ING: Origination & Risk Management of Private Debt

Linking Bank Loan Origination with Non-Bank Investors
CFA Risk Management Event, 2 October 2025, Amsterdam

Theo Korver, FRM
ING WB Head of Capital Management

do your thing

Theo Korver | Head of Capital Management

- Based in Cedar Amsterdam
- Msc Economics VU Amsterdam, FRM
- Started at ING in 2010 as Manager Business Development FM Sales
- Banker for live (ABN AMRO / ING) short stint at PGGM
- 53 years, married with Monique, three kids

...This presentation is on personal account.

Looking back at different Banking Models

US Banks Lending Model

- Banks originate & distribute
- High use of Standardized Credit Models
- 70% of debt via Capital Markets (Bonds, Securitization, CLO's)
- 30% of debt via Bank Lending (EU banks dominating specialized lending)
- Risk Appetite / Optimized Structure: High risk / high margins / standardized documentations

EU Banks Lending Model

- Banks originate & hold
- Extensive use of Internal Rating Credit Models
- 70% of debt via Bank Lending (Local EU banks competing with Pan European Players)
- 30% of debt via Capital Markets (Bonds)
- Risk Appetite / Optimize Structure: Low risk / low margins / specialized documentation
- Competition by insurers & asset managers only in specialized sectors (Infrastructure / Renewables)

Original emergence of Private Debt firms: Direct debt origination, direct competition with banks
=> Banks structure and underwrite (RCF Focus), Private Debt Funds lend (TLB Focus) and originate CLO's

Aim to capture illiquidity premium / improved risk profile.

But Basel IV has had a really strong impact on how banks operate

2017 — Introduction Basel IV

2025 — Implementation FIRB

2027 — Output Floor

Basel IV – Create Stable Payment & Banking System

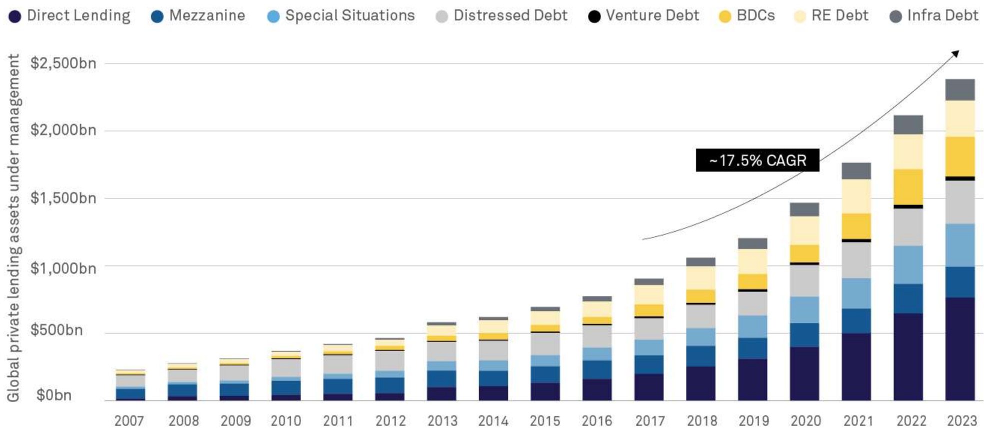
Impact Basel IV:

- Overall increased Capital Levels
- Minimum capital amounts & increased standardisation for Banks & Corporates
- Specialized lending possible but LGD Floors and increased model scrutiny
- Promote use of Capital Markets

Reality:

- Strong growth of Private Debt in certain markets (a.o. Acquisition Finance)
- Increased participation of Non-Bank Investors in most markets (US, EU, Asia).
- Reduced bank appetite for certain type of markets: simply not profitable
- US Securitization market at 200% of 2007 volume, EU at 70%
- Strong focus on Originate to Distribute

Strong growth in Private Debt



SOURCE: Preqin, Goldman Sachs Global Investment Research, as of December 31, 2023

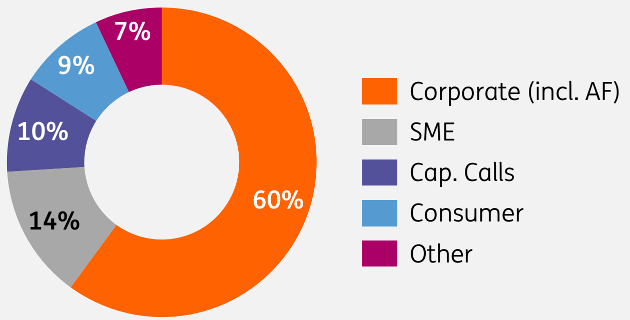
Leading to development of Distribution Tools, all with their own application and use

		Applicability: Pros/Cons	Typical Investors
FULL DISTRIBUTION	Primary syndications	✓ Strengthen **primary relationships** ✓ Generate **fee income** x **No direct** RWA release	✓ Banks ✓ Debt Funds ✓ Insurance Companies
FULL DISTRIBUTION	Secondary Loan Sales	✓ Ability to **reduce 100% RWA** ✓ Increase **Capital Velocity** x Loan format and language dependent	✓ Banks ✓ Debt Funds ✓ Insurance Companies
RISK TRANSFER	Future Flow Partnerships	✓ Allows to underwrite **larger tickets** ✓ Strengthen **primary relationships** ✓ **Increase fee income/ skim** ✓ Free up limits, but skin in the game required	✓ Debt Funds ✓ Insurance Companies
RISK TRANSFER	CPRI	✓ **Retain Assets** (silent risk transfer) & part of **NIM** ✓ Support larger tickets size with full retention of fees x Sector **Caps** x **Limited** RWA release, skin in the game required	✓ Re-Insurers ✓ Insurance Companies
RISK TRANSFER	CDS	✓ **Market** instead of though the cycle **pricing** x **Limited set of names** x Costly in times of stress	✓ Banks ✓ Hedge Funds
RISK TRANSFER	Significant Risk Transfer	✓ Reduce RWA on **portfolio level** ✓ **Retain Assets** (silent risk transfer) & part of **NIM** ✓ **The only optimization** tool for **illiquid assets (e.g. RCF)** x Depends on **Model readiness** x Requires **ECB Approval** x Complex Structuring	✓ Specialised Asset Managers ✓ Global Asset managers ✓ Pension Funds ✓ Supra's

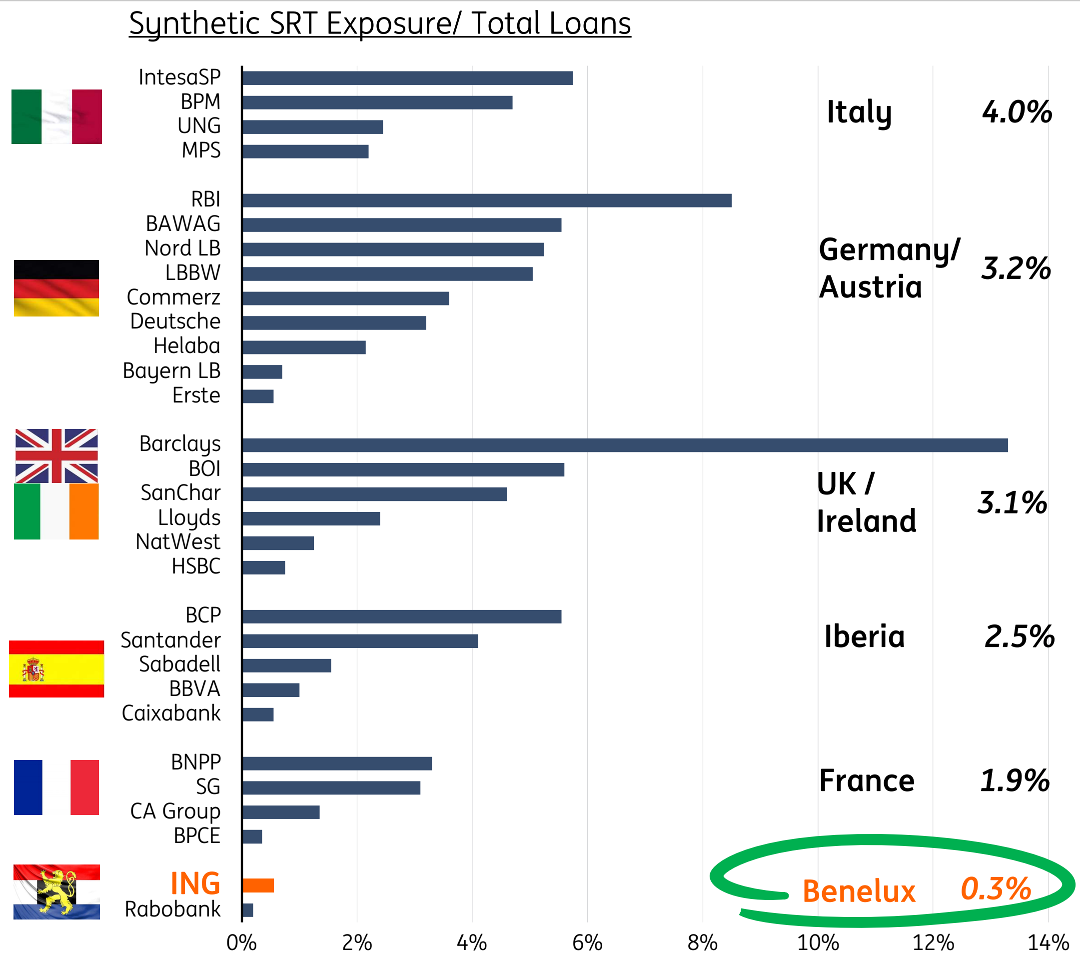
With SRT now in the spotlight of attention both positive & negative

- **Global SRT issuance has grown recently**. The # of banks issuing SRT in the last 8 years doubled (ca. 70 banks in '22)
- **In '23, ca. 100 SRTs were issued in EU (EUR 140 bn).** UK, France and Italy with biggest issuance, while **Benelux is lagging**
- **Corporate Credit** (incl. Acquisition Finance) as a **key asset class covered by SRT** ('23)

Underlying SRT Asset Class ('23)



Italy, Germany and UK with the highest SRT issuances in Europe

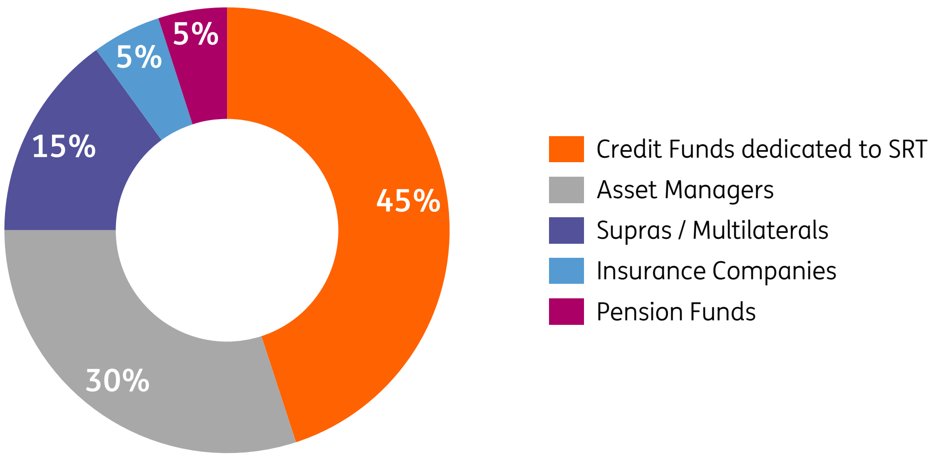


But still developing and maturing.

Global Investor Base seeking access to general bank originated and serviced asset class but looking for Equity type returns

Access to assets otherwise unattractive (ie RCF's):
- To low a yield
- Impact on liquidity

SRT Investor Base [1]



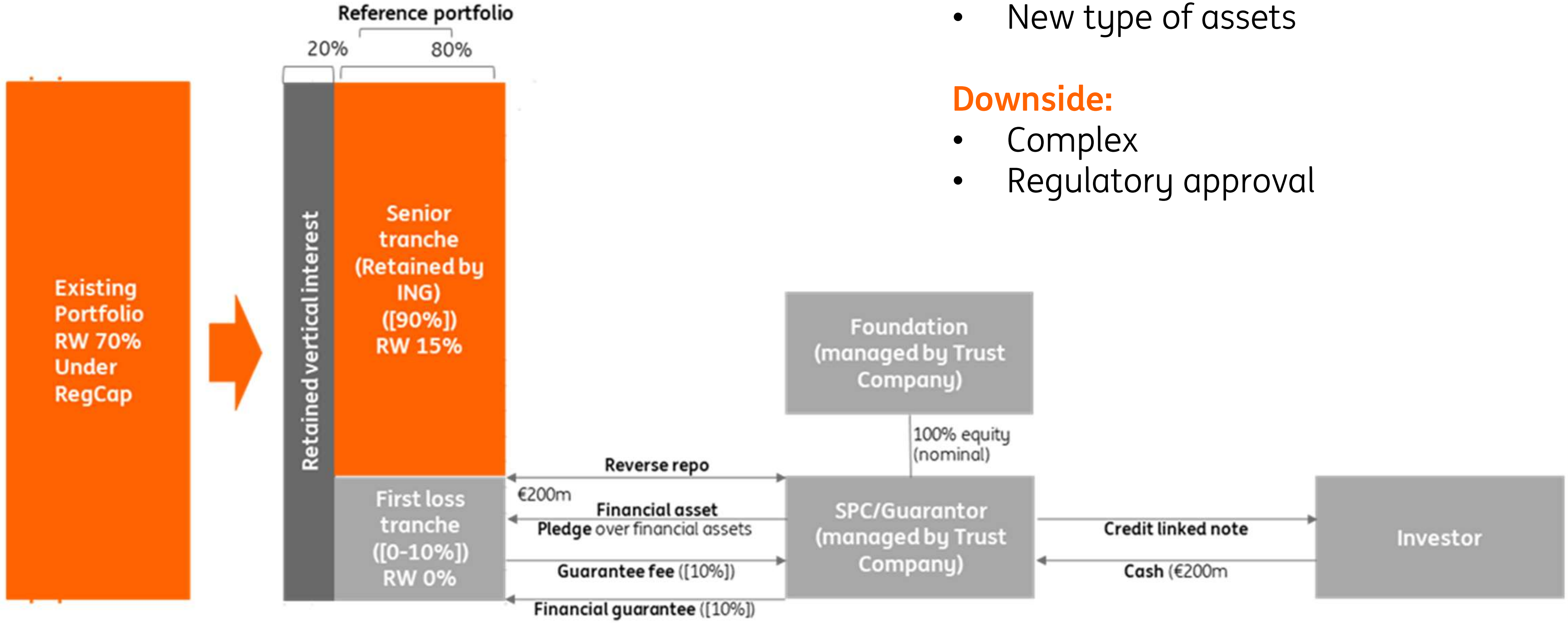
Global LP's:
1. Sovereign Wealth Funds
2. Pension Funds
3. Central Banks
4. Insurance Companies
5. Endowment Funds
6. Family Offices

Global GP's, structuring for clients or own account:
1. Part of Large Global Asset Managers (e.g. BlackStone, Blackrock)
2. Specialized Alternative Investment Funds (e.g. Mariner, PAG)
3. (Re)Insurance Companies (e.g. ARCH, AXA)
4. Pension Funds (e.g. PFZW, APG)
5. Sovereign Wealth Funds (e.g. GIC)

[1] *ECB: A new high for SRT securitizations, August 2023*

SRT allows attractive investment opportunities and cost-effective risk distribution

Illustrative example



Upside:

- Dual benefit (originator / issuer)
- Immediate diversification
- New type of assets

Downside:

- Complex
- Regulatory approval

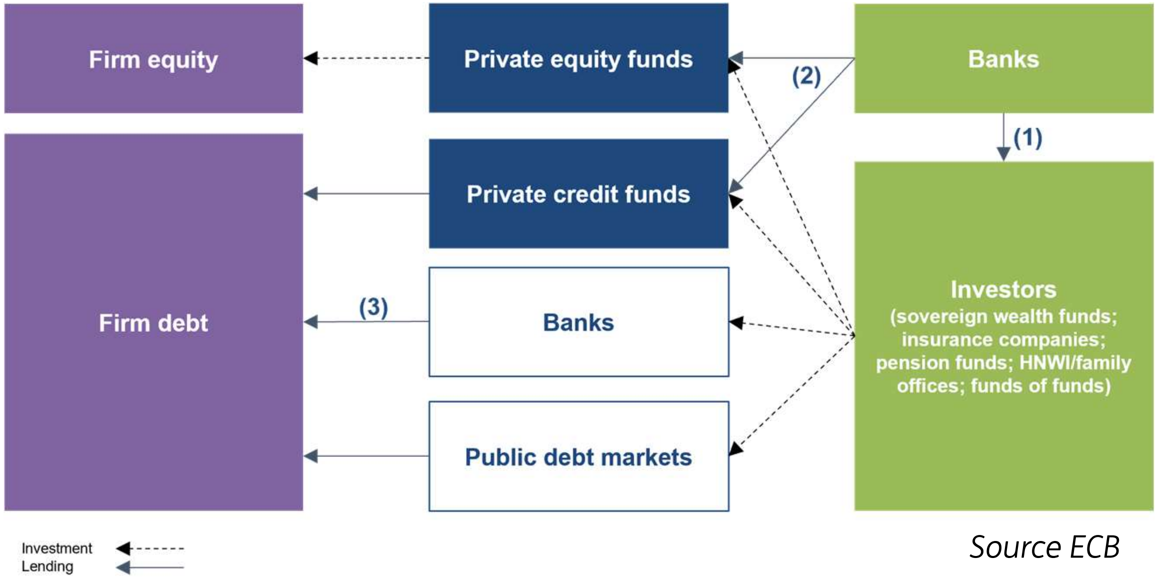
But is the solution for the Capital Markets Initiative also the introduction of new Systemic Risk?

Regulatory focus

ECB Supervision Blog June 2025: "Hidden leverage and blind spots"

- Providers of liquidity: Revolving Credit Facilities / Capital Call Facilities / (Il)liquid Repo Facilities
- Providers of leverage: NAV-Facilities, Balance Sheet Securitization, etc.

So has the risk been transferred off the bank balance sheets?



Source ECB

To it's defense

- Generally Secured lending only
- Senior positions
- Very low default portfolio's
- Non – recourse
- LP exposures, limited GP exposure

To it's detriment

- Non-regulated
- Non-transparent
- Generally illiquid
- Yield rather than risk focus
- Use of blind pools
- Interconnectedness unknown

Conclusion / Food for Thought

- Private debt lending is here to stay
- Further growth expected and supported by regulation
- Role of bank lending to focus on selective markets:
  - Retail (large number of counterparties / highly regulated)
  - Flexibility (RCF’s, construction facilities)
  - Non-Bank FI Liquidity and leverage providers

But:

- Do we have sufficient assets to feed the demand?
- What returns over time are realistic?
- How interconnected are we actually and how to find out?

Questions?

do your thing