

2.4 Additional financial information

RAROC performance

ING Bank applies the Risk Adjusted Return on Capital framework (RAROC). This method consistently measures the performance of different activities and has a clear link to shareholder-value creation. The use of RAROC increases focus on risks versus return in the decision-making process, and consequently stimulates the use of scarce capital in the most efficient way. Risk-adjusted pricing tools are also used as a basis for the pricing of certain transactions and as an important determinant in the credit-approval procedures.

RAROC is calculated as the risk-adjusted return divided by economic capital. The risk-adjusted return is based on similar valuation policies as applied in the financial accounts, with two important exceptions. The actual credit-risk provisioning is replaced by expected losses reflecting statistically calculated average credit losses over the entire economic cycle. In addition the profit and loss account is adjusted for effects that relate to replacing actual book capital by economic capital.

Underlying RAROC for banking operations

	RAROC (after-tax)		RAROC (pre-tax)	
	2007	2006	2007	2006
Netherlands	14.8%	13.1%	18.0%	17.7%
Belgium	27.5%	28.6%	26.1%	28.0%
Rest of the world	13.8%	16.8%	12.3%	16.7%
Other Wholesale	-35.5%	-3.6%	-66.5%	-17.6%
Subtotal Wholesale Banking	17.6%	17.7%	17.6%	19.2%
ING Real Estate	32.7%	40.1%	44.6%	58.6%
Total Wholesale Banking	20.3%	20.6%	22.5%	24.3%
Netherlands	60.4%	46.4%	78.8%	65.9%
Belgium	45.8%	45.5%	55.6%	60.5%
Poland	56.9%	17.6%	70.5%	22.5%
Other Retail	2.0%	-0.5%	0.9%	-1.9%
Total Retail Banking	39.5%	32.0%	50.3%	44.4%
Total ING Direct	14.3%	11.8%	17.7%	19.4%
Corporate Line	-59.5%	-60.8%	-86.8%	-115.4%
Total banking operations	22.3%	20.5%	26.2%	26.2%
Total banking operations including divestments and special items	19.9%	19.7%	23.1%	25.5%

Note: The underlying figures exclude divestments and special items.