Transcript Analyst call 2Q2025

Presentation

Operator
Good morning. This is Saskia welcoming you to ING's 2Q2025 Conference Call. Before handing this conference call over to Steven van Rijswijk, 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 a 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 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, Steven. Over to you.

Steven van Rijswijk
Great. Thank you very much, and good morning everybody. Welcome to our results call for 2Q2025. I hope you're all well. And thank you for joining us. And as usual, I'm joined by our CRO, Ljiljana Čortan, and our CFO, Tanate Phutrakul.

2Q2025 started with sharp market volatility, as well as macroeconomic and geopolitical uncertainty. In that context, we are pleased with our strong results, which we will discuss in today's presentation. We have continued to successfully execute on our strategy. I will start with sharing some highlights of the progress that we're making on the priorities that we set on our Capital Markets Day, just over a year ago. Thereafter, Tanate will walk you through the quarterly financials. As always, we will be happy to take your questions at the end of the call.

Now, let's move to slide 2. This slide illustrates our continued strong growth trajectory in2Q2025. We grew the mobile primary customer base by more than 300,000 customers, which underscores the strength of our offering. With growth of more than 1.1 mln mobile primary customers in the last 12 months, we are doing well compared to the target we set at Capital Markets Day.

We also recorded significant growth in our loan book. Net core lending and Retail Banking grew by a record of €11.3 bln, which was, again, mainly driven by mortgages while we also supported our clients with additional business lending and consumer lending.

In Wholesale Banking, net core lending growth was €4 bln as we financed more working capital and increased our short-term trade-related financing. Demand for long-term corporate loans has remained subdued in the current uncertain macroeconomic environment.

Net core deposits growth was over €6 bln, also driven by Retail Banking, which benefited from the seasonality of holiday allowances. In Wholesale Banking, we continued attracting deposits in Payments and Cash Management (PCM) and Money Markets, but this was more than offset by lower short-term client balances in our cash pooling business.

With 7% annualised growth in customer balances in 1H2025, we are well on track to reach our target of 4% per annum.

On the P&L side, our focus on further diversifying our income streams is yielding solid, structural changes to income composition. Fee income increased by 11% vs 1H2024 and now makes up almost 20% of our total income. We are confident that we can grow at the higher end of our 5-10% range this year, and confirm our €5 bln fee income target for 2027.

Our four-quarter rolling average ROE was 12.7% and also here, we have improved our outlook for 2025. We continue to support clients in their sustainability transitions, with the volume of sustainable finance mobilised rising 19% from 1H2024 to €68 bln.

Now, on to the next slides, where I will give more insight on our customer growth.

On slide 3, we show that we have significantly increased the pace of customer acquisition in the last few years, which is clear evidence of the appreciation of our products and services.

Over the past 12 months, our customer base has expanded by almost 1.2 mln customers, and we currently serve more than 40 mln private individuals globally.

Customer acquisition is a key driver of future value, as it also leads to a growing mobile primary customer base.

Cross-selling products and converting customers to mobile primary customers is most successful in the first year after onboarding, a period we call the honeymoon phase.

However, also after this honeymoon phase, our customers continue to buy more products from us and choose us as their primary bank.

On the next page, I will explain why we focus on increasing our mobile primary customer base.

On the left-hand side of slide 4, you can see that the number of primary and mobile primary customers is increasing. At the end of 2Q2025, more than 41% of all of our customers chose ING as their primary bank.

These mobile primary customers buy more products, show lower attrition and generate higher revenues.

We see significant upside to further increase the conversion rates, especially in countries with a relatively low conversion rate, such as Germany and Spain.

This also drives our focus on broadening our product foundations.

2Q2025 growth in customers also resulted in further growth in customer balances, as we show on slide 5.

Average customer lending balances have increased significantly, especially in the last 12 months. This growth was fully driven by Retail Banking, and mortgages in particular, which is in line with our strategy to allocate more capital towards this business line.

Average customer deposits have also risen considerably since 2024, due to good momentum in both Retail and Wholesale Banking.

This growth in volume has helped offset the margin pressure on NII in recent quarters and will be a key driver for value going forward.

On slide 6, we recap how our strategic execution has also enabled us to consistently deliver value for our shareholders.

We have distributed cash dividends in line with our distribution policy, and have been executing share buybacks for a number of years now.

In total, we have distributed close to €30 bln since 2021, including the announced interim dividend over 1H2025, which will be paid on the 11th of August.

As a result of these distributions, we have consistently delivered a yield of more than 15% in the last few quarters. This is significant, but even more impressive given the increase in our share price over the same period.

Going forward, we remain committed to generating a healthy shareholder return and we will update the market with our 3Q2025 results.

Now, on to slide 8.

Before going to our usual outlook and target slide, I would like to give more details on the expected development of commercial NII going forward.

In 3Q2025, we expect commercial NII to be roughly stable - driven by the continued impact of a stronger euro - and increase thereafter.

Overall, we forecast commercial NII in 2H2025 to be higher than 1H2025.

The increase is expected to be driven by continued volume growth, as margins are expected to remain stable for the remainder of the year, before gradually increasing in 2026 and 2027.

Then moving to slide 9, where we show our updated outlook for 2025.

I would like to reiterate that we are confident in our ability to continue progressing on our targets, supported by the strong results in 1H2025.

We have already grown the number of mobile primary customers by almost 500,000 this year and are well on track to reach our annual growth target of 1 mln in 2025.

Fee income growth is expected to come in at the higher end of our 5-10% range, which helps to offset pressure from FX on our commercial NII.

As a result, we confirm our outlook for total income and expect it to be roughly stable compared to 2024.

Prudent expense management remains a priority, and we are taking proactive measures to ensure we continue to operate efficiently, while also selectively investing for growth. As such, we now forecast total expenses to end up at the lower end of the range we gave earlier, including incidental items recorded in 1H2025.

The outlook for CET1 remains unchanged for the year at 12.8- 13.0%.

Considering our improved outlook for fees and expenses, we have also increased our outlook for ROE in 2025, which we now believe will be ~12.5%.

Now, I will hand over to Tanate, who will take you through 2Q2025 financial results in more detail, starting on slide 11.

Tanate Phutrakul
Thank you, Steven.

I would like to start on slide 11, where we show the development of our total income, which increased further compared to the previous quarter.

Commercial NII was supported by the repricing of customer deposits and continued volume growth, which almost fully compensated for the impact of the lower ECB deposit facility rates and a stronger Euro, which Steven mentioned earlier.

On a sequential basis, the appreciation of the euro had a €37 mln negative impact on the commercial NII.

Fee income increased significantly and grew by 12% year-on-year. Most of this growth is structural, which is also why our expectations for the full year 2025 have increased.

Lastly, all other income, which is a combination of other NII, investment income and other income, was supported by good results in Treasury and higher income related to our stake in Van Lanschot Kempen.

Now let's discuss slide 12 where we show continued growth in customer balances.

We recorded another quarter of strong commercial momentum, particularly with our Retail Banking business.

Net core lending rose by €15.4 bln, driven by record growth in Retail, which grew by over €11 bln.

We continue to do well in mortgages and grew the book in most of our markets in 2Q2025.

We also saw an increase in the business lending portfolio, notably in Belgium, the Netherlands, and Poland.

Wholesale Banking grew net core lending, driven by Working Capital Solutions and short-term trade-related financing. Demand for long-term corporate loans has remained subdued, due to the ongoing economic uncertainty.

On liabilities, we saw core deposits increase by more than €6 bln this quarter, due to a strong performance in Retail Banking, which benefited from the payment holidays allowances.

In Wholesale, growth in PCM and Money Markets was more than offset by lower short-term balances in our cash pooling business.

On slide 13, you can see that our commercial NII was resilient.

Liability NII was affected by the pressure from lower ECB deposit facility rates and the full-quarter impact of the successful promotional savings campaign in Germany, launched in 1Q2025.

These effects were almost fully compensated by repricing of customer deposits and strong volume growth.

Note that the liability margin would have been stable without the impact of the German savings campaign.

Lending NII was impacted by the appreciation of the euro relative to other currencies, but still grew versus the previous quarter, supported by volume growth.

The lending margin continued to be affected by the mix shift towards a more profitable Retail business, with significant growth in mortgages, which have lower lending margin but high ROE.

I will give some more insights on this on the next slide.

The progress on our strategy to allocate more capital towards more profitable Retail Banking business is visible on this slide 14.

At the time of our Capital Markets Day, the distribution of capital between the business lines was roughly 50/50 and we set the target to change this to 55% Retail and 45% Wholesale by 2027.

By the end of 2Q2025, the share of capital allocated to Retail already exceeded 53%, reflecting strong growth momentum in Retail Banking and the focus on capital optimisation in our Wholesale Bank.

The ROE of Retail lending is higher than in Wholesale lending, as despite lower lending margins, the relative RWA consumption and risk costs are lower.

As such, faster growth in Retail Banking has a positive impact on the Group's ROE, but a dampening impact on the overall lending margin.

In 2Q2025, the impact of this mix shift was roughly 2 bps.

Turning to slide 15.

Fee growth year-on-year was again double-digit, primarily driven by structural revenue drivers, or alpha.

Wholesale Banking fees came in at €360 mln, a quarterly record, driven by strong fee income in Lending and Daily Banking and Trade Finance.

Growth in Retail Banking was fuelled by the continued increase in mobile primary customers, which also resulted in higher daily banking fees.

Investment Products had a strong quarter as well, reflecting growth in the number of investment accounts, an increase in assets under management, and higher customer trading activity.

In addition, Retail Banking expanded its fee income from insurance products by 8%. Total fees from insurance products amounted to almost €70 mln this quarter.

Given the strong performance across the Bank, we are confident that we can grow our fee income at the higher end of the 5-10% range this year, and reach our €5 bln target in 2027.

On slide 16, we show the development of all other income.

Income in Financial Markets is mostly driven by client activity. We continued supporting our clients in turbulent times, and this is evident in the results.

Treasury had a strong quarter again, which income on both comparable quarters, mainly driven by higher results from FX ratio hedging.

And we benefited from a positive revaluation of the derivative for the forward purchase of a stake in Van Lanschot Kempen.

Following the regulatory approval received last week, we now hold a 20.3% stake in this bank.

Next, slide 17.

Our expenses, excluding regulatory costs and incidental items, rose 4.5% year-on-year, but were stable compared to the previous quarter.

The year-on-year increase was largely attributable to wage inflation and continued investments in business growth, mainly in customer acquisition, in enhancing and scaling our Tech platform, and in developing products for new customer segments.

In Spain, for example, we have launched a dedicated digital bank account to support customers aged between 14 and 17, with a tailor-made experience in the existing ING app.

Operational efficiencies compensated for a part of the cost increases, and we continue to digitise our services and infrastructure to further increase operational leverage.

We have, for example, deployed our OneApp in 6 different Retail markets and have introduced GenAI powered chatbots in the Netherlands, Germany, Belgium, Romania and Spain.

Incidental expenses included €85 mln for a rebalancing of the workforce in Wholesale Banking, resulting in ~230 redundancies.

As a result of our focus on expense management, we have improved our outlook for 2025. We now expect total expenses, including incidental items recorded in 1H2025, to end up at the lower end of the range we gave earlier.

On to risk costs on the next slide.

Total risk costs were €299 mln this quarter, or 17 bps of average customer lending, which is below our through-the-cycle average and demonstrates the quality of our loan book.

Net additions to Stage 3 provisions amounted to €221 mln and were mainly related to collective provisioning in various Retail markets. Individual Stage 3 costs decreased, reflecting limited inflow of newly defaulted files.

This is also reflected in a further decrease of the Stage 3 ratio.

Stage 1 and Stage 2 risk costs were €78 mln, including on addition to reflect an update of the macroeconomic forecasts.

We remain confident in the quality of our loan book.

Slide 19 shows the development of our CET1 ratio, which came down compared to last quarter.

The decrease in CET1 capital was fully attributable to the reduction from capital for the ongoing €2 bln share buyback, which was partially offset by the inclusion of €800 mln from the quarterly net profit.

This decrease was partly offset by lower risk-weighted assets.

Credit risk-weighted assets, excluding FX impacts, increased by €5.2 bln this quarter. This was mostly driven by volume growth, and partly offset by the impact of model updates and a change in the profile of the loan book.
Operational risk-weighted assets remained flat while market risk-weighted assets decreased by €2.4 bln, due to hedging and FX activities.

The interim cash dividend over 1H2025 of 35 cents per share will be paid on the 11th of August, continuing our established track record for providing an attractive shareholder return.

Now, Steven would like to wrap up today's presentation.

Steven van Rijswijk
Thanks, Tanate.

And indeed, I would like to recap a few key messages before going into Q&A.

To start, I would like to say that despite the ongoing geopolitical and macroeconomic turmoil, we have been able to generate continued commercial growth in this quarter.

Commercial NII was resilient, and we expect this to grow in 2H2025.

Fees have grown by 12% compared to 2024, and we feel confident we can grow fees at the higher end of our 5-10% range this year.

And costs remained well within our guidance. We are taking proactive measures to ensure we continue to operate efficiently and now forecast total expenses to end up at the lower end of the €12.5-€12.7 bln range we indicated earlier.

All in all, this translates into an improved outlook for profitability in 2025, and we now expect to deliver a healthy return on equity of ~12.5%.

With this, I would like to open the floor for Q&A. Operator?

Q&A

Operator
Thank you. Ladies and gentlemen, if you would like to ask a question on today's call, please signify by pressing star one on your telephone keypad. In the interest of time, we kindly ask each analyst to limit yourself to two questions only. So again, that is star one for your questions today. And our first question comes from Giulia Aurora Miotto from Morgan Stanley. Please go ahead.

Giulia Aurora Miotto (Morgan Stanley)
Hi. Good morning. Thank you for taking my questions. I have 2. The first one is perhaps we underestimated the FX effects – the sensitivity that ING has. And would it be possible to have a disclosure around revenue and cost mix so that we can estimate it going forward, given that the euro-dollar is being quite volatile? That would be my first question.

And then secondly, you mentioned that corporates, the loan demand is still muting – muted considering that there is uncertainty. Is there – do you see any signs that this can change in the coming quarters, especially in Germany or not really, too early to say? Thank you.

Steven van Rijswijk
All right. I will talk about the corporates and Tanate will talk about the FX sensitivity. And so what we have seen this quarter was the growth in the Wholesale Bank of ~€4 bln, but that was largely Working Capital Solutions, so – and trade related financing, so a short-term receivable type of financing structures. On a longer term, it may be term loans. We saw more syndicated loans than we saw in the previous quarter. But not big jumbo deals that we saw previously. And, of course, we did offset – there was limited growth in the term loans, but that was offset by capital velocity that we used to bring that down again. So there was a bit of growth in the corporate term loan, but that was still muted. In that sense, it's a bit too early to call whether that will change or not. So, of course, there is now a trade deal. Let's see if the signatures will be put on paper. That should then alleviate some concern. But, as for now, a bit too early to say.

Tanate Phutrakul
Giulia, yes, we will consider a bit in our disclosure if this volatility of the US dollar will continue. But to give you a sense, already with an 8% reduction in the US dollar against the euro in 2Q2025, that has an impact of €37 mln in NII and an overall impact of maybe ~€60-€70 mln on total revenue. We do benefit from less cost because of translation results. But it's not so impactful on

our ROE, given that risk-weight is also coming down.

Giulia Aurora Miotto (Morgan Stanley)
Got it. Thank you. That's very helpful. Do you have the number for the costs? You gave the number for revenues. Do you have the number for costs?

Tanate Phutrakul
No we don't, but we'll consider it in future disclosure.

Giulia Aurora Miotto (Morgan Stanley)
Thank you.

Operator
Thank you. And up next, we have a question from Benoit Petrarque, from Kepler Cheuvreux. Please go ahead, your line is open.

Benoit Petrarque (Kepler Cheuvreux)
Good morning. So the first question is actually on commercial NII. I get the reason of the downgrade, which is really coming from the FX rates. Just wanted to talk about the underlying commercial NII trends, if you are satisfied with all the trends you see around replicating income, lending margin, whether this is all in line with plans. So ex-FX impacts. The second one is on commercial NII guidance. So when you look at the Q4 – implicit Q4 guidance, I get to a 2.5%-5% quarter on quarter improvement in 4Q2025. So I just wondering if you could walk us through the moving parts around this improvement in 4Q2025?

And just maybe last one to Steven. We've seen an interview in the Dutch Financial Daily a few days ago. I think you refer to the lack of level playing field regarding capital requirements in Europe. And I think you mentioned that moving the head office to the German border will be very efficient from a capital standpoint. I think we discussed that quite some time ago, but could you maybe talk about that? And are you kind of serious to consider a plan to move the head office to Germany? Thank you.

Steven van Rijswijk
Let me talk about the Gelsenkirchen remark I made to the newspaper, and then Tanate will talk about the NII and 4Q2025 implicit guidance in terms of what you mentioned. So, I think in that article I said a few things. First of all, that in Europe we have still many trade imperfections between countries in and of itself, with our own import tariffs between markets and our own non-harmonised regulation. And that goes for many sectors. That we need to work on that in Europe because we really need to – because we need to become more competitive.

Then talking about the Banking sector, you see that, there as well. And so – and I gave an example, but there was a stylistic example - if I just move the head office to Gelsenkirchen, which is just across the border from the Netherlands, then with the same activity that we have, given the current regulation, I need to hold less capital and I will pay less taxes. Yeah, that is strange. I want also in this country, and I'm concerned about the business climate in this country, that a country also needs to have strong banks to also make sure that businesses can – and households can thrive in good times and in the bad times. And you should, as a country, want to have strong banks and not try to chase them away.

And that's since European rules are not harmonised enough, and I find it odd that banks from, for example, Germany and France, even if they serve clients here, have to hold less capital. And the same goes then for those banks then also have to pay less taxes because we pay taxes over our business abroad in this country and others then will not. And I think we should also, in this country, think much more about how to make our banks competitive.

Tanate Phutrakul
Thank you, Steven. I think you asked about our commercial NII, what's positive compared to last quarter and what may be more challenging. I think what remains the same is the part of the ECB rate cut, the facility rate going to 1.75%. That remains per plan. And the steeper forward curve is also what we were expecting then and what we see now. So those are things which remain the same in terms of our outlook. What I think has changed in a positive front is the fact that the volumes have come in higher than planned, both on lending and on deposits. So I think that is also quite strong and positive. And then maybe on the challenging side is that the demand for long term lending in wholesale banking has been more, soft continuing to be soft, and the outlook remains challenging. I think these are the moving parts that I like to cover.

Benoit Petrarque (Kepler Cheuvreux)
Thank you. Maybe on the 4Q2025 improvements?

Tanate Phutrakul
I think on the 4Q2025 improvement, I think the big driver is really volumes and maybe less impact on FX in 4Q2025. At the same time, we never comment on further rate actions, but you can imagine that we will manage our margin at ~100 bps on liability and rising to 100-110 bps in 2026.

Benoit Petrarque (Kepler Cheuvreux)
Thank you.

Operator
Thank you. And Tarik El Mejjad from Bank of America has our next question. Please go ahead, your line is open.

Tarik El Mejjad (Bank of America)
Hi. Sorry. Good morning, everyone. Just a couple of questions on my side, please, focused on M&A and deposit strategy. So can you give us a bit of an update on what have been your main deposit gathering campaigns in Q2 and those that you probably launched in Q3?

And then on the M&A, is it my understanding correct to see that the focus you would have – you have at the moment is more into buying deposits and kind of going back to your ING direct DNA of making much more spread on deposit versus targets on fees, where for the fees you're still mainly focusing on getting more primary clients and cross-selling? Those are my two quick questions. Thank you.

Steven van Rijswijk
All right. Talking about the deposit strategy first. So we didn't have really big campaigns in the 2Q2025. We had a big campaign in in Germany in 1Q2025 that led them to an increase in deposits with €23 bln in aggregate, of which about €16 bln came from Germany. Now that campaign is now ending. And that means that some of the money that we then gained will flow out in 3Q2025, which could have an impact on all the growth for 3Q2025. Also, because it coincides with people going on holiday, so they spend more money than they received in 2Q2025, so that could have an impact. But there's no big campaigns going on at this time. And the impact, by the way, of these campaigns is – what we see in Germany is similar to what we have seen in previous campaigns, with about 2/3 of the money is sticky and 1/3 of the money leaves. So that is good.

With regards to M&A, but also our activities, no, I think that what we are doing is that we're diversifying our business. So, on one hand, we become more specific in the type of services that we offer to existing customers. So not one size fits all with Gen Z, and expats, and mass affluent and affluent. So we become more specific in targeting those customer segments. And that then helps also to get more mobile primary customers in. And the second thing – and who would do more business with ING, diversified business.

And secondly, we try to fill in the blanks in markets where we are already active, but we're in some markets only active in Wholesale Banking, so the top end and private individuals, the low end, if you will. And then we need to want to fill it up with SMEs, self-employed, mid corporates, private banking, wealth management. So we try to broaden the business. And that's what you also see reflected in our figures that we're actually growing. Yes, of course, we grow in lending and deposits. And I'm happy with that because we're a good bank and people like to do business with us. But I'm particularly proud of the fact that we continue to grow our fee income because that is diversifying our income streams, and that's what we want.

Tarik El Mejjad (Bank of America)
Thank you very much.

Operator
Thank you. And our next question now comes from Chris Hallam from Goldman Sachs. Please go ahead, your line is open.

Chris Hallam (Goldman Sachs)
Hi. Morning, everyone. Just a few clarifications, I guess. So, first of all, what's embedded in the commercial NII guide with regards to savings rates cuts in 2H2025? And is the planning there around the rates mainly in response to your own planning or, I guess, relative to competition? i.e. are you driving to a predetermined liability margin outcome, or are you just paying what needs to be paid relative to peers? And then second on market share. What are you seeing on mortgage market share, particularly given the extra capital you're putting to work there? And do those share trends differ much across your main markets? Thank you.

Steven van Rijswijk
I think on the market share in mortgages, clearly, by the way, we price the mortgage to the return. So we don't grow for the

sake of growing, we grow when we also can make the right return on that. But we have, over the past year, improved our processes and made them more easy and digital, whether it's direct selling or through the brokers. And that has meant that in some markets, most notably the Netherlands, we have been increasing the market share of the new production, which now hovers ~17%. So it's now stabilising. But that's where we currently are. And we're happy with the growth that we show there.

Tanate Phutrakul
Chris, obviously we can't give any guidance around any further deposit rate action in the future. But I think, as you see, we manage commercial NII on margin. And we have been able to manage the liability NII at ~100 bps this year. And that continue to be our guidance. And you can see that despite the rate action we've taken earlier this year, liquidity remains strong and deposit growth remains strong.

Chris Hallam (Goldman Sachs)
Ok. Thank you very much.

Operator
Thank you. And from KBW we have Hari Sivakumaran with our next question. Please go ahead.

Hari Sivakumaran (KBW)
Hi there. I just want to ask on the fee guidance. I appreciate you improved it to the upper end of the 5-10%, but you're currently running at kind of 11% year – half one versus half one last year. That's €2.2 bln. Is there anything that's kind of holding you back from going above 10% fee growth this year? And then my second question is on the Wholesale business. And appreciate the slide on the change in the mix of capital consumption. But the ROE has sort of been stuck ~10.5% for the last two quarters. I'm just wondering if there's anything more that can be done to improve that. Thanks.

Steven van Rijswijk
Thank you very much. So let me first start with the ROE in the Wholesale Bank. So we have given guidance on 2025 for an ROE combined of 12.5%, or around 2027 of 14%. And we're confident on both counts. And we also want to make improvements in both businesses. For both, it means we need to diversify more. I just talked about Retail, but the same goes for Wholesale. So we have been investing consistently in transaction services and financial markets to cross-sell next to the big lending engine that we have in Wholesale Banking to get to higher returns. That's one element.

The second element to improve our return there is to improve capital velocity, which means we want to do more with the same capital or the same with less capital. That's also why you see a shift in capital from Wholesale to Retail. But we are still embarking on our first SRT, which will come in 2H2025. And that will also help the return of Wholesale Banking. That's only the first, and then in 2026 we will continue with SRTs and the years thereafter as well.

When we talk about fee guidance, look, we have very good growth with 12%. We have been able to show average growth of 5-10% over the last five years. We continue to give that guidance over the period 2024 to 2027. So, yeah, we're happy with what we're doing. We, of course, want to sustain these levels, but we stick for now to our guidance of 5-10%, albeit at the higher end of the 5-10% so we could become more specific.

Hari Sivakumaran(KBW)
Thanks.

Operator
Thank you. And from Barclays, we now have Namita Samtani with our next question. Please go ahead.

Namita Samtani (Barclays)
Morning. And thanks for taking my questions. Just my first one. Just wondering on the liability margin when you guide to 100 to 110 bps in 2027 when the replicating portfolio becomes the severe tailwind. To me, 110 bps would be the floor. Would you agree with that? Or what stops the group from printing above 110 bps liability margin in 2027?

And secondly, I just wanted to ask Steven. I just wondered, related to Tanate's intentions to step down as CFO, in the press release you write, "After seven years as CFO on the board, it's a logical moment for Tanate to step down." I just wondered why it's a logical time. ING has targets up to 2027, which we're yet to see if they can achieve. And I also wondered if you're looking at internal or external candidates for the CFO. Thanks very much.

Steven van Rijswijk
Thank you very much. And, by the way, I heard it's your birthday today. Is that correct?

Namita Samtani (Barclays)
It's my sweet 16.

Steven van Rijswijk
Very good. Congratulations in any case.

Namita Samtani (Barclays)
Thank you.

Steven van Rijswijk
Look, on the 7 years - logical time to step down - I think what I meant with that, look, this has been a very good period. Tanate and I know each other for a long time. We have been working together since, I believe, the year 2000 when we were both stationed in Asia. And I'm very grateful that he has been with me for 7 years at the board. And now Tanate is retiring from ING, and this was my expression to be grateful. There was not anything particularly meant by 7 years or what it should be exactly. But this is a good time at our board, which I'm very grateful for. Nothing more, nothing less. And in terms of candidates, we never disclose who are – who we are exactly looking for. But, of course, you can be assured that this is a rigorous process and we have ample time to announce a successor before the AGM of 2026. Tanate on liability margin.

Tanate Phutrakul
Yes. Liability margin for next year. I think, look, it's always a balance when you look at liability margin around competition in the market. Our ambition to grow our volumes and managing margin. And if we look historically, what we see is that the margin has been ~100-110 bps over the long cycle. So that's something that we plan on. Maybe something that I think gives me comfort around that 100 and 110 bps is that the mix of our deposits have stabilised. The current account has now normalised to before the zero-rate level. The level of term deposits are coming down. The level of savings is going up. So that also bodes well for improving the net interest margin on liability. So, to summarise, it's a balance between volume and margin.

Namita Samtani (Barclays)
Thanks very much.

Operator
Thank you. And our next question now comes from Farquhar Murray from Autonomous. Please go ahead, your line is open.

Farquhar Murray (Autonomous)
Good morning all. Just 1 question from me, and really just a follow-up to a degree on Hari's question earlier on fees. The upper end of 5-10% for full-year 2025 seems a bit more confident than earlier in the year. I just wondered if that is indeed slightly more confident. And also, what kind of products or geographies are behind that? And then, more generally, well, what kind of proof points can you give to – for your kind of view that that's alpha driven rather than beta? Thanks.

Steven van Rijswijk
All right. Thanks, Farquhar. Well, indeed that shows more confidence. And why is there more confidence? Now we see good mobile primary customer growth. We see the number of customers growing – and as a result of it, you also do more payments. We see a higher percentage of our customers becoming primary customers. We see a growth in our number of trading accounts that last year 2Q2024 was 4.5 mln and now is 4.9 mln. So the number of people that trade with us is increasing. We have put in place, over the past couple of years, insurance products in private individuals and in business banking. And now you see that. And I would say – insurance, I would say, it's sort of a snowball.– It rolls down the hill and step by step it becomes a bit bigger.

And we saw also the number of the lending deals in Wholesale Banking increased - the syndicated loans. So that all helped. But there you see that by broadening our customer base, by broadening the type of services that we provide, we are making this step by step bigger. And therefore we are seeing with these actions that the number of people that do fee business with us is just larger and it helps us in our confidence.

Farquhar Murray (Autonomous)
So a follow on, would you have a magnitude on the insurance revenues now?

Steven van Rijswijk
Yes. It's for the first time that we put it in the presentation. It's now €69 mln this quarter. So we split that out now.

Operator
Thank you. And up next, we have Benjamin Goy from Deutsche Bank. Please go ahead.

Benjamin Goy (Deutsche Bank)
Good morning. 2 questions, 1 follow-up, and 1 more general question. So first, on the implied increase in Q NII, I was wondering, and Tanate you mentioned volume growth is part of the assumption there. Is there any specifics you can share? Is there an uptake expected in long term corporate lending that you would need to see to get some increase or, yeah, volumes across the board, loans and deposits?

And then secondly, your digital business banking, part of the growth area in the Retail business, and in Germany you ended the Amazon partnership. I know with only one partnership, and probably don't want to over interpret it, but never looked promising. And it seemed to be below expectations. I was just wondering how successful is the digital business banking in your market without branch-based networks? And how much can growth be driven by that? Thank you.

Steven van Rijswijk
All right. I'll answer on the Business Banking and Tanate on NII. If you look in general in Business Banking it consists of 3 parts; self-employed, SMEs, and mid-corporates. And self-employed is being done fully digitally, like private individuals. SMEs is being done mostly digital first supported by sales teams who are remote. And mid-corporates, or what you perhaps in Germany would call Mittelstands, or maybe even lower Mittelstands, you would do with a relationship model and with sector knowledge support by digital. So a large part of activities in business banking are digital.

And in Germany in particular, we start from the low end because we are already with private individuals. And then the move towards self-employed and SMEs is not so difficult to make because we already have digital services. But in the past we only did that indirectly through a partnership with Amazon. But now we approach these customers directly. Compared to the significant mortgage and customer lending book and Wholesale Banking book that we have in Germany, business banking in Germany is relatively small. But it's almost like with insurance, like I just said, it starts small and then we do it step by step. We grow it to diversify our business.

Tanate Phutrakul
Benjamin, just on the commercial NII development in 4Q2025, I think we look at a number of factors in giving our scenario. I think we look at volume. We have a longer-term planning estimate of 4%, but we're ending up, at least the first half year high, at ~7%. So that's something that factor in our thinking. We're still planning on another ECB facility rate cut in September of 25 bps. And we will take the necessary rate action to maintain a margin of 1%. So those are the consideration that goes into our guidance of our commercial NII.

Benjamin Goy (Deutsche Bank)
Thank you very much.

Operator
Thank you. And from UBS we now have Johan Ekblom with our next question. Please go ahead.

Johan Ekblom (UBS)
Thank you very much. Just maybe if we can come back to NII and look a bit further ahead into next year. You're flagging in the presentation a further headwind from the replicating book. But then I guess there are some tailwinds on the deposit repricing. If I add those up, that's about a €400 mln tailwind into next year. And then you plan on 4% volume growth. Are there any other significant drivers than those that we should think about in terms of NII 2026 versus 2025? Because I guess that pick up you're flagging for Q4, it should really continue throughout all of next year, if I'm not mistaken.

And then maybe digging a bit deeper on the volume side, we've seen a couple of quarters of very strong volume growth. And I think you flagged in the past that the strong mortgage growth that is system level in the Netherlands is probably not long-term sustainability levels. But maybe if you can give us an update on what you're seeing there. And I also noted that there was quite a strong pickup in the Belgian loan book, in particular in the non-mortgage side. Is there anything structurally going on there? You've been losing share in Belgium for a number of years. Is there any chance of a decent turnaround there?

Steven van Rijswijk
I'll take the view on mortgages. If we look at mortgages in the different markets, we see actually sales volumes that are growing in all these markets. And the reason being that s that there are still shortages on houses. So that's what we are seeing. Of course, there was a dip in new mortgages in a number of the countries with the uncertainties coming in as a result of the war and the supply chain challenges that we have seen in 2022 and 2023. But that is largely gone. That's gone in the

Netherlands, and it has grown in Belgium. So if you look at the Dutch housing market, there's a 17% year-on-year increase expected in terms of number of houses sold in this country. If you look at the Belgium housing market, we also see an increase of about 15% when we talk about building permits in some of the months, and 18% mortgage production year-on-year up in total compared to the previous year. So we're also benefiting from that.

Same in Germany whereby we saw mortgage lending coming down, new mortgage lending, quite steeply to about 60% of what was normal over the years 2022 and 2023. And in 2024, gradually recovering but not really recovering well. So with the 35% increase in terms of houses sold. So, in that sense, we're benefiting from that again. We have been working on improving our processes over the past years, and therefore that helps us in our mortgage on new production. But in the end, we will only print if we also can make the adequate returns. So that is on mortgages. Sorry. Then if we're going in Belgium, in business banking there we saw higher balances. But that has to do with a very large client which can be volatile quarter on quarter.

Tanate Phutrakul
So in terms of looking to 2026, I think on the lending side we plan on recovery in terms of lending margin from 125 bps for 2025 to between 125-130 bps in the coming period. I think that kind of better outlook is driven by the fact that we have seen higher business banking loan growth that is coming in with better margin, higher consumer lending growth, again, with better margin and more return to normalisation in terms of corporate lending, which has higher margins. So these are driving our expectations for higher lending margin.

And then if you talk about the liability side, I think we give now a bit more details about the impact on replication on page 26 of our presentation where you do see that based on the curve prevailing in June, that there is a €300 mln reduction in terms of replicated income. But we have also given a better look into 2026 that without any further rate action on savings, we expect that the €1 bln additional income from savings repricing would go to €1.3 bln and term deposits would go from €400 to €800 mln. So that helps compensate from that additional headwind from replication.

Johan Ekblom (UBS)
Thank you.

Operator
Thank you. And we're now moving on to a question from Matthew Clark from Mediobanca. Please go ahead, your line is open.

Matthew Clark (Mediobanca)
Good morning. So a few questions again on NII, I'm afraid. Firstly, in terms of the German deposit campaign of the first quarter, should we still be expecting an outflow from that to come through in the third quarter? I think the special interest rate period ended during the second quarter, but near the end. So just wondering whether we've seen any of that outflow effect yet or whether that's still to come. Second question is on commercial NII in 3Q2025, which you're guiding flat. I'm just trying to understand why it can't be more positive. You've got a very positive kind of volume tailwind, even despite the FX. And actually effects has rebounded quarter to date. And then a flat margin guidance effectively for both the lending margin and perhaps even implicit a bit of an improvement in the liability margin guidance in order to meet that full year 100 bps guide. So why can't we see commercial NII up already in 3Q2025, is the question. Thanks.

Steven van Rijswijk
Thanks, Matt. On the deposit campaign, yes, we did that campaign, indeed. You have seen it rightly that we saw that in 1Q2025 and ended early June. So there was some outflow. But we will continue to see some outflow in 3Q2025, at least we expect that based on also what we have seen in previous campaigns where typically 2/3 of the money stays and 1/3 of the money goes. So that's why we also said that it may also have an impact on deposit growth in 3Q2025 because also in 3Q2025 people are typically going on summer holiday, and that means that they spent a bit more money than they do in other quarters. So that could be a seasonal effect that we can see in 3Q – could see in 3Q2025. Tanate, NII.

Tanate Phutrakul
NII guidance. I think what you see is not the full impact of FX impact in Q2. We expect the full impact in Q3. That's why we think that the impact on FX would be more significant in Q3, hence our guidance on flat commercial NII.

Matthew Clark (Mediobanca)
And I, can I just follow up? Your guidance on FX, what FX date is that based on? Is that based on the end June, or is that based on 30th of July FX rate?

Tanate Phutrakul
That's based on the end of June FX rate.

Matthew Clark (Mediobanca)
Ok. Thank you.

Operator
Thank you. And from RBC, we now have Anke Reingen with our next question. Please go ahead.

Anke Reingen (RBC)
Thank you so much for taking my question. Just very simply first on the liability margin. Is it as simple as – given the German campaign has finished, that the liability margin should, everything else being equal, go back to the 100 bps in Q3? Obviously, everything else being equal.

And then on your upgrade to the 2025 ROE, do you think it's – 2027 there's also – obviously also some time out. But do you think that we'll have the better 2025 trends are leading to structurally a better outcome in 2027 as well? Or is it more of a timing effect, some of the measures coming through quicker? Thank you very much.

Steven van Rijswijk
Ok. Look, we don't give current new guidance on 2027. But we are comfortable about 2025. But we're also very comfortable on 2027. Tanate on liability margin. How is it developing?

Tanate Phutrakul
On like for like basis, with the German campaign ending, liability margin would be at ~100 bps.

Anke Reingen (RBC)
Thank you.

Tanate Phutrakul
In fact, a little bit better than 100 bps.

Anke Reingen (RBC)
Ok.

Operator
Thank you. And we're moving to another question now coming from Juan Pablo Cobo from Santander. Please go ahead, your line is open.

Juan Pablo Cobo (Santander)
Yes. Good morning. Thank you for taking my question. First one is regarding expenses. I don't know if you could give us a bit more detail. You are mentioning that you are doing some initiatives on KYC and contact centres. It could be useful if you could give some colour on how much are you spending on this, and if there is any additional room to cut costs there. Maybe related to, still, expenses, regarding the incidental items, and maybe just to have some feeling about future initiatives, what could be the payback, for instance, of the €85 mln Wholesale Banking business initiative? So what's the savings that we could expect in the future?

And then my second question is regarding your ROE guidance. I don't know if you could give us also a bit more detail. That upgrade, where does it come? Because also, it's true that equity is coming down because of the – probably because of the FX impact. So that upgrade on ROE, what part is coming from actually better net income and what part is coming from lower equity? Thank you.

Steven van Rijswijk
All right. I'll talk about expenses and the initiatives that we've taken on Wholesale Banking, and Tanate talks about ROE.
So talking about expenses, look, we have experienced so far higher inflation levels that came in our cost line from previous years. We, of course, are investing for growth. So that is end marketing and new products. And that we're partly offsetting by digitising our operations further. And we're looking currently in various initiatives, and these initiatives have to do with KYC. How can we digitalise that? How can we further digitise our contact centre operations with AI, but also with GenAI chatbots? We look at GenAI in lending. We look also at GenAI in coding.

So those are all initiatives that are currently being developed, centrally steered. And step by step we will integrate them in our operations. And as soon as there are outcome from that, we will let you know. With regards to the initiative that we've taken in Wholesale Banking, where we did the restructuring in the front office out of Wholesale Banking, the 230 FTE that –we took in a provision of €85 mln. Annualised, the benefit of that will be €40mln. But that will only start to come in in the course of 2026.

Tanate Phutrakul
And then, Juan, just in terms of the composition for our updated outlook on return on equity. It's a combination of factors. I think we are more fee intense in terms of our revenue, which is more ROE accretive. This is part of our strategy even going to 2027. I think we operate at the lower end of our cost guidance. That also improves profitability. And the combination of that improve fee intensity. Lower cost drives the different guidance on ROE.

Operator
Thank you. And as a brief reminder, that is star one for your questions today. And up next, we have Delphine Lee from JP Morgan. Please go ahead. Your line is open.

Delphine Lee (JP Morgan)
Thank you for taking my questions. Just wanted to go back to NII to understand a little bit sort of the improvement that you expect in 2026, 2027 on the lending margin. So from what you said previously, I think it is basically the result of some improving mix, with a better growth in kind of higher margin product. Is that – is there anything else or if you could just comment a bit because, I just want to understand a bit how much pickup we should expect from that.

And on the liability margin, just to go back to another question on the liability margin 2027. From what you're saying, you do have more than a bit in pickup in replicating income. And it feels like you're basically saying the deposit mix is improving and you're still getting volumes as well. So I'm not so sure why the liability margin could not meaningfully exceed 110 bps and your guidance is still unchanged at 100-110 bps. Thank you.

Steven van Rijswijk
Tanate.

Tanate Phutrakul
I'm not sure how many different ways I can answer the same questions, but I think really on the lending, it's about resumption of commercial lending growth in the Wholesale Bank. That has been solved the last two quarters. And in our outlook for the next couple of years, we expect that to resume to more normal pace. And I think we also expect that consumer loans and business banking loans will take a greater share. And that's why our guidance of 125-130 bps.

And then coming to the liability margin, yes, we have some positive tailwind coming at us. The pressure from the facility cuts by the ECB, according to the forward curve, is coming to an end. So the long-term replication is getting there. But at the same time, we think competition will be normalised, which means that we need to balance between margin, and volume, and deposits. And that we think the guidance of 100-110 bps, it's a good number to plan for.

Delphine Lee (JP Morgan)
Thank you very much.

Operator
Thank you. And as there are currently no further questions in the queue, I'd now like to hand the call back over to you, Mr. van Rijswijk, for any additional or closing remarks.

Steven van Rijswijk
Thank you very much. And thanks, everybody, for your time and your questions. I know it's probably a busy time for you as well given that many companies are coming out with the figures this week. So I hope that you deal with that as well. And I hope that you can also enjoy a summer break. Thanks again. And we'll speak, in any case, in three months' time again. Thank you.

Operator
Thank you for joining today's call. Ladies and gentlemen, you may now disconnect.