can say it's a one-off dividend or you can say it's overtime. But let's first figure out that in terms of buffers to preserve that loan growth what we have right now and to preserve dividend payout under also more economic difficult circumstance and then we get there.

Operator

Our next question is from Ms. Sofie Peterzens, JPMorgan.

Sofie Caroline Elisabet Peterzens - *JP Morgan Chase & Co, Research Division - Analyst*

I just wanted to ask on your NII, the hedging had only a EUR 8 million impact on your NII in the fourth quarter versus EUR 91 million impact in the third quarter. Going forward what kind of impact should we expect? Is EUR 8 million the run rate going forward or will it be a bigger impact? And my second question is if you could just give us an update on litigation. And thirdly, just a follow-up on TRIM. You said that you expected earlier impact on your risk-weighted assets in priority. Could you just give us an update on how your discussions with the regulator is going, when we should expect this impact to hit your RWAs?

Koos J. V. Timmermans

On the NII, expect actually nothing in the future in terms of hedging or other amounts in there. (inaudible).

Ralph A. J. G. Hamers - *ING Groep N.V. - Chairman of the Executive Board & CEO*

On the litigation, there's no other update than kind of repeating that we are subject to this investigation on fulfilling the requirements and conditions if it comes to client onboarding, money laundering and fraud and the processes that we have in place. So, there is no update we can give you there. We're in full cooperation with the prosecutor on this one and we expect more news in the coming months on that one. On TRIM, I'm referring to Steven.

Steven van Rijswijk

So on TRIM for mortgages, so we have different parts of TRIM. So, that is they look at the portfolios and mortgages in the Netherlands and in Belgium. The Netherlands is largely done, Belgium currently underway. They look at -- ECB looks at the SME portfolio in the Netherlands and there was a investigation as to the trading book globally. And later this year, there will be a look into the low PD portfolios or the low default portfolio largely in wholesale banking. Now with TRIM, what the ECB then will do is they will compare results between all the banks. So when we have now done the mortgage part from the Netherlands and a bit later for Belgium, it will need to be done for other banks as well, after which the ECB can make a comparison and only then they can give feedback. So, I do not expect feedback on the whole TRIM exercise this year. What I do expect is some feedback at least on the mortgage portfolio later this year. This remains to be seen.

Operator

Our next question is from Mr. Benoit Petrarque, Kepler Cheuvreux.

Benoit Petrarque - *Kepler Cheuvreux, Research Division - Head of Benelux Equity Research*

Coming back on the procyclicality of IFRS 9, I mean you implemented already your models on the 1st of Jan. so could you maybe share with us the impact of different macro scenarios, say downturn scenarios? How much impact it will have in terms of well sharp deterioration of the macro for example? It would be interesting to know. And then the second question is on Basel IV. If you look at Basel IV like it stands now, what type of management actions are you planning in the coming years? I guess you will be working on pricing going forward a bit more while you are also working on pricing already, but what type of management action do you expect, maybe derisking in some bucket of loans or I was curious if -- to know more about the actions you could take potentially before the implementation? Thank you.

Koos J. V. Timmermans

Good question on IFRS 9. I mean this also comes back to what was said earlier today about that we need to look at macroeconomic scenarios and what will it mean in different scenarios both for your risk, also in RWA. So, we're not at this point that far that we can communicate what do macroeconomic scenarios exactly do?

Ralph A. J. G. Hamers - *ING Groep N.V. - Chairman of the Executive Board & CEO*

On Basel, yes, there's many different management actions you can take. We're reviewing the different books and the way it impacts the different books. You can reprice, you can sell, there's different ways to manage your balance sheet there, maybe stop some businesses altogether if they're really unattractive or if you feel you really can't at the scale. We don't see any hints of that honestly. But for the moment we think it is going to be combination of a bit of repricing here and there and flexible -- flexibility in the balance sheet in terms of which assets do we originate and which assets do we keep on our own books or which ones do we originate for parties that actually have a better return on the same asset because they are in a different regime like insurance companies for example or other investors.

Operator

Next question is from Mr. Jean-Pierre Lambert.

Jean-Pierre Lambert

So, we see that your strategy in fintech is quite successful. There are something like 430 fintechs in the Netherlands so we have a good space to choose from. The question is more BigTech. If we see in India, they've already implemented PSD2 and Google is proposing a payment system -- a mobile payment system so it's not impossible that a BigTech would enter your market before the horizon of 2021. Which part of the magic formula you think the entry formula would be eroded or impacted by such moves? Thank you.

Ralph A. J. G. Hamers - *ING Groep N.V. - Chairman of the Executive Board & CEO*

Challenging question here. I think you're completely right. I think PSD2, which we have supported in view of innovation and risk competition and specifically smaller players have a chance for which there's different kind of anti-barriers and I think that's what PSD2 is supposed to kind of support. On the other side, there is a disadvantage in PSD2 and specifically if it comes to the powerful BigTechs who can come in and they already have a lot of data and then we have to give the client data if the client so allows and permits and requests and then they have the full client view and we don't, which basically shows you the PSD2 is not creating a level playing field at all and that basically we're serving all of the data on a plate to the ones who already have a lot of data. So from a market power perspective, it is something that is not necessarily desirable. Having said that, that's not your question. Your question is which part of magic formula may be impacted. It is certainly the part of whether clients will see us as their primary bank. If clients start doing payment specifically with another party and basically that is an act of disintermediation and if they see that party as their most important day-to-day banking provider and you may escape their mind in terms of your brand as the bank to go to. So, that's why we are charging ahead on being the primary bank and the bank of choice and building our own go-to platforms in financial services and it has always been in our strategy that we have to make sure that we do 2 things. One thing is that we build our own platforms and that we build those platforms in a way that clients really, really, really love us. That's why the loved brand is so important and the recognition as being a loved brand is so important, that's why the net promoter scores are so important. So, I'm so happy that we're actually in 9 out of 13 countries #1 because this is a real contest for us to improve. But on the other side, it's also a predictor of future business and future customers to come on. On the other side, it's important that you stay connected to third-party platforms as a service and also for that it is important that while these customers are in the social media or on those other platforms, they think of you if it comes to a financial service. So, branding is a core element to fight the BigTechs. If it comes to financial services, the trust element of banks should still help us there. But point is that if the BigTechs come in, yes, I mean we're really at a competitive disadvantage because the PSD2 is a 1-way deal in terms of giving client data not a 2-way deal.

Operator

The next question is from Mr. Marcell Houben, Credit Suisse.

Marcell Houben - *Crédit Suisse AG, Research Division - Research Analyst*

I have a couple on the Danish market, couple of P&L questions, if I may. First on the fee income line in the Netherlands, you see a 10% gross increase year-on-year. I was just wondering to what extent is that sustainable or can you expect a similar growth going forward? And on the costs in Netherlands as well we see a 2% increase year-on-year. Would you be able to expect to generate positive jaws for 2018 or will it come in 2019? And then on Belgium, the NII was negative 6% year-on-year despite a pretty strong growth there. What extent is it explained by low reinvestment yields or lower margins from competition? And also, we've seen in Belgium the OpEx line there a 5% increase. Again the same question as on the Netherlands, do you expect to see somewhat positive jaws in 2018 for Belgium or would you have to wait until 2019? Thank you.

Ralph A. J. G. Hamers - *ING Groep N.V. - Chairman of the Executive Board & CEO*

On the fee income in the Netherlands specifically, yes, this is recurring. So, we're seeing so much fee income growing. But for us, it is the change in the law in which we basically have to charge fees or at least suppliers have to pay mortgage provider or mortgage adviser and therefore there is fee income there. So, that's recurring. We're currently at a market share of 5.5%, at least that's where we were in the fourth quarter in mortgage -- in the production of new mortgages in the Netherlands. That's kind of a recurring income stream if you keep that market share. There's a recurring income stream in the Netherlands on the back of the payments and cash management business. There is a recurring income stream on the back of the investment products business as well. So yes, there is also there. We are a bank that is very transparent in what we do. This is what makes our reputation. This what makes our net promoter score. So, we're not opportunistic on fees. We charge fees for services that clients actually see as valuable. Also in the Netherlands, the fees will be recurring. Now in the Netherlands, the costs -- over the year you actually have seen a cost decrease in the Netherlands not a cost increase because you see actually the benefit of the earlier programs coming in in our cost line, in our cost line. Overall in any scenario, we --- in any country, in any business we try to manage or we manage for positive jaws. Whether we will make an overall positive jaw for 2018 with some of the investments that we want to continue to plan. We'll see also how the income develops, but the units know that overall cost increases are only allowed if the results are with structural income increase and again it's structural element of the income increase that we're also showing in Q4. That is what we are looking at and not at the fluctuating part of the income increase because it's about building a sustainable business that we look at. So. that's kind of the answer to cost. Maybe on Belgium, I refer to Koos.

Koos J. V. Timmermans

I think overall what you see is if I look at the year in total, then indeed you had the negative jaws in 2017. Particularly what you see is the lower savings and deposits income that plays a big role or that is the biggest contribution on there. As you know in Belgium, we stopped our rock bottom rate at 11 basis points rather than lower than that so we didn't have the offset. But also in Belgium, what you will see is the investment yields on savings will start to come gradually better as the example I explained earlier and at the same time, loan production will help to a certain extent as well. The other point, which is clearly the case and that is -- but that is an overall point, we'd like to make sure that we keep our cost in check. At the same time if I look at Q4 of '17 versus '16 in Belgium, we can say that overall the total amount of cost increase was not that high in the Belgium portfolio. So nevertheless yes, we can be affirmative about '18 and '19 that the savings will be a bit better and loan production will be there and so we have to keep our costs somewhat in check.

Operator

The following question is from Mr. Bart Jooris, Degroof Petercam.

Bart Jooris - *Banque Degroof Petercam S.A., Research Division - Analyst*

Just a few follow-on questions as most of them already have been answered. Regarding the usage of your capital, you're speaking of around 5% out of 10% return on equity going to loan growth and 5% to dividend. If we're looking at loan growth, are we looking purely organic here or should we also look at non-organic growth so do you have any M&A plans that's outside let's say the fintech universe? And then regarding the cost outlook for 2018, does that still include a lot of restructuring charges or have those for the main part been taken?

Ralph A. J. G. Hamers - *ING Groep N.V. - Chairman of the Executive Board & CEO*

Basically how we have guided in the past and going forward, we do generate capital and the capital that you generate in the end, we have 3 uses for. The first one is making sure that we have sufficient capital because that is important in order to be a safe bank, it's important to continue growth in the first place and play our role in the economies in which we're active by lending. The second usage is to grow. And the third usage is to pay dividend. This is not in this order, I mean we rank them equally. I mean this is kind of how we manage bank all the time. Now from a capital perspective, we're in a good shape but we have Basel so we'll have to see how we kind of make sure we make it over time. If it comes down to the organic growth, you see again also this time around that organic growth is something that we do very well, that we have the right skills for generally. And what we have indicated as to where we would consider an acquisitionary strategy, it would either be in the area of when consolidation is happening in markets in which we are a player, we have to look at what will be the consequence for our own activity and from that perspective, we would have to decide at that moment in time to play with that consolidation or opt out like we did in India. We were forced to consolidate and we made our calculations and our organic plan was not generating the value that we could actually generate by a merger with Kotak Mahindra. You can expect that we go about these kind of things like that. Then the second area and which we are interested in considering acquisitions on top of the organic growth will be in the area of skills. As you know, we want to develop our skills on the asset side in order to make sure that we can diversify our balance sheet away from mortgages. We do so in sector lending in the wholesale bank, we do so in consumer lending in the Retail Bank; but if it comes to SME banking and mid-corporate banking, that's where we think we can gain. So if it were skills or portfolios that we can kind of look at, we'd certainly consider that. We haven't seen those coming by over the last couple of years so it would make me wonder if we want them, whether they will come. Like for example the acquisition of Payvision will help us to get in touch with new clients and to generate loans in a new way as well. So, that's one of those opportunities there. And then the third area of acquisition is as you have indicated and where you see most of our activity currently, this is in the fintech space is we feel there was a technology or it was an approach in the market that really adds value to our strategy again not from an investor perspective for us to make a lot of return, but really from a strategic perspective as to whether it really adds in delivering a differentiating experience to our customers and then we will consider it. And that's basically where you have seen most of our activities in our joint venture with [Cardif] but also in the acquisition of Payvision. On the restructuring charges, we have seen some in the fourth quarter as we have indicated to you, we've seen some in the Netherlands. If it comes to do a project called S2020, banks are putting their ATM machines together in 1 company, we had a charge there. We had some small transformation elements in Turkey and Germany. These are all kind of smaller restructuring charges that we had in the fourth quarter where some of that will continue, but we don't see any major restructuring charges to come in future.

Operator

The next question is from Mr. Adrian Cighi, RBC Capital Markets.

Adrian Cighi

Just one follow-up question on capital, please. You've articulated a very helpful framework for us to think around Basel IV, IFRS 9 and management buffers. However, in terms of the timing of regulatory headwinds, how do you see the potential overlap between TRIM and Basel IV? Thank you.

Steven van Rijswijk

I mean in the end what TRIM potentially may do is that it may front run Basel IV to some extent that looks more particularly at (inaudible). Basel IV both looks at input sectors and output sector with a floor if you will. That introduction period's after by the way political and regulatory endorsement will be 10 years in 2027, outcome of TRIM will be a bit earlier. What we have said before in terms of TRIM, we are quite positive in terms of that exercise because TRIM actually gives also input to get better statistical models, Basel IV to some extent is moving back to standardization which is not something that we favor. But there is some overlap at least also in the timing. In terms of the pillars that we look at, Basel IV is Pillar 1 closure and TRIM is Pillar 2. In that sense, there is a difference.

Operator

Following question is from Mr. Robin van den Broek, Mediobanca.

Robin van den Broek

First question relates to Basel IV and maybe some second other derivative impact on non-European exposure. If you look at your loan book, 37% is non-European and the impacts that you've seen before in Basel always indicated that the most part of your inflation is for European banks not so much outside. So, I was wondering how would that impact the level playing field and could that be part of your management actions on that part of the book? Second question is on robo advice in Germany, I think it's a fairly new initiative and today you seem to earmark already that the first results are quite encouraging and boosting the fee. So, I was wondering if you could maybe spend a few words to specifically on that addition of services for customers? And maybe thirdly, Ralph, with BigTech would you rule out any collaboration there or do you think that would never consider that with a bank? Thank you.

Ralph A. J. G. Hamers - *ING Groep N.V. - Chairman of the Executive Board & CEO*

I will take the last 2 questions and then Koos or Steven will take the first question. On the BigTech, a, you should never rule out anything honestly. You don't know how things are developing and it may be very well be good to collaborate at a certain moment in time. Remember, we don't see it but it could very well happen at a certain moment if it comes to providing payment services, through one way or the other you try to be kind of a favorite player in their platform. It remains to be seen. It remains to be seen whether they really want that and remains to be seen whether we would really want that because in the end it is about what will we actually get out of it. But I don't rule it out at all. On robo advice, the reason we're kind of doing this is clearly we've just started, it looks promising. It looks promising from a client's experience perspective. It's really simple, it's digital, it is personal, all the things that are important as part of our strategy. Let's face it, there is another side to it. At this moment, people don't make a lot of money on their savings, but they are looking for alternatives. So on one side, we can label robo advice as a success because of what it does and the experience will soon understand that is the case. But It's really also because clients are looking for an alternative and this plays to that in a way that fits ING, which is simple, understandable, transparent and matching the risk appetite of the customers. So if it's a digital player, it's our brand and that's why we're quite happy with the collaboration that we have with Scalable. Steven?

Steven van Rijswijk

Regarding Basel IV, Robin, I mean like I said before, Basel IV in some instances brings us back to more standardized models than previously and has more impact on one bank than another, that has more impact on one region than another and hence, we have never favored Basel IV. Indeed outside of Europe that could potentially impact the level playing field, but it is still relatively early days and there's a long phase-in period. We're still investigating a number of our asset portfolios. Our franchises are well profitable also outside of Europe. And so, we have time to take actions when needed in terms portfolio composition if and when needed or in terms of pricing if and when needed. So, we're still looking into it. At this point in time, it's too early to say that there would be an impact and so when that would be the case, we will come back to you.

Operator

We have a question now from Mr. Jose Coll, Santander.

Josema Coll - *Grupo Santander, Research Division - Equity Analyst*

Looking at total income in the quarter, it came at EUR 162 million, which is roughly half the quarterly average for the year and also half of the quarterly average of 2016. So, my question is this a one-off? What can we expect going forward? And my second question is concerning Basel IV. Could you please give us more color on what is driving most of the risk-weighted asset increases? I suppose it is credit risk, but is operational risk also an important factor? And within credit risk, could you specify by lending category? Is the specialized lending specifically a large contributor to that 15% to 18% risk-weighted asset increase that you mentioned?

Ralph A. J. G. Hamers - *ING Groep N.V. - Chairman of the Executive Board & CEO*

Jose, could you repeat your first question because I didn't quite understand it?

Josema Coll - *Grupo Santander, Research Division - Equity Analyst*

So I'm looking at total other income in the quarter and it came at EUR 162 million, which is roughly half of the average -- of the quarterly average for the year and it's also half of the quarterly average for 2016. So, it's significantly lower. So my question is, is this due to one-offs? What can we expect in total other income going forward?

Ralph A. J. G. Hamers - *ING Groep N.V. - Chairman of the Executive Board & CEO*

So specifically for the fourth quarter, a large part of that is in the FM side. We have seen that in order -- in 1 of the slides as indicated that the total result of FM was actually going down to EUR 227 million, but that the way the FM result is accounted for is much larger in interest income this time and that's why the NIM is also uplifted. But the other part of the income of FM is actually much lower and that is one of -- so it's a lower FM income and within that a lower other income of FM. And on the -- in addition to that, you know that the CVA/DVA has also impacted the other income and then exactly. And then the other part of the explanation of the other income is also what we explained under the NIM is the shift in the way we recognize the designation of the hedges. So, there's 3 categories there. RWA, Steven?

Steven van Rijswijk

So on RWA, there are several movements. So in terms of the volume that is the core lending increase, you see there an increase of EUR 6.3 billion. There is some negative effect from the (inaudible) and risk migration, which is EUR 3.5 billion. Then there is some elements in there, which is minus EUR 1.2 billion, some negative or decrease in RWA of operational risk or non-financial risk based on a changing external database that we use for capital calculation of about EUR 1.9 billion and there was a decrease of market risk of about EUR 0.4 billion, which then brings RWA down from EUR 311 billion in the third quarter to EUR 309.9 billion in the fourth quarter. That's the composition of the change in RWA. So, volume up and [models and FX] down basically. Then I thought you had a third question on Basel IV whether we could give some further insight in the composition or impact on portfolios. I won't step back because that's more the technical side of it. Input factors -- we have input factors in our internal models and you have an output flow. The input factor is approximately a 2/3 effect almost 15% to 18% and the output flow in the end will give a 1/3 effect. That's the approximation for now. Within that, different portfolios as far as we can see are impacted differently by and large. Areas which are more impacted are general lending for large corporates, lending for financial institutions and mortgages, other areas including structured finance are to some extent less impacted.

Operator

We have no further questions, sir. Please continue.

Ralph A. J. G. Hamers - *ING Groep N.V. - Chairman of the Executive Board & CEO*

Thanks, everyone, to stick with us for the last 1.5 hours. Thanks for your attention. Also thanks for your questions. As always makes a good discussion, keeps all of us charged. To wrap up and to summarize. Fourth quarter, to summarize, was a real good quarter. [ATF] is being implemented. We have good commercial growth whether it is about clients, whether it is about lending, whether it is about savings. We have good NII growth like real, sustainable interest income growth. We have good commission income growth, also sustainable. And we have a NIM that is actually improving because of the way we do our lending. So, commercially been a real good quarter and that's not only a commercially good quarter for this quarter in financial terms, but also going forward given the fact that we're growing on the lending side, given the fact that we're growing on the customer side. Next to that if you look at IFRS and the Basel IV impact, although we're disappointed in the Basel IV impact and the [outset] of that is still not creating a level playing field. We do feel that both impacts are manageable, which is also good news. So overall, we feel it's a good quarter. Thanks for your attention and see you next time. Thank you.

Operator

Ladies and gentlemen, this concludes this conference call on behalf of ING. Thank you for attending. You can disconnect your line now.