

ING Real Estate the global leader

ING Real Estate had another year of solid growth, with assets under management increasing by 10% over the year, its loan portfolio growing by 42% and a development portfolio growing to EUR 3 billion. At the year-end, ING Real Estate's total portfolio was EUR 107.2 billion, up 18.2 % on 2006, and profit before tax increased by 5.2% to EUR 664 million.

With a diversified business model, ING Real Estate weathered the turmoil in the finance and real estate markets well. ING Real Estate Investment Management broadened its product offer, providing investors with new investment strategies and funds, Real Estate Finance diversified further internationally and Real Estate Development maintained its focus on Europe while growing its development pipeline. Turn to the Asset Management chapter, page 50, for further details.

Winning a number of landmark deals

Wholesale Banking completed a number of important deals in 2007 that illustrate its array of services and capabilities. Corporate Finance advised the Van Gansewinkel Groep in an auction process in January resulting in the sale of the company to the private equity firms CVC and KKR. In April, ING landed a mandate to advise Akzo Nobel with its EUR 1.6 billion share buy-back.

ING advised KPN on its acquisition of Getronics in July. Corporate Finance successfully advised KPN on four public offers for the Dutch IT company to an enterprise value of EUR 1.2 billion. Two months later, ING was one of three banks providing KPN with a EUR 1.25 billion loan for standby and general corporate purposes. The long-standing relationship with KPN was again confirmed when ING's Debt Capital Markets was chosen to be a joint bookrunner for a EUR 1.25 billion five-year bond.

In September, ING participated as one of four joint bookrunners in a EUR 2 billion deal for General Electric Capital Corp., the biggest euro-denominated transaction ever issued by GECC. ING also won several other large transactions, including a financing for an Indonesian integrated energy provider and a Ukrainian real estate company. ING rounded off the year with an important advisory mandate in December when it advised Vedior on the intended public offer by Randstad. Corporate Finance acted as joint adviser to Vedior in this important EUR 3.5 billion transaction, which would create the second largest human resources services company in the world.

Containing operating expenses

Wholesale Banking sought to contain expenses without impairing growth opportunities. Expenses rose in 2007 due to growth at ING Real Estate, higher compliance costs and investments in Structured Finance, Financial Markets, Leasing, as well as in PCM to prepare for SEPA. ING implemented a number of cost containment initiatives in 2007 to reduce operating expenses and to stimulate growth. Wholesale Banking has also been working on re-engineering the lending process, reducing the number of full-time equivalents and cutting support services.

In 2007, ING initiated GLOBE (Global Lending Operating and Business Environment), a major business transformation strategy aimed at improving business lending and streamlining the number of products offered to clients, reducing the cost of production and

administration, enhancing control and compliance and improving the overall client experience.

Investing capital for growth

ING has been reallocating capital and making funds available selectively to protect and increase its revenue base. Wholesale banking has continued to invest in both existing and new products to improve returns and deliver profitable growth.

Growth initiatives – especially in Structured Finance, Financial Markets and Real Estate – will focus on areas where ING can make the best returns. These initiatives are expected to accelerate earnings and revenue growth, reduce the cost-income ratio and increase the risk-adjusted return on capital.

ING decided to transfer mid-corporate clients in its home markets from Wholesale Banking to Retail Banking with effect from 1 January 2008. The transfer will allow ING's domestic banking organisations in The Netherlands, Belgium, Poland and Romania to operate under a single management and a single brand. Wholesale Banking initiated a new corporate client coverage model to improve the quality of account management and to prioritise high value-adding products.

The rolling out of a single ING brand globally is an important differentiator for Wholesale Banking which will help to build and maintain strong client relations. New opportunities have been created in the home market after the takeover of ABN AMRO by a consortium of Fortis, Royal Bank of Scotland and Banco Santander. Our creation of a full-service bank in the Netherlands, operating under one brand, gives ING a strong position to gain market share.

Prioritising regulation and compliance

Wholesale Banking continued to invest in compliance to ensure we remain competitive and demonstrate to our clients that we have the highest possible compliance standards. We have focused on preparation for Basel II (the Revised International Capital Framework) and MiFID (the Markets in Financial Instruments Directive), and continue to ensure we apply the highest standards across all of our businesses and that we maintain an excellent reputation.

CONCLUSIONS AND AMBITIONS

Although 2007 produced challenging business conditions, Wholesale Banking remained resilient and delivered good results by focusing on high value-added products, especially in the home markets. This was accompanied by a focus on reducing expenses, improving capital efficiency and actively stimulating growth. Wholesale Banking remains the largest contributor of profit within the Group and has a clearly defined focus and ambition to be a full-service Benelux bank, specialist products provider and to have key franchises in the emerging markets. Wholesale Banking also offers key balance sheet management skills.

Priorities have been identified to provide further growth and to retain and gain competitive advantages in a difficult business environment. Wholesale Banking seeks to increase efficiencies and to further improve the cost/income ratio. ING will allocate further capital to support growth in key product areas and to ensure it maintains returns at attractive level.