

Wholesale Banking

Meeting clients' needs

Key points

- > Resilient results in challenging business conditions
- > Generator of high-quality assets and important source of market and risk expertise
- > Landmark deals illustrate services and capabilities
- > Using capital efficiently to stimulate growth

Profit and loss account* (underlying)

in EUR million	2007	2006	change
Total income	5,860	5,804	1.0%
Operating expenses	3,576	3,400	5.2%
Additions to loan-loss provisions	-115	-121	
Underlying profit before tax	2,399	2,525	-5.0%
Total profit before tax**	2,261	2,481	-8.9%

* These numbers include the result from ING Real Estate which reports to Wholesale Banking. ING Real Estate is discussed in detail in the chapter on asset management together with ING Investment Management.

** Total profit before tax is defined as profit before tax including divestments and special items.

Key figures (underlying)

	2007	2006
After-tax RAROC	20.3%	20.6%
Economic capital (in EUR billion)	7.8	8.1

UNDERLYING PROFIT BEFORE TAX

in percentages



Wholesale Banking	25%
Rest	75%

BREAKDOWN UNDERLYING PROFIT BEFORE TAX

in EUR million



General Lending & PCM	29%	696
Structured Finance	17%	409
Leasing & Factoring	9%	220
Financial Markets	15%	354
Other	2%	56
ING Real Estate	28%	664
Total	100%	2,399

Wholesale Banking achieved resilient results in 2007 in what was a very challenging business environment and with financial markets experiencing significant turbulence. Profitable growth was achieved by concentrating on the needs of clients and on high value-added products, especially in the home markets. There was also a focus on reducing expenses, improving capital efficiency and stimulating growth. Wholesale Banking's position as a full-service Benelux bank, a specialist products provider and a growing force in emerging markets helped it perform well in unusually difficult business conditions.

FINANCIAL DEVELOPMENTS

Underlying profit before tax declined 5.0% to EUR 2,399 million. Higher profits were recorded in General Lending & Payments and Cash Management, Leasing & Factoring, ING Real Estate and Other Wholesale Products. Underlying profit from Structured Finance decreased 20.6% to EUR 409 million, including a markdown of EUR 29 million on the Leveraged Finance book in the third quarter of 2007. Financial Market profit declined 30.5% to EUR 354 million. The subprime crisis and related issues had a negative pre-tax impact on Financial Market profit of EUR 106 million in the fourth quarter of 2007.

Including the provisions booked as special items in 2007 and the impact of the divestment of Williams de Broë and Deutsche Hypothekenbank in 2006, total profit before tax decreased 8.9% to EUR 2,261 million. Total underlying income rose 1.0% to EUR 5,860 million driven by ING Real Estate and Other Wholesale Products, while income from Financial Markets activities declined 11.2%. Underlying operating expenses remained under control, rising 5.2% to EUR 3,576 million. Fast growing ING Real Estate contributed 2.8%-point to this increase. The underlying cost/income ratio increased to 61.0% from 58.6% in 2006.

Risk costs were again negative in 2007. The net release from the provision for loan losses was EUR 115 million compared with a net release of EUR 121 million in 2006. Gross additions remained low, reflecting the strong quality of the credit portfolio. The net release in 2007 equalled seven basis points of average credit-risk-weighted assets, unchanged compared to the net release in 2006.

The underlying risk-adjusted return on capital (RAROC) after tax from Wholesale Banking declined to 20.3% from 20.6% in 2006. Average economic capital decreased 4.6% to EUR 7.8 billion due to model refinements. All product groups are performing above ING's 12% return hurdle, with the exception of General Lending & Payment and Cash Management. The after-tax RAROC of this product group increased to 9.7% from 7.3% in 2006.

Efforts to increase efficiency will also continue, with an aim to reduce the cost/income ratio to 55% by 2010 while further increasing the risk-adjusted return on capital. A number of initiatives were started in 2007 to stimulate growth and reduce operating expenses. Provisions totalling EUR 139 million before tax were booked as special items which are excluded from the underlying results.

ING Real Estate's business portfolio increased by 18.2% to EUR 107.2 billion, driven by strong growth in the lending portfolio which increased 42.0% to EUR 32.1 billion. Underlying profit

before tax from ING Real Estate rose 5.2% to EUR 664 million. Profit before tax of Investment Management increased 13.9% to EUR 156 million. The profit of the Investment Portfolio rose 31.2% to EUR 261 million reflecting higher realised gains and fair value changes on investments, while profit at the Finance activities increased 16.9% to EUR 214 million. Profit from Development declined to EUR 33 million from EUR 112 million in 2006 when profits included exceptionally high gains on the sale of completed projects. The after-tax RAROC of ING Real Estate decreased to 32.7% from 40.1% in 2006.

HIGHLIGHTS

Wholesale Banking plays an integral role in ING, attracting new business and generating profitable growth through a number of channels, including general lending, leasing and structured finance. Wholesale Banking also offers the Group key skills in balance sheet management, including funding and liquidity management. In 2007, Wholesale Banking deepened its client relationships, closed a number of landmark deals, reduced costs and improved returns through more efficient use of capital.

ING offers wholesale banking services to mid-corporates, corporates and financial institutions in more than 40 countries. In the Netherlands and Belgium, ING is a full-service bank with a wide range of products, from cash management to corporate finance. ING also offers an extensive range of services in Poland and Romania and other Central and Eastern European markets. In other countries Wholesale Banking has a product and client range that is more selective. In all areas, ING is trying to boost growth by offering a range of leading banking services and products.

Wholesale Banking has six units: General Lending & Payments and Cash Management (PCM); Structured Finance; Leasing & Factoring; Financial Markets; Other Wholesale Products, and ING Real Estate, the world's largest real estate investment manager. Structured Finance and Financial Markets are competitive internationally and are well-positioned for further growth. In Europe, ING is also a leader in PCM and Leasing.

General Lending & PCM volumes growth

Volumes increased in both General Lending and Payments & Cash Management over the year due to concerted efforts in the Benelux and growth initiatives in Central and Eastern Europe. The volume increases were largely offset by continued pricing pressure due to strong competition, with some of the pressure subsiding in the second half of the year.

General Lending is used as an entry product across all regions to attract customers and to cross-sell high-value products. It continues to focus on capital optimisation activities to increase value creation, including an 'originate-to-distribute' strategy, where originated loans are sold before reaching maturity.

Volumes in PCM rose due to bigger transactions and the renewal of key contracts. European companies have been directing increasing amounts of cash management business to just a few financial institutions, including ING, as scale becomes more important. Wholesale Banking is focusing on certain client segments such as large pension funds, health insurance companies, financial institutions and mid-corporates. ING won a number of sizeable cash services mandates in 2007 from large