ING GROEP NV
Form 6-K
October 06, 2003

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# SECURITIES AND EXCHANGE COMMISSION

**Washington, DC 20549**

# FORM 6-K

**Report of Foreign Private Issuer**

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For June 30, 2003

# ING Groep N.V.

Amstelveenseweg 500
1081 KL Amsterdam
The Netherlands

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

**FORM 20-F x** **FORM 40-F o**

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to rule 12g3-2(b) under the Securities Exchange Act of 1934.

**YES o** **NO x**

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b).

**THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-84226) OF ING GROEP N.V. AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.**

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## OPERATING AND FINANCIAL REVIEW AND PROSPECTS

### Introduction

### PRESENTATION OF INFORMATION

In this Report on Form 6-K ( Form 6-K ), ING Groep N.V. refers 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 subholdings are ING Verzekeringen N.V. (together with its consolidated subsidiaries, ING Insurance ) and ING Bank N.V. (together with its consolidated subsidiaries, ING Bank ).

Unless otherwise specified or the context otherwise requires, references to $ , US$ , Dollars , USD and U.S. Dollars are to United States dollar and references to EUR are to euros.

### CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Certain of the statements contained in this Form 6-K that are not historical facts 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, including monetary convergence and the Economic and Monetary Union,

Regulatory changes relating to banking or insurance industries,

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

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

ING assumes no obligation to update any forward-looking information contained in this release.

### CHANGES IN THE COMPOSITION OF THE GROUP

On February 5, 2003, ING announced that it had signed a letter of intent with Fineco/Capitalia of Italy to acquire Entrium, German s second largest direct bank, through its then 70%-owned subsidiary DiBa (Allgemeine Deutsche Direktbank), for EUR 300 million. The acquisition was finalised on July 23, 2003 and consolidation will be effective from August onwards.

On May 16, 2003, ING announced the sale of its 49% shareholding in Mexican insurer Seguros Bital to the venture s other shareholder, Grupo Financiero Bital, for USD 148 million. The completion of the transaction is anticipated in the third quarter of 2003 and is subject to regulatory approvals.

On July 3, 2003, ING acquired the remaining 30% stake in DiBa that it did not already own and therefore ING now owns 100% of DiBa. There was no financial statement impact, since DiBa was already fully consolidated.

On July 21, 2003, ING concluded an agreement with UniCredito Italiano and Aviva for the sale of the Italian agent network activities of ING Sviluppo as well as its affiliated Italian life insurance, asset management and private banking activities. The completion of the transaction is anticipated in the fourth quarter of 2003.

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## RECENT DEVELOPMENTS

On May 8, 2003, ING completed the sale of 80 million ordinary shares in ABN AMRO Holding N.V.. The placement was priced at EUR 14.10 per share and generated gross proceeds of over EUR 1.1 billion. The proceeds have been used to reduce the external debt of ING Verzekeringen N.V.

On June 20, 2003, ING Group completed the issuance of a EUR 750 million perpetual subordinated loan, ING Perpetuals II. The proceeds from the loan have been used to increase Tier-1 capital supporting the organic growth of ING s banking operations.

## EXCHANGE RATES

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 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 ). As such, the Noon Buying rate for the years prior to 1999 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** | **Average Rate(1)** | **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 August 29, 2003 | 1.0986 | 1.1157 | 1.1870 | 1.0361 |

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

The Noon Buying Rate at such dates differed from the rates used in the preparation of ING s Consolidated Financial Statements. The rate used by ING Group in translating U.S. dollar denominated assets and liabilities as at June 30, 2003 was EUR 1.00 = US$1.1421 (December 31, 2002: EUR 1.00 = US$1.0487). The average rate used by ING Group in translating U.S. dollar denominated income and expenses for the six months ending June 30, 2003 was EUR 1.00 = US$1.1053 (six months ending June 30, 2002: EUR 1.00 = US$0.9033).

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## CONSOLIDATED RESULTS OF OPERATIONS

The following table sets forth the consolidated results of operations of ING Group for the six months ended June 30, 2003 and 2002:

| | Six months ended June 30, | |
|---|---|---|
| | 2003 | 2002 |
| | (EUR millions) | |
| Total income | 35,308 | 41,354 |
| Total expenditure | 32,445 | 37,702 |
| Result before taxation: | | |
| Insurance operations | 1,676 | 2,569 |
| Banking operations | 1,187 | 1,083 |
| **Result before taxation** | **2,863** | **3,652** |
| Taxation | 673 | 641 |
| Third-party interests | 160 | 174 |
| **Net profit** | **2,030** | **2,837** |

The following table sets forth the result before taxation of the Group s consolidated operations by geographic region for the six months ended June 30, 2003 and 2002:

| | Six months ended June 30, | |
|---|---|---|
| | 2003 | 2002 |
| | (EUR millions) | |
| The Netherlands | 1,419 | 2,007 |
| Belgium | 371 | 376 |
| Rest of Europe | (14) | 64 |
| North America | 563 | 558 |
| South America | 61 | (11) |
| Asia | 195 | 137 |
| Australia | 95 | 586 |
| Other | 173 | (65) |
| **Result before taxation** | **2,863** | **3,652** |

**Total income.** Total income of ING Group for the six months ended June 30, 2003 decreased by EUR 6,046 million, or 14.6% to EUR 35,308 million, from EUR 41,354 million for the six months ended June 30, 2002, reflecting a decrease in income from the Group s insurance and banking operations of 16.7% and 1.9%, respectively.

**Total expenditure.** Total expenditure for the six months ended June 30, 2003 decreased by EUR 5,257 million, or 13.9%, to EUR 32,445 million, from EUR 37,702 million for the six months ended June 30, 2002, reflecting a decrease in expenditure for the Group s insurance and banking operations of 15.3% and 4.6%, respectively.

**Result before taxation.** The result before taxation of the Group for the six months ended June 30, 2003 decreased by EUR 789 million, or 21.6%, to EUR 2,863 million, from EUR 3,652 million for the six months ended June 30, 2002, reflecting a decrease of 34.8% and an increase of 9.6%, respectively, for the Group s insurance and banking operations. Geographically, the decrease in the Group s result before taxation was mainly due to a decrease of the insurance results in the Netherlands caused by capital gains (the first six months of 2002: EUR 411 million, the first six months, of 2003: EUR (15) million) on equity securities and the gain in the first six months of 2002 from the joint-venture with ANZ in Australia (EUR 516 million). These were partly off-set by a one-off gain from old reinsurance activities accounted for in Other and improved banking results in most of the geographical areas.

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**Taxation.** The Group s taxes for the six months ended June 30, 2003 increased to EUR 673 million from EUR 641 million for the six months ended June 30, 2002. This represents an increase in the overall effective tax rate to 23.5% for the six months ended June 30, 2003, from 17.6% for the six months ended June 30, 2002.

**Net profit.** Net profit for the six months ended June 30, 2003 decreased by EUR 807 million, or 28.4%, to EUR 2,030 million from EUR 2,837 million for the six months ended June 30, 2002. The effect of exchange rate movements between the euro and certain of the Group s other primary operating currencies had a negative effect on Group net profit in the first six months of 2003 of EUR 79 million. This figure includes the mitigating effect of the US dollar hedge of EUR 54 million after tax versus EUR 10 million in the same period last year. ING has hedged the expected profits of the US insurance operations for the years 2003 and 2004 at an EUR/USD exchange rate of 0.920 and 0.922 respectively.

**Capital base.** End of June 2003, the capital base of ING Insurance amounted to EUR 15.0 billion, which is 171% of the legally required level of EUR 8.7 billion (year-end 2002: 169%; 12 August 2003: 174%). The tier-1 ratio of ING Bank N.V. was 7.47% at the end of June 2003 (year-end 2002: 7.31%) well above the regulatory required minimum level of 4%.

**Operating results.** ING Group evaluates the results of its insurance operations and banking operations using non-GAAP financial performance measures called operating result before taxation and operating (net) profit. Operating (net) profit is defined as (net) profit, excluding:

capital gains and losses on equity securities,

the impact of the negative revaluation reserve on equity securities , and

realised gains on divestments that are made with the purpose of using the proceeds to finance acquisitions.

While these excluded items are significant components in understanding and assessing the Group s consolidated financial performance, ING Group believes that the presentation of operating results enhances the understanding and comparability of its performance by highlighting net income attributable to ongoing operations and the underlying profitability of the businesses. Trends in the underlying profitability of ING Group s businesses can be more clearly identified without the fluctuating effects of realised capital gains and losses on equity securities and the impact of the negative revaluation reserve on equity securities. These results are largely dependent on market cycles and can vary across periods. The timing of sales that would result in gains or losses is largely at the discretion of the company. The realised gains on divestments that are made with the purpose of using the proceeds related to the divestments to finance acquisitions are excluded because the timing of these gains is largely subject to the company s discretion, influenced by market opportunities and ING Group does not believe that they are indicative of future results. Operating result before taxation and operating net profit are not a substitute for profit before taxation and net profit as determined in accordance with Dutch GAAP. ING Group s definition of operating result before taxation and operating net profit may differ from those used by other companies and may change over time. ING Group also discloses a variety of other measures that are not considered non-GAAP financial measures as they do not have GAAP counterparts and are operational measures rather than measures of performance. Examples of these measures are RAROC, embedded value, efficiency ratio and internal rate of return on new production.

A reconciliation of (net) profit to operating result before taxation and operating (net) profit, by segment for the consolidated Group, for the six months ended June 30, 2003 and 2002 is provided on the next page:

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| (EUR millions) | Insurance operations Six months ended June 30, | | Banking operations Six months ended June 30, | | Total Six months ended June 30, | |
|---|---|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| **Net profit** | **1,250** | **2,136** | **780** | **701** | **2,030** | **2,837** |
| Taxation | 378 | 380 | 295 | 261 | 673 | 641 |
| Third parties | 48 | 53 | 112 | 121 | 160 | 174 |
| **Result before taxation** | **1,676** | **2,569** | **1,187** | **1,083** | **2,863** | **3,652** |
| Realised capital gains (losses) | (20) | 422 | | | | |
| Negative value adjustment equity securities | | | (23) | | | |
| Gain on joint venture ANZ | | 516 | | | | |
| **Operating result before taxation** | **1,696** | **1,631** | **1,210** | **1,083** | | |
| Taxation | 383 | 335 | 295 | 261 | | |
| Third-party interests | 48 | 53 | 112 | 121 | | |
| **Operating net profit** | **1,265** | **1,243** | **803** | **701** | | |

The reduction in capital gains in the first six months of 2003 compared to the first six months of 2002 was caused by weakened stock markets. As from January 1, 2003, ING s policy is to realise capital gains on equities depending on market opportunities, compared to its previous policy of realising such gains at a fixed and predetermined pace. The negative value adjustment on securities, which is charged to the profit and loss account, reflects unrealised losses (market value below cost price) on equity securities in the first six months of 2003, due to overall market conditions. Under ING Group s (Dutch GAAP) accounting principles, any net negative revaluation reserve is charged to the profit and loss account as Negative value adjustment equity securities . The gain on the joint venture with ANZ, one of Australia s major banks, is the pre-tax profit on the sale of ING Group s operations in Australia to the joint venture with ANZ.

## CONSOLIDATED ASSETS AND LIABILITIES

The following table sets forth ING Group s consolidated assets and liabilities at December 31, 2002 and June 30, 2003:

| | June 30, 2003 | Dec. 31, 2002 |
|---|---|---|
| | (EUR billions) | |
| Investments | 319.5 | 297.6 |
| Bank lending | 288.1 | 284.4 |
| **Total assets** | **761.6** | **716.4** |
| Insurance provisions | 197.0 | 195.8 |
| Funds entrusted to and debt securities of the banking operations[1] | 350.8 | 319.8 |
| Due to banks | 109.1 | 96.3 |
| **Total liabilities** | **742.4** | **698.1** |
| Shareholders equity | 19.2 | 18.3 |
| Shareholders equity per ordinary share (amounts in euros) | 9.29 | 9.14 |

(1) Funds entrusted to and debt securities of the banking operations consists of savings accounts, deposits, other bank funds and debt securities privately issued by the banking operations of ING.

**Total assets.** Total assets increased by EUR 45.3 billion, or 6.3%, in the first six months of 2003 to EUR 761.6 billion from EUR 716.4 billion at December 31, 2002, reflecting, amongst others, the balance sheet item banks which was EUR 14.2 billion higher and increased investments of EUR 21.9 billion.

**Bank lending.** Bank lending increased by EUR 3.7 billion, or 1.3%, to EUR 288.1 billion at June 30, 2003. Of this amount EUR 177.2 billion is related to corporate lending and EUR 110.9 billion to personal lending.

**Shareholders equity.** Group shareholders equity increased by EUR 0.9 billion, or 5.1%, to EUR 19.2 billion at June 30, 2003 compared to EUR 18.3 billion at December 31, 2002. This increase was mainly due to retained net profit of EUR 2.1 billion which was offset by negative revaluations on equity securities of EUR (0.6) billion and exchange rate differences EUR (0.5) billion.

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**Results of operations by business segments**

As noted above, in analysing the results of the Group s insurance and banking operations, ING Group uses a non-GAAP financial performance measure called operating result before taxation and operating net profit. Operating result before taxation and operating net profit excludes a number of items and the Group believes it provides a better understanding of the ongoing profitability of its operating business. See Consolidated Results of Operations for a description of operating results and a reconciliation for the segments of net profit to operating net profit. See page 27, for a reconciliation of the operating net profit of the Group s insurance and banking operations to the Group s consolidated net profit.

## INSURANCE OPERATIONS

The Group s insurance operations contributed EUR 1,696 million respectively EUR 1,631 million to the Group s operating result before taxation for the six months ended June 30, 2003 and 2002, and EUR 1,265 million respectively EUR 1,243 million to the Group s operating net profits in these periods. A few smaller acquisitions and divestments affected changes in income and result.

The following table sets forth selected financial information for the Group s consolidated insurance operations for the six months ended June 30, 2003 and 2002:

| | Six months ended June 30, | |
|---|---|---|
| | **2003** | **2002** |
| | **(EUR millions)** | |
| Income from insurance operations | | |
| Gross premiums written: | | |
| Life | 19,757 | 23,428 |
| Non-life | 4,048 | 4,732 |
| Total | 23,805 | 28,160 |
| Investment income for own risk | 4,536 | 5,193 |
| Commission and other income | 1,256 | 1,203 |
| **Total operating income[(1)]** | **29,597** | **34,556** |
| Net premiums written: | | |
| Life | 19,343 | 22,850 |
| Non-life | 3,501 | 3,819 |
| Total | 22,844 | 26,669 |
| Expenditure insurance operations | | |
| Underwriting expenditure | 24,853 | 29,159 |
| Other interest expenses | 534 | 670 |
| Operating expenses | 2,377 | 2,718 |
| Investment losses | 137 | 378 |
| **Total operating expenditure** | **27,901** | **32,925** |
| Operating result before taxation from insurance operations: | | |
| Life | 1,147 | 1,357 |
| Non-life | 549 | 274 |
| **Total** | **1,696** | **1,631** |
| Taxation | 383 | 335 |
| Third-party interests | 48 | 53 |
| **Operating net profit** | **1,265** | **1,243** |

(1) In the earnings release for the first six months of 2003 of ING Group, the one-off gain from old reinsurance activities (EUR 268 million) was accounted for in the line Income from investments for own risk. In this 6-K, this amount has been transferred to Commission and other income to better reflect the nature of this gain. In the earnings release for the first nine months of 2003 of ING Group, this gain will be reallocated to Other income.

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As from January 1, 2003, investment losses have been accounted for separately within investment expenditures and claims handling expenses have been transferred from operating expenses to underwriting expenses, in order to increase transparency. The comparable figures for the first six months of 2002 have been adjusted accordingly.

The following table sets forth the breakdown of gross premiums written and operating result before taxation by geographical area for the Group s consolidated insurance operations for the six months ended June 30, 2003 and 2002:

| | Gross premiums written written | | Operating result before taxation | |
|---|---|---|---|---|
| | Six months ended June 30, | | Six months ended June 30, | |
| | 2003 | 2002 | 2003 | 2002 |
| | (EUR millions) | | (EUR millions) | |
| The Netherlands | 4,294 | 4,069 | 669 | 803 |
| Belgium | 1,373 | 1,334 | 48 | 41 |
| Rest of Europe | 684 | 726 | 81 | 67 |
| North America | 13,795 | 18,467 | 498 | 592 |
| South America | 220 | 340 | 19 | 34 |
| Asia | 2,826 | 2,432 | 134 | 109 |
| Australia | 690 | 974 | 63 | 50 |
| Other | 167 | 262 | 184 | -65 |
| Premiums between geographic areas[1] | (244) | (444) | | |
| **Total** | **23,805** | **28,160** | **1,696** | **1,631** |

(1) Represents reinsurance premiums ceded between Group companies in various geographical areas.

**Total income.** Total operating income from insurance operations for the six months ended June 30, 2003 decreased by EUR 4,959 million, or 14.4%, to EUR 29,597 million from EUR 34,556 million for the six months ended June 30, 2002, reflecting decreases in all income categories, especially gross premiums written. Excluding the impact of changes in exchange rates and in-/divestments, organic operational income increased by 0.4%.

Gross premiums written in the Group s life and non-life operations decreased by 15.7% and 14.5%, respectively. Total gross premiums written decreased by 15.5%. Excluding the effect of exchange rate movements, which decreased gross premium income by EUR 3,946 million (mainly due to the strengthening of the euro) and the effect of acquisitions and divestments, which decreased gross premium income by EUR 371 million, gross premium income for the Group decreased organically by EUR 38 million, or 0.2%, over the first six months of 2002 (life operations (0.3)% and non-life operations + 0.7%), mainly due to lower sales of fixed annuities in the US.

Investment income for own risk decreased by EUR 657 million or 12.7% to EUR 4,536 million in the first six months of 2003 as compared to the first six months of 2002. The decrease was mainly caused by exchange rate movements (EUR (590) million). Excluding this currency effect the decrease was EUR 67 million, mainly as a result of realised capital gains on real estate which were EUR 41 million lower.

Commission and other income increased by EUR 53 million, or 4.4%. Included in the first six months of 2003 figures was a sizeable one-off gain from old reinsurance activities (EUR 303 million, of which EUR 72 million are from life insurance activities and EUR 231 million are from non-life insurance activities). The surrender of a large group life insurance contract in the Netherlands contributed EUR 120 million to the income in the first six months of 2002. Excluding these special items commission and other income was EUR 130 million or 12.0% lower than previous year, fully due to exchange rate movements (EUR (135) million).

**Operating expenses.** Operating expenses for the Group s insurance operations over the first six months of 2003 decreased by EUR 341 million, or 12.5%, to EUR 2,377 million, from EUR 2,718 million for the first six months 2002, while gross premiums written decreased by 15.5%. Organically, operating expenses increased by 1.7%.

Personnel expenses decreased by EUR 54 million or 3.8%, but there was an organic increase of 9.7% due to, amongst other factors, higher pension costs and growth in business. Other operating expenses

decreased by EUR 287 million or 21.9%, organically (7.3)% mainly due to strict cost control.

Other interest expenses declined by EUR 136 million due to improved debt balance levels in the US and redemption of loans related to sales of real estate in the Netherlands. Investment losses decreased by EUR 241 million mainly due to lower impairments and credit losses, almost fully attributable to lower US losses, and lower additions to the dynamic investment reserve in the Netherlands.

**Operating result before taxation.** The operating result before taxation from the Group s insurance activities for the six months ended June 30, 2003 increased by EUR 65 million, or 4.0%, to EUR 1,696 million, from EUR 1,631 million for the six months ended June 30, 2002, reflecting an increase in results of the non-life operations, mainly due to a gain from old reinsurance activities (EUR 231 million). The result of the life operations decreased partly due to one-time items in the first six months 2002 (primarily EUR 120 million incurred in connection with the surrender of a large group life insurance contract) as well as in the first six months of 2003 (EUR 72 million from old insurance activities), exchange rate movements (impact EUR (46) million) and lower results in the Netherlands, North America and South America. The other regions booked higher results compared to last year.

**Taxation.** The effective tax rate for the Group s insurance operations for the six months ended June 30, 2003 was 22.6%, 2.1%-point higher than the 20.5% rate for the six months ended June 30, 2002. The increase was mainly due to higher taxation outside the Netherlands as a result of, amongst others, lower tax exempted dividends in Belgium and Asia and changes in the Australian tax accounting methodology.

**Operating net profit.** The operating net profit for the Group s insurance operations for the six months ended June 30, 2003 increased by EUR 22 million, or 1.8%, to EUR 1,265 million, from EUR 1,243 million for the six months ended June 30, 2002.

**Life insurance operations**

The following table sets forth the breakdown of gross premiums written and operating result before taxation by geographical area for the Group s consolidated life insurance operations for the six months ended June 30, 2003 and 2002:

| | Gross premiums written | | Operating result before taxation | |
|---|---|---|---|---|
| | Six months ended June 30, | | Six months ended June 30, | |
| | 2003 | 2002 | 2003 | 2002 |
| | (EUR millions) | | (EUR millions) | |
| The Netherlands | 3,044 | 2,844 | 569 | 741 |
| Belgium | 1,205 | 1,182 | 38 | 39 |
| Rest of Europe | 662 | 707 | 77 | 62 |
| North America | 11,404 | 15,296 | 330 | 411 |
| South America | 110 | 171 | 13 | 32 |
| Asia | 2,801 | 2,393 | 135 | 112 |
| Australia | 530 | 835 | 48 | 42 |
| Other | 2 | 2 | (63) | (82) |
| Premiums between geographic areas[(1)] | (1) | (2) | | |
| **Total** | **19,757** | **23,428** | **1,147** | **1,357** |

(1) Represents reinsurance premiums ceded between Group companies in various geographical areas.

**Premium income.** Gross premium income of the Group s life operations for the six months ended June 30, 2003 decreased by EUR 3,671 million, or 15.7%, to EUR 19,757 million, from EUR 23,428 million for the six months ended June 30, 2002. Disregarding the effect of exchange rate movements, which decreased gross premium income by EUR 3,269 million and the effect of acquisitions and divestments, which decreased gross premium income by EUR 335 million, the gross premium income for the Group decreased organically by EUR 67 million, or 0.3%, over the first six months of 2002, mainly due to North

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America (organically (8.6)%). North American life premiums were lower due primarily to lower sales of fixed annuities in the US due to the depressed interest rate environment and continuous focus on adherence to sound pricing practices to deliver satisfactory returns, offset in party by higher premiums from sales of Guaranteed Investment Contracts (GICs). Premiums in the Netherlands increased organically by 7.2%, owing mostly to individual single premiums. In Asia strong organic premium growth of 39.5% was due to Japan (single variable annuities), Korea (continued high new production and good persistency) and Taiwan (good persistency).

**Operating result before taxation.** The operating result before taxation from life insurance operations for the six months ended June 30, 2003 decreased by EUR 210 million, or 15.5%, to EUR 1,147 million, from EUR 1,357 million for the six months ended June 30, 2002. Excluding investments/divestments and exchange rate differences, the organic decrease was EUR 164 million or 13.4% mainly due to operations in the Netherlands, North America and South America, partly offset by higher results in the other regions.

In *the Netherlands*, result before taxation for the six months ended June 30, 2003 decreased by EUR 172 million, or 23.2%, to EUR 569 million, from EUR 741 million for the six months ended June 30, 2002. Excluding two one-off items (a EUR 72 million gain in the first six months of 2003 from old reinsurance activities and a EUR 120 million loss in the first six months of 2002 from the surrender of a group life contract), the decrease was EUR 124 million. This decrease is primarily due to lower realised capital gains on real estate, lower interest income and lower dividend income, as a result of measures to strengthen ING s capital base and to reduce core debt. In addition, operating expenses were slightly higher, among other factors, due to higher pension costs. The result on mortality improved.

In *Belgium*, result before taxation amounted to EUR 38 million, which was EUR 1 million lower than the result for the first six months of 2002, due to lower investment income and a shift in market demand to lower margin products in individual life.

In *Rest of Europe,* result before taxation for the six months ended June 30, 2003 increased by EUR 15 million to EUR 77 million due to higher results in Czech Republic, Greece, Poland and Spain.

In *North America*, result before taxation for the six months ended June 30, 2003 decreased by EUR 81 million to EUR 330 million, from EUR 411 million for the six months ended June 30, 2002. Excluding currency effects, the decrease was EUR 48 million, caused by lower results in the US (EUR (41) million) and Mexico (EUR (8) million; due to lower investment income).

In the US the impact of the depressed interest rate environment resulting in spread compression overshadowed favorable developments in the equity and credit markets and continued expense reductions. Increased prepayments on mortgage backed securities and lower investment yields resulted in compressed margins, despite on-going interest crediting actions, and decreased results by EUR 224 million. The increase in the equity market returns in the second quarter resulted in favorable unlocking of deferred acquisitions costs (DAC) and guaranteed minimum death benefit provisions of EUR 91 million for the first six months of 2003 compared to the same period last year. The credit markets improved with gross investment losses of EUR 126 million in the first six months of 2003 (39 basis points of fixed interest securities portfolio) compared to EUR 250 million in the first six months of 2002 (87 basis points), at constant exchange rates.

In *South America,* result before taxation decreased from EUR 32 million for the six months ended June 30, 2002 to EUR 13 million for the six months ended June 30, 2003. Excluding currency effects, the decrease was EUR 11 million due to lower results in Argentina and Chile and the absence of operating result of Fatum, which, although finalised in April 2003, sale was reflected in the 2002 results.

In *Asia,* result before taxation for the six months ended June 30, 2003 rose by EUR 23 million to EUR 135 million, from EUR 112 million for the six months ended June 30, 2002. Higher results in Japan (favorable claims experience), Korea (growth of business), Malaysia (higher premiums and investment income), Hong Kong (lower impairment losses) and Indonesia (lower losses) were partly offset by lower results in Taiwan due to the strengthening of insurance funds with a view to the low interest-rate environment.

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The result before taxation in *Australia* increased by EUR 6 million to EUR 48 million due to a favorable development of the risk business and higher investment income.

The result before taxation of the region comprising *Other* increased by EUR 19 million, mainly as a result of the buy-off of the yearly preferred fixed dividend contract paid by ING Bank to ING Insurance.

**Non-life insurance operations**

The following table sets forth the breakdown of gross premiums written and operating result before taxation by geographical area for the Group s consolidated non-life insurance operations for the six months ended June 30, 2003 and 2002:

| | Gross premiums written | | Operating result before taxation | |
|---|---|---|---|---|
| | Six months ended June 30, | | Six months ended June 30, | |
| | 2003 | 2002 | 2003 | 2002 |
| | (EUR millions) | | (EUR millions) | |
| The Netherlands | 1,250 | 1,225 | 100 | 62 |
| Belgium | 168 | 152 | 10 | 2 |
| Rest of Europe | 22 | 19 | 4 | 4 |
| North America | 2,391 | 3,171 | 168 | 180 |
| South America | 110 | 169 | 6 | 3 |
| Asia | 25 | 39 | (1) | (3) |
| Australia | 160 | 139 | 15 | 9 |
| Other | 164 | 260 | 247 | 17 |
| Premiums between geographic areas[1] | (242) | (442) | | |
| **Total** | **4,048** | **4,732** | **549** | **274** |

(1) Represents reinsurance premiums ceded between Group companies in various geographical areas.

**Premium income.** Gross premium income of the Group s non-life operations for the six months ended June 30, 2003 decreased by EUR 684 million, or 14.5%, to EUR 4,048 million, from EUR 4,732 million for the six months ended June 30, 2002. Excluding the effect of exchange rate movements, which decreased gross premium income by EUR 677 million, and the effect of acquisitions and divestments, which decreased gross premium income by EUR 36 million, gross premium income for the Group increased by EUR 29 million, or 0.7%, over the first six months of 2002. The Netherlands showed a premium growth of 2.0%, primarily due to Motor, and Belgium showed a premium growth of 10.9%. Despite growth in all lines of business in Canada, North America decreased organically by 1.8% due to Mexico, mainly caused by lower motor sales. In South America and Asia the decrease in premium income was strongly affected by exchange rate movements. Premiums in Australia increased organically by 22.0%, primarily due to rate increases

The following table sets forth the breakdown of operating result before taxation by line of business for the Group s consolidated non-life insurance operations for the six months ended June 30, 2003 and 2002:

| | Six months ended June 30, | |
|---|---|---|
| | 2003 | 2002 |
| | (EUR millions) | |
| **Line of business** | | |
| Fire | 55 | 41 |
| Motor | 83 | 74 |
| Health | 25 | 61 |

| | | |
|---|---|---|
| Loss of income/Accident | 98 | 53 |
| Other | 56 | 37 |
| Reinsurance assumed | 232 | 8 |
| **Total** | **549** | **274** |

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**Operating result before taxation**. The operating result before taxation from non-life insurance operations for the six months ended June 30, 2003 increased by EUR 275 million, or 100.4%, to EUR 549 million, from EUR 274 million for the six months ended June 30, 2002. Excluding investments/divestments and exchange rate differences, the organic increase was EUR 315 million, or 134.6%, mainly due to a one-off gain of EUR 231 million from old insurance activities (EUR 3 million booked in the Netherlands and EUR 228 million booked in the region comprising Other) and higher results in the Netherlands and North America.

In *the Netherlands*, the result before taxation increased by EUR 38 million, or 61.3%, to EUR 100 million. Especially the results of the Loss of income/Accident line rose strongly, partly due to the release of an IBNR (Incurred But Not Reported) provision and a better claims ratio.

In *Belgium*, the result before taxation increased by EUR 8 million to EUR 10 million, mainly as a result of a strongly improved claims ratio in Fire and Motor.

In *North America*, the result before taxation decreased by EUR 12 million to EUR 168 million, but excluding exchange rate differences North America booked an organic increase of EUR 27 million, of which Canada contributed EUR 24 million, mainly caused by higher underwriting and investments results. Mexico contributed EUR 16 million to the organic increase due to favorable underwriting results (especially Motor) but the US showed EUR 13 million lower organic results due to decreased Health results.

In *South America,* the non-life result increased by EUR 3 million from EUR 3 million to EUR 6 million due to higher results in Fire, Motor and Other, partly compensated by lower results in Health.

Due to improved Health results, the non-life result in *Asia* increased from EUR (3) million to EUR (1) million for the six months ended June 30, 2003.

In *Australia*, the non-life result improved from EUR 9 million to EUR 15 million in the first six months of 2003. The main reason for this increase was the substantially improved result of the non-life joint venture with QBE due to a firmer market for pricing and favorable claims experience.

In the region comprising *Other,* the result increased from EUR 17 million in the first six months of 2002 to EUR 247 million. This increase was primarily due to a one-off gain from old reinsurance activities amounting to EUR 228 million.

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**BANKING OPERATIONS**

The following table sets forth selected financial information for ING s consolidated banking operations for the six months ended June 30, 2002 and 2003:

| | Six months ended June 30, | |
|---|---|---|
| | 2003 | 2002 |
| | (EUR millions) | |
| Interest income | 12,319 | 11,487 |
| Interest expense | 8,402 | 7,854 |
| Net interest result | 3,917 | 3,633 |
| Commission | 1,232 | 1,387 |
| Other income: | | |
| Income from securities and participating interests | 46 | 264 |
| Results from financial transactions | 443 | 394 |
| Other results | 139 | 190 |
| Total other income | 628 | 848 |
| **Total income** | **5,777** | **5,868** |
| Personnel expenses | 2,303 | 2,494 |
| Other expenses | 1,649 | 1,666 |
| **Total expenses** | **3,952** | **4,160** |
| **Gross result** | 1,825 | 1,708 |
| Additions to the provision for loan losses | 615 | 625 |
| **Operating result before taxation** | **1,210** | **1,083** |
| Taxation | 295 | 261 |
| Third party interests | 112 | 121 |
| **Operating net profit** | **803** | **701** |
| Negative value adjustments equity securities | (23) | |
| **Net profit** | **780** | **701** |

**Overview.** The operating net profit from ING s banking operations for the six months ended June 30, 2003 increased by EUR 102 million, or 14.6%, to EUR 803 million, from EUR 701 million for the six months ended June 30, 2002. The increase was mainly driven by lower expenses and a higher interest result. One-off items (EUR 94 million gain on the sale of Cedel shares in the first six months 2002 and the creation of a EUR 40 million restructuring provision in the first six months of this year, both after tax) had a mitigating effect on this improvement. Currency fluctuations had a limited negative impact of EUR 2 million on net profit. Excluding currency exchange rate variances, acquisitions and one-off items operating net profit rose substantially by 37.9%.

Most banking units reported improved operating results before taxation. The pre-tax result of ING Direct improved from a loss of EUR 72 million in the first six months 2002 to a profit of EUR 31 million this year. The results of ING BHF-Bank and ING Bank Slaski, however, decreased.

**Net interest result** for the six months ended June 30, 2003 rose by EUR 284 million, or 7.8%, to EUR 3,917 million, from EUR 3,633 million for the six months ended June 30, 2002. The average balance sheet total increased by EUR 29 billion. The interest margin improved by 3 basis points to 1.59%, mainly due to improved product margins.

**Commission** for the six months ended June 30, 2003 decreased by EUR 155 million, or 11.2%, to EUR 1,232 million, from EUR 1,387 million for the six months ended June 30, 2002. The decrease in commission was primarily due to lower securities commission and lower management fees, both reflecting the adverse stock market development and the continued reluctance of private clients to invest in securities.

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**Other income** for the six months ended June 30, 2003 decreased by EUR 220 million, or 25.9%, to EUR 628 million, from EUR 848 million for the six months ended June 30, 2002. The strong decrease was mainly due to reduced income from securities and participating interests.

**Expenses** for the six months ended June 30, 2003 decreased by EUR 208 million, or 5.0%, to EUR 3,952 million, from EUR 4,160 million for the six months ended June 30, 2002. Excluding the effect of currency exchange rate variances and the consolidation of Toplease and ING Vysya Bank the decrease was EUR 101 million or 2.5% despite a EUR 45 million pre-tax restructuring provision (for ING BHF-Bank and ING Bank France), higher pension expenses and the impact of the collective labour agreement in the Netherlands.

Compared with the six months ended June 30, 2002, the addition to the **provision for loan losses** decreased slightly by EUR 10 million, or 1.6%, to EUR 615 million for the six months ended June 30, 2003.

**Net interest result**

Net interest result includes interest income, the results from interest arbitrage and results from financial instruments to the extent that these serve to limit interest rate risk, as well as fees connected with lending, net of related interest expense.

The net interest result for the six months ended June 30, 2003 increased by EUR 284 million, or 7.8%, to EUR 3,917 million, from EUR 3,633 million for the six months ended June 30, 2002. The average balance sheet total increased by EUR 29 billion. The interest margin improved by 3 basis points to 1.59%, mainly due to improved product margins. The continued strong growth of ING Direct (with an interest margin of approximately 1%) had a mitigating effect on the total interest margin.

In the Netherlands, the interest margin improved by 23 basis points from 1.79% for the six months ended June 30, 2002 to 2.02% for the six months ended June 30, 2003. Outside the Netherlands the interest margin improved by 5 basis points to 0.99% in the first six months of 2003. Due to the increased stake of the balance sheet total outside the Netherlands (mainly triggered by the strong growth of ING Direct), with a substantially lower interest margin than within the Netherlands, the weighted overall interest margin improved by 3 basis points.

**Commission**

The following table sets forth the components of commission for the periods indicated:

| | **Six months ended June 30,** | |
|---|---|---|
| | **2003** | **2002** |
| | **(EUR millions)** | |
| Funds transfer | 297 | 308 |
| Securities business | 326 | 423 |
| Insurance broking | 67 | 65 |
| Management fees | 284 | 357 |
| Brokerage and advisory fees | 83 | 94 |
| Other | 175 | 140 |
| **Total** | **1,232** | **1,387** |

Commission income for the six months ended June 30, 2003 decreased by EUR 155 million, or 11.2%, to EUR 1,232 million, from EUR 1,387 million for the six months ended June 30, 2002. Excluding the effect of currency exchange rate variances and the consolidation of ING Vysya Bank the decrease was EUR 101 million or 7.6%.

*Funds transfer***.** Commission from funds transfer decreased by EUR 11 million, or 3.6%, to EUR 297 million for the six months ended June 30, 2003, from EUR 308 million for the six months ended June 30, 2002. The decrease occurred primarily in the Netherlands (EUR (7) million or (3.3)%).

*Securities business***.** Commission from securities business decreased by EUR 97 million, or 22.9%, to EUR 326 million for the six months ended June 30, 2003, from EUR 423 million for the six months

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ended June 30, 2002, due to the adverse stock market development. The decrease occurred entirely outside the Netherlands (EUR (98) million or (27.1)%).

*Insurance broking.* Commission from insurance broking increased by EUR 2 million, or 3.1%, to EUR 67 million for the six months ended June 30, 2003, from EUR 65 million for the six months ended June 30, 2002. The increase is fully attributable to an increase in the results from ING Belgium.

*Management fees.* Management fees decreased by EUR 73 million, or 20.4%, to EUR 284 million for the six months ended June 30, 2003, from EUR 357 million for the six months ended June 30, 2002, reflecting the continued reluctance of private clients to invest in securities.

*Brokerage and advisory fees.* Income from brokerage and advisory fees decreased by EUR 11 million, or 11.7%, to EUR 83 million for the six months ended June 30, 2003, from EUR 94 million in the six months ended June 30, 2002. This decrease is fully attributable to currency exchange rate variances which had an effect of EUR (13) million.

*Other commission.* Other commission increased by EUR 35 million, or 25.0%, to EUR 175 million for the six months ended June 30, 2003, from EUR 140 million in the six months ended June 30, 2002. This increase is, next to the consolidation of ING Vysya Bank and, among other factors due to higher commission from leasing, factoring and bank guarantees.

**Other income**

The following table sets forth the components of other income for the periods indicated:

| | Six months ended June 30, | |
|---|---|---|
| | **2003** | **2002** |
| | **(EUR millions)** | |
| Income from securities and participating interests | 46 | 264 |
| Result from financial transactions | 443 | 394 |
| Other results | 139 | 190 |
| **Total** | **628** | **848** |

*Income from securities and participating interests* consists of dividends, other income from equity securities held in the investment portfolio and the results from participating equity interests. Income from securities and participating interests decreased by EUR 218 million to EUR 46 million for the six months ended June 30, 2003, from EUR 264 million for the six months ended June 30, 2002. Excluding the one-off gain of EUR 94 million on the sale of Cedel shares in 2002 the decrease was EUR 124 million, largely attributable to ING BHF-Bank.

*Result from financial transactions.* The result from financial transactions includes exchange rate differences and capital gains and losses on securities held in the trading portfolio, as well as valuation differences on equity participations. Also included in this item are exchange rate differences in connection with holding assets and liabilities in hyperinflation countries, the results of the associated forward contracts and the results from financial instruments other than those serving to hedge interest rate risks. Asset trading results are also included in this item.

The result from financial transactions can be analysed as follows:

| | Six months ended June 30, | |
|---|---|---|
| | **2003** | **2002** |
| | **(EUR millions)** | |
| Result from securities trading portfolio | 281 | 219 |

| | | |
|---|---|---|
| Result from currency trading portfolio | (17) | 135 |
| Other | 179 | 40 |
| **Total** | **443** | **394** |

On balance, total result from financial transactions increased by EUR 49 million or 12.4%.

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*Result from securities trading portfolio.* The result from the securities trading portfolio for the six months ended June 30, 2003 increased by EUR 62 million, or 28.3%, to EUR 281 million, from EUR 219 million for the six months ended June 30, 2002. ING Belgium reported a strong increase due to very good Financial Markets results, but this increase was partly offset by a lower result from securities trading in the Americas.

*Result from currency trading portfolio.* The result from the currency trading portfolio for the six months ended June 30, 2003 decreased by EUR 152 million to a loss of EUR 17 million compared to a profit of EUR 135 million for the six months ended June 30, 2002. The decrease is mainly due to the international wholesale banking units in Asia (losses made on the depreciation of the Japanese yen and Korean won) and in the Netherlands as well as to ING Belgium (partly offsetting higher trading results on securities and derivatives). Currency trading results in the Americas improved strongly (largely compensating lower securities trading results).

*Other.* Other results from financial transactions (including results from derivatives trading) for the six months ended June 30, 2003 increased by EUR 139 million to EUR 179 million, from EUR 40 million for the six months ended June 30, 2002, mainly due to ING Belgium and the Asian international wholesale banking activities.

*Other results.* Income from other results for the six months ended June 30, 2003 decreased by EUR 51 million, or 26.8%, to EUR 139 million, from EUR 190 million for the six months ended June 30, 2002. This decrease was to a large extent caused by lower results from the sale of real estate.

**Expenses**

The following table sets forth the components of expenses for the periods indicated:

| | Six months ended June 30, | |
|---|---|---|
| | **2003** | **2002** |
| | (EUR millions) | |
| Personnel expenses | 2,303 | 2,494 |
| Other expenses | 1,649 | 1,666 |
| **Total expenses** | **3,952** | **4,160** |

Total expenses for the six months ended June 30, 2003 decreased by EUR 208 million, or 5.0%, to EUR 3,952 million, from EUR 4,160 million for the six months ended June 30, 2002. Excluding the effect of currency exchange rate variances and the consolidation of Toplease and ING Vysya Bank the decrease was EUR 101 million or 2.5%. Excluding the EUR 45 million restructuring provision for ING BHF-Bank and ING Bank France and the further expansion of ING Direct (for which expenses rose by EUR 66 million on comparable exchange rates) during this period, the decrease was 5.7% reflecting the progress made in reducing the cost base.

*Personnel expenses.* Personnel expenses for the six months ended June 30, 2003 decreased by EUR 191 million, or 7.7%, to EUR 2,303 million, from EUR 2,494 million for the six months ended June 30, 2002. Lower bonus accruals, lower expenses for third-party staff and a reduced headcount more than offset the impact of a new collective labour agreement and higher pension costs mainly in the Netherlands.

*Other expenses.* Other expenses for the six months ended June 30, 2003 decreased by EUR 17 million, or 1.0%, to EUR 1,649 million, from EUR 1,666 million for the six months ended June 30, 2002, in spite of increased expenses for ING Direct and the EUR 45 million restructuring provision for ING BHF-Bank (EUR 30 million) and ING Bank France (EUR 15 million) created in the second quarter 2003. This provision relates to a staff reduction of approximately 400 full-time employees.

**Addition to the provision for loan losses**

The additions to the provision for loan losses amounted to EUR 615 million for the six months ended June 30, 2003, a slight decrease of EUR 10 million compared to the first six months of 2002. Loan loss provisioning was 51 basis points (annualized) of average credit risk weighted assets against 59 basis points for the full year 2002.

**Taxation.** The effective tax rate for ING s banking operations increased from 24.1% (EUR 261 million) for the six months ended June 30, 2002, to 24.4% (EUR 295 million) for the six months ended June 30, 2003.

**Operating net profit from banking operations.** Operating net profit for the six months ended June 30, 2003 increased by EUR 102 million, or 14.6%, to EUR 803 million, from EUR 701 million for the six months ended June 30, 2002.

**Risk Adjusted Return on Capital**

The Risk Adjusted Return on Capital (RAROC) measures performance on a risk-adjusted basis. RAROC is calculated as the economic return divided by economic capital, which is defined as the amount of capital required to support the economic risks created by the activities employed and at the company s desired level of comfort and can be regarded as the capital ING Group should have to comply with all debt obligations. The economic returns of RAROC are based on the principles of valuation and calculation of results applied in the Group annual accounts. Credit risk provisioning is replaced by statistically expected losses reflecting average credit losses over the entire economic cycle. ING Group continues to develop and refine the models supporting the RAROC calculations. ING Direct is excluded from RAROC calculations.

The following table sets forth the RAROC (pre-tax) and the economic capital of the management centres ( MC ) of the banking operations:

| | RAROC (pre-tax) | | Economic capital | |
|---|---|---|---|---|
| | Six months ended June 30, 2003 | Full year 2002(1) | Six months ended June 30, 2003 | Full year 2002(1) |
| | (in %) | | (EUR billions) | |
| MC Netherlands | 44.2 | 38.4 | 4.5 | 4.8 |
| MC South West Europe | 26.9 | 17.0 | 2.9 | 3.4 |
| MC Germany | (3.8) | (3.5) | 1.4 | 1.4 |
| MC Central Europe | 14.8 | 9.5 | 0.8 | 1.0 |
| MC UK/Americas/Asia | 6.2 | (0.4) | 2.2 | 3.1 |
| Other | (71.7) | (64.9) | 0.8 | 0.8 |
| **Total banking operations** | **19.0** | **13.2** | **12.6** | **14.5** |
| Wholesale | 14.7 | 10.1 | 10.2 | 11.8 |
| Retail | 37.0 | 26.4 | 2.4 | 2.7 |

(1) Restated following a redefinition of the corporate line

The pre-tax RAROC figure of ING s banking operations was 19.0%, a strong improvement compared to the first six months of 2002 (17.0%) and the full year 2002 (13.2%), and above our internal hurdle of 18.5%.The improvement was mainly caused by lower economic capital, due to a methodology refinement for business and operational risk, as well as lower market risk capital. Compared to full year 2002, the RAROC of the wholesale activities improved by 4.6%-points to 14.7%. The RAROC of the retail activities improved further from 26.4% in 2002 to 37.0% in the first six months of 2003.

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**Geographical distribution of operating income and operating result before taxation of banking operations**

| | Gross premiums written | | Operating result before taxation | |
|---|---|---|---|---|
| | Six months ended June 30, | | Six months ended June 30, | |
| | 2003 | 2002 | 2003 | 2002 |
| | (EUR millions) | | (EUR millions) | |
| The Netherlands | 2,634 | 2,545 | 788 | 793 |
| Belgium | 1,087 | 1,086 | 323 | 335 |
| Rest of Europe | 1,366 | 1,549 | (96) | (5) |
| North America | 364 | 314 | 68 | (35) |
| South America | 50 | 120 | 46 | (45) |
| Asia | 216 | 201 | 61 | 25 |
| Australia | 60 | 50 | 26 | 17 |
| Other | 0 | 3 | (6) | (2) |
| **Total** | **5,777** | **5,868** | **1,210** | **1,083** |

*The Netherlands*. Operating income increased by EUR 89 million, or 3.5%, as a result of higher interest (EUR 173 million) and commission (EUR 19 million), among other factors, partly offset by EUR 103 million lower other income. The increase of the interest income was caused by a widening of the interest margin by 23 basis points to 2.02%, combined with higher volumes. The decrease in other income is, among other factors, attributable to lower results from financial transactions, due to the adverse stock market conditions, and lower income from participating interests (in the first six months of 2002, EUR 30 million of the one-off gain on the sale of Cedel shares was included, with the rest included in Belgium). Total expenses increased by EUR 21 million, or 1.3%. Higher pension costs and the impact of a new collective labour agreement were partly offset by a reduced headcount and lower expenses for third party staff. The addition to the provision for loan losses increased by EUR 73 million, mainly due to the international banking activities in Amsterdam. Operating result before taxation for the six months ended June 30, 2003 decreased by EUR 5 million, or 0.6%, to EUR 788 million from EUR 793 million for the six months ended June 30, 2002.

*Belgium.* Operating income increased by EUR 1 million, despite inclusion of EUR 64 million of the one-off gain on the sale of Cedel shares in the first six months 2002. The higher interest result of EUR 46 million and higher result from financial transactions of EUR 66 million were offset by lower commissions of EUR 37 million and lower income from securities and participating interests of EUR 84 million, mainly related to the Cedel gain described above. Total expenses decreased by EUR 33 million or 4.5%. The operating result before taxation decreased by EUR 12 million, or 3.5%, due to a higher addition to the provision for loan losses.

*Rest of Europe*. The decrease of operating income by EUR 183 million, or 11.8%, was due to lower income from securities and participating interests (reflecting a high level of gains by ING BHF-Bank in the first six months of 2002), lower results from financial transactions and lower commission, only partly compensated by higher interest (notably ING Direct). Total expenses decreased by EUR 126 million, or 9.7%, despite higher expenses at ING Direct and the EUR 45 million restructuring provision for ING BHF-Bank and ING Bank France. Combined with a EUR 34 million higher addition to loan loss provisions, operating result before taxation decreased by EUR 91 million.

*North America.* Operating income in North America increased by EUR 50 million, or 15.9%, mainly due to the expansion of ING Direct activities. Total expenses decreased by EUR 53 million, supported by

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the restructuring of the international wholesale banking activities. As the addition to the provision for loan losses was unchanged, operating result before taxation improved by EUR 103 million.

*South America.* Operating income in South America decreased by EUR 70 million, or 58.5%, mainly due to lower results from financial transactions (especially from securities trading) and lower commission. Total expenses decreased by EUR 19 million. As the addition to the provision for loan losses decreased by EUR 142 million (mainly due to the high Argentina provisioning in the first six months 2002), the operating result before taxation increased by EUR 91 million.

*Asia.* Operating income in Asia increased by EUR 15 million. Excluding the effect of the consolidation of ING Vysya Bank, operating income decreased by EUR 50 million, due to EUR 35 million lower interest and EUR 29 million lower commission, which were only partly compensated for by EUR 14 million higher other income. Total expenses increased by EUR 3 million; the impact of the consolidation of ING Vysya Bank (EUR 42 million) is almost offset by cost containment actions in international wholesale banking. The addition to the provision for loan losses decreased by EUR 24 million (due to a release of provisions in the first six months 2003). As a consequence, operating result before taxation increased by EUR 36 million, of which EUR 23 million is attributable to the consolidation of ING Vysya Bank.

*Australia.* Operating result before taxation increased by EUR 9 million, due to a higher interest result (especially ING Direct Australia) and lower expenses, partly offset by a higher addition to the provision for loan losses.

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**CONSOLIDATED BALANCE SHEET**
**Amounts in millions**

**ASSETS**

| | | | |
|---|---|---|---|
| 150,000 | $ | 50.00 | 7-11-2022 |

(1) Options become exercisable in four equal annual installments beginning on the first anniversary of the date of grant.
(2) Unless otherwise noted, the expiration date of each option occurs ten years after the date of grant of such option.
(3) The value attributable to the restricted stock units equals the closing price of our common stock as reported by the New York Stock Exchange on December 31, 2012, which was $18.50, multiplied by the number of units underlying the award.
(4) The vesting of this award is subject to satisfaction of performance conditions; options for which the performance conditions are satisfied will become exercisable in four equal installments beginning on the first anniversary date of grant. On February 7, 2013, the Compensation Committee certified that the performance conditions for the stock option granted to Mr. Teitel had been partially satisfied and determined that stock options to purchase 375 shares of our common stock would vest.
(5) The award in this column represents a RSU granted on December 30, 2012 as an employment inducement award outside of our stockholder-approved stock option and incentive plans pursuant to NYSE Rule 303A.08. The vesting of the RSU is as follows: 5,000 RSUs will vest one year after the grant date, 5,000 RSUs will vest two years after the grant date, and 100,000 RSUs will vest three years after the grant date. If Mr. Nawana s employment is involuntarily terminated, without cause, within three years, his RSUs will accelerate and fully vest. The RSUs will also accelerate and fully vest if Mr. Nawana terminates his employment voluntarily after one year, other than in the presence of facts or circumstances which would constitute cause for termination by us.

***Option Exercises and Stock Vested.*** The following table sets forth certain information with respect to options exercised by the named executive officers in fiscal year 2012. No named executive officer held any stock awards that vested during 2012.

**Option Exercises and Stock Vested for 2012**

| | Option Awards | |
|---|---|---|
| **Name** | **Number of Shares Acquired on Exercise (#)** | **Value Realized on Exercise ($)(1)** |
| Ron Zwanziger | 5,065 | $ 18,133 |
| David Teitel | | |
| Namal Nawana | | |
| David Scott, Ph.D. | | |
| Jerry McAleer, Ph.D. | 1,805 | $ 5,794 |

(1) Represents the difference between the aggregate exercise price and the aggregate fair market value of the common stock on the respective dates of exercise.

***Non-qualified Deferred Compensation Plans.*** During 2012, our named executive officers did not participate in any non-qualified defined contribution or other non-qualified deferred compensation plans.

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***Pension Benefits.*** During 2012, our named executive officers did not participate in any plan that provides for specified retirement benefits, or payments and benefits that will be provided primarily following retirement, other than defined contribution plans, such as our 401(k) savings plan.

***Employment Agreement and Potential Payments upon Termination or Change-in-Control.*** Effective December 30, 2012, we entered into a Restricted Stock Unit Agreement with Mr. Nawana in connection with his appointment as our Chief Operating Officer, pursuant to which we granted to Mr. Nawana 110,000 RSUs, which vest over a period of three years as described above. Under the terms of the Restricted Stock Unit Agreement, if Mr. Nawana s employment is involuntarily terminated, without cause, within three years of the date of grant, his RSUs will accelerate and fully vest. The RSUs will also accelerate and fully vest if Mr. Nawana terminates his employment voluntarily after one year, other than in the presence of facts or circumstances which would constitute cause for termination by us. The Restricted Stock Unit Agreement further provides that all of the RSUs will immediately vest upon a change of control of the Company, as that term is defined in the Restricted Stock Unit Agreement. Our named executive officers are employees-at-will and do not have employment or severance contracts with us. Other than provisions in our Option Plans that provide for all stock options to automatically become fully exercisable, RSUs to become fully vested and any stock awards to become vested and non-forfeitable in the event of a change of control as defined in the plans, there are no other contracts, agreements, plans or arrangements that provide for payments to our named executive officers at, following, or in connection with any termination of employment, change in control of the Company or a change in a named executive officer s responsibilities. All of the outstanding stock options held by our named executive officers reported above under Outstanding Equity Awards at Fiscal Year-End were issued under our Option Plans and are subject to accelerated exercisability upon a change of control. The table below sets forth the value attributable to such an acceleration of exercisability of options and an acceleration of vesting of RSUs under the Restricted Stock Unit Agreement.

| Name | Value Attributable to Acceleration of Exercisability of Stock Options and Vesting of RSUs Upon a Change of Control(1) | |
|---|---|---|
| Ron Zwanziger | $ | |
| David Teitel | $ | |
| Namal Nawana | $ | 2,035,000 |
| David Scott, Ph.D. | $ | |
| Jerry McAleer, Ph.D. | $ | |

(1) Assumes the occurrence of a change of control of the Company on December 31, 2012. The value attributable to the acceleration of in-the-money stock options equals the difference between the applicable option exercise prices and the closing sale price of our common stock as reported by the New York Stock Exchange on December 31, 2012, which was $18.50, multiplied by the number of shares underlying the options. At December 31, 2012, none of the stock options held by our named executive officers was in the money. The value attributable to the acceleration of vesting of RSUs equals the closing sale price of our common stock as reported by the New York Stock Exchange on December 31, 2012, which was $18.50, multiplied by the number of units underlying the award.

**Risk Related to Compensation Policies**

Our compensation policies and practices for our employees, including our executive compensation program described in our Compensation Discussion and Analysis, aim to provide a risk-balanced compensation package which is competitive in our market sectors and relevant to the individual executive. In 2011, the Compensation Committee established an annual process pursuant to which we expect to continue to award to certain executives and managers, upon satisfaction of applicable performance conditions and subject to future approval and grant by the Compensation Committee, option and cash awards. Because both the option and cash awards contemplated under this process would vest over several years, we believe that the process discourages short-term risk taking and to align the interest of our executives and managers with those of our stockholders. We do not believe that risks arising from these practices, or our compensation policies and practices considered as a whole, are reasonably likely to have a material adverse effect on us.

**Compensation of Directors**

The following table sets forth information regarding the compensation of our directors for 2012.

**Director Compensation**

| Name (1) | Fees Earned or Paid in Cash ($)(2) | Total ($)(3) |
|---|---|---|
| Eli Adashi, M.D. | $ 78,000 | $ 78,000 |
| Carol R. Goldberg | $ 86,000 | $ 86,000 |
| Robert P. Khederian | $ 90,000 | $ 90,000 |
| John F. Levy | $ 29,000 | $ 29,000 |

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| Name (1) | Fees Earned or Paid in Cash ($)(2) | Total ($)(3) |
|---|---|---|
| John A. Quelch, D.B.A. | $ 45,000 | $ 45,000 |
| James Roosevelt, Jr. | $ 5,000 | $ 5,000 |
| Peter Townsend | $ 82,000 | $ 82,000 |

(1) Ron Zwanziger, Jerry McAleer and David Scott are not included in this table as they are employees of the Company and receive no compensation for their services as directors. The compensation received by Mr. Zwanziger, Dr. McAleer and Dr. Scott as employees of the Company is shown in the Summary Compensation Table above.

(2) Dr. Adashi received cash payments of $19,500 each in April 2012, July 2012 and September 2012 and earned fees of $19,500 as of December 31, 2012, which amount was paid in January 2013. Ms. Goldberg received cash payments of $21,500 each in April 2012, July 2012 and September 2012 and earned fees of $21,500 as of December 31, 2012, which amount was paid in January 2013. Mr. Khederian received cash payments of $22,500 each in April 2012, July 2012 and September 2012 and earned fees of $22,500 as of December 31, 2012, which amount was paid in January 2013. Mr. Levy received cash payments of $7,250 each in April 2012, July 2012 and September 2012 and earned fees of $7,250 as of December 31, 2012, which amount was paid in January 2013. Mr. Quelch received cash payments of $11,250 each in April 2012, July 2012 and October 2012 and earned fees of $11,250 as of December 31, 2012, which amount was paid in January 2013. Mr. Roosevelt received cash payments of $1,250 each in April 2012, July 2012 and September 2012 and earned fees of $1,250 as of December 31, 2012, which amount was paid in January 2013. Mr. Townsend received cash payments of $20,500 each in April 2012, July 2012 and October 2012 and earned fees of $20,500 as of December 31, 2012, which amount was paid in January 2013. The cash compensation paid to directors is described in more detail below.

(3) As of December 31, 2012, each director had the following number of options outstanding: Eli Adashi: 41,515; Carol R. Goldberg: 74,868; Robert P. Khederian: 59,999; John F. Levy: 101,006; John A. Quelch: 115,540; James Roosevelt, Jr.: 57,156; Peter Townsend: 49,868.

After reviewing the analysis of non-employee director compensation conducted by Radford in May 2010, the Compensation Committee determined that the non-employee directors of the Company should receive cash compensation of $70,000 annually, plus additional cash compensation for committee service as described in the table below, payable quarterly in arrears beginning with the third calendar quarter of 2010 and subject to their continued service on the Board and any applicable committees. Each director was afforded a one-time right to receive, in lieu of all or part of her or his cash compensation for the period October 31, 2010 through June 30, 2013, stock options of equal value calculated as described below.

| Committee Chair (Total Additional Cash Compensation) | |
|---|---|
| Audit | $ 24,000 |
| Compensation | $ 16,000 |
| Nominating and Corporate Governance | $ 10,000 |

| Committee Members other than Chair (Total Additional Cash Compensation) | |
|---|---|
| Audit | $ 12,000 |
| Compensation | $ 8,000 |
| Nominating and Corporate Governance | $ 5,000 |

In addition to the cash compensation described above, on October 31, 2010, each of the non-employee directors received stock options to purchase a number of shares of our common stock calculated using a Black-Scholes model based on (i) an assumed aggregate value on the grant date equal to the sum of (a) $400,000, or $150,000 annually for the period October 31, 2010 through June 30, 2013, and (b) the total amount of any cash compensation foregone for that period at the election of the director, as described above, (ii) $29.55 per share, the closing price of our common stock on the New York Stock Exchange on the most recent trading day before the grant date and (iii) management estimates of other Black-Scholes variables, including estimated life and volatility. These options vest in three equal annual installments, beginning June 30, 2011.

Employee directors do not receive compensation for their services as directors.

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**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table furnishes information as to shares of our common stock beneficially owned by:

each person or entity known by us to beneficially own more than five percent of our common stock;

each of our directors;

each of our named executive officers (as defined in Compensation Discussion and Analysis beginning on page 9); and

all of our current directors and executive officers as a group.

Unless otherwise stated, beneficial ownership is calculated as of April 15, 2013. For the purpose of this table, a person, group or entity is deemed to have beneficial ownership of any shares that such person, group or entity has the right to acquire within 60 days after such date through the exercise of options or warrants.

**Security Ownership of Certain Beneficial Owners and Management**

| | **Common Stock** | |
|---|---|---|
| **Name and Address of Beneficial Owner(1)** | **Amount and Nature of Beneficial Ownership(2)** | **Percent of Class(3)** |
| Manning & Napier Advisors, LLC (4) | 9,453,433 | 11.63% |
| FMR LLC (5) | 7,528,859 | 9.26% |
| Invesco Ltd. (6) | 6,307,397 | 7.76% |
| EdgePoint Investment Group Inc. (7) | 5,251,946 | 6.46% |
| Ron Zwanziger (8) | 4,173,343 | 5.09% |
| David Scott, Ph.D. (9) | 773,421 | * |
| Jerry McAleer, Ph.D. (10) | 549,981 | * |
| John F. Levy (11) | 238,266 | * |
| Carol R. Goldberg (12) | 148,595 | * |
| David Teitel (13) | 96,909 | * |
| John A. Quelch, D.B.A.(14) | 84,819 | * |
| Robert Khederian (15) | 67,431 | * |
| James Roosevelt, Jr. (16) | 43,167 | * |
| Peter Townsend (17) | 37,300 | * |
| Eli Adashi, M.D.(18) | 29,797 | * |
| Namal Nawana | | * |
| All current executive officers and directors (27 persons)(19) | 7,148,138 | 8.53% |

* Represents less than 1%

(1) The address of each director or executive officer (and any related persons or entities) is c/o the Company at its principal office.

(2) Unless otherwise indicated, the stockholders identified in this table have sole voting and dispositive power with respect to the shares beneficially owned by them.

(3) The number of shares outstanding used in calculating the percentage for each person, group or entity listed includes the number of shares underlying options and warrants held by such person, group, or entity that were exercisable within 60 days after April 15, 2013, but excludes shares of stock underlying options and warrants held by any other person, group or entity.

(4) This information is based on information contained in a Schedule 13G filed with the SEC on January 23, 2013 by Manning & Napier Advisors, LLC. Manning & Napier Advisors, LLC reported that it has (i) sole voting power with respect to 7,111,873 shares and (ii) sole dispositive power with respect to 9,453,433 shares. The address provided therein for Manning & Napier Advisors, LLC is 290 Woodcliff Drive, Fairport, NY 14450.

(5) This information is based on information contained in a Schedule 13G filed with the SEC on February 14, 2013 by FMR LLC and Edward C. Johnson III. Each of FMR LLC and Mr. Johnson reported that it or he has (i) in the case of FMR LLC only, sole voting power with respect to 161,113 shares and (ii) sole dispositive power with respect to 7,528,859 shares. The address provided therein for FMR LCC and Mr. Johnson is 82 Devonshire Street, Boston, MA 02109.

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(6) This information is based on information contained in a Schedule 13G filed with the SEC on February 13, 2013 by Invesco Ltd. Invesco Ltd. reported that it has (i) sole voting power with respect to 6,305,197 shares and (ii) sole dispositive power with respect to 6,307,397 shares. The address provided therein for Invesco Ltd. is 1555 Peachtree Street NE; Atlanta, GA 30309.

(7) This information is based on information contained in a Schedule 13G filed with the SEC on February 13, 2013 by EdgePoint Investment Group Inc., Cymbria Corporation, EdgePoint Canadian Growth & Income Portfolio, EdgePoint Canadian Portfolio, EdgePoint Global Growth & Income Portfolio and EdgePoint Global Portfolio, which reported that they had shared voting and dispositive power with respect to 5,251,946, 829,100, 460,000, 435,000, 843,000 and 2,684,846 shares, respectively. The address provided therein for these reporting persons is 150 Bloor Street West, Suite 500, Toronto, Ontario M5S 2X9, Canada.

(8) Consists of 3,528,267 shares of common stock and 645,076 shares of common stock underlying options exercisable within 60 days from April 15, 2013. Of the shares attributed to Mr. Zwanziger, 224,112 shares of common stock are owned by Ron Zwanziger as Trustee of the Zwanziger 2009 Annuity Trust, 224,276 shares of common stock are owned by Orit Goldstein as Trustee of the Zwanziger Family 2004 Irrevocable Trust and 1,806,696 shares of common stock are owned by Zwanziger Family Ventures, LLC, a limited liability company managed by Mr. Zwanziger and his spouse. Of the other shares attributed to him, Mr. Zwanziger disclaims beneficial ownership of (i) 2,600 shares owned by his wife, Janet M. Zwanziger, (ii) 29,450 shares owned by the Zwanziger Goldstein Foundation, a charitable foundation for which Mr. Zwanziger and his spouse, along with three others, serve as directors, (iii) 572,625 shares owned by Ron Zwanziger as Trustee of the Zwanziger 2004 Revocable Trust, (iv) 191,830 shares owned by Orit Goldstein as the Trustee of the Zwanziger Family Trust, and (v) 472,193 shares owned by Zwanziger Family 2012 Irrevocable Trust. Does not include 36,380 shares of common stock potentially acquirable by the Zwanziger Family Trust upon conversion of 3% senior subordinated notes at a conversion price of $43.98 per share.

(9) Consists of 475,669 shares of common stock and 297,752 shares of common stock underlying options exercisable within 60 days from April 15, 2013.

(10) Consists of 299,075 shares of common stock and 250,906 shares of common stock underlying options exercisable within 60 days from April 15, 2013

(11) Consists of 155,693 shares of common stock, and 82,573 shares of common stock underlying options exercisable within 60 days from April 15, 2013. Includes 1,007 shares of common stock owned by a charitable remainder unitrust of which Mr. Levy disclaims beneficial ownership.

(12) Consists of 86,295 shares of common stock and 62,300 shares of common stock underlying options exercisable within 60 days from April 15, 2013.

(13) Consists of 4,129 shares of common stock and 92,780 shares of common stock underlying options exercisable within 60 days from April 15, 2013.

(14) Consists of 9,780 shares of common stock and 75,039 shares of common stock underlying options exercisable within 60 days from April 15, 2013.

(15) Consists of 20,000 shares of common stock and 47,431 shares of common stock underlying options exercisable within 60 days from April 15, 2013.

(16) Consists of 4,444 shares of common stock and 38,723 shares of common stock underlying options exercisable within 60 days from April 15, 2013.

(17) Consists of 37,300 shares of common stock underlying options exercisable within 60 days from April 15, 2013.

(18) Consists of 850 shares of common stock and 28,947 shares of common stock underlying options exercisable within 60 days from April 15, 2013.

(19) Consists of 4,706,014 shares of common stock and 2,442,124 shares of common stock underlying options exercisable within 60 days from April 15, 2013.

In addition, as of April 15, 2013, the Zwanziger Family Trust, a trust for the benefit of Mr. Zwanziger s children and the trustee of which is Mr. Zwanziger s sister, owns 11,078 shares of our Series B preferred stock. The shares of Series B preferred stock owned by the Zwanziger Family Trust represents less than 1% of the outstanding shares of the Series B preferred stock. Mr. Zwanziger disclaims beneficial ownership of the Series B preferred stock owned by the Zwanziger Family Trust. We are not aware that any of our directors or executive officers beneficially owns any other shares of Series B preferred stock.

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**Equity Compensation Plan Information**

The following table furnishes information with respect to compensation plans under which our equity securities are authorized for issuance as of December 31, 2012.

| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants and rights(1) (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))(2) (c) |
|---|---|---|---|
| Equity compensation plans approved by security holders | 9,427,476 | $ 36.16 | 2,033,506(3) |
| Equity compensation plans not approved by security holders | 110,000(4) | $ 0.00 | |
| Total | 9,537,476 | $ 35.74 | 2,033,506(3) |

(1) This table excludes an aggregate of 1,222,355 shares issuable upon exercise of outstanding options assumed by the Company in connection with various acquisition transactions. The weighted average exercise price of the excluded acquired options is $39.23.
(2) In addition to being available for future issuance upon exercise of options that may be granted after December 31, 2012, 1,024,630 shares under the 2010 Stock Option and Incentive Plan may instead be issued in the form of restricted stock, unrestricted stock, performance share awards or other equity-based awards.
(3) Includes 1,008,876 shares issuable under the Company s 2001 Employee Stock Purchase Plan.
(4) Represents shares issuable upon vesting of a RSU award issued as an inducement grant in connection with the appointment of Namal Nawana as our new Chief Operating Officer, effective December 30, 2012.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

**Director Independence**

The Board of Directors has determined that the following directors are independent under the rules of the New York Stock Exchange: Dr. Adashi, Ms. Goldberg, Mr. Khederian, Mr. Levy, Dr. Quelch, Mr. Roosevelt and Mr. Townsend. The Board has an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee, each composed solely of directors who satisfy the applicable independence requirements of the New York Stock Exchange s listing standards for such committees.

**Policies and Procedures with Respect to Related Party Transactions**

Our Audit Committee Charter requires that the Audit Committee, which is composed solely of independent directors, conduct an appropriate review of, and be responsible for the oversight of, all related party transactions on an ongoing basis. We do not have written policies or procedures governing the Audit Committee s review of related party transactions but rely on the Audit Committee s exercise of business judgment in reviewing such transactions.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Our Audit Committee engaged PricewaterhouseCoopers LLP, or PwC, to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2012. Our Audit Committee has also engaged PwC to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2013.

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We expect representatives of PwC to be present at our 2013 annual meeting of stockholders, that they will have the opportunity to make a statement at such meeting if they so desire, and that they will be available to respond to appropriate questions from stockholders.

**Audit Fees**

Aggregate audit fees billed by PwC for 2012 were $5,402,806. Audit fees include fees billed for professional services rendered in connection with PwC s integrated audit of our consolidated annual financial statements and internal control over financial reporting and review of our quarterly financial statements, and audit services normally provided by the principal independent registered public accounting firm in connection with other statutory or regulatory filings. Aggregate audit fees billed by PwC for 2011 were $3,973,309.

**Audit-related Fees**

Aggregate audit-related fees billed in 2012 and 2011 by PwC were $53,648 and $40,000, respectively. Audit-related fees consist primarily of fees billed for professional services rendered by the firm for accounting consultations and services related to business acquisitions and financings.

**Tax Fees**

Aggregate tax fees billed in 2012 for tax-related services performed by PwC were $1,064,417. Aggregate tax fees billed in 2011 for tax-related services performed by PwC were $1,609,528. Tax fees include fees billed for professional services rendered by PwC for tax compliance, tax advice and tax planning.

**All Other Fees**

No other fees were billed by PwC for 2012 or 2011.

**Pre-approval Policies and Procedures**

The Audit Committee pre-approves all audit and non-audit services provided by the independent registered public accounting firm other than permitted non-audit services estimated in good faith by the independent registered public accounting firm and management to entail fees payable of $25,000 or less on a project-by-project basis and which would also qualify for exemption from the pre-approval requirements of the Securities Exchange Act of 1934, as amended. No services were provided for 2012 or 2011 in reliance on this exemption. The authority to pre-approve non-audit services may be delegated to one or more members of the Audit Committee, who shall present any services so pre-approved to the full Audit Committee at its next meeting

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

1. Financial Statements.
   The financial statements listed below have been filed as part of the Original Report on the pages indicated:

2. Financial Statement Schedules.

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission have been omitted because they are inapplicable or the required information is shown in the Consolidated Financial Statements or the notes thereto included herein.

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3. Exhibits.

Some of the agreements filed as exhibits to this Annual Report on Form 10-K contain representations and warranties that were made solely for the benefit of the parties to the agreement. These representations and warranties:

- may have been qualified by disclosures that were made to the other party or parties in connection with the negotiation of the agreements, which disclosures are not necessarily reflected in the agreements;
- may apply standards of materiality that differ from those of investors;
- may have constituted an allocation of risk and responsibility among the parties rather than statements of fact; and
- were made only as of specified dates contained in the agreements and are subject to subsequent developments and changed circumstances.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date that these representations and warranties were made or at any other time. Investors should not rely on them as statements of fact.

| Exhibit No. | Description |
|---|---|
| 3.1 | Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2012) |
| 3.2 | Amended and Restated By-laws of the Company (incorporated by reference to Exhibit 3.3 to the Company s Annual Report on Form 10-K, as amended, for the year ended December 31, 2001) |
| 4.1 | Indenture, dated May 14, 2007, between the Company and U.S. Bank Trust National Association (incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K, event date May 9, 2007, filed on May 15, 2007) |
| 4.2 | Indenture dated as of May 12, 2009 between Inverness Medical Innovations, Inc., as issuer, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K, event date May 12, 2009, filed on May 12, 2009) |
| 4.3 | First Supplemental Indenture dated as of May 12, 2009 to Indenture dated as of May 12, 2009 among Inverness Medical Innovations, Inc., as issuer, the guarantor subsidiaries named therein, as guarantors, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Company s Current Report on Form 8-K, event date May 12, 2009, filed on May 12, 2009) |
| 4.4 | Second Supplemental Indenture to Indenture dated as of May 12, 2009 (to add the guarantee of Matria of New York Inc.) dated as of June 9, 2009 among Matria of New York Inc., as guarantor, the Company, as issuer, the other guarantor subsidiaries named therein, as guarantors, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.4 to Matria of New York Inc. s Registration Statement on Form 8-A filed on June 9, 2009) |
| 4.5 | Third Supplemental Indenture to Indenture dated as of May 12, 2009 (to add the guarantees of GeneCare Medical Genetics Center, Inc. and Alere CDM LLC) dated as of August 4, 2009 among GeneCare Medical Genetics Center, Inc., as guarantor, Alere CDM LLC, as guarantor, the Company, as issuer, the other guarantor subsidiaries named therein, as guarantors and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.5 to GeneCare Medical Genetics Center, Inc. and Alere CDM LLC s Registration Statement on Form 8-A filed on August 4, 2009) |
| 4.6 | Fourth Supplemental Indenture to Indenture dated as of May 12, 2009 (to add the guarantee of ZyCare, Inc.) dated as of September 22, 2009 among ZyCare, Inc., as guarantor, the Company, as issuer, the other guarantor subsidiaries named therein, as guarantors and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.6 to ZyCare, Inc. s Registration Statement on Form 8-A filed on September 24, 2009) |

| | |
|---|---|
| 4.7 | Fifth Supplemental Indenture to Indenture dated as of May 12, 2009 (to add the guarantees of Free & Clear, Inc. and Tapestry Medical, Inc.) dated as of November 25, 2009 among Free & Clear, Inc., as guarantor, Tapestry Medical, Inc., as guarantor, the Company, as issuer, the other guarantor subsidiaries named therein, as guarantors, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.7 to Free & Clear, Inc. and Tapestry Medical, Inc. s Registration Statement on Form 8-A, filed on November 25, 2009) |
| 4.8 | Sixth Supplemental Indenture to Indenture dated as of May 12, 2009 (to add the guarantee of RMD Networks, Inc.) dated as of February 1, 2010 among RMD Networks, Inc., as guarantor, the Company, as issuer, the other guarantor subsidiaries named therein, as guarantors, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.8 to RMD Networks, Inc. s Registration Statement on Form 8-A, filed on February 1, 2010) |

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| Exhibit No. | Description |
|---|---|
| 4.9 | Seventh Supplemental Indenture to Indenture dated as of May 12, 2009 (to add the guarantees of Laboratory Specialists of America, Inc., Kroll Laboratory Specialists, Inc. and Scientific Testing Laboratories, Inc.) dated as of March 1, 2010 among Laboratory Specialists of America, Inc., Kroll Laboratory Specialists, Inc. and Scientific Testing Laboratories, Inc., as guarantors, the Company, as issuer, the other guarantor subsidiaries named therein, as guarantors, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.9 to Laboratory Specialists of America, Inc., Kroll Laboratory Specialists, Inc. and Scientific Testing Laboratories, Inc. s, Registration Statement on Form 8-A, filed on March 2, 2010) |
| 4.10 | Eighth Supplemental Indenture to Indenture dated as of May 12, 2009 (to add the guarantees of Alere NewCo, Inc., Alere NewCo II, Inc., New Binax, Inc. and New Biosite, Inc.) dated as of March 19, 2010 among Alere NewCo, Inc., Alere NewCo II, Inc., New Binax, Inc. and New Biosite, Inc., as guarantors, the Company, as issuer, the other guarantor subsidiaries named therein, as guarantors, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.10 to Alere NewCo, Inc., Alere NewCo II, Inc., New Binax, Inc. and New Biosite, Inc. s Registration Statement on Form 8-A, filed on March 19, 2010) |
| 4.11 | Ninth Supplemental Indenture dated September 21, 2010 to Indenture date as of May 12, 2009 among Alere Inc., as issuer, the subsidiary guarantors named therein, as guarantors, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K, event date September 15, 2010, filed with the SEC on September 21, 2010) |
| 4.12 | Tenth Supplemental Indenture to Indenture dated as of May 19, 2009 (relating to the Record Date Amendments and Waivers) dated as of June 16, 2011, among the Company, the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K, event date June 16, 2011, filed on June 22, 2011) |
| 4.13 | Eleventh Supplemental Indenture to Indenture dated as of May 19, 2009 (relating to the Record Date Amendments and Waivers) dated as of June 16, 2011, among the Company, the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.3 to the Company s Current Report on Form 8-K, event date June 16, 2011, filed on June 22, 2011) |
| 4.14 | Twelfth Supplemental Indenture to Indenture dated as of May 19, 2009 (relating to the Restricted Payments Amendments and Waivers) dated as of June 16, 2011, among the Company, the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Company s Current Report on Form 8-K, event date June 16, 2011, filed on June 22, 2011) |
| 4.15 | Thirteenth Supplemental Indenture to Indenture dated as of May 19, 2009 (relating to the Restricted Payments Amendments and Waivers) dated as of June 16, 2011, among the Company, the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.4 to the Company s Current Report on Form 8-K, event date June 16, 2011, filed on June 22, 2011) |
| 4.16 | Indenture dated as of August 11, 2009 between Inverness Medical Innovations, Inc., as issuer, and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K, event date August 11, 2009, filed on August 11, 2009) |
| 4.17 | Fifteenth Supplemental Indenture, dated as of December 11, 2012, by and among the Company, the subsidiary guarantors named therein and Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the Company s Current Report on Form 8-K, event date December 11, 2012, filed on December 14, 2012) |
| 4.18 | Sixteenth Supplemental Indenture, dated as of April 3, 2013, by and among the Company, the subsidiary guarantors named therein and Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.6 of the Company s Registration Statement on Form S-4 (File No. 333-187776)) |
| 4.19 | Registration Rights Agreement, dated as of December 11, 2012, by and among the Company, the guarantors named therein, and Jefferies & Company, Inc., Goldman, Sachs & Co., and Credit Suisse Securities (USA) LLC, as representatives of the Initial Purchasers (incorporated by reference to Exhibit 4.4 to the Company s Current Report on Form 8-K, event date December 11, 2012, filed on December 14, 2012) |
| +10.1 | BNP Assay Development, Manufacture and Supply Agreement between Biosite Incorporated and Beckman Coulter, Inc. effective June 24, 2003 (incorporated by reference to Exhibit 10.22 to Annual Report of Biosite Incorporated on Form 10-K, filed on March 12, 2007) |
| +10.2 | Shareholder Agreement dated as of May 17, 2007 among Inverness Medical Switzerland GmbH, Procter & Gamble International Operations, SA and SPD Swiss Precision Diagnostics GmbH (incorporated by reference to Exhibit 10.12 to the Company s Quarterly |

| | |
|---|---|
| | Report on Form 10-Q for the period ended June 30, 2007) |
| 10.3 | Inverness Medical Innovations, Inc. 2001 Stock Option and Incentive Plan, as amended (incorporated by reference to Appendix A to the Company s Proxy Statement filed on Schedule 14A as filed with the SEC on April 30, 2009) |

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| Exhibit No. | Description |
|---|---|
| 10.4 | Alere Inc. 2010 Stock Option and Incentive Plan, as amended (incorporated by reference to Appendix B to the Company s Proxy Statement filed on Schedule 14A as filed with the SEC on June 1, 2012) |
| 10.5 | Rules of Alere Inc. HM Revenue and Customs Approved Share Option Plan (2007), as amended (authorized for use under the Alere Inc. 2001 Stock Option and Incentive Plan and the Alere Inc. 2010 Stock Option and Incentive Plan) (incorporated by reference to Exhibit 10.5 to the Company s Quarterly Report on Form 10-Q for the period ended June 30, 2010) |
| * 10.6 | Summary of Terms of Stock Option Agreements under Alere Inc. Stock Option and Incentive Plans |
| 10.7 | Summary of Non-Employee Director Compensation (incorporated by reference to Exhibit 10.8 to the Company s Quarterly Report on Form 10-Q for the period ended September 30, 2010) |
| 10.8 | Alere Inc. 2001 Employee Stock Purchase Plan, as amended (incorporated by reference to Appendix B to the Company s Proxy Statement filed on Schedule 14A as filed with the SEC on June 17, 2011) |
| * 10.9 | Restricted Stock Unit Agreement, dated December 30, 2012, between Alere Inc. and Namal Nawana |
| ** 10.10 | Consulting Agreement, dated August 30, 2009, between Inverness Medical Switzerland GmbH and Citros V.O.F. (incorporated by reference to Exhibit 10.15 to the Company s Annual Report on Form 10-K/A, for the year ended December 31, 2011) |
| ** 10.11 | Management Consultancy Agreement, dated June 26, 2008, between Gesellschaft für Patientenhilfe DGP mbH and Leiter & Partner Unternehmensberater Partnerschaftsgesellschaft (incorporated by reference to Exhibit 10.16 to the Company s Annual Report on Form 10-K/A, for the year ended December 31, 2011) |
| ** 10.12 | Amendment of the Contract on the Provision of Consulting, Lease and Other Services, dated April 21, 2011, between Gesellschaft für Patientenhilfe DGP mbH and Leiter & Cie. GmbH (incorporated by reference to Exhibit 10.17 to the Company s Annual Report on Form 10-K/A, for the year ended December 31, 2011) |
| 10.13 | Purchase Agreement dated November 28, 2012 among Alere Inc., the subsidiary guarantors named therein and Jefferies & Company, Inc., Goldman, Sachs & Co. and Credit Suisse Securities (USA) LLC, as Representatives of the Initial Purchasers (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K, event date November 28, 2012, filed with the SEC on November 30, 2012) |
| 10.14 | Credit Agreement dated as of June 30, 2011 among Alere Inc., as Borrower, the Lenders and L/C Issuers party thereto, General Electric Capital Corporation, as Administrative Agent, Jefferies Finance LLC, as Syndication Agent, and Credit Suisse Securities (USA) LLC, Goldman Sachs Bank USA, DnB Nor Bank ASA and SunTrust Bank, as Co-Documentation Agents (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K, event date June 30, 2011, filed on July 7, 2011) |
| 10.15 | Guaranty and Security Agreement dated as of June 30, 2011 among Alere Inc., as Borrower, and each Grantor party thereto and General Electric Capital Corporation, as Administrative Agent (incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K, event date June 30, 2011, filed on July 7, 2011) |
| 10.16 | First Amendment to Credit Agreement dated as of July 27, 2011 among Alere Inc., as Borrower, the Lenders and L/C Issuers party thereto, General Electric Capital Corporation, as Administrative Agent, Jefferies Finance LLC, as Syndication Agent, and Credit Suisse Securities (USA) LLC, Goldman Sachs Bank USA, DnB Nor Bank ASA and SunTrust Bank, as Co-Documentation Agents (incorporated by reference to Exhibit 10.3 to the Company s Quarterly Report on Form 10-Q for the period ended June 30, 2011) |
| 10.17 | Second Amendment to Credit Agreement dated as of December 7, 2011 among Alere Inc., as Borrower, the Lenders party thereto, and General Electric Capital Corporation, as Administrative Agent (incorporated by reference to Exhibit 10.3 to the Company s Current Report on Form 8-K, event date December 7, 2011, filed on December 9, 2011) |
| 10.18 | Third Amendment to Credit Agreement dated as of March 28, 2012 among Alere Inc., as Borrower, the Lenders party thereto, and General Electric Capital Corporation, as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K, event date March 28, 2012, filed on April 2, 2012) |
| *21.1 | List of Subsidiaries of the Company as of February 25, 2013 |
| *23.1 | Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm |

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| Exhibit No. | Description |
|---|---|
| **31.1 | Certification by Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act |
| **31.2 | Certification by Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act |
| *32.1 | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act |
| *101 | Interactive Data Files regarding (a) our Consolidated Statements of Operations for the Years Ended December 31, 2012, 2011 and 2010, (b) our Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2012, 2011 and 2010 (c) our Consolidated Balance Sheets as of December 31, 2012 and 2011, (d) our Consolidated Statements of Equity for the Years Ended December 31, 2012, 2011 and 2010, (e) our Consolidated Statements of Cash Flows for the Years Ended December 31, 2012, 2011 and 2010 and (f) the Notes to such Consolidated Financial Statements. |

* Previously filed.

** Filed herewith.

*** The Company agrees to furnish supplementally to the Securities and Exchange Commission ( the Commission ) a copy of any omitted schedule or exhibit to this agreement upon request by the Commission.

\+ We have omitted portions of this exhibit which have been granted confidential treatment.

Management contract or compensatory plan or arrangement, or amendment thereto.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

| | | |
|---|---|---|
| | ALERE INC. | |
| Date: April 30, 2013 | By: | /s/ RON ZWANZIGER |
| | | Ron Zwanziger |
| | | *Chairman, Chief Executive Officer and President* |

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