

Transcript English of CEO Steven van Rijswijk's global message

Rogier

Hi, I'm Rogier, and I just finished my chat with our CEO, Steven van Rijswijk. We spoke about his first year as a CEO of ING. Of course, the results of the second quarter, the strategic review on the retail bank in France. I mean, what is a strategic review? The Net-Zero Banking Alliance, which we just formally joined - what's that all about? And we talked about his hybrid mode holiday plans. So, enjoy listening and, who knows, we'll meet again on your headphones next quarter.

Rogier

Hi Steven, thanks for being here, again. I've been counting and this is our fourth quarterly date, which makes this a milestone.

Steven

It's a great milestone.

Rogier

It's a great milestone. It's been your first year, full year, as the CEO of ING. Was it the toughest year of your career?

Steven

Look, it was not an easy year, there's no question. But it was, I think, a difficult year for everybody. I mean, all of us have now been in this corona pandemic environment for almost 18 months. This was new to everybody - everybody at ING, but also everybody outside of ING. I must say that within that context, it was remarkable how resilient everyone was, how resilient our people were. How we were able to keep up the high service quality, also during the pandemic, as we did before the pandemic. How we reached out to clients, but also how we built out our fee propositions, which is becoming more and more important in a negative or low interest rate environment, and how we built our sustainability leadership, with many new sustainability transactions coming on stream with our clients. So, many things to be proud of.

Rogier

I agree. But how was it for you? Was it a tough year for you, personally?

Steven

No, I mean, in the context, it was as tough as it was for my colleagues. For me, personally, I mean, I have been with ING already for a long time, so I know ING very well. I've been in different roles, so I know many of my colleagues. And working from home also helped me reach out to many colleagues in a very short period of time. So, that also helped decision making. So, yes, it was tough on the one hand, because it was a difficult

environment that we were all living in, but being with ING for such a long time, having been in so many roles and knowing so many people really helped.

Rogier

But it is different, being CEO? You made some tough decisions in the past year and those can be lonely moments. You're not everybody's friend anymore.

Steven

I mean, being a CEO is not being everybody's friend, but it's about doing things that are good for all the stakeholders that ING works with. And sometimes decisions are tough. By the way, I do not make these decisions alone. They are well-prepared. Many of our colleagues are working alongside each other to actually prepare these types of decisions. And we talk about these decisions, and we do not take them lightly. But when they have to be made, yes, then I will make them. And these are decisions that I believe are good for the bank in the long term.

Rogier

OK, we're going to talk about some of these decisions later. But first, let's take a look at the numbers that we're disclosing today. If we're scrolling right down to the bottom line, we see a net result for the second quarter of almost 1.5 billion euros, almost five times higher than the same quarter last year. But that was a crazy year. So, what do you make of that number?

Steven

Look, indeed, that 1.5 billion and then comparing that number to the same quarter last year is difficult, as there were a number of accounting anomalies in this figure last year. For example, a number of impairments, valuation adjustments and taking management overlays on risk costs. And these have all gone now. And that's when you see a fivefold increase in result, but the comparison is not really like for like. What I do see, is that we have good growth in fees. And I'm happy with that, because that diversifies our business away from only interest income or mostly interest income - and ING, as a bank, is still relatively dependent on interest income - and with the low to negative interest rate environment in which we are operating, diversifying, in that sense, is good.

Rogier

Yes. Is it going fast enough, this fee growth?

Steven

We come from a relatively low percentage. Five years ago, that was about 13 percent and last year it was 17 percent, and we want to have a better mix between interest income and fees. We also need to do that in a balanced way, because it takes time to develop new fee propositions. And in the end, we do that for our customers and our customers are the centre of everything that we're doing. And it's also in the centre of the purpose that we have. So, you need to do that in a paced manner. We have said to the market that we would grow 5 to 10 percent year on year. And if you then compare the two quarters, I think we're doing well.

Rogier

So, what's a number that worries you?

Steven

Well, clearly, we remain challenged on our interest income and our net interest margin. And that's what we have seen over the past number of quarters, and that was what we have also seen in the second quarter. That is a result of the low and negative interest rate environments that we're active in, and that is not changing soon. And in that light...

Rogier

Well, inflation is going up a little bit, so it wouldn't be crazy to see interest rates rise a little bit, also.

Steven

Yes, there is some more inflation. At the same time, we have recently seen the ECB make an announcement that their target inflation level - that was in the past, slightly below, but close to 2 percent - and now the ECB has changed that to 2 percent. And that also means that the ECB will unlikely make announcements on tapering in September of this year, which basically means that the amount of money flowing in the EU will continue to grow or to be large. And therefore, it means that interest rates will stay low, and we believe interest will stay low for the foreseeable future. And that means that we need to continue to work on the diversification of our income. Next to that, it also means - because there is an impact on our revenues, like I said, on interest income - we also need to continue to focus on our costs.

Rogier

All right. And risk costs... We're seeing a release of the provisions we took last year. Have we been too cautious?

Steven

[laughs]

Rogier

We didn't need this money.

Steven

Well, we took these overlays based on the macroeconomic circumstances at that point in time. We do now see improving economic circumstances and that, then, leads to a release in risk costs. But what we also see, is that there is still a virus ongoing, there are still lockdowns ongoing and there are still various measures ongoing, including government measures. So, we need to stay prudent, because we will only really see what the outcome was, the economic outcome was of this corona pandemic, after all these measures will lapse and the economy returns to normality and we are not there yet. So, we need to remain prudent.

Rogier

Let's talk about an announcement that ING made this quarter, which was about France. We're announcing a strategic review of the retail bank there. First of all, what is a strategic review?

Steven

A strategic review basically means that we are going to look at how we can best deal with our business, our retail business, going forward. And we have been in France for over 20 years. We've had a good client growth trajectory. We have approximately one million retail clients in France. At the same time, many of these clients are savings, savings-only and/or current account holders. And it's hard to make a decent return on these clients through the cycle, and especially in an environment, a euro environment, where interest rates are negative. And that calls for a review of how we can best move forward with this business.

Rogier

You mentioned it: we've been in France for a long time, some people working there for more than 10 years. They will be worried.

Steven

Well, I mean, the review is currently ongoing. And in that sense, we will take the view and also, let's say, the perspective and the interests of our colleagues and that of our clients and that of our stakeholders into account. And I can only be very happy and grateful for the commitments that we also have received from our colleagues in France.

Rogier

Let's talk about the Czech Republic and Austria, because we made similar reviews there some time ago. How is it going there?

Steven

Well, when we talk about Czechia, half of our customers and 60 percent of our client balances were transferred to our strategic partner, that's Raiffeisenbank. And when you look at Austria, we recently announced an agreement to transfer our Retail Banking operations in Austria to Bank99, and that's the digital banking arm of the national postal service, Österreichische Post.

Rogier

Yes. So, how do you feel about those solutions for the situation in these two countries?

Steven

Look, I think that if you look at the Czech Republic, it's good that we can reach an agreement with a strategic partner, such as Raiffeisen, as it also means that we can continue to offer our customers a service, but then through another bank. I think that's helpful. The same goes for Austria, given the decision that we have made. If then, there is a bank that then takes over these activities - that's from a broader stakeholder point of view, including staff, including customers - I think that is a good solution for many of us.

Rogier

ING is reducing its footprint. So where is the growth?

Steven

Well, if you look at Wholesale Banking, we do also stay in Wholesale Banking in all of the announcements that we have made on Austria, on Czechia, but also the strategic review that's currently ongoing in France - that's focussed on the Retail activities, not on Wholesale. So, we'll continue with the Wholesale Banking activities in all of those markets. If you look at growth in Retail, but also Wholesale, it's not only about the geographical footprint, it's also about the growth in our customers, our primary customers. And I'm very proud that we see the number of primary customers grow in the second quarter with 281,000. So, that will continue. So, that's good, if we have profitable primary customer growth. We also are growing and broadening the number of fee propositions that we provide to our clients so we can grow. But geography is only one dimension.

Rogier

We're seeing a good example in Germany, now: the Komfort-Anlage, "comfort investing", we call it in English. It has an interesting feature, which is the video advisor.

Steven

Yes.

Rogier

Will, someday, the video advisor replace face-to-face contact, like we're talking right now?

Steven

Well, completely replace sounds quite definitive, but video is personal. It is human interaction. It is face-to-face, but it's very convenient. It's easy. It's flexible. Both from a time and location point of view. During the corona pandemic, it's also safe, which is also helpful. And we do see an increasing number of our customers using video for their personal contact with their advisor. So, we need to see how that develops. We do continue to follow the demands and requirements of our clients and we are adjusting our services on that basis, and it also means that we continue to roll out video service in various countries. Like now, with the investment proposition in Germany. And that is well-appreciated by our clients, given the fact that we see the number of video chats increasing.

Rogier

I also understand that the development of this product, the time-to-market, was 12 months.

Steven

Yes.

Rogier

That's quick.

Steven

That's good.

Rogier

How is that possible?

Steven

Well, basically, it's re-use, if you will. And we based this on an example in Spain and a similar proposal there. And Proposition was successfully launched a couple of years ago. And then we made smart use of our Touchpoints technology. And then we re-used a number of elements, such as the authentication or the appointment tool, for advisors that we already had on the shelf in the Netherlands. And this was created by a joint team of both global and local colleagues to ensure a full focus on delivery, and I'm very happy with delivery in that short time frame. The idea is to re-use. I mean, the solution was based on learnings from both Spain as well as learnings from the Netherlands, where we have the tool I just talked about, and now we have launched it in Germany. And we, of course, have a re-useable platform, it's called Touchpoints, and it also helps in exporting to other markets as well.

Rogier

ING is joining the Net-Zero Banking Alliance. You just put your signature?

Steven

Yes, I did.

Rogier

First of all, 'net-zero': what is it?

Steven

Well, 'net-zero' means that the world only produces this amount of greenhouse gas emissions that can be absorbed back into the environment. So, there is a balance between what is being produced and what is being absorbed. That's what it means.

Rogier

And ING joined this Alliance. What is this all about?

Steven

Yes, we joined the Net-Zero Banking Alliance, and that's a group of over 50 banks that got together to say: yes, we need to move faster, if we want to prevent some of the worst impact of climate change. And of course, we already have been steering our portfolio to combat climate change since 2018. And we did that through what we call our Terra approach. But the biggest difference of the Terra approach is that we used energy glide paths towards net-zero in 2070.

Rogier

Energy what?

Steven

Energy glide paths, so we look at different sectors and then we look at the transmission levels to get lower exhaustion, lower CO2 emissions, and we then bring those down in our portfolios with a glide path until 2070.

But now we moved that glide path up to 2050.

Rogier

So, that's a big ambition. But what can banks do about that? You know, we're not an industry, we don't have pipes...

Steven

Yes, we can do that by means of our financing. That's where we're going to make the biggest impact. And for our customers it's about investing more in low carbon technologies as opposed to carbon producing technologies. The way we can be effective is by helping our clients to transition, by both providing advice and by providing financing to finance those lower carbon producing technologies. And we want to do that in an inclusive way. I mean, the easiest thing for us would be to say: well, if we want to bring down the carbon footprint of our lending portfolio, we basically will completely stop financing these clients altogether. But we strongly believe we want to do that together with our clients, to actually help our clients to transition and therefore really have impact on the world rather than only have impact on our portfolio.

Rogier

I need an example.

Steven

You need an example.

Rogier

Yes, I need an example.

Steven

OK, good. So, let's take steel...

Rogier

Yes.

Steven

... as an example of a sector. So, the most common way for steel to be produced is to reduce iron ore at very high temperatures, and to get that high temperature you need coking coal. Now that's very energy intensive. But if you, for example, use hydrogen, that is a much greener alternative. So, then you would need to invest in plants or systems with which you actually can create heat based on hydrogen that then replaces those coking coal furnaces. And that's how we can help transition the steel sector to net-zero by 2050.

Rogier

But what is ING doing to help the sector make that transition to those kinds of technologies?

Steven

Well, in this sector, for example, we are leading a working group, and that aims to map out what steel companies need to do in aggregate to get to net-zero by 2050. And how, then, banks can measure progress towards that goal, but also can help financing towards that goal. But in the end, the red thread of all of it, is that it's about working together. It's also in this sector, but in all sectors, the real change is only possible when governments, regulators, companies and sectors, and the banks work together, because then we will effectuate a change.

Rogier

So, when we talked a quarter ago, well, we made the prediction that the vaccination programmes would be well underway. I had my jab.

Steven

Me too. Two, I've had.

Rogier

But we see good progress in all the markets. Are you one of those CEOs that says: now, it's enough, I want to see my people back in the office?

Steven

I want to see people back in the office. At least, I miss the people in the office, and I miss the office buzz, and I miss the watercooler conversations.

Rogier

Yes.

Steven

But we do see value in people working from home. So, even after the corona measures will be lifted, we don't expect people to work in the office all the time. And our model will be a hybrid model. And, for example, that means working 50 percent in the office and 50 percent from home. So, as soon as the corona measures are lifted, we're going to work towards that. But it also depends on the setup of the office buildings, but also the activities that are employed in certain business lines or countries. And so, it will be a bit mix and match, but we believe in hybrid. And it also will be testing and learning, because we've never been in that situation before, and we need to learn and adapt before we come to final conclusions. But this is the initial direction.

Rogier

And how are you going to do it?

Steven

It also means for the Board and for myself that we also will work in hybrid mode. And we're currently also developing a schedule, also for the Board, how to best do that, that we will discuss in the next couple of weeks.

Rogier

But first, there is the vacation coming up.

Steven

The hybrid holiday.

Rogier

Will it be a hybrid holiday? One eye on the on the cocktail and one eye on the inbox or ...? [laughs]

Steven

I find it hard to completely disconnect from work. And I also feel happy to stay connected. So, I will do some work. But most of my time I will spend doing some sports, playing some padel, or football, or tennis, or taking a swim in the sea. And then, I also have some dinners with friends that we invite, and lighting the barbecue. So, those are a bit of the elements that comprise my holiday. And I think it's good to have a break to get away from work for a little bit. But that doesn't only go for me. That also goes for all of the colleagues. So, I really wish that all of our colleagues can have a little bit of a break to have fun, to reenergize, to actually start the second half of the year afresh.

Rogier

Well, I hope you find the time to really switch off. We'll manage.

Steven

Thank you very much. And I hope you will find the time, too.

Rogier

See you next quarter.

Steven

Great. Thanks, Rogier.