

In recent years ING Real Estate has improved its treasury and risk management strongly. This improvement was partly thanks to the development of risk models for interest, currency and real estate, and the selection and implementation of a new treasury management system. Zanders – ING's 'specialist supplier in Treasury & Risk Management' – has enjoyed making its contribution. There are almost too many projects to summarise, which is why we will mention just two.

ING Real Estate builds on Zanders

The ING Group's success as a banker, financier and insurer is widely recognised across the globe. But the fact that ING also has a strong global position in real estate is frequently overlooked. And undeservedly, because in recent years ING Real Estate has made a substantial contribution to the Group's growth and profit margin. "Yes, our operation was expanding considerably," says Ebbe Negenman, Senior Managing Director Market Risk Management. Four years ago, Negenman was asked to professionalise risk management within ING Real Estate. "Expansion was not in terms of staffing, but rather in turnover, which then led to the question as to whether that much money didn't entail just as many risks. The head office couldn't

gain sufficient insight into this issue, because part of the risk management for the real estate branch within ING Real Estate was handled by Treasury and part by the credit provider. But we weren't sure what kind of an impact a liquidity crisis would have, for instance."

Not just 'standard' banking market risks

Negenman intended to start by making an inventory of the risks. But wherever he looked, there was no such thing as a suitable model. After all, real estate differs from regular banking business, but as a division of ING, he had to be able to indicate all the risks in place for ING Real Estate as



though it were a financial institution. There was no choice but to develop the models himself. And this would require more professionals. Negenman turned to Zanders. Gerbert van Grootheest, consultant at Zanders: “These are great assignments! You have to immerse yourself in a special line of business, within an organisation operating worldwide.” This already presented an important challenge in itself. Negenman: “In the case of ING Real Estate, you’re talking about more than just interest rate risks. For instance, if we have 80 development projects in 14 countries, in each case a different risk is involved as the result of construction delays or vacancies.” Van Grootheest adds: “In such cases, it’s not sufficient to simply state that a country like Mexico is riskier than the Netherlands. You need to know which underlying variables make a country or project more risky.” Working in partnership with ING Real Estate’s internal staff, all the separate risks and variables were sorted out step by step. The risks were then quantified by Zanders. Suitable models were developed that can calculate economic capital for real estate, for example. The results of these models were then relayed back to the people in the business and discussed at length. “Now we can always proceed to elaborate the details further,” says Negenman. “But the structure is rock solid.”

From The Hague to Australia

Besides incorporating the risks into models, ING Real Estate also substantially professionalised the way in which risks (particularly interest rate, currency and liquidity risks) are managed. Here too, Zanders provided the necessary support, for instance in the selection and implementation of a new treasury management system in 2005. Mark Biermans, managing director of Treasury & Insurance Risk Management: “Before this we used to

work using one of the components of our ERP system. This was clearly too limited. In part on the advice of Zanders, we moved to SunGard AvantGard Quantum. This also enabled us to realise other objectives, such as bringing together our international treasury processes. All the way to Australia.” Zanders consultant Imke Dijkman served as project manager. “I enjoy realising new projects, particularly if they involve many different disciplines. Both front office and back office and market risk and ING branches as far away as Australia. A great challenge.”

Professionalism and Personality

Dijkman had already worked in market risk for ING in Amsterdam before this implementation project. Zanders does a lot of work for ING and by now its people know the organisation thoroughly. At ING Real Estate, there is specific appreciation for Zanders’ broad knowledge and experience. “You don’t have to explain as much to people from Zanders. In no time at all, they gain an understanding of our organisation’s business and company culture. They quickly become full members of the team. To me that shows both professionalism and personality. Whoever we get in here from Zanders, they all share the same enthusiasm for their field. They have the right spirit to solve complicated problems, they are happy to think along and join in the discussion and are prepared to assume responsibility. And they even join us for a drink afterwards.” <



▶ DO YOU WANT TO KNOW MORE ABOUT THE WORK OF ZANDERS AT ING REAL ESTATE? PLEASE CONTACT GERBERT VAN GROOTHEEST ON +31 (0)35 692 89 89.

ING Real Estate

For many years ING Real Estate, a division of the ING Group, has been the world’s largest investor in real estate. ING Real Estate’s total portfolio is worth over EUR 110 billion. 2007 pre-tax profit was EUR 723 million. ING Real Estate’s head office is in The Hague, the Netherlands, but its more than 2,500 employees are active in 21 countries on four continents.

ING Real Estate has three business lines:

- **Finance** – This is ING Real Estate’s ‘bank’, as it were – its (real estate related) credit provider. In 2007 this business line had over EUR 35 billion in loans in its portfolio, half of it in the Netherlands.
- **Development** – This business line is involved in the development of (commercial) real estate such as offices, shopping centres and homes. In this process, ING Real Estate focuses primarily on the rejuvenation of inner cities and the transformation of former harbour and industrial areas in Western Europe. The sale value of current and future projects is estimated at EUR 10 billion.
- **Investment Management** – This unit manages over 70 real estate funds worldwide, invested in by pension funds, insurers and other institutional parties, as well as more than 100 separate portfolios for specific clients. Invested capital totals more than EUR 72 billion.

◀ From left to right: Mark Biermans, Gerbert van Grootheest, Ebbe Negenman en Imke Dijkman

Track Record

Treasury Management

- * Interim manager, Treasury department
- * Study into ING Real Estate’s participation in the FinanceKIT (presently WallStreet Systems Suite) platform at ING Investment Management
- * Selection of the Treasury Management System
- * Project management implementation of SunGard AvantGard Quantum
- * Development of business blueprint for the global implementation of SAP Payments for the Finance business line (commissioned by SAP)

Risk Management

- * Development and implementation of various risk models, including for:
 - Interest rate and currency risks
 - Economic capital in ING’s real estate and land projects
 - Operational risks
 - Credit risks real estate mortgages
 - Investment risks real estate investments
- * Development Risk Dashboard for ING Real Estate for use by ING management
- * Development ALCO Treasury books for processing risks and returns in the Finance business line
- * Interim market risk manager for two business lines
- * Project manager for design Economic Capital Governance