

1.2 Report of the Executive Board

Capital management (continued)

Capital Management also routinely adjusted the delta hedge for employee options throughout the year. At the start of 2007 ING Group held 52.7 million shares as a hedge against employee options. At the end of 2007 this amount was 36.0 million.

As a result of buy-backs, warrants and delta hedging transactions the number of shares outstanding in the market decreased by 52 million to 2,099 million.

At the end of 2006, 17.2 million warrants B were outstanding. These warrants entitle the holder to purchase two ordinary ING Group shares at a price of EUR 24.96 each. During 2007, 7.9 million of these warrants were exercised, leading to the issue of 15.8 million new shares. During the early days of January 2008 the last of the warrants were exercised, leading to further issuance of more than 18 million shares. No warrants were outstanding after 8 January 2008.

CAPITAL MARKET TRANSACTIONS

In order to obtain regulatory capital relief under Basel I, ING Bank had two conduits, with own originated assets and also the senior positions of own originated asset securitisations, called Mane and Simba. These conduits funded these positions with short dated asset-backed commercial paper. The advent of Basel II made these conduits largely obsolete. As a result of the widening of spreads for this paper after the summer and of the fact that alternative sources of funding for ING Bank became much more competitive, ING unwound these conduits in the third quarter of 2007. With the unwind approximately EUR 6 billion of Basel I risk-weighted assets (RWAs) were added to ING Bank as of the end of the third quarter.

Already during the first half of 2007 Capital Management had started to execute internal securitisations to enhance ING Bank's already substantial liquidity buffer. The AAA rated senior positions of these securitisations can be used as collateral for liquidity. Thus EUR 29.3 billion of collateral was created during 2007.

ACQUISITIONS AND DIVESTMENTS

For the first time in a number of years 2007 was a year with significant acquisition activity. Two major transactions were concluded: the acquisition of Oyak Bank in Turkey and the acquisition of the Latin American pension fund business of Santander. Total consideration for these two purchases was approximately EUR 2.5 billion.

ING Insurance bought the asset management entity Landmark in Korea, a further 5% of ING Life Korea from Kookmin Bank and the pension administrator AZL in the Netherlands. Further acquisitions at ING Bank included the internet broker Sharebuilder in the United States, lease operations in Eastern Europe and a stake in TMB in Thailand.

2007 was also a very active year for divestments: the broker business of ING Insurance Belgium was sold, as was the remaining stake that ING Insurance held in Goudse Verzekeringen. At ING Bank most of the trust activities were sold, and next to that also RegioBank and Nationale Borg in the Netherlands, as well as a factoring joint venture in Belgium. The stakes in both SulAmérica in Brazil and Bank of Beijing in China were partially diluted through an IPO.

CAPITAL MANAGEMENT TRANSACTIONS IN 2007

In 2007, Capital Management has executed the following funding transactions:

For ING Groep N.V.

- USD 1,045 million hybrid Tier-1 capital in the US retail market, fixed rate
- USD 1,500 million hybrid Tier-1 capital in the US retail market, fixed rate
- EUR 1,750 million 10-year senior bond in the European institutional market, fixed rate

For ING Bank N.V.

- USD 2,000 million Lower Tier-2, Institutional Eurodollar market, floating rate