ING GROEP NV
Form 20-F
March 30, 2004

Table of Contents

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 20-F**

**(Mark One)**

o REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2003

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-14642

**ING GROEP N.V.**

(Exact name of registrant as specified in its charter)

The Netherlands
(Jurisdiction of incorporation or organization)

**ING Groep N.V.**
**Amstelveenseweg 500**
**1081 KL Amsterdam**
**P.O. Box 810, 1000 AV Amsterdam**
**The Netherlands**
**(Address of principal executive offices)**

**Securities registered or to be registered pursuant to Section 12(b) of the Act:**

| Title of each class | Name of each exchange on which registered |
|---|---|
| American Depositary Shares, each representing one ordinary share | New York Stock Exchange |
| Ordinary shares, nominal value EUR 0.24 per Ordinary share and Bearer Depositary receipts in respect of Ordinary shares* | New York Stock Exchange |
| 7.70% Noncumulative Guaranteed Trust Preferred Securities | New York Stock Exchange |
| 9.20% Noncumulative Guaranteed Trust Preferred Securities | New York Stock Exchange |
| 7.05% ING Perpetual Debt Securities | New York Stock Exchange |
| 7.20% ING Perpetual Debt Securities | New York Stock Exchange |

| | |
|---|---|
| 6.20% ING Perpetual Debt Securities | New York Stock Exchange |

* Listed, not for trading or quotation purposes, but only in connection with the registration of American Depositary Shares pursuant to the requirements of the Securities and Exchange Commission

**Securities registered or to be registered pursuant to Section 12(g) of the Act:**

None

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:**

None

**Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.**

| | |
|---|---|
| Ordinary shares, nominal value EUR 0.24 per Ordinary share | 2,115,901,441 |
| Bearer Depositary receipts in respect of Ordinary shares | 2,114,961,163 |

**Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.**

Yes þ o No

**Indicate by check mark which financial statement item the registrant has elected to follow:**

o Item 17 Item 18 þ

---

## TABLE OF CONTENTS

Table of Contents

## PRESENTATION OF INFORMATION

In this Annual Report, references to ING Groep N.V. , we and us refer to the ING holding company, incorporated under the laws of the Netherlands, and references to ING , ING Group , the Company and the Group , refer to ING Groep N.V. and its consolidated subsidiaries. ING Groep N.V. s primary insurance and banking subsidiaries are ING Verzekeringen N.V. (together with its consolidated subsidiaries, ING Insurance ) and ING Bank N.V. (together with its consolidated subsidiaries, ING Bank ), respectively.

ING presents its consolidated financial statements in euros, the currency of the Economic and Monetary Union. Unless otherwise specified or the context otherwise requires, references to $ , US$ , Dollars , and US Dollars are to t United States dollars and references to EUR and are to euros.

Solely for the convenience of the reader, this Annual Report contains translations of certain euro amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the translated amounts actually represent such dollar or euro amounts, as the case may be, or could be converted into U.S. dollars or euros, as the case may be, at the rates indicated or at any other rate. Therefore, unless otherwise stated, the translations of euros into U.S. dollars have been made at the rate of euro 1.00 = $ 1.2088 the noon buying rate in New York City for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate ) on March 3, 2004. Except as otherwise noted, financial statement amounts set forth in this Annual Report are presented in accordance with generally accepted accounting principles in the Netherlands ( Dutch GAAP ), which differ in certain significant respects from U.S. GAAP. Reference is made to Note 6 to the Consolidated Financial Statements for a description of the significant differences between Dutch GAAP and U.S. GAAP and a reconciliation of certain income statement and balance sheet items to U.S. GAAP. Certain amounts set forth herein may not sum due to rounding.

Unless otherwise indicated, gross premiums, gross premiums written and gross written premiums as referred to in this Annual Report include premiums (whether or not earned) for insurance policies written during a specified period, without deduction for premiums ceded, and net premiums, net premiums written and net written premiums include premiums (whether or not earned) for insurance policies written during a specified period, after deduction for premiums ceded.

**Table of Contents**

## CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Certain of the statements contained in this Annual Report that are not historical facts, including, without limitation, certain statements made in the sections hereof entitled Information on the Company, Dividends, Operating and Financial Review and Prospects, Selected Statistical Information on Banking Operations and Quantitative and Qualitative Disclosure of Market Risk are statements of future expectations and other forward-looking statements that are based on management s current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation,

changes in general economic conditions, including in particular economic conditions in ING s core markets,

changes in performance of financial markets, including emerging markets,

the frequency and severity of insured loss events,

changes affecting mortality and morbidity levels and trends,

changes affecting persistency levels,

changes affecting interest rate levels,

changes affecting currency exchange rates, including the euro-U.S. dollar exchange rate,

increasing levels of competition in the Netherlands and emerging markets,

changes in laws and regulations

regulatory changes relating to the banking or insurance industries,

changes in the policies of central banks and/or foreign governments,

general competitive factors, in each case on a global, regional and/or national basis.

ING is under no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason. See Item 3. Key Information Risk factors and Item 5. Operating and Financial Review and Prospects Factors affecting results of operations.

Table of Contents

# PART I

## Item 1. Identity Of Directors, Senior Management And Advisors

Not Applicable.

## Item 2. Offer Statistics And Expected Timetable

Not Applicable.

## Item 3. Key Information

In the table below, we provide you with summary historical data of ING Group. We have prepared this information using the consolidated financial statements of ING Group for the five years ended December 31, 2003. The financial statements for the five fiscal years ended December 31, 2003 have been audited by Ernst & Young Accountants, independent auditors, except for the financial statements of ING Bank N.V., a direct wholly-owned subsidiary, which were audited by KPMG Accountants N.V. and whose report, only insofar as it relates to the 2003, 2002 and 2001 Consolidated Financial Statements, is based in part upon the reports of other auditors.

The consolidated financial statements are prepared in accordance with Dutch GAAP, which differ in certain significant respects from U.S. GAAP. You can find a description of the significant differences between Dutch GAAP and U.S. GAAP and a reconciliation of certain income statement and balance sheet items to U.S. GAAP in Note 6 to the Consolidated Financial Statements.

In 2003, no material changes in net profit existed between the Dutch GAAP accounting principles and the US GAAP accounting principles, see Notes to the Consolidated Financial Statements: Differences between Dutch and US accounting principles .

In 2002, a significant difference existed between the net profit pursuant to Dutch GAAP accounting principles, which amounted to EUR 4,500 million, and the net profit pursuant to US GAAP accounting principles which amounted to EUR (9,627) million. This difference was primarily the result of the new goodwill requirements (SFAS 142) under US GAAP. As of January 2002, goodwill is no longer amortized, but tested for impairment annually. This change resulted in a non-cash transitional impairment loss in 2002, related to the carrying value of goodwill as at December 31, 2001, of EUR 13,103 million, which was required to be recognized under US GAAP net profit 2002 as the cumulative effect of changes in accounting principles. Excluding the effects of changes in accounting principles US GAAP net profit 2002 was EUR 3,476 million compared with EUR 1,770 million in 2001. Other than the transitional impairment loss in 2002 no additional goodwill impairments were recognized in 2002, in 2003 ING Group recognized an goodwill impairment charge of EUR 101 million.

Under ING Group accounting principles goodwill paid on acquisitions including related intangible assets are charged directly to Shareholders equity.

ING Group evaluates the results of its insurance operations and banking operations using non-GAAP financial performance measures called operating profit before tax and operating net profit. Operating net profit and operating profit before tax are defined as profit before tax and net profit, excluding:

- capital gains and losses on equity securities, the impact of the negative revaluation reserve on equity securities, and

realized gains on divestitures that are made with the purpose of using the proceeds to finance acquisitions.

While these excluded items are significant components in understanding and assessing the Group s consolidated financial performance, ING Group believes that the presentation of operating profit enhances the understanding and comparability of its segment performance by highlighting net income attributable to ongoing operations and the underlying profitability of the segment businesses. We believe that trends in the underlying profitability of ING Group s businesses can be more clearly identified without the fluctuating effects of realized capital gains and losses on equity securities and

Table of Contents

the impact of the negative revaluation reserve on equity securities. These results are largely dependent on market cycles and can vary across periods. The timing of sales that would result in gains or losses is largely at the discretion of the company. The realized gains on divestitures that are made with the purpose of using the proceeds to finance acquisitions are excluded because the timing of these gains is largely subject to the company s discretion, influenced by market opportunities and ING Group does not believe that they are indicative of future results. Operating profit before tax and operating net profit are not a substitute for profit before taxation and net profit as determined in accordance with Dutch GAAP. ING Group s definition of operating profit before tax and operating net profit may differ from those used by other companies and may change over time.

The following information should be read in conjunction with, and is qualified by reference to the Group s Consolidated Financial Statements and other financial information included elsewhere herein.

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | **2003 USD(1)** | **2003 EUR** | **2002 EUR** | **2001(2) EUR** | **2000(2)(3) EUR** | **1999 EUR** |
| | **(in millions, except amounts per share and ratios)** | | | | | |
| **Dutch GAAP Consolidated Income Statement Data** | | | | | | |
| Operating income from insurance operations: | | | | | | |
| Gross premiums written: | | | | | | |
| Life | 46,214 | 38,231 | 44,367 | 44,557 | 25,019 | 18,902 |
| Non-life | 8,810 | 7,288 | 7,917 | 5,903 | 4,095 | 3,510 |
| Total | 55,024 | 45,519 | 52,284 | 50,460 | 29,114 | 22,412 |
| Investment income(4)(5) | 11,751 | 9,721 | 10,506 | 9,723 | 7,212 | 6,119 |
| Commission and other income | 2,804 | 2,320 | 2,127 | 2,281 | 1,126 | 548 |
| Total operating income from insurance operations | 69,579 | 57,560 | 64,917 | 62,464 | 37,452 | 29,079 |
| Operating income from banking operations: | | | | | | |
| Interest income | 28,772 | 23,802 | 24,088 | 24,318 | 24,285 | 18,558 |
| Interest expense | 18,962 | 15,687 | 16,442 | 18,246 | 18,499 | 12,906 |
| Net interest result | 9,810 | 8,115 | 7,646 | 6,072 | 5,786 | 5,652 |
| Commission | 2,978 | 2,464 | 2,615 | 2,765 | 3,630 | 2,856 |
| Other income | 1,331 | 1,101 | 940 | 2,274 | 1,886 | 1,368 |
| Total operating income from banking operations | 14,119 | 11,680 | 11,201 | 11,111 | 11,302 | 9,876 |
| **Total operating income(6)** | **83,495** | **69,073** | **76,101** | **73,550** | **48,713** | **38,943** |
| Non-operating items | | | 280 | 325 | 8,597 | 1,693 |
| Realized capital gains (losses) | 25 | 20 | 1,003 | 779 | 855 | 641 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Total income** | **83,520** | **69,093** | **77,384** | **74,654** | **58,165** | **41,277** |
| Operating expenses from insurance operations: | | | | | | |
| Life | 56,650 | 46,865 | 53,603 | 53,615 | 30,882 | 23,584 |
| Non-life | 8,714 | 7,209 | 8,144 | 6,057 | 4,263 | 3,736 |
| Total operating expenses from insurance operations | 65,364 | 54,074 | 61,747 | 59,672 | 35,145 | 27,320 |
| Total operating expenses from banking operations(7) | 11,253 | 9,309 | 9,733 | 8,941 | 8,697 | 7,895 |
| **Total operating expenses(6)** | **76,416** | **63,216** | **71,463** | **68,588** | **43,801** | **35,203** |
| Non-operating items | | | | | | 395 |
| **Total expenses** | **76,416** | **63,216** | **71,463** | **68,588** | **44,196** | **35,203** |

Table of Contents

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2003 USD(1) | 2003 EUR | 2002 EUR | 2001(2) EUR | 2000(2)(3) EUR | 1999 EUR |
| | (in millions, except amounts per share and ratios) | | | | | |
| Operating profit before tax from insurance operations: | | | | | | |
| Life | 2,996 | 2,478 | 2,603 | 2,278 | 1,945 | 1,499 |
| Non-life | 1,218 | 1,008 | 567 | 514 | 362 | 260 |
| Total | 4,214 | 3,486 | 3,170 | 2,792 | 2,307 | 1,759 |
| Operating profit before tax from banking operations | 2,866 | 2,371 | 1,468 | 2,170 | 2,605 | 1,981 |
| **Operating profit before tax** | **7,080** | **5,857** | **4,638** | **4,962** | **4,912** | **3,740** |
| Taxation | 1,765 | 1,460 | 873 | 1,099 | 1,377 | 982 |
| Third-party interests | 416 | 344 | 332 | 324 | 147 | 93 |
| **Operating net profit** | **4,899** | **4,053** | **3,433** | **3,539** | **3,388** | **2,665** |
| Non-operating items after taxation | | | 247 | 325 | 7,976 | 1,693 |
| Realized capital gains (losses) after taxation | (12) | (10) | 820 | 713 | 620 | 564 |
| **Net profit** | **4,887** | **4,043** | **4,500** | **4,577** | **11,984** | **4,922** |
| Dividend on Preference shares of ING Groep N.V. | 25 | 21 | 21 | 21 | 21 | 21 |
| **Net profit after deducting dividend on Preference shares of ING Groep N.V.** | **4,862** | **4,022** | **4,479** | **4,556** | **11,963** | **4,901** |
| Dividend on Ordinary shares | 2,447 | 2,024 | 1,930 | 1,914 | 2,173 | 1,573 |
| Addition to shareholders equity | 2,414 | 1,997 | 2,549 | 2,642 | 9,790 | 3,328 |
| Distributable net profit | 4,887 | 4,043 | 4,253 | 4,252 | 4,901 | 3,537 |
| Operating net profit per Ordinary share (8) | 2.42 | 2.00 | 1.77 | 1.83 | 1.76 | 1.38 |
| Distributable net profit per Ordinary share (8) | 2.42 | 2.00 | 2.20 | 2.20 | 2.56 | 1.84 |
| Net profit per Ordinary share(8) | 2.42 | 2.00 | 2.32 | 2.37 | 6.27 | 2.56 |
| Net profit per Ordinary share and Ordinary share equivalent | 2.42 | 2.00 | 2.32 | 2.35 | 6.18 | 2.52 |

| | | | | | | |
|---|---|---|---|---|---|---|
| (fully diluted)(8) | | | | | | |
| Dividend per Ordinary share(8) | 1.17 | 0.97 | 0.97 | 0.97 | 1.13 | 0.82 |
| Interim Dividend | 0.58 | 0.48 | 0.48 | 0.47 | 0.41 | 0.32 |
| Final Dividend | 0.59 | 0.49 | 0.49 | 0.50 | 0.72 | 0.50 |
| Number of Ordinary shares outstanding (in millions)(8) | 2,115.9 | 2,115.9 | 1,992.7 | 1,992.7 | 1,970.6 | 1,934.0 |
| Dividend pay-out ratio(9) | 48.5% | 48.5% | 44.1% | 44.1% | 43.9% | 44.4% |
| **U.S. GAAP Consolidated Income Statement Data** | | | | | | |
| Total income (operating) | 58,053 | 48,025 | 49,316 | 49,479 | 42,039 | 34,022 |
| Net profit US GAAP, excluding cumulative effects | 5,454 | 4,512 | 3,476 | 1,770 | 10,925 | 3,790 |
| Cumulative effects of changes in accounting principles | | | (13,103) | | | |
| Net profit US GAAP, including cumulative effects | 5,454 | 4,512 | (9,627) | 1,770 | 10,925 | 3,790 |
| Net profit per Ordinary share and Ordinary share equivalent(8) | 2.70 | 2.23 | (5.00) | 0.90 | 5.64 | 1.94 |

Table of Contents

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | **2003 USD(1)** | **2003 EUR** | **2002 EUR** | **2001(2) EUR** | **2000(2)(3) EUR** | **1999 EUR** |
| | | | **(in millions)** | | | |
| **Reconciliation of net profit to operating profit before tax and operating net profit, by segment for the consolidated Group** | | | | | | |
| **Total Group** | | | | | | |
| **Net profit** | **4,887** | **4,043** | **4,500** | **4,577** | **11,984** | **4,922** |
| Taxation | 1,801 | 1,490 | 1,089 | 1,165 | 1,838 | 1,059 |
| Third-party interests | 416 | 344 | 332 | 324 | 147 | 93 |
| **Profit before tax** | **7,104** | **5,877** | **5,921** | **6,066** | **13,969** | **6,074** |
| Non-operating items | | | 280 | 325 | 8,202 | 1,693 |
| Realized capital gains (losses) | 24 | 20 | 1,003 | 779 | 855 | 641 |
| **Operating profit before tax** | **7,080** | **5,857** | **4,638** | **4,962** | **4,912** | **3,740** |
| Taxation | 1,765 | 1,460 | 873 | 1,099 | 1,377 | 982 |
| Third-party interests | 416 | 344 | 332 | 324 | 147 | 93 |
| **Operating net profit** | **4,899** | **4,053** | **3,433** | **3,539** | **3,388** | **2,665** |
| **Insurance operations** | | | | | | |
| **Net profit** | **3,020** | **2,498** | **3,605** | **3,135** | **9,560** | **3,185** |
| Taxation | 1,077 | 891 | 756 | 688 | 1,022 | 413 |
| Third-party interests | 141 | 117 | 92 | 73 | 39 | 34 |
| **Profit before tax** | **4,238** | **3,506** | **4,453** | **3,896** | **10,621** | **3,632** |
| Gain on joint venture ANZ | | | 280 | | | |
| Result on sale of investments re financing of acquisitions | | | | 325 | 7,368 | |
| Release millennium calamity fund | | | | | 91 | |
| Result Libertel | | | | | | 924 |
| Sales result NIB | | | | | | 308 |
| Realized capital gains (losses) | 24 | 20 | 1,003 | 779 | 855 | 641 |
| **Operating profit before tax** | **4,214** | **3,486** | **3,170** | **2,792** | **2,307** | **1,759** |
| Taxation | 1,041 | 861 | 540 | 622 | 540 | 336 |
| Third-party interests | 141 | 117 | 92 | 73 | 39 | 34 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Operating net profit** | **3,032** | **2,508** | **2,538** | **2,097** | **1,728** | **1,389** |
| **Banking operations** | | | | | | |
| **Net profit** | **1,868** | **1,545** | **895** | **1,442** | **2,424** | **1,737** |
| Taxation | 724 | 599 | 333 | 477 | 816 | 646 |
| Third-party interests | 274 | 227 | 240 | 251 | 108 | 59 |
| **Profit before tax** | **2,866** | **2,371** | **1,468** | **2,170** | **3,348** | **2,442** |
| Result Libertel | | | | | 376 | 461 |
| Sales result CCF | | | | | 853 | |
| Re-organization provision CIB | | | | | (486) | |
| **Operating profit before tax** | **2,866** | **2,371** | **1,468** | **2,170** | **2,605** | **1,981** |
| Taxation | 724 | 599 | 333 | 477 | 837 | 646 |
| Third-party interests | 274 | 227 | 240 | 251 | 108 | 59 |
| **Operating net profit** | **1,868** | **1,545** | **895** | **1,442** | **1,660** | **1,276** |

Table of Contents

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2003 USD(1) | 2003 EUR | 2002 EUR | 2001(2) EUR | 2000(2)(3) EUR | 1999 EUR |
| | (in billions, except amounts per share and ratios) | | | | | |
| **Dutch GAAP Consolidated Balance Sheet Data** | | | | | | |
| Total assets | 941.4 | 778.8 | 716.4 | 705.1 | 650.2 | 492.8 |
| Investments: | | | | | | |
| Insurance | 261.1 | 216.0 | 214.8 | 241.0 | 219.2 | 137.5 |
| Banking | 144.8 | 119.8 | 84.4 | 70.2 | 59.1 | 59.5 |
| Eliminations(10) | (1.0) | (0.8) | (1.6) | (3.8) | (1.1) | (1.2) |
| Total investments | 404.9 | 335.0 | 297.6 | 307.4 | 277.2 | 195.8 |
| Lending | 353.7 | 292.6 | 284.4 | 254.2 | 246.8 | 201.8 |
| Insurance provisions: | | | | | | |
| Life | 227.5 | 188.2 | 186.0 | 204.6 | 193.3 | 101.0 |
| Non-life | 11.8 | 9.8 | 9.8 | 9.4 | 6.9 | 6.5 |
| Total | 239.3 | 198.0 | 195.8 | 214.0 | 200.2 | 107.5 |
| Funds entrusted to and debt securities of the banking operations: | | | | | | |
| Savings accounts of the banking operations | 203.2 | 168.1 | 115.1 | 69.6 | 52.4 | 47.0 |
| Other deposits and bank funds | 166.0 | 137.3 | 129.2 | 132.4 | 134.1 | 111.9 |
| Debt securities of the banking operations | 87.5 | 72.4 | 75.5 | 74.4 | 66.3 | 65.9 |
| Total | 456.7 | 377.8 | 319.8 | 276.4 | 252.8 | 224.8 |
| Due to banks | 123.4 | 102.1 | 96.3 | 107.8 | 94.7 | 75.3 |
| Capital Stock (number in millions) (11) | 2,203.0 | 2,203.0 | 2,079.8 | 2,079.8 | 2,057.7 | 2,021.1 |
| Shareholders equity | 25.7 | 21.3 | 18.3 | 21.5 | 25.3 | 34.6 |
| Shareholders equity per Ordinary share(8) | 12.18 | 10.08 | 9.14 | 11.03 | 13.04 | 17.90 |
| Shareholders equity per Ordinary share and Ordinary share equivalent(8) | 12.18 | 10.08 | 9.14 | 10.92 | 12.86 | 17.65 |
| **U.S. GAAP Consolidated Balance Sheet Data** | | | | | | |
| Total assets | 989.8 | 818.8 | 762.5 | 752.3 | 693.4 | 509.7 |
| Shareholders equity | 33.8 | 28.0 | 25.1 | 38.8 | 41.6 | 40.4 |
| Shareholders equity per Ordinary share and Ordinary share equivalent(8) | 16.04 | 13.27 | 12.61 | 19.83 | 21.27 | 20.64 |

(1) Euro amounts have been translated into U.S. dollars at the exchange rate of $1.2088 to EUR 1.00, the noon buying rate in New York City on March 3, 2004 for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York.

(2) In 2001 acquisitions of ReliaStar and Aetna influenced the figures compared to earlier years.

(3) Discontinued business: we sold in 2000 Tiel Utrecht Group in the Netherlands (net profit EUR 63 million).

(4) As of 2001, the Insurance operations-General is no longer reported separately. The items previously accounted for under this heading are now included in either the life result or the non-life result. The years prior to 2001 are restated accordingly.

(5) As from 2001, investment income for risk of policyholders has been netted with the related underwriting expenditure. This results in a presentation of investment income of the insurance operations for own risk, which is in line with international practice. The comparative figures have been adjusted accordingly.

(6) After elimination of certain intercompany transactions between the insurance operations and the banking operations. See Note 1.1. to the Consolidated Financial Statements.

(7) Includes all non-interest expenses, including additions to the provision for loan losses. See Item 5, Operating and Financial Review and prospects Liquidity and capital resources .

(8) Net profit per share amounts have been calculated based on the weighted average number of ordinary shares outstanding and shareholders equity per share amounts have been calculated based on the number of ordinary shares outstanding at the end of the respective periods. For purposes of this calculation ING Groep N.V. shares held by Group companies were deducted from the applicable number of outstanding Ordinary shares. All amounts and numbers are presented after giving effect to all stock dividends and retroactive application of the Company s 2-for-1 stock split, which became effective July 2, 2001. See Note 5.2.3 to the Consolidated Financial Statements.

(9) The dividend pay-out ratio is based on distributable net profit.

(10) Consisting of investments in banking operations held by Group insurance companies, investments in insurance operations held by Group banking companies, and ING Groep N.V. shares held by Group insurance companies.

(11) Reflects the Company s 2-for-1 stock split effected July 2, 2001.

Table of Contents

## EXCHANGE RATES

Fluctuations in the exchange rate between the euro and the U.S. dollar will affect the U.S. dollar amounts received by owners of shares or ADSs on conversion of dividends, if any, paid in euros on the shares and will affect the U.S. dollar price of the ADSs on the New York Stock Exchange.

The following table sets forth, for the periods and dates indicated, certain information concerning the exchange rate for U.S. dollars into euros based on the Noon Buying Rate. Effective January 1, 1999, the Dutch guilder became a component of the euro.

| | U.S. dollars per euro | | | |
|---|---|---|---|---|
| **Calendar Period** | **Period End(1)** | **Average Rate(2)** | **High** | **Low** |
| 1999 | 1.0070 | 1.0666 | 1.1812 | 1.0016 |
| 2000 | 0.9388 | 0.9207 | 1.0335 | 0.8270 |
| 2001 | 0.8901 | 0.8909 | 0.9535 | 0.8370 |
| 2002 | 1.0485 | 0.9495 | 1.0485 | 0.8594 |
| 2003 | 1.2597 | 1.2074 | 1.2597 | 1.0361 |
| 2004 (through March 3, 2004)(2) | 1.2088 | 1.2447 | 1.2848 | 1.2088 |

(1) The Noon Buying Rate at such dates differ from the rates used in the preparation of ING s Consolidated Financial Statements as of such date. See Note 1.6.1.4. to the Consolidated Financial Statements.

(2) The average of the Noon Buying Rates on the last business day of each full calendar month during the period.

Recent Exchange Rates f US dollars per Euro

The table below shows the high and low exchange rate of U.S. dollars per euro for the last eight months

| | **High** | **Low** |
|---|---|---|
| July 2003 | 1.1580 | 1.1164 |
| August 2003 | 1.1390 | 1.0871 |
| September 2003 | 1.1650 | 1.0845 |
| October 2003 | 1.1812 | 1.1596 |
| November 2003 | 1.1995 | 1.1417 |
| December 2003 | 1.2597 | 1.1956 |
| January 2004 | 1.2853 | 1.2389 |
| February 2004 | 1.2848 | 1.2426 |

The Noon Buying Rate for euro on December 31, 2003 was EUR 1.00 = $ 1.2597 and the Noon Buying Rate for euro on March 3, 2004 was EUR 1.00 = $ 1.2088.

## RISK FACTORS

### RISKS RELATED TO THE FINANCIAL SERVICES INDUSTRY

***Because we are an integrated financial services company conducting business on a global basis, our revenues and earnings are affected by the volatility and strength of the economic, business and capital markets environments specific to the geographic regions in which we conduct business and changes in such factors may adversely affect***

***the profitability of our insurance, banking and asset management business.***

Factors such as interest rates, exchange rates, consumer spending, business investment, government spending, the volatility and strength of the capital markets, and terrorism all impact the business and economic environment and, ultimately, the amount and profitability of business we conduct in a specific geographic region. For example, in an economic downturn characterized by higher unemployment, lower family income, lower corporate earnings, lower business investment and consumer spending, the demand for banking and insurance products would be adversely affected and our reserves and provisions would likely increase, resulting in lower earnings. Similarly, a downturn in the equity markets could cause a reduction in commission income we earn from managing portfolios for third parties, as well as income generated from our own proprietary portfolios, each of which is generally tied to the performance and value of such portfolios. We also offer a number of insurance and financial products that expose us to risks associated with fluctuations in interest rates, securities prices or the value of real estate assets. In addition, a mismatch of interest-earning assets and interest-bearing liabilities in any given period may, in the event of changes in interest rates, have a material effect on the financial condition or result from operations of our banking businesses.

***Because our life and non-life insurance and reinsurance businesses are subject to losses from unforeseeable and/or catastrophic events, which are inherently unpredictable, our actual claims experience may exceed our established reserves or we may experience an abrupt interruption of activities, each of which could result in lower net profits and have an adverse affect on our results of operations.***

In our life and non-life insurance and reinsurance businesses, we are subject to losses from natural and man-made catastrophic events. Such events include weather and other natural catastrophes such as hurricanes, floods and earthquakes, as well as events such as the September 11, 2001 terrorist attacks on the United States. The frequency and severity of such events, and the losses associated with them, are inherently unpredictable and can not always be adequately reserved for. In accordance with industry practices, reserves are established based on estimates using actuarial projection techniques. The process of estimating is based on information available at the time that the reserves are originally established. Although we continually review the adequacy of the established claim reserves, and based on current information, we believe our claim reserves are sufficient, there can be no assurances that our actual claims experience will not exceed our estimated claim reserves. If actual claim experience exceeds the estimated claim reserves, our earnings may be reduced and our net profits may be adversely affected. In addition, because unforeseeable and/or catastrophic events can lead to abrupt interruption of activities, our banking and insurance operations may be subject to losses resulting from such disruptions. Losses can relate to property, financial assets, trading positions and also to key personnel. If our business continuity plans can not be put into action or do not take such events into account, losses may further increase.

***Because we operate in highly regulated industries, changes in statutes, regulations and regulatory policies that govern activities in our various business lines could have an affect on our operations and our net profits.***

Our insurance and banking operations are subject to insurance, banking and financial services statutes, regulations and regulatory policies that govern what products we sell and how we manage our business. Changes in existing statutes, regulations and regulatory policies, as well as changes in the implementation of such statutes, regulations and regulatory policies may affect the way we do business, our ability to sell new policies, products or services and our claims exposure on existing policies. In addition, changes in tax laws may affect our tax position and/or the attractiveness of certain of our products, some of which currently have favorable tax treatment.

## RISKS RELATED TO THE COMPANY

***Because we operate in highly competitive markets, including in our home market, we may not be able to further increase, or even maintain, our market share, which may have an adverse affect on our results of operations.***

There is substantial competition in The Netherlands and the other countries in which we do business for the types of insurance, commercial banking, investment banking and other products and services we provide. Customer loyalty and retention can be influenced by a number of factors, including relative service levels, the prices and attributes of products and services, and actions taken by competitors. If we are not able to match or compete with the products and services offered by our competitors, it could adversely impact our ability to maintain or further increase our market share, which would adversely affect our results of operations. Such competition is most pronounced in our

Table of Contents

more mature markets of The Netherlands, Belgium, the Rest of Europe, the United States, Canada and Australia. In recent years, however, competition in emerging markets, such as South America, Asia and Central and Eastern Europe, has also increased as large insurance and banking industry participants from more developed countries have sought to establish themselves in markets which are perceived to offer higher growth potential, and as local institutions have become more sophisticated and competitive and have sought alliances, mergers or strategic relationships with our competitors. We derived approximately 52% of our operating profit in 2003 from the Netherlands. Based on geographic division of our operating profit, The Netherlands is our largest market for both our banking and insurance operations. We are the second largest bank in The Netherlands. In the retail market our market share is approximately 23% based on total assets, approximately 25% based on total deposits and 24% based on retail mortgages. Our main competitors are ABN Amro N.V. and Rabo Group B.A. In The Netherlands, we are also currently the largest insurance company, with a market share of approximately 23% in the life insurance market and approximately 9% in the non-life insurance market, each based on premium income. Our main competitors are Fortis Utrecht N.V. and Aegon N.V. We derived approximately 14% of our operating insurance profit in 2003 from the United States, which is our second largest market for the insurance operations. In the United States, we have two core operating units and own the second-largest broker-dealer network in the US with over 10,000 registered representatives. Our main competitors in the United States are insurance companies such as: Lincoln National, The Hartford, Aegon Americas, Met Life Nationwide and Principal Financial. Increasing competition in these or any of our other markets may significantly impact our results if we are unable to match the products and services offered by our competitors.

***Because our reinsurance arrangements are with a limited number of reinsurers, the inability of one or more of those reinsurers to meet its financial obligations could have an adverse effect on our results of operations.***

Our insurance operations have bought protection for risks that exceed certain risk tolerance levels set for both our life and non-life business. This protection is bought through reinsurance arrangements in order to reduce possible losses. Because in most cases we must pay the policyholders first, and then collect from the reinsurer, we are subject to credit risk with respect to each reinsurer for all such amounts. As of December 2003, approximately 40% of our (potential) reinsurance receivables are with our main reinsurer and approximately 30% are with six other reinsurers. The inability of any one of these reinsurers to meet its financial obligations to us could have a material adverse effect on our net profits and our financial results.

***Because we also operate in markets with less developed judiciary and dispute resolution systems, proceedings could have an adverse effect on our operations and net result.***

In the less developed markets in which we operate, judiciary and dispute resolution systems may be less developed. In case of a breach of contract we may have difficulties in making and enforcing claims against contractual counterparties. On the other hand, if claims are made against us, we might encounter difficulties in mounting a defense against such allegations. If we become party to legal proceedings in a market with an insufficiently developed judiciary system, it could have an adverse effect on our operations and net result.

***Because we are a financial services company and we are continually developing new financial products, we might be faced with claims that could have an adverse effect on our operations and net result if clients expectations are not met.***

When new financial products are brought to the market, communication and marketing is focussed on potential advantages for the customers. If the products do not generate the expected profit, or result in a loss, customers may file claims against us for not fulfilling our potential duty of care. Potential claims could have an adverse effect on our operations and net result.

***Because we are a Dutch company the rights of our shareholders may differ from the rights of shareholders in other jurisdictions, which could limit your rights as a shareholder and reduce the accountability of the members of our Executive and Supervisory Boards and our management to our shareholders.***

Table of Contents

While holders of our bearer receipts are entitled to attend and speak at the general meetings of shareholders, voting rights are not attached to the bearer depositary receipts. Stichting ING Aandelen (or the Trust) the trust which holds more than 99% of our ordinary shares, exercises the voting rights attached to the ordinary shares (for which bearer receipts have been issued). Holders of bearer receipts who attend in person or by proxy - the general meeting of shareholders must obtain voting rights by proxy from the trust. Holders of bearer receipts and holders of the ADSs representing the bearer receipts, who do not attend the general meeting of shareholders may give binding voting instructions to the Stichting ING Aandelen. See Item 7. Major Shareholders and Related Party Transactions Voting of the Ordinary Shares by holders of Bearer receipts as proxy for the Trust . The Trust is entitled to vote any ordinary shares corresponding with bearer depositary receipts for which the Trust has not granted voting proxies, or voting instructions have not been given to the Trust. In exercising its voting discretion, the Trust is required to make use of the voting rights attached to the ordinary shares in the interest of the holders of bearer depositary receipts, while having regard for

- our interests;
- the interests of our affiliates; and
- the interests of our other stakeholders

in such a way that all interests are balanced and safeguarded as effectively as possible. The Trust may, but has no obligation to, consult with the holders of bearer receipts or ADSs in exercising its voting rights in respect of any ordinary shares for which it is entitled to vote. These arrangements differ to some extent from U.S. practice and accordingly may affect the rights of the holders of bearer receipts or ADSs and their power to affect the Company s business and operations and the accountability of the Company s directors and management. See Item 4. Information on the Company-Corporate Organization for more information on voting rights and our corporate structure.

***The share price of our bearer receipts and ADSs has been, and may continue to be volatile, which may impact the value of our bearer receipts or ADSs you hold.***

The share price of our bearer receipts and our ADSs has been volatile in the past due, in part, to the high volatility in the securities markets generally and more particular in shares of financial institutions. In addition, there are other factors, beside our financial results, that may impact our share price. These factors include, but are not limited to:

- market expectations of the performance and capital adequacy of financial institutions in general;
- investor perception of the success and impact of our strategies;
- a downgrade or review of our credit ratings;
- potential litigation or regulatory action involving ING Group or sectors we have exposure to through our insurance and banking activities;
- announcements concerning financial problems or any investigations into the accounting practices of other financial institutions;
- general market volatility.

***Because we are incorporated under the laws of The Netherlands and many of the members of our Supervisory and Executive Boards and our officers reside outside of the United States, it may be difficult for you to enforce judgments against us or the members of our Supervisory and Executive Boards or our officers.***

Most of the members of our Supervisory Board, our Executive Board and some of the experts named in this Annual Report, as well as many of our officers are persons who are not residents of the United States and most of our assets and most of their assets are located outside the United States. As a result, you may not be able to serve process on those persons within the United States or to enforce in the United States judgments obtained in U.S. courts against us or those persons based on the civil liability provisions of the U.S. securities laws.

You also may not be able to enforce judgments of U.S. courts under the U.S. federal securities laws in courts outside the United States, including The Netherlands. The United States and The Netherlands do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, you would not be able to enforce in The Netherlands a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, even if the judgment is not based only on the U.S. federal securities laws, unless a competent court in The Netherlands gives binding effect to the judgment.

Table of Contents

## Item 4. Information on the Company

### GENERAL

ING was established as a Naamloze Vennootschap (public limited liability company) on March 4, 1991 through the merger of Nationale-Nederlanden, the largest insurer in the Netherlands, and NMB Postbank Group, one of the largest banks in the Netherlands. ING Groep N.V. is incorporated under the laws of the Netherlands.

The official address of ING Group is:

ING Groep N.V.
Amstelveenseweg 500
1081 KL Amsterdam
P.O. Box 810, 1000 AV Amsterdam
The Netherlands
Telephone +31 20 541 5411

Our principal U.S. office is:

ING Financial Holdings Corporation
1325 Avenue of The Americas
New York, NY 10019
United States of America
Telephone +1 646 424 6000

### Mission

ING s mission is to be a leading, global, client-focused, innovative and low-cost provider of financial services through the distribution channels of the client s preference in markets where ING can create value.

### Profile

ING Group is a global financial institution of Dutch origin with 115,000 employees. ING offers banking, insurance and asset management to more than 60 million clients in more than 50 countries. The clients are individuals, families, small businesses, large corporations, institutions and governments. ING comprises a broad spectrum of prominent businesses that increasingly serve their clients under the ING brand.

Key to ING s retail business is its distribution philosophy: click-call-face . This is a flexible mix of internet, call centers, intermediaries and branches that enables ING to deliver what today s clients expect: unlimited access, maximum convenience, immediate and accurate execution, personal advice, tailor-made solutions and competitive rates. ING s wholesale product offering focuses strongly on its strengths in employee benefits/pensions, financial markets, corporate banking and asset management.

ING s strategy is to achieve sustainable growth while maintaining healthy profitability. The Group s financial strength, its broad range of products and services, the wide diversity of its profit sources and the resulting spread of risks form the basis for ING s continuity and growth potential.

ING seeks a careful balance between the interests of its stakeholders, customers, employees and society at large. It expects all its employees to act in accordance with the Group s Business Principles.

### Strategy and key figures

Satisfying the needs of our clients and delivering on the financial promises we make to our shareholders are our primary goals. In view of the increased stakeholder attention, the further globalization of ING and the rapid developments in the field of sustainability and corporate social responsibility, we continue to aim for a good balance between the interests of all stakeholders: clients, shareholders, employees and society as a whole.

After several years of rapid expansion through acquisition, the emphasis is now on consolidating ING s strengths and achieving synergies, operational excellence and cost control.

Table of Contents

In 2003, ING Group s total operating income was EUR 69,073 million and its operating net profit was EUR 4,053 million (both Dutch GAAP). ING Group s total premium income from insurance activities amounted to EUR 45,519 million and total income from banking activities was EUR 11,680 million.

The following table sets forth ING Group s total operating income by geographical area for the years indicated:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2003** | **2002** | **2001** |
| | | **(EUR millions)** | |
| The Netherlands | 17,448 | 15,933 | 15,348 |
| Belgium | 4,959 | 4,684 | 4,092 |
| Rest of Europe | 4,841 | 4,804 | 5,126 |
| North America | 29,882 | 37,482 | 36,999 |
| Latin America | 3,070 | 4,255 | 3,186 |
| Asia | 6,954 | 7,059 | 5,832 |
| Australia | 2,024 | 2,275 | 2,224 |
| Other | 632 | 445 | 1,393 |
| | 69,810 | 76,937 | 74,200 |
| Revenue between geographic areas | (737) | (836) | (650) |
| **Total income** | **69,073** | **76,101** | **73,550** |

## CHANGES IN PRESENTATION

Beginning January 1, 2003, the regional ING Investment Management business units have been integrated into the respective regional executive centres. This step was taken in order to improve alignment with the captive distribution channels, enabling ING to respond to regional and local market opportunities more quickly and efficiently than before. A global asset management platform at Group level has been established to coordinate ING s asset management strategy. In addition, a global IIM Board has been set up to preserve the efficiency of a global manufacturing platform and to ensure global consistency of the investment strategies adopted in each region. In addition, it was decided to discontinue ING Asset Management as a separate profit reporting centre. The responsibility for ING Asset Management s other business units (Baring Asset Management, ING Real Estate, Parcom Ventures, Baring Private Equity Partners and ING Trust) continues to reside with the Executive Board member responsible for asset management. For a description of these business units please see item 4 under the heading EC Europe .

Beginning January 1, 2003 additions to the provision for investment losses are reported on a separate line within Total (operating) expenditure. Previously these additions were reported as an element of Income from investments of the insurance operations.This makes the presentation of the addition to these provisions consistent with the presentation of the addition to the provisions for loan losses of the banking operations. The comparable figures have accordingly been adjusted for all prior periods.

Beginning January 1, 2003, claims handling expenses are accounted for as part of the operating expenses. Previously, these expenses were accounted for as part of the underwriting expenditure. This new classification better represents the nature of the claims handling expenses. The comparable figures have accordingly been adjusted for all prior periods.

The Latin America region is comprised of South America, including Mexico. Prior to January 1, 2003, Mexico was included in the North America region. This new regional classification is more in line with the internal management reporting structure. The comparable figures have accordingly been adjusted for all prior periods.

Prior to January 1, 2002, amortization of deferred acquisition costs (DAC) on insurance policies was accounted for as part of operating expenses of the insurance operations. In order to have a better view on the development of manageable operating expenses, we decided to transfer the amortization of

**Table of Contents**

DAC to underwriting expenditure. The comparable figures have accordingly been adjusted for all prior periods.

**CHANGES IN THE COMPOSITION OF THE GROUP**

On October 21, 2003, ING reached an agreement to sell ING Aetna Life to Manulife Indonesia. This is part of ING s strategy to refocus its insurance activities in the Asia/Pacific region to markets and products where it can reach a leading market position.

On October 21, 2003, ING reached an agreement, in principle, with Baring Private Equity Partners for a management buy out. The agreement is subject to regulatory approval.

On July 21, 2003, ING completed the sale of the Italian agent network activities of ING Sviluppo, as well as the affiliated Italian life insurance, asset management and private banking activities to UniCredito and Aviva. The profit on the sale amounted to EUR 71 million.

On July 3, 2003, ING announced that it acquired the remaining 30% stake in DiBa (Allgemeine Deutsche Direktbank) pursuant to a put option and call option entered into on February 26, 2002 between ING and BGAG (the investment company of a number of German trade unions). On February 26, 2002, ING Group increased its stake in DiBa from 49% to a 70%

On May 16, 2003, ING announced the sale of its 49% shareholding in Seguros Bital (Mexico) to Grupo Financiero Bital for USD 126 million. The profit on the sale amounted to EUR 44 million.

On April 25, 2003, ING completed the sale of 99% of Fatum, its insurance business in the Netherlands Antilles and Aruba, to Guardian Holdings Limited of Trinidad and Tobago. The value of the transaction amounted to EUR 45 million.

On July 23, 2003, ING completed the acquisition of Entrium, German s second largest direct bank, through DiBa (Allgemeine Deutsche Direktbank) from Fineco/Capitalia of Italy, for EUR 300 million.

On September 9, 2002, ING announced it completed the purchase of an additional 24% stake in ING Vysya Bank (India) increasing its interest to 44%. The total purchase price of the additional acquisition was EUR 73 million. The goodwill amounted to EUR 55 million and is charged to Shareholders equity.

On May 13, 2002, ING completed its acquisition of a 49% stake in Sul América, a leading insurance company in Brazil, thus strengthening the existing partnership. As a result of the transaction ING s total investment in Sul America consists of approximately EUR 188 million in cash, plus its 49% stake in SulAet, as well as its asset management operations in Brazil (ING Investment Management Brazil). The goodwill amounted to Eur 245 million and is charged to Shareholders equity.

On April 12, 2002, ING Group acquired car lease company TOP Lease in the Netherlands. The total purchase price of the acquisition amounted to EUR 111 million. The goodwill amounted to EUR 70 million, which was charged to Shareholders equity.

On April 10, 2002, ING and ANZ, one of Australia s major banks, formed a funds management and life insurance joint venture in Australia. The joint venture, ING Australia Ltd. is owned 51% by ING and 49% by ANZ, and has been proportionally consolidated. ING Group contributed net assets to the new joint venture, which resulted in a net book profit of EUR 469 million accounted for in 2002, of which EUR 247 million was accounted for as non-operating net profit and EUR 222 million was accounted for as operating net profit.

On December 21, 2001, ING announced that it signed an agreement with Piraeus Bank in Greece, which sets out the final terms of a strategic alliance between the two financial groups.

The strategic alliance combines the distribution power of the retail banking network of Piraeus Bank and the agency network of ING s insurance subsidiary Nationale-Nederlanden Greece (which comprises 300 branches and 2,500 agents in total).

In June 2001, ING Group announced that it had signed an agreement with Savia S.A. to acquire an additional stake in Seguros Comercial América (SCA), the largest insurance company in Mexico, for approximately USD 791 million. This transaction increased ING s stake to a total of 87%. The acquisition was partly financed by the sale of shares. In September 2001, ING made a tender offer for the remaining 13% of SCA. In November 2001, ING announced that it had successfully closed the tender offer to purchase the remaining outstanding shares of SCA. The total acquisition price was approximately USD 180 million, and ING now owns 99.91% of the shares of SCA.

In March 2001, ING Group increased its shareholding in Bank Slaski to 82.8% for an amount of EUR 187 million. Effective September 1, 2001, Bank Slaski merged with ING Bank Warsaw. The combined bank, in which ING holds 88%, operates under the brand name ING Bank Slaski. Goodwill amounted to EUR 118 million and was charged to Shareholders equity.

## RECENT DEVELOPMENTS

On March 11, 2004, the Supervisory Board of ING Group announced it intends to appoint Eric Bourdais de Charbonnière (1939, French) as a member of the Supervisory Board with effect from April 27, 2004. He was the former Chief Financial Officer of Michelin and is currently the chairman of Michelin s Supervisory Board. Prior to his positions at Michelin he was managing director of the bank JP Morgan.

On March 8, 2004, ING Group announced it reached an agreement with Macquarie Bank Limited (Australia) on the sale of ING s Asian cash equities sales, trading, research and capital market operations in 10 countries in Asia and key locations in Europe and the United States. The transaction is expected to be completed for most Asian countries by the end of July, 2004.

On March 2, 2004, ING announced that it appointed Cees Maas as Vice Chairman of the Executive Board of ING Group effective on April 28, 2004. Cees Maas will continue in his current role as Chief Financial Officer. Furthermore the Supervisory Board of ING announced it intends to propose to the Annual Shareholders Meeting on April 27, 2004 to appoint Hans Verkoren as a member of the Executive Board of ING Group as of April 27, 2004. Hans Verkoren is currently Global Head ING Direct, member of the Executive Committee Europe and responsible for Retail Financial Services.

On November 19, 2003, ING announced that Ewald Kist will retire on June 1, 2004 having reached the retirement age of 60, as Chairman of the Executive Board of ING Group. Ewald Kist has been Chairman of the Executive Board since June 1, 2000. The Supervisory Board appointed Michel Tilmant as successor to Ewald Kist as Chairman of the Executive Board as of April 28, 2004. Michel Tilmant is currently Vice-Chairman of the Executive Board of ING Group, Chairman of the Executive Committee ING Europe and Chairman of ING Bank N.V. The Supervisory Board announced it also intends to propose to the Annual Shareholders Meeting on April 27, 2004 to appoint Eli Leenaars and Eric Boyer de la Giroday as members of the Executive Board.

## GROUP STRATEGY

Market conditions have changed significantly in recent years. Looking back on 2003, although we faced a weak economic climate and unstable geo-political circumstances, we made good progress with regard to our five strategic objectives.

### Strengthen our capital base for a solid financial foundation

The stock markets, which fell sharply between 2001 and early 2003, heavily impacted ING s financial position. At the end of 2002, a number of short-term and long-term measures were announced, aimed at strengthening our capital base and reducing the sensitivity of our financial position to market volatility. An important long-term measure to strengthen our capital base was the introduction of an optional stock dividend as of the final dividend 2002. Furthermore, in 2003, ING successfully issued two subordinated perpetual debt securities, one in Europe and one in the United States, raising a total amount of EUR 1.1 billion. Another measure to improve the capital base was the sale of shares and real estate during the year. The proceeds were used to reduce the core debt of ING and improve the debt/equity ratio. As a result, the debt/equity ratio of ING Group decreased from 19.9% at the end of 2002 to 14.4% at the end of 2003.

Table of Contents

Apart from the sale of shares, ING protected EUR 4 billion of its Dutch equity portfolio against a sharp stock-market decline at the beginning of 2003 by means of a cost-neutral collar. This accounts for approximately 40% of ING s equity portfolio worldwide. In the course of 2003, ING decided to open up the upside potential in the equity portfolio by reducing the total amount of written call options to EUR 0.7 billion, while keeping approximately EUR 4.4 billion of the Dutch equity portfolio hedged against a potential decline.

All these measures resulted in a more favorable capital position for both the insurance company and the bank. At the end of 2003, the capital base of ING s insurance units amounted to EUR 15.8 billion, which is 180% of the legally required level (year-end 2002: 169%). The Tier-1 ratio, indicating the financial strength of our banking units, improved from 7.31% at the end of 2002 to 7.59% at the end of 2003. The revaluation reserve shares amounted to approximately EUR 900 million as of December 31, 2003.

**Optimize the existing portfolio**

Focus and execution were the key words in 2003. The adverse economic circumstances forced ING to increase focus in terms of activities and markets it wants to be in. We continued our policy to refrain from making large acquisitions. Furthermore, a more critical assessment of the business portfolio has resulted in a number of actions. For instance, several business units were sold in the course of 2003. Examples are ING Fatum (ING s insurance business on the Netherlands Antilles and Aruba), ING Sviluppo in Italy, ING Life Indonesia and its share of the AnShin Card Services Company (Taiwan). Furthermore, the international wholesale branch network was restructured. We also announced the management buy-out of Baring Private Equity Partners.

**Create value for clients**

The multi-product and multi-channel approach has been the core of ING s strategy. In all markets where ING is active, ING s business units have continued to improve services to its clients. ING in the Netherlands, for example, combined its sales forces and made further progress integrating its operations. Perfecting its click-call-face concept enabled ING to increase the quality of customer service, giving clients in the Netherlands improved access to the different distribution channels and products.

An example in Asia is the initial product launch of the China Merchant Antai Open-ended Securities Series Funds. ING s clients in China invested over EUR 500 million in the fund. In the United States, ING Bank has formed a commercial alliance with Bank of New York aimed at marketing, sales and delivery of global custody and related services to international clients. A strong brand enhances trust among customers. In 2003 ING made further progress in creating one global brand. BBL in Belgium was re-branded to ING Belgium. As a result brand awareness increased from 29% at launch date to 47% at year-end.

**Develop our special skills**

ING Direct continued to exceed expectations and contributed for the first time to the Group profit in 2003, well ahead of schedule. In May, ING Direct launched operations in the United Kingdom, the eighth country where it offers attractive savings products to retail clients. The launch in the UK proved to be the most successful ING Direct start-up so far. By the end of 2003, ING Direct worldwide had close to 8.5 million customers (5.0 million at year-end 2002) and approximately EUR 100 billion in funds entrusted (EUR 55 billion at year-end 2002).

The insurance operations in developing markets have been expanded as well. The organic growth in premium income was 11% in 2003. In China, we expanded our insurance business. Organic premium income in China rose by 50%. ING s joint venture with China Pacific Insurance Company (CPIC), called PALIC (Pacific Antai Life Insurance Company), received approval to establish a branch in the city of Guangzhou, the third largest city in China. This allows the many millions of potential customers in southern China to buy insurance products from PALIC.

Table of Contents

As a result of the global ageing of the population and pension reforms being executed in many countries, ING selected pensions as a global strategic priority. We developed business objectives for 2004 to expand current pension activities and start up many new initiatives. In addition to working on the realization of these commercial objectives, ING is stepping up its pension-advisory services to governments and institutions that can benefit from ING s pensions knowledge and experience.

**Further lower the cost base**

In Europe, the Americas and Asia/Pacific large cost-saving programs have been executed in 2003. In the field of Operations/IT in Europe, the alignment of IT architecture and the development of various shared service centres continued.

In the United States, ING has integrated its operations, resulting in yearly cost savings of approximately EUR 300 million. US Financial Services has signed a 7-year contract with IBM to provide information-technology infrastructure services.

As a result of strict cost control, total operating expenses decreased by 3.1%. Organic expenses increased by 3%. The principal explanatory factors for this rise in costs are continued investments in new business (ING Direct and insurance activities in developing countries), substantial investments in IT infrastructure and investments to improve service (e.g. Nationale-Nederlanden). At the insurance operations total operating expenses decreased by 5.9% (organic change: +6.5%). The efficiency ratio of the banking operations improved from 71.0% to 68.4% in 2003 (excluding ING Direct and restructuring provisions).

## CORPORATE ORGANIZATION

ING Groep N.V. has a Supervisory Board and an Executive Board. The Executive Board is responsible for the day-to-day management of the Group, its three major divisions (Executive Centers Europe, Americas, Asia/Pacific) and the Asset Management platform. The function of the Supervisory Board is to supervise the policy of the Executive Board and the general course of events in the Company s business, as well as to provide advice to the Executive Board.

### Corporate Governance

The year 2003 was an important year from a corporate-governance perspective. ING amended its Articles of Association, the result of which was that holders of Bearer Receipts and ADR s received increased powers. As described below, the Tabaksblat Committee s report on the principles of good corporate governance and best practices was also published during the year. ING s response to the recommendations of the Tabaksblat Committee, as well as information on capital and control, the Executive Board, the Supervisory Board and the external auditors are discussed in detail below.

### Tabaksblat Code

The discussions of corporate governance in the Netherlands resulted in a new corporate-governance code (the Tabaksblat Code ) being published on December 9, 2003. From the 2004 financial year onwards, listed companies are required by the Code to include a section on their corporate governance and compliance with the Code in their annual report and to explain any non-compliance.

Listed companies are also being recommended to include information in their 2003 annual report on how they are planning to incorporate the Code into their business activities and to indicate any problems they anticipate in this respect. These issues are discussed below and will also be on the agenda for ING s General Meeting of Shareholders on April 27, 2004.

**Changes in 2003**

In many respects, ING Group s corporate governance practices were already in compliance with the principles introduced by the Code. A number of significant changes relating to corporate governance were proposed to the General Meeting of Shareholders in April 2003 and were subsequently included in new articles of association. Certain limitations on the holding of shares were abolished and holders of bearer receipts were granted full voting rights. These voting rights can be exercised unconditionally, including in the event of a hostile takeover bid. Steps were also taken to ensure that the Board of the Trust Office ING Shares and the Trust Office ING Continuity remain independent of ING Group. The

2003 financial year also saw shareholders and holders of bearer receipts in the Netherlands being granted the right, for the first time ever, to cast votes indirectly via the Communication Channel to shareholders (Stichting Communicatiekanaal Aandeelhouders). Shareholders in the United States and the United Kingdom will also be able to vote by proxy on items included on the agenda for meetings of shareholders as of the General Meeting of Shareholders on April 27, 2004.

**Changes in 2004**

The Executive Board and Supervisory Board have decided to implement the Code to the extent possible. The notice convening the General Meeting of Shareholders on April 27, 2004 has, for example, been drawn up in compliance with the Code. The remuneration policy for the Executive Board will be an agenda item. Moreover, a proposal to amend the Articles of Association will be included on the agenda for the meeting. The intention in this respect is that the Articles of Association should this year be brought into line with the best practices detailed in the Code. One of the most significant amendments is the proposal to end the current requirement for a higher majority if a binding proposal for nomination to the Executive Board or Supervisory Board is to be rejected or if it is proposed to dismiss a member of either Board. The proposed amendment also reduces the number of shareholders votes required for an item to be submitted for inclusion on the agenda of the General Meeting of Shareholders (under the new rules, votes representing 0.01% of the share capital or a market value of EUR 50 million will be required). This amendment is being proposed in advance of the Company Structure Reform Bill, which is currently being considered by the Dutch Upper House of Parliament. In February 2004, the Supervisory Board appointed a Company Secretary (the General Counsel) and adopted a set of general regulations on whistleblowers , which were subsequently approved by the Dutch Central Works Council.

In accordance with the Code, the General Meeting of Shareholders will be asked to appoint new Executive Board members for a period of four years. Given that the current nominees for the Executive Board, Eric Boyer de la Giroday, Eli Leenaars and Hans Verkoren, are already employed by ING, their contracts of employment, which are for unspecified periods of time, will continue. The Supervisory Board has also taken account of their existing contractual rights when determining the level of any severance pay that may become due. The Tabaksblat Code recognizes that existing contractual agreements should continue to be respected and that Dutch employment law needs to be amended if Board appointments are to be for limited periods of time. The contracts of existing Board members will not, therefore, be changed. Their appointments for an unspecified period of time will continue, while the existing arrangements in respect of severance pay will also be respected. In other words, they will receive a maximum of three times their most recent fixed annual salary.

In line with the Code, ING s periodic meetings with analysts, such as those held after publication of the quarterly, half-year and annual figures, will now also be able to be followed simultaneously by telephone or webcast. The new procedure was introduced at the meeting following publication of the 2003 results in February 2004.

**Implementation of Tabaksblat Code**

We will implement the Tabaksblat Code as much as possible. Depending on how the best practices are interpreted, on any subsequent recommendations that may be made by the Tabaksblat Committee, on legislation on various aspects of the Code and on further discussions within ING, the Group is expected to diverge from the best practices of the Code in some respects:

Code II.2.7 states: The maximum remuneration in the event of dismissal is one year s salary (the fixed remuneration component). If the maximum of one year s salary would be manifestly unreasonable for a management board member who is dismissed during his first term of office, such board member shall be eligible for a severance pay not exceeding twice the annual salary. ING is prepared to take this best practice into account as a reference for new

Executive Board members, provided however that the severance may be higher in an individual case depending on existing rights for severance pay, market practice, competitive considerations and other reasons that may give cause to agree on higher severance if needed to attract the right qualified person.

Code III.3.4 states: The number of supervisory boards of Dutch listed companies of which an individual may be a member shall be limited to such an extent that the proper performance of his duties is assured; the maximum number is five, for which purpose the chairmanship of a supervisory board counts double. Two members of the Supervisory Board, Messrs. Jacobs and

20

Table of Contents

Vuursteen, currently hold more supervisory directorships in Dutch listed companies than the maximum recommended in the Code. This issue will be discussed on the next occasion that these gentlemen become eligible for reappointment, which will be in 2006 in the case of Mr. Vuursteen and in 2007 in the case of Mr. Jacobs.

Code III.5.6 states: The audit committee shall not be chaired by the chairman of the supervisory board or by a former member of the executive board of the company.

Mr. Jacobs, who was previously chairman of the Executive Board, currently chairs the Audit Committee. It should, however, be noted that Mr. Jacobs resigned from the Executive Board over five years ago and so can be regarded as independent, both in respect of the Code and under the terms of the US Sarbanes-Oxley Act.

Code III.5.11 states: The remuneration committee shall not be chaired by the chairman of the supervisory board . The chairman of the Supervisory Board, Mr. Herkströter, chairs the Remuneration and Nomination Committee. Appointments, both to the Executive Board and the Supervisory Board, and remuneration are issues of such importance that we believe it is vital for the chairman of the Supervisory Board to be substantially involved in these discussions at an early stage.

In the General Meeting of Shareholders on April 27, 2004, the application of the Code by ING will be discussed. Subsequently, the Code will be implemented to the extent possible, taking into account the above-mentioned factors and the discussions in the General Meeting of Shareholders. The implementation will be reported on via a continuously updated corporate-governance charter on the website of ING Group, which will be published in print prior to the 2005 Shareholders Meeting. At the annual General Meeting of Shareholders in April 2005, the formal shareholders approval of ING s corporate-governance structure related to the Tabaksblat Code will be sought. Providing the various items are approved by the shareholders, ING will then be deemed to be in full compliance with the Code.

**Corporate Governance Differences**

Under the New York Stock Exchange s listing standards, foreign private issuers must disclose any significant ways in which their corporate governance practices differ from those followed by US domestic companies under the NYSE listing standards. We believe the following to be the significant differences between our corporate governance practices and NYSE corporate governance rules applicable to US companies:

We have a two-tiered board, in contrast to the one-tier board used by most US companies. In the Netherlands, a Naamloze Vennootschap (public limited liability company) has an Executive Board as its management body and a Supervisory Board which advises and supervises the Executive Board. In general the members of the Executive Board are employees of the company while members of the Supervisory Board often are former captains of state or industry and sometimes former members of the Executive Board. Usually the members of the Supervisory Board are independent of the company in the sense of the NYSE listing requirements. Our Audit Committee and Remuneration and Nomination Committee are comprised of members of the Supervisory Board.

In contrast to the Sarbanes-Oxley Act of 2002, the Tabaksblat Code contains a comply-or-explain principle, offering the possibility to deviate from the Tabaksblat Code as long as any such deviations are explained.

Our Ordinary shares are held by a trust, Stichting ING Aandelen (the Trust ), which issues Bearer receipts, each Bearer receipt representing financial interests in one Ordinary share held by the Trust. The Trust holds all voting rights over the Ordinary shares, and pursuant to the Trust Constitution and Trust Conditions, the Trust will grant proxies to holders of the Bearer receipts. See Item 7 Major shareholders and related party transactions .

Dutch law requires that our external auditors be appointed at the general meetings of shareholders and not by the Audit Committee.

Our Articles of Association provide that there are no quorum requirements to hold a general meeting of shareholders, although the taking of certain actions may require a quorum.

Table of Contents

**Executive Centers**

The Executive Board (supported by various corporate staff departments) determines the Group s corporate strategy, prescribes capital base ratios and reserving levels, allocates resources, sets financial performance targets and risk profiles for the Executive Centers (ING Europe, ING Americas and ING Asia/Pacific), appoints senior management, manages the Group s corporate image, establishes information technology strategy, and monitors the realization of the objectives established for the Group. Certain actions of the Executive Board are subject to the approval of the Supervisory Board, including the issuance or cancellation of shares, significant acquisitions, the declaration of interim dividends, material capital expenditures and matters concerning substantial changes in employee relations. The Executive Committees formulate the strategic, commercial and financial policy for the Executive Centers in conformity with the group strategy and performance targets set by the Executive Board. Each Executive Committee is responsible for the preparation of the annual budget of its Executive Center. This budget is approved and monitored by the Executive Board. Each Executive Committee also approves the strategy, commercial policy and the annual budgets of the business units in its Executive Center and monitors the realization of the policies and budgets of that Executive Center and its business units.

# ING EUROPE

## 2003 HIGHLIGHTS

The profitability of ING s operations in Europe especially those in the Benelux remained key to the results of the Group. As in 2002, the retail businesses contributed to the strong performance. ING Direct had another strong year and showed good profitability. In the wholesale business, Financial Markets delivered excellent results as did wholesale banking in the Benelux. International Corporate Financial Services recovered from the high loan loss provisions taken in 2002. Additional restructuring measures were announced at ING BHF-Bank in order to restore the profitability. Throughout ING Europe, good progress was made during the year in increasing efficiency and improving service levels.

The following table shows income and profit before taxation (both excluding other asset management operations) by business segment:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2003 | 2002 | 2001 |
| | (EUR millions) | | |
| Income | | | |
| Retail | 8,301 | 7,801 | 7,346 |
| Wholesale | 5,963 | 5,524 | 5,865 |
| Corporate line | 848 | 1,172 | 1,165 |
| **Total** | **15,112** | **14,497** | **14,377** |
| Profit before taxation | | | |
| Retail | 1,702 | 1,375 | 1,118 |
| Wholesale | 1,616 | 815 | 1,328 |
| Corporate line | 651 | 810 | 1,241 |
| **Total** | **3,969** | **3,000** | **3,688** |

## FUNCTIONAL AREAS

### Retail

On the retail side, the strategy focuses on retail wealth accumulation and financial protection (i.e. retail banking, asset management, asset gathering, life insurance and pensions) and private banking, supported by the click-call-face (multi-product, multi-channel) distribution approach.

We serve three types of retail markets in Europe, each reflecting our different market positions and thus requiring a slightly different approach to the retail strategy. In the home markets of the Netherlands, Belgium and Poland, our goal is wealth accumulation supported by an efficient mix of channels appropriate to the client segments and products and focused on cost reduction. In other large mature markets, we are developing our retail banking position around ING Direct, selectively adding new activities and face channels as appropriate. In the developing markets, particularly Central Europe, we are striving to become a market leader in pensions, life and wholesale banking by leveraging our market position, including via distribution alliances, to grow our position over the long-term.

With the European organization in place, the management of Retail Europe works together with the regions to set the priorities for future growth. In particular, this includes developing a common set of retail value drivers to get a better understanding of the quality and sustainability of profits. The value drivers are: scale, cost, cross selling, value of new business and customer satisfaction.

**Private Banking**

The restructuring of ING Private Banking, which began in 2002, continued during 2003, with a number of unprofitable business units either being closed or transferred to lower-cost retail operations. We also began investing in a number of key developing markets where we believe there are significant growth opportunities, including India, China and Korea.

Table of Contents

The rationalization of our product offering also began with the appointment of pan-European product specialists and regional product managers, whose primary objective is the creation of a more simplified and coherent set of products and services, which are aligned to the specific requirements of our clients. We have also begun developing a range of products and services with a strong sustainability element and in this context we are leveraging the Group s expertise in areas such as micro-lending and charities.

More effective client segmentation has also been a core objective for our business units during the year, with much greater emphasis on the individual needs of our clients and a clear move away from a strictly product-based approach. We are also adopting a more globally consistent approach for our top-tier international clients, through the creation of a new super-high-net-worth segment.

For private banking clients, the face approach remains the most important of the ING click-call-face channels. However, we have also introduced more click and call channels for clients this year, with the introduction of trading and advisory call centres in many units, including Belgium and Asia, as well as enhanced internet banking, including execution capabilities and portfolio valuations.

We have also been successful this year in controlling our costs and in starting to maximize our operational efficiency across all five private banking regions. Many initiatives are underway to capitalize on our existing strengths, creating more synergy and coherence across all our units. Examples include portfolio management, third party funds, wealth management and credit.

The financial impact of the more integrated approach to private banking at ING has resulted in an almost trebling of our net profit compared to 2002. Asset growth, when compared to the market, has also shown significant growth. Growth in Asia has exceeded our expectations we have also made progress in key home markets, including the Netherlands and Belgium.

We believe that the outlook for ING Private Banking remains very promising. Asia is expected to continue to outperform most other units in growth, particularly as we step up our investment in the high potential Chinese and Indian markets. The home markets also offer significant growth potential for private banking, particularly in the Netherlands, where a more focused and client-centric private banking strategy is in the process of being rolled out.

**ING Wholesale**

The Wholesale Bank improved its profitability in 2003 while restructuring its operational cost base and the international branch network, improving risk management and, above all, unifying the client approach across regions and functions to increase value for both ING and its clients. All functional and regional commercial and support units contributed to the improved results and Wholesale Banking pre-tax profits more than doubled compared to 2002, risk costs were halved and the cost/income ratio improved substantially.

ING Wholesale will continue to focus on providing the highest level of service to its clients in its five European regions (The Netherlands, South West Europe, Germany, Central Europe and the UK), as well as its operations in the Americas and Asia, in the year ahead. It will align commercial strategy within Europe and core Emerging Markets in the three functional areas of Corporate Financial Services (CFS), Investment Banking (IB) and Financial Markets (FM), to benefit from the upturn in the local market economies and global economic sentiment.

CFS is defining its client base, that is mid-corporates in the Benelux, Poland and Germany, large international corporates globally, including local blue chip companies in Emerging Markets and Financial Institutions (banks and non-banks) worldwide, while delivering high added value to clients. This will be achieved by applying superior relationship-management skills in human capital and client information reporting, developing specific sector expertise and cross-selling capabilities. Of strategic importance are anchor products, such as, payments and cash management, general lending, structured finance (including acquisition finance) and trade banking, plus employee benefits, mergers and acquisitions advisory and asset management in specific markets. Investments will be made in syndicated finance and securitization for the benefit of ING s customers and its own capital management.

The key Financial Markets (FM) objective is to support the overall wholesale client strategy, by providing target clients (and ING entities) with the full range of FM products and services in both the developed and emerging markets. To this end, FM will continue to put additional resources into developing a closer alignment between product specialists and client relationship managers. In the major developed market Hubs, FM is reorganizing and upgrading its sales teams to focus on servicing the broad financial market needs of defined client groups, such as corporates, financial institutions, fund managers, etc., rather than focusing team efforts on single product groupings.

From a financial perspective, 2003 was a profitable year for ING Wholesale overall but also a challenging one, due to recessions in many countries and a number of serious global events, namely the Iraq war and the SARS outbreak in Asia.

**Operations and IT**

During 2003, we focussed on further implementing the various programs launched in 2001 and 2002. Those steps include:

- the further roll out of a single IT application architecture,
- the establishment of shared services centres,
- the consolidation and standardization of IT Infrastructure & Applications.

The implementation continues to progress well and we are on track to meet our financial target of EUR 760 million of cost reductions in the Operations and IT arena by 2005.

Considerable attention was given to improving our operational efficiency, especially in the insurance sector. An important IT investment program was launched, covering both Life and non-Life, to support our insurance operations. The first deliverable of this program became operational in 2003.

Responding to the increased potential for external risks, an EC Europe wide program was started to enhance our IT Security environment. Significant management attention was given to strengthening our IT Security Infrastructure and to improving the IT Controls.

**ING INVESTMENT MANAGEMENT EUROPE**

ING Investment Management Europe (ING IM), is responsible for managing the investments of the insurance companies of ING, as well as managing equity, fixed income and structured investments for institutional investors and the private label investment funds sold by various ING companies, including ING Bank, ING Belgium, Postbank, Nationale-Nederlanden and third party distributors. ING IM is also responsible for managing the treasury activities of ING Insurance.

With ING Investment Management Europe integrated into the regional Executive Centre Europe as of January 1, 2003, we set up a functional Global ING Investment Management Board to preserve the efficiency of a global manufacturing platform and to ensure global consistency of the investment strategies adopted in each region.

During 2003, ING Group sold its Italian retail operation (including its Italian mutual fund range) to Unicredito. ING IM will however remain active in Italy managing institutional mandates and selling its Luxembourg mutual fund range through third party distributors.

ING IM Europe also experienced both net inflow (EUR 2.0 billion) and positive revaluation (EUR 4.9 billion) in 2003 due to moderately improving market conditions. Both contributed to total assets under management increasing by 6.3% to EUR 110.8 billion.

The investment portfolios of ING Group companies managed by ING IM Europe increased by 11.3% to EUR 41.1 billion in 2003. Assets under management of ING IM on behalf of institutional clients increased by 7.6% to EUR 33.2 billion. The portfolios managed on behalf of institutional clients consist of fixed income securities (approximately 65.5%) and equities (approximately 34.5%). Assets in investment funds managed by ING IM amounted to EUR 36.6 billion, compared to EUR 36.5 billion as of the end of 2002.

Table of Contents

## ING DIRECT

### Financial Results

The strategy of ING Direct is to be a low-cost provider of financial services by achieving scale in large mature markets by offering the clients best value for their money and excellent service via call centres, direct mail and the internet. ING Direct uses a high-rate, no-fee, no-minimum savings account as the entry product. Upon reaching the necessary minimum scale, ING Direct complements the savings account by cross selling a focused range of other wealth accumulation products such as mortgages, mutual funds, e-brokerage, pensions and life insurance. After the savings products, mortgages are the most important product. ING Direct s primary distribution channels are the call centre and the internet. The call centre is the pulse of the business for ING Direct. The internet and the Intelligent Voice Response (IVR) are two other main channels and they process an increasing number of transactions. On average, 45% of the account openings are activated via the internet and more than 70% of the incoming contacts with existing clients are fully automated (IVR or the internet). ING Direct cafés and co-operation with intermediaries and tied agents from sister companies and third parties form a third supplementary channel. ING Direct makes use of intermediary networks to sell more complex products. In the course of 2003, five business units (Canada, Australia, Spain, Germany and the United States) contributed to the Group s profit. We expect the youngest operations in France and Italy will break even in the course of 2004, although our operation in the United Kingdom, which started in May 2003, is expected to continue operating at a loss.

### Growth and other developments

Due to overall commercial success in the business units, ING Direct almost doubled its size in 2003, based on total funds entrusted (deposits). In each of its markets, ING Direct has achieved a leading position in the direct banking segment. In addition, it has achieved a top-ten position based on savings balances in four of its markets.

Due in part, to the ongoing momentum and heavy usage of the internet and the shift to favorable savings market conditions, approximately 3.5 million new clients joined ING Direct in 2003 to bring the total to more than 8.5 million clients. The total of funds entrusted increased by EUR 44 billion to EUR 99 billion. Brand awareness developed strongly in all countries and acquisition costs declined from an average of EUR 140 per new account to an average of EUR 92 per new account, due in part to cost-effective marketing. In total, ING Direct reached profitability in the fourth quarter of 2002, and made a profit of EUR 151 million (before-tax) for 2003.

| | **Total clients** | | **Total funds entrusted** | |
|---|---|---|---|---|
| | **Year-end 2003** | **Year-end 2002** | **Year-end 2003** | **Year-end 2002** |
| | **(in thousands)** | | **(in billions of EUR)** | |
| Canada | 905 | 684 | 7.0 | 5.1 |
| Germany | 3,735 | 1,894 | 38.1 | 20.3 |
| Spain | 753 | 610 | 7.9 | 6.0 |
| Australia | 719 | 475 | 6.9 | 4.1 |
| France | 339 | 270 | 7.6 | 6.3 |
| USA | 1,399 | 864 | 12.8 | 8.9 |
| UK | 305 | | 11.5 | |
| Italy | 379 | 244 | 7.6 | 4.5 |
| **Total** | **8,534** | **5,041** | **99.4** | **55.2** |

Table of Contents

**Expanding market positions**

ING Direct UK was launched in May 2003. The launch was accompanied by a strong media offensive. The growth-rate of ING Direct UK has been high. In nearly 8 months ING Direct UK has reached a level of over EUR 11 billion funds entrusted. This makes ING Direct UK the fastest growing bank in the UK ever.

In the beginning of 2003, ING announced that it signed a letter of intent with Fineco/Capitalia of Italy to acquire Entrium, Germany s second largest direct bank. The closing of this acquisition took place in July 2003. Also in July 2003, ING acquired the remaining 30% of the shares in DiBa (Germany) from BGAG. This way, ING owns all shares in DiBa In January 2003, ING Direct USA extended its market to include California.

**Outlook**

ING Direct will continue to focus on growing all of its business units to reach the necessary scale in savings, and bringing all of the business units to profitability. Although competition in all markets remains fierce, ING Direct expects to increase its profit in 2004, after including start-up losses of newer business units, if any.

**OTHER ASSET MANAGEMENT**

Beginning January 1, 2003, the activities of ING Investment Management were reorganized along regional lines and have been integrated into each of the regional Executive Centers in the Americas, Asia/Pacific and Europe. As a consequence, the financial results of ING Investment Management activities are now reported within these Executive Centers, and the Executive Center Asset Management no longer functions as a separate global profit center. The other business units of the former Executive Center ING Asset Management continue to report to the Executive Board member responsible for asset management.

In 2003, Other Asset Management comprised of the following five business units:

- ING Real Estate
- Baring Asset Management
- ING Trust
- Parcom Ventures
- Baring Private Equity Partners

In 2003, Other Asset Management had an average of 3,022 employees, based on full-time equivalents.

**ING Real Estate**

ING Group s real estate activities are conducted through ING Real Estate. With a portfolio of more than EUR 42 billion at the end of 2003, ING Real Estate is ranked as one of the three largest real estate companies in the world with offices in Europe, the United States, Asia and Australia. ING Real Estate operates as an investment manager, developer and financier. Its primary aim is to make maximum use of the global expertise in the creation of valuable products. Despite the softening of the real-estate markets, the 2003 results exceeded expectations.

Investment management activities are carried out for institutional investors who want to diversify their property investments. As an investment manager ING Real Estate launched new funds in 2003, such as the ING Clarion Real

Estate Income Fund and the ING Retail Property Fund France Belgium. In 2003, the Investment Management portfolio increased by 7% to EUR 26.3 billion.

Table of Contents

ING Real Estate Development covers the development of shopping centres, offices and residential units in response to market demand. It also continued creating value through numerous real estate projects around the world like: Liget Park Atrium (Hungary), Zloty Tarasy (Poland), New York Times Tower (USA), and the Haarlem Court House (The Netherlands). As of the end of 2003, the global real estate development portfolio amounted to EUR 2.0 billion.

Finance offers a wide range of products from mortgages, project finance, construction finance and leasing arrangements to syndicated loans. The Finance activities made a considerable contribution to ING Real Estate s result with significant portfolio growth. Another remarkable milestone was the establishment of a syndication desk. This was made possible thanks to the increasing demand for large transactions to be syndicated among other players..

**Baring Asset Management**

Baring Asset Management (BAM) provides a diversified spectrum of investment management services to a variety of institutional and private clients. It manages equity, fixed-interest and balanced portfolios for world-wide clients. BAMs business is structured into two business lines: Investment Management Group and Financial Services Group, which accounted for 54% and 46%, respectively, of its total revenues in 2003.

In mid-2003 the investment management business of BAM implemented a new strategy and structure in response to the fundamental changes that are taking place in the industry. BAM changed from a market-driven company to an investment product-oriented company and has focussed successfully on strengthening the relationship between the investor and the client.

During 2003 the management structure of the BAM Financial Services Group was re-organized along functional lines based around the three main businesses of fund administration, offshore banking and custody, and trustee services. This has enabled the businesses to differentiate themselves, be more responsive and adaptable to client needs and create a greater focus on sales and business development.

**ING Trust**

ING Trust specializes in trustee services and the formation and management of offshore companies used for, among other things, tax planning, estate planning and asset protection. ING Trust is a leading player in the Dutch market for offshore trust services, serving both corporate and private clients. Throughout 2003, ING Trust focused on the implementation of new risk and compliance rules and on strengthening the relationship with the advisors of clients.

**Parcom Ventures and Baring Private Equity Partners**

Parcom, ING s captive private-equity unit in the Netherlands, showed good sales results in 2003 despite the difficult circumstances in the venture-capital markets. The last quarter showed a noticeable improvement. The size of the portfolio amounted to EUR 488 million. The 2003 profit contribution was quite satisfactory and Parcom comfortably meets ING s profit targets. Parcom will continue to focus on mid-corporate buy-outs in Europe.

In 2003 ING reached an agreement in principle with Baring Private Equity Partners (BPEP) for a management buy-out. While ING continues to regard private equity as an attractive asset class to invest in, this agreement is in line with ING s strategy to focus on its core business. ING will not relinquish its current investments in the existing funds of BPEP.

**ING AMERICAS**

The Executive Center (EC) ING Americas is comprised of business units operating in three broad geographic-based units in the United States, Canada, and Latin America (including Mexico). The primary products and services provided in ING Americas business units are various types of insurance, mutual funds, brokerage services and institutional products, including reinsurance and

Table of Contents

principal protection products, as well as retail and institutional asset management. In addition, we offer retail banking products and limited corporate and investment banking products and services in certain countries in the Americas through EC ING Europe.

ING Americas combined insurance operations place it among the top ten life insurers in the United States in terms of life and annuity premiums. ING Americas total assets under management at the end of 2003 amounted to EUR 167 billion. ING Americas ranks as the number one international insurer in Latin America and is the largest property and casualty writer in Canada.

The following sets forth premium income for the operations in the United States, Canada, and Latin America by product for the years indicated:

| | Year ended December 31 | | |
|---|---|---|---|
| | **2003** | **2002** | **2001** |
| | | **(EUR millions)** | |
| **UNITED STATES** | | | |
| Individual Life Insurance | 2,109 | 2,635 | 2,593 |
| Fixed Annuity | 1,407 | 4,909 | 3,272 |
| Variable Annuity | 4,051 | 4,284 | 4,841 |
| Retirement Services | 7,591 | 8,594 | 8,571 |
| Group Insurance | 677 | 787 | 804 |
| *US Financial Services (Total)* | 15,835 | 21,209 | 20,081 |
| Reinsurance | 1,199 | 935 | 1,447 |
| Institutional Markets (GICs) | 4,327 | 5,468 | 7,190 |
| *US Institutional Business (Total)* | 5,526 | 6,403 | 8,637 |
| Other | 9 | 18 | |
| *Non-life premiums* | 624 | 720 | 407 |
| **Total** | **21,994** | **28,350** | **29,125** |
| **CANADA** | | | |
| Non-life premiums | 2,164 | 2,094 | 1,583 |
| **LATIN AMERICA** | | | |
| Life premiums | 466 | 746 | 739 |
| Non-life premiums | 1,872 | 2,547 | 1,562 |
| **Total** | **2,338** | **3,293** | **2,301** |

A low interest environment and continued focus on sound pricing resulted in substantially lower fixed annuity premiums. The strengthening of the Euro versus other currencies substantially impacted gross written premiums. Excluding currency impact, United States premiums declined only 7% in 2003, whereas Canada increased 11% and Latin America declined 7% compared to 2002.

**UNITED STATES**

Through its US business operations, EC ING Americas offers a wide range of products that include traditional life, variable universal life, interest sensitive life, universal life, group life, stop loss, guaranteed investment products, variable annuities, mutual funds, fixed annuities and defined contribution products that meet the requirements of 401(k), 403(b) and 457 plans. Distribution channels include independent producers, career agents, broker dealers and financial institutions.

The ING U.S. organization is engaged in a multi-year action to rationalize its structure by reducing the numbers of legal entities to better integrate core operations. While the bulk of these consolidation activities has been accomplished, rationalization efforts are expected to continue beyond the end of 2004.

At December 31, 2003, insurance company subsidiaries doing business under ING America Insurance Holdings, Inc., our U.S. insurance holding company, include the following: ING Life

Insurance and Annuity Company, ING Insurance Company of America, Security Life of Denver Insurance Company, Equitable Life Insurance Company of Iowa, USG Annuity & Life Company, United Life & Annuity Insurance Company, Life Insurance Company of Georgia, Southland Life Insurance Company, Golden American Life Insurance Company, ReliaStar Life Insurance Company and ReliaStar Life Insurance Company of New York.

On January 1, 2004, Equitable Life Insurance Company of Iowa, USG Annuity & Life Company and United Life & Annuity Insurance Company merged with and into Golden American Life Insurance Company, which changed its name to ING USA Annuity and Life Insurance Company. Other non-insurance entities include ING Investment Management LLC, Investors Financial Group LLC, Lion Connecticut Holdings, Inc., ING International, Inc., and Multi-Financial Securities Corporation.

ING has a long history in the United States, and is committed to further strengthening its existing US operations and optimizing their performance. Although they are in the process of consolidating the US life and non-life markets remain highly fragmented and subject to intense competition as clients move towards investment, savings, and pure risk products. Increasing bank participation in the insurance market will also intensify competition. Retail business units in the US have been organized with either a manufacturing or distribution focus to support the offering of the entire breadth of ING products to ING s target markets, through the distribution channel of their choice.

In 2003, ING Americas operated in the United States in three business segments: US Financial Services (which includes both retail-oriented businesses and worksite financial services), US Institutional Businesses, and ING Investment Management. The activities of each segment are described below. Reorganization of the businesses will be implemented in 2004 to develop a better focus on the discrete needs of both retail and institutional customers.

**United States Financial Services**

ING US Financial Services ( USFS ), comprised of six primary lines of business (Individual Life Insurance, Annuities, Retirement Services which includes Defined Contribution Pensions and Rollover/Payout business, Group Insurance, Mutual Funds and ING Advisors Network), provides a wide variety of financial products and services to individuals both on a retail basis and through their employers. An extensive distribution network, Internet, a Voice Response Unit (VRU) and customer service representatives support products and services. The primary customer target market is the mass affluent segment.

USFS markets a complete range of individual insurance and investment products including variable universal life, universal life, and term insurance, fixed and variable annuities and mutual funds. Group insurance and employee benefit-related products and services are also offered, which include group life and disability insurance, dental and vision plans, defined contribution retirement plans, tax-sheltered annuities, voluntary employee-paid products and stop-loss coverage. Products focused on the corporate-owned insurance markets are also available. Additionally, USFS offers financial services such as financial planning, investment advisory services, pension plan administrative services and trust services primarily through the 10,000 financial professionals affiliated with the wholly owned broker-dealers in ING Advisors Network.

The focus of USFS is to market wealth accumulation, income and protection products via product-focused wholesaling forces, which in turn service distribution channels such as independent and career insurance agents, banks and broker/dealers. Approximately 280 internal and external wholesalers market individual insurance and investment products to more than 200,000 financial and investment advisors throughout the United States. Approximately 80 wholesalers market defined contribution retirement plan products in the small case corporate, health, education and government markets. Group Insurance and employee benefit-related products are sold primarily to medium-sized businesses by an 88 person wholesaling team through both major brokerage operations and via direct sales to employers.

### ING US Institutional Businesses

ING US Institutional Businesses (USIB) focus on providing products to institutional customers in two areas, reinsurance, through ING Re, and principal protection products, through ING Institutional Markets.

ING Re is the professional life reinsurance arm of ING Americas and is one of the top five life reinsurers in the United States. Its primary focus is assisting its clients by providing knowledge based individual and group life, as well as accident and health, reinsurance solutions. ING Re s clients are primarily United States domestic life and health insurance companies. Risks are managed using per risk, per incident and per location exposure limits.

ING Institutional Markets offers principal protection products such as funding agreements, guaranteed investment contracts (GICs) and other stable value alternatives to defined contribution plans, fixed income money managers, financial intermediaries and other institutional buyers. The products offered by ING Institutional Markets can be traditional products, which guarantee a fixed or floating rate of interest and a return of principal to the contract holder, or alternative funding products such as synthetic and separate account GICs and GIC-backed medium term notes. The risks of the business unit are managed within very tight tolerances using sophisticated financial techniques and processes.

### ING Investment Management

As of 2003, ING Investment Management Americas became part of EC ING Americas in order to better align investment manufacturing and distribution on a regional level. ING Investment Management Americas was formed in 2002 from a combination of ING s existing investment management operations in the United States, Canada, Mexico, and Chile with those of ING Aeltus Investment Management in Hartford, Connecticut, ING Furman Selz Asset Management based primarily in New York, and ING Funds investment operations in New York and Scottsdale, Arizona.

IIM Americas is comprised of five primary business lines: Proprietary Assets, Mutual Funds, Institutional Portfolios, Alternative Assets, and Managed Accounts. IIM s assets are managed in a wide range of investment styles and portfolios including: domestic and international equity funds across the value, blend and growth universes as well as the small, mid and large capitalization spectrum; domestic and international fixed income funds across the major bond sectors; balanced portfolios; real estate and private equity.

IIM manages Proprietary Assets for ING Americas insurance entities, investing in a diverse mix of public fixed income, private placements, structured products and commercial mortgages. IIM s third party products are distributed through proprietary, affiliated and outside distribution channels. Its mutual funds are distributed primarily through ING USFS products (including worksite retirement products, individual annuity products, and life insurance products), through ING and third party financial intermediaries, and through ING s internet bank, ING Direct.

IIM s institutional funds primarily serve the defined benefit market and are distributed directly to pension plans and through consultants by IIM s dedicated institutional sales force. IIM Americas institutional funds are also distributed through affiliated ING distribution channels in Europe and Asia/Pacific.

IIM s Alternative products are targeted to high net worth individuals and institutional investors. These products include single strategy hedge funds, hedge fund of funds, private equity, and structured products and are distributed primarily through proprietary distribution channels. IIM s managed account business serves almost 40,000 high net worth customers by offering individually managed portfolios through financial intermediaries.

IIM Americas business strategy is to further leverage the powerful distribution existing in ING s affiliate businesses and expand the model of maximizing the number of distribution channels for a given investment product or capability.

Table of Contents

## CANADA

ING Americas business strategy for Canada is centered around risk management expertise delivered through strong manufacturing and distribution capabilities. In addition, a wealth management capability supports the distribution network.

ING Canada is the No. 1 insurer in the Canadian property and casualty market with a market share in excess of 10%. The total volume of direct written premiums in 2003 was EUR 2.2 billion representing an 11% increase over the prior year (all organically).

ING markets property and casualty insurance products through multiple distribution channels, including brokers, affinity programs as well as direct to the customer. This multiple-channel strategy reaches a broad cross-section of personal lines customers. In the commercial market, business is conducted through brokers, and customers are primarily small and medium size businesses. Commercial specialty lines products, such as marine, surety and other niche products are also offered.

ING Insurance Company of Canada, capitalizing on the brand strength in Canada, as well as ING s global brand positioning, serves brokers and their customers across Canada; while ING Novex offers personal lines insurance to groups throughout Canada.

ING Canada markets P&C insurance directly to customers through BELAIRdirect. Its products are marketed and sold mainly through the Internet and by phone through call-centers in Quebec and Ontario.

ING Advisor Network division operates with a mandate to further strengthen the financial services network across the country. This division is dedicated to support broker partners in building financial services capabilities within their brokerages.

In addition to insurance operations, ING Canada also has a mutual fund operation, ING Funds, and a registered mutual fund dealer, ING Wealth Management. The team s focus is to deliver packaged financial solutions to our brokers of the Advisor Network.

ING Canada has a customer base of over 3.6 million.

## LATIN AMERICA

ING Americas seeks to be a leading player in emerging and other selected markets outside North America that have the potential for attractive long-term returns. Therefore, ING Americas, through subsidiaries and joint venture affiliates, sells life insurance, health insurance, pensions, property and casualty insurance, and financial services products in selected markets in strategic Latin American countries. Activities are focused on the countries of Brazil, Chile and Mexico. ING also has a presence in the AFP (privatized pension) and annuities market in Peru. The evaluation of non-strategic activities for divestment will continue throughout the Latin American operations.

### Mexico

ING Americas current presence in Mexico consists of the largest insurance company, ING Comercial America ( ING CA ) and ING Comerical America Afore, a top five pension companies. ING CA is the market leader in the Mexican insurance industry with premium income of EUR 1.9 billion on an annual basis. ING CA has its strongest market positions in autos (#1), commercial property & casualty business (#1) and health insurance (#2). The growth focus will be on personal lines with the emphasis on life and wealth accumulation products.

ING Comercial America Afore, a privatized pension savings fund business started in 1997, has more than 2.7 million clients and AUM exceeding EUR 2.6 billion.

In 2003, ING sold its 49% interest in the Mexican bancassurance joint venture Seguros Bital to HSBC.

Table of Contents

### Argentina

Since 1996, ING has had a life insurance operation in Argentina that sold primarily unit-linked individual life insurance products through a sales force of tied agents. ING Argentina is experiencing an economic environment that was not envisaged when the Board approved the business plan justifying the original Argentinean investment. Through aggressive management actions the financial risks of the insurance operations have been limited. On February 17, 2004 ING announced that it made a decision to close ING Insurance in Argentina, and as a result ING Insurance Argentina is closing its branch offices throughout the country.

### Chile

ING Americas has gained scale to become a leading financial services group in Chile with the #1 market ranking for life premiums and the #2 ranking for health premiums. 2003 total revenues (premium income and asset management fees) in Chile were EUR 611 million and assets under management were EUR 6.6 billion.

### Brazil

ING obtained a 49% share in the health insurance subsidiary of Sul America, SulAet, with the acquisition in 2000 of Aetna International. In 2002, ING expanded this relationship and acquired 49% in Sul America, positioning ING at the forefront in the largest South American insurance market. As well as the #1 ranking health line, products now include life and personal accident, pension, auto, other P&C, and fund management activities. A co-branding project was launched in 2003.

### Peru

ING has a 60% stake in AFP Integra, the leading private pension fund in Peru with EUR 1.6 billion in assets under management. ING also has a minority stake in InVita Life, which offers life, survivor and disability insurance, as well as annuities. Non-life interests were divested in 2002.

### Netherlands Antilles and Aruba

ING completed the sale of its life, non-life and health operations in the Netherlands Antilles and Aruba (ING Fatum), with approval of the Central bank of the Netherlands Antilles, in early 2003.

## ING ASIA/PACIFIC

| | Year ended December 31 | | |
|---|---|---|---|
| | 2003 | 2002 | 2001 |
| | (EUR Millions) | | |
| Total operating income | 8,511 | 8,826 | 7,501 |
| Operating result before taxation | 453 | 603 | 304 |

The Executive Centre (EC) ING Asia/Pacific is responsible for primarily retail strategies in delivering insurance and wealth management product lines in the key markets of Taiwan, Hong Kong, Australia/New Zealand, Japan, Korea and Malaysia, while further developing greenfields in China, India and Thailand.

A regional office in Hong Kong supports all business units in the region, ensures implementation of strategy and standards, encourages synergy both regionally and globally, and produces regional management reports to headquarters in Amsterdam.

With the exception of Japan and Australia, ING distribution in the region has been dominated by tied or career agents, but this is changing with the growth of independent agents, financial planners, and bancassurance, together with e-business, which is making inroads in terms of both direct customer access and supporting intermediary channels.

Table of Contents

Market positioning has been strengthened in several countries through joint ventures. In Australia and New Zealand, the life insurance and funds management joint venture with ANZ is tracking according to plan. The Life Joint Venture with Beijing Capital Group started business in Dalian at the beginning of 2003 The Shanghai joint venture received approval to open a new branch in Guangzhou. Further we have begun bancassurance sales with Kookmin Bank in South Korea.

**Australia and New Zealand**

ING has two large joint ventures in Australia. ING Australia (the life and wealth management joint venture with ANZ) ranks No. 4 in the life business and No. 5 in the wealth management business). QBE Mercantile Mutual (the non-life joint venture with QBE) ranks No. 6 in the non-life industry. ING Australia continues to focus on leveraging its reach and scale to generate profitable growth by lowering operational cost ratios, enhancing product platforms, and growing ANZ distribution capacity and production via aligned distribution in multiple channels. QBE Mercantile Mutual distributes a range of general insurance products through professional general insurance intermediaries. In New Zealand, ING acquired the life insurer, Club Life in 2003.

**Taiwan**

Taiwan remains one of the most important markets for ING in the Asia Pacific region. ING s businesses in Taiwan include the No. 4 ranked life insurer, ING Antai, and a mutual fund joint venture with Chang Hwa Bank. Career life agents are the main distribution channel, although bancassurance has grown in prominence. Priorities for the life business include the introduction of innovative products with appropriate pricing, and the management of health products in order to reduce risk and improve profitability. Managing the low interest rate environment and improving investment performance within the investment mandate are also critical.

**Hong Kong**

ING s Hong Kong strategies focus on growing market position, besides developing alternative channels like bancassurance and financial planning to accelerate growth for the life business. In particular, ING has deepened its relationships with regional banks with sales support and training to enhance operating efficiency and quality of sales. The non-life business aims to maximize synergy and cross sell opportunities with other ING businesses operating in Hong Kong. The pension business will seek to continue to reduce costs through various initiatives.

**China**

The life insurance joint venture (PALIC) in Shanghai with China Pacific Insurance Company now ranks No. 7 in new business premium and fourth in terms of agency sales. It continues to focus on improving agency productivity and developing alternative distribution channels such as bancassurance. The Dalian life insurance joint venture (ICLIC) started operations in December 2002 and now ranks No. 5 in Dalian. The fund management joint venture China Merchant Funds launched China s first open ended fund and first money market fund during 2003, raising in total over EUR 500 million.

**South Korea**

ING Life Korea is one of the fastest growing international companies in the country. In 2003 ING Life Korea was ranked No. 5 by total premium. Life premium grew rapidly through the traditional tied agency distribution channel and bancassurance activities with Kookmin Bank during 2003. To further strengthen this position, ING s priorities in 2004 include deepening bancassurance distribution and broadening the agency pool. The extended strategic investment agreement with Kookmin Bank provides expanded distribution for life insurance and asset management products. ING s 20% owned investment trust joint venture with Kookmin Bank ended the year with assets under management of over EUR 6.8 billion.

Table of Contents

### Japan

In Japan, ING plans to maintain its leadership positions in the Corporate Owned Life Insurance (COLI) segment and the Single Premium Variable Annuity (SPVA) segment. ING ranks No. 3 in the SPVA segment. ING will continue to be a producer for independent agents and banks. Important new distribution alliances with four mega banks have been successfully launched, and the product range will be broadened. The pension joint venture with Principal Financial Group (USA), which focuses on small and medium-sized companies, markets a comprehensive range of products related to defined contribution pensions. The pensions joint venture is the No. 7 ranked corporate defined contribution pension plan provider in Japan. ING will support pensions and SPVA business by continuing to build its asset management proprietary funds capability.

### Malaysia

In Malaysia, ING ranks No. 4 in terms of life new business with a 10% market share and, in 2003, became the No. 1 provider of employee benefits. In 2004 we expect to broaden our product range, improve operational efficiency and expense performance to drive profitability. Pension deregulation will permit pension products to be added. ING Malaysia has rebranded itself successfully from Aetna to ING leading to increased awareness of the ING brand.

### India

In 2003, ING Vysya Life Insurance in India now is focusing on developing a large, professional tied agency force, expanded its product portfolio and bancassurance sales models for life and mutual fund products are also being developed. ING Vysya Bank, where ING owns a significant minority shareholding, continues to focus on enhancing its retail banking and distribution capabilities for third party retail products and improving its portfolio of corporate lending by leveraging on the ING Group connections

### Thailand

In Thailand, ING s main focus is on growing and enhancing the productivity of the traditional tied agency force, and meeting the sales targets of the accelerated life greenfield business plan. The sales mix has been rationalized to achieve higher profitability. Bancassurance opportunities are also being actively pursued to diversify distribution.

### Indonesia

The life business conducted by ING in Indonesia was divested in 2003.

Table of Contents

**THE FOLLOWING TABLE SETS FORTH OUR PRINCIPAL GROUP COMPANIES:**
**Unless otherwise stated our participating interest is 100%, or almost 100%**

**COMPANIES TREATED AS PART OF THE INSURANCE OPERATIONS**

| | |
|---|---|
| **The Netherlands** | |
| ING Verzekeringen N.V. | The Hague |
| ING Vastgoed Belegging B.V. | The Hague |
| N.V. Nationale Borg-Maatschappij | Amsterdam |
| Nationale-Nederlanden Levensverzekering Maatschappij N.V. | Rotterdam |
| Nationale-Nederlanden Schadeverzekering Maatschappij N.V. | The Hague |
| Nationale-Nederlanden Zorgverzekering N.V. | The Hague |
| Parcom Ventures B.V. | Utrecht |
| Postbank Levensverzekering N.V. | The Hague |
| Postbank Schadeverzekering N.V. | The Hague |
| RVS Levensverzekering N.V. | Rotterdam |
| RVS Schadeverzekering N.V. | Ede |
| Movir N.V. | Nieuwegein |
| **Belgium** | |
| ING Insurance N.V. | Antwerp |
| **Rest of Europe** | |
| Nationale-Nederlanden Poist ovna A.S. | Bratislava, Slovakia |
| Nationale-Nederlanden Life Insurance Company Poland | Warsaw, Poland |
| NN Pension Fund Poland | Warsaw, Poland |
| ING Nederlanden Asigurari de Viata S.A. | Bucharest, Romania |
| NN Life Insurance Company S.A. | Athens, Greece |
| NN Greek General Insurance Company S.A. | Athens, Greece |
| ING Magyarországi Biztosító Rt. | Budapest, Hungary |
| NN Vida, Compañia de Seguros y Reasuguros S.A. | Madrid, Spain |
| NN Generales Compañia de Seguros y Reasuguros S.A. | Madrid, Spain |
| **North America** | |
| Belair Insurance Company Inc. | Montreal, Quebec, Canada |
| ING Insurance Company of Canada | Toronto, Ontario, Canada |
| ING Novex Insurance Company of Canada | Toronto, Ontario, Canada |
| ING Western Union Insurance Company | Calgary, Alberta, Canada |
| The Nordic Insurance Company of Canada | Toronto, Ontario, Canada |
| Equitable of Iowa Life Insurance Company | Des Moines, Iowa, U.S.A. |
| Golden American Life Insurance Company | Wilmington, Delaware, U.S.A. |
| ING America Insurance Holdings, Inc. | Wilmington, Delaware, U.S.A. |
| ING International Insurance Holdings, Inc. | Hartford, Connecticut, U.S.A. |

| | |
|---|---|
| ING Life Insurance and Annuity Company | Hartford, Connecticut, U.S.A. |
| ING North America Insurance Corporation | Atlanta, Georgia, U.S.A. |
| Life Insurance Company of Georgia | Atlanta, Georgia, U.S.A. |
| Lion Connecticut Holdings Inc. | Hartford, Connecticut, U.S.A. |
| ReliaStar Life Insurance Company | Minneapolis, Minnesota, U.S.A |
| ReliaStar Life Insurance Company of New York | Woodbury, New York, U.S.A |
| Security Life of Denver Insurance Company | Denver, Colorado, U.S.A. |
| Southland Life Insurance Company | Atlanta, Georgia, U.S.A. |
| United Life & Annuity Insurance Company | Des Moines, Iowa, U.S.A. |
| USG Annuity & Life Company | Oklahoma City, Oklahoma, U.S.A. |
| **Latin America** | |
| GBM Atlantico | Mexico City, Mexico |
| ING Seguros, S.A. de C.V. | Mexico City, Mexico |

| | |
|---|---|
| Pensiones Bital, S.A. | Mexico City, Mexico |
| ING Seguros de Vida S.A. | Santiago, Chile |
| **Asia** | |
| ING Life Insurance Company Ltd. | Tokyo, Japan |
| ING Life Insurance Company, Korea, Ltd. (80%) | Seoul, South Korea |
| ING Antai Life Insurance Company | Taipei, Taiwan |
| ING Life Insurance Malaysia | Kuala Lumpur, Malaysia |
| **Australia** | |
| ING Australia Limited* | Sydney, Australia |
| ING Australia Pty. Ltd. | Sydney, Australia |
| **Reinsurance companies** | |
| ING Re (Netherlands) N.V. | The Hague, the Netherlands |

**Branches**

In addition, ING Insurance and its subsidiaries have offices in Brazil, China, Czech Republic, India, Luxembourg

* including ANZ (51%)

## COMPANIES TREATED AS PART OF THE BANKING OPERATIONS

| | |
|---|---|
| **The Netherlands** | |
| ING Bank N.V. | Amsterdam |
| Bank Mendes Gans N.V. (97.79%) | Amsterdam |
| CenE Bankiers N.V. | Utrecht |
| ING Car Lease Nederland B.V. | s-Hertogenbosch |
| ING Bank Corporate Investments B.V. | Amsterdam |
| ING Trust (Nederland) B.V. | Amsterdam |
| ING Vastgoed B B.V. | The Hague |
| ING Vastgoed Ontwikkeling B.V. | The Hague |
| InterAdvies N.V. | Amsterdam |
| Nationale-Nederlanden Financiële Diensten B.V. | Amsterdam |
| N.V. Nationale Volksbank (NVB) | Amsterdam |
| NMB-Heller Holding N.V. (50%)* | Amsterdam |
| Postbank N.V. | Amsterdam |
| Postbank Groen N.V. | Amsterdam |
| Postkantoren B.V. (50%) | Groningen |
| Stichting Regio Bank | Amsterdam |
| Wijkertunnel Beheer II B.V. | Amsterdam |
| **Belgium** | |
| ING België N.V. | Brussels |

**Rest of Europe**

| | |
|---|---|
| Bank Slaski S.A. (87.8%) | Katowice, Poland |
| Baring Asset Management Holdings Ltd. | London, United Kingdom |
| ING BHF-BANK A.G. | Frankfurt, Germany |
| Allgemeine Deutsche Direktbank | Frankfurt, Germany |
| **North America** | |
| Furman Selz Holding LLC | New York, NY, U.S.A. |
| ING Financial Holdings Corporation | New York, NY, U.S.A. |
| ING Bank of Canada | Toronto, Ontario, Canada |

Table of Contents

| | |
|---|---|
| **Latin America** | |
| ING Sociedad De Bolsa (Argentina) S.A. | Buenos Aires, Argentina |
| ING Trust (Antilles) N.V. | Curaçao, Netherlands Antilles |
| Middenbank Curaçao N.V. | Curaçao, Netherlands Antilles |
| **Australia** | |
| ING Bank (Australia) Ltd. | Sydney, Australia |
| **Asia** | |
| ING Baring Securities (Japan) Ltd. | Tokyo, Japan |
| ING Capital Markets (Hong Kong) Ltd. | Hong Kong, China |
| ING Futures & Options (Hong Kong) Ltd. | Hong Kong, China |
| ING Merchant Bank (Singapore) Ltd. | Singapore, Singapore |
| ING Vysya Bank Ltd. (44%) | Bangalore, India |
| **Other** | |
| ING Direct N.V. | Canada, Germany, Spain, Australia, France, USA, Italy, UK |

**Branches**

ING Bank N.V. has offices in most of the major financial centres, including London, Frankfurt, Hong Kong and Tokyo. In addition, ING Bank and/or ING België N.V. have offices in Asunción, Bangkok, Bratislava, Bucharest, Buenos Aires, Curaçao, Dublin, Havana, Istanbul, Lima, Madrid, Manila, Milan, Paris, Prague, São Paulo, Seoul, Shanghai, Singapore, Sofia, Taipei and Vienna among others.

* Proportionally consolidated

**Table of Contents**

## REGULATION AND SUPERVISION

The insurance, banking and asset management business of ING are subject to detailed comprehensive regulation in all the jurisdictions in which ING does business. This regulation is based in a large part on European Union ( EU ) directives, discussed more fully below. These directives have a significant impact on the regulation of the insurance, banking, asset management and broker dealer businesses in the EU.

A group of companies in the EU may be engaged in both insurance and banking, although direct mergers between banking and insurance companies are not permitted.

On December 16, 2002, the European Union adopted a directive on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate. This directive aims to address the supervisory issues that arise from the blurring of distinctions between the activities of firms in each of the banking, securities, investment services and insurance sectors. The main objectives of the directive are to:

- ensure that a financial conglomerate has adequate capital;
- introduce methods for calculating a conglomerate s overall solvency position;
- deal with the issues of intra-group transactions, exposure to risk and the suitability and professionalism of management at financial conglomerate level; and
- prevent situations in which the same capital is used simultaneously as a buffer against risk in two or more
- entities which are members of the same financial conglomerate ( double gearing ) and where a parent issues debt and downstreams the proceeds as equity to its regulated subsidiaries ( excessive leveraging ).

Member States have to adopt the provisions of this directive to the supervision of accounts for the financial year beginning on January 1, 2005. ING does not expect this directive to have a material impact on its business or on its capital requirements or solvency position, as it already complies with comparable national legislation.

ING Groep N.V. and its subsidiaries are in compliance in all material respects with the applicable banking and insurance regulations and capitalization and capital base requirements of each applicable jurisdiction.

Table of Contents

## INSURANCE

### ING Europe

Insurance companies in the EU are subject to supervision and regulation by insurance regulatory authorities. carrying out prudential and conduct of business supervision.

The relevant national regulation is based on the 1992 EU Insurance Directives. These are founded on the home country control principle, according to which the ongoing regulation of insurance companies, including their foreign insurance operations, is the responsibility of the home country insurance regulatory authority. The home country insurance regulatory authority monitors compliance with applicable regulations, the capital base of the insurer and its actuarial reserves, as well as the assets of the insurer, which support such reserves. As a result of the implementation of these directives, an insurance company that has been licensed to conduct insurance business in one jurisdiction of the EU may do business directly or through foreign branches in all other jurisdictions of the EU without being subject to licensing requirements under the laws of the other EU member-states.

In The Netherlands, the home country insurance regulatory authority is the Pensions and Insurance Supervisory Authority, who ensures that the insurers and pension funds that operate in the Netherlands are and remain financially sound. In Belgium, our insurance operations are supervised by the Banking, Finance and Insurance Commission, created as a result of the integration of the Insurance Supervisory Authority (ISA) and the Banking and Finance Commission (CBFA) and who since 1 January 2004 is the single supervisory authority for the Belgian financial sector. In other European Union countries our insurance operations are subject to regulation by similar regulatory authorities.

ING Insurance s life and non-life subsidiaries in the EU are required to file detailed annual reports with their home country insurance regulatory authority. These reports are audited by ING Insurance s independent auditors and include balance sheets, profit and loss statements, actuarial statements and other financial information. The authorization granted by the insurance regulatory authority stipulates the class or classes of business that an insurer may write, and is required for every proposed new class of business. In addition, the home country insurance regulatory authority may require an insurer to submit any other information it requests and may conduct an audit at any time.

On the basis of the EU-directives, European life insurance companies are required to maintain at least a shareholders equity level of generally 4% of insurance reserves (1% of separate account reserves) plus 0.3% of the amount at risk under insurance policies. The required shareholders equity level for Dutch non-life insurers is the greater of two calculations: one based on premiums and the other on claims. The former is based on 16% of gross premiums written for the year, the latter is based on 23% of a three-year average of gross claims. As of December 31, 2003, the capital base, being EUR 7.2 billion of ING Group s Dutch insurance subsidiaries substantially exceeded the minimum standards amounting to EUR 2.9 billion, resulting in a surplus of EUR 4.3 billion.

In 1998, the directive of the European Parliament and Council on the supplementary supervision of the insurance undertakings in an insurance group was adopted. The directive enables the insurance regulatory authorities involved to form a more sound judgement on the financial situation of insurance undertakings that are part of a group, in order to provide additional safety to policyholders. Furthermore, the directive aims to prevent distortion of competition and contribute to the safety of the financial markets. 2002 has been the first financial year in which was reported according to this directive.

The supervision of our significant insurance businesses outside the EU is described below.

### ING Americas

ING Group s United States insurance subsidiaries are subject to regulation and supervision in the individual states in which they operate. Supervisory agencies in various states have broad powers to grant or revoke licenses to transact business, regulate trade practices, license agents, approve policy forms and certain premium rates, set standards of capital base and reserve requirements, determine the form and content of required financial reports, examine insurance companies and prescribe the type and amount of investments permitted. Insurance companies are subject to a mandatory annual audit of their statutory basis financial statements by an independent certified public accounting firm and an insurance department examination approximately every three to five years.

Insurers, including the companies comprising ING Insurance s U.S. operations are subject to Risk Based Capital ( RBC ) guidelines. These guidelines provide a method to measure the adjusted capital (statutory capital and surplus plus other adjustments) that insurance companies should have for regulatory purposes, taking into account the risk characteristics of the company s investments and products. The RBC ratio of an insurance company will vary over time depending upon many factors, including its earnings, the mix of assets in its investment portfolio, the nature of the products it sells and its rate of sales growth, as well as changes in the RBC formulas required by regulators. The RBC guidelines are intended to be a regulatory tool only, and are not intended as a means to rank insurers generally. Each of the companies comprising ING Insurance s U.S. operations was above its target and statutory minimum RBC ratios at year-end 2003.

Insurance holding company statutes and regulations of each insurer s state of domicile require periodic disclosure concerning the ultimate controlling person (i.e., the corporation or individual that controls the domiciled insurer in each state). Such statutes also impose various limitations on investments in affiliates and may require prior approval of the payment of certain dividends by the registered insurer to ING or several of its affiliates. ING is subject, by virtue of its ownership of insurance companies, to certain of these statutes and regulations.

Our insurance businesses in Canada are federal companies incorporated pursuant to the Canada Business Corporations Act. The various provincial statutes are almost identical. The law of Quebec, which is based on a Civil Code (modeled on the Napoleonic Code of France), varies in form from that of the other provinces. There are few significant differences between provinces in the administration of the insurance statutes. Ontario has case law that makes insurers absolutely liable for the actions of their agents, even if that agent is acting outside the scope of his or her appointment. The only defense available to the insurer is one of fraud. Due diligence may be pleaded; however, unless the insurer can prove that its standards of education, monitoring and auditing of agents are of the highest level, the insurer will be held responsible for the agents action. Quebec also has a statute that similarly makes the insurer responsible for the acts of its agents. As for mutual funds and other investment products, the various provincial statutes are almost identical and the rules are almost identical to the U.S. rules in this regard.

**ING Asia/Pacific**

Significant changes have taken place in the Japanese financial sector prompted by deregulation and the turmoil caused by the prolonged economic recession. The Financial Services Agency ( FSA ) was established on July 1, 2000, by the integration of the Financial Supervisory Agency and the Financial System Planning Bureau of the Ministry of Finance.

New products, revision of existing products and changes in policy provisions require approval by the FSA. Cabinet Office and FSA ordinances stipulate the types of assets in which an insurance company can invest. In addition, ordinances limit the proportion of assets that an insurance company may invest in certain categories of investments. The Insurance Business Law further requires that an insurance company set aside a liability reserve for each policyholder every business period to provide for the fulfillment of the level of expected mortality and other assumptions that are applied in calculating liability reserves for long-term contracts. An insurance company shall appoint a corporate actuary at a meeting of the board of directors and have such a corporate actuary be involved in the method of calculating premiums and other actuarial matters. An external audit is required for all insurers. The auditors must report on whether the balance sheet and income statements show fairly the status of the insurer s assets and liabilities in conformity with relevant laws, Cabinet Office or FSA ordinances and the insurer s articles of incorporation. In addition to the external audit, the statutory corporate auditors must be elected to examine whether there have been any serious violations of the law, relevant FSA ordinances or the insurer s articles of incorporation by the insurer s directors. The statutory corporate auditors are also responsible for accounting matters, depending on the results produced from the external audit and are required to draw up a report covering financial and non-financial issues, which is included in the annual report to shareholders.

Table of Contents

ING Group s Korean insurance subsidiaries, are subject to regulation and supervision of the Financial Supervisory Commission ( FSC ) and its executive arm, the Financial Supervisory Service ( FSS ). A second body, the Korean Life Insurance Association advises the Ministry of Finance and Economy on policies and systems related to life insurance such as the Insurance Business Act. In August 2002, the Insurance Business Act was revised to deregulate the insurance industry and to increase competition. The FSC announced a plan also aimed at increased competition in the domestic financial sector, to be implemented in three phases as of 2003.

The financial services activities of life insurance, investments, superannuation, general insurance and banking are currently governed by separate legislation under Australian law. The two main financial services regulators are the Australian Securities and Investment Commission ( ASIC ) and the Australian Prudential Regulation Authority ( APRA ). APRA is responsible for the prudential regulation of banks and other deposit taking institutions, life and general insurance companies, superannuation funds and Retirement Savings Account Providers APRA s responsibilities include regulating capital and liquidity requirements and monitoring the management functions of product providers. ASIC is responsible for consumer protection and market integrity across the financial systems, including the areas of insurance banking and superannuation.

## BANKING

### ING Europe

#### *Basel Standards*

The Basel Committee on Banking Supervision of the Bank for International Settlements (BIS) develops international capital adequacy guidelines based on the relationship between a bank s capital and its credit risks. In this context, on July 15, 1988, the Basel Committee adopted risk-based capital guidelines (the Basel guidelines ), which have been implemented by banking regulators in the countries that have endorsed them. The Basel guidelines are intended to strengthen the soundness and stability of the international banking system. The Basel guidelines are also intended to reduce an existing source of competitive inequality among international banks by harmonizing the definition of capital and the rules for the evaluation of asset risks and by establishing a uniform target capital base ratio (capital to risk-weighted assets). Supervisory authorities in each jurisdiction have, however, some discretion in determining whether to include particular instruments as capital under the Basel guidelines and to assign different weights, within a prescribed range, to various categories of assets. The Basel guidelines were adopted by the European Community. In June 1999, the Basel Committee proposed a review of the Basel guidelines of 1988.

Since then the proposals of the consultative paper of the Basel Committee on Banking Supervision were further discussed by several international working parties. Once finalized, the implementation of the New Basel Capital Accord is expected in 2007.

The purpose of Basel II is to lay down capital requirements that are more risk-sensitive. There is also greater emphasis on internal methods of risk control by banks. For example, the Accord further refines the system of risk weightings and permits capital requirements to be calculated based upon the ratings issued by recognized rating agencies. In addition, under certain conditions, banks will be permitted to use their internal rating models to determine the amount of capital that they must hold. It also adds capital requirements for operating risk to those laid down for credit risk and market risk.

The European Union will be drawing up a directive, the Third Capital Adequacy Directive (CAD3), which will apply to both banks and investment firms. Through this European directive, Basel II will be implemented in the legislation and regulations and in supervisory practice in all EU member states.

***European Union Standards***

The European Community has adopted a capital adequacy regulation for credit institutions in all its member states based on the Basel guidelines. In 1989, the EC adopted the Council Directive of April 17, 1989 on the own funds of credit institutions (the Own Funds Directive ), defining qualifying capital ( own funds ), and the Council Directive of December 18, 1989 on a capital base ratio for credit institutions (the Capital base Ratio Directive and, together with the Own Funds Directive, the EC Directives ), setting forth the required ratio of own funds to risk-adjusted assets and off-balance sheet items. The EC Directives required the EU member states to transform the provisions of the Capital base Ratio Directive and the provisions of the Own Funds Directive into national law directly binding on banks operating in the member states. The EC Directives permit EU member states, when transforming the EC Directives into national law, to establish more stringent requirements, but do not permit more lenient requirements.

The EC Directives are aimed at harmonizing banking regulations and supervision throughout the EU by laying down certain minimum standards in key areas, and requiring member states to give mutual recognition to each other s standards of regulation. The concept of mutual recognition has also been extended to create the passport concept: the freedom to establish branches in, and to provide cross-border services into, other EU member states once a bank has been licensed in its home state. The single market program for banking was completed when the Capital Adequacy Directive, or CAD, was implemented in the Netherlands with effect from January 1, 1996. In particular, CAD introduces a new requirement for banks to provide capital for market risk.

An EU member state credit institution is not permitted to start operations through a branch in another EU member state until it has received confirmation from its home country banking regulatory authority that the information required by the Second Directive on the Coordination of Legislation to the Taking Up and Pursuit of the Business of Credit Institutions (the Second Banking Coordination EC Directive ) has been submitted to that regulator and until, following this confirmation, a period of two months has elapsed or until, before the expiry of this period, it has received confirming information by that home country banking regulatory authority.

The EC Directives require a bank to have a capital base ratio of own funds to risk-adjusted assets and certain off-balance sheet items of at least 8%. At least one-half of the own funds in the numerator of the ratio must be original own funds , or Tier 1 capital. The rest may be additional own funds , or Tier 2 capital. As of January 1, 1997, Tier 1 capital consists solely of paid-up capital plus share premium accounts, other reserves and the fund for general banking risks less a deduction for goodwill. Tier 2 capital includes revaluation reserves, value adjustments and certain other funds and securities (such as fixed-term cumulative preferential shares and subordinated debt). The aggregate of a bank s subordinated loans and fixed-term cumulative preferential shares may not exceed 50% of the bank s Tier 1 capital.

To compute the denominator of the capital base ratio, the assets of a bank are assigned to five broad categories of relative credit risk (0%, 10%, 20%, 50% and 100%) and the balance sheet value of each asset is multiplied by the percentage weight applicable to its risk category to arrive at the risk-adjusted value. With respect to off-balance sheet items, such as financial guarantees and letters of credit, first, their face value is adjusted according to their risk classification depending on the type of instrument (0%, 20%, 50% and 100%), then they are assigned, like on-balance sheet assets, to the credit risk categories depending on the type of debtor and multiplied by the applicable percentage weights. With respect to derivatives contracts, first, their fair value is adjusted with a product specific potential future credit exposure (0% to 15% over the notional amounts), then they are assigned, like on-balance sheet assets, to the credit risk categories depending on the type of debtor and multiplied by the applicable percentage weights.

In 2000, the EC Directives were brought together in the EC Directive 2000/12.

ING Bank files consolidated monthly and annual reports of its financial position and results with the Dutch Central Bank. ING Bank s independent auditors audit these reports. Our banking operations in Belgium are supervised by the Banking, Finance and Insurance Commission. Banking supervision in Germany is carried out by the Federal Financial Supervisory Authority, working in co-operation with the German Central Bank ( Deutsche Bundesbank ). Similar authorities supervise ING s banking operations in other European Union countries, such as the Financial Services Authority in the United Kingdom.

The supervision of our significant banking businesses outside the EU is described below.

Table of Contents

### ING Americas

ING Bank does have a limited direct presence in the United States through the facility of the ING Bank Representative Office in New York. Although that office s activities are strictly limited, essentially to that of a marketing agent of bank products and services and a facilitator (i.e., the office may not take deposits or execute any transactions), that office is subject to the jurisdiction of the State of New York Banking Department and the Federal Reserve.

A major part of our banking activities in the United States, ING Direct USA, is regulated by the Office of Thrift Supervision, a division of the United States Department of the Treasury and, to a lesser extent, by the Federal Deposit Insurance Corporation, an independent agency of the Federal government that operates under the auspices of the Federal Deposit Insurance Act, a US federal law.

ING Bank of Canada is a federally regulated financial institution that is subject to the supervision of the Office of the Superintendent of Financial Institutions ( OSFI ), which is the primary regulator of federally chartered financial institutions (including banks) and federally administered pension plans. ING Bank of Canada operates a wholly owned mortgage loan company subsidiary, ING Mortgage Broker Services Inc., which is subject to provincial regulation in the provinces in which it operates. ING MBS s home province regulator is the Financial Services Commission of Ontario, which regulates insurance, pensions, credit unions, caisses populaires, cooperatives, mortgage brokers and loan & trust companies in the province of Ontario.

### ING Asia/Pacific

The financial services activities of life insurance, investments, superannuation, general insurance and banking are currently governed by separate legislation under Australian law. No one piece of legislation exclusively covers all financial services. The two main financial services regulators are the Australian Securities and Investment Commission ( ASIC ) and the Australian Prudential Regulation Authority ( APRA ). APRA is responsible for the prudential regulation of banks and other deposit taking institutions, life and general insurance companies, superannuation funds and Retirement Savings Account Providers. APRA s responsibilities include regulating capital and liquidity requirements and monitoring the management functions of product providers

## BROKER-DEALER AND INVESTMENT MANAGEMENT ACTIVITIES

ING s broker-dealer entities in the United States are regulated by the Securities and Exchange Commission, the states, and the self-regulatory organizations (e.g., the NASD and the NYSE) of which they individually are members. The primary governing statutes for such entities are the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and state statutes and regulations, as applicable. Those laws, and the regulations promulgated thereunder, impose requirements (among others) regarding minimum net capital requirements, safeguarding of customer assets, protection and use of material, non-public (inside) information, record-keeping requirements, supervision of employee activities, credit to customers, suitability determinations in the context of recommending transactions to customers and clearance and settlement procedures. The rules of the self-regulatory organizations in some respects duplicate the aforementioned legal requirements, but also impose requirements specific to the marketplaces that those organizations oversee. For example, the NASD imposes requirements relating to activities by market-makers in the over-the-counter market in equity securities and the NYSE imposes requirements regarding transactions effected in its listed securities market. In addition, in December 2001, the Department of Treasury proposed new anti-money laundering standards applicable to broker-dealers.

Certain ING entities in the United States (including certain of its broker-dealers) also act in the capacity of a federally registered investment advisor (i.e. providing transactional advice to customers for a fee), and are governed in such activities by the Investment Advisers Act of 1940, as amended. Moreover, certain ING entities manage investment funds (such as mutual funds); the Investment Company Act of 1940, as amended, regulates the governance and activities of those funds. These laws impose record-keeping and disclosure requirements on ING in the context of such activities. Moreover, the laws impose restrictions on transactions or require disclosure of transactions involving advisory clients and the advisor or the advisors affiliates, as well as transactions between advisory clients. In addition, the

Table of Contents

Employee Retirement Income Security Act of 1974, as amended, imposes certain obligations on investment advisors managing employee plan assets as defined in this act.

The failure of ING to comply with these various requirements could result in civil and criminal sanctions and administrative penalties imposed by the Securities and Exchange Commission, the states, or self-regulatory organizations upon those entities that have committed the violations. Moreover, employees who are found to have participated in the violative activity, and managers of such employees, also may be subject to penalties by governmental and self-regulatory agencies.

## SELECTED STATISTICAL INFORMATION ON BANKING OPERATIONS

The tables below set forth selected statistical information regarding the Group s banking operations. Unless otherwise indicated, average balances, when used, are calculated from monthly data and the distinction between domestic and foreign is based on the location of the office where the assets and liabilities are booked, as opposed to the domicile of the customer. However, the Company believes that the presentation of these amounts based upon the domicile of the customer would not result in material differences in the amounts presented below.

The return on equity of the banking operations amounted to 11.0% in 2003 against 6.5% in 2002 and 10.2% in 2001, whereas the return on equity of ING Group amounted to 21.5%, 17.4% and 15.3% for the years 2003, 2002 and 2001 respectively. The dividend pay-out ratio of ING Group amounted to 48.5% in 2003, 44.1% in 2002 and 44.1% in 2001.

### AVERAGE BALANCES AND INTEREST RATES

The following tables show the banking operations, average interest-earning assets and average interest-bearing liabilities, together with average rates, for the periods indicated. The interest income, interest expense and average yield figures include interest on non-accruing loans and do not reflect:

- income on amortized results investments;
- lending commissions;
- interest income on off-balance sheet instruments;
- other income not considered to be directly related to interest-earning assets;
- interest expense on off-balance sheet instruments, or
- other expense not considered to be directly related to interest-bearing liabilities,

all of which are reflected in the corresponding interest income, interest expense and net interest result figures in the Consolidated Financial Statements. A reconciliation of the interest income, interest expense and net interest result figures to the corresponding line items in the Consolidated Financial Statements is provided below.

Table of Contents

## ASSETS

| | Interest-earning assets | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2003 | | | 2002 | | | 2001 | | |
| | Average balance (EUR millions) | Interest income (EUR millions) | Average yield % | Average balance (EUR millions) | Interest income (EUR millions) | Average yield % | Average balance (EUR millions) | Interest income (EUR millions) | Average yield % |
| Time deposits with banks | | | | | | | | | |
| domestic | 1,984 | 98 | 4.9 | 3,625 | 128 | 3.5 | 5,522 | 364 | 6.6 |
| foreign | 24,450 | 723 | 3.0 | 21,965 | 935 | 4.3 | 24,488 | 1,261 | 5.2 |
| Loans and advances | | | | | | | | | |
| domestic | 154,944 | 7,800 | 5.0 | 146,277 | 7,885 | 5.4 | 132,714 | 7,805 | 5.9 |
| foreign | 160,338 | 6,790 | 4.2 | 148,979 | 7,149 | 4.8 | 137,098 | 8,843 | 6.5 |
| Interest-earning securities(1) | | | | | | | | | |
| domestic | 25,384 | 682 | 2.7 | 20,472 | 692 | 3.4 | 21,165 | 589 | 2.8 |
| foreign | 116,092 | 4,450 | 3.8 | 92,616 | 4,182 | 4.5 | 78,615 | 3,375 | 4.3 |
| Other interest-earning assets | | | | | | | | | |
| domestic | 3,563 | 208 | 5.8 | 4,588 | 167 | 3.6 | 4,313 | 293 | 6.8 |
| foreign | 9,188 | 262 | 2.9 | 11,040 | 465 | 4.2 | 12,110 | 759 | 6.3 |
| **Total** | **495,943** | **21,013** | **4.2** | **449,562** | **21,603** | **4.8** | **416,025** | **23,289** | **5.6** |
| Non-interest earning assets | 24,011 | | | 27,216 | | | 30,134 | | |
| **Total assets(1)** | **519,954** | | | **476,778** | | | **446,159** | | |
| Percentage of assets applicable to foreign operations | | 64.9% | | | 62.1% | | | 61.6% | |
| Other interest income (reconciliation to Consolidated Financial Statements): | | | | | | | | | |
| amortized results investments(2) | | 258 | | | 348 | | | 152 | |
| lending commission | | 96 | | | 102 | | | 167 | |
| adjustment for interest on non-performing loans(3) | | (123) | | | (105) | | | (122) | |

| | | | |
|---|---|---|---|
| interest on off-balance instruments (4) | 2,187 | 1,758 | 1,325 |
| other | 371 | 382 | (493) |
| **Total interest income** | **23,802** | **24,088** | **24,318** |

46

Table of Contents

## LIABILITIES

| | Interest-earning liabilities | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2003 | | | 2002 | | | 2001 | | |
| | Average balance | Interest expense | Average yield | Average balance | Interest expense | Average yield | Average balance | Interest expense | Average yield |
| | (EUR millions) | | % | (EUR millions) | | % | (EUR millions) | | % |
| Time deposits from banks | | | | | | | | | |
| domestic | 19,829 | 666 | 3.4 | 23,789 | 832 | 3.5 | 25,986 | 1,117 | 4.3 |
| foreign | 36,870 | 771 | 2.1 | 43,435 | 1,238 | 2.9 | 45,995 | 2,255 | 4.9 |
| Demand deposits(5) | | | | | | | | | |
| domestic | 32,694 | 219 | 0,7 | 31,291 | 332 | 1.1 | 28,195 | 384 | 1.4 |
| foreign | 23,867 | 391 | 1.6 | 20,994 | 528 | 2.5 | 17,760 | 589 | 3.3 |
| Time deposits(5) | | | | | | | | | |
| domestic | 13,082 | 391 | 3.0 | 17,675 | 746 | 4.2 | 19,923 | 1,165 | 5.9 |
| foreign | 31,207 | 956 | 3.1 | 34,432 | 1,242 | 3.6 | 37,631 | 1,715 | 4.6 |
| Savings deposits(5) | | | | | | | | | |
| domestic | 50,051 | 1,425 | 2.9 | 43,463 | 1,300 | 3.0 | 38,194 | 1,329 | 3.5 |
| foreign | 100,317 | 2,878 | 2.9 | 57,781 | 2,050 | 3.6 | 25,361 | 1,048 | 4.1 |
| Short term debt | | | | | | | | | |
| domestic | 5,664 | 180 | 3.2 | 5,082 | 193 | 3.8 | 5,090 | 253 | 5.0 |
| foreign | 48,305 | 909 | 1.9 | 48,836 | 1,309 | 2.7 | 46,961 | 1,958 | 4.2 |
| Long term debt | | | | | | | | | |
| domestic | 15,586 | 895 | 5.7 | 19,278 | 865 | 4.5 | 19,029 | 1,008 | 5.3 |
| foreign | 32,143 | 1,300 | 4.1 | 30,439 | 1,634 | 5.4 | 26,135 | 1,965 | 7.5 |
| Subordinated liabilities | | | | | | | | | |
| domestic | 10,915 | 647 | 5.9 | 9,109 | 589 | 6.5 | 7,266 | 467 | 6.4 |
| foreign | 2,921 | 178 | 6.1 | 3,184 | 190 | 6.0 | 3,215 | 232 | 7.2 |
| Other interest-bearing liabilities | | | | | | | | | |
| domestic | 19,475 | 583 | 3.0 | 10,972 | 359 | 3.3 | 14,088 | 590 | 4.2 |
| foreign | 25,253 | 1,063 | 4.2 | 22,890 | 1,103 | 4.8 | 35,598 | 1,435 | 4.0 |
| Total | 468,179 | 13,452 | 2.9 | 422,650 | 14,510 | 3.4 | 396,427 | 17,510 | 4.4 |
| Non-interest bearing liabilities | 34,587 | | | 36,726 | | | 33,490 | | |
| Total Liabilities | 502,766 | | | 459,376 | | | 429,917 | | |
| Group Capital | 17,188 | | | 17,402 | | | 16,242 | | |
| **Total liabilities and capital** | **519,954** | | | **476,778** | | | **446,159** | | |

| | | | |
|---|---|---|---|
| Percentage of liabilities applicable to foreign operations | 65.1% | 63.2% | 60.9% |
| Other interest expense (reconciliation to Consolidated Financial Statements): | | | |
| interest on off-balance instruments(6) | 2,027 | 1,718 | 1,364 |
| other | 208 | 214 | (628) |
| **Total interest expense** | **15,687** | **16,442** | **18,248** |
| **Total net interest result** | **8,115** | **7,646** | **6,072** |

(1) Substantially all interest-earning securities held by the banking operations of the Company are taxable securities.

(2) Includes amortization of premiums and discounts and deferred realized gains and losses on sales of investments in debt securities on a straight-line basis over the estimated average remaining life of the portfolio.

(3) Interest on non-performing loans is included when calculating the average yield in this table but excluded from interest income reported in the consolidated profit and loss account.

(4) Includes amortization of deferred realized gains and losses on off-balance sheet hedging instruments on a straight line basis over the estimated average remaining life of the portfolio and interest accrued on hedging instruments, primarily on interest rate swaps.

(5) These captions do not include deposits from banks.

(6) Includes accrued interest expense on hedging instruments, primarily on interest rate swaps.

## ANALYSIS OF CHANGES IN NET INTEREST INCOME

The following table allocates changes in the Group s interest income and expense and net interest result between changes in average balances and rates for the periods indicated. Changes due to a combination of volume and rate have been allocated to changes in average volume. The net changes in interest income, interest expense and net interest result, as calculated in this table, have been reconciled to the changes in interest income, interest expense and net interest result in the Consolidated Financial Statements. See introduction to Average Balances and Interest Rates for a discussion of the differences between interest income, interest expense and net interest result as calculated in the following table and as set forth in the Consolidated Financial Statements.

| | 2003 over 2002 Increase (decrease) due to changes in | | | 2002 over 2001 Increase (decrease) due to changes in | | |
|---|---|---|---|---|---|---|
| | average volume | average rate | net change | average volume | average rate | net change |
| | (EUR millions) | | | (EUR millions) | | |
| **Interest-earning assets** | | | | | | |
| Time deposits to banks | | | | | | |
| domestic | (81) | 51 | (30) | (67) | (169) | (236) |
| foreign | 73 | (285) | (212) | (107) | (219) | (326) |
| Loans and advances | | | | | | |
| domestic | 436 | (521) | (85) | 731 | (650) | 81 |
| foreign | 481 | (840) | (359) | 570 | (2,265) | (1,695) |
| Interest-earning securities | | | | | | |
| domestic | 132 | (142) | (10) | (23) | 127 | 104 |
| foreign | 900 | (632) | 268 | 632 | 175 | 807 |
| Other interest-earning assets | | | | | | |
| domestic | (60) | 101 | 41 | 10 | (136) | (126) |
| foreign | (52) | (151) | (203) | (45) | (250) | (295) |
| Interest income | | | | | | |
| domestic | 427 | (511) | (84) | 651 | (828) | (177) |
| foreign | 1,402 | (1,908) | (506) | 1,050 | (2,559) | (1,509) |
| **Total** | **1,829** | **(2,419)** | **(590)** | **1,701** | **(3,392)** | **(1,686)** |
| Other interest income (reconciliation to Consolidated | | | 304 | | | 1,456 |

| | | |
|---|---|---|
| Financial Statements) | | |
| **Total interest income** | **(286)** | **(230)** |

Table of Contents

| | 2003 over 2002 Increase (decrease) due to changes in | | | 2002 over 2001 Increase (decrease) due to changes in | | |
|---|---|---|---|---|---|---|
| | average volume | average rate (EUR millions) | net change | average volume | average rate (EUR millions) | net change |
| **Interest-bearing liabilities** | | | | | | |
| Time deposits from banks | | | | | | |
| domestic | (133) | (33) | (166) | (77) | (208) | (285) |
| foreign | (137) | (330) | (467) | (73) | (943) | (1,016) |
| Demand deposits | | | | | | |
| domestic | 9 | (122) | (113) | 33 | (84) | (51) |
| foreign | 47 | (184) | (137) | 81 | (142) | (61) |
| Time deposits | | | | | | |
| domestic | (138) | (217) | (355) | (95) | (325) | (420) |
| foreign | (99) | (187) | (286) | (115) | (359) | (474) |
| Savings deposits | | | | | | |
| domestic | 188 | (63) | 125 | 158 | (186) | (28) |
| foreign | 1,220 | (392) | 828 | 1,150 | (148) | 1,002 |
| Short term debt | | | | | | |
| domestic | 19 | (32) | (13) | (0) | (59) | (59) |
| foreign | (10) | (390) | (400) | 50 | (701) | (651) |
| Long term debt | | | | | | |
| domestic | (212) | 242 | 30 | 11 | (154) | (143) |
| foreign | 69 | (403) | (334) | 231 | (562) | (331) |
| Subordinated liabilities | | | | | | |
| domestic | 107 | (49) | 58 | 119 | 3 | 122 |
| foreign | (16) | 4 | (12) | (2) | (40) | (42) |
| Other interest-bearing liabilities | | | | | | |
| domestic | 255 | (31) | 224 | (102) | (129) | (231) |
| foreign | 99 | (139) | (40) | (612) | 279 | (333) |
| Interest expense | | | | | | |
| domestic | 95 | (305) | (210) | 47 | (1,142) | (1,095) |
| foreign | 1,173 | (2,021) | (848) | 710 | (2,616) | (1,906) |
| **Total** | **1,268** | **(2,326)** | **(1,058)** | **757** | **(3,758)** | **(3,001)** |
| Other interest expense (reconciliation to Consolidated Financial Statements) | | | 303 | | | 1,197 |
| **Total interest expense** | | | **(755)** | | | **(1,804)** |

Net interest

| | | | | | | |
|---|---|---|---|---|---|---|
| domestic | 333 | (208) | 125 | 604 | 314 | 918 |
| foreign | 228 | 115 | 343 | 339 | 57 | 397 |
| **Net interest** | **561** | **(93)** | **468** | **944** | **371** | **1,315** |
| Other net interest result (reconciliation to Consolidated Financial Statements) | | | 1 | | | 259 |
| **Net interest result** | | | **469** | | | **1,574** |

Table of Contents

## LOAN PORTFOLIO

### Loans and advances to banks and customers

Loans and advances to banks include all receivables from credit institutions, except for cash, current accounts and deposits with other banks (including central banks). Lending facilities to corporate and private customers encompass among others, loans, overdrafts and finance lease receivables.

The following table sets forth the gross loans and advances to banks and customers for the last five years.

| | Year ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2003 | 2002 | 2001 | 2000 | 1999 |
| | | | (EUR millions) | | |
| By domestic offices: | | | | | |
| Loans guaranteed by public authorities | 6,473 | 8,013 | 8,949 | 8,306 | 9,357 |
| Loans secured by mortgages | 94,125 | 86,932 | 78,789 | 65,585 | 58,196 |
| Loans to or guaranteed by credit institutions | 8,367 | 7,103 | 8,356 | 3,643 | 3,076 |
| Other private lending | 7,009 | 8,201 | 3,775 | 3,532 | 3,281 |
| Other corporate lending | 36,861 | 42,083 | 35,060 | 33,715 | 30,755 |
| **Total domestic offices** | **152,835** | **152,332** | **134,929** | **114,781** | **104,665** |
| By foreign offices: | | | | | |
| Loans guaranteed by public authorities | 16,603 | 15,750 | 13,398 | 13,019 | 12,880 |
| Loans secured by mortgages | 39,604 | 31,260 | 19,502 | 14,048 | 14,794 |
| Loans to or guaranteed by credit institutions | 17,879 | 23,562 | 21,861 | 19,635 | 13,353 |
| Other private lending | 7,813 | 6,810 | 3,259 | 2,790 | 2,086 |
| Other corporate lending | 86,722 | 82,256 | 88,687 | 102,484 | 70,806 |
| **Total foreign offices** | **168,621** | **159,638** | **146,707** | **151,976** | **113,919** |
| **Total gross loans and advances to banks and customers** | **321,456** | **311,970** | **281,636** | **266,757** | **218,584** |

The total net loans and advances to banks and customers amounted to EUR 316,785 million at December 31, 2003 and to EUR 307,100 million at December 31, 2002. The difference between total net loans and advances to banks and customers on the one hand and total gross loans and advances to banks and customers on the other, amounting to EUR 4,671 million, EUR 4,870 million and EUR 4,474 million at December 31, 2003, 2002 and 2001, respectively, represents the provisions for loan losses.

Table of Contents

**Maturities and sensitivity of loans to changes in interest rates**

The following table analyzes loans and advances to banks and customers by time remaining until maturity as at December 31, 2003.

| | 1 year or less | 1 year to 5 years | After 5 years | Total |
|---|---|---|---|---|
| | | (EUR millions) | | |
| By domestic offices: | | | | |
| Loans guaranteed by public authorities | 1,068 | 529 | 4,877 | 6,474 |
| Loans secured by mortgages | 7,594 | 9,288 | 77,243 | 94,125 |
| Loans guaranteed by credit institutions | 7,185 | 825 | 357 | 8,367 |
| Other private lending | 5,538 | 866 | 604 | 7,008 |
| Other corporate lending | 25,158 | 6,897 | 4,806 | 36,861 |
| **Total domestic offices** | **46,543** | **18,405** | **87,887** | **152,835** |
| By foreign offices: | | | | |
| Loans guaranteed by public authorities | 6,215 | 6,665 | 3,723 | 16,603 |
| Loans secured by mortgages | 3,518 | 10,626 | 25,460 | 39,604 |
| Loans guaranteed by credit institutions | 11,585 | 3,882 | 2,412 | 17,879 |
| Other private lending | 5,307 | 2,146 | 360 | 7,813 |
| Other corporate lending | 65,217 | 13,182 | 8,323 | 86,722 |
| **Total foreign offices** | **91,842** | **36,501** | **40,278** | **168,621** |
| **Total gross loans and advances to banks and customers** | **138,385** | **54,906** | **128,165** | **321,456** |

The following table analyzes loans and advances to banks and customers by interest rate sensitivity by maturity as at December 31, 2003.

| | 1 year or less | Over 1 year | Total |
|---|---|---|---|
| | | (EUR millions) | |
| Non-interest earning | 3,442 | 552 | 3,994 |
| Fixed interest rate | 77,385 | 49,799 | 127,184 |
| Semi-fixed interest rate(1) | 4,688 | 87,735 | 92,423 |
| Variable interest rate | 52,870 | 44,985 | 97,855 |

| | | | |
|---|---|---|---|
| **Total** | **138,385** | **183,071** | **321,456** |

(1) Loans that have an interest rate that remains fixed for more than one year and which can then be changed are classified as semi-fixed

**Risk elements**

***Non-accrual and past due loans***

Each of the business units within the banking operations of ING Group maintains its own system for servicing and monitoring past due loans. ING Group s international banking offices and subsidiaries generally account for delinquent loans in accordance with U.S. GAAP. When a loan is in default as to payment of principal and interest for 90 days or when, in the judgment of management, the accrual of interest should cease before 90 days, such a loan is placed on non-accrual status. Any accrued but unpaid interest is reversed against current period interest revenue. Interest payments received on a cash basis during the period are recorded as interest income. Domestic banking offices follow the same policy for consumer mortgage and private loans. All of the foregoing loans are included in the table below under Non-accrual .

Under Accruing but past due 90 days , all loans are reported that are still accruing but on which

Table of Contents

principal or interest payments are contractually past due 90 days or more. Domestic commercial loans combined with an overdraft facility, which make up approximately 50% of the reported amount in the domestic Accruing but past due 90 days category, were included in the 2003, 2002 and 2001 table below if the overdraft facility exceeded a specified limit for 90 days or more at December 31, 2003, 2002 and 2001, respectively. The amount of loans meeting these criteria in prior years was estimated by management based on the size of the underlying portfolio and specific risk factors.

Based on the foregoing, the following table sets forth management s estimate, without giving effect to available security or related specific provisions, of the amounts of its loan portfolio in each of the two categories indicated.

| | Year ended December 31, | | | | |
|---|---|---|---|---|---|
| | **2003** | **2002** | **2001** | **2000** | **1999** |
| | (EUR millions) | | | | |
| Non-accrual | | | | | |
| domestic | 965 | 1,093 | 1,425 | 711 | 1,072 |
| foreign | 2,599 | 3,044 | 2,613 | 2,745 | 2,313 |
| Sub-total | 3,564 | 4,137 | 4,038 | 3,456 | 3,385 |
| Accruing but past due 90 days | | | | | |
| domestic | 830 | 986 | 1,083 | 1,112 | 573 |
| foreign | 819 | 1,048 | 957 | 756 | 952 |
| Sub-total | 1,649 | 2,034 | 2,040 | 1,868 | 1,525 |
| **Total** | **5,213** | **6,171** | **6,078** | **5,324** | **4,910** |

These loans are under constant review of the credit risk department.

**Restructured loans**

The following table sets forth the troubled debt restructuring loans consisting of loans that are accruing interest but at rates different from the original terms of such loans as a result of the terms of any such restructuring.

| | Year ended December 31, | | | | |
|---|---|---|---|---|---|
| | **2003** | **2002** | **2001** | **2000** | **1999** |
| | (EUR millions) | | | | |
| Troubled debt restructuring | | | | | |
| domestic | 115 | 439 | 57 | 154 | 202 |
| foreign | 516 | 461 | 1,054 | 569 | 583 |

| | | | | | |
|---|---|---|---|---|---|
| **Total troubled debt restructuring** | **631** | **900** | **1,111** | **723** | **785** |

On receipt of cash, suspended interest is recovered prior to the principal outstanding, except that, where amounts are outstanding for costs and other late payment charges, the cash received is first used to recover these costs and charges. When it becomes apparent that recovery of interest is unlikely, interest ceases to be accrued and is suspended.

Interest income that would have been recognized in 2003 under the original terms of the non-accrual and restructured loans amounted to an estimated EUR 48 million from loans granted by domestic offices and an estimated EUR 137 million from loans granted by foreign offices. Interest income of approximately EUR 25 million from such domestic loans and approximately EUR 28 million from such foreign loans was recognized in the profit and loss account for 2003.

At December 31, 2003, ING Group had loans amounting to EUR 3,627 million that were not included in the risk elements schedule above. These loans are considered potential problem loans as the credit review officers obtained information that caused doubts as to the repayment of the loan by the borrower. Of this total, EUR 1,676 million relates to domestic loans and EUR 1,951 million relates to foreign loans. Appropriate provisions, following ING Group s credit risk rating system, have been established for these loans.

### Cross-border outstandings

Cross-border outstandings are defined as loans (including accrued interest), acceptances, interest-earning deposits with other banks, other interest-earning investments and any other monetary assets that are denominated in euro or other non-local currency. To the extent that material local currency outstandings are not hedged or are not funded by local currency borrowings, such amounts are included in cross-border outstandings.

The following tables analyze cross-border outstandings as of the end of each of the last three years, stating the name of the country and the aggregate amount of cross-border outstandings to borrowers in each foreign country where such outstandings exceed 1% of total assets, by the following categories.

Guaranteed or secured loans are deducted from gross outstandings to arrive at net outstandings provided that political and transfer risks are also covered explicitly by the agreement. Commitments such as irrevocable letters of credit are not considered as cross border outstanding. Total outstandings are in line with Dutch Central Bank requirements. At December 31, 2003, there were no outstandings exceeding 1% of total assets in any country where current conditions give rise to liquidity problems which are expected to have a material impact on the timely repayment of interest or principal.

| | Year ended December 31, 2003 | | | | |
|---|---|---|---|---|---|
| | Government & official institutions | Banks & other financial institutions | Commercial & industrial | Other | Total |
| | | | (EUR millions) | | |
| United Kingdom | 503 | 19,403 | 16,818 | 1,034 | 37,758 |
| Germany | 6,294 | 16,810 | 2,405 | 2,705 | 28,214 |
| United States | 193 | 3,295 | 18,066 | 324 | 21,878 |
| Spain | 2,157 | 9,760 | 1,490 | 221 | 13,628 |
| France | 2,926 | 5,725 | 3,388 | 699 | 12,738 |
| Italy | 4,141 | 4,384 | 2,440 | 409 | 11,374 |

| | Year ended December 31, 2002 | | | | |
|---|---|---|---|---|---|
| | Government & official institutions | Banks & other financial institutions | Commercial & industrial | Other | Total |

| | | | | | |
|---|---|---|---|---|---|
| | | | **(EUR millions)** | | |
| United Kingdom | 5 | 17,782 | 20,032 | 1,280 | 39,099 |
| United States | 2,013 | 2,491 | 19,578 | 912 | 24,994 |
| Germany | 4,660 | 8,899 | 2,165 | 2,070 | 17,794 |
| France | 515 | 3,941 | 2,876 | 784 | 8,116 |
| Belgium | 2,039 | 1,940 | 2,248 | 1,256 | 7,483 |

| | Year ended December 31, 2001 | | | | |
|---|---|---|---|---|---|
| | Government & official institutions | Banks & other financial institutions | Commercial & industrial | Other | Total |
| | | | (EUR millions) | | |
| United Kingdom | | 15,101 | 13,547 | 785 | 29,433 |
| United States | 1,461 | 5,194 | 15,534 | 1,406 | 23,595 |
| Germany | 3,911 | 11,380 | 3,832 | 2,796 | 21,919 |
| Belgium | 1,135 | 3,560 | 2,188 | 2,154 | 9,037 |
| France | 1,155 | 3,234 | 2,262 | 562 | 7,213 |
| Italy | 2,456 | 3,894 | 455 | 363 | 7,168 |

At December 31, 2003, 2002 and 2001, the following countries had cross-border outstandings between 0.75% and 1% of total assets:

| | Cross-border outstandings Year ended December 31 |
|---|---|
| **2003** | |
| Belgium | 6,888 |
| **2002** | |
| Italy | 7,101 |
| Spain | 5,828 |
| **2001** | |
| Japan | 5,571 |

*Loan concentration*

The following industry concentrations were in excess of 10% of total loans as at December 31, 2003:

| | Total outstandings (EUR millions) |
|---|---|
| Financial institutions(1) | 60,841 |
| Service industry | 57,012 |
| Manufacturing | 30,503 |

(1) Excluding bank deposits given of approximately EUR 61 billion.

*Bad and doubtful debts*

A provision for loan losses is maintained for the banking operations that is considered adequate to absorb losses arising from the existing portfolios of loans. The provision for loan losses is made in accordance with the overall supervisory direction of the Dutch Central Bank. Each operating company makes provisions for bad and doubtful debts, based on centrally given instructions. The provisions are reviewed on a quarterly basis by management. On the face of the balance sheet, the provisions are deducted from Lending and Banks . The net additions to or subtractions from such balance sheet provisions are reflected in the Group s profit and loss account, principally under Value adjustments to receivables of the Banking operations.

In determining the amount of the provisions, corporate loans are assessed on a case-by-case basis, and the following factors are considered:

the financial standing of the customer, including a realistic assessment of the likelihood of repayment of the loan within an acceptable period and the extent of ING Group s other commitments to the same customer;

Table of Contents

- the realizable value of any security for the loan; and

- the costs associated with obtaining repayment and realization of any such security.

For certain groups of small private and corporate loans with similar characteristics, provisions are also assessed using statistical techniques.

On certain foreign outstandings, a country provision is calculated for regulatory purposes based on detailed instructions given by the Dutch Central Bank. The amount is a function of the risk of the country as well as the risk of the transaction itself. For accounting purposes, adequate provisions are calculated for countries that are near default or have recently defaulted.

ING Group also maintains an unallocated provision for loan losses that is required to adequately capture various subjective and judgmental aspects of credit risk assessment that are not considered on an individual basis. Considerable judgement is exercised in determining the extent of the provision and is based on management s evaluation of the risk in the portfolio, current economic conditions, recent years loss experience, and credit and geographical concentration trends. When there is no prospect of recovering principal or interest, the outstanding debt and any suspense balances are written off.

Table of Contents

*Summary of loan loss experience*

The following table shows the movements in allocation of the provision for loan losses on loans accounted for as loans and advances to banks and customers for the past five years.

| | Calendar Period | | | | |
|---|---|---|---|---|---|
| | **2003** | **2002** | **2001** | **2000** | **1999** |
| | | (EUR MILLIONS) | | | |
| Balance at January 1 | 4,870 | 4,474 | 4,272 | 4,522 | 3,417 |
| Change in the composition of the Group | 104 | 93 | (171) | | 834 |
| Charge-offs: | | | | | |
| Domestic: | | | | | |
| Loans guaranteed by public authorities | | (1) | | | |
| Loans secured by mortgages | (1) | (4) | (4) | (3) | (4) |
| Loans to or guaranteed by credit institutions | (27) | (18) | | | (10) |
| Other private lending | (65) | (31) | (31) | (77) | (26) |
| Other corporate lending | (166) | (211) | (166) | (198) | (170) |
| Foreign: | | | | | |
| Loans guaranteed by public authorities | (1) | | | | |
| Loans secured by mortgages | (30) | (8) | (1) | (1) | (1) |
| Loans to or guaranteed by credit institutions | (10) | (3) | (9) | (91) | (138) |
| Other private lending | (105) | (32) | (1) | (1) | (1) |
| Other corporate lending | (797) | (530) | (391) | (458) | (224) |
| Total charge-offs | (1,202) | (838) | (603) | (829) | (574) |
| Recoveries: | | | | | |
| Domestic: | | | | | |
| Loans guaranteed by public authorities | | | | | |
| Loans secured by mortgages | | | 3 | 5 | |
| Loans to or guaranteed by credit institutions | 7 | 4 | | | |
| Other private lending | 9 | 2 | 4 | 5 | 5 |
| Other corporate lending | | 3 | 8 | 4 | 8 |
| Foreign: | | | | | |
| Loans guaranteed by public authorities | | | | | |
| Loans guaranteed by public authorities | | | | | |
| Loans secured by mortgages | | 2 | | 2 | |
| Loans to or guaranteed by credit institutions | 4 | | | 1 | 5 |
| Other private lending | 10 | 7 | | | |