The Lending game changer
How SBR will impact business lending

The ING Case Study

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XBRL™

Agenda

1. ING's purpose
2. ING is doing well...
3. ....but the world is changing fast..
4. ...therefore the think Forward strategy was launched in March 2014
5. Lending capabilities are an enabler for this strategy, so what are the lending challenges?
6. Build on the challenges, we can identify the business case drivers.
7. Benefits for Clients
8. In the Netherlands, banks adopted XBRL by leveraging on the shared infrastructure and taxonomies introduced by Government parties
9. The process of reporting starts with data from the client administration
10. The banks have developed a Banking Taxonomy..
11. ....and it is base on the SBR concept
12. Expected loss will drive the development of the Banking Taxonomy further
13. Lessons learned

Annex 1 Program governance involves various levels of steering
Annex 2 Many market parties are involved in the SBR program

ING's Purpose

We believe all sustainable progress is driven by people with the imagination and determination to improve their future and the futures of those around them

We empower people and organisations to realise their own vision for a better future – however modest or grand

EMPOWERING PEOPLE TO STAY A STEP AHEAD, IN LIFE AND IN BUSINESS

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ING is doing well.....

- **Euromoney** has awarded ING as best Western European Bank and Best in Netherlands and Belgium, praising us for our operational excellence in cost reduction, digitalisation and innovation

- **Incompany 500** awarded ING for 'Financial institution with the greatest attraction' and 'best business partner' in the Netherlands

- **Cross Media Advertiser of the Year and Best Case**: The Cross Media Award is a professional award that is handed out at the initiative of Dutch Media Network. ING DBNL was praised for progressiveness, innovation in advertising, creativity and execution

- ING Belgium awarded for **"Best Next Gen Proposition"** at Private Banking London Awards 2015

- ING Belgium has been named the **best treasury and cash management bank** in Belgium in 2015 by Global Finance magazine

- ING Italy has been recognized as **super brand** both behind its relevant and but easy offers and its unique way to communicate to its clients in terms of messages, tone of voice and devices

- ING Romania awarded with 1st place at the **Gala** of Excellence in Customer Service - section banks, Gala No-Cash - The bank with the most active card portfolio

- ING Turkey Savings Tendency research has been awarded as the best project of 2014 **Golden Compass Award** by The Public Relations Association of Turkey (TUHID) in Agenda Setting category, regarded as Turkey's most prestigious award in communications.

- **Best Bank Mobile Application award for ParaMara**, the brand new product of ING Bank Turkey, Outstanding Website award for ParaMara.com.

- Germany **Best Bank** (8 times) and **Most Popular Bank** (9 times) and **Best Online Broker** (6 times) in Germany

- Poland **Contactless & Mobile Awards**, for most customer-oriented company, which have been building a good Customer Experience in all implemented area of modern payments

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...but the world is changing fast....
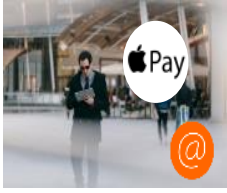
- Hungry new competitors are threatening the traditional banking model
- Banks need to use new partnerships and the latest technologies in new ways; using advanced analytics to know customers better

- Digitalisation is changing the way people use banking services, and what self-directed customers expect

- This changing world is creating both opportunities and challenges in international markets
- Banks need to use new insights, technologies and best practices faster across markets
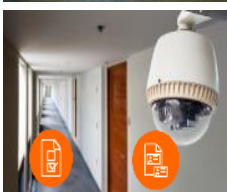
- Regulation is becoming more onerous. Banks are being forced to rethink business models and where they can compete effectively
- Banks to be more agile and reduce complexity in all their processes

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Therefore the think Forward strategy was launched in March 2014

Purpose

Empowering people to stay a step ahead in life and in business.

Customer Promise

Clear and Easy Anytime, Anywhere Empower Keep Getting Better

Strategic Priorities

Creating a differentiating customer experience

1 Earn the primary relationship

2 Develop analytics skills to understand our customers better

3 Increase the pace of innovation to serve changing customer needs

4 Think beyond traditional banking to develop new services and business models

Enablers

Simplify & Streamline | Operational Excellence | Performance Culture | Lending Capabilities

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Lending capabilties are an enabler for the new strategy, so what are the lending challenges?

Challenges in Business Lending

Obtain an **accurate view of the risk rating** of clients because the capital for Expected loss is still high

Identify opportunities to **grow the share of wallet** of their customers

Find **the most efficient and fast way of servicing customers** in providing and extending business loans given the general

Today's lending process

Companies: required to provide their financial information to banks which happens in different formats

Banks: **manual, time-consuming and error-prone data entry** of financial information into IT systems and **no standardized way of data exchange** This is the case for (annual) figures.... and there is a world to win in information about assets.

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Build on the challenges we can identify the SBR Business Case Drivers:

1. Better customer insight

- Cross- and deep-sell opportunities through data analytics
- Improved client insight

Short term benefits

2. More efficient data gathering and processing

- No more manual data entry for new loan applications and monitoring existing loans
- Faster response time for credit applications
- Faster and more accurate reporting possibilities to other parties e.g. AQR to ECB

Short term benefits

3. Improved Data Quality

- Impact on Profit & Loss (Cost of Capital)
- Impact on Risk Weighted Assets!

Medium term benefits

4. Improved Risk Models

- Different models (forecast figures, taxation reports etc.)
- Watch list procedure (better insight in liquidity)
- Lower provisions

Long term benefits

EL = PD ✗ LGD ✗ EAD

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Benefits for Lending clients

In general:

- Agreed data, delivered once & first time right

- Improved insight into own business, more query possibilities, 24 hours availability

- Improved compliancy

- Opens possibilities for other E-developments e.g. E - facturing

- Faster response time for credit applications

- More differentiation in limit & price of credit facility

The ING proposition:

For credit appraisals of Small and medium enterprises:

- till €250 discount on fee,

- faster response time (5 days for a loan)

For all annual figures:

- a benchmark report for the client

- Per 1 January 2017 the client will be charged €250 if the annuals figures are not delivered in SBR
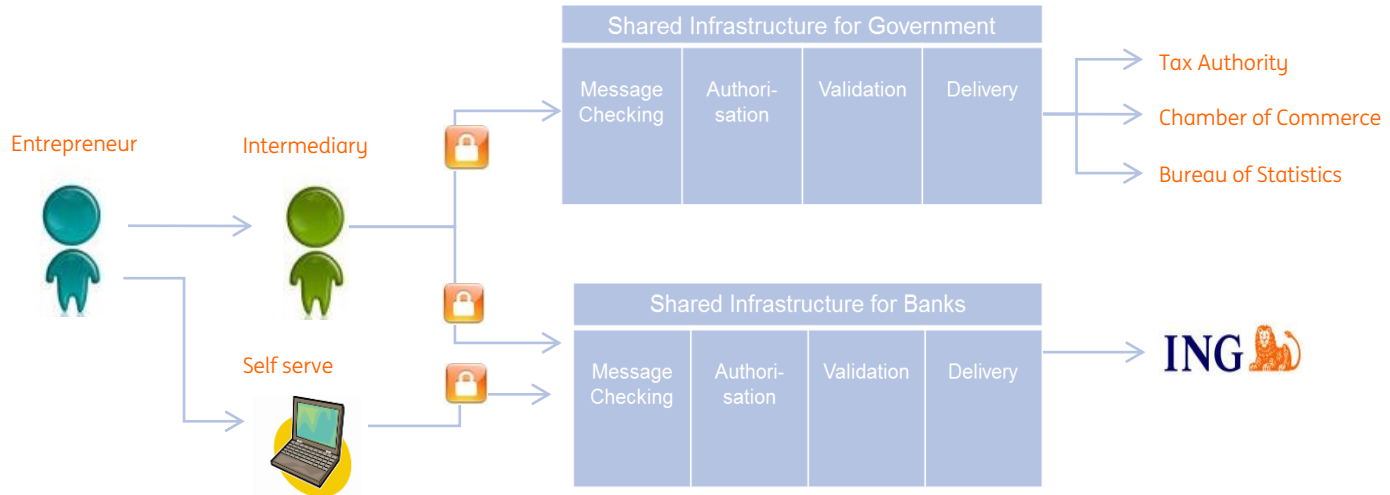

Cheaper Loans for XBRL Filers in the Netherlands
Posted on October 10, 2014 by Dave Nitchman

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In the Netherlands, banks adopted XBRL by leveraging on the shared infrastructure and taxonomies introduced by Government parties

Entrepreneur   Intermediary

Self serve

Shared Infrastructure for Government

Message Checking	Authori-sation	Validation	Delivery

→ Tax Authority
→ Chamber of Commerce
→ Bureau of Statistics

Shared Infrastructure for Banks

Message Checking	Authori-sation	Validation	Delivery

→ ING

XBRL for Banks is a **proven concept** in the Netherlands:

Since 2010, enterprises can deliver and banks can receive financial information electronically in XBRL-format, which is being used for credit applications and for yearly credit revisions

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The process of reporting starts with data from the client administration

	Group	Category	Category2	Description	Gr	Income USD	Expenses USD	Balance USD
1				**INCOME**				
2		100	1000	Withdrawals from post office current account	1			
3		110	4000	Various sales	1	2'000.00		2'000.00
4		112	4010	Donations	1			
5		113	4030	Other	1			
6	1			**Total INCOME**	00	2'000.00		2'000.00
7								
8				**EXPENSES**				
9		200	1000	Withdrawals to post office current account	2		500.00	-500.00
10		210	3010	Mailing supplies and stamps	2		50.00	-50.00
11		213	3020	Stationery, appliances, cleaning, etc.	2			
12		220	3030	Rent, electricity, water, telephone	2			
13		240	3000	Payment for goods	2		750.00	-750.00
14		250	3040	Salaries and personal loans	2			
15		260	3100	Fees and other permits	2			
16	2			**Total EXPENSES**	00		1'300.00	-1'300.00

In the Netherlands Charts of account use unique numbers for identifying different items. This differs per supplier.
By making a sematic code all charts are made compatible.
E.G.:

Income from Withdrawals from Current Accounts good be
IWCA= 1000

- Based on Semantic coding an Uniform Reference for Chart of Accounts has been developed
- It supports the Banking and National taxonomies
- It most likely will be based on the General link XBRL FR structure.
- In time this can migrate towards XBRL GL

RGS
Referentie GrootboekSchema

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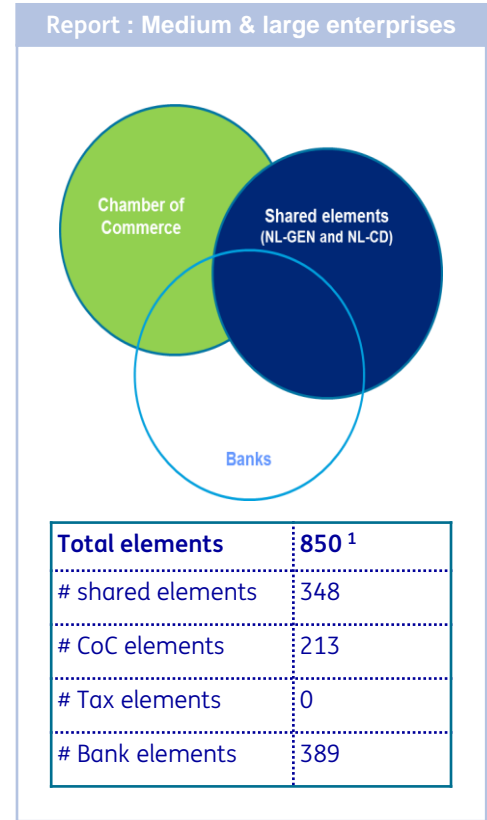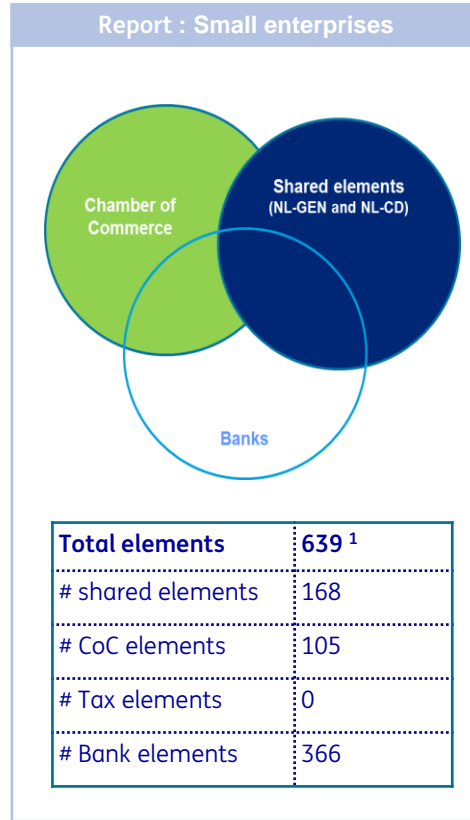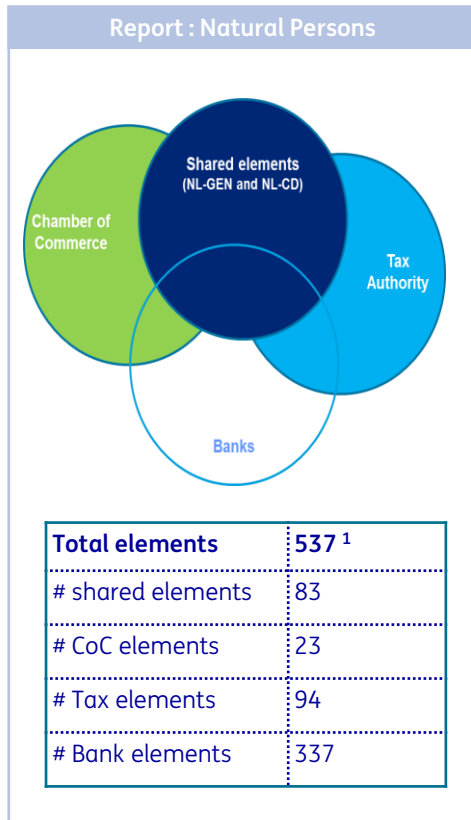# The banks have developed a Banking Taxonomy

Most important of reports supported in Banking Taxonomy version 2015.1:

- **Natural Persons**
  - Financial Report
  - Summary of Tax Declaration
  - Summary of Tax Declaration (incl. profit appendix)
- **Small Enterprises**
  - Financial Report – single
  - Financial Report – consolidated
  - Interim Financial Report – single & consolidated
- **Large & Medium Enterprises**
  - Financial Report – single
  - Financial Report – consolidated
  - Interim Financial Report - single & consolidated

Reports there are also reports for quarterly figures, prognoses etc.)

...and it is based on the SBR concept

Report : Natural Persons

Chamber of Commerce

Shared elements (NL-GEN and NL-CD)

Tax Authority

Banks

Total elements	537 [1]
# shared elements	83
# CoC elements	23
# Tax elements	94
# Bank elements	337

Report : Small enterprises

Chamber of Commerce

Shared elements (NL-GEN and NL-CD)

Banks

Total elements	639 [1]
# shared elements	168
# CoC elements	105
# Tax elements	0
# Bank elements	366

Report : Medium & large enterprises

Chamber of Commerce

Shared elements (NL-GEN and NL-CD)

Banks

Total elements	850 [1]
# shared elements	348
# CoC elements	213
# Tax elements	0
# Bank elements	389

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Expected Loss will drive the development of the Banking Taxonomy further

EL = PD ✖ LGD ✖ EAD

EL — Expected Loss on a borrower.

PD — The likelihood that a loan will not be repaid and will fall into default. Input for the calculations are annual figures, quarterly figures and prognoses.

LGD — The Recovery Rate (RR) is defined as the proportion of a bad debt that can be recovered. The base is the value of Collateral that is given to bank e.g. the value of a building. Input for the calculations are taxation reports, information from (rental)contracts etc.

EAD — Amount that the borrower owes to the bank at the time of default. Input are the figures from the bank own systems.

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Can banks leverage again on other taxonomies?

- The SBR concept is all about re-using and sharing processes, infrastructure.
- There are already international taxonomies open standards available e.g. OSCRE for leasing, real estate valuation, GFMA for Risk identification and Legal Entity Identification.
- So XBRL will be used new domains....

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Lessons learned

- A good product does not always sell it self; SBR must be actively promoted.

- If you define additional information outside the "normal" chart of accounts it will take time before it is available in XBRL

- Investment required by entrepreneur or intermediary in first year to gather and store the additional information. However, easier to provide as of year 2.

- Entrepreneurs are not prepared to pay for the additional work to be performed by accountants for extra information

- Senior Management commitment of the business required as of day 1helps a lot.

- Promote and encourage software suppliers and intermediaries that are XBRL ready.

- Keep repeating the message, communication is key….

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Annex 1. Program Governance involves various levels of steering

1 GOVERNMENT LEVEL	SBR COUNCIL	
	SBR PLATFORM	
	EXPERT GROUP NATIONAL TAXONOMY	EXPERT GROUP MARKETING & COMMUNICATION
	EXPERT GROUP PROCESS & TECHNIQUE	
2 JOINT VENTURE LEVEL (FRC)	(DAILY) MANAGEMENT	
	WORKING GROUP BANKING TAXONOMY	WORKING GROUP MARKETING & COMMUNICATION
	WORKING GROUP PROCESS & TECHNIQUE	WORKING GROUP MARKET SUPPORT
3 INDIVIDUAL BANK LEVEL	ABN·AMRO ING Rabobank	other banks joining

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Annex 2 Many market parties are involved in the SBR project