Transcript Analyst call 4Q2024

Presentation

Operator
Good morning. This is Laura, welcoming you to ING's 4Q2024 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
Thank you very much. Good morning and welcome to our results call for 4Q2024. I hope that you are all well. And as usual, I'm joined by our CRO, Ljiljana Čortan, and our CFO, Tanate Phutrakul. Today, I'm proud to show you how the steady execution of our strategy has resulted in another successful year with outstanding commercial growth and strong financial results. Thereafter, Tanate will walk you through the financials of the quarter and provide some insights and our expectations for 2025. At the end of the call, as always, we will be happy to take your questions.

Now let's move to slide 2. The slide shows the outstanding commercial growth that we achieved across all of our business lines in 2024. The number of mobile primary customers increased by almost 1.1 mln, exceeding our annual growth target. And we ended the year on a high, by adding more than 430,000 mobile primary customers in 4Q. We've also shown significant growth in our loan book. Net core lending in Retail Banking grew by a record of €26 bln, which was primarily driven by mortgages, while we also performed very well in business lending and consumer lending.

In Wholesale Banking, the lending growth was partly offset by continued efforts to optimise capital usage. At the end of 2024, 52% of our RWA were allocated to Retail Banking, in line with our strategy to increase the capital allocation to Retail Banking to 55% in 2027, as communicated during the Capital Markets Day.

The record net deposit growth last year was driven by both Retail Banking and Wholesale Banking. Retail Banking benefited from continued customer growth and successful promotional campaigns. While the effects of our focus to increase deposits in Wholesale Banking also became visible. Total customer balances growth, so lending and deposits combined, amounted to 6% in 2024, exceeding expectations of 4% that we set during the Capital Markets Day.

On slide 3, we show how we are increasing impact on our stakeholders. Firstly, we have made progress in the diversification and enhancement of our product offering to both existing and new customer segments. We have, for example, successfully introduced new products for Business Banking clients in Germany, with a focus on expanding our service offering for Private Banking to affluent clients, and we have enhanced the product foundations in Wholesale Banking. With number 1 Net Promoter Scores in 5 out of our retail markets and a high Net Promoter Score of 74 in Wholesale Banking, we continue to be the most loved bank in many countries in which we operate.

We have a highly engaged workforce, as evidenced by our highest ever organisational health index score and a record participation. In order to support more diverse representation, we set a target a few years ago to increase the number of women in senior management positions. In 2024, the percentage of women in these positions increased further to 32%, getting closer to our target of 35% by 2028.

And we've done very well on sustainability, that's the second pillar of our strategy. The number of sustainable deals increased further, with €130 bln of volume mobilised in 2024, which is 13% higher than in 2023 and already surpasses our previous target of €125 bln, which we aimed to achieve in 2025.

On the next slide, I will show how we are continuously making investments in our Growing the Difference strategy. That's slide 4.

As mentioned, we continue developing products and services for new and existing customer segments. In Germany, for example, where we introduced products for Business Banking clients and where we have already attracted close to €1 bln in deposits from these clients, and we've recently also launched a business account there, marking the next important milestone in our product offering.

Our investments in client acquisition are clearly paying off. The total number of customers grew by around 1 mln in 2024, and we have further momentum in converting these customers to mobile primary customers. We also hired additional front office staff in Wholesale Banking to better serve our Wholesale clients and grow our franchise.

In terms of scalable infrastructure, we have further digitalised our core systems and enhanced our product foundations. We have, for example, invested in our payments platform, which will benefit both Wholesale Banking and Retail Banking. And we are continuously investing in AI to further strengthen our position as one of the leaders in the AI and Analytics space. We have, for example, launched personalised marketing for specific Retail segments, which has already shown promising results.

The cost of these investments are partly mitigated by operational efficiencies through our increasingly scalable model. And let me give you some examples:
- There was a further rationalisation of the branch network, which now stands at just over 600 globally. So 600 branches globally compared to almost 800 at the end of 2023.
- We have improved customer experience through the use of our Gen AI chatbot, which also led to higher chat deflection.
- And we made measurable progress in operational efficiency, with a 3% improvement in the FTE over customer balances ratio, which is in line with our messages during our Capital Markets Day.

On slide 5, we show that these investments are also leading to business growth and strong revenue generation. Volume growth in both lending and liabilities has supported the increase in net interest income over the last couple of years and has helped to offset the margin pressure from decreasing rates in 2024. What's clearly visible on the slide is that total net interest income is at a structurally higher level in a positive rate environment. Fee income grew by over 11% year-on-year, driven by the strong increase in the number of clients and our initiatives to further diversify the income base. This led to a record total income in 2024, and we expect income in 2025 to be at roughly the same level. Tanate will come back later with more details on our outlook for the next year.

On the next slide, slide 6, I want to show the impact of the strong results on our shareholder distribution. This slide 6 illustrates that our capital generation was again strong, exemplified by the return on equity of 13%, and this has allowed us to sustain our attractive shareholder remuneration. The yield in 2024 was above 15% for the second consecutive year. And note that we have been able to achieve this while the average share price was almost 21% higher. Going forward, we believe we have ample capacity to continue providing an attractive return. The €2 bln share buyback we announced in November is still ongoing, and we made an additional cash payment of €500 mln in January. Today, we also announced a final cash dividend over 2024 of €0.71 per share, which will be paid in May, subject to shareholder approval at the AGM in April.

The impact of the implementation of Basel IV and other model updates in the first quarter is expected to be negligible, which is better than the 20 bps that we had anticipated last year. As usual, we will update the market on next steps in converting our CET1 ratio towards our target level with our 1Q2025 results.

And that brings me to slide 7. I would like to zoom in on an individual country again and demonstrate how we are executing our Growing the Difference strategy.

With an income of around €5 bln and profit before tax generation of close to €3 bln, ING The Netherlands is the largest contributor to the overall Retail P&L. Our high level of digitalisation and our continued focus on offering superior value for customers is reflected in their strong appreciation of our products and services, and this in turn also resulted in sustainable growth in the last few years.

The number of mobile primary customers continues to increase, customer balances have grown by 4% since 2020, and we have significantly increased market shares. In mortgages, for example, we have grown the market share on new production to around 17% in 2024, mostly driven by the appreciation of our flexible operations and the fact we were able to process digital applications faster than most competitors.

Going forward, we firmly believe we can grow further and make more impact for our customers. We have launched a digital tool supporting clients in their retrofitting journey by (i) helping identifying which energy upgrades are possible to their homes, (ii) estimating the energy bill savings, and (iii) getting quotes from trusted and accredited installers, all in one place.

For our Private Banking clients, we have extended the private markets investment offering, which will support further growth in assets under management. And the focus on business banking is clearly paying off with a significant growth in lending, while the market was not growing in 2024. So, as you can see from this performance, ING Netherlands is a clear example of how we are Growing the Difference.

Then I move to slide 8, and this slide talks about the intended sale of our onshore business in Russia. As we announced last week, since February 2022, we have been clear that we don't see a future for ourselves in Russia. We have taken on no new business with Russian companies and have scaled down operations and have taken actions to separate the business from our networks and systems. And with the agreement, our activities in the Russian market will effectively end. The transaction will have an estimated negative impact of around €700 mln on our P&L and around 5 bps on our CET1 ratio. The impact from the currency translation adjustments of that €700 mln of around €300 mln will have no impact on our resilient net profit, and hence on the dividend.

We will continue to further reduce our offshore exposure to Russian clients. At the end of December, we still had around €1 bln of offshore exposure, of which €500 mln is under ECA, so export credit agency, or CPRI cover, that is insurance.

And that brings me to slide 9. I would like to emphasise again that executing on our strategy has resulted in strong results in 2024, with outstanding commercial growth and strong financial performance. And this progress on our strategy execution also allows us to confidently reiterate the targets for 2027, which we set during our Capital Markets Day. And we once again confirm our ambition to be the best European bank.

And now with that, I will hand over to Tanate, who will take you through the results in 4Q2024 and the outlook for 2025 in more detail. Starting on slide 11. Tanate, over to you.

Tanate Phutrakul

Ok. Thank you very much, Steven. I'd like to start on slide 11 where we show our sustained commercial momentum with strong net core lending growth of €7.2 bln in 4Q2024. Besides the continued strong performance in mortgages across almost all of our markets, we also grew in business lending and consumer lending volumes.

On the liability side, we saw core deposit growth increased by over €16 bln. Of that €16 bln, Retail contributed over €12 bln, driven by successful campaigns, evidencing our ability to attract customer deposits. In Wholesale Banking, our focus on increasing deposits also paid off, with strong flows in payment and cash management business as well as money markets in particular.

On slide 12, the impact from the lower replication income on our liability NII is clearly visible as the saving rate cuts we have announced over the past few weeks will only become effective as of 1Q2025. Lending NII increased by €16 mln, driven by higher volumes and stable margins. Other NII, which is mostly Treasury-related, came in at the upper end of our usual €200 to €300 mln range that I mentioned last quarter. The one-off includes the payment of incentives in Germany, following a Black Friday campaign in which we attracted a significant number of customers and around €2 bln of deposits so far. And lastly, the impact of accounting asymmetry on NII decreased compared to the third quarter, but was still €30 mln higher year-on-year.

Turning to slide 13, you can see that the lending margin was stable at 128 bps this quarter. The average lending margin for the full-year 2024 was 130 bps, in line with our guidance at the start of the year. The liability margin decreased to 100 bps in 4Q2024, mainly driven by lower replicating income following the decrease in rates since the middle of 2024. The additional low-margin volumes we attracted in Wholesale Banking also had an impact on the liability margin as well. Overall net interest margin, which takes into account the development in the total Balance Sheet, decreased by 1 bps, as the lower liability NII was compensated by higher Treasury NII and a shorter Balance Sheet at the end of the year.

Slide 14 illustrates our ability to maintain a strong liability NII, also in a lower rate environment. The graph on the left shows the forward curve as per the end of December 2024 compared to the end of September last year, with rates marginally higher at the end of the year. You can see the impact of this development on our gross replicating income in the graph in the middle of the slide. Based on the current interest rate curve, we remain confident that we will be able to manage our liability margin at a level of between 100 to 110 bps over the longer term. For 2025, we expect the margin to end up at around 100 bps. I will come back later on the overall outlook in more detail.

Turning to slide 15, the fee growth, year-on-year, was again double-digit at 14%, driven by structural revenue drivers. Growth in Retail Banking was partly driven by investment products, reflecting growth in active Investment Product accounts and an increase in both asset under management and customer trading activity. Daily banking fees rose on the back of strong customer growth and an updated pricing for payment packages. In addition, Retail Banking grew its fee income from lending and insurance products. The increase in fee income in Wholesale Banking was mainly attributed to higher fees from lending.

Now turning to slide 16. Total expenses in 2024 increased by 4.8% compared to 2023, and we ended up at just over €12 bln in costs for the full year. Expenses, excluding regulatory costs and incidental items, were 7.6% higher. This increase was mainly driven by the impact of inflation on staff expenses, reflecting salary indexation and CLA increases across most of our markets. Certain FX developments, in particular the weakening of the euro, also contributed.

As Steven already alluded to, we also continue to invest in our business. We had to pay higher VAT following the implementation of the Danske Bank ruling in the Netherlands. Operational efficiency compensated for a large part of these increases and we continue to digitise our services to further increase operational leverage.

Now on to risk costs on the next slide. Total risk cost was €299 mln this quarter, or 18 bps of average customer lending, which is below our through-the-cycle average. Stage 2 credit outstanding for Retail increased in 4Q2024, which was due to regular movements in the portfolio and through the implementation of an enhanced early-warning system in various Retail Other Countries.

In Wholesale Banking lending, higher Stage 2 ratio reflected the methodological change to reclassify portfolios for which provision overlays had been taken, as well as some movements in the watchlist portfolio. Net additions to Stage 3 provisions amounted to €311 mln, which were largely due to additions to a number of new and existing files in the wholesale bank. Although we see more macroeconomic uncertainty, we remain confident on the quality of our loan book.

Now to slide 18, which shows the development of our CET1 ratio, which decreased from the reported level at the end of 3Q2024, but rose from a pro-forma CET1 ratio, including the announced cash distributions. From this pro-forma level, CET1 capital increased due to the inclusion of the quarterly net profit after reserving for dividend. RWA also come in somewhat higher, driven by an increase in exposure and FX impact. Note that the FX impact was fully offset by an appreciation of CET1 capital. These increases were partially offset by positive changes in the profile of our loan book and the impact of model changes, which included a €2.5 bln reversal of a model update in 2Q2024.

Market RWA decreased while operational RWA were stable. The final cash dividend of 2024 will be paid on the 2nd of May, subject to our shareholders approval.

Now, as I mentioned earlier, I will share our perspective on the outlook for 2025, starting on slide 20.

Note that we explicitly mention commercial NII on this slide, which will be the basis for both our outlook and consensus for 1Q2025 onwards. This commercial NII consists of lending and liability NII. Before going into details, it's good to highlight again that the world around us continues to be volatile, which limits the visibility on important operating drivers such as interest rates.

In the scenario illustrated on this slide, we assume continued growth in customer balances of around 4% per annum, as per our guidance during the Capital Markets Day. If this scenario were to materialise, the positive impact on liability NII would be roughly €300 mln in 2025. This, however, would be more than offset by a lower average liability margin, which we assume to be around 100 bps in 2025.

Volume growth would also have positive impact of around €300 mln on the lending NII, where we expect lending margin to be stable at around 130 bps. Furthermore, we expect fees to increase by a further 5%-10%, while other income is expected to be slightly lower due to the positive one-offs we had last year. As a whole, total income is forecasted to be around the same level as in 2024. Note that this guidance excludes the potential impact of the sale of our business in Russia.

On the next page, I will explain the drivers of the expected fee growth. Following the strong growth in fees in 2024, we feel confident we can grow fee income further in 2025. This confidence is underpinned by the investments we have made over the last few years as well as by the continued focus on diversifying our P&L. Retail Banking is expected to be one of the big drivers for this growth, supported by continued customer growth, increased conversion to mobile primary customers, updated pricing packages, and further development of the Business Banking segment.

We also see growth in fees coming from investment products as we continue to cross-sell our products to more clients. We will also further increase our focus on growing the assets under management from the affluent segment and increase leads from

Business Banking. Other Retail products are also expected to grow, driven by a further normalisation of mortgage demand, particularly in Germany, and a continued focus on insurance product distribution.

In Wholesale Banking, we will further optimise capital efficiency and increase capital velocity. In addition, we have hired additional front office staff, especially in Capital Markets & Advisory and Transaction Services, which is expected to generate additional business.

Then to our outlook on costs, on slide 22. We expect annual cost growth of around 4.5%, excluding potential incidental expenses. The main driver for this increase continues to be inflationary pressure, which will, again, mostly be impacting staff expenses. We will also continue to make selective investments to facilitate business growth and further increase efficiency. For example:

- We will continue to develop products and services for new and existing customer segments.
- We will further increase client acquisition by investing in marketing and front office staff.
- We will make further investments in our product foundations and infrastructure, facilitating further commercial growth. We will, for example, be strengthening the payment infrastructure and enhancing the Financial Market business.
- Next to that, we will also be strengthening our core banking operations to further improve our delivery of a seamless digital experience for our customers.

The costs for these investments will be largely offset by operational efficiencies. We will further optimise our contact centers, make our KYC processes more efficient, and reduce our branch network. This will result in approximately 1,000 less operational staff and front office jobs, which will further improve our FTE over customer balances ratio.

To summarise, we're confident in our outlook for 2025, as laid out on the slide 23.

2024 was another good year with outstanding commercial growth and strong financial results. For 2025, we expect total income to remain strong as we continue to benefit from volume growth in both lending and liability, and from a further 5%-10% growth in fee income. We maintain focus on cost control and operational efficiency, whereby we will make selective investments to facilitate further business growth. Our CET1 ratio will continue to converge towards our target of around 12.5% by the end of 2025, and we have capacity to continue to provide an attractive shareholder return. We will update the market again on our capital distribution plans with our next quarterly results.

Taking all that into account, we aim to have a return on equity of more than 12% for 2025. Now on to Q&A.

Q&A

Operator
Thank you. Ladies and gentlemen, if you would like to ask a question, please press star one on your telephone keypad. And in the interest of time, we kindly ask each analyst to limit yourself to 2 questions only. We'll pause for just a moment while waiting for them to queue for questions. Thank you. We will now take our first question from Benoit Pétrarque of Kepler Cheuvreux. Your line is open, please go ahead.

Benoit Pétrarque (Kepler Cheuvreux)
Yes. Good morning. It's Benoit from Kepler Cheuvreux. So I actually have 2 questions on capital. So the first one will be how you see share buyback in front of M&A opportunities in 2025. I think you've done recent comments on M&A. I think you mentioned Germany, Spain, and Italy, potentially. But on the other side, obviously, we have a consensus share buyback at €4.5 bln. So just wanted to see how you see both sides of the equation.

And the second one will be on SRTs. Quite a number of banks are talking about SRTs and execution of SRTs in 2025. I think you talked about that in the CMD as well. So I'm just wondering what are your plans for SRTs in 2025, how much capital could that deliver potentially? Thank you very much.

Steven van Rijswijk
All right. Thank you very much, Benoit. Yes. Indeed, look, we are growing with 4% to 5% per annum towards 2027. And we're also broadening our services by diversifying in the markets in which we're already active, also in Business Banking and Private Banking, where we currently do not yet have these operations or have them only to a very small extent. And therefore, we can also grow our fee business, but also further diversify our business. So that's good. And I've said previously, if there are abilities for us to accelerate that, so to realise bigger scale in markets, or broaden our product base so that we can provide a broader service offering to our customers, then we will look at it.

Of course, we still have excess capital. We are moving towards the 12.5%, or around 12.5%. And the way that we can compare that is that we look at all these elements and also the share buybacks and M&A to see how does that compare from a long term ROE value creation. And that's how we compare share buybacks versus M&A. I mean, clearly, we are already taking actions, whether it is primary syndication or secondary sales of loans or securitisation of loans that we could do to actually move the needle in Wholesale Banking to further recycle the capital better. And in the balance thereby, as a result of it, move capital from Wholesale to Retail. SRTs are part of it, and we expect the first SRT in Wholesale Banking to happen in the second half of this year.

Benoit Pétrarque (Kepler Cheuvreux)
How much impact would that be on capital, roughly?

Steven van Rijswijk
Yeah, we're working on that. It's part of the mix. We will disclose when we've done that.

Benoit Pétrarque (Kepler Cheuvreux)
Thank you very much.

Steven van Rijswijk
Thank you.

Operator
Thank you. And we'll now take our next question from Farquhar Murray of Autonomous. Please go ahead.

Farquhar Murray (Autonomous)
Morning, all. Just our 2 questions from me. Firstly, could you give us an update on the announced core deposit rate reductions coming into effect this year so far? I think in early January you gave us a very helpful indication of about 20 to 25 bps for total Retail, Eurozone. It'd be just interesting to see how that's progressed. And then a little closer to home for ING, you don't seem to have cut the core deposit rate yet in the Retail Netherlands section. I just wondered what's the reasoning for that? And in particular, is there a change of competitive backdrop or attitude there? Thanks.

Steven van Rijswijk
All right. I'll give the first question to Tanate, on the deposit rate reductions, and then I'll talk about The Netherlands.

Tanate Phutrakul
I think, Farquhar, I think your question is how much of, in euro terms, does the rate cut affect our rate reduction announcement? It's approximately €200 bln in core deposit that was subject to reductions, which will have a positive impact in terms of revenue of €600 mln full year.

Farquhar Murray (Autonomous)
Just as a follow up on that - Apologies, just as a follow up on that, actually, I was asking for an update on the 20 to 25 bps you gave in early January. And then probably a secondary follow up would actually be how much do you need to cut to achieve the 100 bps guidance on the liability margin?

Tanate Phutrakul
Well, I think that depends on what's happening with respect to the replicating revenue, the ECB rates. But I think the sensitivity that we have given, which we maintain, is the fact that every 10 bps cut of our Eurozone savings and term deposits will have a positive impact of approximately €400 mln.

Farquhar Murray (Autonomous)
Okay, thanks.

Steven van Rijswijk
All right. Yeah. Then on The Netherlands, clearly, if you now look at the book, I think that we have - 70% of our deposit book, we already took pricing actions. We, of course, cannot comment on future actions that we will take from a competitive point of view. Also The Netherlands, of course, we look at what the dynamics exactly are. There, we have a larger share of salary account customers. So that also has a benefit to us in terms of the longer replication that we have. We realise that actually to get to, let's say, that 100 bps margin, we still need to make more announcements. But they will come, but we're comfortable with our position and we're comfortable with the strength of our deposit rates in every franchise including the Netherlands.

Farquhar Murray (Autonomous)
Many thanks.

Operator
Thank you. And we'll now move on to our next question from Giulia Miotto of Morgan Stanley. Your line is open. Please go ahead.

Giulia Miotto (Morgan Stanley)
Yes. Hi. Good morning, Steven, and thank you for taking my questions. The first one is on costs, actually. And the guidance for 2025 comes as a surprise versus consensus. And what do you think has changed versus the Capital Markets Day, back in June? Was it driven by higher inflation, higher CLA, or in fact a better opportunity for growth now? That's the first on costs.

And then secondly, perhaps one for Ljiljana, on the RWA increase due to credit risk increase in the loan book and then some migration of files in the Wholesale Bank. So can you give us a comment on how you see asset quality developing? Is there any area which is now worrying you on the early-warning new system that you have? Thank you.

Steven van Rijswijk
All right. I'll give the first question to Tanate, on cost, and then on asset quality to Ljiljana.

Tanate Phutrakul
Thank you, Giulia. I think on cost, collective labour agreement and inflation remains sticky in the course of 2025. I think that's one item I'd like to mention. And I think we stick in line with our outlook for investments that we would make, particularly client acquisition and the savings that we would achieve during the course of 2025. But I think we also want to reiterate that our guidance for the outlook for 2027 remains the same that costs should grow between 3% to 4% between 2024 to 2027.

Ljiljana Čortan
Good morning Giulia. It's a very broad question that you gave to me, so I'll try to summarise it in 2 developments that I see. And first I will comment on the S3 ratio, and you've seen it's 1.7%. We still deem it very low and a good asset quality. And if you're looking even at the absolute of the NPs, they're at the same level as in 3Q2024. So we do not see increase there.

If you're referring to the Stage 2, which I suppose you are, in terms of the movements, well, this is due primarily to some methodological and model changes. And this is happening both in Wholesale Banking and in the residential mortgages. And I'll try to explain why. In Wholesale Banking, we have actually reclassified the parts of our low default portfolios for which we have taken provision overlays. So this is just alignment, I would say, with provisions that we have already taken. We have as well moved this exposure to the Stage 2. This does not mean an aerial shift in the - or a change in the quality, but just a different treatment of those loans.

While on the Retail side, we have enhanced, I would say, our early-warning model in a way to earlier detect some certain clients, and specifically in residential mortgages where we see extremely low percentages of S3, so below 1%, and keeping really well throughout the year. We have as well decided to take a look at a broader range and be able to react earlier. Again, as well here, I do not see - also looking at delinquencies, I do not see an aerial shift, or change, in the quality of that portfolio.

So those are the main movements, and I think, if you look at the overall risk costs in the last quarter, they are actually better than the third quarter: they go down. And what specifically looks good is that Stage 3 risk costs go down in both Wholesale and Retail.

Giulia Miotto (Morgan Stanley)
Thank you.

Operator
Thank you. And we will now move on to our next question from Tarik El Mejjad of Bank of America. Your line is open. Please go ahead.

Tarik El Mejjad (Bank of America)
Hi. Good morning everyone. Actually, I have just a couple of quick questions, follow-ups. First, on Russia, if you can explain a bit the onshore business you had. And I think we all thought that the focus was more on the offshore part that you were running down at the low losses. But just to understand a bit on the onshore and what we, or I personally missed there.

And secondly on the deposit campaign that was very supportive for deposit growth. What's the status now of all these campaigns and what's your plan for 2025? And how that actually fits within your guidance and expected campaign versus the guidance on NII? Thank you.

Steven van Rijswijk
Thank you very much, Tarik. So on Russia, yes, the onshore business was largely with Russian and foreign customers, local accounts, local payments in the deposit business, so for the local subsidiaries. And you're right, the lion's share of the business that we had with Russian companies were indeed the international loans, not on that P&L of that local subsidiary. So it's more an operational unit than a large lending unit.

Then, on the deposit campaigns, yes, I mean, depending on the time of the year and whether it's Black Friday or whether it is an opportunity that we have in the market, where we see an opportunity to grow our customer base or our primary customer base, or to do more business with our customers, then we do it. We do that in many countries with a couple of big campaigns. We have made more public what was taken in Germany, for example. We did one in 2023 and we did one in 2024 - in the beginning. Then we did, of course, also Black Friday, which was a big campaign in Germany. We did the campaign in Belgium when the state bonds came to mature. But also in the Netherlands, we're doing campaigns as well.

So every time that we can see an increase from an NPV basis, the value that we can attract from our customers, and that we can do that in a timeframe, whereby, from a NPV perspective, we can get the value back in 2 to 3 years, then we will look at it. And of course I cannot make forward-looking predictions on that.

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

Operator
Thank you. Once again, as a reminder, if you would like to ask a question, please press star one. And also be reminded this is limited to a maximum of 2 questions only. Thank you. And we will now move on to our next question from Kiri of HSBC. Your line is open. Please go ahead.

Kiri Vijayarajah (HSBC)
Yes. Good morning, everyone. A couple of questions, if I may. So firstly going back to your Investor Day, you talked about taking the share of RWA in the Wholesale Bank down to 45% of the group. And you've pretty much done that already and actually achieved it quite quickly, so kind of well done on that. But given the commentary you said earlier about SRTs and other levers, is the plan to maybe move that mix shift even further? Is, say, I don't know, like a 40% share of group RWA in the Wholesale Bank achievable in the next year or two?

And then my second question, just on the commercial NII guidance, just some colour on what you've assumed happened in Belgium when a lot of the term deposits mature later this year, do you expect some switching into higher margin products, or have you assumed it's just fairly neutral? I know it happens relatively late in the year, so the impact is probably more for 2026, but just some colour on what you think or what you expect in Belgium when things normalise with the term deposit spike. Thank you.

Steven van Rijswijk
All right. Thank you very much, Kiri, for your questions. I'll take that one on the RWA. Tanate will talk about the term deposits in September in Belgium. Well, we were, in the beginning of the year, we were at 50/50 when we talked about RWA Wholesale/ Retail. We're now at 52% Retail, 48% Wholesale, so yes, we're moving in the right direction. There's different elements that we use to actually shift that mix, so whether it is syndication or insurance or hedges or packaging through securitisation or SRTs. Those are all means to shift that capital mix, and therefore indeed an SRT in Wholesale Banking is a means to that level.

We, of course, trade that off with growth, so it means we can do more with Wholesale Banking clients for the same amount of RWA and, at the same time, grow faster in Retail Banking when needed. So we are on that trajectory to 45% Wholesale, 55% Retail by 2027. And then we'll take it from there. So let's first make more progress and then we'll update you on where we want to go with this. But the direction is clear.

Tanate Phutrakul
Then on the deposit campaign in Belgium, it's coming due more to the later end of this year. But I think we are taking efforts in terms of cross-selling the customers with current accounts, payment, investment accounts. Those are actions that we are taking already. And we do expect that the term deposits, when they come due, to move to partly to different price points as term deposit and partly into normal savings accounts.

Kiri Vijayarajah (HSBC)
Great. Very clear. Thanks.

Operator
Thank you. And we'll now take our next question from Chris Hallam of Goldman Sachs. Your line is open. Please go ahead.

Chris Hallam (Goldman Sachs)
Just 2 questions from me. Another one on deposits. You're guiding for liability and lending growth of 4% this year. I just wonder how that splits between loans and deposits. Is it 4% for both? And then within deposits, how much of the growth is sort of predictable growth in deposits versus specific campaigns?

And then the second is just a follow up on Giulia's question earlier on cost. Tanate, I think you said no change to the 3% to 4% cost CAGR that you gave us last June, but that there's a bit more inflation that's sort of harder to shake off. Should we infer from that at the margin that there are some efficiency projects you may be needing to push a bit harder on? So just sort of trying to get a sense if I look underneath the surface, how is the mix of expenses growth and efficiencies changing, I mean, if at all over the next couple of years?

Steven van Rijswijk
Right. Ok. I'll take the question on deposits, and Tanate will take it on the cost side for 2025. So, on the deposits, we are indeed targeting both customer balances - sorry, customer balances to grow. That is both for deposits 4% and lending 4%. That's also the basis of the outlook on slide 20. And yes, I mean, like you have seen over 2024, we have been able to grow our deposits there with €47 bln and lending with €28 bln. So that was 6% in total. But as part of it, you've seen also the number of primary clients going up with 1.1%. And that, of course, is very helpful, because those are customers that do a lot more with the bank, including putting more deposits in there. So customer growth helps deposit growth and internal lending growth.

Another thing to say with that, is that a few years ago, we now also just embarked, so only in the course of 2023, we started with that, but you see that coming through in 2024. Also on the Wholesale Banking side, we have been able to increase deposits, which was in the past not so much of a strategy but has increasingly become one. So now we have 2 levers to pull from when we talk about our core strategy. But in short, 4% on both sides of the equation. Tanate?

Tanate Phutrakul
Then I think to, Chris, on the inflation or collective labour agreement, the elevation that I talked about is for 2025, and we expect that to be more subdued in 2026 and 2027. And I think we gave a bit of a better insight on how we would achieve those savings targets, which indeed we are looking for opportunities to enhance that. On page 23, where we already see signs that we're able to scale our operation and take out FTEs from many of our areas, like in the call centers, in KYC processes, and in part of our tech operations.

Chris Hallam (Goldman Sachs)
Ok. Thank you.

Operator
Thank you. And we'll now move on to our next question from Anke Reingen of RBC. Your line is open. Please go ahead.

Anke Reingen (RBC)
Thank you very much for taking my questions. The first is on the cost-income ratio. I think at the Capital Markets Day you talked about 54% to 55% over the years 2025 and 2026. And I was wondering if you think that's achievable, especially in 2025, and then I guess 2026 as well, and how it will drop down into the 2027 target. And then a small question on RWA growth, are we still - are you still planning on around 4% RWA growth, or could that be coming in lower considering the SRT while lending growth is at the 4%? Thank you very much.

Steven van Rijswijk
Ok. Well, I'll give the question on the cost-income ratio to Tanate.

Tanate Phutrakul
I think in terms of cost income-ratio, you see in the outlook that was given by Steven, that we expect by 2027, we would get to between 54% to 52% cost-income ratio. And if you work the math through - for 2025, based on our revenue guidance and cost guidance, you'll see that our cost-income ratio is expected to be below 56% for 2025.

Anke Reingen (RBC)
Thank you.

Steven van Rijswijk
All right. And on the RWA growth, yes, of course the growth in RWA, as such, depends on where is the growth coming from. What we do see is that the growth is coming from Retail Banking more than from Wholesale Banking, given the fact that there is a lot of mortgage demand currently out there. Because of the shortage in houses and therefore the number of dwellings sold is expected to grow in the main markets in mortgages in which we are active. And as you know, 50% - approximately 50%, of our loan book sits in mortgages. So as a result of that, we would expect, under the current market circumstance, that RWA growth before mitigating actions such as SRT, is a bit lower than the loan growth that we show.

Anke Reingen (RBC)
Ok. Thank you.

Operator
Thank you. And we will now take our next question from Benjamin Goy of Deutsche Bank. Your line is open. Please go ahead.

Benjamin Goy (Deutsche Bank)
Yes. Hi. Good morning. Maybe one more on income and the cost measures. You obviously announced more measures, but flat revenues and costs up ~5% is not ideal every year. So I was wondering, what needs to change to be more drastic and do more significant efficiencies. And then secondly, when I look at your 3 key markets, or largest markets, Netherlands, Belgium, Germany, everywhere, corporate defaults are picking up almost every quarter, but we don't see it in the numbers, maybe you can explain why you seem to be better positioned in those markets in asset quality. Thank you.

Steven van Rijswijk
Sorry. Can you repeat the second question, Ben, because it was a bit garbled? So can you repeat that please?

Benjamin Goy (Deutsche Bank)
Sure. The corporate defaults in Netherlands, Belgium, and Germany are picking up every quarter, but we don't see it in your numbers. So it's only the system data, not your own. Wondering how you're different or why you have a better asset quality performance. Thank you.

Steven van Rijswijk
All right. Ljiljana will take the second question, but first, I'll take the one on the cost-income. So what you do see in 2025, there you still see the compensation for, let's say the lower margin. And that we partly compensate by decreasing the rates for our customers on the savings. And that, we basically compensate by growing lending and growing fees. That's what's happening in 2026. But then through our scalability in ops and increasing scalability in technology, and that's why we gave examples of the scalability in operations and FTE over balances, then you will see positive jaw returning in 2026. Ljiljana?

Ljiljana Čortan
Thank you. And I will take the question on defaults. Yes, we've seen in the last year, the number of economies have increased the number of insolvencies that they witness in their portfolios. But when we look at our portfolios, and I'll primarily refer to the main geographies on the retail side, you'll see as well our NPL ratio being very stable. And this is also being confirmed when we compare to 2023. So actually all the NPL ratios, but as well the risk costs for the retail portfolio, are very much compared to 2023. And we do not see the uptick actually, in none of the portfolios. If you look a bit more closer, maybe consumer loans are the ones that are always first to react. However, our book on consumer loans, as you know, is 3% of total outstandings. So this is something that I would say for Retail.

For the Wholesale Banking we do - as we said before, we have seen few of the individual corporate cases that, in terms of industries, were not related but were more related to specific circumstances, the specific corporates has found itself in. While on the Business Banking, we do not see the specific trends, again, neither in some geographies nor in the specific industries.

Clearly, if you are looking at certain areas that are more prone to, I would say, changing macroeconomic environment, you will see some supply chain distortions, but in the end do not reflect or are not reflected in the higher default rates. So altogether, I think the portfolio is really doing well with some points and pockets that we are looking specifically in, but we are comfortable and confident that we will continue within our risk appetite.

Benjamin Goy (Deutsche Bank)
Understood. Thank you.

Operator
Thank you. Once again, as a reminder, if you would like to ask a question, please press star one on your telephone keypad. Thank you. We will now take our next question from Marta Sanchez Romero of Citi. Your line is open. Please go ahead.

Marta Sanchez Romero (Citi)
Good morning. Thank you very much. It was great to see the exit from Russia. So does it mean that management is looking at the footprint more closely, and that we should expect more actions this year to address those markets where you have a suboptimal presence? Thank you.

Steven van Rijswijk
All right. Well, look, the Russia situation, of course, is a specific one. I don't need to explain that, I believe. But we have said already a couple of years ago that we did not see ourselves a future in Russia. And that's why we have taken action on by decreasing our loan book, localising our operations, and when sufficiently ready, started the sale process for those local operations. So that's part of that, given the war that started in 2022.

Other than that, we are always looking at how to optimise our operations and make sure that we get sufficient return for different business lines that we have. In that regards, you have seen a couple of years ago, that we have started to take - we took actions on a number of markets, including the Czech Republic, Austria, and France, especially on Retail, because Retail, in the current construct, still is more local in nature than Wholesale. Obviously, that means that local scale is important. And on the flip side, a few years ago we said, now we want to diversify in these markets to realise local scale. But continuously we are evaluating the businesses, and if they do not provide the right return long term, then we will review them.

Operator
Thank you. There are no further questions in queue. I will now hand it back to Steven van Rijswijk for closing remarks.

Steven van Rijswijk
Thank you very much for attending our 4Q2024 results. I wish you a great Thursday and I hope to speak to you soon. And if not earlier, at least during our first quarter results, early May. Thanks again. Bye-bye.