ING GROEP NV
Form 20-F
March 27, 2003

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# 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, 2002

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 |
| 8.439% 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 |

* 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 | 1,992,677,440 |
| Bearer Depositary receipts in respect of Ordinary shares | 1,991,847,194 |

**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 ü No

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

Item 17 Item 18 ü

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**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 U.S. Dollars are to United States dollars and references to EUR and ar euros.

Prior to January 1, 1999, ING prepared its financial statements in Dutch guilders (NLG). Subsequent to that date, ING s Financial Statements have been prepared in euros. All Dutch guilder amounts appearing in or derived from ING s Consolidated Financial Statements have been translated into euros at the official fixed conversion rate of EUR 1.00 = NLG 2.20371.

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 = $ 1.0967 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 5, 2003. 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 of Notes 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.

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**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.

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# 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, 2002. The financial statements for the five fiscal years ended December 31, 2002 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 2002, 2001 and 2000 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 of notes to the Consolidated Financial Statements.

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 2001, 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 recognised 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. Under ING Group accounting principles goodwill paid on acquisitions including related intangible assets are charged directly to Shareholders equity.

To provide more insight into the results of ING Group, a distinction is made between operational results and non-operational results. The non-operational results are disclosed separately.

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

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| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | **2002 USD(1)** | **2002 EUR** | **2001(2) EUR** | **2000(2)(3) EUR** | **1999 EUR** | **1998(3) EUR** |
| | (in millions, except amounts per share and ratios) | | | | | |
| **Dutch GAAP Consolidated Income Statement Data** | | | | | | |
| Operational income from insurance operations: | | | | | | |
| Gross premiums written: | | | | | | |
| Life | 48,657 | 44,367 | 44,557 | 25,019 | 18,902 | 16,863 |
| Non-life | 8,683 | 7,917 | 5,903 | 4,095 | 3,510 | 3,585 |
| Total | 57,340 | 52,284 | 50,460 | 29,114 | 22,412 | 20,448 |
| Investment income(4)(5) | 11,983 | 10,926 | 10,336 | 8,067 | 6,760 | 6,003 |
| Commission and other income | 2,333 | 2,127 | 2,281 | 1,126 | 548 | 457 |
| Total income from insurance operations | 71,656 | 65,337 | 63,077 | 38,307 | 29,720 | 26,908 |
| Operational income from banking operations: | | | | | | |
| Interest income | 26,417 | 24,088 | 24,318 | 24,285 | 18,558 | 18,649 |
| Interest expense | 18,032 | 16,442 | 18,246 | 18,499 | 12,906 | 13,448 |
| Net interest result | 8,385 | 7,646 | 6,072 | 5,786 | 5,652 | 5,201 |
| Commission | 2,868 | 2,615 | 2,765 | 3,630 | 2,856 | 2,323 |
| Other income | 1,031 | 940 | 2,274 | 1,886 | 1,368 | 891 |
| Total income from banking operations | 12,284 | 11,201 | 11,111 | 11,302 | 9,876 | 8,415 |
| **Total operational income(6)** | **83,921** | **76,521** | **74,163** | **49,568** | **39,584** | **35,307** |
| Non-operational items | 307 | 280 | 325 | 8,597 | 1,693 | 937 |
| **Total income** | **84,228** | **76,801** | **74,488** | **58,165** | **41,277** | **36,244** |
| Operational expenses from insurance operations: | | | | | | |
| Life | 58,147 | 53,020 | 53,449 | 30,882 | 23,584 | 21,030 |
| Non-life | 8,932 | 8,144 | 6,057 | 4,263 | 3,736 | 3,813 |
| Total operational expenses from insurance operations | 67,079 | 61,164 | 59,506 | 35,145 | 27,320 | 24,843 |
| Total operational expenses from banking operations(7) | 10,674 | 9,733 | 8,941 | 8,697 | 7,895 | 7,610 |
| **Total operational expenses(6)** | **77,734** | **70,880** | **68,422** | **43,801** | **35,203** | **32,438** |
| Non-operational items | | | | 395 | | 302 |
| **Total expenses** | **77,734** | **70,880** | **68,422** | **44,196** | **35,203** | **32,740** |

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| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2002 USD(1) | 2002 EUR | 2001(2) EUR | 2000(2)(3) EUR | 1999 EUR | 1998(3) EUR |
| | (in millions, except amounts per share and ratios) | | | | | |
| Operational result before taxation from insurance operations: | | | | | | |
| Life | 3,859 | 3,519 | 2,941 | 2,723 | 2,062 | 1,725 |
| Non-life | 717 | 654 | 630 | 439 | 338 | 340 |
| Total | 4,576 | 4,173 | 3,571 | 3,162 | 2,400 | 2,065 |
| Operational result before taxation from banking operations | 1,610 | 1,468 | 2,170 | 2,605 | 1,981 | 804 |
| **Operational result before taxation** | **6,186** | **5,641** | **5,741** | **5,767** | **4,381** | **2,869** |
| Taxation | 1,158 | 1,056 | 1,165 | 1,612 | 1,059 | 719 |
| Third-party interests | 364 | 332 | 324 | 147 | 93 | 47 |
| **Operational net profit** | **4,664** | **4,253** | **4,252** | **4,008** | **3,229** | **2,103** |
| Non-operational items after taxation | 271 | 247 | 325 | 7,976 | 1,693 | 566 |
| **Net profit** | **4,935** | **4,500** | **4,577** | **11,984** | **4,922** | **2,669** |
| Dividend on Preference shares of ING Groep N.V. | 23 | 21 | 21 | 21 | 21 | 21 |
| **Net profit after deducting dividend on Preference shares of ING Groep N.V.** | **4,912** | **4,479** | **4,556** | **11,963** | **4,901** | **2,648** |
| Dividend on Ordinary shares | 2,117 | 1,930 | 1,914 | 2,173 | 1,573 | 1,178 |
| Addition to shareholders equity | 2,795 | 2,549 | 2,642 | 9,790 | 3,328 | 1,470 |
| Operational net profit per Ordinary share(8) | 2.41 | 2.20 | 2.20 | 2.09 | 1.68 | 1.12 |
| Net profit per Ordinary share(8) | 2.54 | 2.32 | 2.37 | 6.27 | 2.56 | 1.42 |
| Net profit per Ordinary share and Ordinary share equivalent (fully diluted)(8) | 2.54 | 2.32 | 2.35 | 6.18 | 2.52 | 1.40 |
| Dividend per Ordinary share(8) | 1.06 | 0.97 | 0.97 | 1.13 | 0.82 | 0.63 |
| Interim Dividend | 0.53 | 0.48 | 0.47 | 0.41 | 0.32 | 0.30 |
| Final Dividend | 0.54 | 0.49 | 0.50 | 0.72 | 0.50 | 0.33 |
| Number of Ordinary shares outstanding (in millions)(8) | 1,992.7 | 1,992.7 | 1,992.7 | 1,970.6 | 1,934.0 | 1,892.4 |
| Dividend pay-out ratio(9) | 44.1% | 44.1% | 44.1% | 43.9% | 44.4% | 43.9% |
| **U.S. GAAP Consolidated Income Statement Data** | | | | | | |
| Total income (operational) | 54,266 | 49,481 | 48,988 | 42,039 | 34,022 | 27,852 |
| Net profit US GAAP, excluding cumulative effects in accounting principles | 3,812 | 3,476 | 1,770 | 10,925 | 3,790 | 2,347 |
| Cumulative effects of changes in accounting principles | (14,370) | (13,103) | | | | |
| Net profit US GAAP, including cumulative effects in accounting principles | (10,558) | (9,627) | 1,770 | 10,925 | 3,790 | 2,347 |
| | (5.48) | (5.00) | 0.90 | 5.64 | 1.94 | 1.23 |

| |
|---|
| Net profit per Ordinary share and Ordinary share equivalent(8) |

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| | | | Year ended December 31, | | | |
|---|---|---|---|---|---|---|
| | 2002 | 2002 | 2001(2) | 2000(2)(3) | 1999 | 1998(3) |
| | USD(1) | EUR | EUR | EUR | EUR | EUR |
| | | (in billions, except amounts per share and ratios) | | | | |
| **Dutch GAAP Consolidated Balance Sheet Data** | | | | | | |
| Total assets | 785.7 | 716.4 | 705.1 | 650.2 | 492.8 | 394.9 |
| Investments: | | | | | | |
| Insurance | 235.6 | 214.8 | 241.0 | 219.2 | 137.5 | 109.7 |
| Banking | 92.6 | 84.4 | 70.2 | 59.1 | 59.5 | 41.2 |
| Eliminations(10) | (1.8) | (1.6) | (3.8) | (1.1) | (1.2) | (1.1) |
| Total investments | 326.4 | 297.6 | 307.4 | 277.2 | 195.8 | 149.8 |
| Lending | 311.9 | 284.4 | 254.2 | 246.8 | 201.8 | 153.7 |
| Insurance provisions: | | | | | | |
| Life | 204.0 | 186.0 | 204.6 | 193.3 | 101.0 | 79.4 |
| Non-life | 10.7 | 9.8 | 9.4 | 6.9 | 6.5 | 5.2 |
| Total | 214.7 | 195.8 | 214.0 | 200.2 | 107.5 | 84.6 |
| Funds entrusted to and debt securities of the banking operations: | | | | | | |
| Savings accounts of the banking operations | 126.2 | 115.1 | 69.6 | 52.4 | 47.0 | 42.5 |
| Other deposits and bank funds | 141.7 | 129.2 | 132.4 | 134.1 | 111.9 | 86.6 |
| Debt securities of the banking operations | 82.8 | 75.5 | 74.4 | 66.3 | 65.9 | 35.7 |
| Total | 350.7 | 319.8 | 276.4 | 252.8 | 224.8 | 164.8 |
| Due to banks | 105.6 | 96.3 | 107.8 | 94.7 | 75.3 | 76.0 |
| Capital Stock (in millions)(11) | 2,079.8 | 2,079.8 | 2,079.8 | 2,057.7 | 2,021.1 | 1,979.5 |
| Shareholders equity | 20.1 | 18.3 | 21.5 | 25.3 | 34.6 | 29.1 |
| Shareholders equity per Ordinary share(8) | 10.02 | 9.14 | 11.03 | 13.04 | 17.90 | 15.21 |
| Shareholders equity per Ordinary share and Ordinary share equivalent(8) | 10.02 | 9.14 | 10.92 | 12.86 | 17.65 | 14.93 |
| **U.S. GAAP Consolidated Balance Sheet Data** | | | | | | |
| Total assets | 836.3 | 762.5 | 752.3 | 693.4 | 509.7 | 417.4 |
| Shareholders equity | 27.5 | 25.1 | 38.8 | 41.6 | 40.4 | 37.2 |
| Shareholders equity per Ordinary share and Ordinary share equivalent(8) | 13.83 | 12.61 | 19.83 | 21.27 | 20.64 | 19.15 |

(1) Euro amounts have been translated into U.S. dollars at the exchange rate of $ 1.0967 to EUR 1.00, the noon buying rate in New York City on March 5, 2003 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. See Note 1.3 of Notes to the Consolidated Financial Statements.

(3) Discontinued business: in 1998, we sold The Netherlands Insurance Companies in the US (net profit EUR 19 million), and we sold in 2000 Tiel Utrecht Group in the Netherlands (net profit EUR 63 million).

(4) As of 2001 Insurance operations-General is no longer reported separately . The item 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. of Notes 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, for the years 2002, 2001, 2000, 1999 and 1998, 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 of Notes to the Consolidated Financial Statements.

(9) The dividend pay-out ratio is based on operational 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 2:1 stock split effected July 2, 2001.

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**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. As such, the Noon Buying Rates for 1998 are the Noon Buying Rates for the Dutch guilder, converted into euros at a rate of NLG 2.20371 to EUR 1.00.

| | U.S. dollars per euro | | | |
|---|---|---|---|---|
| **Calendar Period** | **Period End(1)** | **Average Rate(2)** | **High** | **Low** |
| 1998 | 1.1741 | 1.1113 | 1.2147 | 1.0549 |
| 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(through March 5 2003)(2) | 1.0967 | 1.0828 | 1.0967 | 1.0361 |

(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 1.5.1.4. of Notes 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 of US dollars per Euro

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

| | **High** | **Low** |
|---|---|---|
| July 2002 | 1.0156 | 0.9730 |
| August 2002 | 0.9882 | 0.9640 |
| September 2002 | 0.9959 | 0.9685 |
| October 2002 | 0.9881 | 0.9708 |
| November 2002 | 1.0139 | 0.9895 |
| December 2002 | 1.0485 | 0.9927 |
| January 2003 | 1.0861 | 1.0361 |
| February 2003 | 1.0875 | 1.0708 |

The Noon Buying Rate for euro on December 31, 2002 was EUR 1.00 = $ 1.0485 and the Noon Buying Rate for euro on March 5, 2003 was EUR 1.00 = $ 1.0967.

**RISK FACTORS**

**Risks Related to the Financial Services Industry**

***We operate in highly competitive industries, including in our home market.***

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. Such competition is most pronounced in our 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 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.

In the Netherlands, which is the largest market for our banking operations and the second largest for our insurance operations, a national policy historically favoring open markets and the presence of large domestic competitors in both the insurance and banking sectors has resulted in intense competition for virtually all of our products and services. In addition, the Dutch market is a mature market and one in which we already have significant market shares in most lines of business. We are currently the second largest bank in The Netherlands, with a 25% market share based upon total assets and a 26% market share based on total deposits. Our main competitors are ABN Amro, with a 34% market share based upon total assets and a 38% market share based on total deposits, and Rabo with a 20% market share based upon total deposits and a 21% market share based on total assets. In The Netherlands, we are also currently the largest insurance company, with a market share of 22% in the life insurance market and 11% in the non-life insurance market, each based on premium income. Our main competitors are Aegon with a 14% and 4% market share in the life and non-life markets respectively and Fortis with a 12% market share in both life and non-life. We also face significant competition in our other major markets. The level of competition in the Netherlands and our significant markets could adversely impact our ability to further increase or even maintain our market share.

In the United States, which is the largest market for our insurance operations, we focus on retail and worksite customers and corporate customers through two core operating units and own the second- largest broker-dealer network in the US with over 10,000 registered representatives. In general, ING Group enjoys top-five positions in most of its US business lines. Lower market shares are found in life insurance, where ING Group is the number seven player, and in mutual funds, where ING is in the top 25 based on assets under management. Our main competitors in the United States are large financial institutions, such as Citigroup, AIG, The Hartford and Aegon N.V..

In Belgium, our market share in the insurance market is 8% and our main competitors are Fortis Utrecht N.V. and Axa. We have a market share of 12% in the banking market and our main competitors are Fortis Utrecht N.V., Dexia S.A. and KBC Bank N.V. Increasing competition in these markets may significantly impact our results if we are unable to match the products and services with our competitors.

***Changes in interest rates and other market factors may adversely affect our insurance, banking and asset management businesses.***

Fluctuations in interest rates affect the returns we earn on fixed interest investments. Interest rate changes also affect the market values of, and the amounts of capital gains or losses we take on, the fixed interest securities we hold.

Our management of interest rate sensitivity affects the results of our banking operations. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest income. The composition of our banking assets and liabilities, and any gap position resulting from that composition, causes the banking operations net interest income to vary with changes in interest rates. In addition, variations in interest rate sensitivity may exist within the repricing periods or between the different currencies in which we hold interest rate positions. 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. The insurance operations are exposed to interest rate movements with respect to guaranteed interest rates and policyholders reasonable expectations with respect to crediting rates. Asset portfolios backing these liabilities are managed accordingly. The current product portfolio also includes products where interest rate risks are entirely passed on to the policyholder, thereby reducing ING s exposure to interest movements. Changes in interest rates can impact present and future earnings of the insurance operations and can affect the levels of new sales, surrenders or withdrawals.

In addition to interest rates, activity in the securities markets generally also significantly affects our banking, securities trading and brokerage activities, which tends to make those activities more volatile than other parts of our businesses. 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

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estate assets. The insurance operations are exposed to movements in equity markets on two levels: 1) those business units which have direct equity holdings in the general accounts; and 2) those products where the revenues to the insurance operations are linked to the value of the equity funds, since this has an impact on the level of charges deducted for unit-linked and variable business. For a more detailed discussion of these products and the risks associated therewith, see Item 11. Quantitative and qualitative disclosures of market risk .

**RISKS RELATED TO THE COMPANY**

***Our results may be affected by regional and emerging market exposures.***

In 2002, we derived approximately 52% of our operational income from the North American market, and as a result, changes in the economy or financial markets of the United States and Canada may have a material adverse effect on our results.

Similarly, we derived approximately 22% of our 2002 operational income from our operations in the Netherlands. Accordingly, changes in the Dutch economy and levels of Dutch consumer spending and downturns in the Dutch real estate, securities and other markets may have a material adverse effect on our operations.

We derived approximately 12% of our operational income from commercial banking, investment banking and insurance operations in the emerging markets of South America, Asia and Central and Eastern Europe and are an active trader of emerging market loans and debt securities. Historically, our capital markets and securities trading activities in emerging markets have been more volatile than those in developed countries and are subject to certain risks, such as political and currency volatility risks, which we do not face in our more mature markets. In the past, we have experienced significant fluctuations in the results of our emerging markets trading operations and no assurance can be given that such fluctuations will not occur in future periods.

***Fluctuations in exchange rates could adversely affect results of our operations outside the European Union.***

We publish our Consolidated Financial Statements in euros. In 2002, we derived approximately 65% of our operational income from operations outside the European Union. Because of this exposure to non-Euro currencies, fluctuations in the exchange rates used to translate foreign currencies, particularly the U.S. dollar, the Australian dollar, the Canadian dollar and the Japanese yen, into euros will impact our reported result from operations and cash flows from year to year. Exchange rate fluctuations will also affect the value (denominated in euros) of our investments in our non-European subsidiaries. Our obligations are primarily denominated in euros and we pay dividends on our Ordinary Shares in euros. The euro value of those dividends in other currencies is also subject to exchange rate fluctuations.

The contribution of North American operations to our results has grown substantially as a consequence of the acquisitions of ReliaStar and Aetna in 2000. As a result, our sensitivity to changes in the U.S. dollar has increased. Based on our expectation that the euro would strengthen with regard to the U.S. dollar in the future, we decided to hedge (at a spot rate of 0.868) the expected contribution of our North American operations to profit before taxation 2002. This means in practice that the impact of a change of the euro against the US dollar in 2002 has had a very limited effect on the net profit of ING Group.

***Our insurance business is subject to losses from catastrophic events.***

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 in the US. The frequency and severity of such events, and the losses associated with them, are inherently unpredictable and may materially impact our results of operations.

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***Restrictions on shareholder rights could reduce the accountability of the directors and management to shareholders.***

While holders of bearer receipts are entitled to attend and speak at general meetings of shareholders, they currently have no voting rights, and the Stichting Administratiekantoor ING Groep, the trust which holds our Ordinary shares, exercises the voting rights attached to the ordinary shares for which bearer receipts have been issued. In certain limited circumstances, an individual holder of bearer receipts who is a person may obtain voting rights by proxy from the trust. 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 required to make use of the voting rights attached to the ordinary shares in such a manner that (i) our interests and the interests of our affiliates are served; (ii) our interests and the interests of our affiliates and all parties concerned are safeguarded as well as possible; and (iii) influences which could violate our independence, continuity or identity or which are contrary to our interests or those of our affiliates are barred to the greatest extent 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 ordinary shares.

Under our Articles of Association, approval of our annual accounts by the General Meeting of Shareholders acting as a corporate body discharges the members of the Executive Board and the Supervisory Board from liability in respect of the exercise of their duties during the financial year concerned, unless an explicit reservation is made by the General Meeting, subject to certain provisions of Netherlands law (including provisions relating to liability of members of Supervisory Boards and Executive Boards upon bankruptcy of a company).

These arrangements differ substantially from U.S. practice and significantly affect the power of shareholders 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.

***Judgments Against Us May Be Difficult To Enforce.***

Most of the members of ING Group s Supervisory Board, its Executive Board and some of the experts named in this Annual Report are persons who are not residents of the United States. Most of the assets of the Group and those non-resident persons 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 judgments against them in United States courts.

You also may not be able to enforce judgments of United States 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 and to the extent a competent court in The Netherlands gives binding effect to the judgment.

**Item 4. Information on the Company**

GENERAL

ING was established as a limited 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. 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

**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.

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 internationalisation 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 in the next few years is expected to be on consolidating ING s strengths and achieving synergies, operational excellence and cost control.

**Profile**

ING Group is a global financial institution of Dutch origin with approximately 115,000 employees worldwide. ING offers banking, insurance and asset management to approximately 60 million clients in 60 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 good 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. These principles are based on ING s core values: responsiveness to the needs of its customers, entrepreneurship, professionalism, teamwork and integrity.

In 2002, ING had total gross written premiums of EUR 52,284 million, making it the largest insurer in the Netherlands. For the year ended December 31, 2002, ING Group s total operational income was EUR 76,521 million, and its net operational profit was EUR 4,253 million (both Dutch GAAP).

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

| | Year ended December 31, | | |
|---|---|---|---|
| | 2002 | 2001 | 2000 |
| | | (EUR millions) | |
| The Netherlands | 16,939 | 16,971 | 16,599 |
| Belgium | 4,689 | 4,136 | 3,568 |
| Rest of Europe | 4,800 | 5,129 | 4,571 |
| North America | 39,982 | 38,475 | 19,435 |
| South America | 1,161 | 1,734 | 599 |
| Asia | 7,063 | 5,840 | 2,603 |
| Australia | 2,277 | 2,234 | 2,450 |
| Other | 446 | 294 | 171 |
| | 77,357 | 74,813 | 49,996 |
| Revenue between geographic areas | (836) | (650) | (428) |
| **Total income** | **76,521** | **74,163** | **49,568** |

**CHANGES IN PRESENTATION**

Until December 31, 2001 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 amortisation of DAC to Underwriting expenditure. The comparable figures have accordingly been adjusted for all prior periods.

**CHANGES IN THE COMPOSITION OF THE GROUP**

On December 16, 2002, ING reached an agreement with Guardian Holdings of Trinidad and Tobago to sell its Fatum operations subject to regulatory approval. Fatum is active in life, non-life and health insurance in the Netherlands Antilles and Aruba.

On December 4, 2002, ING announced that it had reached agreement with Kookmin Bank (Korea) to extend the strategic alliance relationship with Kookmin. Under the terms of the agreement, ING Life Korea and Kookmin Bank will engage in bancassurance and asset management activities through their joint ventures.

On September 9, 2002, ING announced it completed the purchase of an additional 24% stake in ING Vysya Bank (India). The total purchase price was EUR 73 million. ING s shareholding is now 44%.

On July 18, 2002, ING Group and Capital Group agreed to establish a joint venture life insurance company in Dalian, China. The new joint venture will be known as ING Capital Life Insurance Company Ltd. Both companies will own 50% of the joint venture. On December 17, 2002 the Chinese authorities gave approval to start the operations.

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).

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. ING Group contributed net assets to the new joint venture, which resulted in a net book profit

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of EUR 469 million accounted for in 2002, of which EUR 247 million was accounted for as nonoperational net profit and EUR 222 million was accounted for as operational net profit.

On February 26, 2002, ING Group increased its 49% stake in DiBa (Allgemeine Deutsche Direktbank) to a 70% interest by acquiring a further share participation in DiBa from BGAG, the investment company of a number of German trade unions. ING Group has an option to acquire the remaining 30% from BGAG. The figures of DiBa are fully consolidated, without a third-party interest. The total purchase price of the additional acquisition amounted to EUR 573 million, including goodwill amounting to EUR532 million which was charged to Shareholders equity.

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 of 45% 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. Bank Slaski merged with ING Bank Warsaw effective September 1, 2001. 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.

ING Group has integrated its corporate and investment banking activities into EC ING Europe. The business units of the former Executive Centre Corporate & Investment Banking (CIB) have been fully integrated and the wholesale activities of former CIB, ING Bank, Bank Brussels Lambert (BBL) and BHF-Bank AG (BHF) are aligned along three business lines, Investment Banking, Corporate Financial Services and Financial Markets. The US domestic investment banking business of ING Barings was sold to ABN Amro for EUR 296 million in January 2001.

In 2000, ING Group reached agreement on the sale of its 100% interest in each of Tiel Utrecht Schadeverzekering N.V., Tiel Utrecht Levensverzekering N.V. and Tiel Utrecht Verzekerd Sparen N.V., insurance companies based in Utrecht, The Netherlands to De Goudse, a Dutch based insurance company. The proceeds comprised a cash consideration and a 20% interest in De Goudse. The result on disposal was recognised in the profit and loss account in the financial year 2000, as part of Income from investments of the insurance operations. The results of Tiel Utrecht have been included in the consolidated financial statements of ING Group up to and including December 31, 2000. As of December 31, 2000, Tiel Utrecht has been excluded from in the consolidated balance sheet of ING Group.

In December 2000, ING Group acquired the Financial Services and International businesses of the U.S. insurance company Aetna Inc. The total purchase price of the acquisition was EUR 8.3 billion, including EUR 3.0 billion of assumed debt, and was paid in cash (except for the assumed debt). The goodwill amounted to EUR 6.1 billion and has been charged to Shareholders equity. As of January 1, 2001, the results of Aetna Financial Services and Aetna International have been included in the consolidated financial statements of ING Group.

In September 2000, ING Group acquired a 100% interest in ReliaStar Financial Corp., a U.S. life insurance company. The total purchase price of the acquisition was EUR 6.7 billion, including EUR 1.1 billion of assumed debt, and was paid primarily in cash (except for the assumed debt). As of September 30, 2000, the results of ReliaStar have been included in the consolidated financial statements of ING Group.

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## RECENT DEVELOPMENTS

As of December 31, 2002, the revaluation reserve of ING Group for equity securities was EUR 0.6 billion (after tax). Due to a further decline of the stock markets, which was partly offset by hedging transactions with respect to the equities securities portfolio up to an amount of approximately EUR 4 billion (as of March 10, 2003), the revaluation reserve is EUR 0.7 billion negative (after tax) as of March 10, 2003 based upon the opening values on the Amsterdam Stock Exchange.

The ratio of available capital versus required capital of ING Verzekeringen N.V. decreased from 169% at December 31, 2002 to approximately 157% at March 10, 2003; still well above the regulatory required capital.

On February 25, 2003, ING announced the intention to appoint Dr. Claus Dieter Hoffmann (60), German nationality, as a member of the Supervisory Board as from April 15, 2003. Dr. Hoffmann was a member of the Board of Management of Robert Bosch GmbH until his retirement on June 30, 2002. From 1996 until his retirement he was the Chief Financial Officer of the Bosch Group. On February 6, 2003 ING announced the intention to appoint Mr. Wim Kok (64), Dutch nationality,as a member of the Supervisory Board as from April 15, 2003. From August 22, 1994 through July 22, 2002, Mr. Kok was Prime Minister and Minister for General Affairs of the Kingdom of the Netherlands. These appointment proposals will be an agenda item at the General Meeting of Shareholders of ING Group in April 2003.

At the General Meeting of Shareholders of ING Group in April 2003 Mrs. Lutgart van den Berghe and Mr. Mijndert Ververs will step down as members of the Supervisory Board of ING Group effective April 15, 2003. They are not eglible for reappointment because they have reached the maximum term of 12 years on the Supervisory Board. Mr. Hans Tietmeyer will also step down as a Supervisory Board member, having reached the statutory age limit of 72. In the same General Meeting of Shareholders of ING Group the reappointments of Messrs. Paul van der Heijden, Aad Jacobs and Jan Timmer will be proposed.

On February 5, 2003, ING announced that it signed a letter of intent with Fineco/Capitalia of Italy to acquire Entrium, Germany s second largest direct bank. ING will acquire Entrium through its 70% owned subsidiary DiBa, the largest direct bank in Germany. The total value of the transaction is EUR 300 million. The transaction is expected to close in the spring of 2003.

On January 16, 2003, ING announced its intention to implement a number of changes in its corporate governance. The new proposals aim at a balanced corporate governance structure with more influence for the shareholders and holders of Bearer depositary receipts. See Item 7 Major shareholders and related party transactions and Corporate Organization Corporate Governance .

## GROUP STRATEGY

The first ten years following ING s foundation in 1991 were characterised by high growth and favourable market conditions. At the beginning of the 21st century the economic tide started to turn and the world has now entered the third consecutive year of low or no economic growth. The challenge for ING will be to respond to this new reality and secure stable long-term development for the Group for the benefit of all of its stakeholders. The Executive Board has decided on the following Group strategic objectives for the years 2003-2005.

### *Group objectives*

**1. Strengthen capital base and improve other key ratios to regain and maintain a solid financial foundation**

ING is giving the highest priority to strengthening its capital base and to improving its ratings. The measures announced at the publication of our results for the first nine months of 2002, such as the issue of perpetual bonds, the sale of own shares held to hedge employee stock options and the reintroduction of optional stock/cash dividend, are the basis for achieving this objective. The Executive Board has also taken a series of other measures to reinforce the capital base and reduce the dependency of ING s business on stock-market developments. Furthermore, ING will continue its efforts to improve its efficiency, return on equity, return on required capital (insurance), risk-adjusted return on capital (banking) and debt/equity ratios.

**2. Optimise the existing portfolio**

Focus and execution are the key words in the plans to respond to the new economic environment. ING will focus more in terms of activities it wishes to expand or scale down and in terms of markets it wants to be in or withdraw from. No large acquisitions will be made in the near future. In markets where reinforcement of the distribution capacity is an immediate priority, ING will seek to enter into joint ventures with local partners.

ING is very selective about investment choices and deployment of resources. In this connection, the Executive Board is reviewing the countries in which ING is active, the business lines and the client base. Risk management in both the insurance and banking operations will be intensified to enable more pro-active decisions. In the field of operations/information technology, ING will complete the many integration and restructuring projects as well as the shared services centers (centers created to regroup business processes in order to better capitalize upon economies of scale).

**3. Create value for our clients with a multi-product/multi-channel approach**

From the start in 1991, ING has chosen integrated financial services as the heart of its strategy. The power of the integrated financial services concept is in the multi-channel/multi-product approach. Clients appreciate a full range of products and they expect to be served via the distribution channel of their choice. That choice may depend on the type of product: the internet for simple products such as savings deposits, a call centre for applying for an insurance policy or a credit card and a professional intermediary for advice on a tailor-made retirement plan. In mature markets, ING Direct has proven to be an effective, cost-efficient and profitable entry strategy for retail markets, responding to current demands. In developing markets, the greenfields (countries in which ING starts life insurance business from scratch) that ING started have matured. They are making a significant contribution to profit. ING aims to gradually extend both the product range (insurance, banking, asset management) and distribution channels (click, call, face). In some markets, such as Australia, Korea, Taiwan, and Hong Kong, our insurance operations have broadened their operating base through bancassurance joint ventures with local banks. In India and China, we have started insurance and asset management operations in co-operation with local partners.

**4. Develop our special skills**

With five million clients and EUR 55 billion in funds entrusted at the end of 2002, ING Direct proves to be a significant value creator. The ING Direct operations in seven large countries have thus created substantial value for ING in only a few years time. The results of ING Direct for the fourth quarter of 2002 showed a profit for the first time, with an attractive risk-adjusted return on capital. Furthermore, the ING Direct client base offers attractive opportunities for cross-selling.

The same is true for the insurance operations in developing markets, which are contributing approximately 20% to the total insurance result. In the past few years, the total revenue and the result of these businesses have shown double-digit growth. Most of the embedded value from new insurance business is generated by these operations.

The pension funds in a number of developing economies are also rapidly increasing their client base and assets under management. As a pension specialist, ING currently offers pension products in 30 countries around the globe and assists many governments that are struggling with the necessary reform of their pension systems. The pension business also offers attractive opportunities for cross-selling.

**5. Further lower the cost base**

In 2002, ING made much progress with lowering its cost base. We intend to maintain the strict cost discipline in the years ahead. Substantial future cost savings are expected from the rationalisation of the operations/IT activities. ING expects to continue to invest approximately EUR 1.1 billion in the

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shared service centers until 2005, while the total cost savings of integrating these back-office activities will amount to about EUR 2.7 billion over the next three years. This is equal to 5% of total operating expenses. Extension of global procurement initiatives will also generate significant cost savings. Outsourcing of IT-projects to India will be continued.

**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**

We believe that good corporate governance always entails a careful balance of the short-term and long-term interests of the Group and its stakeholders as a whole, and that this balance must be reflected in a fair, adequate and efficient corporate governance system, which is disclosed in a transparent manner. Having previously adopted virtually all the material recommendations made by the Peters Committee, a Dutch advisory committee on corporate governance, ING is now moving to comply with some of the other recommendations by the Peters Committee and other international corporate governance bodies.

**Recent developments**

In 2002, we made a number of decisions to modernise ING s corporate governance, which include several proposals to the 2003 Shareholders Meeting.

**Appointment of Members of the Supervisory and Executive Boards.**

In December 2002, the Executive Board decided (with the approval from the Supervisory Board) to propose to the General Meeting of Shareholders to abandon the current structure whereby the Supervisory Board appoints its own members and the members of the Executive Board, and to amend the articles of association of ING Group to provide for the appointment of the members of the Supervisory Board and the Executive Board by the General Meeting of the Shareholders. As a result, ING s shareholders will have the right to determine the annual accounts and to appoint the most senior management of the Group. Because of the current regulatory requirement that proposed members of these boards must be vetted by the Dutch Central Bank and the Dutch Pensions and Insurance Supervisory Authority prior to their appointment, such appointments will be made on the basis of binding recommendations made by the Supervisory Board. The shareholders can reject such proposals with 2/3 of the votes in a shareholders meeting in which at least 1/3 of the issued capital is present or represented. The proposals imply that the Dutch structure regime will be established at the management level of ING Netherlands. In December 2002, the Executive Board, the management of ING Netherlands and the Central Workers Council of ING signed a covenant to give further effect to this proposal.

**Corporate Governance Committee.**

Furthermore, in November 2002, the Supervisory Board decided to establish a Corporate Governance Committee as of 2003. As required by Dutch law, the Corporate Governance Committee, as well as each of the other committees of the Supervisory Board (the Audit Committee and the Remuneration and Nomination Committee, consist solely of outside members as a result of the requirement that no employee is eligible for the Supervisory Board. Each of these committees has its own charter, which sets forth its rights, duties and obligations. The primary tasks of the Corporate Governance Committee will be to perform an annual evaluation of ING s corporate governance by the Executive Board in order to advice the Supervisory Board, on improvements and to ensure that the corporate governance of ING as a whole, and the policy on which its is based, is fully transparent and communicated in the Annual Report and to the Annual General Meeting of Shareholders.

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**Voting Rights of Holders of Bearer Receipts**

A proposal will be made at the Annual General Meeting of Shareholders of ING Group to be held on April 15, 2003 to amend the Articles of Association of ING Groep N.V., in such a way that all Bearer receipt holders (natural and legal persons) are treated as if they were shareholders and permitted to exercise voting rights. Each holder of Bearer receipts will be able to exchange their Bearer receipts for ordinary shares, and vote on these shares, without the limitations or restrictions on maximum holdings as currently exist. If this proposal is adopted, the Conditions of Administration governing the Bearer receipts will be amended to provide that holders of Bearer receipts may obtain a voting proxy from the Stichting Administratiekantoor ING Groep, which we refer to as the Trust, for the full number of their Bearer receipts, without any limitation, whether they attend the Shareholders meeting in person or are represented by or give instructions to someone else. In addition, the current requirement that a voting proxy is only available in circumstances not involving contested control will be eliminated. These changes will provide more rights to shareholders of ING than current and pending Dutch legislation.

These changes will allow all shareholders and Bearer receipt holders to exercise their voting rights during the Annual General Meeting of Shareholders either

- in person,
- by means of a proxy to another person, or
- by means of a binding voting instruction to the Trust.

In addition, as a result of these changes, the Trust will only vote in its own discretion with respect to those Bearer receipts the holders of which:

- are not present at the Annual General Meeting,
- have not given a voting proxy to another person, and
- have not given a voting instruction to the Trust itself.

**Changes in Stichting Administratiekantoor ING Groep**

In addition, the Board of the Trust decided to change the name of the Trust from Stichting Administratiekantoor ING Groep to Stichting ING Aandelen (Trust Office ING Shares) and to amend its Articles of Association to reflect that its objectives will be

- to promote the interests of the shareholders and the Bearer receipt holders, but with a view to the interests of all others concerned with ING, and
- to promote proxy solicitation and communication between ING and its shareholders and the Bearer receipt holders.

In agreement with the recommendations by the Dutch Peters Committee, the Board of the Trust resolved that

- in the future the Trust will publicly explain its voting behavior at the Annual General Meeting, and
- following the adoption of the amendments to the Articles of Association in the Shareholders Meeting of April 15, 2003, members of the Supervisory or Executive Board of ING will longer be permitted to hold a seat on the Board of the Trust.

In addition, the Board of the Trust, in anticipation of the proposed changes, resolved that it will consider voting instructions given by holders of depositary receipts for the 2003 Annual General Meeting of Shareholders as binding.

***Cumulative Preference Shares***

The authorized capital of ING Group is made up of ordinary shares and preference shares, which vote together as a class, and cumulative preference shares. There are currently no cumulative preference shares issued. However, we have granted the Stichting Cumulatief Preferente Aandelen ING Groep a call option on cumulative preference shares.

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In December 2002, the Board of the Stichting Cumulatief Preferente Aandelen ING Groep, the Trust that issues the bearer receipts for cumulative preference shares, decided to change its name to Stichting Continuïteit ING ( Trust Office ING Continuity ) and resolved that members of the Supervisory or Executive Board of ING are no longer permitted to hold a seat on the Board of this Stichting.

***Agenda for the Meeting of Shareholders***

The Executive Board and the Supervisory Board draws up the agenda for the Annual General Meeting of Shareholders. Pursuant to the Articles of Association, providers of capital (shareholders and holders of Bearer receipts for shares) who alone or together represent at least 0.1% of the issued share capital are entitled to have items included on the agenda, provided the request is submitted at least 50 days prior to the meeting. The deadline for items to be included in the agenda for this years annual meeting was February 25, 2003.

**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, 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.

The following sets forth the Group s three Executive Centers, the ING Asset Management Platform, and the principal organizational structure of each as of January 2003:

| **ING EUROPE** | **ING AMERICAS** | **ING ASIA/PACIFIC** | **ING ASSET MANAGEMENT Platform** |
|---|---|---|---|
| **(Integrated Financial Services)** | **(Integrated Financial Services, mainly insurance and asset management)** | **(Integrated Financial Services, mainly insurance and asset management)** | **(Proprietary and third-party funds management worldwide)** |
| Three functional areas:<br><br>Retail<br>Wholesale (including Financial Markets)<br>Ops/IT<br><br>ING Direct (global unit)<br><br>Seven geographical regions:<br>Netherlands<br>South West Europe (Belgium, France, Spain, Switzerland, Portugal, Luxembourg)<br>Central Europe (Central, Eastern and Northern Europe, Italy and Greece)<br>Germany<br>UK<br>Americas (Wholesale Banking)<br>Asia (Wholesale Banking) | USA<br>Canada<br>Mexico<br>Argentina<br>Chile<br>Brazil<br>Peru<br>Neth. Antilles<br>Aruba | Australia<br>Taiwan<br>Hong Kong<br>China<br>South Korea<br>Japan<br>Malaysia<br>India<br>Thailand<br>Indonesia | ING Investment Management (functional steering)<br>Baring Asset Management<br>ING Real Estate<br>ING Trust<br>Parcom Ventures<br>Baring Private Equity Partners |

## ING EUROPE

### 2002 HIGHLIGHTS

The profitability of ING s operations in Europe especially those in the Benelux remained key to the results of the Group. The retail businesses performed exceptionally well. ING Direct had another strong year and was profitable for the fourth quarter of 2002. The operations in Central Europe reported strong profit growth. In the wholesale business, Financial Markets delivered excellent results as did wholesale banking in the Benelux. International Corporate Financial Services, however, had to cope with high loan loss provisions. Additional restructuring measures were announced in order to restore the profitability of international wholesale banking. Throughout ING Europe, good progress was made during the year in increasing efficiency and improving service levels.

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Income and result before taxation per segment:

| | Year ended December 31, | |
|---|---|---|
| | 2002 | 2001 |
| Income | | |
| Retail | 8,433 | 7,874 |
| Wholesale | 6,174 | 6,224 |
| Corporate line | 531 | 858 |
| **Total** | **15,138** | **14,956** |
| Result before taxation | | |
| Retail | 1,967 | 1,646 |
| Wholesale | 1,338 | 1,687 |
| Corporate line | 411 | 934 |
| **Total** | **3,715** | **4,267** |

**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, its 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 position around ING Direct, selectively and carefully 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 its market value, including via distribution alliances, to grow our position over the long-term.

With the European organisation 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.

In Private Banking, we will continue the integration of the various units under one functional responsibility. This will result in the elimination of some redundancies, reduce the risks and the costs and simplify the organisation.

**ING Wholesale**

In wholesale financial services, ING is positioned as a European wholesale financial institution with a presence in the world s major financial centres of developed and emerging markets. It currently enjoys a strong position in the mid-corporate market in the Benelux countries. ING Wholesale s strategy is threefold. First, it will maintain its predominantly European focus. Secondly, it is targeting only a select group of European and international clients. Thirdly, it is focusing on a defined range of wholesale products and services.

ING wholesale includes three functional areas (Corporate Financial Services, Investment Banking and Financial Markets), Five European regions (The Netherlands, Southwest Europe, Germany, Central Europe and the UK), as well as the wholesale banking operations of the Americas and Asia.

Financial markets, mergers and acquisition (M&A) advisory, structured finance and payments and cash management are our core banking products. Employee benefits/pensions and asset management, also key strengths of ING, are increasingly being offered in the core wholesale product

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range. In the home markets, ING Wholesale is working on improving the breadth and depth of products and services that are being offered while, at the same time, improving the efficiency of such offering in order to lift profitability and client retention.

Within Corporate Financial Services, the structured finance business had a very successful year. Employee Benefits/ Pensions retained its leading position in the Netherlands and improved its position across Europe, including Central Europe. International Payments & Cash Management Services achieved an important strategic milestone by reaching a top five position in Europe. The integration of all international branches of ING, BBL and BHF into one global network was completed. ING s position as a top tier wholesale bank in Central Europe was further strengthened.

Despite the achievements noted above the adverse market circumstances had a severe impact on ING Wholesale. The positive factors were insufficient to compensate for the effect of lower revenues in the business line Investment Banking and sharply higher risk costs in Corporate Financial Services. These negative developments were most strongly felt in the German and American wholesale banking activities.

**Operations and IT**

Since 2001, ING Europe has undertaken a major programme to create a world-class, cost-efficient operations/IT environment. The programme is aimed at reducing the cost base, growing income, preventing future inefficiencies, improving quality of service and reducing operational risk. We believe the programme is key to improving the efficiency ratio of the banking operations.

An important element of the operations/IT programme is the establishment of shared service centres. Four new shared service centres have been established in 2002, bringing the total number to eight. The new shared service centres are for each of mortgages administration and insurance claims handling in the Netherlands, international payments processing and securities processing. More service centres are under development. ING Europe will ultimately have a series of service centres with attractive scale and capable of delivering high-speed and high-quality back-office services to the business units.
In addition to creating shared service centres, the operations/IT programme calls for aligning the IT application architecture. This is necessary in order to enhance connectivity between applications and enable business units to share customers, products and services. In 2002, the aligned IT application architecture became operational and the first applications were connected. The operations/IT investment programme also involves moving toward common standard software solutions.

***New partnerships in operations***

As part of its effort to improve efficiency, ING entered into several new alliances with outside parties. The most important one is the alliance with Bank of New York for sales, marketing and servicing of global custody and related services to institutional clients in Germany, the Benelux and Central Europe. The partnership will provide global services to ING Investment Management s Benelux operations, encompassing approximately EUR 90 billion in assets. ING Bank will provide sub-custody services to Bank of New York in the Netherlands, Belgium (already in force), Germany and Central Europe. Another promising development is the closing of partnership agreements with leading software companies in India. The agreements cover the fields of IT application maintenance and software development.

**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 center and the internet. The call center 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, 40% of the account openings are activated via the internet and more than 60% 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 2002, five of the seven business units (Canada, Australia, Spain, Germany and the United States) contributed to the Group s profit. The mature business units Australia and Canada have already exceeded ING Group s RAROC hurdle rate of 18.5%.

**Growth and other developments**

Due to overall commercial success in the business units, ING Direct more than doubled its size in 2002, based on total Funds entrusted. 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 favourable savings market conditions, approximately 2.5 million new clients joined ING Direct in 2002 to bring the total to more than five million clients. The total of funds entrusted increased by EUR 31 billion to EUR 55 billion. Brand awareness developed strongly in all countries and acquisition costs declined from an average of EUR 140 per new account in 2001 to an average of EUR 92 per new account in 2002, due in part to cost-effective marketing. In total, ING Direct reached profitability in the fourth quarter of 2002, a year earlier than expected.

| | Total clients | | Total funds entrusted | |
|---|---|---|---|---|
| | Year-end 2002 | Year-end 2001 | Year-end 2002 | Year-end 2001 |
| | (in thousands) | | (in billions of EUR) | |
| Canada | 684 | 480 | 5.1 | 3.4 |
| Germany | 1,894 | 827 | 20.3 | 6.2 |
| Spain | 610 | 397 | 6.0 | 3.8 |
| Australia | 475 | 278 | 4.1 | 2.9 |
| France | 270 | 181 | 6.3 | 3.2 |
| USA | 864 | 338 | 8.9 | 3.3 |
| Italy | 244 | 75 | 4.5 | 1.2 |
| **Total** | **5,041** | **2,576** | **55.2** | **24.0** |

**Expanding market positions**

In 2002, ING Direct Canada acquired First Marathon Mortgage Corporation (FMMC) and started advertising in the Quebec market with a bi-lingual call centre in Ottawa. In February 2002, ING Direct acquired an additional 21% stake in DiBa (Germany), increasing its participation to 70% with an option to purchase the remaining 30%. In July 2002, DiBa bought the Degussa Bank (an employee benefits and mortgage bank in Germany), with 60,000 clients and EUR 2.4 billion in retail balances. 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. During 2002, ING Direct USA extended its market to include Boston and in January 2003, expansion started in California.

**Risk management**

Very strict risk management controls the strong growth of ING Direct. In 2002, high priority was given to market, credit, operational and reputation risk management. Several scenarios were developed to test the interest rate risk and liquidity risk. The tests concluded that ING Direct is flexible and resilient and able to cope with strong interest changes. The savings deposits are invested in the following broad, fixed-income, investment categories: retail mortgage and mortgage-backed securities (54%),

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government and government-related bonds (19%), internal deposits within ING Group and ING bonds (14%), financial institutions (6%), corporate bonds (5%) and other investments (2%). The average credit rating of the fixed-income investment securities is AA-.

**Outlook**

ING Direct will 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 achieve a profit in 2003, including start-up losses of newer business units.

## 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 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 five life insurers in the United States in terms of life and annuity premiums. ING Americas total assets under management at the end of 2002 amounted to EUR 146 billion.
During 2002, ING Americas strengthened its position in Brazil by expanding its joint-venture partnership with Sul América, one of the country s major insurance companies with seven million customers. ING now owns 49% of Sul América and is working to establish a wealth management platform leveraging Sul América s local presence and ING s global expertise. ING Comercial América ( ING CA ) is the market leader in the rapidly growing Mexican insurance market. ING Americas ranks as the number one international insurer in Latin America.

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

| | Year ended December 31, 2002 | | |
|---|---|---|---|
| | 2002 | 2001 | 2000 |
| | | (EUR millions) | |
| **UNITED STATES** | | | |
| Life | 2,635 | 2,593 | 1,978 |
| Fixed Annuities | 4,909 | 3,272 | 2,295 |
| Variable Annuities | 4,284 | 4,841 | 4,866 |
| Rollover Payout | 227 | 317 | |
| Empolyee Benefits | 787 | 804 | 518 |
| Defined Contribution | 8,367 | 8,254 | |
| *US Financial Services (Total)* | 21,209 | 20,081 | 9,657 |
| Reinsurance | 935 | 1,447 | 760 |
| Institutional Markets (GICs) | 5,468 | 7,190 | 2,931 |
| *US Institutional Markets (Total)* | 6,403 | 8,637 | 3,691 |
| Other | 18 | | |
| *Non-Life premiums (1)* | 720 | 407 | 93 |
| **Total** | **28,350** | **29,125** | **13,441** |
| **CANADA** | | | |
| Non-Life premiums | 2,094 | 1,583 | 1,502 |
| **MEXICO** | | | |
| Life premiums | 454 | 246 | |
| Non-Life premiums | 2,244 | 944 | |
| **Total** | **2,698** | **1,190** | |
| **SOUTH AMERICA** | | | |
| Life premiums | 292 | 493 | 194 |
| Non-Life premiums | 303 | 618 | 46 |
| **Total** | **595** | **1,111** | **240** |

(1) excluding EUR 254 million premium income ceded from the Canadian to the US operations

**UNITED STATES**

Through its US business operations, EC ING Americas offers a wide range of products which 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. Subsidiaries doing business under ING America Insurance Holdings, Inc., the U.S. insurance holding company, include the following insurance companies: Security Life of Denver Insurance Company, Life Insurance Company of Georgia, Southland Life Insurance Company, Equitable of Iowa Life Insurance Company, Golden American Life Insurance Company, USG Annuity and Life Company, ReliaStar Life Insurance Company, United Life & Annuity Insurance Company and ING Life Insurance and Annuity 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. The ING U.S. organization is currently rationalizing this structure and is reducing the numbers of legal entities to better integrate core operations. These legal entity consolidation efforts are expected to continue through the end of 2004.

ING has a long history in the United States, and is committed to further strengthening its existing US operations and optimizing their performance. The US life and non-life markets, though consolidating, 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 are organized with either a manufacturing or distribution focus to support integrated financial services where the entire breadth of ING products can be offered to ING s target markets, through the distribution channel of their choice.

By the end of 2002, the integration activities related to the ReliaStar and Aetna Financial Services acquisitions that closed in the later part of 2000, were substantially completed. Integration was designed to build a more streamlined, market-focused US operation and create one integrated financial services platform. Twenty stand-alone businesses were integrated into one organization, back office locations were reduced from fourteen to eight, the legal entity structure was simplified by eliminating ten separate legal entities and IT systems were consolidated.

Revenue synergies remained on track despite the difficult market conditions. Expense savings in 2002 were more than EUR 400 million in excess of planned cost savings at the time of the acquisitions. The reorganization in the US resulted in a workforce reduction of more than 1,800 or (16%), since the end of 2000.

ING Americas operates in the United States in three business segments: US Financial Services, which focuses on retail sales, US Institutional Businesses, and ING Investment Management. Each unit is described below.

**United States Financial Services**

ING US Financial Services ( USFS ) comprises seven primary business units (Life Insurance, Annuities, Rollover/Payout, Defined Contribution Pensions, Employee Benefits, the ING Advisors Network and Mutual Funds), which provide a wide variety of financial services to individuals both on a retail basis and through their employers. An extensive distribution network, as well as the Internet, Voice Response Unit (VRU), and customer service representatives support products and services.

USFS markets a complete range of life insurance and annuity products, including variable universal life, universal life and term insurance for consumers, as well as products focused on the corporate-owned insurance markets, and fixed and variable annuities. In addition, a broad range of employee benefit related products and services including retirement plans, group life and disability insurance and tax-sheltered annuities are offered. Financial services offered also include investment advisory services, financial planning, pension plan administrative services and trust services.

USFS s strategy is to offer retirement savings products appealing to many consumers while utilizing broad-based distribution channels of independent and career insurance agents, banks and broker/dealers. Products are marketed through more than 200,000 financial and investment advisors throughout the United States and the ING Advisors Network, a network of wholly owned broker/dealers. In addition, marketing efforts are also directed to third party-distributors such as independent broker/dealers and financial institutions through the coordinated efforts of a 273-person wholesaling force. The primary customer target market is the mass affluent segment.

Employee benefits products are marketed through major brokerage operations and through direct sales to employers by marketing professionals employed full-time and located in regional offices throughout the United States.

**ING US Institutional Businesses**

ING US Institutional Businesses (USIB) focuses 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. Business lines in worker s compensation

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and personal accident catastrophic coverage were dropped during 2002 and in addition reinsurance offices in London and Copenhagen were disconitinued. 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 will become part of EC ING Americas in order to better align investment manufacturing and distribution on a regional level. ING Investment Management Americas will comprise of a combination of ING s 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. For a more extensive disclosure of the IIM operations, see ING Asset Management.

**CANADA**

ING Americas business strategy for Canada is centered around the development of a core integrated financial services platform characterized by strong manufacturing and distribution capabilities.

Following the commencement of the strategic alliance with Zurich Canada, ING Canada added to its portfolio a significant amount of personal lines insurance business and became 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 premium in 2002 was EUR 2.1 billion, representing a 32% increase over the prior year (24% organically).

In Canada, property and casualty insurance products are marketed 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 sized businesses. Commercial specialty lines products, such as marine, surety and other niche products are also offered.

To reinforce ING s global brand positioning and to capitalize on the brand strength in Canada, three broker insurance brands were consolidated into one ING Insurance Company of Canada in 2002. This company serves brokers and their customers in Ontario, Quebec, Manitoba and the Maritimes. ING also operates in Alberta and British Columbia through ING Western Union. ING Novex will continue to offer personal lines insurance to groups throughout Canada.

ING Canada markets P&C insurance directly to customers through Belair Insurance. Belair recruits customers through radio and direct mail campaigns. Products are marketed and sold mainly through the Internet and by phone through call-centers in Quebec and Ontario.

In 2002, ING Canada created a new division called ING Advisor Network 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. The new division assists these broker partners in the recruitment and training of financial advisors, as well as providing support in the areas of customer relationship management, Internet delivery capabilities and integrated technology.

In addition to insurance operations, ING Canada also has a mutual fund operation, ING Funds, and a registered mutual fund dealer, ING Wealth Management. In 2002, ING Funds and ING Wealth

Management were integrated under one management team to bring renewed focus and a single strategic orientation to wealth management in Canada. The team s focus is to develop and deliver products and packaged financial solutions to ING Advisor Network and ING Direct.

ING Direct, a direct bank, first began operations in Canada in May 1997 with the Investment Savings Account. Today, it offers consumer loans, residential and commercial mortgages, as well as mutual funds. ING Direct is a well-recognized brand in Canada, known for its refreshing approach to financial services. By the end of the year, ING Direct Canada had a total of 685,000 customers and had more than EUR 5 billion of funds entrusted. For a more detailed discussion of the ING Direct operations, see ING Europe .

ING Direct Canada and ING Canada have a combined customer base of over 4 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 South American countries. South American activities are focused on the core countries of Argentina, Brazil and Chile. ING also has a presence in the AFP (privatized pension) and annuities market in Peru. The acquisition of Aetna International resulted in enhanced positions in Chile, Brazil and Peru. Non-strategic activities acquired with Aetna International in Argentina and Colombia were divested.

ING Americas operations are conducted through wholly owned and majority-owned subsidiaries in Argentina, Chile and Peru and an equity affiliate in Brazil (49% ownership). The products and services sold by these businesses include individual and group life and health insurance, annuities, personal and commercial property-casualty insurance, and pension fund administration services.

**Mexico**

ING Americas current presence in Mexico consists of the largest insurance company, one of the largest pension companies (Afores # 5 in Assets under Management (AUM)) and a 49% participation in a bancassurance joint venture. ING completed its acquisition of Seguros Comercial America in 2001 which was successfully rebranded to ING Comercial America ( ING CA ). ING CA is the market leader in the Mexican insurance industry with premium income of approximately EUR 2.7 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 (currently #3).

Combining rebranding efforts to reinforce the ING brand as a strong and credible supplier of financial services in Mexico, Afore Bital was also rebranded to ING Comercial America Afore. This privatized pension savings fund business started in 1997 is substantially profitable with more than 2.7 million clients and AUM exceeding EUR 2.5 billion.

**Argentina**

Since 1996, ING has had a life insurance operation in Argentina that sells 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.

ING will continue to monitor the situation closely, although the financial risks of the insurance operations are limited.

**Chile**

ING Americas has gained scale to become a leading financial services group in Chile. All acquired companies have been fully integrated and rebranded as ING companies and ING has achieved a

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leading brand recognition in Chile. A second advertising phase will launch in 2003. In 2002 total revenues (premium income and asset management fees) in Chile were EUR 542.4 million and assets under management were EUR 5.9 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, Brazil s number two insurer with an 18.6% market share across all lines, providing a strong platform in Brazil s high-growth asset accumulation market and positioning ING at the forefront in the largest South American insurance market. As well as health, products now include life, pension, auto, other P&C, and fund management activities. A co-branding project is planned for 2003.

**Peru**

ING has a 60% stake in Integra, the leading pension fund manager in Peru with a 32% market share and EUR 1.4 billion in assets under management. ING also has a minority position in Wiese-Aetna, an insurance company that offers both life products and annuities. Non-life interests were divested in 2002.

**Netherlands Antilles and Aruba**

In December 2002, ING reached agreement to sell its life, non-life and health operations in the Netherlands Antilles and Aruba (ING Fatum), subject to approval of the Central bank of the Netherlands Antilles. The completion of the sale of ING Fatum is scheduled for early 2003.

## ING ASIA/PACIFIC

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, Thailand and Indonesia.

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.

EC Asia/Pacific focuses on expanding its existing businesses to strive for long-term leadership positions. Special emphasis is placed on sustainable profit growth, achieving scale and market share, sound management and development, and cost efficiency with effective IT systems.

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.

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. We have also increased our share ownership in strategic partner Vysya Bank to 44% to provide an integrated business platform in India, while the joint venture with Beijing Capital in Dalian, China commenced insurance sales in December 2002. Further we have signed an extended strategic investment agreement with Kookmin Bank in Korea to jointly develop the bancassurance business, and a new fund management joint venture with China Communication Securities was approved in December 2002, the first of its kind in China.

As of 2003, ING Investment Management Asia/Pacific will be restructured to become part of EC Asia/Pacific in order to more closely align to the retail distribution channels and better serve customers.

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**Australia**

In May 2002, ING entered into a life insurance and funds management joint venture with ANZ, with ING taking 51% ownership. The business 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. We expect our non-life joint venture, QBE Mercantile Mutual, to continue to strengthen its leading position in the distribution of personal lines business through intermediaries.

**Taiwan**

ING s businesses in Taiwan include one of the leading life insurers, together with a mutual fund joint venture with Chang Hwa Bank and an interest in a credit card business. Career life agents are the main distribution channel, and they also sell the other business lines. 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 developing alternative channels like bancassurance and financial planning to accelerate growth for the life business. The non-life business aims to maximize synergy and cross sell opportunities with other ING businesses operating in Hong Kong. The pension business will continue to reduce costs by outsourcing the back office.

**China**

The life insurance joint venture (PALIC) in Shanghai with China Pacific Insurance Company now ranks No. 4 in new premium, with 8.6% market share. It continues to focus on improving agency productivity and developing alternative distribution channels. The Dalian life insurance joint venture (ICLIC) started operations in December 2002 with an initial focus on agency recruitment. The new fund management joint venture with China Communication Securities, which received an operational license in December 2002, will be a pioneer in the China mutual fund market.

**South Korea**

Life premium grew rapidly through the traditional tied agency distribution channel during 2002. To further strengthen this position, ING s priorities in 2003 include broadening distribution and improving operations, with the business continuing to invest in customer and agent service. The extended strategic investment agreement with Kookmin Bank provides expanded distribution for life insurance and asset management products, and a possible pension alliance in the future.

**Japan**

ING plans to maintain its leadership position in the Corporate Owned Life Insurance (COLI) segment, while developing its presence in the Single Premium Variable Annuity (SPVA) segment, as the basis for expanding its distribution in Japan. The pension joint venture with Principal Financial Group, which focuses on small and medium-sized companies, markets a comprehensive range of products related to defined contribution pensions. Results in 2002 were however lackluster due to the slower than expected development of the market. ING will support pensions and SPVA business by continuing to build its asset management proprietary funds capability.

**Malaysia**

ING ranks No. 4 in terms of life new business with a 10% market share. In 2002, we strengthened our position in traditional individual life and maintained its leadership in employee benefits. In 2003, we expect to improve operational efficiency and expense performance to drive profitability. Opportunities in the retiree market are being developed to capitalize on the company s strengths in employee benefits.

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**India**

ING Vysya Life Insurance, a joint venture between ING Insurance, Vysya Bank and GMR Group, is focusing on developing a large, professional tied agency force, and on completing its product portfolio. Bancassurance sales models for life and mutual fund products are also being developed following ING s increased ownership and re-branding of the (now) ING Vysya Bank.

**Thailand**

Focus will remain on growing the traditional tied agency force, and meeting the sales targets of the accelerated greenfield business plan. Bancassurance opportunities are also being pursued to diversify distribution.

**Indonesia**

The non-life business was divested in 2002. The life business will focus on optimizing organization structure, improving expense performance and achieving both individual and group sales growth.

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## ASSET MANAGEMENT

With approximately EUR 450 billion in assets under management at December 31, 2002, ING is a leading asset management organization that offers a complete range of investment products to meet the needs of institutional and retail investors. In order to enhance the professional support ING provides for its clients. ING intends to step up its efforts to further improve its Asset Management investment engine, which includes the following lines of business: institutional asset management, mutual funds, real estate, alternative assets and fund administration & trust services.

Prior to January, 2003, ING Asset Management was comprised of the following six business units:

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

In 2002, ING Asset Management had an average of 5,152 employees, based on full-time equivalents.

**Organizational change**

In 2002, ING Asset Management continued to rationalize its asset management business structure by integrating ING Investment Management and ING Aeltus, which was formed in 2001 by combining Aeltus Investments and ING Furman Selz Asset Management. Additionally, in order to improve alignment with the distribution channels, ING Investment Management was regionalized and integrated into the regional Executive Centers.

On August 28, 2002, ING announced that in order to better organise ING Investment Management along regional lines beginning January 1, 2003, the activities of ING Investment Management would be 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 will be reported within these Executive Centers, and the Executive Center Asset Management will no longer function as a separate global profit center.

The following sets forth information with respect to the assets under management of ING Group for the periods indicated.

| | Year ended December 31, | | |
|---|---|---|---|
| | **2002** | **2001** | **2000** |
| | | **(EUR billions)** | |
| Own funds | 159 | 166 | 145 |
| Third party funds | 290 | 347 | 358 |
| **Total** | **449** | **513** | **503** |
| Of which: | | | |
| ING Asset Management | 379 | 380 | 331 |
| Other ING subsidiaries* | 70 | 133 | 172 |
| **Total** | **449** | **513** | **503** |

* During the years 2001 and 2002, the management of ING US Insurance assets has been transferred to ING Asset Management

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**ING Investment Management**

ING Investment Management which we refer to as IIM, is responsible for managing the investments of the insurance companies of ING, as well as managing equity and fixed income investments for institutional investors and the private label investment funds sold by various ING companies, including ING Bank, Bank Brussel Lambert, Postbank and Nationale-Nederlanden. IIM is also responsible for managing the treasury activities of ING Insurance. With ING Investment Management integrated into the regional Executive Centers as of January 1, 2003, it was decided to 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.

The investment portfolios of ING Group companies managed by IIM decreased by 6.5% to EUR 124.4 billion at December 31, 2002. In 2002, ING Investment Management was able to expand its business in Australia, where as part of the joint venture with ANZ ING Investment Management acquired ANZ s fund management business. Just before year-end, China Merchants Fund Management Company, a joint venture of ING Investment Management and China Merchants Securities, became the first Sino-foreign joint venture to receive an operational license.

Assets under management of IIM on behalf of institutional clients decreased by 17.8% to EUR 80.0 billion in 2002. The portfolio managed on behalf of institutional clients consisted of fixed income securities (approximately 58%) and equities (approximately 42%). Assets in investment funds managed by IIM were at EUR 93.3 billion at the end of 2002, compared to EUR 97.8 billion as of December 31, 2001. Despite a sound inflow of new funds, assets under management fell due to weakening stock markets and a stronger euro compared to the US dollar.

**Baring Asset Management**

Baring Asset Management provides a diversified spectrum of investment management services to a variety of institutional and private clients, directly and through the management of its private label investment funds. It manages equity, fixed-interest and balanced portfolios for pension funds, government agencies, charitable bodies, companies and private individuals. Baring Asset Managements business is structured into two business lines: Investment Management Group and Financial Services Group, which accounted for 52% and 48%, respectively, of Baring Asset Managements revenues in 2002. The main client regions are the United Kingdom, North America, Japan and Continental Europe. It has offices in Boston, Dublin, Frankfurt, Guernsey, Hong Kong, Isle of Man, London, Paris, Vienna, San Francisco, Sydney, Taipei, Tokyo and Toronto.

As a result of market and exchange rate declines and a net outflow of funds, assets under management decreased by EUR 9.0 billion to EUR 30.6 billion at December 31, 2002.

**ING Real Estate**

ING Real Estate operates as an investment manager, developer and financier. ING Real Estate aims to increase the amount of third party investment in existing and new funds worldwide. ING Real Estate maintains a strong position as developer in Europe and is expanding its activities globally. The total portfolio of assets under management amounted to EUR 37.3 billion at the end of 2002, an increase of EUR 6.8 billion from December 31, 2001.

In 2002, ING Real Estate Investment Management launched several new funds: the ING Retail Property Fund Australia, the ING Logistics Property Fund Europe and the ING Residential Fund UK. At the end of the year, Investment Management acquired the industrial portfolio Crow Holding Industrial Trust, which will become the Lion Industrial Trust Fund USA. In 2002, the Investment Management portfolio decreased by 2% to EUR 24.0 billion.

ING Real Estate Development obtained the remaining shares of Promodeico in 2002. Promodeico is one of the largest Spanish development companies specializing in shopping centers. In the UK, ING Real Estate acquired the remaining 50% of the shares of London Amsterdam Development. ING Real Estate also started a joint venture with Grontmij called Quendis specializing in logistic real estate and parking facilities in Europe. In Australia, it acquired the 19.3 bunder Waterfont City project of

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Melbourne. In the Netherlands, some new projects have been started and in Spain a shopping centre was sold. As of the end of 2002, the global real estate development portfolio amounted to EUR 1.8 billion.

In 2002 ING Real Estate successfully integrated the real estate wholesale activities of the Westland Utrecht Hypotheekbank and of IBN into ING Real Estate Finance. With the transfer of ING Barings deal team in the United States, Finance will add another office to its international organization in 2003.

**ING Trust**

ING Trust specialises 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.

**Parcom Ventures and Baring Private Equity Partners**

Parcom Ventures and UK-based Baring Private Equity Partners both specialize in private equity investments, with Parcom Ventures investing on behalf of ING Insurance and Baring Private Equity Partners investing on behalf of primarily third-party clients.

At December 31, 2002, assets under management of Parcom Ventures were EUR 437 million. Parcom Ventures has benefited from the trend of realistic entry valuations of private equity markets and healthy deal flow as companies are divesting non-core assets and invested into a number of new portfolio companies.

Baring Private Equity Partners covers six regional markets (Western Europe, Central Europe, former Soviet Union, India, Asia and Latin America) with a team of investment professionals operating in 17 different countries worldwide. It ended the year 2002 with three new fund closings. Next to Central Europe Fund, Baring Private Equity Partners successfully closed its second fund focused on Asia with EUR 245 million. Baring Private Equity Partners also raised the first direct investment fund in Russia since 1998, which closed at EUR 195 million, bringing total funds under management to EUR 2.0 billion. Baring Private Equity Partners is able to provide institutional investors with access to private equity opportunities in all major markets outside the United States.

**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** | |
| ING Sviluppo Finanziaria S.P.A. | Milan, Italy |
| 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. |
| 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 and Life Company | Oklahoma City, Oklahoma, U.S.A. |
| GBM Atlantico | Mexico City, Mexico |
| ING Seguros, S.A. de C.V. | Mexico City, Mexico |
| Pensiones Bital, S.A. | Mexico City, Mexico |
| Seguros Bital, S.A. de C.V. | Mexico City, Mexico |
| **South America** | |
| FATUM/De Nederlanden van 1845 Schadeverzekering N.V. | Curaçao, Netherlands Antilles |
| ING Seguros de Vida S.A. | Santiago, Chile |
| **Asia** | |
| ING Indonesia Insurance P.T. | Jakarta, Indonesia |
| ING Life Insurance Company Ltd. | Tokyo, Japan |
| ING Life Insurance Company, Korea, Ltd. (80%) | Seoul, South Korea |
| **Australia** | |
| ING Australia Limited* | Sydney, Australia |
| ING Australia Pty. Ltd. | Sydney, Australia |
| **Reinsurance companies** | |
| ING Re (Netherlands) N.V. | The Hague, the Netherlands |

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**Branches**

In addition, ING Insurance and its subsidiaries have offices in Argentina, 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** | |
| Bank Brussel Lambert N.V. | Brussels |
| Vermeulen Raemdonck N.V. | Brussels |
| **Rest of Europe** | |
| Bank Slaski S.A. (87.8%) | Katowice, Poland |
| Baring Asset Management Holdings Ltd. | London, United Kingdom |
| BHF-BANK A.G. | Frankfurt, Germany |
| Allgemeine Deutsche Direktbank (70%) | 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 |
| **South America** | |
| ING Empreendimentos e Participações Ltda. | São Paulo, Brazil |
| ING Inversiones Ltda. | Bogota, Colombia |
| ING Servicios C.A. | Caracas, Venezuela |
| 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 |
| P.T. ING Indonesia Bank (85%) | Jakarta, Indonesia |

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| | |
|---|---|
| ING Vysya Bank Ltd. (44%) | Bangalore, India |
| Other | |
| ING Direct N.V. | Canada, Germany, Spain, Australia, France, USA, Italy |

**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 BBL have offices in Asunción, Athens, Bangkok, Bratislava, Bucharest, Buenos Aires, Cairo, Curaçao, Dubai, Dublin, Havana, Istanbul, Kigali, Kinshasa, Lima, Madrid, Manila, Mexico, New Delhi, Paris, Prague, São Paulo, Seoul, Shanghai, Singapore, Sofia, Taipei, Vienna and Warsaw among others.

* Proportionally consolidated

## 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. In addition, certain European Union ( EU ) directives discussed more fully below 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 Netherlands may be engaged in both insurance and banking, although direct mergers between banking and insurance companies are not permitted. The Dutch Central Bank and the Pension and Insurance Supervisory Authority of the Netherlands ( Insurance Supervisory Board ), in consultation with the Ministry of Finance and with representatives of the banking and insurance industries, have entered into a protocol for the purpose of jointly regulating entities with interests in both banks and insurance companies (the Protocol ). The first Protocol became effective on January 1, 1990. The Dutch Central Bank and the Insurance Supervisory Board adopted the presently effective Protocol on October 12, 1999. In a group of companies consisting of at least one bank and one insurance company (a Mixed Group ), the banks continue to be regulated by the Dutch Central Bank and the insurers continue to be regulated by the Insurance Supervisory Board. ING Groep N.V., as the holding company of a Mixed Group in which banking and insurance operations account for a considerable proportion of total operations (a Mixed Financial Group ), must furnish financial information to the Insurance Supervisory Board and the Dutch Central Bank twice per year, including information as to:

- equity of the banks;
- the capital base margins of the insurance companies;
- capital, reserves, and subordinated loans of the other subsidiary companies;
- information as to the capital base of the Group on a consolidated basis;

and must state the investments, loans, and comparable undertakings (except for insurance agreements) by each bank or insurance company within the Group, in respect of other companies in the Group. See Insurance The Netherlands and Banking Netherlands Regulation . The Dutch Central Bank and the Insurance Supervisory Board meet periodically to monitor holding companies of a Mixed Financial Group and will contact one another when a reporting institution encounters difficulties.

In 2001, a major supervisory reform was started up in the Netherlands. The sector-oriented supervision (by The Dutch Central Bank on banks, the Insurance Supervisory Board on insurance institutions and the Netherlands Authority for the Financial Markets on securities institutions) has been replaced by a more functional approach. Effective September 2002, supervision has been divided in prudential supervision, carried out by The Dutch Central Bank and the Insurance Supervisory Board together, and conduct of business supervision, carried out by the Netherlands Authority for the Financial Markets. As yet, the content of supervisory regulation will remain the same.

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 provide that the provisions of this directive shall first apply to the supervision of accounts for the financial year beginning on January 1, 2005.
Because ING is already complying with the Protocol, ING does not expect this directive to have a material impact on its business or on its capital requirements or solvency position.

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.

**INSURANCE**

**The Netherlands**

Insurance companies in the Netherlands are supervised by the Pension and Insurance Supervisory Authority of the Netherlands ( Insurance Supervisory Board ) carrying out prudential supervision, and the Netherlands Authority for the Financial Markets, carrying out conduct of business supervision, under the mandate of the Insurance Companies Supervision Act of 1993 (the Act ) (Wet toezicht verzekeringsbedrijf 1993). Under this Act, ING Insurance s life and non-life subsidiaries in the Netherlands are required to file detailed annual reports. These reports are audited by ING Insurance s independent auditors and include balance sheets, profit and loss statements, actuarial statements and other financial information. Dutch insurance companies are initially licensed by the Insurance Supervisory Board and then monitored closely through annual filings. The authorization granted by the Insurance Supervisory Board 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 Insurance Supervisory Board may require an insurer to submit any other information the Insurance Supervisory Board requests and may conduct an audit at any time. Generally, the Insurance Supervisory Board performs an audit every five years. The Insurance Supervisory Board is not empowered to intervene in the operations of an insurance company, but can make recommendations with regard to its management. If these recommendations are not followed, the Insurance Supervisory Board can publish them and, under certain circumstances, can ultimately withdraw the license of the insurer.

By law, Dutch life insurance companies are required to maintain 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, 2002, the capital base, being EUR 5.9 billion of ING Group s Dutch insurance subsidiaries substantially exceeded the minimum standards amounting to EUR 2.4 billion, resulting in a surplus of EUR 3.5 billion.

The 1992 EU Insurance Directives were incorporated into Dutch legislation in July 1994. These Directives are founded on the home country control principle, according to which the ongoing

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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 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 supervisors 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.

**United States**

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 audit.

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 2002.

The National Association of Insurance Commissioners ( NAIC ) has revised the Accounting Practices and procedures Manual in a process referred to as Codification, effective January 1, 2001. The revised manual changed accounting, including accounting practices that ING s US insurance companies use to prepare their statutory-basis financial statements. The impact of these changes did not result in a significant reduction in ING s US insurance companies statutory-basis capital and surplus.

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.

**Belgium**

The Insurance Control Office (Controledienst der Verzekeringen) conducts insurance supervision in Belgium under the supervision of the Minister of Economic Affairs. The control of insurance companies is regulated by the Royal Decree of February 22, 1991, superseded by the Royal Decree of November 26, 1999. This decree mainly focuses on the following topics: granted authorizations, capital base, reserve levels and assets to cover the technical and actuarial provisions.

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Belgium insurance companies are required to file detailed annual reports, including balance sheets, profit and loss statements, actuarial statements and other financial information with the Insurance Control Office. The external auditors should certify this information.

The new Royal Decree regulates the capital base supervision on a consolidated basis for insurance groups. This new regulation was effective for the first time for the accounting year ending December 31, 2001.

Furthermore, the Insurance Control Office has issued new guidance on assets covering technical provisions that will strengthen its financial supervision by demanding quarterly reports detailing the assets covering technical provisions and the level of the technical provisions. This communication is applicable from January 1, 2002 onwards.

**Canada**

ING Canada Holdings Inc. and ING Canada Inc. 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, other than in the area of agent regulation. 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.

**Japan**

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.

The Financial Products Sales Law ( FPSL ) was passed on May 23, 2000 and came into force on April 1, 2001. The FPSL provides protection to consumers of financial services and calls for:

- a substantial explanation on principal loss, market risk and credit risk,
- provision of documented explanation for customer, and
- drawing up/publishing the Soliciting Policy, which requires the insurer to demonstrate that it conducts its canvassing activities so as to comply with a customer s needs and situation.

New products, revision of existing products and changes in policy provisions require approval by the FSA. Premiums are, in most cases, not very different, and vary between participating, semi-participating, and non-participating products. 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 nonfinancial issues, which is included in the annual report to shareholders.

**Korea**

All financial institutions, including 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 from 2003 onwards.

**Australia**

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**

**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 and on January 1, 1991 the Dutch Central Bank implemented them and they were made part of Netherlands law. 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.

**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

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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.

A Dutch credit institution is not permitted to start operations through a branch in another EU member state until it has received confirmation from the Dutch Central Bank 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 the Dutch Central Bank 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 the Dutch Central Bank.

The EC Directives require a bank, commencing with the end of the 1992 financial year, 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.

The Dutch Central Bank implemented the EC Directives in 1992.

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

**Netherlands regulation**

The Group s banking activities in the Netherlands are supervised and extensively regulated by the Dutch Central Bank (prudential supervision) on behalf of the Netherlands Minister of Finance under the mandate of the Act on the Supervision of the Credit System 1992 (Wet Toezicht Kredietwezen 1992). Furthermore, the Netherlands Authority for the Financial Markets carries out conduct of business supervision.

*Credit Institutions Supervision Act*

The principal aspects of the Credit Institutions Supervision Act are as follows:

*Scope of the Act* A credit institution is any enterprise whose business it is to receive funds repayable on demand or subject to notice and to grant credits or make investments for its own account. ING Bank is a credit institution and, because it is engaged in the securities business as well as the commercial banking business, a universal bank under the terms of the Credit Institutions Supervision Act. ING Bank may accordingly be restricted from making capital contributions or loans to its subsidiaries.

*Authorization system* An institution is prohibited from pursuing the business of a credit institution in the Netherlands unless it has obtained authorization from the Dutch Central Bank. In the event of the provision of cross-border services, involving the acceptance of repayable funds, to be provided by an institution established in another member EU state, the Dutch Central Bank must be informed of the contemplated operations, and the institution must have obtained authorization to pursue the business of a credit institution in the other EU member state.

*Regular supervision* The Dutch Central Bank determines whether a credit institution meets the authorization requirements, prudential requirements, and the requirements as to the structure of its administrative organization and the requirements relating to its structural policy and monetary supervision. A credit institution must inform the Dutch Central Bank of any change in the number, the identity or the history of the persons determining its day-to-day policy. Furthermore, a credit institution must inform the Dutch Central Bank if it fails to comply, or to comply fully, with the Dutch Central Bank s standards regarding capital base, liquidity or administrative organization.

*Prudential supervision* The Dutch Central Bank exercises prudential supervision to safeguard the cital base and liquidity of credit institutions in order to protect creditors interests, with due observance of the relevant EC directives.

*Capital base directives* Capital base directives are aimed at measuring the ratio of risk-bearing operations to available capital. Depending on the degree of risk involved in the various operations, the related assets are assigned a weighting coefficient. The total risk-weighted value of both on- and off-balance sheet items is divided by actual funds to obtain a ratio. Internationally, it has been agreed that this ratio should be at least 8%.

*Liquidity directives* The basic principle of the liquidity directives is that liquid assets must be held against net liabilities of credit institutions (after netting out claims and liabilities in a maturity schedule) so that the liabilities can be met on the due dates or on demand, as the case may be.

*Structural supervision* A declaration of no objection must be obtained from the Dutch Central Bank for a credit institution to acquire a qualified participation of 10% or more in another enterprise. A declaration of no objection must also be obtained for the acquisition by any person of a qualified participation in a credit institution greater than 5%. A qualified participation as referred to herein is an interest greater than 5% directly or indirectly owned in the share capital of a business enterprise or institution, or the direct or indirect voting power, or comparable voting interest, greater than 5% within the business enterprise or institution. Stipulations will be attached to declarations of no objection granted to holding companies of both credit institutions and insurance companies, as has been agreed in the protocol.

The Dutch Central Bank also supervises the administrative organization of the individual credit institutions, including ING Bank, their financial accounting system and internal controls. The administrative organization must be such as to ensure that a credit institution has at all times a reliable and up-to-date overview of its rights and obligations. Furthermore, the electronic data processing systems, which form the core of the accounting system, must be secured in such a way as to ensure optimum continuity, reliability and security against fraud. As part of the supervision of administrative organizations, the Dutch Central Bank has also stipulated that this system must be able to prevent conflicts of interests, including the abuse of insider information.

ING Bank files consolidated monthly and annual reports that provide a true and fair view of its financial position and results with the Dutch Central Bank. ING Bank s independent auditors audit these reports.

**Belgium**

The Belgian Banking and Finance Commission (the Commission ) in accordance with the law of March 22, 1993 supervises Belgian banks on the legal status and supervision of credit institutions. One

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of the major objectives of the Commission is the implementation of the Second Banking Coordination EC Directive. The Commission requires the fulfillment of specific requirements regarding, among others, the amount of the initial capital, the level of own funds, the transparency of shareholdings, the experience of the managers and the existence of an adequate structure to obtain an authorization to operate as a credit institution.

The Commission has the right to take exceptional measures or can ultimately withdraw the banking license if the institution violates the law or fails to perform based on the norms laid down by the Commission relating to capital base, liquidity or profitability. Reporting to the Commission by accredited statutory auditors is required twice a year. The Commission also has the right to request any document from a credit institution and performs inspection on specific issues inside the banks.

**Germany**

The legal basis for the supervision of banking business and financial services (banking supervision) is the Banking Act. Banking supervision that is carried out by the Federal Financial Supervisory Authority, working in cooperation with the Deutsche Bundesbank, orBundesbank. The Act assigns the central role in banking supervision to the Federal Financial Supervisory Authority that is also responsible for insurance regulation. The Federal Financial Supervisory Authority reports directly to the Federal Ministry of Finance.

Capital requirements and liquidity adequacy are in line with EU directives and are comparable to the Basel Standards. Exposures to a single borrower which, in the aggregate amount, exceed 10% of the institution s liable capital, and loans to certain related parties are deemed to be particularly risk-prone, are therefore subject to special provisions.

An important source of information, both for the banking supervisory authorities and for lenders, is the requirement to report loans in the credit register, under section 14 of the Banking Act. This provision stipulates that credit institutions, insurance enterprises, financial services enterprises taking on proprietary positions as a service for third parties must report their loans over a specified amount to the Bundesbank. The Bundesbank adds together the loans to individual borrowers and subsequently notifies the lenders of the total indebtedness of their borrowers.

To enable the banking supervisory authorities to conduct an ongoing analysis of institutions business, the institutions have to submit monthly returns to the Bundesbank. The Bundesbank forwards these returns, together with its comments thereon, to the Federal Banking Supervisory Office. Institutions are audited by independent certified auditors who, in their audits, have to comply with detailed auditing guidelines laid down by the Federal Banking Supervisory Office. Section 29 of the Banking Act spells out the special duties of the auditors.

**United Kingdom**

In 2000, the framework for supervision and regulation of banking and financial services in the United Kingdom was reorganized. This reorganization resulted in all supervisory authorities merging into The Financial Services Authority, which we refer to as the FSA. The principal legislation concerning the regulation of banks in the United Kingdom is the Financial Services and Markets Act 2000 (the FSMA ). Based on the FSMA, the FSA acts as the principal supervisory authority and has wide discretionary powers over banks authorized by it. The FSA acts in conjunction with the Bank of England, which has a responsibility for promoting and maintaining a stable and efficient monetary and financial framework. Each bank has to report on a regular basis to the FSA and/or the Bank of England. Capital base requirements are in line with those prevailing in the Netherlands.

**United States**

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. ING Direct in the United States, being a federal savings

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bank, is subject to supervision by the Office of Thrift Supervision of the Department of the Treasury and to the rules and regulations applicable to thrifts, a.o. the Community Reinvestment Act and the Home Owners Loan Act.

**Other countries**

Elsewhere, the Group s banking operations are subject to regulation and control by local central banks and monetary authorities.

**BROKER-DEALER AND INVESTMENT MANAGEMENT ACTIVITIES**

ING s broker-dealer entities in the United States are regulated by the Securities and Exchange Commission 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, and the Securities Exchange Act of 1934, as amended. 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. As examples, 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 an 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 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 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 are 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.

**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:

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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.

**ASSETS**

| | Interest-earning assets | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2002 | | | 2001 | | | 2000 | | |
| | Average balance | Interest income | Average yield | Average balance | Interest income | Average yield | Average balance | Interest income | Average yield |
| | (EUR millions) | | % | (EUR millions) | | % | (EUR millions) | | % |
| Time deposits with banks | | | | | | | | | |
| domestic | 3,625 | 128 | 3.5 | 5,522 | 364 | 6.6 | 3,019 | 209 | 6.9 |
| foreign | 21,965 | 935 | 4.3 | 24,488 | 1,261 | 5.2 | 24,364 | 1,406 | 5.8 |
| Loans and advances | | | | | | | | | |
| domestic | 146,277 | 7,885 | 5.4 | 132,714 | 7,805 | 5.9 | 117,112 | 7,606 | 6.5 |
| foreign | 148,979 | 7,149 | 4.8 | 137,098 | 8,843 | 6.5 | 137,878 | 9,561 | 6.9 |
| Interest-earning securities(1) | | | | | | | | | |
| domestic | 20,472 | 692 | 3.4 | 21,165 | 589 | 2.8 | 17,014 | 460 | 2.7 |
| foreign | 92,616 | 4,182 | 4.5 | 78,615 | 3,375 | 4.3 | 66,752 | 3,109 | 4.7 |
| Other interest-earning assets | | | | | | | | | |
| domestic | 4,588 | 167 | 3.6 | 4,313 | 293 | 6.8 | 4,141 | 196 | 4.7 |
| foreign | 11,040 | 465 | 4.2 | 12,110 | 759 | 6.3 | 13,400 | 765 | 5.7 |
| **Total** | **449,562** | **21,603** | **4.8** | **416,025** | **23,289** | **5.6** | **383,680** | **23,312** | **6.1** |
| Non-interest earning assets | 27,216 | | | 30,134 | | | 24,476 | | |
| **Total assets(1)** | **476,778** | | | **446,159** | | | **408,156** | | |
| Percentage of assets applicable to foreign operations | | 62.1% | | | 61.6% | | | 64.1% | |
| Other interest income (reconciliation to Consolidated Financial Statements): | | | | | | | | | |
| amortized results investments(2) | | 348 | | | 152 | | | 173 | |
| lending commission | | 102 | | | 167 | | | 222 | |
| adjustment for interest on non-performing loans(3) | | (105) | | | (122) | | | (95) | |
| interest on off-balance instruments(4) | | 1,758 | | | 1,325 | | | 1,230 | |
| other | | 382 | | | (493) | | | (557) | |

| | | | |
|---|---|---|---|
| **Total interest income** | **24,088** | **24,318** | **24,285** |

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## LIABILITIES

| | Interest-earning liabilities | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2002 | | | 2001 | | | 2000 | | |
| | 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 | 23,789 | 832 | 3.5 | 25,986 | 1,117 | 4.3 | 21,384 | 1,395 | 6.5 |
| foreign | 43,435 | 1,238 | 2.9 | 45,995 | 2,255 | 4.9 | 45,132 | 2,572 | 5.7 |
| Demand deposits(5) | | | | | | | | | |
| domestic | 31,291 | 332 | 1.1 | 28,195 | 384 | 1.4 | 27,216 | 386 | 1.4 |
| foreign | 20,994 | 528 | 2.5 | 17,760 | 589 | 3.3 | 18,038 | 605 | 3.4 |
| Time deposits(5) | | | | | | | | | |
| domestic | 17,675 | 746 | 4.2 | 19,923 | 1,165 | 5.9 | 18,769 | 920 | 4.9 |
| foreign | 34,432 | 1,242 | 3.6 | 37,631 | 1,715 | 4.6 | 35,660 | 1,692 | 4.8 |
| Savings deposits(5) | | | | | | | | | |
| domestic | 43,463 | 1,300 | 3.0 | 38,194 | 1,329 | 3.5 | 36,783 | 1,199 | 3.3 |
| foreign | 57,781 | 2,050 | 3.6 | 25,361 | 1,048 | 4.1 | 16,659 | 627 | 3.8 |
| Short term debt | | | | | | | | | |
| domestic | 5,082 | 193 | 3.8 | 5,090 | 253 | 5.0 | 5,889 | 250 | 4.3 |
| foreign | 48,836 | 1,309 | 2.7 | 46,961 | 1,958 | 4.2 | 41,332 | 2,118 | 5.1 |
| Long term debt | | | | | | | | | |
| domestic | 19,278 | 865 | 4.5 | 19,029 | 1,008 | 5.3 | 18,028 | 1,014 | 5.6 |
| foreign | 30,439 | 1,634 | 5.4 | 26,135 | 1,965 | 7.5 | 24,118 | 1,740 | 7.2 |
| Subordinated liabilities | | | | | | | | | |
| domestic | 9,109 | 589 | 6.5 | 7,266 | 467 | 6.4 | 5,355 | 307 | 5.7 |
| foreign | 3,184 | 190 | 6.0 | 3,215 | 232 | 7.2 | 3,094 | 213 | 6.9 |
| Other interest-bearing liabilities | | | | | | | | | |
| domestic | 10,972 | 359 | 3.3 | 14,088 | 590 | 4.2 | 8,193 | 837 | 10.2 |
| foreign | 22,890 | 1,103 | 4.8 | 35,598 | 1,435 | 4.0 | 32,160 | 1,818 | 5.7 |
| Total | 422,650 | 14,510 | 3.4 | 396,427 | 17,510 | 4.4 | 357,810 | 17,693 | 5.0 |
| Non-interest bearing liabilities | 36,726 | | | 33,490 | | | 35,337 | | |
| Total Liabilities | 459,376 | | | 429,917 | | | 393,147 | | |
| Group Capital | 17,402 | | | 16,242 | | | 15,009 | | |
| **Total liabilities and capital** | **476,778** | | | **446,159** | | | **408,156** | | |
| Percentage of liabilities applicable to foreign operations | | | 63.2% | | | 60.9% | | | 61.9% |
| Other interest expense (reconciliation to Consolidated Financial Statements): | | | | | | | | | |
| interest on off-balance instruments(6) | | 1,718 | | | 1,364 | | | 1,305 | |
| other | | 214 | | | (628) | | | (499) | |

| | | | |
|---|---|---|---|
| **Total interest expense** | **16,442** | **18,248** | **18,499** |
| **Total net interest result** | **7,646** | **6,072** | **5,786** |

(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.

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**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.

| | 2002 over 2001 | | | 2001 over 2000 | | |
|---|---|---|---|---|---|---|
| | average volume | Increase (decrease) due to changes in average rate | net change | average volume | Increase (decrease) due to changes in average rate | net change |
| | | (EUR millions) | | | (EUR millions) | |
| **IInterest-earning assets** | | | | | | |
| Time deposits to banks | | | | | | |
| domestic | (67) | (169) | (236) | 165 | (10) | 155 |
| foreign | (107) | (219) | (326) | 6 | (151) | (145) |
| Loans and advances domestic | 731 | (650) | 81 | 918 | (719) | 199 |
| foreign | 570 | (2,265) | (1,695) | (50) | (668) | (718) |
| Interest-earning securities | | | | | | |
| domestic | (23) | 127 | 104 | 115 | 14 | 129 |
| foreign | 632 | 175 | 807 | 509 | (243) | 266 |
| Other interest-earning assets domestic | 10 | (136) | (126) | 12 | 85 | 97 |
| foreign | (45) | (250) | (295) | (81) | 75 | (6) |
| Interest income domestic | 651 | 828 | 177 | 1,210 | (630) | 580 |
| foreign | 1,050 | (2,559) | (1,509) | 384 | (987) | (603) |
| **Total** | **1,701** | **(3,392)** | **(1,686)** | **1,594** | **(1,617)** | **(23)** |
| Other interest income (reconciliation to Consolidated Financial Statements) | | | 1,456 | | | 56 |
| **Total interest income** | | | **(230)** | | | **33** |

| | 2002 over 2001 | | | 2001 over 2000 | | |
|---|---|---|---|---|---|---|
| | average volume | Increase (decrease) due to changes in average rate | net change | average volume | Increase (decrease) due to changes in average rate | net change |
| | | (EUR millions) | | | (EUR millions) | |
| **Interest-bearing liabilities** | | | | | | |
| Time deposits from banks | | | | | | |
| domestic | (77) | (208) | (285) | 198 | (476) | (278) |
| foreign | (73) | (943) | (1,016) | 42 | (359) | (317) |
| Demand deposits domestic | 33 | (84) | (51) | 13 | (15) | (2) |
| foreign | 81 | (142) | (61) | (9) | (8) | (17) |
| Time deposits domestic | (95) | (325) | (420) | 67 | 178 | 245 |
| foreign | (115) | (359) | (474) | 90 | (67) | 23 |
| Savings deposits domestic | 158 | (186) | (28) | 49 | 81 | 130 |
| foreign | 1,150 | (148) | 1,002 | 360 | 62 | 422 |
| Short term debt domestic | (0) | (59) | (59) | (40) | 42 | 2 |
| foreign | 50 | (701) | (651) | 235 | (393) | (158) |
| Long term debt domestic | 11 | (154) | (143) | 53 | (59) | (6) |
| foreign | 231 | (562) | (331) | 152 | 73 | 225 |
| Subordinated liabilities domestic | 119 | 3 | 122 | 123 | 37 | 160 |
| foreign | (2) | (40) | (42) | 9 | 10 | 19 |
| Other interest-bearing liabilities domestic | (102) | (129) | (231) | 247 | (494) | (247) |
| foreign | (612) | 279 | (333) | 139 | (521) | (382) |
| Interest expense domestic | 47 | (1,142) | (1,095) | 710 | (708) | 2 |
| foreign | 710 | (2,616) | (1,906) | 1,017 | (1,203) | (186) |
| Total | 757 | (3,758) | (3,001) | 1,727 | (1,911) | (184) |
| Other interest expense (reconciliation to Consolidated Financial Statements) | | | 1,197 | | | (69) |
| **Total interest expense** | | | **(1,804)** | | | **(253)** |
| Net interest | | | | | | |
| domestic | 604 | 314 | 918 | 499 | | |