

# The Digital Strategy of ING (rated AA-) Keeps Convincing



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The new digital strategy of ING Bank (Issuer Rating at AA-), announced in 2016 in the context of the “Accelerating Think Forward” update, led to two important initiatives during 2017: (i) a partnership with Scalable Capital, a German robo-advisor, and (ii) the planned acquisition of a majority stake in Payvision, a Dutch omnichannel payment service provider. Both moves align well with the bank’s digital approach and should be yielding accomplishments on two fronts: increase cross-selling to current primary customers and provide wide-ranging payment services to business clients.

In 2017 ING invested EUR 206m in four major transformation programmes across the geographies in which the bank is active. Already, the bank has accomplished the full digitalisation of its account opening process in Germany (a market still used to paper trails); designed architecture to support the Second Payment Services Directive (PSD2); and completed the roll-out of its wholesale banking platform, InsideBusiness, in all European countries.

Aside from these activities, ING cooperates with, or invests in innovative start-ups in projects instrumental to its new strategy. As the Bank is looking into opportunities in the FinTechs realm, both directly and through its newly created venture capital fund, ING Ventures, we might expect some further value-adding acquisitions in 2018.

## Partnership with Scalable Capital

In September 2017, ING started a partnership in Germany with Scalable Capital, an investment management company running a fully digital and automated asset allocation and management platform (robo-advisor).

Since the collaboration was launched, the platform has been adding 1,000 customers per week on average, contributing to an aggregate EUR 300m assets under management. The investment floor is a comparatively low EUR10,000 and allows the creation of a global ETF portfolio. We believe the service fits well with ING’s German operations, where the bank’s fully digital (i.e. completely branchless) offering attracts a price-sensitive clientele that values simplicity and efficiency.

Moreover, given the platform is fully integrated into ING’s banking app and online portal, the bank can more easily extend its offering to other markets in the future.

From the wider perspective of its positioning with ING Group strategy, the partnership might add to ING’s customer base: the average age of Scalable Capital clients is increasing together with the volume of managed portfolios. Most importantly for the bank, the partnership is a relatively low-cost way to complement its product offering and expand cross-selling to primary customers.

## Payvision

In January 2018, ING also announced an agreement to buy 75% of Payvision, a Dutch payment service provider operating globally. Valued at EUR 360m, the company supports 80 payment methods in 150 currencies. The transaction, expected to close in the first quarter, will have a negligible impact on ING’s capital ratios.

Given the adoption of PSD2, this strategic investment is continuing to strengthen ING’s position in payment services. The bank will gain access to merchants directly and to clients indirectly. Moreover, this will allow ING to offer wide-ranging alternative payment solutions to business clients.

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