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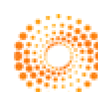

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PRESENTATION

Operator

Good morning. This is Anita Ogulin welcoming you to ING's First Quarter 2020 Conference Call. Before handing this conference call over to 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 statements. A discussion of factors that may cause actual results to differ from those in any forward-looking statements 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 in today's comments constitutes an offer to sell or 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. Welcome to the First Quarter 2020 Results Call. And for many of you, I thank you specifically because I do know that for many of you it's actually a public holiday today. So thanks for joining us. I truly hope you're all in good shape, healthy in light of the COVID-19 pandemic. As always, I'll take you through today's presentation, which is a bit longer than usual because we are trying to give you as much information as possible. And for the Q&A session, as usual, our CFO, Tanate Phutrakul, and our CRO, Steven van Rijswijk, are here with me as well.

So let's go through the presentation here. On the key points, the first quarter is not what I would call a standard quarter. For me personally, it's not, as it is the last quarter I'll be presenting as the CEO of ING, but even more so given the extraordinary times that we're living in, marked by the COVID-19 pandemic, which is having a profound impact on the entire world. It's our priority to support our customers, and it's our priority to support our employees and societies, as a whole, during this time and to help them cope with the impact of the pandemic, and at the same time to keep our operations going. And I'm proud to see that our digital and agile business model is actually supporting this, while at the same time maintaining strong operational results, as you can see.

So our support for customers was visible in core lending growth for the quarter, where growth in the wholesale banking was mainly driven by providing liquidity in light of the COVID-19 pandemic. And at the same time, we also saw continued growth in our retail book. Now combined with a very strong fee growth, this largely countered the margin pressure that we have on customer deposits and negative impacts from mark-to-market valuation adjustments driven by the market dislocation as we observed at the end of March. And then on the risk costs, they are a clear focal point for this quarter. While stage 3 provisioning was more or less stable, stage 2 provisionings are

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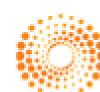

elevated, reflecting a collective stage 2 provisioning, mainly driven by the worsened economic -- macroeconomic indicators and, to a lesser extent, also as to reflecting a drop in the oil price. All of this resulted in risk costs coming in above our through-the-cycle average, and we have time to take you through some of that there.

The CET1 ratio was also impacted by market volatility, overall coming in at 14%, so around 60 basis points lower than last quarter. Around 40% -- 40 basis points of this is caused by foreign exchange impact and valuation adjustments on capital, some of which has reversed already as we speak. Also market risk-weighted assets were inflated because of the volatility in March. At the same time, we also absorbed EUR 9.9 billion or 43 basis points of risk-weighted assets as an impact related to the new Definition of Default. Going forward, we can clearly expect further impact from the COVID-19 pandemic. There are, however, many unknowns, which play a role in determining how large this impact will be, and we're not going to speculate on this. There's many things we simply don't know. What we can say though is that we're very well positioned to face these headwinds. The change in customer behavior towards digital channels is really a wind in our back in order to continue a good operational result. But -- and we have a good capital position, a strong funding base and low Stage 3 ratio going into this. Those are the key points.

Now, over to Slide 2 (sic) [Slide 3]. As I said, our priority is to provide support to our employees, customers and society. We made a very smooth transition to around 80% of our employees now working from home, helping them to adapt to the new situation and at the same time, stay available for our customers. We kept the branch network opened. Clearly, we had to tweak things here and there in order to ensure safety for our employees and our clients as well. Talking about clients, we help both our private and smaller business customers with payment holidays. And to support safe payment behavior, we've also increased limits for contactless payments, also playing to our strategy, by the way. We're in close contact with our business customers to see how they are impacted and how we can support them through this. For smaller business customers, we provide credit facilities under local government guarantee schemes. For larger corporates, we look for tailored solutions, as you can expect, providing them with liquidity when needed. We have long-term longstanding relationships with many of them. We've worked with them through previous cycles, and therefore, we will continue to support them as well in this cycle.

All this has, today, resulted in about 100,000 payment holidays, EUR 120 million in loans extended to SMEs and mid-corporate customers under government guarantee systems schemes, and EUR 5.6 billion liquidity provided to larger customers, as we have seen, part of these drawdowns already reversing. Furthermore, we can't be detached from the societies in which we're active, and these societies have been under major pressure, given the COVID crisis. So we've been running collections in order to make donations to charities matching employee donations; we're working with UNICEF, with the Red Cross; we have donated laptops to enable homeschooling, many of those things that we can help to support the societies as well.

Now on the next slide, what you will see is that our digital and agile abilities are great assets under these circumstances. We see actually a revolutionary change in the behavior of our clients rather than an evolutionary one. So we're very well positioned, given our business model in order to support these clients because they all go for digital banking. It's a safe choice, and we have experienced a smooth adoption to working from home in order to support this. The systems and channels have been available all the time. So our IT investments over the last couple of years are really paying off in order to support a business that is increasingly digital.

The share of mobile interactions further increased to 86%, with the number of interactions, again, increasing if you look at this on an annual basis. So EUR 1.3 billion of interactions just for the quarter. And as the last graph shows as well, on an annualized basis, we are more successful in our mobile -- in using our mobile channel offering new products and actually conclude sales, and that has increased to 84 sales per 1,000 customers and continues to increase. Our operations also continued uninterrupted, whereas the volumes that went through were very high. For example, in March and April alone, we opened 170,000 investment accounts globally, of which 100,000 in Germany. Up until now, we also processed and approved over 100,000 payment holidays and credit facilities under government guarantee schemes. So happy to be digital and being able to support all these customer demands, but also the new account openings that we see.

The next slide is one that we wanted to show you that although we are in uncertain times, we're in a very good starting position, having built a very resilient bank by focusing on primary customers, increasing about 5 million over the last couple of years since we launched the Think Forward strategy. Today, we have over 13 million of them, representing 1/3 of our total customer base. That has resulted not

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only in higher income but also in more diversified income. In retail, we saw the highest growth in fees, reflecting our focus on increasing fee income. The share of fee income and total retail income has increased from 11% in 2014 to more than 16% in 2019. So digital primary banking does work. Our total income also diversified geographically. And with the main growth realized in other challengers and growth markets, which is in line with our strategy, as you know, their contribution to income increased from 30% in 2014 to 40% today with income coming from non-Eurozone countries increasing from 13% to 17%. And specifically, the non-Eurozone countries, as you know, still have healthy yield curves, so that helps us also weather some of the pressure there. The increased share of both fee income and income from non-Eurozone countries is also helping us to better cope with the pressure of the lower interest environment, as mentioned.

The next slide shows that with all this growth coming through and with the number of clients rapidly increasing, over this period, we've actually been able to control our cost. The regulatory costs have clearly had an impact. But if you look at the real underlying operational cost, they have only increased by 1.7%. And so basically, most of the salary increases, most of the investments in ATF and most of the KYC costs have been absorbed by being far more efficient and getting more volume through the system, and with that generate more income.

If you now look at the cost/income ratio over the time, we were already more efficient at the beginning of Think Forward than our peers in 2014. And although we have been coping with a low rate environment and increasing KYC-related expenses, and that certainly has had an impact on our cost/income ratio. But as you know, we continue to absorb those over time. We actually see that our advance to Eurozone peers in terms of cost/income ratio over the time has actually increased from 5.3% to 7.9%.

Then to the way we do credit risk management. You see that also through the cycle, and that's why we go back a little bit longer to 2008, that we have a strong track record in credit risk management. Both our risk costs over average customer lending and our Stage 3 ratios are low compared to our Eurozone peers and also compared to equally or higher-rated peers. And that reflects the strong risk management framework that we have in place. We operate with a strict risk appetite, including exposure caps, to manage concentration risk, with extensive sector knowledge on the wholesale banking side and knowing how to work with our clients through the cycle. Our loan book with 42% in mortgages at 60% LTV is for more than 99% senior secured -- senior and secured, to a large extent, with a focus on structures and collateral. All our efforts result in a good quality loan book with a low Stage 3 ratio, which puts us in a very good position to deal with the challenges of the current cycle.

Turning to capital, that's been quite a journey over the last couple of years. Since 2015, we are looking at that, given the fact that at that moment, we deconsolidated the insurance activities. So over that period, the CET1 ratio has increased to well above the ambition despite paying over 50% of our net profit to our shareholders and absorbing substantial risk-weighted assets impact from our model, methodology and policy changes. We've also maintained our strong funding structure, as you can see, with the majority coming from a sticky deposit base. And while in the low rate environment, I've had to explain often why this is the strength. In the present time with volatile and even dislocated financial markets, the stable source of funding again proves its value. It's been always our strength and it will continue to be our strength going forward as well. And this also sets the time -- sets the frame going into the cycle. A strong capital position, a solid and diversified senior secured asset book, a solid funding structure and a proven digital operating model.

Now turning to the first quarter results. If you look at the first quarter results, we saw a strong increase in fee income combined with higher treasury income and disciplined lending margins on one side. On the other side, we saw, clearly, at the end of March, market volatility, resulting in higher negative value adjustments. So that is basically what makes the income as we see it. But if you compare it year-on-year, in 2019, the first quarter '19 actually had a one-off gain of EUR 119 million, which you probably still remember, which was related to the sale of our stake in Kotak Mahindra. And so if you take the literal year-on-year comparison, it resulted in a EUR 65 million lower income year-on-year. But if you correct it for the EUR 119 million, we actually see a bit of an increase in income there. Sequentially, income has also improved by EUR 72 million, and that reflects higher treasury-related income and higher fees. While NII was lower, with the fourth quarter '19 NII including some one-offs, reflecting higher prepayments of some fixed loan rates. As you may remember, in the wholesale bank, there were a couple of large loans repaid at that moment.

Pre-provision results, excluding volatile items and regulatory costs, show an increase in operating results. And that's by more than 5% year-on-year and quarter-on-quarter. So the pre-provision result, excluding these volatile items and regulatory costs, shows a more than 5% improvement year-on-year and quarter-on-quarter. It's a reflection of the higher income, excluding the volatile items, and it's

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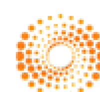

obviously also a reflection of a quarter with lower cost.

Turning to Slide 11. If you look at the NII development, excluding financial markets, it was 0.2% higher year-on-year, slightly up despite continuing margin pressure on deposits; versus the previous quarter, it was 2.3% lower. While NII on mortgages improved, margin pressure on customer deposits actually continued. The fourth quarter also included some one-offs in Wholesale Banking, as I just referred to, the prepayments, as you remember. Overall, we continue to see the effect of pricing discipline coming through. Volume growth continuing. And as mentioned in previous quarters, we do benefit also in this from our activities in non-Eurozone countries as well as the negative rates that we have started to charge on deposits. Now mainly versus the first quarter last year, we benefited from the deposit tiering, which came into effect in the fourth quarter, which largely cancels out the negative rates on our deposits held at the ECB.

Our net interest margin decreased by 6 basis points, as you can see. It's actually been remarkably stable on a four-quarter rolling average at 154. But quarter-on-quarter, it decreased 6 basis points, and that's explained by an increase of the average balance sheet, it's around 2 basis points; some market volatility -- some lower result in financial markets by 1 basis points; and then a 3 basis points impact from the combination of lower margins on savings and on non-mortgage lending. The increased balance sheet was -- for the quarter was driven by Wholesale Banking in order to provide liquidity facilities, on one side, but also institutional clients trusting ING with a considerable increase in deposits. Although we do discuss the NIM all the time with you, and it is certainly a factor that we look at how to manage it, we do think it is better to look at NII development and as part of the P&L.

And how did the lending develop? And that's in Slide 12. First quarter, we saw EUR 12.3 billion of net core lending increase. Main growth was visible in Wholesale Banking, as you can see, that increased by EUR 9.4 billion, and that has basically 2 components: it has EUR 11.2 billion in extra financing largely because of liquidity facilities. To date, we've already seen part of these drawings reversing; and we saw a decrease on the Trade & Commodity Finance, and that is basically caused by the lower oil price and therefore, the value of the contracts and the value, therefore, of the underlying activity is lower, whereas the volume is the same. Retail core lending grew by EUR 2.9 billion, as you can see. The increase in Belgium was fully due to the increase in business lending by one large client. Retail challengers and growth markets continue to grow as well, largely driven by mortgages in those fields. And the net deposits also increased by EUR 9.2 billion for the quarter. And that was mainly driven by a EUR 6 billion increase in Wholesale Banking. That's partly reflecting some of the funds drawn under revolving credit facilities, but also partly explained by institutions trusting us with their money, and it's kind of a show of confidence in these times. Retail banking deposits were EUR 3.2 billion higher.

Now over to fee growth. And we had a particularly strong quarter in fees this quarter. Fee income increased by 16% year-on-year by EUR 108 million. And EUR 72 million of the EUR 108 million was actually in retail banking, 17% up year-on-year, and that was mainly driven by Germany, with higher fees on investment products as the number of trades more than doubled in a volatile market. But also in Belgium, we saw fees and investment products increase, following a very successful marketing campaign. We also saw increased daily banking packages fees increased there. In the Wholesale Bank, we saw the fees increased by 13.4%, and that reflects increased syndicated deals in the first 2 months of the year and higher fees in financial markets. Now compared to the last -- to the previous quarter, so sequentially, fees were up 6.5%, and that's fully due to retail banking. In Wholesale Banking, fees were slightly lower, and that's because of a lower activity in Corporate Finance in the first quarter versus last quarter and the low oil price affected the fee income in Trade & Commodity Finance, I already referred to that on the lending side.

Over to financial markets. The results of financial markets were impacted this quarter by the market volatility at the end of the quarter. The first two quarters -- the first 2 months of the quarter were really good. On the client side, you actually see that the business was holding up quite well. The -- it was lower by EUR 8 million, but it was -- we also had some losses in credit trading, given the abrupt downward movement in the market at the end of the quarter because of the crisis. If you correct for that, the client income actually was substantially higher so that's a good sign of underlying business and a recovery of this activity. Sequentially, client income rose by EUR 25 million, and that's benefiting from volatile markets. Now the negative value adjustments impacted FM income by EUR 92 million, as you can see. That was partly caused by the dislocation of the bonds versus CDS prices at the end of March. It's clearly visible in the lower table on the slide there as well, you see the drop there. Mark-to-market valuation on our derivatives portfolio also had a negative impact while increasing bid offer spreads required for higher fair value adjustments as well. Now part of these negative value adjustments were offset by positive movements, and that's mainly because of our own hedges that we have in place. And as the market volatility that we saw at the end of the first quarter has somewhat subsided already, some of these negative impacts have, in the meantime, reversed, as

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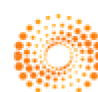

you can expect with the normalization of the market.

Over to cost, expenses excluding KYC, and this is kind of additional information for you this quarter because you asked for it to have a little bit more transparency around the KYC costs. So now basically, we have dissected it here for you. So if you exclude KYC costs and regulatory costs, the costs were actually down EUR 29 million year-on-year, and that's a 1.3% decrease of costs year-on-year. So you see that the cost control is actually working on the operational side. Also some positive one-offs, but they countered some of the CLA salary increases. If you look at the quarter-on-quarter development, expenses, excluding the KYC and regulatory costs, were lower as well by EUR 52 million, and that's a 2.3% decrease. Then you also see that this quarter has a lower KYC cost than the fourth quarter. But if you really look through, we do expect and we already guided that we would expect KYC costs to plateau around these levels, so we do expect them to come out around EUR 600 million for the year. But as you can expect that in these times, we are very focused on cost going forward and very precise as to what we want to do, where we want to invest. So we will continue our cost discipline going forward, and it has resulted in the first quarter already in lower expenses in almost all segments. So from that perspective, also a good quarter.

Then the regulatory cost, as you can see, are seasonally higher, and in the first quarter were EUR 11 million higher than the same quarter last year, and that is mainly driven by a higher SRF contribution and higher bank taxes in Belgium and Poland.

Over to risk cost. We're basically disclosing quite a lot of additional information today to all of you to analyze. And I'm sure it's a lot to cope with for the day, but we'll have a lot to work with going forward. So turning to Slide 16, here, you see that the risk costs came out at EUR 661 million, and that's 42 basis points over of average customer lending. That's above the through-the-cycle average of around 25 basis points and up from EUR 428 million in the previous quarter. Now if you look at the increase, it is mainly driven by higher collective Stage 2 provisions, and that reflects the worsened macroeconomic indicators as well as the historically low oil prices.

On the next slide, you will see some more detail as to how the Stage 2 provision has been per segment. So the -- if you look at how the Stage 3 ratio then has developed, I'm still on Slide 16, not to confuse you, you see that in Wholesale Banking, the Stage 2 ratio has increased to 5.9%. In Retail Netherlands, higher risk costs were driven by Stage 2 provisions as well. Retail Belgium, we also had Stage 3 risk cost increasing, and that's mainly due to some larger additions to individual files in mid-corporates. Retail Germany, risk cost on consumer lending were slightly higher as well. The increase in other challengers and growth was driven by the allocated Stage 2 provisions, while Stage 3 risk costs were stable and mainly visible in countries like Poland, a bit in Romania, Italy and Australia. If you look at this picture and you take a different perspective, the risk costs were up by EUR 119 million in Wholesale Banking, again fully reflecting allocated Stage 2 provisions. The Stage 3 risk cost in Wholesale Banking stayed almost the same level, they remain elevated and they reflect some larger individual clients and split between additions to existing files and also some new files. The Stage 3 ratio increased from 1.4% to 1.6%, and that's driven by the implementation of the new definition of default in retail banking. For the Wholesale Bank, the Stage 3 ratio remained flat.

Then turning to Slide 17. Here, you see basically how the Stage 2 provisioning is affecting the retail banking risk costs versus the wholesale banking risk cost. You see that the majority of the collective 2 provisions are actually allocated to wholesale banking, with about EUR 114 million reflecting the worsened macroeconomic indicators due to COVID-19 pandemic, and another EUR 41 million was allocated to wholesale banking reflecting the potential impact of low oil prices on our reserve base lending book. So EUR 114 million more COVID-related and EUR 41 million more oil and gas price-related and related to the reserve-based lending book in the U.S. EUR 92 million of the collective Stage 2 provisions was allocated to retail banking; EUR 25 million in the Netherlands, EUR 20 million in Belgium and EUR 1 million in Germany and EUR 46 million divided over the different markets in other challengers and growth. Now overall, for 2020, we can expect risk costs to come in above through-the-cycle average as a result of the economic impact of the COVID-19 pandemic. I don't think that will be a surprise to you. But that impact and how it really pans out, depends on several factors, as to how long the lock down measures will last, how effective government support schemes will work, how quickly the economy can start to recover. And we do recognize that since closing the books, macroeconomic indicators have worsened.

Turning over to the book and why we feel comfortable with the risk management framework. This slide provides you a brief over overview of that book, highlights some of the segments. Let me focus on a couple of sectors here. So residential mortgages is EUR 298 billion at 60% average LTV, low Stage 3 ratio. If you look at the consumer lending there, limited book as well; business lending, limited book as well. And we have basically given you some more color on the more sectors at risk as agriculture and retail and hospitality in that as well.

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And the percentage of total book, very manageable.

Then turning over to the Wholesale Bank. Oil and gas clearly received a lot of attention in the past weeks. I would like to stress again that it was only EUR 4.6 billion of this book directly exposed to oil price risk, which is 0.6% of our total loan book. And that covers reserve base lending and the offshore businesses. As mentioned, our main focus here is on the EUR 1.4 billion U.S. book in reserve based lending. If you look at the hospitality sector, also the exposure there is limited to 0.6% of our book. We've always been very restrictive on this sector, very selective and you also see that we have a low Stage 3 ratio in that sector. Same goes for aviation, a very small exposure to aviation, only 0.4% of our total loan book. Also there, we have been really, really selective, and our exposure in Stage 3 is basically nonexistent in that one. As you know, we were ahead of the curve about capping certain businesses, like the leverage finance book. We're closely monitoring development of this portfolio. It's well diversified, and we follow a strict risk policy, as you know only taking senior debt with maximum leverage -- with limited leverage and a maximum EUR 25 million hold and no single underwrites.

And then turning to commercial real estate, that's where we are, so a larger player, with a capped exposure also since the third or fourth quarter of 2018 in order to avoid concentration risk. We're very experienced in this from previous cycle as well. We have a very strict risk policy. Retail-related assets are limited to 18% of that book, and generally financing of hotels is not allowed in that book. So clearly, the current circumstances will have an impact on our customers. We'll have to closely monitor that and also as to how our book develops. But the risk framework that we have in place is strict and has been strict, and so we remain confident on the asset quality.

The next slide shows you the CET1 development. We're at a healthy 14% with clear impact from market volatility, and I'll take you through. So on the capital, we had a EUR 1.4 billion negative impact from the revaluation reserve as well as foreign exchange movements and Bank of Beijing. So combined, this lowered the CET1 ratio by around 40 basis points. To date, we have already seen some of this negative impact reverse. Then, we added EUR 0.7 billion of profit. Basically, first quarter profit was added to the capital. In risk-weighted assets, we absorbed EUR 9.9 billion impact from the implementation of the new definition of default. We also saw some positive impact on this side with the release of EUR 6.6 billion of the expected supervisory risk-weighted assets impact taken in the fourth quarter 2019. That was mostly ready to TRIM. And that release follows the announced delay in TRIM as announced by the ECB. Though we have remained part of the impact in risk-weighted assets, reflecting the model changes as we would need to implement them regardless of the TRIM implementation anyway. Market risk-weighted assets were also inflated clearly because of the volatility in the markets, and they were at -- they increased by EUR 4.5 billion. Overall, with the announced performance of Basel IV, TRIM and also the floor on Dutch mortgages, further risk-weighted assets impact coming from the banking regulations and model reviews will be delayed. With the new definition of default and part of the TRIM now included, we feel comfortable with our current capital position and remain -- and the remaining future expected risk-weighted assets impact of all of that. Although delayed, they may still come, and we do feel that we've already taken quite some, so we are very comfortable there.

You know that the COVID-19 pandemic also resulted in several supervisory measures, which have lowered our SREP requirement. You can see that in this slide. It has decreased to 10.5%. So our buffer at MDA level now stands at 3.5% versus where we are right now.

As you can see on Slide 20 then, the CET1 ratio, leverage ratio remained ahead of our ambitions. For return on equity, it's below our ambition, that's certainly true. But I believe we continue to produce an attractive total return despite higher capital requirements, a low interest rate environment and increasing regulatory cost. The current crisis, the current pandemic, could clearly have impact on the metric. However, we don't want to speculate on this, and the ambition that we have on this remains unchanged. As mentioned also in the previous quarter, our cost/income ratio was impacted by factors such as the low rate environment, regulatory cost. And I want to reiterate that the cost/income ratio is not how we run our business, but it remains a very important input for our return on equity. And we have an ambition to reach around 50% to 52% as we digitize further. As for our dividends, nothing new for you. You know that following the ECB recommendations, we have suspended any dividend payment until the first of October, then we'll see what the situation is. The EUR 1.7 billion that we reserved last year for the final dividend payment over 2019 is kept outside of regulatory capital.

So to summarize, the first quarter has not been a standard quarter, given the pandemic leaving a mark on our customers, our employees and our society. It's our first priority to support our customers, our employees and our society. We also saw the impact of the pandemic on the market and market volatility on our financials. Loan growth, combined with very strong fee growth and cost control largely countered the margin pressure on customer deposits and negative impact from mark-to-market value adjustments. Risk costs were impacted by

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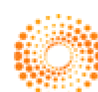

collective Stage 2 provisions, reflecting the worsened economic indicators and, to a lesser extent, the drop in oil prices, all resulting in risk costs coming in above our through-the-cycle average. The CET1 ratio was also impacted by market volatility coming in at 14%. However, just to remind you, we had 43 basis points risk-weighted impact already related to new definition of default.

Clearly, the pandemic, as it continues, will give some -- will continue to generate uncertainty and stress to some of our clients. We recognize that since closing the books on the quarter, the economic indicators have worsened. There's many unknowns on this one. And as I said before, then the only thing you can look at is how strongly you feel about your capital position, and we're very confident around our capital position. We have a very solid and diversified asset book. We have a very strong funding position and we have a proven digital operating model that will give us some tailwind to help us also here.

With that, and I know it has been a little bit more elaborate than normal, but I do think that there is reasons to give you more information. I'll give the floor to you to raise some questions for us to answer. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question is from Mr. Raul Sinha, JPMorgan.

Raul Sinha ***JP Morgan Chase & Co, Research Division - Analyst***

Ralph, I've got maybe two. One, a very long-term question for you, given we might not get another chance to ask you this. How do you think, Ralph, the riskiness of the loan book at ING has changed since the GFC? I'm sorry for such a long time duration, but it'd be useful to get your perspective just in terms of where do you think the risk concentration might be given the sort of crisis we are seeing? And what are the areas that you're closely managing, particularly if you could touch upon how you think the oil book will react given you had very limited losses in 2015. So how should we think about that, its past and your guide to the future when it comes to your risk costs?

And then the second one is just around capital and the moving parts, perhaps some detail there. Could you -- maybe, Tanate, could you give us some more detail around what are the positive driving factors maybe later in the year that might help your capital ratio? I'm thinking about smaller things like the SME supporting factor, the software deduction. Is there anything else you can do in terms of managing the loan book? And if you'd like to flag perhaps the credit risk migration, which was a positive in this quarter, does that become negative going forward?

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

Thank you, Raul. Yes, so I think for the people around the table, I can actually kind of take you through how it all has changed. Remember, when we were in the financial crisis at that moment in time, ING was largely a savings bank, using those savings to invest in bonds, and we had quite some concentration risk in some of these investment portfolios. And there were a couple of hundred billions of investment portfolio at that moment in time. And basically, what we have done over the last 7, 8 years, actually longer, we have moved away from using these savings for investment portfolios, but actually to generate client business. And that's what you actually see in the composition -- the change in the composition of our balance sheet and therefore, also a higher interest income over timecoming out of the lending. Now what we have learned in the global financial crisis is that you have to stay away from concentration risk because no matter how risky the sector or a specific asset is, whether it is low risk or not, if the market thinks you have too much of it, you have a problem. That was really one of the bigger learnings from us in that crisis, is that we should really manage concentration risk in specific sectors and asset categories. And that's what you see. That's what we have been doing. With the growth in Wholesale Banking, but within Wholesale Banking across many different sectors with capped exposures to every sector, with a growth a little bit on what we would call business lending in the economies in which we're active, but also only to a limited extent and some growth in mortgages across different geographies. So well spread there.

So what is the difference? It's -- one is, it's less in some kind of an investment fund, that is investing in bonds. It's much more client-related lending; and secondly, it is much more diversified both geographically as well as through asset categories and sectors.

For the more specific question on oil and gas, I'll give the floor to Steven.

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Steven J. A. van Rijswijk ***ING Groep N.V. - Chief Risk Officer, Member of the Executive Board & Member of Management Board Banking***

Yes. Thank you, Raul. Let me start with saying that what we currently see what's happening to oil and oil price that this is not new. So we have seen this in previous crises. And therefore, particularly, I want to focus your attention on the page where we are splitting up the book in portfolios that are more or less exposed to oil price. And hence, we focus on the RBL book, the reserve-based lending book, particularly in the U.S., as there, it is more shale related, with a potentially somewhat higher cost price. And hence, we focus on that part of the book. But the part of the book that we have in the oil and gas exposure that we see that is directly exposed to oil and gas prices is very limited.

Tanate Phutrakul ***ING Groep N.V. - CFO & Member of Executive Board***

And then Raul, just adding your question with respect to capital, I think you're right, we are monitoring the changes in CRR quite carefully, whether it's the SME supporting factor. When we're looking forward, for example, for the RTS on the software capitalization to benefit from that. And also, I think we're looking at their flexibility in terms of how prudential value adjustments and CVA will be treated over time. So these things will have a positive impact on the capital of ING going forward. And lastly, of course, as we have mentioned over the quarters, that with the implementation of Basel IV, which is being delayed, we are still working on management actions, right, to make sure that we optimize our risk-weighted assets. Whether it's data, whether it's treatment of sovereign exposure, those efforts are ongoing. And part of the positive risk migration that you see in Q1 is also to this improvement, for example, in data that we have.

Operator

The next question is from Mr. Pawel Dziedzic, Goldman Sachs.

Pawel Dziedzic ***Goldman Sachs Group Inc., Research Division - Equity Analyst***

Two questions from me as well. The first one is on cost of risk, and thank you for all the comments you made so far. I was hoping that you can maybe give us a better insight into the cost of risk trajectory in the coming quarters. And I know there is a lot of uncertainty. But essentially, to what extent you feel you have front-loaded any of the costs? And how it can develop going forward? You booked 42 basis points in Q1. And if we go back to Slide 7, which very helpfully show us it's close to peak levels of 2009 and 2013. So could you comment -- again, this is a longer-term question, but could you comment if this crisis is likely to be similar in magnitude or perhaps greater than those two peaks in the past? And I think more specifically, if you can, you mentioned that the assumptions that you are relying on for Stage 2 provisioning have deteriorated somewhat already. But could you outline your baseline scenario that you took to calculate Stage 2 provisioning this quarter with regards to things you mentioned, so length of the lockdown, effectiveness of government scheme and pace of macro recovery? So that would be the question on cost of risk.

And also, if I can squeeze in the second question, it will be just on the cost initiative. So I think you mentioned in your press release and in your presentation earlier that with uncertainty in the current environment, you will need to have another look at the cost base. Can you just give us a sense on what initiatives you're looking at? Which part of the bank? And what exactly do you mean by that?

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

Okay. I'll start with the second question, and then Steven will take the first one. So on the cost initiatives. So the first thing, Pawel is, clearly, we were all -- I think the whole world was set for growth, and therefore you have investment plans in order to support growth. And some of that growth will still be there, given the fact that we have tailwind because of our digital model, some of that won't be there, and therefore you have -- you can cut back on some of the investments there. So that's basically the first step that you take. Then the second step that you take is that given the fact that digitalization and the behavior of clients has changed much faster than it has to the crisis, basically, it gives also more room to accelerate digitalization in many of the processes and the channels environment. So in channels environments and in processes and product processes, you can expect further investments and therefore, also further decreases in cost across. Now how that pans out across the different segments that we manage, it's -- it will still stay the same recipe, as early indicated, which basically means that in market leaders, you can expect, and as we are showing also in the Netherlands now, a further decrease of cost because the continuation of the investments will help us to digitalize further, and therefore so you can expect in market leaders a further decrease of cost. In the Wholesale Bank, it's maximum cost flattish, if not the cost decrease. I mean, we're looking at that as well, also in view of the current circumstances. And in C&G, honestly, if this crisis is indeed continuing in terms of the use of digital channels and some of the aspects that we see, for example, in Germany, with the opening of 100,000 investment accounts just in

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2 months, then we would still allow for some cost growth in those areas. If we see that, that is warranted because the growth and the demand of our customers. So those are the areas. So it is further digitalization across in processes as well as channels and therefore, a decrease in cost. And the way it works across the different areas is market leaders, cost decrease, wholesale banking cost flat, if not decrease, and C&G will see as to how the growth will continue or not.

Steven?

Steven J. A. van Rijswijk ***ING Groep N.V. - Chief Risk Officer, Member of the Executive Board & Member of Management Board Banking***

Thank you, Pawel. Let me start by saying is that we stuck to our process, which basically means that we have closed the books as per end of May, and therefore -- sorry, end of March, sorry. We will also close sometimes the book at end of May, I think, but that will be after May. So end of March. And then we also then use the process to look at the GDP forecast at that point in time. And then we take the consensus, and that for us is the basis to take our Stage 2 provisioning. Now please note that the Stage 2 provisioning has many more elements than GDP alone. And moreover, it's really dependent on how your book looks like in terms of country, sector, security, type of products, that those all factors that have an impact on your Stage 2 provisioning rather than GDP alone or house prices alone. That's one.

Two, it's not for us to comment on what will happen to the forecast. We will do that again at the end of the second quarter. Clearly, these forecasts are changing all the time, and so we will follow that with interest. And we will go through our process again at the end of the second quarter.

Now if you look at the crisis, yes, clearly, this one is different from the one 10 years ago. That was a financial crisis, and now we have a health and subsequent economic crisis. But then again, every crisis is idiosyncratic, which basically means that it is unpredictable what will happen because the comparisons and the statistical evidence of one crisis you cannot measure with another. And hence, the only way to weather you against crisis like these or very deep crisis is to start with diversification. And that's why, compared to the previous crises, we became very strict in diversification in all ways and shapes: in countries, in products, in sectors, in limits, in one obligors. And like I already said on the Investor Day in March, that was really March 2019, those are very straight policies.

Second of all, we want to be senior because in the end, if something happens, if we can see that if you're a senior, you are better off than if you are in the second or third category of lenders. Linked to that is that you want to have security. So close to 80% of our book has security, either completely or partially. In that sense, also please note that if you look at our total loan book, that close to half of our loan book is mortgages with the loan-to-value of more than 60% -- sorry, it's just more than 60%. Then we want to limit our activity or put hard caps on certain more cyclical sectors. So already 2 years ago, I've put caps on leverage finance and real estate finance, also with taking levels of unit sizes in terms of what is the maximum amount that you will take on a specific deal. And you want to stay clear of -- or limit your exposure to certain cyclical sectors and hence, our activity in sectors like aviation, agriculture and hospitality is relatively limited. Now that does not shield you completely from what is happening in a crisis. And because we are such a large bank, and we're present in many locations, many products and many sectors, if something happens, chances are that we will be there. But on most occasions, the impact will be there but will be limited. And that is the way that we manage our book, and that is the way that we see our business.

Pawel Dziedzic ***Goldman Sachs Group Inc., Research Division - Equity Analyst***

All right. That's very helpful. And maybe just to follow-up. Do you feel you front-loaded any of the losses in Q1? Or you feel that as environment gets perhaps or expectations get a little bit tougher, this charge essentially will remain high or maybe slightly higher in the coming quarters? What would your process result in if the environment is slightly more challenging than you thought at the end of March?

Steven J. A. van Rijswijk ***ING Groep N.V. - Chief Risk Officer, Member of the Executive Board & Member of Management Board Banking***

Thanks, Pawel. I mean, the process will remain the same. So we will again look at the end of the next quarter in terms of the economic indicators that we then have, given the models that we then have and the activities that we then have, and then we will look at our

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calculations again, so that will not change. Clearly, by definition, the Stage 2 provisions that we have taken, including, by the way, the Stage 2 overlay for oil and gas, is forward looking because those are not loans that are currently not performing anymore. So by definition, that's forward looking.

Operator

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

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

Yes. First of all, Ralph, good luck at UBS. I think your digital focus has been very useful, and you saw it right since 2013, so well done. All my questions will be on risk -- well, almost. The first one is actually on the oil and gas exposure. It seems that you are pretty relaxed actually on this exposure, and there's also quite a big gap with the market participants, which have been, I must say, quite scared by this oil exposure, so I wanted to try to reconcile that view. I mean, you had an opportunity to take some Stage 2 provisioning in Q1, you did not take that. Is that just a matter of, you took the oil price end of March and you will relax on that level, or what do you see clearly on this book? And what can we expect? Because this is a big gap again with what we see on the market and what you booked this quarter.

The second one linked to risk as well was on the leverage finance. So Page -- Slide 30. I see an Asian exposure of 39, I guess, 39%, I guess this is a typo. But more focusing on this U.S. leverage finance exposure, could you talk a bit about your sector exposure specifically to the Americas? And what type of statutory you see currently on this portfolio? And also the developments over the quarter?

And then finally, on the state-guaranteed loans, I was just curious to get the take-up of those guaranteed loans at the end of April, and how much you expect going forward. And also what is the kind of pricing model for guaranteed loans, maybe starting with the Netherlands? I heard that it could be a quite generous pricing model for the banks, but I wanted to confirm that with you.

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

Thank you, Benoit. I'll take the last one, and then Steven will take the first two ones, okay? So on the guaranteed loans. Basically, if you look at the different government schemes, they are literally all over the place in Europe. So you have the Germans guaranteeing almost 100%, if not 100%; you have Belgium with a particular scheme; you have France; you have -- well, actually, every country has their own schemes. So the attractiveness of the schemes, as to how we can actually structure loans in order to support our clients, differs a lot, and also the attractiveness, not only from a risk perspective because that's still the first attitude going in, but also the -- and then the second one is the attractiveness from a return perspective. And so from that perspective, I don't have the numbers readily available as we speak right now at the end of April, but we are financing under these schemes. There is demand under these schemes. We're structuring loans under these schemes. And again, it's very difficult to be general on how attractive they are because they really differ. I think in Holland, we just came out with a new scheme for the smallest companies with a guarantee up to 95% of the loan sum and a max interest rate of 4%. It really supports us to support our clients, and we will do so. But again, per client, you'll have to look at what you can do and what you can't do because in the end, we also have a duty of care, and we should not load them up with debt that they will not be able to repay at a certain moment in time, whether you have a guarantee or not. I mean that's also a role we need to play.

So what I can say is that at the end of March, we had, in total, EUR 120 million across the board financing under these schemes and a total of EUR 5.6 billion of specific liquidity facilities and financings under these schemes. And then we had 100,000 requests honored in order to delay the repayment under both mortgages and SME loans. So that's a little bit of summary there.

Steven?

Steven J. A. van Rijswijk ***ING Groep N.V. - Chief Risk Officer, Member of the Executive Board & Member of Management Board Banking***

Yes. Thank you. So Benoit, first of all, good spot on Page 30 of the presentation. Indeed, the colors, Asia and EMEA, should be swapped. That's one. Two, on the oil and gas exposure, well, we actually did take an additional provision. First of all, we have our normal Stage 3 provision in -- provisions for nonperforming loans. Two, then you have your normal Stage 2 provisions for deteriorating but still performing loans. And then on top of it, we took an additional EUR 41 million for the North American RBL book. So if you again then drill that down, we have a total book directly exposed to oil and gas of EUR 4.6 billion. Of that, there is about EUR 1 billion in offshore services

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and drilling. So then you remain with EUR 3.6 billion. Then approximately EUR 1.4 billion of that book is in the U.S. And particularly on that book, given the structure of -- the nature of that particular market, we have taken on top of the normal Stage 2 provisioning an additional overlay provisioning.

Then on leveraged finance, to the page that you studied well based on your comments, this is a completely diversified portfolio. So there is no direct correlation of risk with any of these exposures, and they're all small because, as I said, and I've said that before, I kept the single unit size at EUR 25 million. So it basically means that if we get hit on an exposure, it doesn't correlate with another exposure. And if we get hit, it will be limited.

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

You do not disclose the Stage 3 on that book specifically because this is just diversified and across different sectors, I guess?

Steven J. A. van Rijswijk ***ING Groep N.V. - Chief Risk Officer, Member of the Executive Board & Member of Management Board Banking***

Yes. That's correct. But maybe I should then add to it that the number of Stage 3 provisions on individual files for this book have been very benign in the first quarter.

Operator

Your next question is from Mr. Stefan Nedialkov, Citi.

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

Stefan, you may be on mute.

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

Sorry about that. It's Stefan from the Citi bank's team. A couple of questions on my end. Number one, in terms of dynamics between loans and deposits, so deposits went up quite a bit, loans went up quite a bit. Can you just give us some color on what you expect to happen over the next few quarters? Are we going to start seeing more of a drawdown on deposits from corporates as the liquidity needs really start hitting? What is happening with the undrawn lines? I believe you had around EUR 120 billion or so at the end of the year. How much of that has been drawn down? What are you expecting for utilization going forward as well? So that's on loans and deposits.

And secondly, in terms of your capital targets, you are pointing to a pretty solid MDA buffer of 400 basis points. Would you consider moving to -- moving CET1 targets in case your RWA consumption shoot up through the remainder of the year? Or are you sticking with an absolute as far as you can see at this point?

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

Okay. So on the general dynamic, Stefan, if economies shrink, the need for working capital decreases. So the general dynamic normally is that liquidity in companies is freed up. Clearly, what we saw in the beginning of the crisis is just in order to secure funds for these corporates to get through in the beginning and the uncertain moments in the -- when the markets were so volatile, they basically want to reserve quite some liquidity in order to have it for unforeseen developments. But if you kind of stay away from an initial kind of action there and you just look through the normal economic cycle with a decrease in GDP, and with that, a decrease in revenues, normally, the need for working capital decreases. The need for further investment decreases because nobody is investing. So you would expect loan demand to come off a little bit from that perspective. And so therefore, also on the deposit side from the corporates, yes, they could kind of maybe withdraw a bit because they've also drawn under their committed lines and kind of reversed that because I do think that they will actually, in the end, have more liquidity if they're a normal, healthy operator than in a economic growth environment, so they will need to bank even less. And so that's the general aspect.

Now what is happening with the undrawn lines, as you were indicating, is that, yes, we have quite some, and we saw basically, in the midst of the uncertainty, that, that was drawn, and we've given you the numbers, and that a large part of the EUR 11 billion of wholesale banking growth was actually because of that. So you saw the drawdowns there under the undrawn -- under the committed lines. And that is what happened at peak uncertainty in the market. So that gives you a little bit where that goes, and it's coming back already now

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because, basically, that uncertainty has kind of faded and all of us are now basically concentrating on how to manage our companies through this now.

So with that, I give maybe then to Tanate on the capital.

Tanate Phutrakul ***ING Groep N.V. - CFO & Member of Executive Board***

So I think as we mentioned, if you go into this particular situation and crisis, you want to be liquid and you want to be well capitalized, right? And the fact that, just to complement Ralph's point on deposits, it's really the strength of ING that we fund ourselves predominantly with retail deposits, and that's something that, suddenly, we're not going to discourage more inflow of deposit during challenging times like this.

And from a capital target perspective, you're right that we are sitting on a 3.5% cushion compared to MDA. But as the regulators have pointed out, some of these relief that they provide in terms of capital relief may be temporary in nature, right? So some of it may come back. But having said that, we're going to take an assessment, as we mentioned, in terms of capital structure and dividends. Would look at that at the end of Q3. So beginning of Q4, we will give you more updates then.

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

Okay. If I may, just a quick follow-up in terms of loan growth. As far as you can see it for 2020, would you say 0% overall at the group level is something realistic? Or should we expect something more positive than that?

And in terms of the deposit base, this increase in deposits, how does that affect your replicating portfolio strategy and, obviously, implications for the NIM going forward?

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

So Stefan, on the loan growth, so clearly, there's two different businesses here. So on the Wholesale Banking side, that will kind of be pretty limited from what we expect. You will have the occasional drawdowns, and there's some under those committed revolvers in times of uncertainty. But overall, they will make less investments, long-term investments. So less term loans needed and less working capital needed. So on the Wholesale Banking side, we do expect that to be limited in terms of loan growth.

On the Retail Banking side, it's actually -- it's the machine that continues. Clearly, depending on the markets in which we are active, the lock down doesn't really provide for a lot of opportunity to look for a new house. And therefore, the mortgage business has come off in some markets. But in many other markets, like in Germany, we see it just continuing. And we see still volumes coming through. In the Dutch and the Belgian markets, we also see quite some refinancing happening on the mortgage side. So honestly, I think on the Retail Banking side, you may still expect, given our model, some growth because we're taking market share off the branch banks, so to say. So that's where we are.

Then on the NIM going forward, well, clearly, the money that is deposited by Wholesale Banking clients we don't replicate it. I mean there's no replicating value in those deposits because there is no term aspect to that. So from that perspective, it doesn't kind of affect the replicating portfolio. And on the NIM side, the only impact it will then have is the lengthening of the balance sheet, but as said, we already see it moving back. So I don't think it will have a big effect going forward.

On the Retail Banking side, as we see, most of the -- basically the governmental support schemes in salary support and consumers basically spending less given the uncertainties, you can expect the deposit base either directly in savings or in current account to continue to increase. And we're not changing our replicating portfolio for that because if you move away from that -- the characteristics of that money and then, basically, start inherently taking a position on it, which is not what we do.

Operator

Your next question is from Mr. Robin van den Broek, Mediobanca.

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Robin van den Broek ***Mediobanca - Banca di credito finanziario S.p.A., Research Division - Research Analyst***

I hope you can hear me. I just wanted to follow up on the risk migration within the book. I mean over the last years, you have sort of consistently shown 15 to 20 basis points tailwind per quarter. You've already briefly mentioned that -- what the drivers are for that. But I was just wondering, I think the are some worries about this turning into a headwind at some point. But what are the critical drivers for that to happen? Is it the LTVs within your mortgage portfolio that's the most important driver? And can you say something about the likelihood of this becoming a similar headwind into the future? That's the first question.

And the second question is coming back on, yes, your target level, sorry, I know you want to clarify more with Q3. But I appreciate all the detail you've given on cost of risk, which I think is quite reassuring. But at the moment, your MDA level is 10.5% roughly. I think a lot of peers are alluding to willing to keep a ballpark, roughly, 200 basis points on that level. So if this whole world, basically, will deteriorate much quicker and much worse than we currently can see, what is a critical level for you to maintain, basically, apart from the 13.5% Basel IV target, which it's a longer-term target, basically, at the moment?

Steven J. A. van Rijswijk ***ING Groep N.V. - Chief Risk Officer, Member of the Executive Board & Member of Management Board Banking***

Okay. Thanks, Robin. So on the first question, if you look at the risk migration in the first quarter of this year, basically, it's an improvement of the collateral value that we've seen in different markets, mainly the Netherlands, Belgium, Germany and Poland. So that's basically on the mortgages. That's not so strange. But if you see what happened in the first quarter or last part of the first quarter, also in that regard, and I point back at the previous crisis, what you see in many of these markets is that the impact on the loan to value in Netherlands, Germany and Belgium was quite limited. And if there was impact at all, it was delayed. And that, of course, has to do with the social structure and the way the unemployment laws would work here where you still get money for quite a lengthy period of time. After which, people typically will find a job. So that's the reason why we are not so concerned about big shifts in loan-to-value levels for these mortgage portfolios. But true, if you look at, let's say, the macroeconomic circumstances, that will have an impact in your PDs. And that basically means if your PDs increase, that will cause negative risk migration.

Tanate Phutrakul ***ING Groep N.V. - CFO & Member of Executive Board***

Then to answer your question on management buffer against requirement. I think prior to Q1, we had a management buffer of approximately 175 basis points, right, from the MDA trigger at [11.99%] (corrected by the company after the call) to 13.5% or around 13.5%. And clearly, that buffer has increased to 3.5%. And as I mentioned before, some of it may revert back because countercyclical buffers may come back, but we also know that some of it is structural, right? For example, the implementation of CRD V, that's clearly something that will be with us going forward. So I think, again, to say, we look at also post Basel IV implementation, whenever that may come, and we'll give guidance on that. But clearly, there is room for a narrowing of our current management buffer given what I've said.

Robin van den Broek ***Mediobanca - Banca di credito finanziario S.p.A., Research Division - Research Analyst***

Okay. Ralph, good luck at UBS. Any words on your succession? I mean probably difficult to say something there.

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

Well, I'm not working on it is, so that's the word. No, clearly, so this is the Supervisory Board working on it. The process is followed thoroughly. Until the 30th of June, I'm in the saddle and running this beautiful company.

Further questions? Well, according to our information, Omar was the next one to raise a question.

Omar Fall ***Barclays Bank PLC, Research Division - Analyst***

Can you hear me?

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

Yes. Yes, sure. Go ahead.

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Omar Fall ***Barclays Bank PLC, Research Division - Analyst***

Great. Just a couple of questions. Firstly, on commissions, could you give us a sense of what you think is sustainable versus what's more a function of the Q1 volatility given the number was extremely strong. I know there's seasonality, but should we basically be looking at the EUR 50 million sequential improvement as a pretty good guide of that? Otherwise, maybe another way to look at it would be how much growth the 170,000 in new investment accounts in March and April represents in percentage terms? I don't know what the base is.

And then the second question is just a clarification. Sorry, if I may have missed this, but could you give us the actual amounts of payment moratorium across the entire group? As of today, would be even better. I know you mentioned 100,000 accounts, but just the absolute loan amounts would be helpful.

And since I'm last, I'll be cheeky and try and fit in a third. But I didn't really get the answer from the -- one of the first questions as to what the actual GDP assumptions were that you used at end of March based on consensus.

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

Okay. Thank you, Omar. So on fees, yes, there's many different ways to cut this one. But in effect, what we have been telling you is that we think the model, in the end, the more primary customers you get, the more new products you introduce digitally, the more likely they will actually take products that you offer digitally. And what we've seen over the last couple of quarters by the introduction of new products, new services, but also by the introduction of increased fees on, for example, payment packages in order to stimulate specific behavior, like in Germany, we have introduced behavioral fees, but also in the Netherlands and Belgium, we have actually increased the fees on payment packages as well, that's what you see coming through here. And then on top of that, you see the additional products that we have kind of prepared for. And investment products has been one that we have invested in, in many more countries next to Germany in order to benefit from a moment in which there is -- would be confidence in appetite for our consumer clients to actually tap into the markets. And that's basically what we have seen in this volatility or this major correction of the market has certainly met the appetite of our consumers to go in. So if you look at the total value of our investment products, whereas the market has gone through a major correction, the actual value after the inflow was down by 7%. So you see there's quite some inflow coming in. 50% more trades being done, and basically, we -- in Germany, in that model, we actually get paid per trade. So if you then go to the next step in your analysis for your models, we think that 1/3 of this increase is sticky, that will be around, and therefore, we can continue to guide the fee growth over time, over the next year to suddenly be in the 5% to 10% growth bucket where we don't expect further increases, per se, in wholesale on this level. And on the retail side, we still expect further increases on the back of many more investment product accounts that deliver a base for charging fees as well. So that is the answer to your first question.

On the payment moratoria, I am not sure where we stand. But Steven, can you give...

Steven J. A. van Rijswijk ***ING Groep N.V. - Chief Risk Officer, Member of the Executive Board & Member of Management Board Banking***

No. We don't disclose the absolute amounts, but what we did disclose was the 100,000 clients for which we granted and executed payment holidays and that we will put in place.

And then with regards to your third question, yes, I can't make it any clearer than that, that we took the consensus of the GDP forecast at the end of March, and we did that for every country and every business that we were in. So you have to look at all the countries and all the businesses and all the house prices in all of these countries, those are the consensus levels that we took.

Omar Fall ***Barclays Bank PLC, Research Division - Analyst***

Great. And just as a follow-up for Steven, maybe a stupid question, but how do you define direct oil price risk in your oil and gas book? I only ask because some of the high-profile trade finance companies that have encountered difficulties recently, I'm guessing, would be in the no direct oil price risk as per Slide 32 of your slides. So I'd be interested in exactly how this is defined.

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

So you're right on that one, and Steven can fill me -- can add. So you're right that the trading commodity finance clients in this one, we don't see as directly exposed to oil price risk because the value of the carry is, in itself, financed, and therefore, will also fully repay what

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you finance. So they are outside of that bucket. And what is normally determined as to be exposed directly to oil price risk is where the repayment of our loan is literally determined by the value of a barrel of oil and the number of barrels produced so -- by the well and the operator. So -- and that's what we call project finance, and so that's what we see as directly related to the oil price risk.

Steven J. A. van Rijswijk ***ING Groep N.V. - Chief Risk Officer, Member of the Executive Board & Member of Management Board Banking***

Yes. I couldn't have said any better.

Operator

The next question is from Mr. Tarik El Mejjad, Bank of America.

Tarik El Mejjad ***BofA Merrill Lynch, Research Division - Equity Analyst***

Just a couple of questions, please. First, on capital. And coming back on Raul's question about the potential headwinds in terms of capital. Could you maybe give us just kind of magnitude in terms of the SME support factor and the software amortization in basis points?

And then still on capital, I wanted to understand why you would put back only half of the TRIM impact you booked in Q4. I mean what's -- why only half? Why not all of it? And just to understand that.

And then on the dividend, I mean, you ring-fenced the 2019 final dividend. That seems to be like a Dutch approach, very different from how the French approached it. Can you maybe explain -- I mean, while -- and that, clearly, is a signal that you still intend to pay the dividend, but just to understand. And equally, I find it a bit contradictory with the fact that you don't accrue for dividend for 2020.

And then second question is on costs. I mean, Ralph, can you maybe set out how actually it's difficult to or not to continue your cost initiatives in the current societal and political environments where, I mean, it's very difficult to move people from a function to another, relocate, cuts, jobs and so on. That would be very helpful to give us an indication on that.

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

Tarik, you're right. Clearly, the -- on the cost side, if this is about massive restructuring, you're right, this is not the time to do so where a lot of people are uncertain and you don't know what the job market is all about. So that is very clear. And so from that perspective, I think it is warranted that you've got to take a look at it from a more, well, medium-term perspective and not an immediate perspective.

Having said that, I think that we all understand that the -- that it's important for banks to stay healthy. And therefore, banks also have to make sure that they are efficient. And from that perspective, we can continue on many of the programs that we have started, finish them. And there is quite some flexibility then also in terms of what we're, for example, doing in the Netherlands, reskilling staff from positions in branches to KYC where, initially, we had some externals -- some external help. Basically, we can now cover that with our own people after good training. And that's a live project that we're doing, which looks very promising. So there is quite some still levers there to continue with a further efficiency -- to continue to reap the benefit of further efficiencies while reskilling your staff into other domains. So that is one.

On the dividend, clearly, we have a -- we had a profit in 2019, and we decided on that dividend, and we basically put it -- we withdrew it from our AGM. But we have, at the same time, indicated that in October, we will see and we will judge by the situation at that moment in time whether we still want to pay it or not. And in order to be able then to take the decision in full liberty, we decided not to put it back into capital but keep it reserved outside of capital. That is the 2019 dividend. The 2020 dividend, given the fact that we have indicated to the market that we have suspended our dividend policy, basically, we will accrue it in capital. And if in October, we come to the conclusion as to how we want to go about the 2020 dividend in terms of size or payment at all, then we'll have to take it out of capital.

So I don't know whether it is different from peers, it doesn't really matter. I mean you can make the calculations either way. You can also add our current dividend that is outside of capital. If you want to make it comparable to some of the peers, then you have to add another EUR 1.7 billion. But as said, if we tell the market that we will look at the situation in October 2020, then we think it is more prudent not to

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accrue the dividend back into the capital and keep it reserved for that payment until we have taken that decision. So that's on the dividend. And that's also following the recommendation of the ECB, as you know.

Then on the risk-weighted assets movements in capital, I'm going to give the floor to Steven.

Steven J. A. van Rijswijk ***ING Groep N.V. - Chief Risk Officer, Member of the Executive Board & Member of Management Board Banking***

Yes. Thank you, Tarik. So on the SME support factor, we are still looking at it, but they are pushing this forward to an earlier date, and we're currently looking at an impact of around EUR 5 billion RWA that we could have a benefit of. And I think if you look at software, we do get around 10 to 20 basis points.

Tanate Phutrakul ***ING Groep N.V. - CFO & Member of Executive Board***

Adding on software, this is Tanate, it's really depending on the RTS to be issued by EBA. If they say simply only software which are purchased, then maybe on the low 10 basis points for us. And if they're more liberal, including developed software, software deployment, it could be potentially as high as 20 basis points. That's the range between 10 to 20, but we are awaiting the RTS on software to come out.

Steven J. A. van Rijswijk ***ING Groep N.V. - Chief Risk Officer, Member of the Executive Board & Member of Management Board Banking***

And then on the capital, if you look at our models, we also have an own model risk management framework with many rules and definitions that's based on the regulatory technological standards. Based on these standards, we also do more validation of all of our regulatory models at a given cadence. And in that cadence, then we say, "Okay, where do we, based on the newest and latest regulatory technological standards, need to make changes?" And on those changes, we take an add-on. Separately, we have looked at, "Okay, if we look at the potential outcome of a TRIM mission, what could that in total mean?" Hence, we have taken this EUR 13.2 billion. Now we take that back, but we leave, as part of that, our own improvements still in there. And hence, we've taken out EUR 6.6 billion.

Operator

The next question is from Mr. Benjamin Goy, Deutsche Bank.

Benjamin Goy ***Deutsche Bank AG, Research Division - Research Analyst***

Two questions, please, from my side. First, just wondering on your markets outside the market leaders. So do you see the crisis as an opportunity to gain further market share? Or is it at the moment, more protecting the book and more risk management focus? And if so, then then maybe you can specify countries or products, in particular, willing to grow on the lending side?

And then secondly, I mean, back to trade and commodity finance, I think it was now the third more visible loss in less than 3 years, and I might have missed some smaller ones here and there. So does this change your appetite in TCF? Or pretty much still the same?

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

Thanks, Benjamin. No, I think that the -- in C&G, you know we have a model that is very attractive to customers. And even if we would want -- I mean, if customers really want to come to ING, we're very happy for them to come to ING now. So that is in terms of general banking, it is in terms of current accounts, savings, investment products for which we don't really need appetite in itself.

On the other side, so in terms of whether we also see this as an opportunity to take market share on the asset side of the business, clearly, there, we have to be careful not to have too lenient underwriting standards. So we've basically looked already on these underwriting standards to ensure that also given the current uncertain circumstances, we don't kind of load on customers that may not be able to repay those loans. So yes, so to the extent the model itself, our business model itself, the digital model itself provides the opportunity at same risk appetite. We will certainly continue to grow, but it's not because of having a different risk appetite. That's not what we're going to do here. So it's -- we'll have to be very strict there as well.

And on TCF, Steven?

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Steven J. A. van Rijswijk ***ING Groep N.V. - Chief Risk Officer, Member of the Executive Board & Member of Management Board Banking***

Yes. Thank you. So indeed, we had a case in Q4 and we had a case in Q1. Those have both been provided for. So that's in the risk books already. Yes, look, I mean, in this book, the good thing is that we are very much focused on a number of the larger traders, typically focused on hard commodities, focused on very clear end-to-end change in the supply, client ship owner and insurance change. And generally, it works well. Now there's always -- especially in a crisis or in a deteriorating situation, that there will be one or two or three of these payers where that doesn't work out that well. And in that case, you will leave with a loss, but in and of itself, that's not a reason now to leave the trading commodity space. And then look we through the cycle of how the book is performing, and that book for us has been performing very well also in the previous crisis.

Operator

The next question is from Mr. Kiri Vijayarajah, HSBC.

Kirishanthan Vijayarajah ***HSBC, Research Division - Analyst***

Just a couple of questions from my side. Firstly, coming back to RWAs, clearly lots of moving parts. But in terms of the underlying, I mean, what's the organic growth rate in RWAs we should really be thinking about for the rest of the year, if we park a lot of that regulatory noise to one side? And then just linked to that, coming back to the credit facility drawdowns in wholesale, I think you said that started to reverse after the quarter end. So could we have a sense of magnitude? Do you think most of that EUR 11 billion, I think you said, drawdown, does that fully reverse, you say, by the end of this year?

Steven J. A. van Rijswijk ***ING Groep N.V. - Chief Risk Officer, Member of the Executive Board & Member of Management Board Banking***

I think on the RWA, I mean, typically, if you look at our RWA density, that's around 60%. So if you project a certain growth, and I think we alluded to what Ralph said, what we thought about Wholesale Banking and what we thought about Retail Banking, then that's basically the calculation that you could make. If you look at drawdowns of -- maybe I should add in RWA that if you look at retail growth compared to Wholesale Banking growth that density of RWAs in retail is lower than in wholesale. So I think that gives you some pointer also of how to calculate it. If you look at the drawdowns, how much has it come back? Yes, let's say, half of the normal level that we see. So the levels that it increased with, half of it came back. And we have disclosed in the presentation how much the loan book in Wholesale Banking grew, especially in general lending, and half of that came back already.

Operator

The next question is from Ms. Martina Matouskova, Jefferies.

Martina Matouskova ***Jefferies LLC, Research Division - Equity Analyst***

I just kind of like -- many questions have been answered. But if I go back to the KYC program, just thinking if there is any risk it could be delayed this year with all the lockdowns and everything, or what is the progress on that?

And second question, apologies for coming back to the oil and gas book, but I think you made a sort of stress -- internal stress test internally on oil and gas back in 2015. And if I remember, sort of the maximum loss you predicted was about EUR 300 million. And I wonder how this ties back to the current situation. You booked EUR 45 million -- EUR 41 million this year, and how to kind of tie this back more? I know it's difficult to reconcile the figures, but more or less how the conditions have changed on the kind of -- if you were supposed to -- if you were to run this test again?

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

Well, thank you, Martina. So on KYC, as you know, the enhancement program has a couple of pillars. It's got the pillar of look backs, and that's generally done. It's got the pillar of file enhancement, which basically means how can we go through the client files, how do we make sure that we have all the information, et cetera, et cetera, et cetera. Clearly, in the beginning, when people needed to work from home, that was kind of maybe we lost a bit of productivity there. It may still -- COVID itself may still kind of impact some of the -- some of that file enhancement given the productivity loss that you have a little bit on the more operational side of things. So yes, there could be some of that, but we don't feel uncomfortable with it. And then on the structured solutions where, basically, we -- for example, on some

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of the structured solutions, we really have to kind of get our IT teams into the countries in order to make the right connections into databases, local systems and all of that. That's where we may run into some delay there because we can only partially do that from a distance. So -- but overall, we're looking at many different ways to do that. So there may be a bit of a delay, but it is more in the implementation of some of the IT solutions with teams having to fly down than [anything] (corrected by the company after the call) else. And as you know, we keep the regulator up to date on this almost on a daily basis, so they know very well where we are.

Steven?

Steven J. A. van Rijswijk ***ING Groep N.V. - Chief Risk Officer, Member of the Executive Board & Member of Management Board Banking***

Oil and gas for a change. Yes, indeed, we made a stress test, Martina, you're completely right, in 2015. At that point in time, we then made a stress test at $30. That would then be about EUR 200 million to EUR 300 million in losses if that would pertain during the lifetime of the loans. We've now looked at a stress test of $20 per barrel, also completely during the lifetime of the loans. And remember that the duration of these loans, on average, is between 4 and 5 years. In that case, the risk costs will be a little bit higher.

Operator

The next question is from Ms. Anke Reingen, RBC.

Anke Reingen ***RBC Capital Markets, Research Division - Analyst***

Just following up on Martina's question. On your $20 stress test, a little bit higher, is that on top of what you've already provisioned? Or is that gross of what you have already provisioned? And in that context, would it be possible when you talk about the 2.4% Stage 3 ratio in oil and gas, what the coverage ratio is?

And then secondly, just on net interest income. In the past, you've talked about a flattish outlook. Is that still achievable given the many moving parts? Or is it just too uncertain?

Steven J. A. van Rijswijk ***ING Groep N.V. - Chief Risk Officer, Member of the Executive Board & Member of Management Board Banking***

The $20 stress test, that is gross because in the end, you look at -- also at what you already provisioned in your Stage 2.

The second question was focused on...

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

So the NII, so I can do that.

Steven J. A. van Rijswijk ***ING Groep N.V. - Chief Risk Officer, Member of the Executive Board & Member of Management Board Banking***

No. No. There was one more question.

Anke Reingen ***RBC Capital Markets, Research Division - Analyst***

That would be the -- I mean...

Steven J. A. van Rijswijk ***ING Groep N.V. - Chief Risk Officer, Member of the Executive Board & Member of Management Board Banking***

Oil coverage ratio, yes, yes, I see it. No, the coverage ratio, we do not disclose. But the 2.4% is for the oil and gas book as a whole. So again, I want to stress [that](corrected by the company after the call) the oil and gas book that is under attention, at least under my attention, is the directly exposed risk to oil and gas price, like we also discussed on one of the previous questions. The 2.4% pertains to the whole of oil and gas book, which is EUR 35 billion. We do not disclose coverage ratios.

Ralph?

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Anke Reingen ***RBC Capital Markets, Research Division - Analyst***

So it's -- you're not able to give us any more indication about the net hit of $20 price for a longer period?

Steven J. A. van Rijswijk ***ING Groep N.V. - Chief Risk Officer, Member of the Executive Board & Member of Management Board Banking***

I've given, I think, a fair indication that it is a bit above the EUR 300 million that was indicated based on $30 per barrel.

Anke Reingen ***RBC Capital Markets, Research Division - Analyst***

But just to clarify, that's the gross number pre any provisions taken?

Steven J. A. van Rijswijk ***ING Groep N.V. - Chief Risk Officer, Member of the Executive Board & Member of Management Board Banking***

Yes.

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

So on NII, Anke. So we're looking at a flattish yield curve, and we're managing the margins. As you know, we have very disciplined pricing, so that should continue to help us on the margins there. What is unknown is challenges in new production. New production in Wholesale Banking is going to be limited, so more or less a flattish book on the Retail Bank, we expect to continue -- to see some continued growth on the book. And then there is this effect that we that we don't know quite how it will work out. But clearly, if you give payment holidays, if you extend the loans, less will be repaid, and that will actually have a positive effect, if you may, on your interest income because, basically, the outstanding will continue at the same level because there was no repayments coming in. So the payment holidays will actually delay the decrease of the book. So the combination of some increase in the retail bank, flattish wholesale and the effect of the payment holidays, margins being managed in a flattish yield curve, we still feel that we can guide around flattish NII for the next quarters.

Operator

Your next question is from Ms. Giulia Aurora Miotto, Morgan Stanley.

Giulia Aurora Miotto ***Morgan Stanley, Research Division - VP and Equity Analyst***

Two questions from me as well, please. The first one on TLTRO. Of course, new conditions announced by the ECB are quite or at least seem quite interesting for banks, 1% paid. So can you make any comments on -- do you see this as an opportunity? Are you planning to use it? And also on the PELTRO. That's my first question.

Then the second question, if I could go back to Slide 30, you disclosed the cap on leverage, which is, in my view, quite high, 6.5x. But do you disclose the average leverage of the portfolio? That would be quite interesting.

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

Thank you. Tanate?

Tanate Phutrakul ***ING Groep N.V. - CFO & Member of Executive Board***

Yes. Giulia, on TLTRO III, indeed, it's improved from what we've seen before, so 1% based on certain growth rate of our book. So that, we do find attractive, and it's likely that we will utilize that part of the funding. The petrol is less favorable, so I think we would focus more on the TLTRO III over the PELTRO funding.

Steven J. A. van Rijswijk ***ING Groep N.V. - Chief Risk Officer, Member of the Executive Board & Member of Management Board Banking***

Yes. On the leverage book, yes, 6.5x is an absolute cap. I gave it as an indicator. Clearly, on some of the books, that's lower. On our books, it's a bit higher, but at least it will not be above the 6.5x. I put that cap in there to make clear that in a number of structures where they went beyond those levels that we were not going to play ball there and that we do not make any exception. And you run always a risk in these type of structures that you make 1 or 2 exceptions, and before you know it, then you will be called up by our own

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inconsequential policy, as you did once, why don't you do it twice? What do you do 10 times? So I said, there was no exception. This is it. And here we stick to regardless of the sector. Now the level is below what the cap says. We do not disclose it because one day, it is this, the other day, it is that. And clearly, if the sector is more cyclical, the caps, of course, will be a lot lower.

Operator

Your next question is from Ms. Daphne Tsang.

Daphne Tsang ***Redburn (Europe) Limited, Research Division - Research Analyst***

It's Daphne from Redburn. I've got one on capital and one on NIM. On the capital side, would you be able to give an RWA inflation outlook based on your forecast growth in loan book that you indicated earlier around wholesale and retail? And also, any further negative risk migration you would to see for the rest of the year?

And also on capital headwind, the Dutch mortgage floor, for example, what is the latest timing and scale, please, that you are expecting to hit?

And then on Basel IV, now that you have taken the DoD impact and half of the expected TRIM impact, I am assuming they are somehow overlapping with Basel IV. Could you please give us an update on the expected Basel IV impact on RWA versus your previous guidance, and how much of that you could mitigate?

And then my second question around NIM is actually more focused on the loan guarantee schemes. How efficient it is to translate that to the SMEs and corporates at the moment? And what is the impact on NII and NIM you would see for the rest of the year?

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

So thank you, Daphne. On -- so on the NIM, so the NIM is on our total portfolio, our total balance sheet, and these governmental schemes, generally, because they are supported by government guarantee, you could expect the margins to be lower than if you would have a flat-out risk in your book. Having said that, the total book versus the new production coming out of these schemes will not heavily impact the NIM in itself, in my view. And therefore, all the circumstances: the flattening of the yield curve, the lower for longer even, we do still think that the NIM will be, at least in the next quarters, towards the high end of 140s. So whether this may have been a dampening effect and others will have an increasing effect, it's too -- that's too detailed even for us to go through because in the grand scheme of things, the way we calculate the NIM is over the whole balance sheet, and the new production on these government schemes, with maybe a bit lower margin than if you would outright generate these loans, is not going to have the biggest impact in our view. So that's the first one.

And the second one, I'm looking at Tanate.

Tanate Phutrakul ***ING Groep N.V. - CFO & Member of Executive Board***

So as mentioned, I mean, we don't give a risk-weighted asset forecast. But as I think Ralph and Steven mentioned, you can look at our loan growth and then make an estimation of what the inflation of the risk weight may be.

In terms of negative risk migration, again, I just want to reiterate the point that it potentially will come with the potential changes in property prices. But at the same time, we are taking steps, as we mentioned, in terms of data improvement, sovereign treatment of certain bond holdings, which should mitigate some of that as well. So we can give you color, but not a forecast.

The Dutch mortgage add-on, indeed, has been delayed. Our current estimate is that it would have an impact of around EUR 8.4 billion on risk-weighted asset inflation, but that potentially could come over the next couple of years given what the DNB has told us.

So if you look at Basel IV, again, as we mentioned, the Dutch mortgage add-on is front-running Basel IV, the TRIM impact is front-running Basel IV, the DoD impact is front-running Basel IV. So a significant part of the Basel IV impact is either already in our numbers or you can define that number over time. And then, of course, we are working on management actions, as we disclosed before.

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Daphne Tsang ***Redburn (Europe) Limited, Research Division - Research Analyst***

Is your previous guidance of 15% to 18% inflation still hold? Or that should be reduced to reflect the full-off DoD and TRIM?

Tanate Phutrakul ***ING Groep N.V. - CFO & Member of Executive Board***

So I think we gave guidance back, I think, based on 2017 figures even, whereby we said that, that 15% to 18% represents roughly 2% compression of our core Tier 1 and that we would take management action of roughly 50 basis points, and that remains, including what is already appeared in our numbers that I just alluded to.

Daphne Tsang ***Redburn (Europe) Limited, Research Division - Research Analyst***

And around 20% could be mitigated?

Tanate Phutrakul ***ING Groep N.V. - CFO & Member of Executive Board***

50 basis points.

Daphne Tsang ***Redburn (Europe) Limited, Research Division - Research Analyst***

50 basis points is the mitigated number.

Operator

The next question is from Mr. Farquhar Murray, Autonomous.

Farquhar Charles Murray ***Autonomous Research LLP - Partner, Insurance and Banks***

Sorry for dragging out the call. I will try and stick with two questions and keep it brief. Firstly, on Stage 3 impairments, given your kind of macro outlook from here, can you just give us a sense of how you expect those to emerge over the coming quarters? I imagine there's different dynamics between some of the books, and I also just wondered if you could give a bit of sense of where you're seeing emerging stress at the moment?

And then secondly, briefly on the favorable risk migration you saw. You've mentioned housing collateral. I presume that was the vast bulk of the 19 bps we saw, but you've also mentioned data improvement. I just wondered if there's a split between those 2 elements.

Steven J. A. van Rijswijk ***ING Groep N.V. - Chief Risk Officer, Member of the Executive Board & Member of Management Board Banking***

On a positive rating migration, it's basically increasing collateral values. So that's the largest part of the risk migration over the first quarter.

Stage 3 macro outlook. Well, if it's -- if it would be there, it would have been Stage 3 and -- sorry, or Stage 2, which it isn't. So yes, we look, of course, at watch list and other early warning indicators. Yes, those are developing and you see that moving up. Again, that will need to play out. So at this point in time, that would be too early to call.

Farquhar Charles Murray ***Autonomous Research LLP - Partner, Insurance and Banks***

Is there any kind of focus points within that watch list in terms of sub sectors?

Steven J. A. van Rijswijk ***ING Groep N.V. - Chief Risk Officer, Member of the Executive Board & Member of Management Board Banking***

Like we said, we look at the hardest hit sectors, our aviation, agriculture, hospitality, the leisure sector. Those are particular sectors that we look at. And in our case, our sectors has always been small, but we monitor them by the day.

Operator

There are no further questions.

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

Okay. Thank you, operator. Okay, then. Well, thanks all for being on the call.

Just to give you a quick summary. I think given the circumstances, we had a good set of commercial and operational results. It's very difficult to look into the future at this moment in time at what will happen. And that's basically why we look at what we do know, and what we do know is that we have a strong business model, a digital business model that actually has tailwinds because of this crisis. We have a strong asset base, and we've shown you much more granularity there today also as to -- for last question, as to the sectors that are specifically hit, we have very small exposure there. We have a very strong funding base and a very strong capital. So if you can't predict the future, then you have to look at what you have. And that basically shows that we are well positioned to go through it and support our clients.

But before we close, let me then take this opportunity to first thank my investor relations team here for supporting us and me, personally, for the last 27 calls that we've done. The presentations and the information have always been super prepped, so thanks a lot for that. I think they do a lot of good work for us here, and hopefully, also for you out there. And then let me thank you, the analyst community. You've always taken a very keen interest in ING from the start. And when I started, we were still facing and looking at this bank insurance company that I had to sell the U.S. insurance company, had to list the European insurance company, we had to repay the Dutch state, and all of that, you kind of followed closely. We kept you up to date on that. And then at the same time, we were trying to build a future for the bank, and we decided to go into a digital direction. And I feel that you have followed us and me, personally, with a lot of interest, with a lot of in-depth questions and, therefore, always keeping us on our toes. And I think that's how it should work. I mean you are a critical bunch out there, following us with questions that are often spot on that help us also to stay sharp in order to ensure that we run this company well and that we also prepare for some more difficult times, which, regretfully, we are heading into right now.

So thanks for keeping us on our toes. It's made what ING is today, well positioned to enter the crisis. And well, I hope that some of you I will speak to in a different capacity by the fourth quarter of my next employer.

Thanks very much. Bye.

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