

# Risk Management

Investor Day 2019

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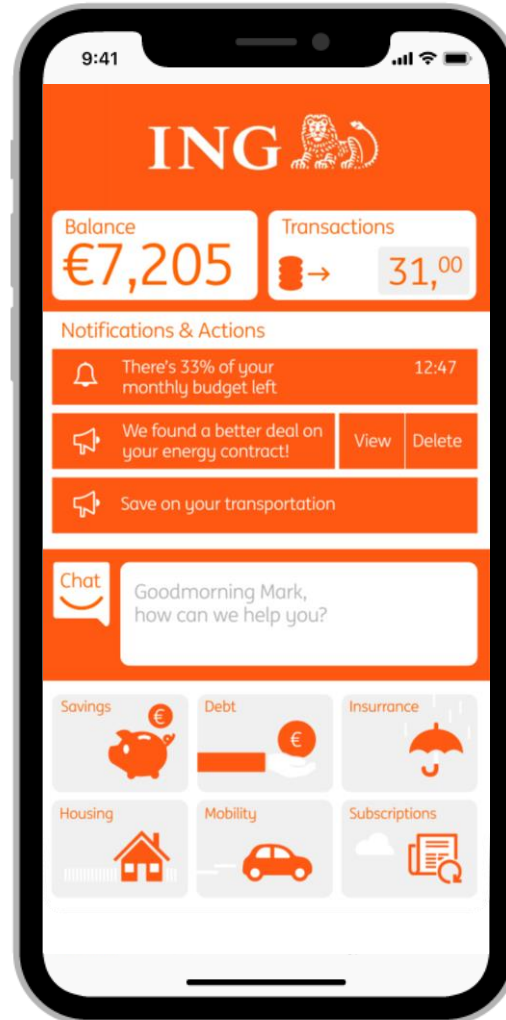
Frankfurt • 25 March 2019

thinkforward

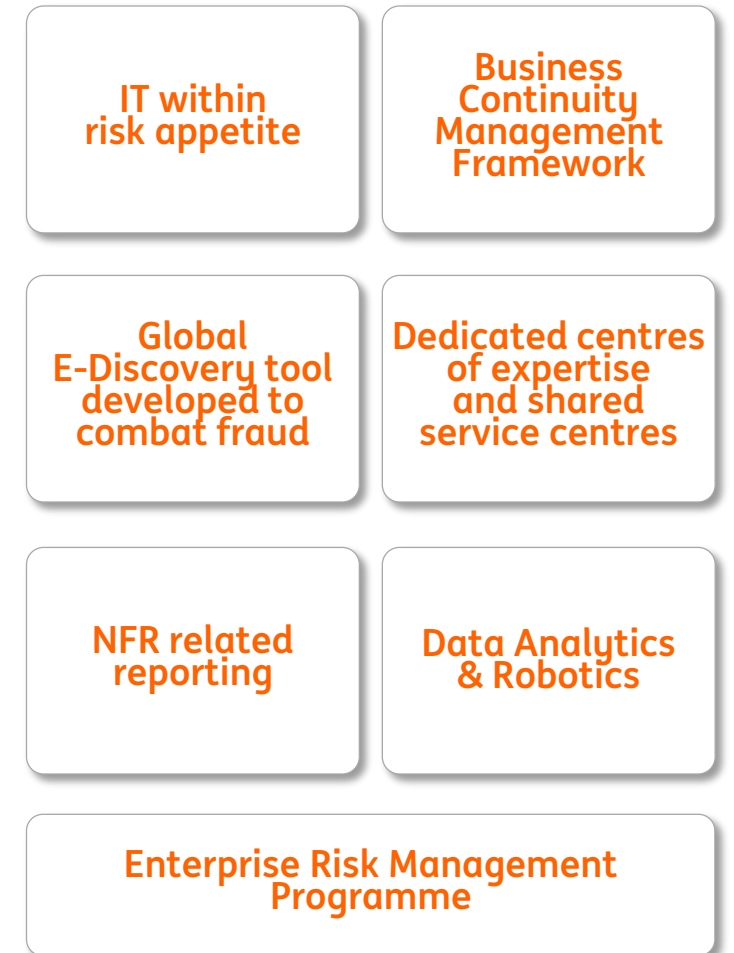


# Reputation and trust are paramount

## Non-Financial Risk Framework

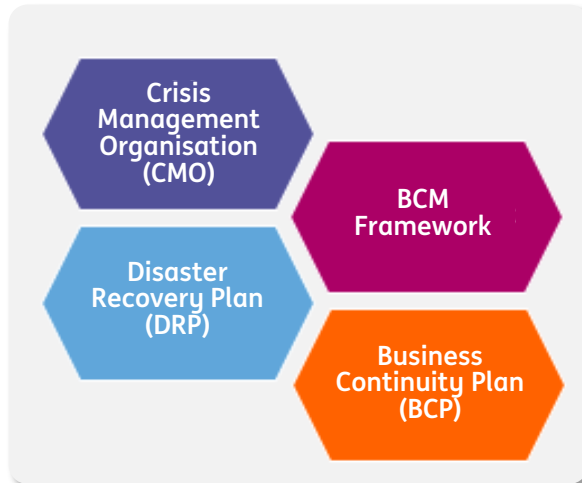


## Non-Financial Risk highlights



# Management of IT Risk

## Business continuity & operational resilience



- Away from a pure recovery strategy to a operational resilience strategy
- We prepare for and quarterly conduct scenario based testing of disruptive events

## Cybercrime resilience



ING regularly withstands cyber attacks

- DDoS\* prevention measures in place
- Periodical hackathon

## Data & privacy protection

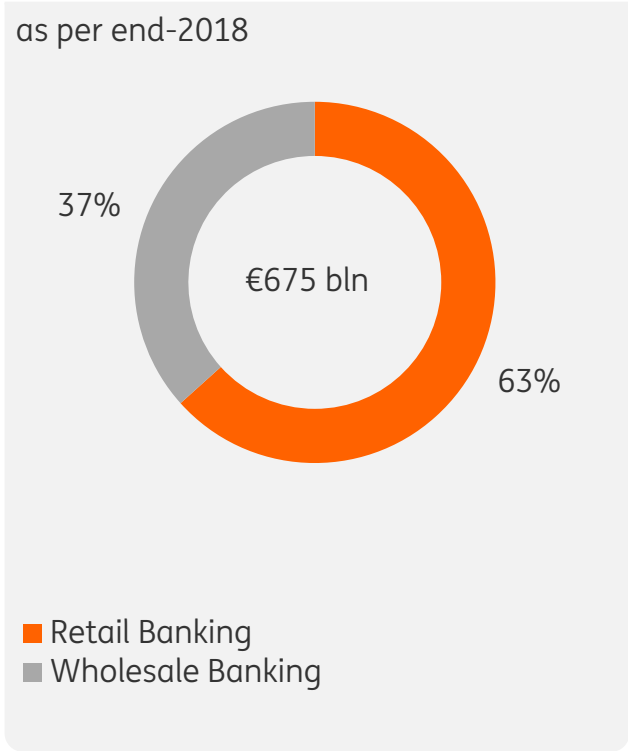


- Data and systems security is paramount
- Data leakage protection tools
- Monitoring capabilities strengthened

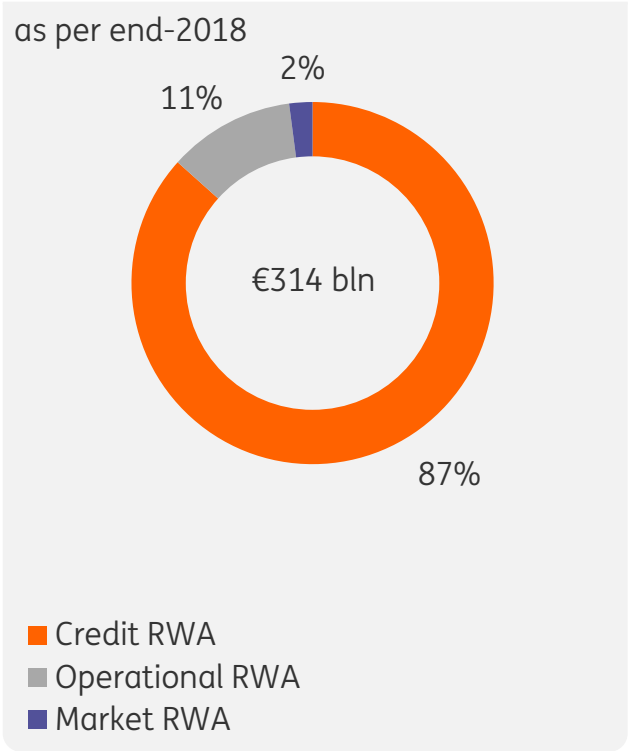
\* DDoS – Distributed Denial of Service

# A lending-focused model with prudent credit risk management

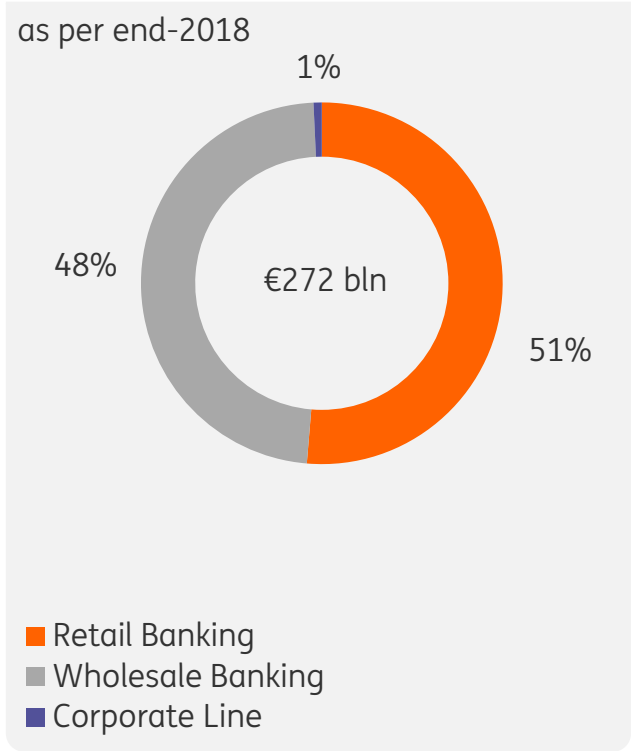
**Total lending credit outstandings\***



**Total RWA**



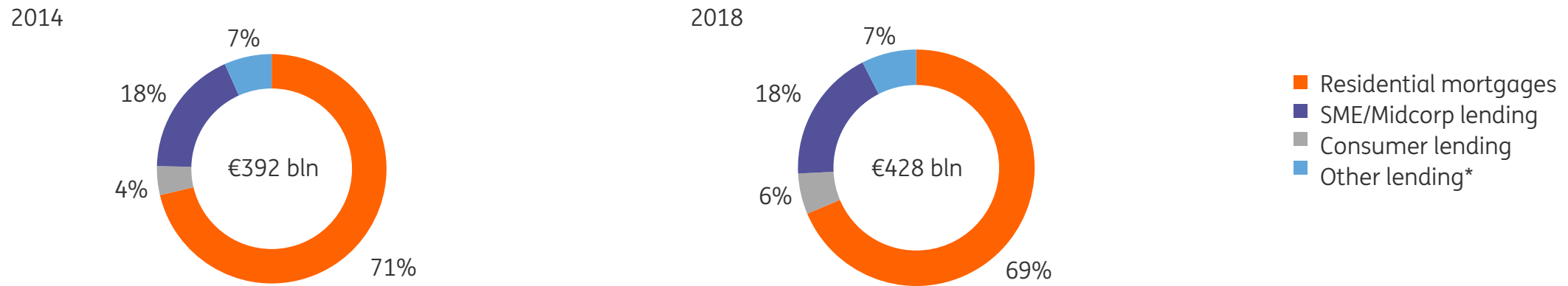
**Credit RWA split**



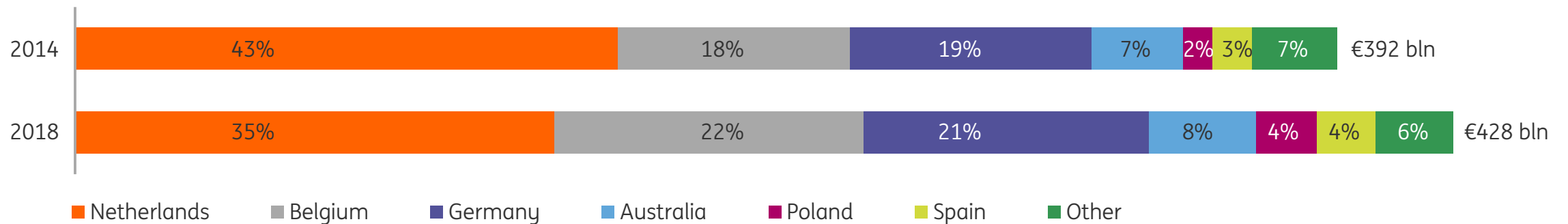
\* Lending credit outstanding is lending and money market credit outstandings, including guarantees and letters of credit, but excluding undrawn committed exposures (off-balance sheet positions). Going forward we would refer to Lending credit outstandings as “Lending”, unless stated otherwise

# Retail lending overview

## Residential mortgages remain significant part of our book



## Retail lending across geographies



\* Includes €17 bln Bank Treasury and €15 bln of Other Retail lending as per end-2018

# Credit Risk Management – Wholesale Banking

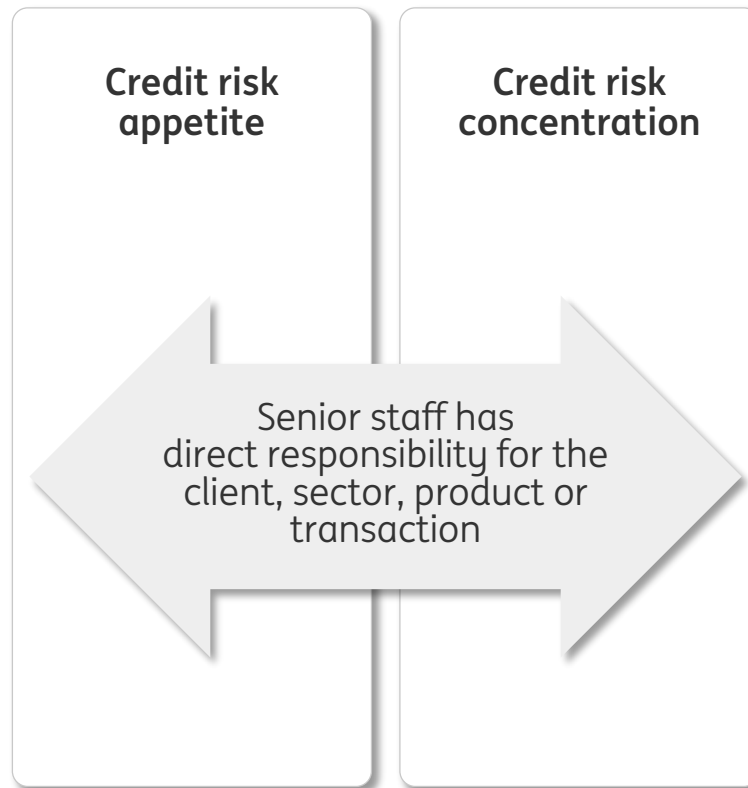
# Continuously strengthening management of credit risk

## Strong risk management framework

Three lines of defence



Personal responsibility on top of risk frameworks



Concentration risk measured, managed and monitored on various levels



- Client (single name)
- Product
- Sector
- Country
- Internal capital consumption
- LGD
- Collateral/secondary risk

Book caps introduced



- REF\*
- Leveraged finance

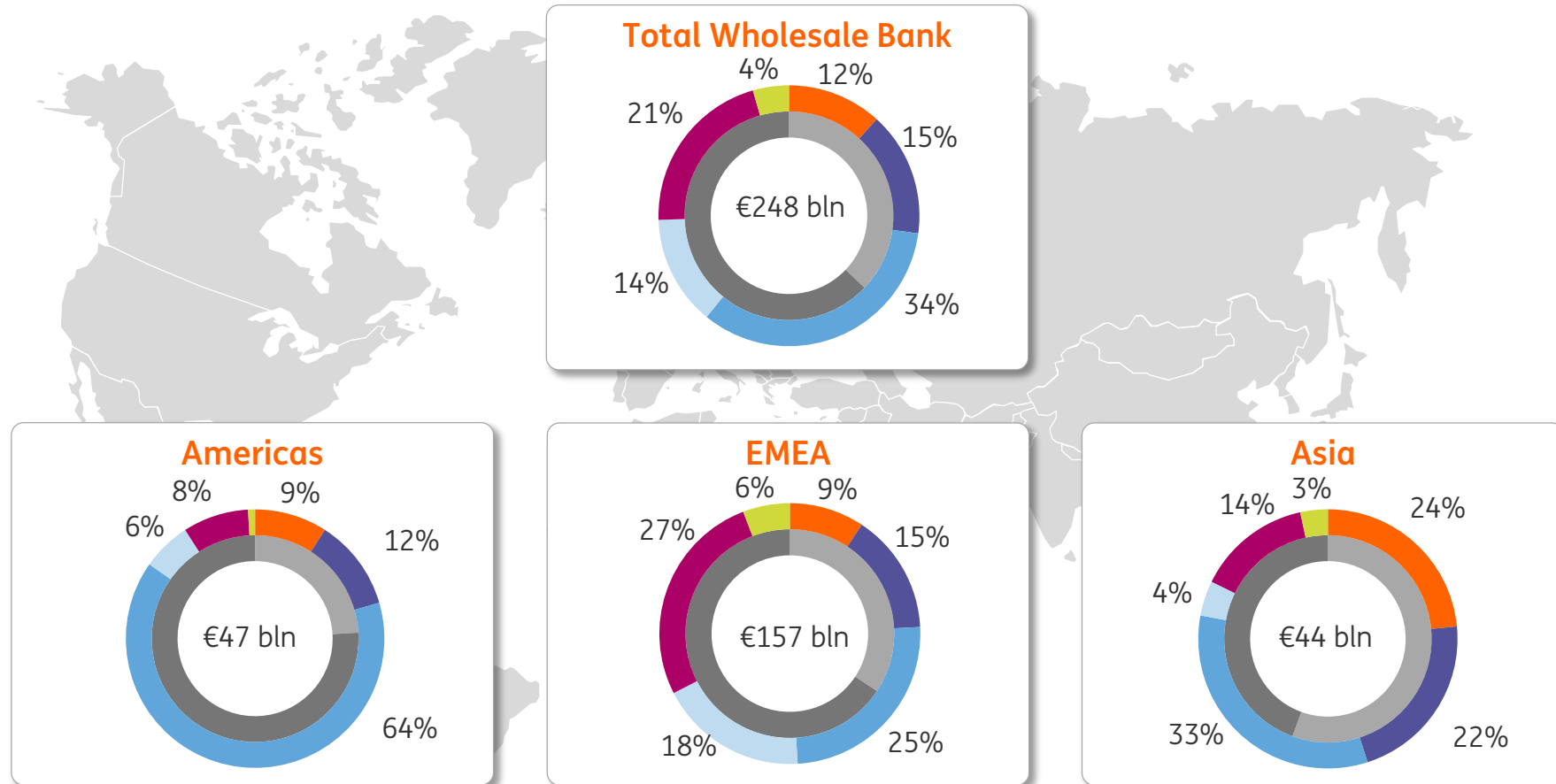
Activities no longer fitting business profile and/or risk appetite



- RED\* & REIM\* businesses exited
- Leasing exited or in run-off

\* REF - Real Estate Finance, RED - Real Estate Development, REIM - Real Estate Investment Management

# Well-diversified lending across our global franchise...



Figures on slide as per end-2018

\* Products jointly representing Industry Lending segment

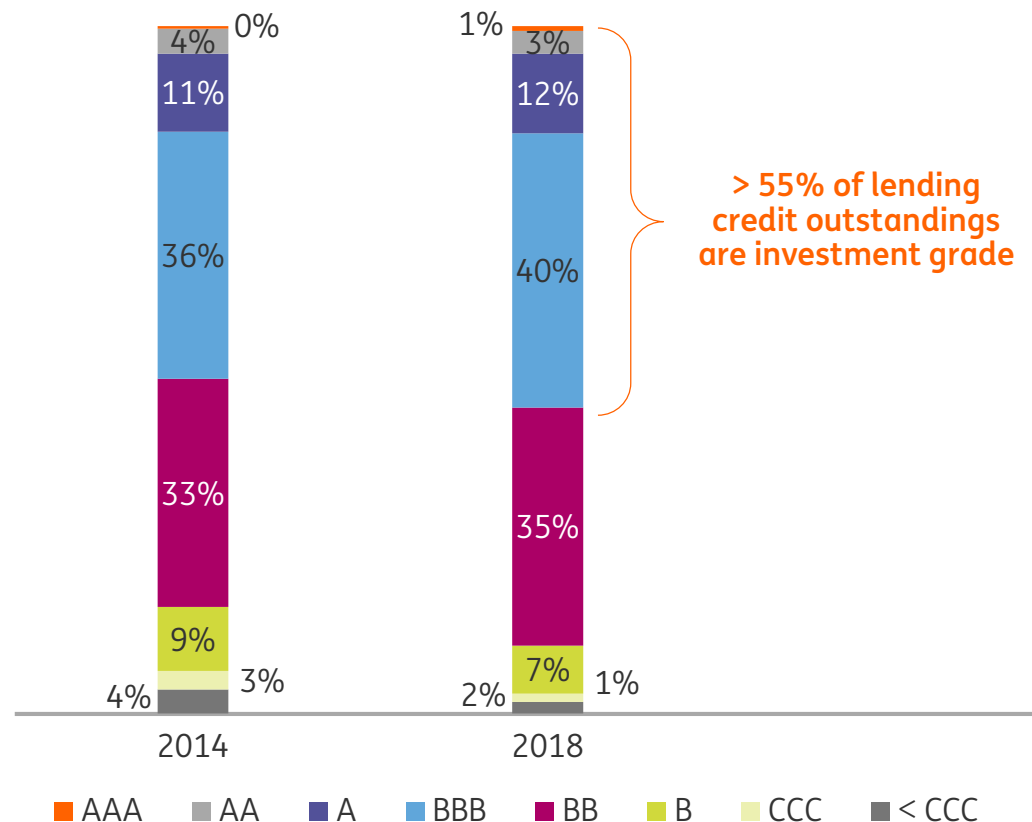
\*\* Based on residual maturity. Average maturity of the book > 1 year is ~4 years

- Trade & Commodity Finance (TCF)\*
- Transaction Services
- Project and Asset-based Finance excl. TCF\*
- Real Estate Finance\*
- General Lending
- Other
- ≤ 1 year\*\*
- > 1 year\*\*

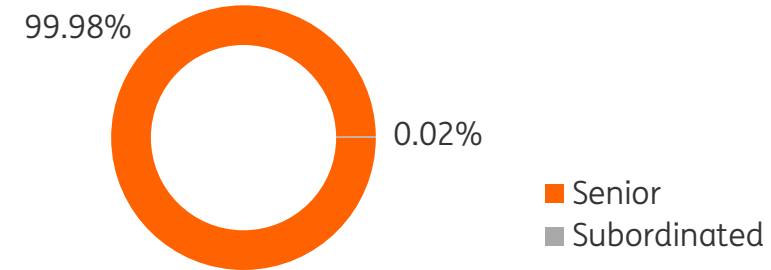


# ...with a clear focus on senior and secured deal structures

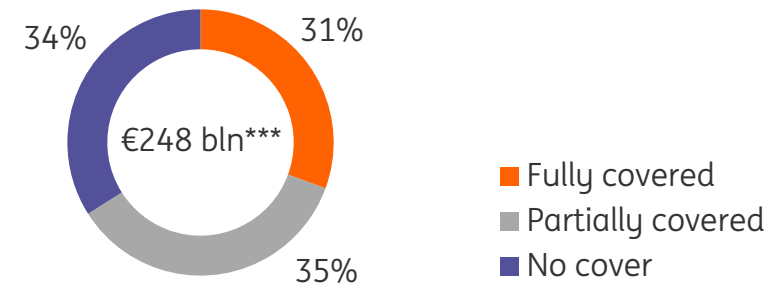
## WB average internal counterparty rating distribution improved\*



## Nearly all lending is senior\*\*



## Lending cover percentages including guarantees received



Figures as per end-2018

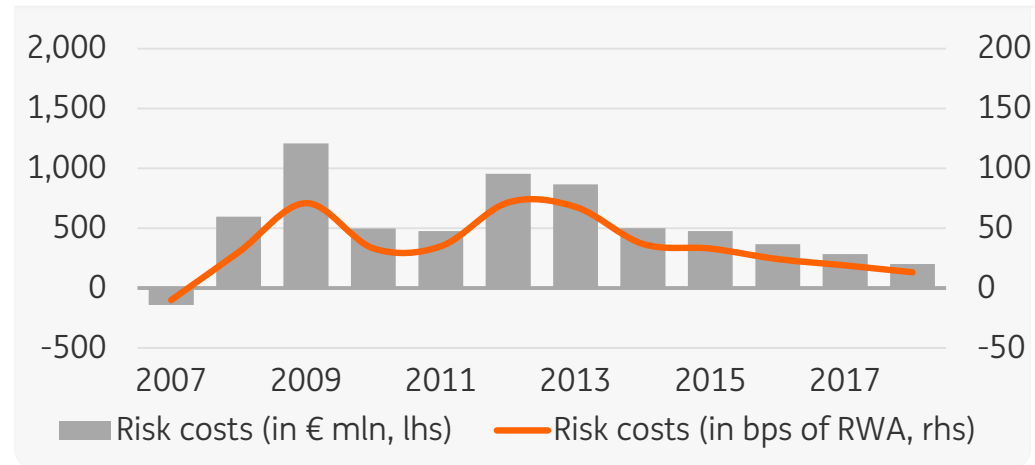
\* Excluding Bank Treasury

\*\* Lending is ING Group total loans and advances to customers

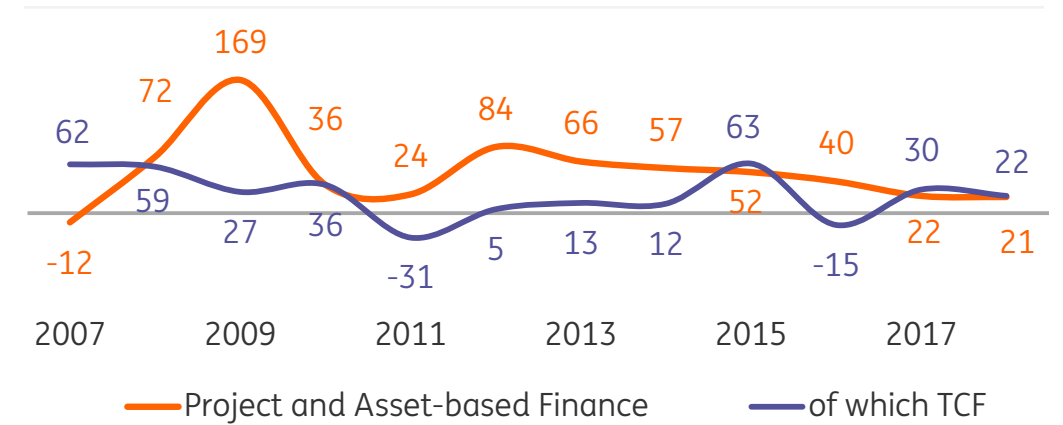
\*\*\* Cover pool value (€214 bln) exceeds total underlying loan amount (€163 bln or 66% of WB lending book) due to overcollateralisation

# Wholesale Banking through-the-cycle risk costs

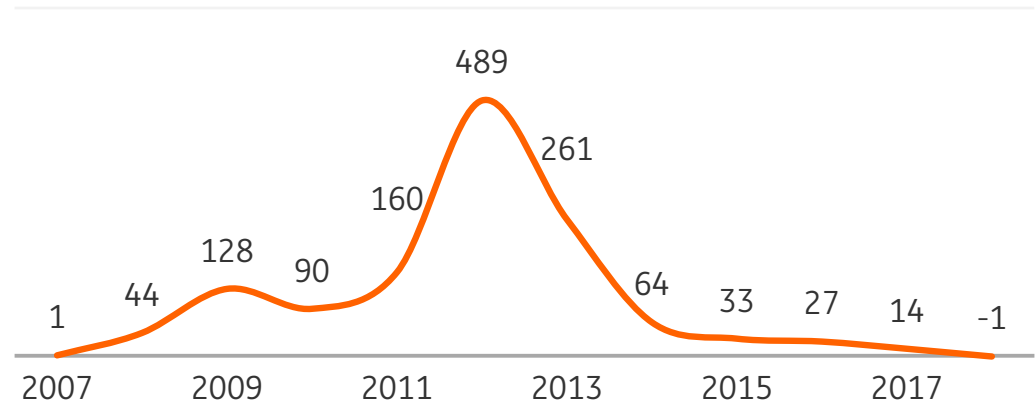
## Risk costs Wholesale Banking



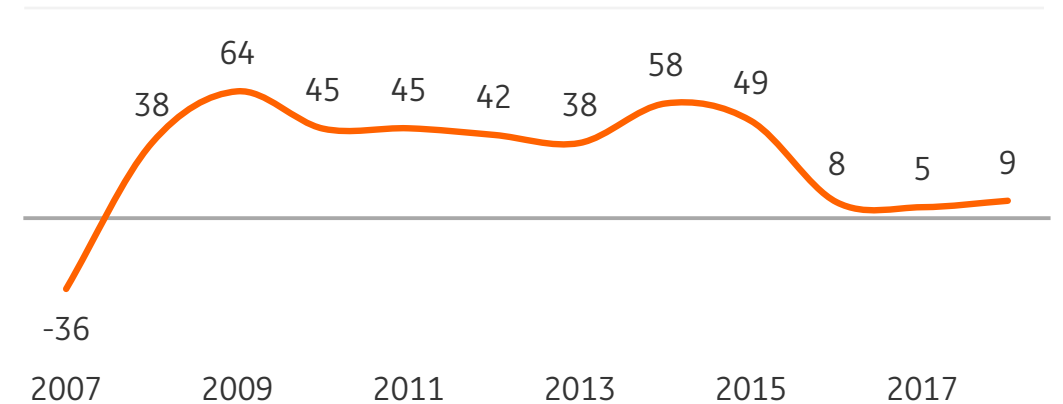
## Risk costs Project & Asset-based Finance (in bps of average RWA)



## Risk costs Real Estate Finance (in bps of average RWA)



## Risk costs General Lending (in bps of average RWA)



# Proactive restructuring preserves value

## Proactive restructuring

Global Credit Restructuring files  
with no losses

75%

## Prudent provisioning

### WB through-the-cycle risk costs vs write-offs

Cumulative over 2008-2018

Risk costs

€6.4  
bln

Write-offs

€5.5  
bln

Over ~€210 bln average WB lending book over 2008-2018

# Leveraged finance book managed within a solid framework

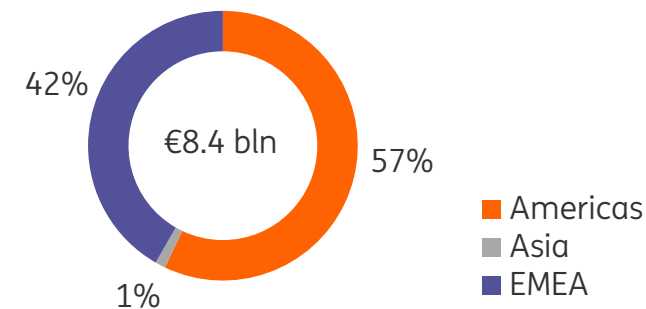
## Business overview

- Focus on larger sponsors with an established track record and a good history of seeking to resolve issues in event of underperformance by the acquired business
- Mainly active in large developed markets
- Granular book of €8.4 bln as per end-2018 (average commitment of ~€25 mln) with a strong industry diversification
- Sell-down targets constantly monitored and met (on average ~40 days from mandate to allocation)
- Since 2007, significant reduction (45%) of the underwriting limit for leveraged finance transactions

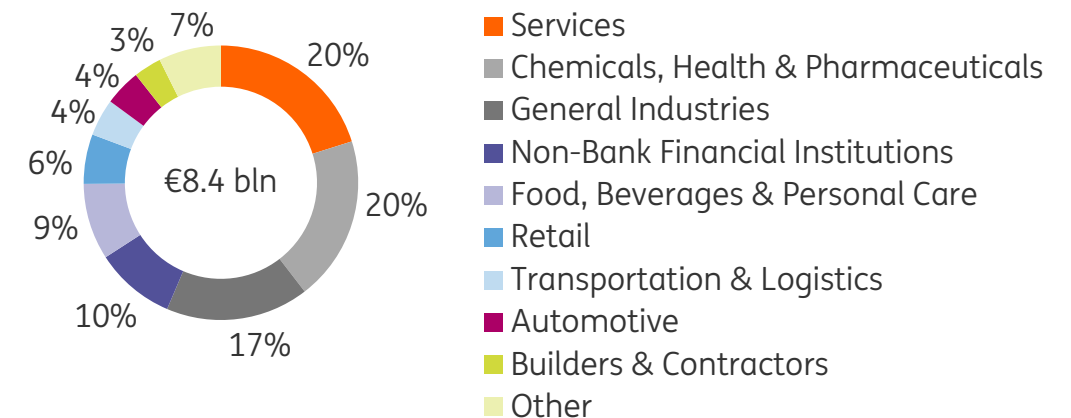
## Main actions taken

- Global cap of €9.6 bln
- Maximum final take for single transaction ~€25 mln recently introduced
- Maximum leverage 6.5x
- No single underwrites

## Leveraged finance book\* focused on developed markets (as per end-2018)



## Leveraged finance book\* highly diversified by industry (as per end-2018)



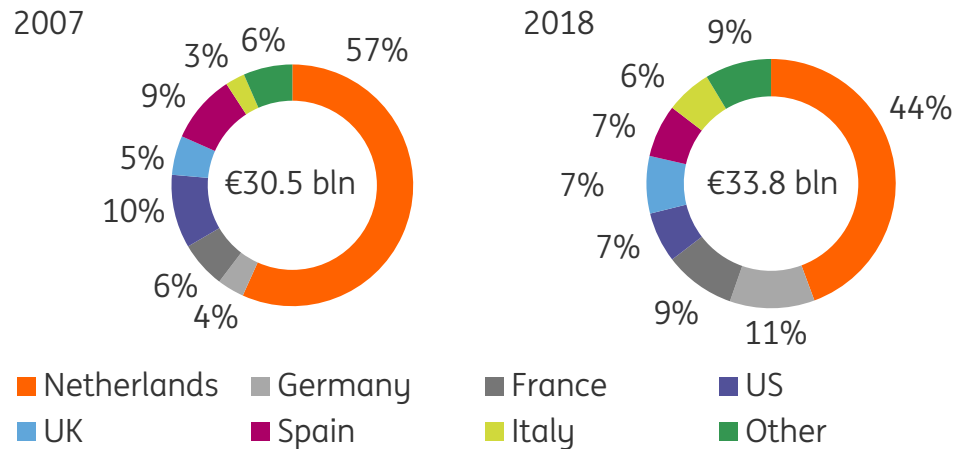
\* Leveraged finance is defined as Private Equity driven leveraged finance with higher than 4x leverage. Leveraged finance book is total commitments (i.e. including undrawn)

# Real Estate Finance diversified and de-risked

## Main actions taken

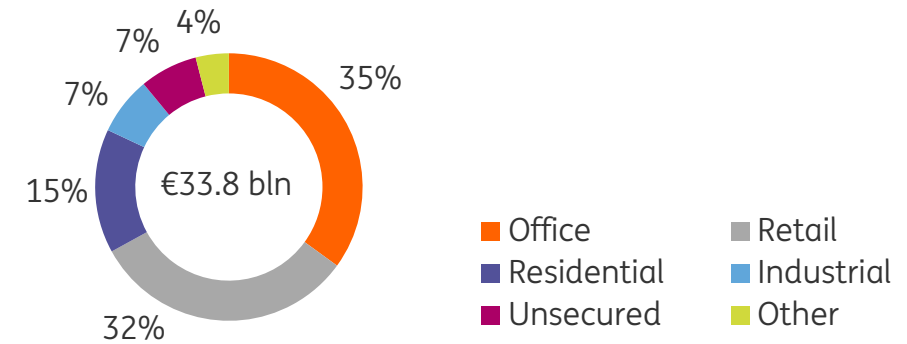
- REF exposure limit tightened in 2018
- Geographical concentration to the Netherlands reduced
- Portfolio substantially de-risked as evidenced by reduction in LTV (average 53%) and the discontinuation of Real Estate Development
- Increased focus on Originate-to-Distribute

## Lending concentration in the Netherlands decreased since 2007\*

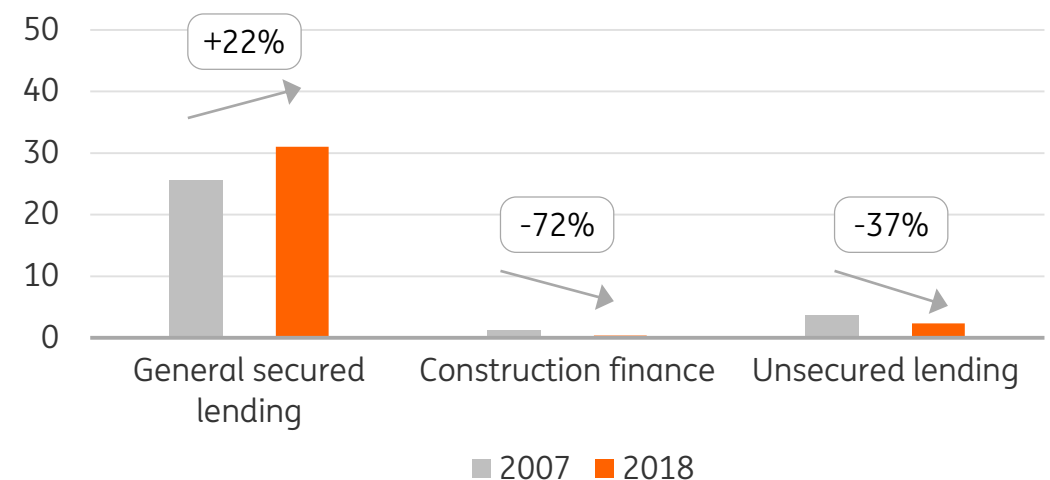


\* Geographical split based on initiating office

## REF breakdown by type (as per end-2018)



## Construction finance and unsecured lending further reduced (in € bln)



# Oil & Gas book structured to withstand adverse market conditions

## Business overview

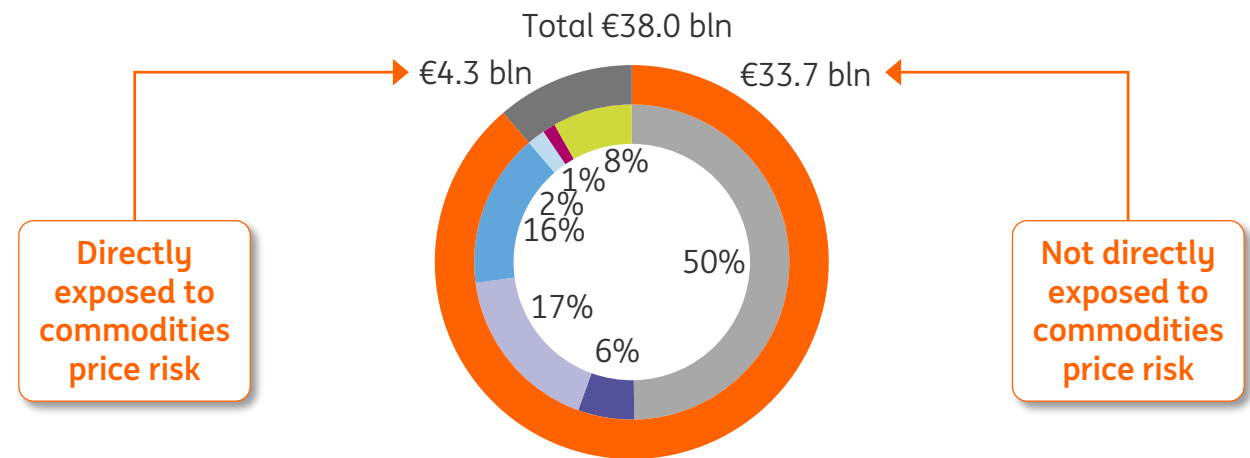
- We lend to operating companies, keeping a senior position versus other creditors
- €4.3 bln directly exposed to commodity price risk

## Main actions taken

Caps introduced for:

- Offshore drilling (exposure halved since 2015)
- Reserve Based Lending at regional level

## Lending credit outstandings by asset type



Trade Finance	Export Finance	Corporate Lending	Industry Lending: Midstream	Industry Lending: Other Offshore Services Companies	Industry Lending: Offshore Drilling Companies	Industry Lending: Reserve Based Lending
<ul style="list-style-type: none"> <li>• Short term self-liquidating trade finance, generally for major trading companies, either pre-sold or price-hedged</li> </ul>	<ul style="list-style-type: none"> <li>• ECA-covered loans in oil &amp; gas sector: typically 95% - 100% credit insured</li> </ul>	<ul style="list-style-type: none"> <li>• Predominantly loans to investment grade large integrated oil &amp; gas companies</li> </ul>	<ul style="list-style-type: none"> <li>• These assets typically generate revenues from long-term tariff based contracts, not affected by oil &amp; gas price movements</li> </ul>	<ul style="list-style-type: none"> <li>• Directly impacted by oil &amp; gas markets</li> </ul>	<ul style="list-style-type: none"> <li>• Directly impacted by oil &amp; gas markets</li> </ul>	<ul style="list-style-type: none"> <li>• Smaller independent oil &amp; gas producers directly exposed to oil &amp; gas price risk</li> <li>• Focus on first cost quartile producers</li> </ul>

# A secured lender in shipping focused on selected clients

## Business overview

- Not a traditional ship finance mortgage lender
- Secured corporate lender
- Recourse to a corporate balance sheet
- Long-term client relationships with companies with clear strategies, appropriate capital structures and access to liquidity
- Focus on modern tonnage in commoditised asset classes with active secondary markets
- Legacy short sea portfolio reducing in a balanced way via vessel sales as opportunities arise
- Geopolitical factors (trade war), economic transition in China, the commodity cycle and shipping supply will continue to be key drivers

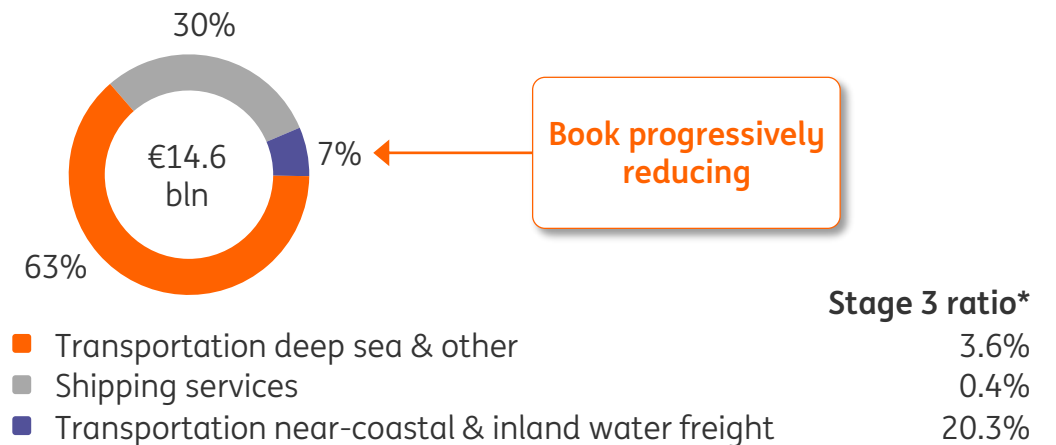
## Main actions taken

Near-costal & inland water freight book:

- Stop new transactions
- Progressively reduce exposure

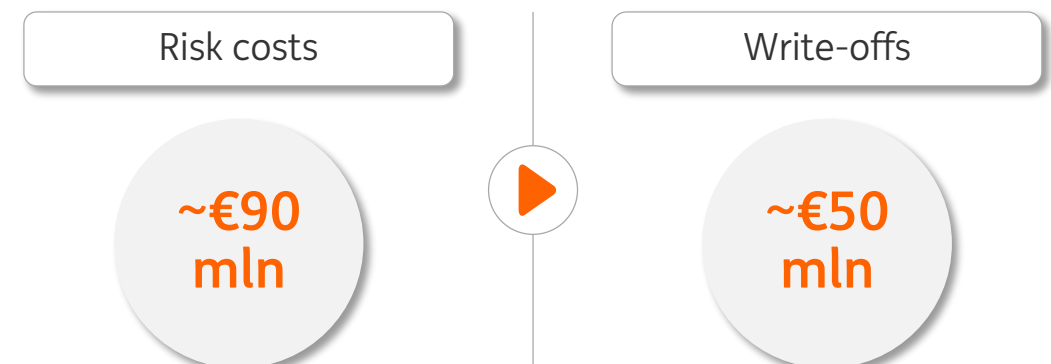
\* As per end-2018

## Shipping lending by asset type (as per end-2018)



## Deep sea shipping through-the-cycle (in € mln)

Cumulative over 2008-2018



# Important legal information

ING Group's annual accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS-EU'). In preparing the financial information in this document, except as described otherwise, the same accounting principles are applied as in the 2018 ING Group consolidated annual accounts. All figures in this document are unaudited. Small differences are possible in the tables due to rounding.

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