

ING Braces for Trump Fallout as Tariffs Cloud Trade Outlook

By Sarah Jacob and Nicholas Comfort

(Bloomberg) -- ING Groep NV is preparing for fallout from US President-elect Donald Trump's pledge to place tariffs on foreign goods, underscoring how geopolitical developments increasingly impact lenders across the world.

Before this month's elections, ING weighed how potential outcomes would change economic, monetary and fiscal policies and affect the bank and its clients, Chief Risk Officer Ljiljana Cortan said in an interview. With Trump the clear winner, the Netherlands' largest bank is now set to factor that into its annual risk planning, an exercise that's key to steering the lender.

"In our stress testing, we look at severe but plausible scenarios and US tariffs were, and now are more than before, a very plausible one," she said in Amsterdam last week. "If tariffs would become our new reality, their impact would probably only be felt end of 2025 or early 2026, as it takes time for them to be implemented."

The comments show how banks across the world are increasingly factoring in political turmoil and armed conflicts in their risk management, rather than just backward-looking economic statistics and data on borrowers' creditworthiness. The European Central Bank has called out growing risks from an uncertain geopolitical environment for the financial sector, urging lenders to improve their resilience.

Cortan declined to say how hard ING could be hit, for example through an increase of credit loss provisions. With operations in more than 40 countries, ING is a key financier of global trade, but that international presence also means "some of these trends would be offset," she added.

The effect "is highly dependent on the mix of your portfolio," she said. "Some industries and regions would be likely hit harder than others, but strong companies in those industries and regions will be able to adapt."

Cortan has been ING's risk chief since the start of 2021, when the economy was still mired in the pandemic. She previously held the same role at UniCredit SpA's German unit and worked in various positions at the Italian lender in Milan.

The potential tariff policies of the new Trump administration, which are also triggering anxiety among hedge-fund titans and investors, are only the latest in a string of global developments that have impacted how banks assess their balance sheet.

ING ranks geopolitical risks in terms of their probability and impact, with Cortan citing a potential conflict involving Taiwan, the situation in the Middle East and the war between Russia and Ukraine as examples.

"We have to recognize that the volatility of geopolitics and its effect on the economy is the new normal," she said.

"Beside all the human tragedy that first comes to my mind, crises have strongly affected the global economy. The traditional risk management approach isn't suitable anymore."

That's also why the ECB is poised to formally elevate next month the importance of potential hits from political events including wars in its annual list of banking supervisory priorities for the coming years, Bloomberg has reported. That will entail increasing requests for information as well on-site inspections for banks, people familiar with the matter have said.

Cortan said it's understandable that watchdogs need to be more "hands on" given the uncertainty. ING is making use of technology to keep up with those demands.

"The environment has become more complex and more challenging, so it's not realistic to expect the supervisory burden to decline any time soon," said Cortan.