



# ING SETS OUT ITS STALL **FOR THE LONG HAUL**

**Isabel Fernandez**, head of wholesale banking at **ING Bank** (ING) in Amsterdam, spoke exclusively with *KangaNews* when she visited Australia in May. She shared her aspirations for the bank's wholesale franchise in Australia, including the emerging role of sustainability performance-linked loans (SPLs).

**ING has been clear about its wholesale-banking ambitions in Australia. What are your targets and how committed are you to having a long-term presence?**

Australia has been a very attractive market for ING for a long time and our retail business has grown very rapidly. Having a universal bank in Australia brings real client and network advantages in wholesale and retail.

In other markets, such as Russia and Turkey, ING has been renowned for staying the course even when other banks have exited. Our history of remaining through cycles and to work through volatility paints us as a long-term story.

This is a key point. ING is a reliable provider of products and services. We have been one of the most consistent financial institutions through the cycle. Sticking by our clients is our *modus operandi*.

We have considerable faith in the Australian economy while ING's core focus sectors of infrastructure, telecommunications, energy, commodities and trade are well suited to this region. Australia also provides us with diversification opportunities. We are present in 14 markets in Asia. In the last few years, we have singled out three of these are core strategic-growth areas in the near term, one of which is Australia.

In fact, we think we have more value to give Australian companies as they seek to do business all over the world. The value we add is our vast network and investment in client experience,

sustainability and innovation. By empowering our clients to stay a step ahead, we too can build a sustainable business.

**Infrastructure is clearly a significant driver of growth in Australia. It is also a very competitive marketplace. What gives ING a competitive edge?**

You are correct to identify that there are considerable investment opportunities in the infrastructure space. We are particularly interested wherever there is a link between infrastructure and sustainability.

Many of our competitors are also global players, selling to other parts of the world. I would argue that we have deeper relationships with Australian companies on the infrastructure side because we have been an active participant here for a very long time.

**KangaNews is looking forward to the green-loan and SPL roundtable it is hosting with ING in August. What is this sector's growth potential?**

Five or 10 years ago sustainability was a 'nice to have'. Investors would be lucky to find basic information on a company's website, and there was a lot of talk and not much action. Today, a sustainability strategy is a must-have for many of our clients. Where companies are willing to put their money where their mouth is, investors extend credibility in return.

Companies have been focused on financing green assets through labelled issuance in loan and bond

markets. But they are also increasingly aligning themselves with sustainability-improvement products.

This is very important, because it takes an entire company to get behind an initiative to improve a sustainability rating and having a third party hold you to your goals. Investors and institutions are prepared to play their part by offering lower pricing.

This is where SPL product, which ING was first to construct, really comes into its own. The SPL market has benefited from momentum. We are seeing and receiving multiple mandates and clients are actively enquiring. We are also increasingly receiving reverse enquiry from investors that tell us they would like to allocate a portion of their portfolios to SPL product but are not finding enough investible opportunities.

The sustainable loan and bond markets were about US\$220 billion globally in 2018. This could multiply very quickly if interest from investors and issuers continues to amplify.

**What are your aspirations in this regard in Australia?**

Australia is an interesting region because there is already significant investment in sectors where sustainability considerations play a major role, like infrastructure and public transport. We speak to clients on a regular basis about their sustainability agendas and we observe as much interest in sustainable finance in Australia as in any other market around the world.

We expect future innovation within the sustainable-finance space as the number of products, issuers and investors entering the marketplace increases. With our European base, we have deep knowledge of socially responsible investment markets around the world. This means we can partner with our clients as well as other loan providers to give a knowledge- and action-based demonstration of new products and ways of structuring transactions.

Structuring skills are very important in sustainability markets, both in reference to clients' assets and in finding new avenues with which to match investor and client appetite. This will be the ultimate driver of new services, products and growth.

**The sustainability-linked loan principles (SLLPs) were launched this year. It is still relatively early days but is it possible to see a positive impact on the asset class?**

ING played a leading role in developing the SLLPs, based on direct experience from the numerous transactions we have structured. These principles will help establish a baseline quality sustainability link to financial products.

The green-loan market took time to develop following the launch of the green-loan principles, but within 2-3 months loans emerged based on those principles. We typically find that markets react positively to having international standards to adhere to. In this sense, the SLLPs have a crucial role to play. The principles will continue to evolve and the committee, on which ING sits, will meet periodically to monitor their development.

**Asian banks are increasing their coverage of Australian corporates. How does ING secure market share in an increasingly competitive lending environment?**

We measure success in this regard by our clients' net promotor scores and

how satisfied they say they are with the business we are doing.

We believe in an open banking system. This means we deliver products to our clients but we welcome the fact that our competitors do so too. It is very important that we deliver products that our clients value. If it is being offered elsewhere at a more cost-competitive level, we might be able to match it.

Having said this, our priority is to ensure we support clients to grow their businesses. This takes precedence over entering a rat race to win transactions that other institutions might be more inclined to provide at different price points.

This culture of having an open view on banking is a big part of what we continue to offer our clients – and my view is they will grow because of it.

We already see this with companies like Uber, Netflix and Amazon, and financial services is heading in this direction. ING identified and acted on this very early, by making retail banking mobile and ensuring customers have a seamless experience. It is quite extraordinary how dominant digital interactions are for retail customers: the number of individual interactions in our system per quarter is in the billions.

When I joined ING, this evolution had been slower to come through in wholesale markets. Wholesale banking has traditionally been clunky, and our goal has been to make the experience instant, seamless, borderless and frictionless. This required us to continuously innovate, particularly on the client-experience side. I have pushed very

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**You joined ING two-and-a-half years ago, at which point you were quoted as saying that few financial institutions embrace 21st century banking like ING. How has this initial impression played out?**

ING very much lives what it is trying to achieve. Fundamentally the bank's purpose is to empower people to stay a step ahead in life and business. This philosophy permeates the company. We support consumers and businesses to determine their own future, and I think this is very profound.

We know that all products will eventually become commoditised – it is only a matter of when. We are aware that a client won't select a provider on the back of a product but on the back of its overall experience.

hard to improve client experience and innovation with a key goal of making sure that treasurers find it easier to do business.

For example, we are heavily investing in distributed ledger technology (DLT) in trade and commodity finance. The ability to support clients to transact on an end-to-end basis using DLT can significantly reduce cost and improve execution.

Another example is an ING tool called Katana, which uses artificial intelligence to allow bond traders to make faster and sharper pricing decisions. Katana does this by allowing traders better to understand client behaviour and the nuances of their individual businesses, and as such to ensure the business has the right support in place. •