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PRESENTATION

Operator

Good morning. This is Alex welcoming you to ING's 3Q 2015 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 statements not involving historical facts.

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 statement is contained in our public filings, including our most recent annual report on Form 20-F filed with the United States Securities and Exchange Commission, and our earnings press release as posted on our website today.

Furthermore, nothing in today's comments constitutes an offer to sell or a solicitation of an offer to buy any securities.

Good morning, Ralph. Over to you.

Ralph Hamers ***ING Group - CEO & Chairman of the Executive Board***

Thank you very much. Welcome, everyone, to ING's third quarter 2015 results conference call. I will take you through the presentation as normal. With me are Patrick Flynn our CFO; and Wilfred Nagel, our CRO. So let's start.

Page 2. Clearly, I'm happy to present another good set of results today. Our underlying net profit amounted to EUR1.092 billion in this quarter and that's supported by lower risk cost; a continued loan growth in our core lending franchises; and an improved margins. Our capital position remains strong and we're well placed to absorb regulatory impacts and to deliver attractive capital returns as we are currently doing.

We also continue to make progress on executing our Think Forward strategy and that's where I want to start the presentation. As you know, financial results just don't happen by itself; there is a lot of work there with our people focusing on the client and making sure that we improve the way we do business, and that we're successful and competitive.

And you all know that in March 2014, we launched our Think Forward strategy. And that had one clear purpose; empowering people to stay a step ahead in life and in business. And the core of our strategy was to create a differentiating customer experience. As you know, it's all about the customer here in ING.

In the previous quarters, we have talked about some of the new innovations that we've developed internally. This quarter, I'd like to take you through some highlights of the innovation efforts that we have established in doing partnerships or actually acquiring Fintech's.

And one of those I want to talk about includes Kabbage; that will help us generating a new offer to our clients.

At the same time, we are focusing on strengthening our sustainability and that was focused by a leading external sustainability benchmarks in their annual reviews. So whether we talk about the Dow Jones sustainability index where we have improved our score to 86 points out of 100, or Sustainalytics, where we are the third best performer amongst 409 reviewed international banks.

Now turning to innovation, and specifically turning to the partnerships there. In October, we launched a strategic partnership with Kabbage. And that's a leading US-based technology platform that provides automated lending to SMEs. We will be -- ING and Kabbage together will soon be launching a pilot project in Spain to provide loans to small businesses.

The loan application and approval process is both accelerated and easy for our customers. For example, a small business loan in this joint venture can be approved in less than 10 minutes in a paperless process. So that's on delivering the ING way.

The goal of the pilot in Spain is to learn more about better ways to serve small businesses with lending capacity, and clearly we're excited to bring this technology to our customers here in Europe.

Expanding into new products like instant lending to small businesses aligns with our strategy to diversify the balance sheet, but it also checkmarks the advanced analytics focus that we have, as well as delivering as much as possible in a digital and differentiating way. So it very much fits our strategic direction this cooperation.

Now moving to the P&L, slide 5. We posted strong results in the first nine months of 2015. Underlying net result banking increased 18.1% for the first nine months in comparison to 2014; and the return on equity was 11.6%.

Now if you would exclude the CVA/DVA, which was positive for the first nine months in this year, and if we were to exclude the redundancy costs, the underlying result increased by 7.2% on a like-for-like basis. So it doesn't really matter which comparison you make, you see progress on P&L.

Turning to page 6 then. These were results were strong -- were supported by healthy income growth and lower risk cost. So you see the underlying income increasing, but specifically also the net interest result you see increasing. And excluding the financial markets, that increased 5.7% from the first nine months of 2014, as supported by strong volume growth.

The risk costs during this period came out at 46 basis points, and 46 basis points brings us approximately in line with the longer-term average of 40 to 45 basis points of risk-weighted assets that we have indicated.

Turning to the growth in the lending franchise, slide 5 (sic). The core lending franchises grew by EUR17.2 billion or 4.5% annualized in the first nine months of 2015. We've seen solid loan growth in Belgium, Germany, the other challengers and growth markets and CB rest of the world.

Net production in the Netherlands was down due to lower retail business lending and high repayments on mortgages.

Turning to slide 8. When we launched the strategy, we indicated that we wanted to further diversify the balance sheet away from mortgages into other asset categories and preferably through our own asset generating capabilities, and we have made steady progress on that. So you see that specifically also in the challengers and growth markets that we are creating more sustainable balance sheets but diversifying away from mortgages into other high yielding assets.

And that is predominantly now through the growth of our commercial banking business in these countries, but also our SME and consumer finance businesses has grown in those countries, because the balance sheets have grown. But as a percentage, it has not increased.

Then we turn to capital. ING Bank fully loaded Core Equity Tier 1 ratio was stable at 11.3%. The positive net profit was offset by the negative impact from the decline in revaluation reserves, basically Bank of Beijing and foreign exchange, as well as the negative impact from higher risk-weighted assets.

The Group capital ratio remained also stable as the positive impact of a further reduction of our stake in NN to 25.8% was offset by an increase in risk-weighted assets and negative foreign exchange impact.

Similar to last quarter, ING has decided not to include any of the third-quarter profit in the Group Core Equity Tier 1 capital, pending regulatory developments in advance of the Board's decision on the year-end dividend payment.

The pro-forma capital ratio of the Group, after full divestment of NN Group, would come out to 12.8% at the end of the third quarter, and if we were to include the EUR2.2 billion of profit that is not included in the Group capital, the Group capital would come out at 13.5% at the end of the third quarter.

Now with that, turning to page 10, you basically see that in the first nine months of 2015, we basically reached most of our Ambition 2017 targets, and I am pleased that we are making so much progress on all of these metrics.

That's the first nine months. Let's look at the specific quarter now. Turning to page 12. So ING's third-quarter underlying pre-tax result was solid at EUR1,495 million, and that was positively impacted by CVA/DVA, offset by negative impact from the capital losses and higher regulatory costs.

Net interest income, excluding financial markets, has increased by 4.8% over the past year, and 2.2% from the previous quarter, and that's supported by ongoing volume growth. And basically, we think that we show the strength of our franchise that we continue to grow our net interest income here.

Looking at the margins then, turning to slide 13. The net interest margin increased by 3 basis points from the second quarter to 146 basis points, and that was driven by retail Germany, and retail other challengers and growth markets.

The net interest margin itself is down 7 basis points from the third quarter of 2014, but as you can see in this picture, that was entirely due to the lower interest results from financial markets. So if corrected, it would have been stable at around 153 basis points. So basically, the underlying NIM in our lending and savings business has remained remarkably stable over the last year.

Giving you some more details on the higher net interest income, that was driven by improvements in retail Germany, other challengers and growth markets.

Commercial banking also delivered a strong growth in net interest income on the back of volume growth in industry lending.

Conversely, in the mature Benelux market, the net interest income is declining. In the Netherlands, the net interest income has declined from this same quarter last year due to lower volumes, while the net interest income in Belgium is down due to margin pressure.

Then, taking a look at the growth of our lending franchises. As you can see, the growth in our core lending business slowed from the first half of 2015. If you qualify -- if you basically look at this picture, but it still increased by EUR1.6 billion driven by healthy growth in the retail banking.

As far as commercial banking is concerned, we continue to see increase in the longer-term industry lending and general lending assets, but this was more than offset by declines in short-term lending and structured finance as a consequence of lower commodity prices in financial markets.

So basically, we see a EUR1.6 billion of core lending growth, net, but if you would correct it for financial markets, EUR1.6 billion, we would come to EUR3.2 billion. And if you would correct it for the short-term commodity-based lending which was down because of lower commodity prices, you would have to add another EUR2.1 billion, and then the lending would come -- actually would go up to EUR5.3 billion.

So that's a better like-for-like comparison as to how the underlying commercial business is doing.

Page 16, expenses. Now our expense base is more and more impacted by regulatory costs as you can see. These costs are booked at different moments through the year and that creates a lot of volatility in our results, and we still have a lot of -- a large amount of about EUR300 million to go in the fourth quarter.

If we adjust for the regulatory costs, the increase -- the expense increased by 3.8% from the same quarter last year, but declined by 0.7% from the second quarter of 2015.

In comparison to last year, the increase is due to retail Netherlands. As you know last year, we announced an investment program on the IT side in the Netherlands, and that's what you see as an increase in spend -- in expense base. But also, the expense growth in the commercial bank, as we have shown you in the previous quarter, we don't mind in some of the franchises the expenses to grow, as long as their income is growing faster so that the cost income ratio is improving. And that explains the quarter on quarter, basically the comparison to 2014 expense growth.

The decrease, if you compare it to the second quarter of 2015, end cost is driven by lower costs in commercial banking and retail Turkey.

Going to the risk costs, actually, in a way have seen a material improvement this quarter on risk costs; risk costs were down from the third quarter 2014 and the second quarter of 2015 to EUR261 million. And that's driven by both retail banking and commercial banking.

The total risk costs now are at 34 basis points of average risk-weighted assets this quarter, and that's below our over-the-cycle average, with most of the businesses close to the longer-term average as the overall economic environment gradually improves.

Now the NPL ratio was also down to 2.6% with improvements visible in both retail banking and commercial banking.

If we then focus more on retail Netherlands, the risk costs in retail Netherlands or in the Netherlands generally decreased sharply in the third quarter to EUR82 million which is now down to 55 basis points of risk-weighted assets in the third quarter of 2015. And that basically reflects the recovery of the Dutch economy.

The NPL ratio has fallen to 3.2% with improvements in all segments, including the business lending segment by the way, and we have said there for several quarters that risk costs would lag the economic recovery. And that's what we have seen because the economic recovery already started earlier this year, but we now feel comfortable that the worst is behind us and that the risk costs may remain at a lower level going forward.

Then on the risk costs for commercial banking, those risk costs also continued a downward trend; they amounted to EUR97 million, or 27 basis points of risk-weighted assets for the quarter, and that's down from the previous quarter but up from last year. And last year, it included the release of a larger file.

The non-performing loan ratio has declined further to 2.9% this quarter and despite this positive trend, though it's important to know, and we keep repeating this, that the risk cost in commercial banking may remain volatile quarter on quarter as we can be affected by incidents in our lending franchises. These are large loans and you only need one or two cases for a real movement on the risk costs on this one. But the trend is down; it is 27 basis points for the quarter, so it's a healthy picture, but it could be volatile.

So to wrap it up, I think we presented another set of strong results in the quarter, underlying a very healthy continuing development both on lending growth, on costs under control, except for the regulatory cost, on return on capital, the growth of the lending franchises.

So I remain confident that our story is on track. We continue to execute our strategy across our network, and deliver the benefits to our customers and our shareholders.

I'd like to open the call for questions now.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Ashik Musaddi, JPMorgan.

Ashik Musaddi ***JPMorgan - Analyst***

So just a couple of questions. First of all, how should we think about your NIM here? Because clearly, you had some negative impact on your NIM in second quarter, 143 basis points, and it looks like you had a negative impact on your NIM in third quarter as well. i.e., is it fair to say that your underlying NIM has improved materially in this quarter?

And is it just the dynamics of how you report your revenue on financial markets? i.e., it's like one pocket (inaudible); sometimes it goes into NII; sometimes it goes into other income? So if you can explain that dynamic a bit, it would be very helpful.

Secondly is your risk cost has gone down materially and you mentioned that the risk cost in the retail business is expected to remain low, and the commercial business would be lumpy. But any sort of guidance as to how we should think about the overall risk cost; is the current level of retail risk cost absolute flat? Is that the right number we should think about?

These two questions would be great. Thank you.

Ralph Hamers ***ING Group - CEO & Chairman of the Executive Board***

On the NIM, I'll give the word to Patrick; and the risk costs to Wilfred.

Patrick Flynn ***ING Group - CFO***

Yes, I think you're right indeed. And if you look at the NIM over the past year, excluding financial markets, so the commercial NIM is very stable. But we've managed to grow interest income, so interest income was up nearly 6%, as Ralph mentioned; year to date 15% versus year to date 14%. And it's up 1.2% quarter on quarter.

So if you look at the NIM in the quarter, it's up 3 bps to 146 compared to prior quarter. We had real improvement in the growth areas, retail challengers and growth markets, from a combination of lower savings rate and improving our asset mix, again executing on our strategy.

And as you pointed out, we did mention last quarter there was a couple of one-offs, 2 basis points, that have reversed this quarter. So that's plus 4. And yes, as you point out, there's a negative 1 from financial markets. So in the quarter it's plus, with a drag of minus 1 on financial markets. But the commercial margin is very stable, and has been over the past year; and basically, that's what we hope and expect to be going forward this year and into the beginning of next year.

Ashik Musaddi ***JPMorgan - Analyst***

Just to follow up on that, how should we think about the loss of revenues on financial market? Is it like one thing offsetting other, i.e., your NII may be lower? But are you really losing the revenue from financial market, or is it just like -- where is it getting recognized?

Ralph Hamers ***ING Group - CEO & Chairman of the Executive Board***

I can -- if you go to slide 13, you see it's right-hand bottom quarter, you see the income, the underlying income of financial markets. So there is two effects here.

So the first one is -- and in the financial markets area the revenues -- the income is actually holding up. but it is less on the interest income, it's more on the non-interest income. There's two sides to this. The first one is that in the financial markets area, also due to regulatory changes, we're actually focusing more and more on the flow business, alignment of client business, etc., etc., etc., which brings a different income.

And on the other side, it has to do with the accounting of some of the derivatives. And sometimes that goes more into the income side, and sometimes it goes more into the other income side. But you see that over the year, and quarter on quarter generally, the overall income on the financial markets has been stable.

And therefore, that income has been more or less stable. And if you then corrected NIM, you see that the underlying commercial NIM between lending and savings has been rather stable over the last couple of quarters. So that's the explanation there.

I'll give the word to Wilfred on risk costs.

Wilfred Nagel ***ING Group - Chief Risk Officer***

On the risk costs, what we're seeing is the typical pattern at the end of a recession. So on one hand, new provisions are lower; on the other hand the old problem loans get resolved one way or the other, and that means both write-offs as well as releases go up, which then leads to a lower net addition to the provisions.

It's, therefore, likely that 2015 is going to be below 2014 by a more considerable margin than we had earlier guided on. At the same time, I would caution that uncertainty does remain.

First of all, the general pattern in commercial banking is that it tends to be lumpy, as we always say; and it is quarter on quarter in particular. You still have a lot of uncertainty around Ukraine, Russia, the energy market. So there is plenty scope for some noise in these numbers.

Specifically your question about how should we look at the retail provisions are -- is this the number; is it flat?

Well, it moves in a cycle with the economic pattern, so it's never flat really. If I were to look at where we are today, I'd say there is probably a bit of scope for it to come down a bit further before we see it leveling off, and potentially at some point going up again.

Ashik Musaddi ***JPMorgan - Analyst***

Okay, that's very clear. Thanks a lot for this.

Operator

Anton Kryachok, UBS.

Anton Kryachok ***UBS - Analyst***

Just a couple of follow-ups please. Firstly, on net interest margin outlook. I've noticed that you were able to reprice your deposit base in the Netherlands at the start of Q4. Can you please give us an update on the competitive dynamic that you're seeing in the Netherlands around Dutch -- around deposit repricing? Can you do more in the future, and is it one of the main levers to go into a pool in order to keep your commercial margins broadly stable?

And then the second question please around capital, capital return, and your accumulated reserves.

Can you please indicate how much capital have you set aside that will be available for the Q4 dividend distribution? I know that you have set aside Q2 and Q3 profits fully; but also, you had a payment of interim dividend after Q2 results. So I'm just trying to understand how much cash have you set aside from this year earnings? And also, what's your total cash reserve at the Group level? You used to disclose that number a couple of quarters ago, so maybe you can give us an update on that please?

Ralph Hamers ***ING Group - CEO & Chairman of the Executive Board***

Okay, Anton. It's Ralph. I will take the question on the NIM and the Dutch market; and Patrick will take the second question.

On the first one, NIM outlook, clearly we're already in a longer period of low interest rates, both on the shorter end of the curve and longer end of the curve. And that gives a bit of pressure. For the moment, we have been able to manage that on both sides of the balance sheet.

There is scope to manage that, even more so going forward, going by the different savings rates that we have.

And I can -- if I can point you to the slide that we have, including the fact that you are used to having it in the pack as 26. You basically see where we are in terms of savings rates in the different markets now.

That's one side of the NIM development going forward, so we feel we can still manage it for a couple of quarters.

And the other side, as you know, as part of our Ambition 2017, we were also to make progress to generating more higher yielding assets that had to do with changing the composition of the balance sheet that we updated you on in this presentation as well. And that will continue. So you will see in our balance sheet a further growth of higher yielding assets, and that will have its effect on NIM going forwards, by strategy as well.

Then zooming in on the Netherlands, and the situation in the Dutch market. Going by page 26, you see that the interest -- the savings rates in the Netherlands are still somewhat higher than in the surrounding countries. So from that perspective, we are paying a very competitive rate to our clients. And I think that's also the way you should see it. In the end, the savings rate is one that you have to connect to the earnings on savings which, given the fact that the replicating portfolio and the yield on that is decreasing.

It will have a downward effect on savings rates in general, but in setting the savings price, it's always a discussion as to how do you make sure that you take the interests of your clients into account; and how do you -- basically, how do you develop that relationship. And that's a careful balance that we are managing.

Patrick Flynn ***ING Group - CFO***

First thing to say about dividends is that there isn't an awful lot we can tell you that's new. We're applying the same approach, and have the same view as we did at the half-year.

In terms of the mechanics, I think the numbers perhaps are on slide 23, and I'm happy to take you through them.

So in terms of how much capital have we set aside, there's EUR2.2 billion year to date 2015, has not been included in regulatory capital at the Group level. We have kept that to one side, or earmarked it, so that we can maximize, subject to the regulatory environment, our flexibility for dividends.

Now deciding how much that will be remains as it was at the half-year, a decision we have to take at the full year -- year end, in February.

So going back to that EUR2.2 billion, the composition of that is the EUR708 million in Q1, which was 40%; 100% of Q2, which is EUR1.3 billion; 100% of Q3 is just under EUR1.1 billion; minus, obviously, we have paid an interim dividend of EUR929 million, gives you the net EUR2.2 billion.

And in terms of the aggregate number, if you think of the total effective economic buffer, on the slide you see EUR4.8 billion. And if you were to add back, if you chose to do so, the EUR2.2 billion that we have set aside for dividend flexibility, you get to a total of EUR7 billion. I think that's the number you were thinking of. And that's referred to in the final [bonus] in, albeit, small fund.

Anton Kryachok ***UBS - Analyst***

Excellent. Thank you very much. This is very clear. So just to simplify this further, if you were to keep the capital ratio of ING Bank stable, you can pay out EUR7 billion. And the capital ratio of the Bank will not change if you fully divest your insurance operations.

Patrick Flynn ***ING Group - CFO***

I think in terms of actually what we are paying, and I don't want to mislead anybody, in terms of what we do pay, that's a decision we have to take at the year end.

Anton Kryachok ***UBS - Analyst***

Sure.

Patrick Flynn ***ING Group - CFO***

We will pay a minimum of 40%, and I'm repeating what I said at the first half. And we are pre-disposed to return the insurance, if you want to call it that, surplus progressively over time to shareholders. However, we have to be cognizant of the regulatory environment and how that evolves. And we'll take a balanced view of both of those, both our ambition and the regulatory environment, at the year end.

So that is how we look at it. Mechanically, you're correct. But I don't want to imply that we're going to actually do that.

Anton Kryachok ***UBS - Analyst***

Of course. Thank you very much. This is very helpful.

Operator

David Lock, Deutsche Bank.

David Lock ***Deutsche Bank - Analyst***

I've got a couple of questions from me please. The first one is on risk-weighted assets. I note there's been a reduction in retail Netherlands quarter on quarter, which is quite big. I just wondered, what was the driver of that?

I think it says it was better quality book, but what is the -- can you give us an update on what the risk weighting of your mortgages is in the Netherlands and whether we should expect any other kind of model changes, or further decline as that risk weighting going forward?

Then my second question; you reference the lower -- the impact on your lending volumes from the oil trade finance book being lower than what you had expected. Is it fair to say that the effect of the lower oil price is now baked into the numbers? And I mean that not from an impairment side, but from a volume side.

Do you feel that really this is the base that is being reset after that oil price change and, therefore, volumes should grow from here? Or is there still a headwind from the volume side that we could expect in future quarters? Thank you.

Ralph Hamers ***ING Group - CEO & Chairman of the Executive Board***

Wilf will talk the first question; I'll take the second one, David.

Wilfred Nagel ***ING Group - Chief Risk Officer***

On retail Netherlands, obviously, this is mainly about mortgages. Risk weights have moved from 18% to 16%. That is driven by the improvement in the portfolio, and the one that you can also see in the markets, predominantly, at this point driven by PDs coming down as well as the cure rates improving on these loans.

So it is the typical mechanical pattern of an advance in to an all rating-based model that is in action here, reflecting the loss experience and the LTVs that we're seeing in the portfolio.

If you look at the reporting on mortgages in a bit more detail, you would also see that the average loan-to-value in the book, for example, has come down from 88% the previous quarter to 83% now. Obviously, that number alone has quite a significant impact. Particularly at these cure rates that helps quite a bit. But the PDs are also coming down, as you can see, reflected in NPLs.

David Lock ***Deutsche Bank - Analyst***

Okay. And just --

Ralph Hamers *ING Group - CEO & Chairman of the Executive Board*

David, on your second question on TCF, yes, it is a reflection of lower commodity prices; oil, but also some other commodities there.

It's not necessarily a reflection of lower volumes. Actually, the volumes with a lower oil price actually tend to go up because there is more demand, because the [dollar] of oil price. So the volumes are actually up. The value of those volumes, actually, is influenced by the commodity price.

Now, we saw a bit of a reset the third and fourth quarter last year when the oil price was dropping $110, $120 to the more $60 environment; and then we saw another drop this quarter, going down to lowest, even the $40 level. And it's back up a bit again.

Yes, we can talk about volumes, because we can influence that ourselves; it's the client relationships, it's about pricing, it's about your franchise. But the value is influenced by the world markets, and that's something we can't influence.

So as to the outlook on this one, yes, if the oil price goes down further there may be more demand. But depending on the price, it will hit our books with a lower uses of our book; if the oil price goes up, it will be up.

David Lock *Deutsche Bank - Analyst*

Thank you. Can I just ask one follow-up on the risk weights. Clearly, an 18% to 16% move, that feels quite big for a quarter-on-quarter move. I appreciate the advanced model feeds into that but given the overall debate that's raging about Basel IV and the potential indications there, is there any -- presumably this model change would have been signed off by your regulator and you would have looked ahead to potential regulatory change in the future when making decisions like this.

Was it purely just an algorithmic arithmetic change from the model that directly feeds into this; there's no additional change that's been made by management or by the regulator on the outlook for risk weightings here? Thank you.

Wilfred Nagel *ING Group - Chief Risk Officer*

Thank you for making the question so long that you answered it. It is the second part of what you said; it's not a model change, it is simply a mechanical update of the inputs here, which is how this process works. And it works, also important to keep in mind, with a bit of delay. So we're seeing now things reflected that are two, three quarters ago.

But this does not, in any way, try to anticipate what might change in terms of regulation, and it is also not the kind of update that is subject to a specific discussion with the regulator.

David Lock *Deutsche Bank - Analyst*

Thank you.

Operator

Andrew Coombs, Citigroup.

Andrew Coombs *Citi - Analyst*

Just a couple of follow-ups, especially on the dividends. You're obviously accruing at around about an 80% payout ratio for the full year, but you still need to make the final decision at the end of the year, and you say, subject to regulatory developments.

Given that it doesn't look like we're going to get any better clout in Basel IV before the year end, can you please clarify exactly what regulatory developments you are waiting upon? I'm just keen to get a bit more clarity on exactly how you will decide upon that dividend decision.

And then second, coming back to loan growth on slide 15, you talked about the trade finance side of things, but when I look at the other commercial banking divisions, the volume growth there also seems to have shrunk somewhat QonQ. And also Belgium, you've seen a contraction there. So perhaps you could elaborate on the drivers for those particular areas? Thank you.

Ralph Hamers ***ING Group - CEO & Chairman of the Executive Board***

Patrick will answer the first one.

Patrick Flynn ***ING Group - CFO***

In terms of dividend decisions, again, we'll have to see how much clarity we do get. I think, hopefully, the SREP process will be clearer between now and the year end. The ECB dividend guidelines which related to 2014, we expect them to be updated. They're out of date now, so we do expect a bit more clarity on that front.

You may be right in terms of Basel IV; it may be that there isn't a lot more clarity. But in the last quarter, there has been, certainly in terms of tone, there has been some more color, at least, on how European regulators are beginning to think about that. I would hope that firms up a little further.

So all of these things matter, so we will incorporate everything we see. No, at that point it may not be perfect; I doubt it will. But we'll have to make a best estimate at that time in February of what we do know and what we don't know, and then form a judgment.

Ralph Hamers ***ING Group - CEO & Chairman of the Executive Board***

Then on the lending growth, page 15; starting with retail Belgium, this is a quarter view. And on a quarter view, it tends to be a bit volatile, given the one particular client that we have in the books there, which is basically that the Flemish Government actually we do all their payments business and their financing. And these are big amounts and they can actually show quite some volatility. But the underlying in Belgium is actually growth, both in mortgages as well as in business lending.

Now then turning to the commercial bank industry lending, it's the same thing here. On industry lending specifically, it's a long-term side. It is actually growing; we see that to continue. But these are large deals that take quite some time to work on before they are agreed, documented before the drawdowns happen, and then they will show up in our books. So you can't really come to a conclusion on a quarter-to-quarter comparison here.

And that's why we continue to refer to an annualized figure in terms of core lending growth next to a quarter-to-quarterly comparison. And the annualized figure over the first nine months actually shows that we're growing by 4.5%, which is a little bit beyond what we had indicated when we launched the strategy. So on all of those -- with all of that input, we still feel comfortable that it grows like we have indicated.

Andrew Coombs ***Citi - Analyst***

Thank you. It's all very clear.

Operator

Alex Koagne, Natixis.

Alex Koagne ***Natixis - Analyst***

Just two follow-up questions from my side. The first one is on the revenue in the financial markets. Should we expect the contribution of net interest income to continue to decrease going forward? This is the kind of trend that we have seen for the last quarter.

And one last question is again on the dividend policy. I do understand your point of view, but I'm still trying to understand. I mean as of today, the consensus is expecting you to offer a 70% payout ratio, which is significantly higher than the 40% that you are guiding. How comfortable are you with the consensus number as of today? Thank you.

Ralph Hamers ***ING Group - CEO & Chairman of the Executive Board***

Well, I'll take the second question; Patrick will take the first question.

So on dividends, we haven't changed our guidance and we're not changing our guidance on this one. We have been very consistent in saying that when we launched the strategy and all the quarters thereafter, that we pay a minimum 40%. And then at the year end, when we have to establish the total payout, we will look at where we are on strategy, commercial development, but particularly also the regulatory environment and that's when we will make up our mind.

So whatever estimates are out there, whatever expectations are out there, this is the guidance that we have been giving and so you'll have to wait for another quarter. Be patient.

Patrick Flynn ***ING Group - CFO***

In terms of financial markets, you know I'd be a brave man to try and predict the composition of FM revenues. As Ralph said, and he's looking at me here now -- as Ralph said, if you look at it year to date, it's up in aggregate versus year to date last year; that's the important thing.

One thing I will tell you that typically the fourth quarter in financial markets year on year is lower than in previous quarters with the Christmas effect, markets close down and shut up shop, typically in early December, so you don't get a full three months' activity, and that I expect to continue, that seasonal aspect. But as to the composition of revenues between the two, we don't manage it, so it would be silly of me to talk about it. We don't manage it, we don't target them on any composition. We target them on the total revenue. I wish I could add more but that's it.

Alex Koagne ***Natixis - Analyst***

Thank you.

Operator

Pawel Dziedzic, Goldman Sachs.

Pawel Dziedzic ***Goldman Sachs & Co. - Analyst***

I only have one question from my side and it's on your fee income. Can you perhaps comment on the drivers behind the decline this quarter? I was wondering how much of that could be attributed to just seasonal factors? How much of that is driven perhaps by the lower lending volumes this quarter and should we extrapolate it going forward? And how generally careful we should be into looking into those trends as something of a more permanent nature. Thank you.

Ralph Hamers ***ING Group - CEO & Chairman of the Executive Board***

I think that's a good question. So basically on the commissions income, you see a decrease there. Partially that is seasonality, for example, in Belgium in terms of the influential mutual funds. That seasonality on the TCF side, with a lower value of the activity, the underlying activity we also get lower commission income. So there is a direct relationship there.

And then on the other structured finance business, if you close last deals in a specific quarter and you close more in the next quarter, then your upfront fees coming through these structures, then it fluctuates, just like your lending growth fluctuates one quarter to the other. But the underlying is the positive trend with the growth of the balance sheet and closing new deals.

So that's a little bit how you have to look at it. So partially it's seasonality if it comes through the retail side in mutual funds. Partially it's the shorter-term side of TCF, with a lower value of the transactions and hence a lower commission. And then in the longer-term side of structured finance it's just when do you close these deals and when do commissions become payable.

Pawel Dziedzic ***Goldman Sachs & Co. - Analyst***

Very clear. Thank you.

Operator

Guillaume Tiberghien, Exane. Guillaume appears to have withdrawn their question.

As we have no further questions to you, I would like to turn the floor back to the speaker for any additional or closing remarks.

Ralph Hamers *ING Group - CEO & Chairman of the Executive Board*

I understand there are no questions. Good. Well thanks, ladies and gentlemen, for being on this call.

Just to sum it up, I think that we've had a very good quarter, showing that the underlying strategy is working, whether we talk about sustainability, whether we talk about innovation, whether we talk about the improvement of these different trading experience for our clients, or whether we talk about the actual result that comes from this, which is a commercial success across the different activities that we have, leading into a profit of EUR1,092 million; a growth in the underlying lending portfolio with lower risk cost, stable capital and we are delivering on return on equity.

Thanks for the call and talk to you later.

There's more questions? Okay. Well then the summary we keep that for later. So we'll go back to the questions.

Operator

(Operator Instructions).

Ralph Hamers *ING Group - CEO & Chairman of the Executive Board*

Apparently, there's a technical issue here that we don't get the questions through. You know that our team for investor relations are open 24 hours, seven days a week. So to the extent you were not able to ask the question now, I really apologize, but let's make sure we get your questions answered by the investor relations team.

Thanks a lot. As said, we're happy with this quarter, it shows a strong underlying trend to continue. And with that, have a nice day. Thanks a lot. Bye.

Operator

Thank you. That concludes ING's 3Q 2015 conference call. Thank you for your participation. You may now disconnect.