ING GROEP NV
Form 20-F
April 18, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

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

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2004
OR

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

Commission file number 1-14642

ING GROEP N.V.

(Exact name of registrant as specified in its charter)

The Netherlands

(Jurisdiction of incorporation or organization)

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

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

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

7.20% ING Perpetual Debt Securities	New York Stock Exchange
6.20% ING Perpetual Debt Securities	New York Stock Exchange

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

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

None

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

None

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

Ordinary shares, nominal value EUR 0.24 per Ordinary share	2,204,719,842
Bearer Depositary receipts in respect of Ordinary shares	2,203,264,448

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

Yes þ o No

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

o Item 17 Item 18 þ

Table of Contents

TABLE OF CONTENTS

PRESENTATION OF INFORMATION

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

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

Solely for the convenience of the reader, this Annual Report contains translations of certain euro amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the translated amounts actually represent such dollar or euro amounts, as the case may be, or could be converted into U.S. dollars or euros, as the case may be, at the rates indicated or at any other rate. Therefore, unless otherwise stated, the translations of euros into U.S. dollars have been made at the rate of euro 1.00 = $ 1.3244, the noon buying rate in New York City for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) on March 4, 2005. Except as otherwise noted, financial statement amounts set forth in this Annual Report are presented in accordance with generally accepted accounting principles in the Netherlands (Dutch GAAP), which differ in certain significant respects from accounting principles generally accepted in the United States (U.S. GAAP). Reference is made to Note 6 of Notes to the consolidated financial statements for a description of the significant differences between Dutch GAAP and U.S. GAAP and a reconciliation of certain income statement and balance sheet items to U.S. GAAP. Certain amounts set forth herein may not sum due to rounding.

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

When we refer to the Rest of Europe we refer to Europe and Russia, excluding the Netherlands and Belgium.

Table of Contents

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

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

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

changes in performance of financial markets, including emerging markets,

the frequency and severity of insured loss events,

changes affecting mortality and morbidity levels and trends,

changes affecting persistency levels,

changes affecting interest rate levels,

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

increasing levels of competition in the Netherlands, Belgium, the Rest of Europe, the United States and other markets in which we do business, including emerging markets,

changes in laws and regulations,

regulatory changes relating to the banking or insurance industries,

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

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

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

PART I

Item 1. Identity Of Directors, Senior Management And Advisors

Not Applicable.

Item 2. Offer Statistics And Expected Timetable

Not Applicable.

Item 3. Key Information

In the table below, we provide you with summary historical data of ING Group. We have prepared this information using the consolidated financial statements of ING Group for the five years ended December 31, 2004. The financial statements for the five fiscal years ended December 31, 2004 have been audited by Ernst & Young Accountants, independent registered public accounting firm, except for the financial statements of ING Bank N.V., a direct wholly-owned subsidiary, which were audited by KPMG Accountants N.V., independent registered public accounting firm, and whose report, insofar as it relates to the 2004, 2003 and 2002 consolidated financial statements of ING Bank N.V., is based in part upon the reports of other auditors.

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

In 2002, a significant difference existed between the net profit pursuant to Dutch GAAP accounting principles, which amounted to EUR 4,500 million, and the net profit pursuant to U.S. GAAP accounting principles which amounted to EUR (9,627) million. This difference was primarily the result of the new goodwill requirements (SFAS 142) under U.S. GAAP. As of January 2002, goodwill is no longer amortized, but tested for impairment annually. This change resulted in a non-cash transitional impairment loss in 2002, related to the carrying value of goodwill as at January 1, 2002, of EUR 13,103 million, which was required to be recognized under U.S. GAAP net profit 2002 as the cumulative effect of changes in accounting principles. Excluding the effects of changes in accounting principles U.S. GAAP net profit in 2002 was EUR 3,476 million. The 2002 annual goodwill impairment test did not result in any impairment charges other than the transition impairment charge described above. In 2003 ING Group recognized a goodwill impairment charge of EUR 101 million. The 2004 annual goodwill impairment test resulted in a EUR 26 million goodwill impairment charge. The transitional goodwill impairment test and annual goodwill impairment tests are discussed in Note 7.12 to the consolidated financial statements.

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

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

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

realized gains on divestitures that are made with the purpose of using the proceeds to finance acquisitions.
While these excluded items are significant components in understanding and assessing the Group s consolidated financial performance, ING Group believes that the presentation of operating profit enhances the understanding and comparability of its segment performance by highlighting net income attributable to ongoing operations and the underlying profitability of the segment businesses. We believe that trends in the underlying profitability of ING Group s businesses can be more clearly

5

identified without the fluctuating effects of realized 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 realized gains on divestitures that are made with the purpose of using the proceeds to finance acquisitions are excluded because the timing of these gains is largely subject to the Company s discretion, influenced by market opportunities and ING Group does not believe that they are indicative of future results. Operating profit before tax and operating net profit are not a substitute for profit before tax and net profit as determined in accordance with Dutch GAAP. ING Group s definition of operating profit before tax and operating net profit may differ from those used by other companies and may change over time.

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

	Year ended December 31,					
	2004	**2004(2)**	**2003**	**2002**	**2001(3)**	**2000(4)**
	USD(1)	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
	(in millions, except amounts per share and ratios)					
Dutch GAAP Consolidated Income Statement Data						
Operating income from banking insurance operations:						
Gross premiums written:						
Life(5)	48,970	36,975	33,904	38,899	37,367	22,088
Non-life	8,796	6,642	7,288	7,917	5,903	4,095
Total	57,766	43,617	41,192	46,816	43,270	26,183
Investment income(6)(7)	13,170	9,944	9,721	10,506	9,723	7,212
Commission and other income	2,433	1,837	2,320	2,127	2,281	1,126
Total operating income from insurance operations	73,369	55,398	53,233	59,449	55,274	34,521
Operating income from banking operations:						
Interest income	33,834	25,547	23,802	24,088	24,318	24,285
Interest expense	22,169	16,739	15,687	16,442	18,246	18,499
Net interest result	11,665	8,808	8,115	7,646	6,072	5,786
Commission	3,418	2,581	2,464	2,615	2,765	3,630
Other income	1,521	1,148	1,101	940	2,274	1,886
Total operating income from banking operations	16,604	12,537	11,680	11,201	11,111	11,302
Total operating income(8)	**89,813**	**67,814**	**64,746**	**70,633**	**66,360**	**45,782**
Non-operating items				280	325	8,597
Realized capital gains (losses)	781	590	20	1,003	779	855
Total income	**90,594**	**68,404**	**64,766**	**71,916**	**67,464**	**55,234**

Operating expenditure from insurance operations:						
Life(5)	59,732	45,101	42,539	48,135	46,425	27,951
Non-life	8,333	6,292	7,208	8,144	6,057	4,263
Total operating expenditure from insurance operations	68,065	51,393	49,747	56,279	52,482	32,214
Total operating expenditure from banking operations(9)	12,082	9,123	9,309	9,733	8,941	8,697
Total operating expenditure(9)	79,987	60,395	58,889	65,995	61,398	40,870
Non-operating items						395
Total expenditure	**79,987**	**60,395**	**58,889**	**65,995**	**61,398**	**41,265**

Table of Contents

	Year ended December 31,					
	2004	**2004(2)**	**2003**	**2002**	**2001(3)**	**2000(4)**
	USD(1)	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
	(in millions, except amounts per share and ratios)					
Operating profit before tax from insurance operations:						
Life	3,173	2,396	2,478	2,603	2,278	1,945
Non-life	2,131	1,609	1,008	567	514	362
Total	5,304	4,005	3,486	3,170	2,792	2,307
Operating profit before tax from banking operations	4,522	3,414	2,371	1,468	2,170	2,605
Operating profit before tax	**9,826**	**7,419**	**5,857**	**4,638**	**4,962**	**4,912**
Taxation	2,328	1,758	1,460	873	1,099	1,377
Third-party interests	361	272	344	332	324	147
Operating net profit	**7,137**	**5,389**	**4,053**	**3,433**	**3,539**	**3,388**
Non-operating items after taxation				247	325	7,976
Realized capital gains (losses) after taxation	767	579	(10)	820	713	620
Net profit	**7,904**	**5,968**	**4,043**	**4,500**	**4,577**	**11,984**
Dividend on Preference shares of ING Groep N.V.	19	14	21	21	21	21
Net profit after deducting dividend on Preference shares of ING Groep N.V.	**7,885**	**5,954**	**4,022**	**4,479**	**4,556**	**11,963**
Dividend on Ordinary shares	3,124	2,359	2,024	1,930	1,914	2,173
Addition to shareholders equity	4,761	3,595	1,998	2,549	2,642	9,790
Distributable net profit	6,580	5,968	4,043	4,253	4,252	4,901
Operating net profit per Ordinary share(10)	3.35	2.53	2.00	1.77	1.83	1.76
Distributable net profit per Ordinary share(10)	3.71	2.80	2.00	2.20	2.20	2.56
Net profit per Ordinary share(8)	3.71	2.80	2.00	2.32	2.37	6.27
Net profit per Ordinary share and Ordinary share equivalent (fully diluted)(10)	3.71	2.80	2.00	2.32	2.35	6.18
Dividend per Ordinary share(10)	1.42	1.07	0.97	0.97	0.97	1.13
Interim Dividend	0.65	0.49	0.48	0.48	0.47	0.41
Final Dividend	0.77	0.58	0.49	0.49	0.50	0.72
Number of Ordinary shares outstanding (in millions)	2,204.7	2,204.7	2,115.9	1,992.7	1,992.7	1,970.6
Dividend pay-out ratio(11)	38.2%	38.2%	48.5%	44.1%	44.1%	43.9%
U.S. GAAP Consolidated Income Statement Data						
Total income (operating)	65,897	49,756	48,025	49,316	49,479	42,039
Net profit U.S. GAAP, excluding cumulative effects	8,858	6,688	4,512	3,476	1,770	10,925
Cumulative effects of changes in accounting principles	(121)	(91)		(13,103)		
Net profit U.S. GAAP, including cumulative effects(12)	8,737	6,597	4,512	(9,627)	1,770	10,925

Net profit per Ordinary share and Ordinary share equivalent(10)	4.11 7	3.10	2.23	(5.00)	0.90	5.64

Table of Contents

	Year ended December 31,					
	2004 USD(1)	2004(2) EUR	2003 EUR	2002 EUR	2001(3) EUR	2000(4) EUR
	(in millions)					
Reconciliation of net profit to operating profit before tax and operating net profit, by segment for the consolidated Group						
Total Group						
Net profit	7,904	5,968	4,043	4,500	4,577	11,984
Taxation	2,343	1,769	1,490	1,089	1,165	1,838
Third-party interests	361	272	344	332	324	147
Profit before tax	**10,608**	**8,009**	**5,877**	**5,921**	**6,066**	**13,969**
Non-operating items				280	325	8,202
Realized capital gains (losses)	782	590	20	1,003	779	855
Operating profit before tax	**9,826**	**7,419**	**5,857**	**4,638**	**4,962**	**4,912**
Taxation	2,328	1,758	1,460	873	1,099	1,377
Third-party interests	361	272	344	332	324	147
Operating net profit	**7,137**	**5,389**	**4,053**	**3,433**	**3,539**	**3,388**
Insurance operations						
Net profit	**4,720**	**3,564**	**2,498**	**3,605**	**3,135**	**9,560**
Taxation	1,208	912	891	756	688	1,022
Third-party interests	158	119	117	92	73	39
Profit before tax	**6,086**	**4,595**	**3,506**	**4,453**	**3,896**	**10,621**
Gain on joint venture ANZ				280		
Result on sale of investments re financing of acquisitions					325	7,368
Release millenium calamity fund						91
Realized capital gains (losses)	782	590	20	1,003	779	855
Operating profit before tax	**5,304**	**4,005**	**3,486**	**3,170**	**2,792**	**2,307**
Taxation	1,193	901	861	540	622	540
Third-party interests	158	119	117	92	73	39
Operating net profit	**3,953**	**2,985**	**2,508**	**2,538**	**2,097**	**1,728**
Banking operations						
Net profit	**3,184**	**2,404**	**1,545**	**895**	**1,442**	**2,424**
Taxation	1,135	857	599	333	477	816
Third-party interests	203	153	227	240	251	108

Profit before tax	**4,522**	**3,414**	**2,371**	**1,468**	**2,170**	**3,348**
Result Libertel						376
Sales result CCF						853
Re-organization provision CIB						(486)
Operating profit before tax	**4,522**	**3,414**	**2,371**	**1,468**	**2,170**	**2,605**
Taxation	1,135	857	599	333	477	837
Third-party interests	203	153	227	240	251	108
Operating net profit	**3,184**	**2,404**	**1,545**	**895**	**1,442**	**1,660**

Table of Contents

	Year ended December 31,					
	2004	2004(2)	2003	2002	2001(3)	2000(4)
	USD(1)	EUR	EUR	EUR	EUR	EUR
	(in millions, except amounts per share and ratios)					
Dutch GAAP Consolidated Balance Sheet Data						
Total assets	1,147.1	866.1	778.8	716.4	705.1	650.2
Investments:						
Insurance	306.9	231.7	216.0	214.8	241.0	219.2
Banking	222.5	168.0	119.8	84.4	70.2	59.1
Eliminations(13)	(2.3)	(1.7)	(0.8)	(1.6)	(3.8)	(1.1)
Total investments	527.1	398.0	335.0	297.6	307.4	277.2
Lending	420.5	317.5	292.6	284.4	254.2	246.8
Insurance provisions:						
Life	265.1	200.2	188.2	186.0	204.6	193.3
Non-life	13.2	9,9	9.8	9.8	9.4	6.9
Total	278.3	210.1	198.0	195.8	214.0	200.2
Funds entrusted to and debt securities of the banking operations:						
Savings accounts of the banking operations	292.8	221.1	168.1	115.1	69.6	52.4
Other deposits and bank funds	190.7	144.0	137.3	129.2	132.4	134.1
Debt securities of the banking operations	93.8	70.8	72.4	75.5	74.4	66.3
Total	577.3	435.9	377.8	319.8	276.4	252.8
Due to banks	149.4	112.8	102.1	96.3	107.8	94.7
Capital Stock (in millions)(14)	2,291.8	2,291.8	2,203.0	2,079.8	2,079.8	2,057.7
Shareholders equity	34.3	25.9	21.3	18.3	21.5	25.3
Shareholders equity per Ordinary share(10)	15.57	11.76	10.08	9.14	11.03	13.04
Shareholders equity per Ordinary share and Ordinary share equivalent(10)	15.57	11.76	10.08	9.14	10.92	12.86
U.S. GAAP Consolidated Balance Sheet Data						
Total assets	1,216.1	918.2	818.8	762.5	752.3	693.4
Shareholders equity	46.5	35.1	28.0	25.1	38.8	41.6
Shareholders equity per Ordinary share and Ordinary share equivalent(10)	21.19	16.00	13.27	12.61	19.83	21.27

(1) Euro amounts have been translated into U.S. dollars at the exchange rate of $ 1.3244 to EUR 1.00, the noon buying rate in New York City on March 4, 2005 for cable transfers in euros as certified for customs

purposes by the Federal Reserve Bank of New York.

(2) Discontinued business in 2004: ING sold its Asian equity business, Australia non-life business, NN Zorg (the Netherlands), CenE Bankiers (the Netherlands), ING US Re individual life business, ING BHF Bank (Germany), Life of Georgia (United States), Baring Asset Management (United Kingdom) and NMB Heller Germany. In addition, ING divested itself of 27.1% of its interest in ING Canada Inc. in an initial public offering (additional shares were sold in the first quarter of 2005, see Item 4. Information on the Company-Recent developments). The total effect on net profit in 2004 from these dispositions amounted to approximately EUR 200 million.

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

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

(5) As from 2004, Guaranteed Investment Contracts (GICs) are no longer reported in premium income and underwriting expenditure, to bring reporting in line with insurance industry practice. See Note 1.3 to the consolidated financial statements. The comparable figures have been adjusted accordingly.

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

(7)

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

(8) After elimination of certain intercompany transactions between the insurance operations and the banking operations. See Note 1.1. to the consolidated financial statements.

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

prospects Liquidity and capital resources .

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

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

(12) As of January 2002, SFAS 142 under U.S. GAAP requires that goodwill is no longer amortized but tested for impairment annually. This change resulted in a non-cash transitional impairment loss in 2002, related to the carrying value of goodwill as of January 1, 2002 of EUR 13,103 million, which was required to be recognized under U.S. GAAP net profit in 2002 as the cumulative effect of changes in accounting principles.

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

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

EXCHANGE RATES

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

The following table sets forth, for the periods and dates indicated, certain information concerning the exchange rate for U.S. dollars into euros based on the Noon Buying Rate.

	U.S. dollars per euro			
Calendar Period	**Period End(1)**	**Average Rate(2)**	**High**	**Low**
2000	0.9388	0.9207	1.0335	0.8270
2001	0.8901	0.8909	0.9535	0.8370
2002	1.0485	0.9495	1.0485	0.8594
2003	1.2597	1.2074	1.2597	1.0361
2004	1.3538	1.2478	1.3625	1.1801
2005 (through March 4, 2005)(2)	1.3244	1.3189	1.3476	1.2773

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

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

Recent Exchange Rates of U.S. dollars per Euro

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

	High	Low
September 2004	1.2417	1.2052
October 2004	1.2746	1.2271
November 2004	1.3288	1.2703
December 2004	1.3625	1.3224
January 2005	1.3476	1.2954
February 2005	1.3208	1.2773
March 2005 (through March 4, 2005)	1.3244	1.3127

The Noon Buying Rate for euros on December 31, 2004 was EUR 1.00 = $ 1.3538 and the Noon Buying Rate for euros on March 4, 2005 was EUR 1.00 = $ 1.3244.

Table of Contents

RISK FACTORS

RISKS RELATED TO THE FINANCIAL SERVICES INDUSTRY

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

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

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

In our life and non-life insurance and reinsurance businesses, we are subject to losses from natural and man-made catastrophic events. Such events include, without limitation, weather and other natural catastrophes such as hurricanes, floods and earthquakes, as well as events such as for example the September 11, 2001 terrorist attacks on the United States. The frequency and severity of such events, and the losses associated with them, are inherently unpredictable and can not always be adequately reserved for. In accordance with industry practices, reserves are established based on estimates using actuarial projection techniques. The process of estimating is based on information available at the time the reserves are originally established. Although we continually review the adequacy of the established claim reserves, and based on current information, we believe our claim reserves are sufficient, there can be no assurances that our actual claims experience will not exceed our estimated claim reserves. If actual claim amounts exceed the estimated claim reserves, our earnings may be reduced and our net profits may be adversely affected. In addition, because unforeseeable and/or catastrophic events can lead to abrupt interruption of activities, our banking and insurance operations may be subject to losses resulting from such disruptions. Losses can relate to property, financial assets, trading positions and also to key personnel. If our business continuity plans are not able to be put into action or do not take such events into account, losses may further increase.

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

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

RISKS RELATED TO THE COMPANY

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

There is substantial competition in the Netherlands and the other countries in which we do business for the types of insurance, commercial banking, investment banking and other products and services we provide. Customer loyalty and retention can be influenced by a number of factors, including relative service levels, the prices and attributes of products and services, and actions taken by competitors. If we are not able to match or compete with the products and services offered by our competitors, it could adversely impact our ability to maintain or further increase our market share, which would adversely affect our results of operations. Such competition is most pronounced in our more mature markets of the Netherlands, Belgium, the Rest of Europe, the United States, Canada and Australia. In recent years, however, competition in emerging markets, such as South America, Asia and Central and Eastern Europe, has also increased as large insurance and banking industry participants from more developed countries have sought to establish themselves in markets which are perceived to offer higher growth potential, and as local institutions have become more sophisticated and competitive and have sought alliances, mergers or strategic relationships with our competitors. We derived approximately 42% of our operating profit before tax in 2004 from the Netherlands. Based on geographic division of our operating profit, the Netherlands is our largest market for both our banking and insurance operations. In the retail banking market our market share is approximately 23% based on total assets, approximately 24% based on total deposits and 23% based on retail mortgages. Our main competitors in the banking sector in the Netherlands are ABN Amro N.V. and Rabo Group B.A. In the Netherlands, we are also currently the largest insurance company, with a market share of approximately 24% in the life insurance market and approximately 9% in the non-life insurance market, each based on premium income. Our main competitors in the insurance sector in the Netherlands are Fortis Utrecht N.V. and Aegon N.V. We derived approximately 18% of our operating insurance profit in 2004 from the United States, which is our second largest market for the insurance operations. In the United States, we have two core operating units and own the second-largest broker-dealer network in the United States with over 10,000 registered representatives. Our main competitors in the United States are insurance companies such as Lincoln National, Hartford, Aegon Americas, Met Life, Prudential, Nationwide and Principal Financial. Increasing competition in these or any of our other markets may significantly impact our results if we are unable to match the products and services offered by our competitors.

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

Our insurance operations have bought protection for risks that exceed certain risk tolerance levels set for both our life and non-life business. This protection is bought through reinsurance arrangements in order to reduce possible losses. Because in most cases we must pay the policyholders first, and then collect from the reinsurer, we are subject to credit risk with respect to each reinsurer for all such amounts. As of December 31, 2004, approximately 36% of our (potential) reinsurance receivables were with our primary reinsurer and approximately 29% were with six other reinsurers. The inability of any one of these reinsurers to meet its financial obligations to us could have a material adverse effect on our net profits and our financial results.

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

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

Table of Contents

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

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

Because we are a Dutch company and because the Stichting ING Aandelen holds more than 99% of our Ordinary shares, the rights of our shareholders may differ from the rights of shareholders in other jurisdictions, which could limit your rights as a shareholder and reduce the accountability of the members of our Executive and Supervisory Boards and our management to our shareholders.

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

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

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

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

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

- market expectations of the performance and capital adequacy of financial institutions in general;
- investor perception of the success and impact of our strategies;

a downgrade or review of our credit ratings;

potential litigation or regulatory action involving ING Group or sectors we have exposure to through our insurance and banking activities;

announcements concerning financial problems or any investigations into the accounting practices of other financial institutions; and

general market volatility.

Table of Contents

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

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

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

Item 4. Information on the Company

GENERAL

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

The official address of ING Group is:

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

Our principal U.S. office is:

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

Mission

We strive to deliver our financial products and services in the way our customers expect: with exemplary service, maximum convenience and at competitive rates. This is reflected in our mission statement: To set the standard in helping our customers manage their financial future.

Profile

ING Group is a global financial services company of Dutch origin with 150 years of experience, providing a wide array of banking, insurance and asset management services in over 50 countries. Our 113,000 employees work daily to satisfy a broad customer base: individuals, families, small businesses, large corporations, institutions and governments. Based on market capitalization, ING Group is one of the 20 largest financial institutions worldwide and in the top-10 in Europe.

Business

ING is the number one financial services company in the Benelux home market based on market capitalization. ING services its retail clients in these markets with a wide range of retail-banking, insurance and asset management products. In our wholesale banking activities we operate worldwide, but also with a primary focus on the Benelux countries. In the United States, ING is a top-5 provider of retirement services and life insurance based on premium income. In Canada, we are, based on premium income, the top property and casualty insurer. ING Direct is a leading online (direct) bank with over 11 million customers in nine large countries. In the growth markets of Asia, Central Europe and South America we provide life insurance. We are also a large asset manager with assets under management of almost EUR 500 billion.

Table of Contents

Stakeholders

ING conducts its business on the basis of clearly defined business principles. In all our activities we carefully weigh the interests of our stakeholders: customers, shareholders, employees, business partners and society at large. ING strives to be a good corporate citizen.

CHANGES IN PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

Starting January 1, 2004, ING adopted the U.S. GAAP accounting standard Statement of Position 03- 1: Accounting and Reporting by Insurance Enterprises for Certain Non-Traditional Long-Duration Contracts and for Separate Accounts (SOP 03-1) for both its Dutch and US accounting. SOP 03-1 requires the establishment of benefit reserves for annuity contracts, such as guaranteed minimum death benefits, and affects the timing of profit recognition of universal life contracts. ING already held adequate reserves for guaranteed minimum death benefits with variable annuities, so the impact for ING mainly relates to the timing of the profit recognition in universal life contracts in the United States. This accounting change resulted in an EUR 91 million after-tax reduction in shareholders equity at January 1, 2004.

CHANGES IN PRESENTATION

Beginning January 1, 2004, Guaranteed Investment Contracts (GICs) are no longer included in premium income and underwriting expenditure in order to bring reporting in line with insurance industry practice. Premium income and underwriting expenditure related to these contracts are no longer included in revenues and expenses, respectively. Only the difference between premium income and underwriting expenditure of GICs is included in the profit and loss account. The comparable figures have accordingly been adjusted for all prior periods.

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

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

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

Prior to January 1, 2002, amortization of deferred acquisition costs (DAC) on insurance policies was accounted for as part of operating expenses of the insurance operations. In order to have a better view on the development of manageable operating expenses, we decided to transfer the amortization of DAC to underwriting expenditure. The comparable figures have accordingly been adjusted for all prior periods.

2004 CHANGES IN THE COMPOSITION OF THE GROUP

On December 10, 2004, ING Canada Inc. entered into an underwriting agreement to issue 34,880,000 common shares at a price of CDN$ 26.00 per share to a syndicate of underwriters. Part of the offering proceeds was used to fund the acquisition of Allianz Canada at a purchase price of EUR 228 million. The initial public offering was completed on December 25, 2004. On January 13, 2005, the underwriters exercised in full their over-allotment option to purchase 5,232,000 additional shares. The total gross proceeds of the IPO were CDN$ 1,043 million.

On December 2, 2004, ING Group finalized the agreement for the sale of ING BHF-Bank to Sal. Oppenheim (Germany) for approximately EUR 600 million. The sale was completed on December 31,

Table of Contents

2004. ING Group will retain Deutsche Hypothekenbank of ING BHF-Bank and the restructured loan portfolio. On December 23, 2004, ING Group further announced it sold the London Branch of ING BHF-Bank to Deutsche Postbank (Germany), which was completed on January 1, 2005.

On November 22, 2004, ING Group reached an agreement to sell the activities of Baring Asset Management. Under the agreement, MassMutual Financial Group (United States) will purchase the investment management activities of Baring Asset Management, and Northern Trust Corporation (United States) will purchase Baring Asset Management s Financial Services Group. The sales will result in a net gain for ING Group of approximately EUR 250 million. The sale was finalized on March 31, 2005.

On November 18, 2004, ING announced it had reached an agreement with Jackson National Life, owned by Prudential (United Kingdom), for the sale of Life Insurance Company of Georgia. Under the terms of the transaction, Jackson National Life will pay ING EUR 197 million, subject to adjustment for actual capital retained by Life of Georgia, to acquire all of the stock of Life of Georgia. The transaction is expected to be finalized in the second quarter of 2005 and is expected to result in a pre-tax loss to ING under IFRS in 2005 of less than EUR 150 million.

On October 18, 2004, ING Group announced it had decided to exit the individual life reinsurance business in the United States. ING Group signed a co-insurance agreement with Scottish Re. The transaction with Scottish Re is structured such that Scottish Re will reinsure the individual life reinsurance business of ING Re. ING Group will transfer all assets and reinsure the liabilities of the business through Scottish Re. In addition ING Group will pay Scottish Re a ceding commission of EUR 450 million. The agreement with Scottish Re is expected to result in a loss for ING Group of approximately EUR 500 million after tax, including the ceding commission mentioned above. Of that EUR 500 million, EUR 260 million was taken as a charge in 2004. The remaining EUR 240 million will be amortized over the life of the business, resulting in a charge to the profit and loss account of EUR 25 million in 2005 and gradually decreasing in subsequent years as the business runs off. The transaction was completed on January 4, 2005.

On October 8, 2004, ING Group and Allianz Group (Germany) announced that ING Canada had concluded a definitive share purchase agreement for the acquisition of Allianz s property and casualty insurance operations in Canada for EUR 228 million. On December 9, 2004, ING Canada announced the closing of the acquisition pursuant to which it acquired Allianz of Canada and its subsidiaries: Allianz Insurance Company of Canada, group insurer Trafalgar Insurance Company of Canada and Canada Brokerlink.

On August 12, 2004, ING Group acquired Mercator Bank, a Belgium medium-sized savings bank. The negative goodwill amounted to EUR 26 million and is added to shareholders equity.

On July 20, 2004, ING Group announced its intention to sell CenE Bankiers to Van Lanschot (The Netherlands) for approximately EUR 250 million. On October 1, 2004 the sale was completed.

On May 13, 2004, ING Group announced that it had entered into a letter of intent regarding the sale of its Australian non-life interests to QBE Insurance Group (Australia) of Mercantile Mutual Insurance Limited, Mercantile Mutual Insurance (Workers Compensation) Limited and its 50% stake in the QBE Mercantile Mutual joint venture for EUR 431 million. The sale was completed on June 30, 2004. An additional EUR 14 million is payable by QBE Insurance Group in February 2007 subject to the run-off of pre-joint venture net insurance liabilities.

At the end of May 2004, ING Group acquired the Dutch real estate fund Rodamco Asia. As a result, the fund was delisted from Euronext in Amsterdam and will be delisted from the Frankfurt Stock Exchange in 2005. The goodwill amounted to EUR 22 million and is charged to shareholders equity.

On March 8, 2004, ING Group announced it had reached an agreement with Macquarie Bank Limited (Australia) for the sale of its Asian cash equities sales, trading, research and capital market operations in 10 countries in Asia and key locations in Europe and the United States. The transaction was completed in the third quarter 2004.

Table of Contents

RECENT DEVELOPMENTS

On March 25, 2005 ING Bank announced an agreement with the Bank of Beijing to acquire up to a 19.9% holding for a consideration of approximately EUR 166 million as part of a broader strategic alliance. Subject to final regulatory approvals, ING Bank will take two seats to join the current 15-person board of directors of the Bank of Beijing as part of the strategic alliance.

On March 15, 2005, ING Group announced it will propose to the Annual General Meeting of Shareholders the appointments of Christine Lagarde (born 1956, French nationality) as of April 27, 2005, and Jan Hommen (born 1943, Dutch nationality) as of June 1, 2005, as members of the Supervisory Board of ING Group.

On February 28, 2005, ING Group announced it will reduce its 87.77% ownership in ING Bank Slaski by 12.77%. The reducement was completed in March 2005 through a secondary offering. By reducing its stake ING Group complies with a requirement of the Polish regulator set in 2001.

On January 13, 2005, ING Canada announced that the underwriters of its initial public offering had exercised their over-allotment option in full and purchased an additional 5,232,000 common shares of ING Canada at the offering price of CDN$ 26 for gross proceeds of CDN$ 136 million. The total proceeds of the IPO of CDN$ 1,043 million resulted in a net gain of about
EUR 285 million for ING Group, of which EUR 24 million will be recorded in 2005. Following the offering we held approximately 70% of the common shares of ING Canada.

GROUP STRATEGY

Key points

- Value-based management at the heart of ING s renewed strategic focus

- New management structure client-oriented and based on accountability

- Divestments free up capital to reduce leverage and to invest in future profitable growth

- Good results in 2004 supported by focus on execution skills

ING renewed its overall strategic direction in 2004. Our aim is to create value, which means outperforming our peers when it comes to shareholder return. In order to achieve this, ING focused on good execution skills in its core businesses and actively managed its business portfolio. Implementing these priorities allowed us to lay the foundations for profitable growth.

Managing for value

ING expanded at a fast pace in the past decade. After the initial mergers in the Netherlands, a number of acquisitions followed in Europe, the Americas and Asia. This has allowed ING to develop into a world player in the financial sector, with expertise in insurance, banking and asset management. Nationale-Nederlanden, Postbank and ING Bank in the Netherlands, ING Belgium and the wealth management and pension business in the United States all form part of ING s businesses in mature markets. ING Direct, the life insurance operations in developing markets and pension activities are ING s main growth business.

It is key in ING s new strategic direction to gear each of these businesses in their own way towards the same target, and that is to create value. Managing for value is at the core of ING s strategy. It forms an inherent part of ING s financial objective: to deliver value through a combination of return and growth higher than our peers . ING wants to make sure that, over a longer period, its shareholders have a better total return (return on shares in the form of capital gains and reinvested dividends) on their investment in ING than on most other investments in the financial sector.

Simplifying the management structure

One of the first steps taken in 2004 in order to facilitate the value-creating process was the introduction of a new management structure. Based on the principles of transparency, accountability and client-focus, ING reorganised its activities in six functional business lines: three business lines manage the insurance activities in respectively Europe, the Americas and Asia/Pacific, while ING s banking activities are managed by a business line each for Wholesale Banking, Retail Banking and ING Direct. Creating this new structure meant abolishing several management committees. Direct reporting lines replaced these committees, raising as such the speed of decision-making. Direct reporting lines also ensure personal empowerment and more accountability which is key in a company that manages for value, because personal empowerment and accountability are the best guarantee for good execution.

Focus on execution

Good execution skills are vital in the value-creating process. Execution stands for implementing plans. In 2004, ING successfully repositioned itself in the wholesale banking market. ING s insurance business in the Netherlands introduced a far-reaching plan to improve its customer service, with positive results so far.

Execution also means we want to excel at what we do. ING s business lines sharpened their focus on profitable top-line growth, managing costs, managing risks and showing bottom-line results. These four pillars are all equally important to generate above-average returns for shareholders. The good financial results of ING Group in 2004 underline the efforts ING s business lines undertook in these areas last year. Operating net profit went up by 33.0%, revenue growth was 4.7%, compared to a growth in operating expenditure of 2.6%.

In order to support the execution skills on the company floor, ING set up a work shop for business managers to sharpen their focus on managing for value, because good execution comes from ING s employees. They are the company s most important asset and only via them can a better performance in value creation be achieved.

Exemplary customer service

We also count on our employees to have the right attitude towards the customer, because the customer is fundamental in ING s businesses. To underline the importance of good customer service, we amended our mission statement in 2004 to: To set the standard in helping our customers manage their financial future . We have placed customer satisfaction in all our markets as a key indicator of business performance, and we are acting upon it. In certain of ING s businesses, customer ratings are already high and need to be maintained at these levels. Clients judge Postbank first of the major banks in the Netherlands when it comes to service. Close to 80% of ING Direct s customers indicate they are more satisfied with ING Direct than with other financial institutions they deal with. Surveys show ING Wholesale Banking s cash management services are highly appreciated by its clients. In other business units, ING is raising its efforts to bring customer satisfaction up to par. Our efforts to improve customer services at our Dutch insurance business company Nationale-Nederlanden are starting to pay off. Customer satisfaction ratings went up substantially in 2004.

Containing costs

The financial services industry is a mature industry, making it indispensable for any company in our sector to focus on costs. Cost containment is particularly important in ING s businesses in mature markets in the United States and Benelux. Operational efficiency and cost control, combined with excellent customer service are the way forward in these markets. In 2004, underlying cost developments were generally under control. ING will continue to pay special attention to cost containment.

Active business portfolio management

An important contribution to value creation comes from active management of the business portfolio. In 2004 this strategic priority manifested itself mostly through a number of divestments. These led to a better allocation of capital and strengthened ING s financial position, witness thereof the sharp improvement in ING s debt/equity ratio to 9.9% from 14.4% at the end of 2003.

A carefully chosen set of criteria guide ING s portfolio-management decisions. In judging whether a business can be defined as ING s core activities or not, growth opportunities are taken into account, as much as return potential, volatility, the scale of the business in question and its integration possibilities. It is the balance of answers to these questions that steer ING s decision to disengage from certain business activities.

In 2004, ING sold its insurance activities in Argentina, its health insurance activities in the Netherlands (NN Zorg), its Asian cash equities business and its interest in non-life insurance in Australia. With GE Commercial Finance, we reached an agreement to restructure our mutually owned working-capital joint venture, NMB-Heller. In the United States, ING announced the agreement to sell the tied-agent business of Life of Georgia and decided to exit the individual life reinsurance business, while in Canada we completed an initial public offering of a part of our non-life business. ING also sold Delta Asset Management in the United States and CenE Bankiers in the Netherlands (a subsidiary specialising in commercial and private banking). This was followed by the sale of the German unit ING BHF-Bank and of Baring Asset Management later on in the year.

The total of these divestments freed up EUR 1.5 billion in regulatory capital in 2004, money which ING will also use to invest in areas showing clear growth potential for the future.

Investing in future growth

Investing in future growth means investing in the right markets and the right product lines. We focus on further organic growth in our existing businesses, such as our businesses in Benelux, where over the years we have achieved strong results thanks to a focus on top-line growth and cost efficiency. Also in the important savings market of the United States, ING aims to achieve further organic growth.

Next to organic growth, future growth will also result from business portfolio management. In 2004, we only made investments in activities complementary to our own, such as Rodamco Asia, the savings customers of Egg France and some of the activities of Allianz in Canada. In Korea, ING acquired a 49% stake in a bancassurance joint venture with Kookmin Bank, called KB Life.

For clear future growth potential, three areas of business stand out: ING Direct, ING s life insurance operations in developing markets and opportunities derived from worldwide pension reforms. In all of these markets ING already has a strong starting position. ING Direct is the leading direct bank in the world and it was built largely from scratch. In life insurance, ING occupies the number two position as international insurer in Asia and the overall number one position in Central Europe and Russia, both based on premium-income. Pensions have been a core activity for ING for 150 years. At the end of 2004, ING s pension assets under management amounted to EUR 183 billion, up from EUR 158 billion a year earlier, and its importance keeps growing. With further selective expansion, ING wants to capture the growth potential that these business areas continue to offer.

The importance of economic profit

In order to measure its performance on value-based management, ING focuses on economic profit, which measures profit beyond the cost of capital. In the past, it was often considered sufficient to focus on accounting profit, because capital was abundant and profit and value creation went hand in hand. In today s circumstances, capital is scarce and the right allocation of capital is key as it is a major element to value creation. This makes economic profit a key measure when managing for value. Two important indicators help ING: Risk-Adjusted-Return on Capital (RAROC) and Internal Rate of Return (IRR). RAROC measures value creation in ING s banking activities. IRR on new business stands for the internal rate of return realized on new life business written and is a good measure of value creation in ING s insurance activities. ING improved on both measures in 2004, encouraging us to continue with the implementation of the new strategic focus.

Conclusions and ambitions

ING sharpened its strategic focus in 2004. Managing for value became the core of ING s strategy. Good execution, a focus on the customer and active business portfolio management led the way to improved results. But ING s strategy does not focus on one year. ING wants to offer continuity to its investors, providing them with better returns on their investment in the longer run. We will therefore continue to emphasize and implement the renewed strategic focus, by optimizing the business portfolio, guiding the business lines towards good execution skills and investing in future growth. The final result of this strategy will be a business mix that respects ING s identity, offers more value-creating opportunities and rewards our shareholders with a better total shareholder return.

CORPORATE GOVERNANCE

Corporate governance refers to the proper management and supervision of companies. The year 2004 was the year of the implementation of the Dutch Corporate Governance Code (Tabaksblat Code). During 2004, ING adapted its practices, its Articles of Association and the charters of the Executive Board and the Supervisory Board to the extent necessary in order to comply with the Tabaksblat Code.

Table of Contents

Application of the Dutch Corporate Governance Code

In a separate document, entitled: The Dutch Corporate Governance Code ING s implementation of the Tabaksblat Code for good corporate governance (which can be downloaded from www.ing.com and can be ordered in print through the same website), ING Group sets out whether and how it applied each of the best-practice provisions of the Dutch Corporate Governance Code (Tabaksblat Code).

The ING Group corporate-governance structure as reflected in this document, including some deviations from the Tabaksblat Code as explained, will be submitted for approval to the Annual General Meeting of Shareholders in 2005. Once the corporate-governance structure is approved by the General Meeting of Shareholders, ING will be considered to be in full compliance with the Code.

Changes in 2004

As the Executive Board and Supervisory Board decided to implement the Dutch Corporate Governance Code expeditiously, the best-practice provisions of the Tabaksblat Code were already applied in the preparation for and the follow-up of the 2004 General Meeting of Shareholders as much as possible. This was reflected in the agenda for this meeting, not only in the breakdown of the various items to be discussed, but also in the contents of the resolutions passed at that meeting, e.g.:

- the adoption of the remuneration policy for the Executive Board members;

- an amendment to the Articles of Association to bring these into line with the best practices detailed in the Code and with the requirements of the Act on the large-company regime, which became effective in the meantime. One of the most significant amendments is the abolition of the required larger majority for the rejection of a binding proposal for nomination to the Executive Board or Supervisory Board and for dismissal of a member of either Board. Moreover, under the amended Articles of Association, the number of shareholder votes required for an item to be submitted for inclusion in the agenda of the General Meeting of Shareholders is reduced to 1 per mille of the share capital,or a total stock-price value of EUR 50 million;

- three new Executive Board members Eric Boyer de la Giroday, Eli Leenaars and Hans Verkoren were appointed for a period of four years and shall be eligible for reappointment for four years without any limit to the number of times they may be reappointed, taking into account ING s retirement rules for Executive Board members. As they were already employed by ING, their employment contracts were continued on the same basis, taking into account their existing contractual rights as regards severance payments.

Following the General Meeting of Shareholders, the draft minutes of that meeting were disclosed on the ING website. Moreover, the Supervisory Board appointed a Company Secretary (the General Counsel) in February 2004, and adopted a whistleblower procedure, which has since been approved by the Dutch Central Works Council.

In accordance with the Tabaksblat Code, ING announced a more active role as an institutional investor and published its global voting policy on its website.

With effect from the publication of the 2003 results in February 2004, ING s periodic meetings with analysts, such as those held after publication of the quarterly, half-year and annual figures, can be followed simultaneously by telephone or webcast.

Finally, the charters of the Supervisory Board and its committees and of the Executive Board were brought into line with the best-practice provisions of the Tabaksblat Code and were made available on the ING website.

Committees

The Supervisory Board has three Committees: the Audit Committee, the Renumeration and Nomination Committee and the Corporate Governance Committee.

Audit Committee

The Audit Committee consists of four members and meets at least four times a year of which at least one meeting a year with the external auditors, without the members of the Executive Board being present. The Committee consists of Aad Jacobs (chairman), Claus Dieter Hoffman, Paul Baron de Meester and Jan Timmer. The Audit Committee advises the Supervisory Board in observing its responsibility for ensuring that the Group s financial systems provide accurate and up-to-date information on its financial position and that the Group s published financial statements represent a true and fair reflection of this position. It also advises the Supervisory Board in ensuring that appropriate accounting policies, internal controls, risk management, compliance procedures and tax policy are in place. The meetings are attended by the chairman and vice-chairman/CFO of the Executive Board. The general manager(s) responsible for risk control, financing and accounting of Corporate Control & Finance, the General Counsel, the Group Actuary and the internal auditor and the external auditors also attend its meetings.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee meets at least two times a year. It consists of four members Cor Herkströter (chairman), Luella Gross Goldberg, Paul van der Heijden and Jan Timmer. The Committee advises the Supervisory Board on compensation policies and the composition of the Supervisory Board and Executive Board. The committee advises the Supervisory Board, also supported by external consultants, on the compensation packages of the members of the Executive Board. From the Executive Board the meetings are attended by the chairman and vice-chairman.

Corporate Governance Committee

The Corporate Governance Committee meets at least once a year and consists of four members. The current members are Cor Herkströter (chairman), Luella Gross Goldberg, Paul van der Heijden and Jan Timmer. The primary tasks of the Corporate Governance Committee are to perform an annual evaluation of ING s corporate governance as a whole and the governance of the Executive Board, to make proposals to the Supervisory Board and to the Annual General Meeting for improvements and to ensure that the corporate governance of ING as a whole and the policy on which it is based is fully transparant and communicated in the Annual Report and to the Annual General Meeting of Shareholders. From the Executive Board the meetings are attended by the chairman and vice-chairman.

Corporate Governance Differences

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

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

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

Dutch law requires that our external auditors be appointed at the General Meetings of Shareholders and not by the Audit Committee.

Our Articles of Association provide that there are no quorum requirements to hold a General Meeting of Shareholders, although the taking of certain actions may require a quorum.

The shareholder approval requirements with respect to equity compensation plans under Dutch Law and the Tabaksblat Code differ from those applicable to US companies which are subject to the NYSE s listing standards. Under Dutch Company Law and the Tabaksblat Code shareholder approval is only required for equity compensation plans (or changes thereto) for members of the Executive Board and Supervisory Board, and not for equity compensation plans for other groups of employees.

CORPORATE ORGANIZATION

ING Groep N.V. has a Supervisory Board and an Executive Board. The Executive Board is responsible

Table of Contents

for the day-to-day management of the Group and its business lines (Insurance Europe, Insurance Americas, Insurance Asia/Pacific, Wholesale Banking, Retail Banking and ING Direct). The function of the Supervisory Board is to supervise the Executive Board and the general course of events in the Company s business, as well as to provide advice to the Executive Board.

Business Lines

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

Insurance

Insurance Europe

Operates the insurance activities in the Netherlands, Belgium and Central Europe and Russia and the asset-management activities in Europe. In these countries, we offer life insurance products with a particular focus on pensions. In the Netherlands and Belgium, we also offer non-life insurance products. ING has leading market share positions in the Netherlands and Belgium and throughout Central Europe and Russia.

Insurance Americas

Holds insurance operations and asset-management activities in the Americas. It has strong market positions in the United States, offering retirement services, annuities and life insurance products. It also has leading positions in non-life insurance in Mexico and Canada. Furthermore, we are active in Chile, Brazil and Peru.

Insurance Asia/Pacific

Holds the life insurance operations and asset/wealth management activities in Asia/Pacific. It has well-established positions in Australia, Hong Kong, Japan, South Korea, Malaysia and Taiwan. We consider that our activities in the Indian, Chinese and Thai markets are future growth engines for ING.

Banking

Wholesale Banking

In charge of our global wholesale banking activities. It has five business units: Clients, Network, Products, Corporate Finance and Equity Markets, and Financial Markets. It offers a full range of products to corporate clients and financial institutions in the Benelux markets. Beyond these domestic markets, it has a more selective and focused client and product approach.

Retail Banking

Undertakes retail banking activities in the Netherlands, Belgium, Poland, Romania and India. Retail Banking also offers private banking in selected markets such as the Netherlands, Belgium, Switzerland, Luxembourg and several countries in Asia.

ING Direct

Operates direct retail-banking activities for individual clients in the United States, Canada, Australia, the United Kingdom, France, Italy, Spain, Germany and Austria. It primarily offers savings and mortgage products.

Table of Contents

INSURANCE EUROPE

	Year ended December 31,		
	2004	2003	2002
	(EUR millions)		
Total operating income	16,209	16,537	15,709
Operating profit before tax	1,733	1,791	1,296

The Netherlands

Distribution

ING s insurance operating companies within the Netherlands are grouped under the following four distribution channels:

Direct marketing	*Independent intermediaries*	*Branches*	*Tied agents*
Postbank	Nationale-Nederlanden Movir	ING Bank Nederland	RVS

These operating companies have tailored their insurance products and services for certain target markets and distribution channels. For example, through the direct marketing channel (using the Postbank brand), ING offers primarily basic retail insurance products, while other distribution channels are more suitable for selling complex products requiring more personal service and specialized advice. ING considers the degree of personal service and specialized advice as an important factor in determining how to distribute its products and services in the Netherlands.

Products

The Group s insurance and banking products and services are offered to the Dutch market through each of ING Nederland s four distribution channels. The following is a summary of the primary insurance products offered.

Life products

ING s life insurance products in the Netherlands consist of a broad range of participating (with profit) and non-participating (without profit) policies written for both individual and group customers. Participating policies share in either the results of the issuing company or the investment returns on specified assets. In recent years, an increasing number of ING Nederland s policies consist of policies that participate in the investment return of a specified investment fund, consistent with the trends in the Dutch market.

Individual life. Individual life products include a variety of endowment, term and whole life insurance policies. ING offers single and recurring premium policies which are primarily linked to mortgages and also used for the funding of individual retirement benefits. These policies are often connected with tax incentives offered by Dutch law. Benefits under these policies are payable typically at the age of 60 to 65 on early death or supplementary to (company) pensions. The single premium endowment policies are mainly excess interest sharing, whereby policyholders receive profit sharing payments, which depend on the profit of the ING s insurance company.

Group life. Group policies are designed to fund private pension benefits offered by a wide range of businesses and institutions as a supplement to government provided benefits. These benefits include sums assured, annuities, disability benefits and widow s and orphan s benefits. For corporate clients, customized policies are offered to meet the needs of individual employers. For small and medium sized companies, standardized policies providing specified benefit levels are offered.

Non-life products

Fire. ING s fire insurance policies provide coverage to both individual and commercial clients. Fire policies generally provide coverage for a variety of losses, including, but not limited to, fires, storms, burglary and other perils. Individual coverage is provided on both a single-risk and multi-risk basis, with multi-risk policies providing coverage for loss or damage to dwellings, damage to personal goods and liability to third parties. Commercial coverage is provided to Dutch companies for buildings and facilities in the Netherlands and includes ordinary and commercial risks.

Table of Contents

Automobile. The automobile policies provide coverage to individual and commercial (fleet) insured for third-party liability (including property damage and bodily injury), as well as coverage for theft, fire and collision damage. Coverage for third party liability is required by law to be maintained with respect to each licensed motor vehicle. Other additional coverage is optional. Dutch law does not require that insurance be maintained for damage suffered by the policyholder, the driver of the vehicle or the vehicle itself. Policies are generally written for a minimum period of one year.

Disability and Health-Care. ING provides disability and health care insurance on both an individual and group basis. In 2004, ING formed a strategic alliance with Onderlinge Nationale Verzekeringen tegen Ziektekosten (ONVZ) regarding health insurance business. The types of risks covered by disability and health policies include death by accident and temporary and permanent disability. In the Netherlands, the government is decreasing its role in the field of disability insurance and sick pay, creating new opportunities for insurance companies to provide private-sector coverage for benefits previously provided by the Dutch government. ING offers a broad range of disability insurance products and complementary services for employers and individual professionals (such as dentists and lawyers).

Other Non-life. Other non-life insurance consists of transport and aviation insurance, third party liability insurance and indirect premiums (incoming reinsurance premiums).

Belgium

ING Insurance products targeted at the Belgian market are offered by ING Insurance SA/NV, since early 2002. These products are marketed through banking networks and independent brokers allowing the customer to opt for the channel of his/her choice.

Central Europe and Russia

The Group has life insurance companies in Hungary, Greece, Poland, the Czech Republic, Slovakia and Romania. The Group has pension funds in Poland, Hungary, the Czech Republic, Slovakia, Bulgaria and Russia. Together, these operations serve nearly 5 million clients throughout the region. In the past years, the life insurance and pension businesses in Central Europe and Russia have created substantial value for ING.

Our main objective is to continue the stable creation of value. To achieve this objective, ING Central Europe Insurance will implement a two-pronged strategy. First, we seek to improve the value of the existing operations by improving distribution and products and achieving operational excellence. Second, ING aims to achieve economies of scale and develop operations in countries with significant growth potential. Several countries are planning pension reforms, and ING is positioning itself to capture business opportunities created by these reforms.

Spain

ING Nationale-Nederlanden was established in Spain, in 1978. It offers individuals and families saving and pension solutions. The central office and its team of professionals consists of more than 700 people. It has a commercial network of 2,500 people. It provides insurance and investment advice to more than one million clients through its more than 55 offices.

ING Investment Management Europe

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

Table of Contents

INSURANCE AMERICAS

	Year ended December 31,		
	2004	2003	2002
	(EUR millions)		
Total operating income	28,112	27,589	35,350
Operating result before tax	1,669	1,310	1,430

ING Insurance Americas (ING Americas) is comprised of three broad geographic-based business units in the United States, Canada and Latin America (including Mexico). ING Americas primarily offers various types of insurance, mutual funds, brokerage services and institutional products, including group reinsurance and principal protection products, as well as retail and institutional asset management. In addition, ING offers retail banking products and limited corporate and investment banking products and services in certain countries in the Americas through other ING business units.

ING Americas combined insurance operations place it among the top ten life insurers in the United States based on life and annuity premiums written. ING Americas total assets under management at the end of 2004 amounted to EUR 163 billion. ING Americas ranks as the number one international insurer in Latin America and is the largest property and casualty underwriter in Canada.

United States

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

On December 31, 2004, insurance company subsidiaries doing business under ING America Insurance Holdings, Inc., our U.S. insurance holding company, included the following: ING Life Insurance and Annuity Company, ING USA Annuity and Life Insurance Company, ING Insurance Company of America, Security Life of Denver Insurance Company and ReliaStar Life Insurance Company and ReliaStar Life Insurance Company of New York.

ING has a long history in the United States and is committed to further strengthening its existing US operations and optimizing their performance. Although in the process of consolidating, the U.S. life and non-life markets remain fragmented and subject to intense competition as clients move towards investment, savings, and pure risk products. Increasing bank participation in the insurance market may also intensify competition. Business units in the U.S. have been organized by client segment to support the offering of the entire breadth of ING products to ING s target markets, through the distribution channel of the client s choice.

In 2004, ING Americas operated in the United States in two business segments: US Financial Services (which includes retail-oriented businesses, worksite financial services, retirement services and institutional businesses), and ING Investment Management. The activities of each segment are described below.

United States Financial Services

ING US Financial Services (USFS), is comprised of six primary business units, which provide a wide variety of financial products and services to individuals both on a retail basis and through their employers. These business units are: Individual Life Insurance, Annuities, Retirement Services (which includes Defined Contribution Pensions and Rollover/Payout business), Group Insurance, Mutual Funds and ING Advisors Network. An extensive distribution network, Internet, a Voice Response Unit (VRU) and customer service representatives support products and services. The primary customer target market is the mass affluent segment. Additionally, institutional customers are served in two areas: group reinsurance, through ING Re, and principal protection products, through ING Institutional Markets. The divestment of the individual life reinsurance business to Scottish Re was completed on

December 31, 2004. The sale of Life Insurance Company of Georgia is expected to be completed in the second quarter of 2005.

USFS products comprise a wide range of individual insurance and investment products, including variable universal life, universal life, and term insurance, fixed and variable annuities and mutual funds. Group insurance and employee benefit-related products and services are also offered, and include group life and disability insurance, dental and vision plans, defined contribution retirement plans, tax-sheltered annuities, voluntary employee-paid products and stop-loss coverage. Products focused on the corporate-owned insurance markets are also available. Additionally, USFS offers financial services such as financial planning, investment advisory services, pension plan administrative services and trust services primarily through the approximately 8,900 financial professionals affiliated with the wholly owned broker-dealers in ING Advisors Network.

ING Investment Management

ING Investment Management Americas (ING IM Americas) is comprised of two primary business activities: proprietary assets and third party business. ING IM Americas manages proprietary assets for ING Americas insurance entities, investing in a diverse mix of public fixed income, private placements, structured products and commercial mortgages. Third party business units include mutual fund sub advisory, institutional assets, alternative assets, and managed accounts.

Assets are managed in a wide range of investment styles and portfolios including: domestic and international equity funds across the value, blend and growth styles and small, mid- and large capitalization, domestic fixed income portfolios across the major bond market sectors, balanced portfolios, fund of hedge funds, and private equity.

Third-party products are distributed through proprietary, affiliated and outside distribution channels. The mutual funds it sub-advises for USFS are distributed primarily through USFS products (including worksite retirement products, individual annuity products and life insurance products), through ING and third-party financial intermediaries, and through ING s Internet bank, ING Direct. ING IM Americas institutional investment strategies primarily serve the defined benefit market and are distributed directly to pension plans and through consultants by ING IM Americas dedicated institutional sales force as well as through affiliated ING distribution channels in Europe and Asia/Pacific.

Alternative products are targeted to high net worth individuals and institutional investors. These products include hedge fund of funds, private equity, structured products and single strategy hedges funds which we distributed primarily through proprietary distribution channels. ING IM Americas managed account business serves almost 20,000 high net worth customers by offering individually managed portfolios through financial intermediaries.

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

Canada

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

ING Canada is the largest provider of property and casualty insurance in Canada with a market share of approximately 13%. In 2004, ING Group sold a 27.1% equity interest (increasing it to approximately 30% in 2005 upon the exercise by the underwriters of the over-allotment option) in ING Candad through an initial public offering reducing its share to approximately 70%. ING Canada s shares are listed on the Toronto Stock Exchange (TSX-IIC.LV).

ING Canada s principal insurance products are automobile and property and liability insurance, which are marketed to individuals and to small and medium size businesses. ING Canada also offers commercial specialty lines products, such as marine, surety and other niche products.

ING Canada uses independent brokers as its primary distribution channel, accounting for approximately 90% of direct premiums written. ING Canada also sells products directly to customers through the Internet and by telephone through call centers in Quebec and Ontario. Currently, ING Canada has in total approximately 2.9 million insurance policies in force.

In addition to insurance operations, ING Canada also has a mutual fund operation, ING Funds, and a registered mutual fund dealer, ING Wealth Management. It focuses on delivering financial solutions to ING clients through a number of distribution partners.

In December 2004, ING Canada acquired Allianz Canada, the thirteenth largest property and casualty insurance company in Canada. Allianz Canada is the sole shareholder of two insurance companies: Allianz Insurance Company of Canada and Trafalger Insurance Company of Canada. In addition, Allianz Canada owns Canada Brokerlink, Inc., a brokerage network with activities in two Canadian provinces. As a result of the transaction, ING Canada acquired approximately, 449,000 policies in force.

Latin America

ING Americas seeks to be a leading player in emerging and other selected markets outside North America which have the potential for attractive long-term returns. Therefore, ING Americas sells through subsidiaries and joint venture affiliates, life insurance, health insurance, pensions, auto, property and casualty insurance, and financial services products in selected markets in strategic Latin American markets. It focusses its activities on the Brazilian, Chilean and Mexican markets. ING also has a presence in the AFP (privatized pension) and annuities markets in Peru. We expect that the evaluation of non-strategic activities for divestment will continue throughout the Latin American operations.

Mexico

ING Americas current presence in Mexico consists of the largest insurance company, ING Comercial America (ING CA), and ING Comerical America Afore, which is a top five pension company in Mexico . ING CA is the market leader in the Mexican insurance industry with premium income of EUR 1.6 billion in 2004. ING CA has its strongest market positions in auto (ranked second), commercial property & casualty business (ranked first) and health insurance (ranked second). We are focusing our efforts to grow our business in personal lines of insurance, in particular life and wealth accumulation products.

ING Comercial America Afore, a privatized pension savings fund business, has more than 2.6 million clients and assets under management exceeding EUR 3.1 billion.

Argentina

In 2004, ING placed the life insurance business in Argentina into a service-only mode. The sale of the company was completed at the end of March 2005.

Chile

ING Americas has been gaining scale in order to become a leading financial services group in Chile. It rankst first in the life and health insurance markets. In 2004, total revenues (premium income and asset management fees) in Chile were EUR 555 million and assets under management were EUR 7.2 billion at year-end 2004.

Brazil

ING has a 49% joint venture partnership in Sul America, positioning ING at the forefront in the largest South American insurance market. Sul America s health insurance business ranks first based on premiums written. It also offers products such as life and personal accident, pension, auto, other property and casualty, and fund management activities. Co-branded wealth management products were launched in 2004.

Peru

ING has a 60% stake in AFP Integra, the leading private pension fund in Peru with approximately EUR 1.9 billion in assets under management at year-end 2004. ING also has a minority stake in InVita Life, which offers life, survivor and disability insurance, as well as annuities.

Table of Contents

INSURANCE ASIA/PACIFIC

	Year ended December 31,		
	2004	2003	2002
	(EUR millions)		
Total operating income	10,487	8,424	8,778
Operating result before tax	751	411	574

Insurance Asia/Pacific (IAP) is comprised of business units operating in certain Asian countries, Australia and New Zealand. The key markets are Australia/New Zealand, Hong Kong/Macau, Japan, Malaysia, South Korea and Taiwan. In addition IAP has launched smaller start-up businesses in China, India and Thailand. IAP s business units offer primarily various types of life insurance and asset/wealth management products and services, as well as retail and institutional asset management. In addition, we offer asset management in the Philippines and Singapore.

In general, the positive trends experienced in 2003 in the businesses of IAP continued through 2004. Australia, Japan, South Korea and Taiwan are the major contributors to the IAP s operating result before tax. With the exception of Japan and Australia, IAP s distribution of life insurance products in the region has been dominated by tied or career agents. However, this is changing with the growth of independent agents, financial planners, and bancassurance, together with e-business, which is making inroads of both direct customer access and supporting intermediary channels.

Market positioning strengthened in several countries through joint ventures as well as strong organic growth. In Australia and New Zealand, the life insurance and funds management joint venture with Australia New Zealand Banking Group Limited (ANZ). In China, a life insurance joint venture with Beijing Capital Group received approval to open a new branch in Beijing in 2004. Also in China, the Shanghai joint venture with China Pacific Insurance Company began operations in the Guangzhou province. In South Korea, ING invested in a new bancassurance joint venture, KB Life, with Kookmin Bank. ING Malaysia began operations at its new fund management company. As part of its active global portfolio management of businesses, ING sold its 50 per cent share in the Australian non-life insurance joint venture to its former partner, QBE, in June 2004.

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

Australia and New Zealand

ING Australia (the life and wealth management joint venture with ANZ) ranks third in the life insurance business with gross premiums written of approximately EUR 1.2 billion in 2004 and fourth in the wealth management business with assets under management of EUR 20 billion in 2004. ING Australia offers a wide range of life insurance and wealth management products through a network of financial planners and independent brokers. ING Australia is focusing on leveraging its reach and scale. Additionally, it has lowered its operational cost ratios, developed new product platforms, and grown the ANZ Bank distribution capacity and production through equity-owned distribution in multiple channels. In New Zealand, ING s life businesses, ING Life and Club Life, are focusing on building market share and successfully finding ways to present an integrated set of products to their customers.

South Korea

In 2004, ING Life Korea was among the fastest growing international companies in South Korea. Currently it ranks fourth in the market, based on total premium income. ING Life Korea s gross premiums written in 2004 amounted to approximately EUR 1.6 billion. Life insurance premiums continued to grow rapidly through ING s productive agency force and bancassurance activities with Kookmin Bank. To further strengthen this position, ING Life s priorities in 2005 include expanding distribution capacity to mass-affluent customers and broadening the product range. The extended strategic investment agreement with Kookmin Bank provides expanded distribution for life insurance and asset management products. ING s 20% owned investment trust joint venture with Kookmin Bank ended the year 2004 with assets under management of over EUR 11.5 billion. It is the third largest asset manager in South Korea, based on assets under management. ING s bancassurance joint venture with Kookmin Bank, KB Life, began operations in June 2004 and has performed well in relation to its peer companies. ING s 49% shareholding started in January 2005.

Japan

In Japan, IAP plans to maintain its leadership positions in the Corporate Owned Life Insurance (COLI) segment and the Single Premium Variable Annuity (SPVA) segment. ING Life Japan s gross written premium in 2004 was approximately EUR 3.5 billion. ING Life Japan ranks third in total annual sales in the SPVA segment based on assets under management. IAP will continue to be a producer for independent agents, banks and securities houses. Important new distribution alliances with three large banks have been successfully launched, and the product range will be broadened. The pension joint venture with Principal Financial Group (United States), which focuses on small and medium-sized companies, markets a comprehensive range of products related to defined contribution pensions. The pensions joint venture ranks sixth (based on the number of plans) among corporate defined-contribution pension plan providers in Japan. IAP will support the pensions and SPVA business by continuing to build its asset management proprietary funds capability.

Taiwan

Taiwan remains one of the most important markets for ING in the Asia Pacific region. IAP s businesses in Taiwan include our life insurance company, ING Antai, which ranks fifth in the market based on total premium income, and a mutual fund joint venture with Chang Hwa Commercial Bank. Our products are distributed primarily through career life agents, although bancassurance is growing in prominence. Due to the continued low interest rate environment, the life business introduced a number of new life and health products in order to reduce capital risk and to improve returns and profitability. Improving investment performance within the investment mandates is also critical given the low interest environment.

Hong Kong and Macau

In Hong Kong and Macau, IAP offers a range of life insurance, non-life insurance and asset management products. The presence of IAP s regional office in Hong Kong adds to ING s capabilities in this market. IAP s Hong Kong strategy is to focus on growing its market position, while continuing to develop alternative channels such as bancassurance and financial planning to accelerate growth for the life business. In particular, ING has deepened its relationships with regional banks by offering sales support and training to enhance operating efficiency and quality of sales. The non-life business aims to maximize synergies by cross-promoting its products with other ING businesses operating in Hong Kong. The pension business continues to seek and implement various cost reduction initiatives. The mutual fund business received encouraging response to its retail sales of ING structured products through local banks during the year.

Malaysia

In Malaysia, ING ranks fourth in terms of new life insurance business with a 10% market share. ING ranks first as a provider of employee benefits. In 2005, we expect to further broaden our product range, improve operational efficiency and expense performance to drive profitability. ING Malaysia has rebranded itself successfully from Aetna to ING leading to increased awareness of the ING brand. A separate bancassurance unit was established in 2004 to focus on and pursue the growing opportunities in this area. A new fund management operation was also started in April 2004 to provide one-stop wealth management services and products.

Thailand

In Thailand, ING offers a range of life insurance and asset management products. Both businesses will continue to focus on meeting accelerated greenfield sales and earnings plans through organic growth and strategic partnerships. The life business is expanding its bancassurance operations and pursuing

Table of Contents

additional banking partnerships while growing its agency force and improving agent productivity. The funds company has created a number of award winning funds which are helping it grow successfully by obtaining several important mandates.

China

In China, ING has three joint ventures. In Shanghai, Pacific Antai Life Insurance Company (PALIC), ING s life insurance joint venture with China Pacific Insurance Company, currently ranks seventh in new business premiums and fifth in terms of total premium income. It continues to focus on improving agency productivity and developing alternative distribution channels, in particular bancassurance. PALIC obtained regulatory approval to sell group insurance policies in December 2004. In Dalian, ING Capital Life Insurance Company (ICLIC), ING s life insurance joint venture with Beijing Capital Group, started operations in December 2002 and now ranks third by new business premium . In Shenzhen, China Merchant Funds, ING s fund management joint venture with China Merchants Securities, launched China s first open-ended fund and first money market fund during 2003. During 2004, China Merchants Funds grew its assets under management to over EUR 1 billion, and it is currently ranked thirteenth by assets under management among fund managers in China.

India

In India, IAP offers life insurance through ING Vysya Life Insurance Company Private Limited and asset management through ING Investment Management (India) Private Limited. In 2004, ING Vysya Life Insurance continued to focus on building and developing a large, professional tied agency force while increasing its distribution reach by opening new sales offices and adding bancassurance and corporate agencies. It also expanded its product portfolio to include unit-linked sales and group policies. ING Vysya Life is ranked ninth based on new business premium income in India among 12 private life insurance companies. ING Investment Management (India) Private Limited offers a range of mutual funds.

Table of Contents

WHOLESALE BANKING

	Year ended December 31,		
	2004	2003	2002
	(EUR millions)		
Total operating income	5,761	5,825	5,765
Operating result before tax	1,932	1,272	596

A client focused organization

In 2004, Wholesale Banking concentrated its efforts on reshaping and repositioning its business. ING decided to refocus service with the full range of products to corporate institutions in the European home market, in particular the Benelux countries. Outside the home markets, our approach became more selective, in terms of both products and clients. This repositioning was a natural consequence of ING Group s renewed strategic focus and the important shifts in global trends in the wholesale banking industry.

In line with the principles underlying the new structure of ING Group, Wholesale Banking moved away from its regionally organized structure, towards a functionally driven and more client-focused organization, with a particular emphasis on execution and accountability. The groundwork for this reorganization was put in place in 2004 and was fully implemented by January 2005. The new organization allows for a much more unified approach to clients. Senior account managers work directly with clients and are supported by sector heads and senior bankers, who provide the essential link between the key client and product divisions within Wholesale Banking. These divisions also aim to further enhance their cooperation with Wholesale Banking s Financial Markets division, whose business was also comprehensively restructured in 2004. The common aim of these different pillars of Wholesale Banking s new organization is to find further cross-selling opportunities across all the business lines, which add value for the client and ING. As of 2005, mid-corporates in the Netherlands and Belgium also form part of the new Wholesale Banking organization. This strengthens the home market position of the corporate-client business and supports the wider initiatives to increase cross-selling opportunities of the full product range in these markets.

Divestments and acquisitions

Wholesale Banking s repositioning and ING s overall focus on optimal capital allocation means that portfolio management was an important focus in the Wholesale Banking business line. During 2004 ING sold: in Germany ING BHF-Bank (excluding its DHB subsidiary); in Asia the cash equities business, and in the Netherlands CenE Bankiers. We also reached an agreement to sell United Kingdom-based Baring Asset Management, the sale was completed in the first quarter of 2005. In the United Kingdom, ING purchased the asset finance, country finance and vendor finance businesses of Abbey National.

The divestments were part of Wholesale Banking s continued efforts to streamline its international network. ING BHF-Bank no longer fitted into ING s strategy. Therefore, we sold most of BHF-Bank s activities to Sal. Oppenheim, including ING BHF s asset management, private banking, financial markets and core corporate banking businesses, for EUR 600 million. An agreement, in principle, was also reached on the sale of the London Branch of ING-BHF-Bank to Deutsche Postbank and to sell part of ING BHF-Bank s corporate lending portfolio to HVB Group. ING retains ING BHF s 83.7% stake in Deutsche Hypothekenbank (DHB), a restructured loan portfolio of about EUR 1.3 billion, and ING BHF-Bank s private equity activities.

The sale of ING s Asian cash equities business to Macquarie Bank was part of Wholesale Banking s decision to concentrate on providing value-added products and services to a selected group of clients in Asia. It also allows

Wholesale Banking to position itself for future sustainable growth.

CenE Bankiers, a subsidiary that specialized in commercial and private banking, was sold to Van Lanschot. As a result of its specialization and intensive segment approach, CenE Bankiers had

Table of Contents

developed into a niche player with an independent status within ING. For these reasons, ING decided to sell rather than integrate CenE Bankiers with similar activities in Wholesale Banking or ING s other private banking activities.

The streamlining of Wholesale Banking s international network also meant further restructuring in other markets. Activities in Vietnam, Turkey, Thailand and Indonesia were reorganized to focus on certain client and product groups. Worldwide, Wholesale Banking will maintain its geographic coverage with branches or representative offices in more than 40 countries.

An important aspect of the new structure is the outward focus on clients needs, which is also reflected in Wholesale Banking s revised mission statement: to excel in delivering value-added financial solutions to our clients . ING seeks to accomplish this through our knowledge of our clients businesses and competitive products. Wholesale Banking s products include payments and cash management, lending and debt products, structured finance, securitization, syndication, securities services, leasing and diverse financial markets products (such as foreign exchange, integrated products and disintermediation, cash and derivatives products). Wholesale Banking also continues to improve its cross-selling of ING s asset management and insurance products (especially employee benefits) and the services of ING Real Estate.

Table of Contents

RETAIL BANKING

	Year ended December 31,		
	2004	2003	2002
	(EUR millions)		
Total operating income	5,035	4,773	4,814
Operating result before tax	1,170	1,058	1,023

Retail Banking

The retail banking business focuses on retail banking services to individuals, and to small- and medium-sized businesses and on private banking. These businesses are supported by a multi-product, multi-channel distribution approach. We serve two types of retail markets, each reflecting our different market positions and therefore each requires a slightly different approach with regard to the retail strategy. In the mature markets of the Netherlands and Belgium, our strategy is to assist our clients in areas such as wealth accumulation, savings and mortgages. We seek to distribute these different products through an efficient mix of channels appropriate to the client segments and products. In a number of selected developing markets (Poland, Romania) with the right demographics, economic growth potential and stabile institutional environment, our strategy is to become a prominent player in the local retail banking markets, providing our clients with simple but with quality products. In the mature markets, achieving operational excellence and cost leadership, combined with the right level of customer satisfaction, will be important for continuing profit growth. ING considers developing economies as opportunities for structural growth due to their strong demographics, rapid income growth, emerging middle classes, and relatively low penetration of the financial services sector.

The Netherlands

Postbank is ING s on-line (direct) bank in the Netherlands. Postbank reaches its approximately 7 million individual customers through home banking, telephone, call centers, Internet banking, mailings and post offices. Using direct marketing methods, Postbank leverages its position as a leading provider of current account services and payments systems to provide other financial services such as savings accounts, mortgage loans, consumer loans, credit card services, investment and insurance products.

In 2004, Postbank successfully continued its marketing campaign for mortgages and savings. Postbank s tied agent mortgage sales force, which was created two years ago, is having a positive effect by increasing substantially our share of new sales in 2004. Postbank has invested, and continues to invest, in becoming a top Internet bank in the Netherlands. Since the launch of its new website in 2004, the number of clients and sales through the Internet increased considerably to well over one million customers.

ING Bank Netherlands operates through a branch network of 250 branches. It offers to its one million individual and business customers, a full range of commercial banking activities and life and non-life insurance products. In response to customer demands, ING Bank restored a number of cash withdrawal points and basic banking functions in 2004.

Belgium

ING Belgium provides banking, insurance (life, non-life, employee benefits) and asset management products and services to meet the needs of individuals, families, companies and institutions through a network of local head offices and 825 traditional branches. Its approximately 1.8 million customers can also access ING Belgium s direct banking channels which consist of 800 fully automated branches (Self Bank), home banking services, and ING s contact call center.

The rebranding process from BBL to ING Belgium, which started in 2003, was completed in 2004. External studies show that positive results with a spontaneous name recognition of 54% and total brand awareness of 97%. These figures are consistent with survey results for the former BBL brand. We consider this a success after only a year and a half of rebranding. We also reported strong growth in savings and investment products. Our subsidiary, Record Bank, strengthened its position by acquiring Mercator Bank. Through successive mergers, Record Bank is now the fourth largest savings

Table of Contents

bank in Belgium, based on non-bank client deposits, operating through independent agents

Central Europe

ING Bank Slaski provides a full range of banking services to its 1.8 million business and individual customers through a network of 330 branches, supported by ATMs and telephone, Internet and electronic banking. In 2004, ING Bank Slaski introduced a new performance-oriented organization structure. We also introduced a program to rationalize the product portfolio and launched new products and marketing campaigns in order to re-establish our market presence and market position. In Romania, we launched a new franchising concept based on the Self Bank concept in Belgium and the ING brand. We believe this will help our growth in this market of 22 million people.

India

India represents a promising opportunity for ING to create value in retail banking. It is an attractive market in a rapidly growing and stable economy. ING Vysya Bank has continued to develop into a professional universal bank. The bank has 370 branches and a staff of more than 5,000 full-time employees supported by a sales force of tied agents, who provide services to its one million customers.

Private Banking

Private Banking provides wealth management services for high net worth individuals throughout the world. After the 2002/2003 restructuring, we believe Private Banking is now positioned for growth. To this end, we will raise the visibility of the Private Banking activities in our home markets and seek to penetrate ING s existing client base in these markets. In new international markets, we will seek to attract new assets to the group. Across all operations, we believe that improved segmentation and better aligned products and services will further contribute to revenue growth. As of June 2004, ING Trust, which serves corporate and private clients, reports to Private Banking.

ING DIRECT

	Year ended December 31,		
	2004	2003	2002
	(EUR millions)		
Total operating income	1,705	1,045	618
Operating result before tax	432	151	(48)

The ING Direct line of business consists of two functional areas: a direct bank (ING Direct) and a stand-alone credit card operation (ING Card).The direct bank ING Direct is an important part of ING s retail strategy. The strategy of ING Direct is to be a low-cost provider of financial services in large mature markets by offering clients best value for money and excellent service via call-centers, direct mail and the Internet. The main products offered are saving accounts and mortgages. ING Direct also sells a focused range of financial products such as mutual funds, e-brokerage services, pension management and life insurance.

ING Direct is active in nine countries. Each country forms a separate business unit, except for Austria, which is operated by the German business unit. All business units were profitable in 2004 except the United Kingdom, which started operations in May 2003 and is still incurring start-up losses. Ever since ING Direct started business in 1997, growth in clients, funds entrusted and mortgages have been substantial. In 2004, there was an autonomous increase of the client base by approximately 3 million clients, funds entrusted by EUR 46 billion and mortgages by EUR 12 billion. Brand awareness as well as customer satisfaction also continued to improve.

Compared to 2003, France and Italy turned to profit. The USA, Germany and Spain posted strong profit increases. Canada and Australia also produced double-digit growth in profit. Commercial developments in the UK have been much better than planned, with higher-than-expected funds entrusted and client numbers, which has resulted in lower than expected start-up losses.

In total, ING Direct s customer base by year-end 2004 amounted to over 11 million customers. In 2004, ING Direct recorded strong growth in number of clients, funds entrusted and mortgage balances. ING

Table of Contents

Direct s leading offering is its savings product, followed by residential mortgage products, which are planned to be developed further in the future. The percentage of mortgages versus savings is increasing. The locked-in margins of the mortgages add stability to the overall business model.

On average, 78% of ING Direct customers respond that they receive better service from ING Direct than from other financial institutions (based on the global customer satisfaction survey September 2004 by Millward Brown). This is an important qualitative indication for ING Direct, as are client and deposit stability and brand awareness. The current attrition rate of ING Direct worldwide is, on average, below approximately 5% per year. The clients deposits (which average approximately EUR 13,500 per customer) are very stable over time and in different interest rate environments, which adds to the sustainability of the ING Direct business model. The ING brand was virtually unknown in all markets where ING Direct started. In 2004, brand awareness exceeded 80% in the majority of business units. ING Direct Germany, which was known as DiBa, was successfully rebranded to ING DiBa in 2004.

The year 2004 also marked the successful integration of German direct bank Entrium, which was acquired in 2003. Entrium was the second largest direct bank in Germany with almost one million customers and approximately EUR 8 billion in client funds entrusted. In 2004, the ING Direct business model was introduced in Austria by the German business unit under the brand ING DiBa.

With the acquisition of the 45,000 clients of Egg France at the end of 2004, ING Direct France witnessed a substantial growth of its customer base. This acquisition resulted from the decision by British direct bank Egg to exit the French market. Overall, ING Direct has reached strong market positions in all of the countries in which it operates a relatively short period of time, and six out of eight business units have achieved a top 10 position among all banks in their market in terms of funds entrusted. Moreover, ING DiBa is the number 4 bank in Germany in number of retail clients.

	Number of Clients (in thousands)		**Funds Entrusted (in EUR billion)**	
	2004	**2003**	**2004**	**2003**
Canada	1,121	905	9.0	7.0
Spain	975	753	10.2	7.9
Australia	996	719	8.5	6.9
France	413	339	9.2	7.6
United States	2,226	1,399	21.2	12.8
Italy	485	379	10.6	7.6
United Kingdom	762	305	27.9	11.5
Germany*	4,511	3,735	48.8	38.1
Total	**11,489**	**8,534**	**145.4**	**99.4**

* Including Austria

ING Card

ING Card launched in 2003 and is accounted for within the ING Direct business line. The stand-alone credit card operation aims at leveraging the extensive retail customer databases within ING Group. As from January 2004, ING Card took over the credit card portfolios of Postbank Netherlands and ING Bank Netherlands and Belgium. At year-end 2004, the portfolio size amounted to 1.6 million cards and over EUR 500 million of total exposure. In the Netherlands, ING Card has a market share of approximately 25% based on the number of cards and around 45% in terms of total exposure, ranking it second in the Netherlands. In addition to the integration of the existing card portfolios, ING Card successfully introduced a new, modern type of credit card: with flexible repayment(client decides when and how much is repayed), value for money (low interest rate, no fees), transparent (24/7 access to all transaction data through the Internet), ease of use (change cards online or through the call centre) and safe (all purchases insured). ING Card has a pan-European ambition and will continue to implement throughout Europe its strategy of focusing on marketing, business intelligence (including database marketing and analysis) and risk management.

Table of Contents

ASSET MANAGEMENT

The asset management activities in banking are comprised of ING Real Estate and Baring Asset Management.

In 2004, ING Real Estate and Baring Asset Management had an average of 1,436 and 1,333 full-time employees, respectively.

In November 2004, ING entered into an agreement to sell BAM to Mass Mutual and Northern Trust. The transactions were completed on March 31, 2005.

ING Real Estate

ING Group s real estate activities are conducted through ING Real Estate. Based on a portfolio of more than EUR 50 billion at the end of 2004, ING Real Estate is ranked as the largest property company in the world with offices in Europe, the United States, Asia and Australia. ING Real Estate constitutes a unique combination of investment management, development and finance activities. Its primary aim is to make maximum use of the global expertise in the creation of valuable products. Despite some stagnating real-estate markets in the world, revenues of all its business units strongly increased, and the 2004 results exceeded expectations.

Investment management activities are pre-dominantly carried out for institutional investors who want to diversify their property investments. As an investment manager, ING Real Estate launched ten new funds in 2004. ING Clarion Global Real Estate Income Fund (U.S.), a listed fund with EUR 2.2 billion in assets under management by year-end, was the largest-ever initial public offering of a real estate fund in history. The acquisition of Rodamco Asia added EUR 800 million to property assets under management. We believe that this acquisition will act as a stepping stone for further growth in Asia, a region with strong potential for real estate activities. In 2004, the investment management portfolio increased by 17% to EUR 30.9 billion.

ING Real Estate Development covers the development of shopping centres, offices and residential units in response to market demand. In 2004, development activities returned to a more normalized level. Prominent real estate projects were launched in Belgium, the Czech Republic, Italy and the United States. Construction started on major projects in Australia and a number of European countries. As of year-end 2004, the global real estate development portfolio amounted to EUR 2.1 billion.

Our finance business offers a wide range of products, from mortgages, project finance, construction finance and leasing arrangements to syndicated loans. The finance activities made a considerable contribution to ING Real Estate s result, with significant portfolio growth. A noteworthy finance deal was the refinancing of the Vendex KBB real estate portfolio in close co-operation with ING Bank. It maintained its leading position in the Dutch financing market. In 2004, the real estate finance portfolio increased by 24% to EUR 17.1 billion. Roughly two-thirds of the increase stemmed from net new business awarded in an extremely competitive environment, while the rest was the result of internal transfers.

Baring Asset Management

Baring Asset Management (BAM) provides a diversified spectrum of investment management services to a variety of institutional and private clients.

In November 2004, ING entered into an agreement to sell BAM to Mass Mutual and Northern Trust. The transactions were completed on March 31, 2005.

Table of Contents

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

COMPANIES TREATED AS PART OF THE INSURANCE OPERATIONS

The Netherlands	
ING Verzekeringen N.V.	The Hague
ING Verzekeringen Nederland N.V.	The Hague
ING Vastgoed Belegging B.V.	The Hague
Nationale-Nederlanden Levensverzekering Maatschappij N.V.	Rotterdam
Nationale-Nederlanden Schadeverzekering Maatschappij N.V.	The Hague
Parcom Ventures B.V.	Utrecht
Postbank Levensverzekering N.V.	The Hague
Postbank Schadeverzekering N.V.	The Hague
RVS Levensverzekering N.V.	Rotterdam
RVS Schadeverzekering N.V.	Ede
Movir N.V.	Nieuwegein
Belgium	
ING Insurance N.V.	Antwerp
Rest of Europe	
ING Life Insurance Company a.s.	Bratislava, Slovakia
Nationale-Nederlanden Life Insurance Company Poland	Warsaw, Poland
NN Pension Fund Poland S.A.	Warsaw, Poland
ING Nederlanden Asigurari de Viata S.A.	Bucharest, Romania
ING Greek Life Insurance Company S.A.	Athens, Greece
ING Greek General Insurance Company S.A.	Athens, Greece
ING Nationale-Nederlanden Hungary Insurance Rt.	Budapest, Hungary
Nationale Nederlanden Vida, Compañia de Seguros y Reasuguros S.A.	Madrid, Spain
Nationale Nederlanden Generales Compañia de Seguros y Reasuguros S.A.	Madrid, Spain
North America	
ING Canada, Inc. (70%)	Toronto, Ontario, Canada
Belair Insurance Company Inc.	Montreal, Quebec, Canada
ING Insurance Company of Canada	Toronto, Ontario, Canada
ING Novex Insurance Company of Canada	Toronto, Ontario, Canada
ING America Insurance Holdings, Inc.	Wilmington, Delaware, U.S.A.
ING International Insurance Holdings, Inc.	Hartford, Connecticut, U.S.A.
ING Life Insurance and Annuity Company	Hartford, Connecticut, U.S.A.
ING North America Insurance Corporation	Atlanta, Georgia, U.S.A.
Life Insurance Company of Georgia	Atlanta, Georgia, U.S.A.*
Lion Connecticut Holdings Inc.	Hartford, Connecticut, U.S.A.
ReliaStar Life Insurance Company	

	Minneapolis, Minnesota, U.S.A
ReliaStar Life Insurance Company of New York	Woodbury, New York, U.S.A
Security Life of Denver Insurance Company	Denver, Colorado, U.S.A.
ING USA Annuity and Life Insurance Company	Des Moines, Iowa, USA
Latin America	
ING Seguros de Vida S.A.	Santiago, Chile
ING Afore S.A. de C.V.	Mexico City, Mexico
Seguros Comercial America S.A. de C.V.	Mexico City, Mexico
Asia	
ING Life Insurance Company (Japan) Limited	Tokyo, Japan
ING Life Insurance Company (Korea) Limited (80%)	Seoul, South Korea
ING Life Insurance Company of America	Hartford, Connecticut**

Table of Contents

Australia	
ING Australia Holdings Limited	Sydney, Australia
ING Australia Pty Limited (51%)	Sydney, Australia
Reinsurance companies	
ING Re (Netherlands) N.V.	The Hague, the Netherlands
Branches	

In addition, ING Insurance and its subsidiaries have offices in Brazil, the Czech Republic and Luxembourg.

---

* sale expected to be completed in the second quarter of 2005

** operating primarily as ING Antei in Taipei, Taiwan

COMPANIES TREATED AS PART OF THE BANKING OPERATIONS

The Netherlands	
ING Bank N.V.	Amsterdam
Bank Mendes Gans N.V. (97.79%)	Amsterdam
ING Lease Top Holding B.V.	Amsterdam
ING Bank Corporate Investments B.V.	Amsterdam
ING Trust (Nederland) B.V.	Amsterdam
ING Vastgoed Management Holding B.V.	The Hague
InterAdvies N.V.	Amsterdam
Nationale-Nederlanden Financiële Diensten B.V.	Amsterdam
NMB-Heller Holding N.V. (50%)*	Amsterdam
Postbank N.V.	Amsterdam
Postbank Groen N.V.	Amsterdam
Stichting Regio Bank	Amsterdam
Belgium	
ING België N.V.	Brussels
Rest of Europe	
ING Bank Slaski S.A. Katowicach (87.8%)	Katowice, Poland
Baring Asset Management Holdings Ltd.	London, United Kingdom**
ING Bank Deutschland A.G.	Frankfurt, Germany
North America	
ING Financial Holdings Corporation	New York, NY, U.S.A.
Latin America	
ING Trust (Antilles) N.V.	Curaçao, Netherlands Antilles
Middenbank Curaçao N.V.	Curaçao, Netherlands Antilles
Asia	
ING Vysya Bank Ltd. (44%)	Bangalore, India

Other	
ING Direct N.V.	Canada, Germany, Spain, Australia, France, USA, Italy, UK

Branches

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

* proportionally consolidated

** sold on March 31, 2005

Table of Contents

REGULATION AND SUPERVISION

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

In the EU, groups of companies are permitted to be engaged in both insurance and banking. However, direct mergers between banking and insurance companies are not permitted.

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

ensure that a financial conglomerate has adequate capital;

introduce methods for calculating a conglomerate s overall solvency position;

deal with the issues of intra-group transactions, exposure to risk and the suitability and professionalism of management at financial conglomerate level; and

prevent situations in which the same capital is used simultaneously as a buffer against risk in two or more entities which are members of the same financial conglomerate (double gearing) and where a parent issues debt and downstreams the proceeds as equity to its regulated subsidiaries (excessive leveraging).

ING does not expect this directive to have a material impact on its business, on its capital requirements nor on its solvency position, as it already complies with comparable national legislation for financial conglomerates.

ING and its subsidiaries are in compliance in all material respects with the applicable banking and insurance supervision, capitalization and capital base requirements of each applicable jurisdiction. On October 30, 2004, the merger of the Dutch Central Bank, de Nederlandsche Bank, (DNB) and the Pensions & Insurance Supervisory Authority of the Netherlands, Pensioen- & Verzekeringskamer, (PVK) was officially completed. On the operational level, the two prudential supervisors of the Dutch financial sector have already been working as an integrated body since May 3, 2004. The new merged organization shall continue under the name of DNB.

The merger between the two supervisors marks the second of three steps in an extensive restructuring of financial supervision in the Netherlands. The first step in early 2002, involved a shift in the basis or supervision. The supervisory body no longer based its supervision on the types of institutions, such as banks or insurers, but rather on the nature of supervision. As of 2002, the Dutch regulatory system for financial supervision consists of prudential supervision monitoring the soundness of financial institutions and the financial sector, and conduct-of-business supervision regulating institutions conduct in the markets. Prudential supervision is exercised by the DNB, while conduct-of-business supervision is performed by the Netherlands Authority for the Financial Markets, Autoriteit Financiële Markten (AFM). The second step is the recently completed merger of the two prudential supervisors, DNB and PVK.

The third step in the restructuring of supervision will be the introduction of the new Financial Supervision Act in the beginning of 2006. This law will replace the numerous existing laws and regulations in the area of supervision, and will represent a significant adjustment in the legislation in the Netherlands to reflect market conditions.

Table of Contents

INSURANCE

Europe

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

In the Netherlands, the home country insurance supervisory authority is the DNB, which regulates the insurers and pension funds that operate in the Netherlands.

In Belgium, ING s insurance operations are supervised by the Banking, Finance and Insurance Commission (CBFA), created as a result of the integration of the Insurance Supervisory Authority (ISA) and the Banking and Finance Commission. Since January 1, 2004, it is the single supervisory authority for the Belgian financial sector. In other European Union countries ING s insurance operations are subject to supervision by similar supervisory authorities.

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

On the basis of the EU directives, European life insurance companies are required to maintain at least a shareholders equity level of generally 4% of insurance reserves (1% of separate account reserves), plus 0.3% of the amount at risk under insurance policies. The required shareholders equity level for Dutch non-life insurers is the greater of two calculations: one based on premiums and the other on claims. The former is based on 16% of gross premiums written for the year, the latter is based on 23% of a three-year average of gross claims.

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

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

Americas

United States

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

Insurers, including the companies comprising of ING Insurance s U.S. operations are subject to the Risk Based Capital (RBC) guidelines. These guidelines provide a method to measure the adjusted capital (statutory capital and surplus plus other adjustments) that insurance companies should maintain for supervisory purposes, taking into account the risk characteristics of the company s investments and products. The RBC ratio of an insurance company varies over time depending upon many factors, including its earnings, the mix of assets in its investment portfolio, the nature of the products it sells and its rate of sales growth, as well as changes in the RBC formulas required by supervisors. The RBC guidelines are intended to be a supervisory tool only, and are not intended as a means to rank insurers generally. Each of the companies comprising ING Insurance s U.S. operations was above its target and statutory minimum RBC ratios, at year-end 2004.

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

Canada

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

Asia/Pacific

Japan

In Japan, the Financial Services Agency (FSA) was established on July 1, 2000, by the integration of the Financial Supervisory Agency and the Financial System Planning Bureau of the Ministry of Finance. The FSA supervises insurance companies, banks and securities houses.

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

Table of Contents

South Korea

ING Group s South Korean insurance subsidiaries are subject to supervision by the Financial Supervisory Commission (FSC) and its executive arm, the Financial Supervisory Service (FSS). A second body, the Korean Insurance Development Institute (KIDI) advises the FSC, FSS and the Ministry of Finance and Economy on policies and systems related to life insurance. The KIDI must approve of all new products and revisions of existing products. In August 2003, the Insurance Business Act was revised to deregulate the insurance industry and to increase competition. In 2004, the FSS announced a plan to strengthen and change its supervisory policies based on the Risk Assessment and Application System (RAAS) from 2006 onwards.

Australia

The financial services activities of life insurance, investments, superannuation, general insurance and banking are currently governed by separate legislation under Australian law. The two main financial services regulators are the Australian Securities and Investment Commission (ASIC) and the Australian Prudential Regulation Authority (APRA). APRA is responsible for the prudential regulation of banks and other deposit taking institutions, life and general insurance companies, superannuation funds and Retirement Savings Account Providers. APRA s responsibilities include regulating capital and liquidity requirements and monitoring the management functions of product providers. ASIC is responsible for consumer protection and market integrity across the financial systems, including the areas of insurance banking and superannuation. All relevant business entities were licensed by March 11, 2004 pursuant to the Corporations Act 2001 requirements.

Taiwan

The Financial Supervisory Commission (FSC) was established on July 1, 2004 and supervises insurance companies, banks and securities houses in Taiwan. On July 9, 2004, the FSC issued new solvency requirements, stipulating that the paid-in capital held by Taiwanese life insurance companies must be at least 200% of their risk based capital (RBC). This applies to both local and foreign insurance companies in Taiwan; should the paid-in capital to risk capital ratio fall below 200%, the life insurance company is required to raise new funds to achieve the target. The Taiwanese RBC rules are quite similar to the U.S. RBC rules. ING Group s operations in Taiwan are regulated by both the insurance department of the State of Connecticut, as a branch of a US company, and by the Ministry of Finance (MoF) in Taiwan. In accordance with the Directions Governing Review of life Insurance Products, dated June 30, 2003 of the MoF, all kinds of life insurance products shall be filed and submitted for review by the Insurance Bureau of the FSC before marketing.

BANKING

Wholesale Banking, Retail Banking and ING Direct

Basel Standards

The Basel Committee on Banking Supervision of the Bank for International Settlements (BIS) develops international capital adequacy guidelines based on the relationship between a bank s capital and all of its risks, including but not limited to credit, market and operational risk. In this context, on July 15, 1988, the Basel Committee adopted risk-based capital guidelines (the Basel guidelines), which have been implemented by banking regulators in the countries that have endorsed them. The Basel guidelines are intended to strengthen the soundness and stability of the international banking system. The Basel guidelines are also intended to reduce an existing source of competitive inequality among international banks by harmonizing the definition of capital and the rules for the evaluation of asset risks and by establishing a uniform target capital base ratio (capital to risk-weighted assets). Supervisory authorities in each jurisdiction have, however, some discretion in determining whether to include particular instruments as capital under the Basel guidelines and to assign different weights, within a prescribed range, to various categories of assets. The Basel guidelines were adopted by the European Community. In June 1999, the Basel Committee proposed a review of the Basel guidelines of 1988. Since then the proposals for a New Basel Accord from the Basel Committee were further discussed by several international working parties. In June 2004, the Basel Committee issued the final documentation with revised regulations governing the capital adequacy of banks that are active in the

Table of Contents

international markets. The implementation of the New Basel Capital Accord is expected in the beginning of 2007.

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

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

European Union Standards

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

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

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

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

ING Bank files consolidated monthly and annual reports of its financial position and results with the DNB in the Netherlands. ING Bank s independent auditors audit these reports.

Table of Contents

Our banking operations in Belgium are supervised by the CBFA Commission. Banking supervision in Germany is carried out by the German Federal Financial Supervisory Agency (BAFIN), working in cooperation with the German Central Bank (Deutsche Bundesbank). Similar authorities supervise ING s banking operations in other European Union countries, such as, the Financial Services Authority in the United Kingdom.

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

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

Americas

United States

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

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

Canada

ING Bank of Canada (ING BOC) is a federally regulated financial institution that is subject to the supervision of the Office of the Superintendent of Financial Institutions (OSFI), which is the primary supervisor of federally chartered financial institutions (including banks and insurance companies) and federally administered pension plans. ING BOC operates a wholly owned mortgage loan company subsidiary, ING Mortgage Broker Services Inc., which is subject to provincial regulation in the provinces in which it operates. ING MBS s home province supervisor is the Financial Services Commission of Ontario, which supervises insurance, pensions, credit unions, caisses populaires, cooperatives, mortgage brokers and loan & trust companies in the province of Ontario. As of December 31, 2004, ING MBS is being wound up into ING BOC and will cease to be a subsidiary. Effective as of such date, the activities carried out under the ING MBS brand shall be governed by OSFI.

Furthermore, ING BOC operates a wholly-owned mutual fund dealer subsidiary, ING Direct Mutual Funds Limited. This company is subject to provincial regulation in the provinces in which it operates. ING Direct Mutual Funds Limited s home province supervisor is the Ontario Securities Commission, which regulates the sale of mutual funds and equities in Ontario. ING Direct Mutual Funds Limited is also a member of the Mutual Funds Dealer s Association, a mandatory self-regulatory body, which governs and oversees the conduct of mutual fund dealers in Canada.

Asia/Pacific

Australia

The Australian Prudential Regulation Authority is responsible for the prudential regulation of banks and other deposit taking institutions, life and general insurance companies, superannuation funds and Retirement Savings Account Providers. See also supervision insurance on page 42.

Table of Contents

BROKER-DEALER AND INVESTMENT MANAGEMENT ACTIVITIES

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

Certain ING entities in the United States (including certain of its broker-dealers) also act in the capacity of a federally registered investment advisor (i.e. providing transactional advice to customers for a fee), and are governed in such activities by the Investment Advisers Act of 1940, as amended. Moreover, certain ING entities manage investment funds (such as mutual funds); the Investment Company Act of 1940, as amended, regulates the governance and activities of those funds. These laws impose record-keeping and disclosure requirements on ING in the context of such activities. Moreover, the laws impose restrictions on transactions or require disclosure of transactions involving advisory clients and the advisor or the advisors affiliates, as well as transactions between advisory clients. In addition, the Employee Retirement Income Security Act of 1974, as amended, imposes certain obligations on investment advisors managing employee plan assets as defined in this act.

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

Table of Contents

SELECTED STATISTICAL INFORMATION ON BANKING OPERATIONS

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

The return on equity of the banking operations amounted to 15.8% in 2004 against 11.0% in 2003 and 6.5% in 2002, whereas the return on equity of ING Group amounted to 22.9%, 21.5% and 17.4% for the years 2004, 2003 and 2002 respectively. The dividend pay-out ratio of ING Group amounted to 38.2% in 2004, 48.5% 2003 and 44.1% in 2002. The return on assets ratio was 1.0% in 2004, 0.8% in 2003 and 0.9% in 2002. The equity to assets ratio amounted to 3.0%, 3.3% and 3.6% for the years 2004, 2003 and 2002, respectively.

AVERAGE BALANCES AND INTEREST RATES

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

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

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

Table of Contents

ASSETS

	Interest-earning assets								
	2004			2003			2002		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
	(EUR millions)		%	(EUR millions)		%	(EUR millions)		%
Time deposits with banks									
domestic	4,845	113	2.3	1,984	98	4.9	3,625	128	3.5
foreign	32,959	968	2.9	24,450	723	3.0	21,965	935	4.3
Loans and advances									
domestic	157,457	7,237	4.6	154,944	7,800	5.0	146,277	7,885	5.4
foreign	183,458	7,792	4.2	160,338	6,790	4.2	148,979	7,149	4.8
Interest-earning securities[1]									
domestic	31,221	616	2.0	25,384	682	2.7	20,472	692	3.4
foreign	165,173	5,922	3.6	116,092	4,450	3.8	92,616	4,182	4.5
Other interest-earning assets									
domestic	527	30	5.7	3,563	208	5.8	4,588	167	3.6
foreign	2,941	158	5.4	9,188	262	2.9	11,040	465	4.2
Total	**578,581**	**22,836**	**3.9**	**495,943**	**21,013**	**4.2**	**449,562**	**21,603**	**4.8**
Non-interest earning assets	22,276			24,011			27,216		
Total assets[1]	**600,857**			**519,954**			**476,778**		

	2004	2003	2002
Percentage of assets applicable to foreign operations	66.5%	64.9%	62.1%
Other interest income (reconciliation to consolidated financial statements):			
amortized results investments[2]	157	258	348
lending commission	96	96	102
adjustment for interest on non-performing loans[3]	(84)	(123)	(105)
interest on off-balance instruments [4]	2,223	2,187	1,758
other	352	371	382
Total interest income	**25,580**	**23,802**	**24,088**

Table of Contents

LIABILITIES

	Interest-earning liabilities								
	2004			2003			2002		
	Average balance	Interest expense	Average yield	Average balance	Interest expense	Average yield	Average balance	Interest expense	Average yield
	(EUR millions)		%	(EUR millions)		%	(EUR millions)		%
Time deposits from banks									
domestic	26,131	590	2.3	19,829	666	3.4	23,789	832	3.5
foreign	50,522	1,111	2.2	36,870	771	2.1	43,435	1,238	2.9
Demand deposits(5)									
domestic	32,210	176	0.6	32,694	219	0.7	31,291	332	1.1
foreign	26,992	423	1.6	23,867	391	1.6	20,994	528	2.5
Time deposits(5)									
domestic	14,432	371	2.6	13,082	391	3.0	17,675	746	4.2
foreign	29,995	727	2.4	31,207	956	3.1	34,432	1,242	3.6
Savings deposits(5)									
domestic	58,277	1,504	2.6	50,051	1,425	2.9	43,463	1,300	3.0
foreign	150,428	4,422	2.9	100,317	2,878	2.9	57,781	2,050	3.6
Short term debt									
domestic	4,992	102	2.0	5,664	180	3.2	5,082	193	3.8
foreign	29,879	696	2.3	48,305	909	1.9	48,836	1,309	2.7
Long term debt									
domestic	15,645	670	4.3	15,586	895	5.7	19,278	865	4.5
foreign	40,394	1,751	4.3	32,143	1,300	4.1	30,439	1,634	5.4
Subordinated liabilities									
domestic	13,061	732	5.6	10,915	647	5.9	9,109	589	6.5
foreign	2,802	160	5.7	2,921	178	6.1	3,184	190	6.0
Other interest-bearing liabilities									
domestic	18,468	158	0.9	19,475	583	3.0	10,972	359	3.3
foreign	32,470	971	3.0	25,253	1,063	4.2	22,890	1,103	4.8
Total	546,698	14,564	2.7	468,179	13,452	2.9	422,650	14,510	3.4
Non-interest bearing liabilities	36,299			34,587			36,726		
Total Liabilities	582,997			502,766			459,376		
Group Capital	17,860			17,188			17,402		
Total liabilities and capital	**600,857**			**519,954**			**476,778**		
		64.9%			65.1%			63.2%	

Percentage of liabilities applicable to foreign operations			
Other interest expense (reconciliation to Consolidated Financial Statements):			
interest on off-balance instruments (6)	2,078	2,027	1,718
other	130	208	214
Total interest expense	**16,772**	**15,687**	**16,442**
Total net interest result	**8,808**	**8,115**	**7,646**

(1) Substantially all interest-earning securities held by the banking operations of the Company are taxable securities. The interest income excludes the interest income on trading activities reported under result from financial transactions.

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

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

Table of Contents

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

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

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

ANALYSIS OF CHANGES IN NET INTEREST INCOME

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

	2004 over 2003 Increase (decrease) due to changes in			2003 over 2002 Increase (decrease) due to changes in		
	average volume	**average rate**	**net change**	**average volume**	**average rate**	**net change**
		(EUR millions)			**(EUR millions)**	
Interest-earning assets						
Time deposits to banks						
domestic	67	(52)	15	(81)	51	(30)
foreign	250	(5)	245	73	(285)	(212)
Loans and advances						
domestic	115	(678)	(563)	436	(521)	(85)
foreign	982	20	1,002	481	(840)	(359)
Interest-earning securities						
domestic	115	(181)	(66)	132	(142)	(10)
foreign	1,760	(288)	1,472	900	(632)	268
Other interest-earning assets						
domestic	(172)	(6)	(178)	(60)	101	41
foreign	(335)	231	(104)	(52)	(151)	(203)
Interest income						
domestic	125	(917)	(792)	427	(511)	(84)
foreign	2,657	(42)	2,615	1,402	(1,908)	(506)
Total	**2,782**	**(959)**	**1,823**	**1,829**	**(2,419)**	**(590)**
Other interest income (reconciliation to consolidated financial statements)			(45)			304

Total interest income	**1,778**	**(286)**

49

	2004 over 2003 Increase (decrease) due to changes in			2003 over 2002 Increase (decrease) due to changes in		
	average volume	average rate (EUR millions)	net change	average volume	average rate (EUR millions)	net change
Interest-bearing liabilities						
Time deposits from banks						
domestic	142	(218)	(76)	(133)	(33)	(166)
foreign	300	40	340	(137)	(330)	(467)
Demand deposits						
domestic	(2)	(41)	(43)	9	(122)	(113)
foreign	49	(17)	32	47	(184)	(137)
Time deposits						
domestic	35	(55)	(20)	(138)	(217)	(355)
foreign	(30)	(199)	(229)	(99)	(187)	(286)
Savings deposits						
domestic	212	(133)	79	188	(63)	125
foreign	1,473	71	1,544	1,220	(392)	828
Short term debt						
domestic	(14)	(64)	(78)	19	(32)	(13)
foreign	(430)	217	(213)	(10)	(390)	(400)
Long term debt						
domestic	3	(228)	(225)	(212)	242	30
foreign	358	93	451	69	(403)	(334)
Subordinated liabilities						
domestic	120	(35)	85	107	(49)	58
foreign	(6)	(12)	(18)	(16)	4	(12)
Other interest-bearing liabilities						
domestic	(9)	(416)	(425)	255	(31)	224
foreign	216	(308)	(92)	99	(139)	(40)
Interest expense						
domestic	487	(1,190)	(703)	95	(305)	(210)
foreign	1,930	(115)	1,815	1,173	(2,021)	(848)
Total	**2,417**	**(1,305)**	**1,112**	**1,268**	**(2,326)**	**(1,058)**
Other interest expense (reconciliation to consolidated financial statements)			(27)			303
Total interest expense			**1,085**			**(755)**
Net interest						
domestic	(362)	273	(89)	333	(208)	125
foreign	727	73	800	228	115	343

Net interest	**365**	**346**	**711**	**561**	**(93)**	**468**
Other net interest result (reconciliation to consolidated financial statements)			(18)			1
Net interest result			**693**			**469**

50

Table of Contents

LOAN PORTFOLIO

Loans and advances to banks and customers

Loans and advances to banks include all receivables from credit institutions, except for cash, current accounts and deposits with other banks (including central banks). Lending facilities to corporate and private customers encompass among others, loans, overdrafts and finance lease receivables. The following table sets forth the gross loans and advances to banks and customers for the last five years.

	Year ended December 31,				
	2004	**2003**	**2002**	**2001**	**2000**
			(EUR millions)		
By domestic offices:					
Loans guaranteed by public authorities	7,296	6,473	8,013	8,949	8,306
Loans secured by mortgages	103,594	94,125	86,932	78,789	65,585
Loans to or guaranteed by credit institutions	7,323	8,367	7,103	8,356	3,643
Other private lending	6,420	7,009	8,201	3,775	3,532
Other corporate lending	35,897	36,861	42,083	35,060	33,715
Total domestic offices	**160,530**	**152,835**	**152,332**	**134,929**	**114,781**
By foreign offices:					
Loans guaranteed by public authorities	17,118	16,603	15,750	13,398	13,019
Loans secured by mortgages	53,156	39,604	31,260	19,502	14,048
Loans to or guaranteed by credit institutions	26,471	17,879	23,562	21,861	19,635
Other private lending	8,474	7,813	6,810	3,259	2,790
Other corporate lending	88,639	86,722	82,256	88,687	102,484
Total foreign offices	**193,858**	**168,621**	**159,638**	**146,707**	**151,976**
Total gross loans and advances to banks and customers	**354,388**	**321,456**	**311,970**	**281,636**	**266,757**

The total net loans and advances to banks and customers amounted to EUR 350,126 million on December 31, 2004 and to EUR 316,785 million on December 31, 2003. The difference between total net loans and advances to banks and customers on the one hand and total gross loans and advances to banks and customers on the other, amounting to EUR 4,262 million, EUR 4,671 million and EUR 4,870 million on December 31, 2004, 2003 and 2002, respectively, represents the provisions for loan losses.

Table of Contents

Maturities and sensitivity of loans to changes in interest rates

The following table analyzes loans and advances to banks and customers by time remaining until maturity as of December 31, 2004.

	1 year or less	1 year to 5 years	After 5 years	Total
		(EUR millions)		
By domestic offices:				
Loans guaranteed by public authorities	457	515	6,324	7,296
Loans secured by mortgages	9,023	10,918	83,653	103,594
Loans guaranteed by credit institutions	6,371	699	253	7,323
Other private lending	5,689	584	147	6,420
Other corporate lending	23,183	8,383	4,331	35,897
Total domestic offices	**44,723**	**21,099**	**94,708**	**160,530**
By foreign offices:				
Loans guaranteed by public authorities	7,125	5,075	4,918	17,118
Loans secured by mortgages	5,005	15,347	32,804	53,156
Loans guaranteed by credit institutions	20,311	3,773	2,387	26,471
Other private lending	4,257	1,923	2,294	8,474
Other corporate lending	64,502	13,970	10,167	88,639
Total foreign offices	**101,200**	**40,088**	**52,570**	**193,858**
Total gross loans and advances to banks and customers	**145,923**	**61,187**	**147,278**	**354,388**

The following table analyzes loans and advances to banks and customers by interest rate sensitivity by maturity as of December 31, 2004.

	1 year or less	Over 1 year	Total
		(EUR millions)	
Non-interest earning	4,306	510	4,816
Fixed interest rate	86,040	57,018	143,058
Semi-fixed interest rate[1]	3,498	94,712	98,210
Variable interest rate	52,079	56,224	108,304
Total	**145,923**	**208,465**	**354,388**

(1)

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

Risk elements

Non-accrual and past due loans

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

52

Table of Contents

Under Accruing but past due 90 days , all loans reported are still accruing, but principal or interest payments are contractually past due 90 days or more. Domestic commercial loans combined with an overdraft facility, which make up approximately 50% of the reported amount in the domestic Accruing but past due 90 days category, were included in the 2004, 2003 and 2002 table below if the overdraft facility exceeded a specified limit for 90 days or more on December 31, 2004, 2003 and 2002, respectively. The amount of loans meeting these criteria in prior years was estimated by management based on the size of the underlying portfolio and specific risk factors.

Based on the foregoing, the following table sets forth management s estimate, without giving effect to available security or related specific provisions, of the amounts of its loan portfolio in each of the two categories indicated. These loans are under constant review of the credit risk department.

	Year ended December 31,				
	2004	**2003**	**2002**	**2001**	**2000**
	(EUR millions)				
Non-accrual					
domestic	1,143	965	1,093	1,425	711
foreign	2,284	2,599	3,044	2,613	2,745
Sub-total	3,427	3,564	4,137	4,038	3,456
Accruing but past due 90 days					
domestic	577	830	986	1,083	1,112
foreign	510	819	1,048	957	756
Sub-total	1,087	1,649	2,034	2,040	1,868
Total	**4,514**	**5,213**	**6,171**	**6,078**	**5,324**

Restructured loans

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

	Year ended December 31,				
	2004	**2003**	**2002**	**2001**	**2000**
	(EUR millions)				
Troubled debt restructuring					
domestic	197	115	439	57	154
foreign	651	516	461	1,054	569
Total troubled debt restructuring	**848**	**631**	**900**	**1,111**	**723**

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

Interest income that would have been recognized in 2004 under the original terms of the non-accrual and restructured loans amounted to an estimated EUR 118 million from loans granted by domestic offices and an estimated EUR 143 million from loans granted by foreign offices. Interest income of approximately EUR 78 million from such domestic loans and approximately EUR 24 million from such foreign loans was recognized in the profit and loss account for 2004.

On December 31, 2004, ING Group had loans amounting to EUR 4,205 million that were not included in the risk elements schedule above. These loans are considered potential problem loans as the credit review officers obtained information that caused doubts as to the repayment of the loan by the borrower. Of this total, EUR 1,910 million relates to domestic loans and EUR 2,295 million relates to

Table of Contents

foreign loans. Appropriate provisions, following ING Group s credit risk rating system, have been established for these loans.

Cross-border outstandings

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

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

Guaranteed or secured loans are deducted from gross cross-border outstandings to arrive at net cross-border outstandings provided that political and transfer risks are also covered explicitly by the agreement. Commitments such as irrevocable letters of credit are not considered as cross border outstanding. Total outstandings are in line with Dutch Central Bank requirements. On December 31, 2004, there were no outstandings exceeding 1% of total assets in any country where current conditions give rise to liquidity problems which are expected to have a material impact on the timely repayment of interest or principal.

	Year ended December 31, 2004				
	Government & official institutions	Banks & other financial institutions	Commercial & industrial	Other	Total
			(EUR millions)		
United Kingdom	92	19,620	30,391	640	50,743
Germany	9,641	19,367	3,538	4,721	37,267
United States	507	3,097	19,462	3,998	27,064
France	5,245	8,185	3,664	649	17,743
Spain	3,850	8,595	2,566	1,449	16,460
Italy	6,753	5,008	2,725	423	14,909
Belgium	2,887	2,133	3,015	904	8,939

	Year ended December 31, 2003				
	Government & official institutions	Banks & other financial institutions	Commercial & industrial	Other	Total
			(EUR millions)		
United Kingdom	503	19,403	16,818	1,034	37,758
Germany	6,294	16,810	2,405	2,705	28,214
United States	193	3,295	18,066	324	21,878

Spain	2,157	9,760	1,490	221	13,628
France	2,926	5,725	3,388	699	12,738
Italy	4,141	4,384	2,440	409	11,374

	Year ended December 31, 2002				
	Government & official institutions	Banks & other financial institutions	Commercial & industrial	Other	Total
			(EUR millions)		
United Kingdom	5	17,782	20,032	1,280	39,099
United States	2,013	2,491	19,578	912	24,994
Germany	4,660	8,899	2,165	2,070	17,794
France	515	3,941	2,876	784	8,116
Belgium	2,039	1,940	2,248	1,256	7,483

There were no cross-border outstandings in any country between 0.75% and 1% of total assets, on year-end 2004. On December 31, 2003 and 2002, the following countries had cross-border outstandings between 0.75% and 1% of total assets:

	Cross-border outstandings Year ended December 31 (EUR millions)
2003	
Belgium	6,888
2002	
Italy	7,101
Spain	5,828

Loan concentration

The following industry concentrations were in excess of 10% of total loans as of December 31, 2004:

	Total outstandings (EUR millions)
Financial institutions(1)	68,897
Service industry	55,746

(1) Excluding bank deposits given of approximately EUR 57 billion.

Bad and doubtful debts

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

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

- the financial standing of the customer, including a realistic assessment of the likelihood of repayment of the loan within an acceptable period and the extent of ING Group s other commitments to the same customer;
- the realizable value of any security for the loan; and
- the costs associated with obtaining repayment and realization of any such security.

Table of Contents

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

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

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

Table of Contents

Summary of loan loss experience

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

	Calendar period				
	2004	2003	2002	2001	2000
	(EUR millions)				
Balance on January 1	4,671	4,870	4,474	4,272	4,522
Change in the composition of the Group	(38)	104	93	(171)	
Charge-offs:					
Domestic:					
Loans guaranteed by public authorities	(1)		(1)		
Loans secured by mortgages	(3)	(1)	(4)	(4)	(3)
Loans to or guaranteed by credit institutions	(22)	(27)	(18)		
Other private lending	(57)	(65)	(31)	(31)	(77)
Other corporate lending	(156)	(166)	(211)	(166)	(198)
Foreign:					
Loans guaranteed by public authorities	(13)	(1)			
Loans secured by mortgages	(31)	(30)	(8)	(1)	(1)
Loans to or guaranteed by credit institutions	20	(10)	(3)	(9)	(91)
Other private lending	(57)	(105)	(32)	(1)	(1)
Other corporate lending	(589)	(797)	(530)	(391)	(458)
Total charge-offs	(909)	(1,202)	(838)	(603)	(829)
Recoveries:					
Domestic:					
Loans guaranteed by public authorities					
Loans secured by mortgages				3	5
Loans to or guaranteed by credit institutions	6	7	4		
Other private lending	3	9	2	4	5
Other corporate lending			3	8	4
Foreign:					
Loans guaranteed by public authorities					
Loans secured by mortgages	(1)		2		2
Loans to or guaranteed by credit institutions	23	4			1
Other private lending	11	10	7		
Other corporate lending	42	19	15	23	34
Total recoveries	84	49	33	38	51
Net charge-offs	(825)	(1,153)	(805)	(565)	(778)
Additions and other adjustments (included in value Adjustments to receivables of the Banking operations), excluding foreign currency exchange	454	850	1,108	938	528

Balance at December 31	**4,262**	**4,671**	**4,870**	**4,474**	**4,272**
Ratio of net charge-offs to average loans and advances to banks and customers	0.24%	0.37%	0.27%	0.22%	0.31%

Additions to the provision for loan losses are based on management s judgment, taking into account all available evidence, on borrower creditworthiness, contractual loan terms, available judicial and other remedies, historical patterns of losses and current economic developments.

Management regularly assesses the adequacy of the provision for loan losses by performing ongoing evaluations of the loan portfolio. A formal analysis of specifically identified loans takes place every quarter, including evaluation of economic risks associated with each loan, the current financial

Table of Contents

condition of the borrower, the economic environment in which the borrower operates, the level of delinquent loans and the value of collateral. Credit ratings are assigned to the borrowers by allocating all outstanding loans into various Risk Rating categories on a regular basis.

The policy for determining the provision for loan losses is set out in more detail under the heading Bad and Doubtful debts and in Note 1.6.2.5. to the consolidated financial statements.

Additions to the provision for loan losses presented in the table above were influenced by developments in general economic conditions as well as certain individual exposures. Significant movements in the addition to the provision for loan losses are explained in the paragraph Addition to the provision for loan losses on page 113.

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

	Year ended December 31,									
	2004		2003		2002		2001		2000	
	EUR	%(1)	EUR	%(1)	EUR	%(1)	EUR	%(1)	EUR	%(1)
	(EUR millions)									
Domestic:										
Loans guaranteed by public authorities	1	2.06		2.00	31	2.56		3.18		3.11
Loans secured by mortgages	198	29.23	164	29.15	120	27.87	112	29.01	105	18.21
Loans to or guaranteed by credit institutions		2.07		2.59		2.28		2.96		1.37
Other private lending	181	1.81	258	2.17	199	2.63	107	1.34	88	1.31
Other corporate lending	692	10.13	728	11.83	649	13.49	742	11.42	766	19.03
Total domestic	1,072	45.30	1,150	47.75	999	48.83	961	47.91	959	43.03
Foreign:										
Loans guaranteed by public authorities	36	4.83	30	5.14	47	5.05	68	4.76	7	4.88
Loans secured by mortgages	213	15.00	238	12.27	73	10.02	41	6.92	103	5.27
Loans to or guaranteed by credit institutions	23	7.47	28	5.54	90	7.55	43	7.76	70	7.36
Other private lending	344	2.39	385	2.42	145	2.18	181	1.16	82	1.05

Other corporate lending	2,574	25.01	2,840	26.89	3,516	26.37	3,180	31.49	3,051	38.41
Total foreign	3,190	54.70	3,521	52.25	3,871	51.17	3,513	52.09	3,313	56.97
Total	**4,262**	**100.00**	**4,671**	**100.00**	**4,870**	**100.00**	**4,474**	**100.00**	**4,272**	**100.00**

(1) The percentages represent the loans in each category as a percentage of the total loan portfolio for loans and advances to banks and customers.

Table of Contents

The following table shows the provision for loan losses on loans accounted for as loans and advances to banks and customers as a percentage of the related loan portfolio for the past five years:

	Year ended December 31,				
	2004	**2003**	**2002**	**2001**	**2000**
			(in %)		
Domestic:					
Loans guaranteed by public authorities	0.01	0.01	0.39		
Loans secured by mortgages	0.19	0.17	0.14	0.14	0.16
Other private lending	2.81	3.67	2.43	2.83	2.53
Other corporate lending	1.93	1.91	1.54	2.31	2.27
Total domestic	0.67	0.75	0.66	0.71	0.84
Foreign:					
Loans guaranteed by public authorities	0.21	0.18	0.30	0.51	0.06
Loans secured by mortgages	0.40	0.60	0.23	0.21	0.73
Loans to or guaranteed by credit institutions	0.09	0.15	0.36	0.20	0.35
Other private lending	4.06	4.93	2.13	5.55	2.94
Other corporate lending	2.90	3.27	4.27	3.59	2.98
Total foreign	1.65	2.09	2.42	2.39	2.18
Total	**1.20**	**1.45**	**1.56**	**1.59**	**1.60**

DEPOSITS

The aggregate average balance of all the Group s interest-bearing deposits (from banks and customer accounts) increased by 16.80% to EUR 441,901 million. Interest rates paid reflect market conditions. The effect on net interest income depends upon competitive pricing and the level of interest income that can be generated through the use of funds.

Deposits by banks are primarily time deposits, the majority of which are raised by the Group s Amsterdam based money market operations in the world s major financial markets.

Certificates of deposit represent 22% of the category Debt securities (31% at the end of 2003). These instruments are issued as part of liquidity management with maturities generally of less than three months.

Table of Contents

	2004		2003		2002	
	Average deposit (EUR millions)	**Average rate %**	**Average deposit (EUR millions)**	**Average rate %**	**Average deposit (EUR millions)**	**Average rate %**
Deposits by banks						
Demand non-interest bearing	72		10		899	
interest bearing	3,928	2.1	2,911	1.8	1,091	5.0
Time	35,506	2.2	32,104	2.2	30,504	3.5
Total domestic offices	39,506		35,025		32,494	
In foreign offices:						
Demand non-interest bearing	1,998		2,470		3,011	
interest bearing	23,307	1.9	20,846	1.7	12,728	2.6
Time	50,764	2.6	47,733	2.3	59,562	3.4
Total foreign offices	76,069		71,049		75,301	
Total deposits by banks	**115,575**		**106,074**		**107,795**	
Customer accounts						
In domestic offices:						
Demand non-interest bearing	11,216		12,197		15,572	
interest bearing	49,275	1.8	46,710	1.9	17,543	2.8
Savings	26,220	3.1	24,443	1.3	43,389	3.0
Time	29,501	2.7	27,601	3.0	23,252	4.2
Total domestic offices	116,212		110,951		99,756	
In foreign offices:						
Demand non-interest bearing	1,631		3,036		3,407	
interest bearing	34,015	1.4	34,057	1.8	25,973	2.0
Savings	146,358	2.9	96,055	2.8	55,553	3.6
Time	43,027	2.7	45,887	3.1	45,614	3.2
Total foreign offices	225,031		179,035		130,547	
Total customers accounts	**341,243**		**289,986**		**230,303**	
Debt securities						
In domestic offices:						
Debentures	12,538	3.7	7,871	4.5	14,636	3.9
Certificates of deposit	3,711	3.2	4,084	3.4	2,967	4.5
Other	3,179	3.1	3,174	3.6	2,806	4.0
Total domestic offices	19,428		15,129		20,409	
In foreign offices:						

Debentures	14,052	4.7	14,994	4.5	13,267	8.5
Certificates of deposit	12,113	3.1	17,741	2.7	33,821	3.1
Other	26,120	2.5	22,910	2.4	10,781	8.7
Total foreign offices	52,285		55,645		57,869	
Total debt securities	**71,713**		**70,774**		**78,278**	

For the years ended December 31, 2004, 2003 and 2002, the aggregate amount of deposits by foreign depositors in domestic offices was EUR 34,801 million, EUR 33,874 million and EUR 30,551 million, respectively.

Table of Contents

On December 31, 2004, the maturity of domestic time certificates of deposit and other time deposits, exceeding EUR 25,000, was:

	Time certificates of deposit		Other time deposits	
	(EUR millions)	%	(EUR millions)	%
3 months or less	2,483	84.3	61,101	81.9
6 months or less but over 3 months	253	8.6	4,702	6.3
12 months or less but over 6 months	210	7.1	3,858	5.2
Over 12 months	0	0.0	4,914	6.6
Total	**2,946**	**100.0**	**74,575**	**100.0**

The following table shows the amount outstanding for time certificates of deposit and other time deposits exceeding EUR 25,000 issued by foreign offices on December 31, 2004.

	Year ended December 31, 2004 (EUR millions)
Time certificates of deposit	11,722
Other time deposits	77,809
Total	**89,531**

INVESTMENTS OF THE GROUP S BANKING OPERATIONS

The following table shows the balance sheet value under Dutch GAAP of the investments of the Group s banking operations:

	Year ended December 31,		
	2004	2003	2002
		(EUR millions)	
Dutch government	5,688	5,512	3,429
German government	9,403	7,211	2,783
Central banks	180	667	668
Belgian government	14,829	12,839	13,165
Other governments	27,192	21,152	15,200
Corporate debt securities			
Banks and financial institutions	34,530	35,830	18,527
Other corporate debt securities	15,867	5,718	6,210
U.S. Treasury and other U.S. Government agencies	1,953	2,834	5,180

Other debt securities	53,408	24,267	13,917
Total debt securities	163,050	116,030	79,079
Shares and convertible debentures	546	766	1,254
Land and buildings (1)	3,398	2,970	3,709
Total	**166,994**	**119,766**	**84,042**

(1) Including commuted ground rents

Table of Contents

Banking investment strategy

ING s investment strategy for its investment portfolio related to the banking activities is formulated by the Asset and Liability Committee (ALCO). The exposures of the investments to market rate movements are managed by modifying the asset and liability mix, either directly or through the use of derivative financial products including interest rate swaps, futures, forwards and purchased option positions such as interest rate caps, floors and collars. See Item 11. Quantative and Qualitative Disclosure of Market Risk .

The investment portfolio related to the banking activities primarily consists of fixed-interest securities. Approximately 29% of the land and buildings owned by ING Bank are wholly or partially in use by Group companies.

Portfolio maturity description

	1 year or less		Between 1 year and 5 years		Between 5 and 10 years	
	Book value (EUR millions)	Yield[(1)] %	Book value (EUR millions)	Yield[(1)] %	Book value (EUR millions)	Yield[(1)] %
Dutch government	112	3.1	348	4.1	5,313	4.3
German government	992	3.1	2,690	4.1	5,710	4.1
Belgian government	770	4.5	7,348	5.4	6,060	4.6
Central banks	43	2.7			137	5.9
Other governments	4,615	3.3	9,265	4.4	11,783	4.3
Banks and financial institutions	3,849	3.0	15,782	3.7	13,389	4.3
Corporate debt securities	2,221	4.3	4,342	4.3	8,512	4.4
U.S. Treasury and other U.S. Government agencies	91	3.9	618	5.2	301	4.3
Other debt securities	2,539	3.4	18,541	3.5	26,213	3.9
Total	**15,232**		**58,934**		**77,418**	

	Over 10 years		Without maturity				
	Book value (EUR millions)	Yield[(1)] %	Book value (EUR millions)	Yield[(1)] %	Total Book value	premium/ (discount) (EUR millions)	Balance sheet value
Dutch government					5,773	85	5,688
German government	135	5.7			9,527	124	9,403
Belgian government	643	5.0			14,821	(8)	14,829
Central banks					180		180
Other governments	1,698	5.3			27,361	169	27,192
Banks and financial institutions	1,627	3.6			34,647	117	34,530
Corporate debt securities	777	4.8			15,852	(15)	15,867
	976	3.7			1,986	33	1,953

U.S. Treasury and other U.S. Government agencies						
Other debt securities	6,506	3.1	28	53,827	419	53,408
Total	**12,362**		**28**	**163,974**	**924**	**163,050**

(1) Since substantially all investment securities held by the banking operations of the Company are taxable securities, the yields are on a tax- equivalent basis.

Table of Contents

On December 31, 2004, ING Group also held the following securities for the banking operations that exceeded 10% of shareholders equity:

	2004		2003	
	Book value	Market value	Book value	Market value
	(EUR millions)		(EUR millions)	
Dutch government	5,773	6,082	5,618	5,692
Belgian government	14,821	15,837	12,829	13,657
German government	9,527	9,903	7,331	7,424

COMPETITION

There is substantial competition in the Netherlands and in the other countries in which ING undertakes business in insurance, retail and wholesale banking, and other products and services provided. Competition is more pronounced in the mature markets of the Netherlands, the Rest of Europe, the United States, Canada and Australia than in the developing markets. In recent years, however, competition in developing markets has increased as financial institutions from mature markets have sought to establish themselves in markets perceived to offer higher growth potential. ING and all its competitors have sought to form alliances, mergers or strategic relationships with local institutions, which have become more sophisticated and competitive.

Competition with respect to the products and services provided by the Group in both mature and developing markets is based on many factors, including brand recognition, scope of distribution systems, customer service, products offered, financial strength, price and, in the case of investment-linked insurance products and asset management services, investment performance. Management believes its major competitors are the larger Dutch, other European, United States and Japanese commercial banks, insurance companies, asset management and other financial-services companies.

RATINGS

ING Groep N.V. s long-term senior debt is rated A+ (with a positive outlook) by Standard & Poor s Ratings Service (Standard & Poor s), a division of the McGraw-Hill Companies, Inc. ING Groep N.V. s long-term senior debt is rated Aa3 (with a stable outlook) by Moody s Investors Service (Moody s). ING Verzekeringen N.V. s long-term senior deb is rated A+ (with a positive outlook) by Standard & Poor s and Aa3 (with a stable outlook) by Moody s.

ING Bank N.V. s long-term senior debt held a AA- (with a positive outlook) rating by Standard & Poor s as of December 31, 2004. At the same date, Moody s rated ING Bank N.V. s long-term senior debt at Aa2 (with a stable outlook). Finally, ING Bank N.V. s long-term senior debt was rated AA- by Fitch Ratings, Ltd. as of December 31, 2004.

ING Verzekeringen N.V. s short-term senior debt is rated A1 (with a positive outlook) by Standard & Poor s, as of December 31, 2004. Moody s maintains a rating of Prime 1 (P-1) with a stable outlook for the same time period.

ING Bank N.V. s short-term senior debt held a rating of A1+ (with a positive outlook) by Standard & Poor s at December 31, 2004. Over the same time period, Moody s rated the short-term debt of the bank at Prime 1 (P-1) with a stable outlook.

DESCRIPTION OF PROPERTY

In the Netherlands, ING owns a significant part of the land and buildings used in the normal course of its business. Outside the Netherlands, ING predominantly leases all of the land and buildings used in the normal course of its business. On December 31, 2004, ING had more than 1,500 branch, representative and similar offices worldwide of which approximately 500 offices, principally branch offices, were located in the Netherlands. In addition, ING has part of its investment portfolio invested in land and buildings. Management believes that ING s facilities are adequate for its present needs in all material respects.

Table of Contents

Item 5. Operating and financial review and prospects

The following review and prospects should be read in conjunction with the consolidated financial statements and the related Notes thereto included elsewhere herein. The consolidated financial statements have been prepared in accordance with Dutch GAAP, which differs in certain significant respects from U.S. GAAP. Reference is made to Note 6 of Notes to the consolidated financial statements for a description of the significant differences between Dutch GAAP and U.S. GAAP and a reconciliation of shareholders equity and net profit to U.S. GAAP. Unless otherwise indicated, financial information for ING Group included herein is presented on a consolidated basis under Dutch GAAP.

FACTORS AFFECTING RESULTS OF OPERATIONS

ING Group s results of operations are affected by demographics (particularly with respect to life insurance) and by a variety of market conditions, including economic cycles, insurance industry cycles (particularly with respect to non-life insurance), banking industry cycles and fluctuations in stock markets, interest and foreign exchange rates.

General market conditions

Demographic studies suggest that over the next decade there will be growth in the number of individuals who enter the age group that management believes is most likely to purchase retirement-oriented life insurance products in ING s principal life insurance markets in the Netherlands, the Rest of Europe, the United States, Asia and Australia. In addition, in a number of its European markets, including the Netherlands, retirement, medical and other social benefits previously provided by the government will be, or are expected to be, curtailed in the coming years. Management believes this will increase opportunities for private sector providers of life insurance, health, pension and other social benefits-related insurance products. Management believes that ING Insurance s distribution networks, the quality and diversity of its products and its investment management expertise in each of these markets, positions ING Insurance to benefit from these developments. In addition, the emerging markets in Central and Eastern Europe, Asia and South America, in which ING Insurance has insurance operations, generally have lower gross domestic products per capita and gross insurance premiums per capita than the countries in Western Europe and North America in which ING Insurance has insurance operations. Management believes that insurance operations in these emerging markets provide ING Insurance with the market presence which will allow it to take advantage of anticipated growth in these regions. In addition, conditions in the non-life insurance markets in which ING Insurance operates are cyclical, and characterized by periods of price competition, fluctuations in underwriting results, and the occurrence of unpredictable weather-related and other losses.

Fluctuations in equity securities markets

Our insurance and asset management operations are exposed to fluctuations in equity securities markets. Our overall investment return and fee income from equity-linked products are influenced by equity markets. The fees we charge for managing portfolios are often based on performance and value of the portfolio. In addition, fluctuations in equity securities markets may affect sales of life and pension products, unit-linked products, including variable business and may increase the amount of withdrawals which will reduce related management fees. Our banking operations are exposed to fluctuations in equity securities markets. Given the fact that ING Bank s policy is to maintain an internationally diversified and mainly client-related trading portfolio, market downturns are likely to lead to declines in securities trading and brokerage activities which we execute for customers and therefore to a decline in related commissions.

Fluctuations in interest rates

Our insurance operations are exposed to fluctuations in interest rates through impacts on sales and surrenders of life insurance and annuity products. Declining interest rates may increase sales, but may impact profitability as a result of a reduced spread between the guaranteed interest rates to policyholders and the investment returns on fixed interest investments. Rising interest rates may increase the surrender of policies which may require liquidation of fixed interest investments at unfavorable market prices. This could result in realized investment losses. Our banking operations are exposed to fluctuations in interest rates. Our management of interest rate sensitivity affects the results of our banking operations. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest income. The composition of our banking assets and liabilities results in a structural mismatch which causes the banking operations net interest income to be affected by changes in interest rates.

Fluctuations in exchange rates

We publish our consolidated financial statements in euros. Because a substantial portion of our revenue and expenses are denominated in currencies other than euros, fluctuations in the exchange rates used to translate foreign currencies, particularly the U.S. dollar, the Australian dollar, the Canadian dollar, the Japanese yen, the British pound and the Polish zloty into euros will impact our reported results of operations and cash flows from year to year. Fluctuations in exchange rates will also impact the value (denominated in euro) of our investments in our non-Euro reporting subsidiaries. The impact of these fluctuations in exchange rates is mitigated to some extent by the fact that the revenues and related expenses, as well as assets and liabilities, of each of our non-euro reporting subsidiaries are generally denominated in the same currencies. As described below, until 2005, ING Group s policy was to hedge the translation risk of foreign operations in order to minimize the impact of foreign currency movements (See Note 7.11 of Notes to the consolidated financial statements).

The weakening during 2004 of most currencies against the euro had a negative impact of EUR 86 million on operating net profit. This was off set by a gain of EUR 188 million after tax on ING s US dollar hedge, compared with a gain of EUR 119 million in the same period last year. ING has hedged the expected profits in US dollar and US dollar-linked currencies for 2004. On the insurance side, profits were hedged at a EUR/USD exchange rate of 0.922 for 2004, on the banking side the EUR/USD exchange rate was 1.222. Based on a change in ING s view on the longer term outlook for the EUR/USD exchange rate, it was decided to unwind the hedges with respect to the 2005 results.

For the years 2004, 2003 and 2002, the year-end exchange rates (which are the rates ING uses in the preparation of the consolidated financial statements for balance sheet items not denominated in euros) and the average annual exchange rates (which are the rates ING uses in the preparation of the consolidated financial statements for income statement items and cash flows not denominated in euros) were as follows for the currencies specified below:

		Average	
	2004	**2003**	**2002**
U.S. dollar	1.2472	1.1345	0.9458
Australian dollar	1.6912	1.7484	1.7404
Canadian dollar	1.6164	1.5912	1.4838
Pound sterling	0.6816	0.6899	0.6279
Japanese yen	133.9170	131.1930	117.9310
Polish zloty	4.5326	4.4110	3.8480

		Year-end	
	2004	**2003**	**2002**
U.S. dollar	1.3645	1.2616	1.0487
Australian dollar	1.7485	1.6788	1.8594
Canadian dollar	1.6427	1.6281	1.6548
Pound sterling	0.7053	0.7063	0.6505
Japanese yen	139.7674	134.8000	124.4000
Polish zloty	4.0899	4.7070	4.0150

Table of Contents

Off-Balance-Sheet- Arrangements

Reference is made to pages F-40-F-42: Note 2.18.2 Off-Balance-sheet arrangements.

	Total 2004	Less than one year	More than one year
		(EUR millions)	
Insurance operations			
Commitments concerning investments in land and buildings	507	3	504
Commitments concerning fixed-interest securities	1,424	1,377	47
Guarantees	1,082		1,082
Other	546	363	183
Banking operations			
Contingent liabilities in respect of:			
guarantees	17,080	6,634	10,446
irrevocable letters of credit	6,233	5,963	270
other	378	378	
	27,250	**14,718**	**12,532**
irrevocable facilities	69,011	39,768	29,243
	96,261	**54,486**	**41,775**

Total tabular disclosure of contractual obligations

	Payments due by period				
	Total 2004	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(EUR millions)		
Operating lease obligations (1)	510	100	207	51	152
Subordinated Loans of Group Companies (2)	15,675	242	664	432	14,337
Debenture Loans (2)	9,481	2,605	3,398	1,613	1,865
Loans Contracted (2)	4,540	3,499	658	221	162
Loans from Credit Institutions (2)	3,438	3,077	343		18
Insurance provisions	210,107	9,379	7,006	6,516	187,206
Total	**243,751**	**18,902**	**12,276**	**8,833**	**203,740**

(1) The Company s operating lease obligations are described in Note 2.18.3 to the consolidated financial statements.

(2) Subordinated loans of Group companies, Debenture loans, Loans contracted and Loans from Credit Institutions are included in the Company s consolidated balance sheet; refer to Note 2.16 to the consolidated financial statements for additional details.

Insurance provisions represent ING s current best estimates of future payments that will be required in respect of life and non-life insurance claims, including expenses relating to such claims, and incorporate uncertainties as to the timing and amount of claim payments. Actual payments on insurance provisions may therefore vary substantially from the estimates above in respect of both timing and amount.

Critical Accounting Policies

Dutch GAAP

Reference is made to page to F-9: Note 1.5 Critical Accounting Policies.

Transition to IFRS

The European Union requires all listed companies in its member states to prepare consolidated financial statements based on International Financial Reporting Standards (IFRS). Therefore, as of January 1, 2005 we are required to publish our financial statements and report our operating results in accordance with IFRS.

Table of Contents

Most significant IFRS-related changes in ING accounting policies as of January 1, 2005

IFRS differs significantly from Dutch GAAP (as applied in the 2004 annual accounts) in several areas. Therefore, shareholders equity and net profit under IFRS may differ significantly from those under Dutch GAAP. The most important changes for ING are expected to be changes relating to accounting treatment for real estate, employee benefits and fair-value accounting of fixed-interest securities and derivatives. We expect that the implementation of IFRS will increase volatility in both earnings and equity as a result of fair-value accounting of fixed-interest securities and derivatives.

Goodwill

Under Dutch GAAP, goodwill arising from acquisitions is directly charged to shareholders equity immediately at the time of an acquisition. Under IFRS, goodwill arising from acquisitions in 2004 and later years is capitalized; there is no amortization but a charge needs to be taken for any accumulated impairment. Goodwill from acquisitions before January 1, 2004 is not recognized.

Real estate

Under Dutch GAAP and IFRS, investments in land and buildings are carried at the fair values, whereas under Dutch GAAP any unrealized revaluations are accounted for directly in shareholders equity and realized at the time of disposal. Under IFRS changes in fair value are recognized as income.

Under Dutch GAAP and IFRS, land and buildings in use by group companies are also carried at the fair values, with any unrealized revaluations accounted for directly in shareholders equity. Under IFRS however, upon disposal the revaluation reserve is reclassified as retained earnings, and remains equity. Under Dutch GAAP depreciation is not recognized, whereas under IFRS all property in use by group companies is depreciated.

Valuation of loans

Under both Dutch GAAP and IFRS, loans are measured at amortized cost. However, under IFRS certain fees/costs are capitalized and amortized while under Dutch GAAP they are expensed immediately (e.g., mortgage broker fees). Under Dutch GAAP realized results are amortized over the remaining term of the loan, whereas under IFRS these are reported immediately in net income

Except for the calculation of loan loss provisions the above related changes do not impact ING s US GAAP reporting.

Under IFRS, loan loss provisions are determined under a revised methodology. This methodology is based on the current estimate of losses incurred at the balance sheet date measured at amortised cost.

Differences which arise in the application of the IFRS and the Dutch GAAP methodologies are as follows:

Portfolio based provisions on individually less significant exposures (e.g. mortgages and consumer loans) are subject to a revised methodology under IFRS. The use of a loss confirmation period is explicitly applied when measuring portfolio based provisions under IFRS and the meaning of observable data and current events are interpreted very narrowly in the context of an incurred loss model. As a consequence the implicit loss confirmation period under ING GAAP is in effect shortened.

The application of the IFRS methodology will significantly reduce the amount of the unallocated provision for loan losses that we provide to adequately capture various subjective and judgmental aspects of credit risk assessment that are not considered on an individual basis. Considerable judgement is exercised in determining the extent of the unallocated provision, which is based on management s evaluation of the risk in the portfolio, current economic conditions, loss experience in recent years and credit and geographical concentration trends.

Our analysis of the impact of the revised method of estimating the loan loss provision continues to be underway; however, the change could result in a significant release of the provision which will be recognized in the 2005 US GAAP income statement so as to align US GAAP reporting with the change in estimation process when we adopt IFRS.

Table of Contents

Valuation of debt securities

Under Dutch GAAP, quoted debt securities are measured at amortized cost, whereas under IFRS they are reported at fair value.

Under Dutch GAAP, results realized on sales of debt securities are treated as a yield difference and are amortized over the remaining term of the related securities. Under IFRS they are recognized directly as income.

Through shadow accounting, insurance provisions and DAC are partly adjusted for the effect of realized and unrealized results on debt securities under IFRS.

Accounting for derivatives

Under Dutch GAAP, trading derivatives are reported at fair value and non-trading derivatives which are used for risk management purposes are valued similar to the item being hedged (mainly at cost). Under IFRS, all derivatives are reported at fair value.

Pension liabilities

While the accounting for pensions under Dutch GAAP is similar to IFRS a difference arises due to the first time application of IFRS. Under IFRS, actuarial gains and losses were deferred in a corridor on transition to IFRS and the amount in the corridor is reset to nil as of January 1, 2004.

Overview Group result 2003 versus 2002

Income

In 2004, total operating income increased by 4.7% to EUR 67,814 million, due to increased income from the insurance operations as well as the banking operations, which increased by 4.1% and 7.3%, respectively, and which offset a strengthening of the euro against most other currencies. Total operating income, excluding the impact of acquisitions, divestments and currency effects of the insurance operations increased by 11.3% and of the banking operations by 7.4%, respectively.

Efficiency

Total operating expenses increased 3.2% from EUR 13,081 million in 2003 to EUR 13,495 million. Operating expenses from the insurance operations declined 1.2% from EUR 4,897 million in 2003 to EUR 4,837 million in 2004. However, excluding the impact of divestments and currency effects, operating expenses increased 6.2%, mainly due to higher operating costs in the Netherlands, Belgium, the Rest of Europe, and Australia. Total operating expenses from the banking operations increased 5.8% to EUR 8,658 million, in large part due to continued investments to support the growth of ING Direct. Restructuring provisions incurred in respect of the wholesale operations had a negative impact of EUR 101 million in 2004, consisting EUR 60 million in the third quarter for ING BHF-Bank and EUR 41 million for the international Wholesale Banking network in the fourth quarter. The restructuring provision of EUR 41 million before tax, which was taken in the fourth quarter, will be used to streamline the International Network of the Wholesale Banking, as part of a strategy to focus on core products and clients. In total about 400 jobs are being eliminated in Asia, the U.K. and the Americas, primarily in back-office and IT functions.

Profit

Operating net profit rose 33.0% from EUR 4,053 million in 2003 to EUR 5,389 million in 2004, led by a strong performance in ING s banking operations, in particular ING Direct and Wholesale Banking, mainly as a result of higher income and historically low risk costs. The insurance operations also posted a healthy growth, driven by the life insurance activities in Asia/Pacific and the United States, which were impacted by one-off items regarding the exit from our U.S. individual reinsurance business, and continued strong non-life results, led by Canada.

Net profit rose 47.6% to EUR 5,968 million, lifted by EUR 579 million in realized capital gains on equities in 2004, compared to realized capital losses on equities of EUR 10 million in 2003. The high level of capital gains on shares, most of which were realized in the second half of 2004, is mainly due to a decision to sell part of the Dutch equity portfolio to reduce the volatility of the solvency ratios. Net profit per share rose 40.0% to EUR 2.80, compared to EUR 2.00 in 2003. The increase in earnings per share lagged growth in total net profit due to an increase in the average number of shares outstanding as a result of ING s dividend policy, which allowed investors to receive the dividend in cash or stock. Operating net profit per share increased from EUR 2.00 in 2003 to EUR 2.53 in 2004, an increase of 26.5%.

Insurance operations

Operating net profit from insurance rose 19.0% from EUR 2,508 million in 2003 to EUR 2,985 million in 2004, driven by a strong increase in results from non-life insurance, due to a favorable claims experience as well as gains on the sale of ING s non-life insurance joint venture in Australia and the initial public offering of the Canadian non-life insurance business. Results from life insurance were negatively impacted by one-off items, including the charge in the U.S. individual reinsurance business, which offset higher results at the core life insurance businesses in the United States and Asia/Pacific.

Total premium income increased 5.9% to EUR 43,617 million, as strong growth, particularly from the life insurance businesses in the United States and Asia, was offset in part by divestments and currency effects. Excluding the impact of acquisitions and divestments as well as exchange rate differences, total premium income increased 13.6%. Total life insurance premiums increased 9.1% to EUR 36,975 million, and rose 15.6% excluding the impact of exchange rate differences and acquisitions and divestments. Total non-life premiums decreased 8.9% to EUR 6,642 million, mainly as a result of the sales of the Australian non-life joint venture and the Dutch health insurance business. Excluding the impact of divestments and acquisitions as well as exchange rate differences, non-life premiums increased 3.0%.

Operating expenses from the insurance operations declined 1.2% to EUR 4,837 million in 2004 from EUR 4,897 million in 2003. However, excluding the impact of divestments and currency effects, operating expenses increased 6.1%, mainly due to higher costs in the Netherlands, Belgium, the Rest of Europe, and Australia.

Banking operations

Operating net profit from banking rose 55.6% to EUR 2,404 million, driven by a 7.3% increase in operating income and a sharp reduction in risk costs. All three banking business lines reported higher profits before tax. One-off items, including results on divestments, restructuring charges, and the release of tax provisions had a negative impact of EUR 58 million. Excluding one-off items, operating net profit from the banking operations increased 52.9% to EUR 2,462 million from EUR 1,610 million in 2003. Operating profit before tax from banking rose 44.0% to EUR 3,414 million.

Total operating income from banking rose 7.3% to EUR 12,537 million. Interest income continued to be the most important and stable contributor to income at the bank. The net interest result increased 8.5% to EUR 8,808 million, driven by a higher average balance sheet total, mainly due to the continued strong growth of ING Direct.

Total operating expenses increased 5.8% to EUR 8,658 million, in large part due to continued investments to support the growth of ING Direct. Restructuring provisions had a negative impact of EUR 101 million, including EUR 60 million in the third quarter for ING BHF-Bank and EUR 41 million for the international Wholesale Banking network in the fourth quarter. Excluding those one-off items, currency effects, and the impact of transfers of activities between insurance and banking (EUR 30 million), operating expenses increased 5.5% of which 3.5% was due to ING Direct. As the increase in income outpaced the expense growth, the cost/income ratio of the banking activities improved to 69.1% in 2004, from 70.1% in 2003. Excluding one-off items, the cost/income ratio improved to 67.0% from 69.4%.

In 2004, ING added EUR 465 million to the provision for loan losses, compared with EUR 1,125 million in 2003. The addition equalled 18 basis points of average credit-risk-weighted assets in 2004, compared with 46 basis points in

2003. The lower addition was possible due to a further improvement of the credit portfolio, the release of some debtor provisions and the absence of large defaults

Return on equity

The operating net return on equity increased to 22.9% in 2004 from 21.5% in 2003. The operating net return on equity of the insurance operations was 22.6% in 2004, compared with 22.7% in 2003, while the operating net return on equity from banking rose to 15.8% from 11.1% in 2003.

Table of Contents

CONSOLIDATED RESULTS OF OPERATIONS

The following table sets forth the consolidated results of operations of ING Group for the years ended December 31, 2004, 2003 and 2002:

	Year ended December 31,		
	2004	2003	2002
	(EUR millions)		
Operating profit before tax:			
Insurance operations	4,005	3,486	3,170
Banking operations	3,414	2,371	1,468
Operating profit before tax	**7,419**	**5,857**	**4,638**
Taxation	1,758	1,460	873
Third-party interests	272	344	332
Operating net profit	**5,389**	**4,053**	**3,433**
Non-operating profit after taxation			247
Realized capital gains (losses) after taxation	579	(10)	820
Net profit	**5,968**	**4,043**	**4,500**

The following table sets forth the breakdown of our non-operating profits by insurance and banking operations:

	Year ended December 31,								
	2004	2003	2002	2004	2003	2002	2004	2003	2002
	Insurance operations			Banking operations			Total		
	(EUR millions)								
Non-operating profit:									
Result on joint venture ANZ			280						280
Capital gains	590	(20)	1003				590	(20)	1003
Taxation on non-operating results	21	(10)	216				21	(10)	216
Non-operating profit after taxation	**579**	**(10)**	**1,067**				**579**	**(10)**	**1,067**

The following discussion is based on our consolidated financial statements (see Item 18. Financial Statements) and should be read in conjunction with those statements. ING Group evaluates the results of its insurance operations and banking operations using non-GAAP financial performance measures called operating profit before tax and operating (net) profit. Operating (net) profit is defined as (net) profit, excluding:

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

realized 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 realized 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 realized 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 does not believe that they are indicative of future results. Operating profit before tax and operating net profit are not a substitute for profit before tax and net profit as determined in accordance with Dutch GAAP. ING s definition of operating profit before tax and operating net profit may differ from those used by other companies and may change over time. See Note 3.6.6 to the consolidated financial statements for a reconciliation of our segment operating results to our net profit.

The following table sets forth the operating profit before tax and operating net profit of the Group s consolidated operations by geographic region for the years ended December 31, 2004, 2003 and 2002:

	Year ended December 31,		
	2004	**2003**	**2002**
		(EUR millions)	
The Netherlands	3,150	3,039	2,577
Belgium	841	587	687
Rest of Europe	533	216	(156)
North America	1,921	1,118	614
Latin America	272	420	381
Asia	314	273	283
Australia	536	236	384
Other	(148)	(32)	(132)
Operating profit before tax	**7,419**	**5,857**	**4,638**
Taxation	1,758	1,460	873
Third-party interests	272	344	332
Operating net profit	**5,389**	**4,053**	**3,433**

The contribution of the insurance operations to the operating net profit of ING Group, after tax and third-party interests, was 55.4%, 61.9% and 73.9% in 2004, 2003 and 2002, respectively.

Year ended December 31, 2004 compared to year ended December 31, 2003

Total operating income of ING Group increased by EUR 3,068 million, or 4.7% to EUR 67,814 million, from EUR 64,746 million in 2003, reflecting an increase in income of the Group s insurance operations of 4.1% and in the banking operations of 7.3%. Total operating expenditure increased by EUR 1,506 million, or 2.6%, from EUR 58,889 million in 2003 to EUR 60,395 million in 2004, reflecting an increase in total operating expenditure of the insurance operations of 3.3%. and a decrease in total expenditure of the banking operations of 2.0%. The Group s operating profit before tax increased in the Netherlands, Belgium, the Rest of Europe, North America,Asia and Australia but declined in Latin America.

Consolidated operating profit before tax increased EUR 1,562 million, or 26.7%, to EUR 7,419 million in 2004 compared to EUR 5,857 million in 2003, reflecting increases of 14.9% for the insurance operations and 44.0% for the banking operations. Including non-operating results, profit before tax increased EUR 2,132 million, or 36.3%, to EUR 8,009 million in 2004 compared to EUR 5,877 million in 2003. The Group s consolidated taxes (operating) of EUR 1,758 million in 2004 and EUR 1,460 million in 2003 represented overall effective tax rates of 23.7% and 24.9%, respectively, compared to the statutory rates for the Group s primary operating subsidiaries that ranged from 16.5% to 47%, and averaged 35%. The difference between statutory and effective rates was due primarily to a reduction in the taxes paid by the Group s Dutch subsidiaries, for which the statutory rate was 34.5% and the effective rate was 29.0%

in 2004.

Operating net profit increased EUR 1,336 million, or 33.0%, to EUR 5,389 million in 2004 compared to EUR 4,053 million in 2003, reflecting the increased pre-tax profits, as well as the release of EUR 932 million in capital gains (EUR 258 million in 2003), although the effect of exchange rate movements decreased operating net profit in 2004 by EUR 17 million, compared to a decrease of EUR 49 million in 2003, both net of US-dollar hedging. Including non-operating profits, net profit increased EUR 1,925 million, or 47.6%, to EUR 5,968 million in 2004 compared to EUR 4,043 million in 2003.

Year ended December 31, 2003 compared to year ended December 31, 2002

Total operating income of ING Group decreased by EUR 5,887 million, or 8.3% to EUR 64,746 million, from EUR 70,633 million in 2002, reflecting an decrease in income of the Group s insurance operations of 10.5% and an increase in the banking operations of 4.3%. Total operating expenditure decreased by EUR 7,106 million, or 10.8%, from EUR 65,995 million in 2002 to EUR 58,889 million in 2003, reflecting decreases of 11.6% and 4.4% respectively, in total expenditure for the Group s insurance and banking operations. The Group s operating profit before tax increased the Netherlands, the Rest of Europe, North America, Latin America and Asia, but declined in Belgium and Australia.

Consolidated operating profit before tax increased by EUR 1,219 million, or 26.3%, to EUR 5,857 million in 2003 compared to EUR 4,638 million in 2002, reflecting increases of 10.0% for the insurance operations and 61.5% for the banking operations. Including non-operating results, profit before tax decreased by EUR 44 million, or 0.7%, to EUR 5,877 million in 2003 compared to EUR 5,921 million in 2002. The Group s consolidated taxes (operating) of EUR 1,460 million in 2003 and EUR 873 million in 2002 represented overall effective tax rates of 24.9% and 18.8%, respectively, compared to the statutory rates for the Group s primary Dutch and other non-domestic operating subsidiaries that ranged from 16.5% to 47%, and averaged 35%. The increase was mainly due to higher tax-exempt gains as well as the release of a tax provision in the insurance operations in 2002. The difference between statutory and effective rates was due primarily to a reduction in the taxes paid by the Group s Dutch subsidiaries, for which the statutory rate was 34.5% and the effective rate was 19.1% in 2002.

Operating net profit increased EUR 620 million, or 18.1%, to EUR 4,053 million in 2003 compared to EUR 3,433 million in 2002, reflecting the increased pre-tax profits, although the effect of exchange rate movements between the euro and certain of the Group s primary operating currencies decreased operating net profit in 2003 by EUR 49 million, compared to an increase of EUR 76 million in 2002, both net of U.S.-dollar hedging. Including non-operating profits, net profit decreased EUR 457 million, or 10.2%, to EUR 4,043 million in 2003 compared to EUR 4,500 million in 2002.

CONSOLIDATED ASSETS AND LIABILITIES

The following table sets forth ING Group s consolidated assets and liabilities for the years ended December 31, 2004, 2003 and 2002:

	Year ended December 31,		
	2004	**2003**	**2002**
	(EUR billions, except amounts per share)		
Investments	398.0	335.0	297.6
Bank lending	317.5	292.6	284.4
Total assets	866.1	778.8	716.4
Insurance provisions			
Life	200.2	188.2	186.0
Non-life	9.9	9.8	9.8
Total insurance provisions	210.1	198.0	195.8
Funds entrusted to and debt securities of the banking operations (1)	435.9	377.8	319.8
Due to banks	112.8	102.1	96.3
Total liabilities	840.2	757.5	698.1
Shareholders equity	25.9	21.3	18.3
Shareholders equity per Ordinary share	11.76	10.08	9.14

(1)

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

Year ended December 31, 2004 compared to year ended December 31, 2003

Total assets increased by 11.2% in 2004 to EUR 866.2 billion, mainly due to increased fixed income investments and bank lending. Investments increased by EUR 63.0 billion, or 18.8%, to EUR 398.0 billion in 2004 from EUR 335.0 billion in 2003, representing an increase of EUR 15.7 billion in insurance investments and an increase of EUR 48.2 billion in banking investments of which EUR 38.2 billion was attributable to ING Direct.

Bank lending increased by EUR 24.9 billion, or 8.5%, rising to EUR 317.5 billion at the end of 2004 from

EUR 292.6 billion at the end of 2003. Of this amount, EUR 152.6 billion is related to lending in the Netherlands and EUR 164.9 billion to international lending. The total increase of EUR 24.9 billion was mainly due to a small increase of corporate loans, by EUR 4.0 billion and higher personal lending of EUR 18.5 billion. ING Direct contributed EUR 11.8 billion to the increase in personal lending.

Group shareholders equity increased by 21.2% or EUR 4,535 million to EUR 25,866 million at December 31, 2004 compared to EUR 21,331 million at December 31, 2003. Net profit from the year 2004 added EUR 5,968 million to shareholders equity and revaluations added EUR 1,063 million, offset by EUR (932) million in realized capital gains that were released through the profit and loss account, the interim cash dividend of EUR 399 million and exchange rate differences lowered shareholders equity by EUR 966 million.

Year ended December 31, 2003 compared to year ended December 31, 2002

Total assets increased by 8.7% in 2003 to EUR 778.8 billion, due to increased fixed income investments, bank lending and banks. Investments increased by EUR 37.4 billion, or 12.6%, to EUR 335.0 billion in 2003 from EUR 297.6 billion in 2002, representing a small increase of EUR 1.5 billion in insurance investments and an increase of EUR 36.0 billion in banking investments of which EUR 29.8 billion was attributable to ING Direct.

Bank lending increased by EUR 8.2 billion, or 2.9%, rising to EUR 292.6 billion at the end of 2003 from EUR 284.4 billion at the end of 2002. Of this amount, EUR 143.7 billion related to lending in the Netherlands and EUR 148.9 billion to international lending. The total increase of EUR 8.2 billion was due to decreased corporate loans mainly as a result of negative currency rate fluctuations, by EUR 5.2 billion and higher personal lending of EUR 13.4 billion.

Group shareholders equity increased by 16.9% or EUR 3,077 million to EUR 21,331 million at December 31, 2003 compared to EUR 18,254 million on December 31, 2002. On balance, net profit of EUR 4,043 million increased and exchange rate differences decreased shareholder s equity by EUR 1,123 million. In addition, the portion of the 2002 final dividend and 2003 interim dividend paid caused shareholders equity to decrease by EUR 943 million, partially offset by the issue of shares of EUR 925 million to fund the cash dividend.

SEGMENT REPORTING

ING Group s segments are based on the management structure of the Group, which is different from its legal structure. Each business line formulates its strategic, commercial and financial policy in conformity with the strategy and performance targets set by the Executive Board. Each business line is also responsible for the preparation of its annual budget and each business line monitors the realization of its policies and budgets and its business units. The following table sets forth the contribution of our six business lines to our operating income and operating profit before tax for each of the years 2002-2004:

	Year ended December 31,					
	2004	2003	2002	2004	2003	2002
	Total operational income			Operational result before taxation		
	(EUR millions)					
Insurance Europe	16,209	16,537	15,709	1,733	1,791	1,296
Insurance Americas	28,112	27,589	35,350	1,669	1,310	1,430
Insurance Asia/Pacific	10,487	8,424	8,778	751	411	574

Wholesale Banking	5,761	5,825	5,765	1,932	1,272	596
Retail Banking	5,035	4,773	4,814	1,170	1,058	1,023
ING Direct	1,705	1,045	618	432	151	(48)
Other (1)	505	553	(401)	(268)	(136)	(233)
Total Group	**67,814**	**64,746**	**70,633**	**7,419**	**5,857**	**4,638**

(1) Reflects intersegment eliminations, part of the gain on old reinsurance activities, hege result and interest on core debt, not allocated to the different insurance business lines and interest expenses not allocated to the different banking business lines.

See Note 3.6.6 Segment Reporting of Notes to the consolidated financial statements for a reconciliation of our segment operating results to our net profits under Dutch GAAP.

Year ended December 31, 2004 compared to year ended December 31, 2003

Insurance Europe

Gross premiums written in the life operations increased by EUR 105 million, or 1.1%, to EUR 9,304 million, while gross premiums written in the non-life operations declined EUR 137 million, or 6.2%, to EUR 2,065 million.

The operating profit before tax decreased by 3.2% to EUR 1,733 million from EUR 1,791 million in 2003. Life results in the Netherlands declined 4.4%, caused by higher operating expenses, the impact of the transfer of a real estate portfolio to the banking operations, and a lower one-off gain on discontinued reinsurance activities. Life results in Belgium and Central Europe and Russia increased by 29.1% and 11.5% respectively from EUR 86 million to EUR 111 million in Belgium and from EUR 142 million to EUR 158 million for Central Europe and Russia. Operating profit before tax from non-life insurance increased 6.5% to EUR 312 million, mainly as a result of favourable claims experience in the Netherlands, which offset lower non-life results from Belgium.

Under U.S. GAAP, operating profit before tax would have been EUR 574 million higher in 2004 and EUR 205 million higher in 2003. This difference is mainly caused by the following reconciling items for 2004: the 2004 U.S. GAAP operating profit included provision for life policy liabilities of EUR 241 million (2003: EUR 42 million), real estate gains and losses of EUR 169 million (2003: EUR 268 million), accounting for derivative financial instruments held for risk management of EUR 185 million (2003: EUR(264)million), real estate valuation of EUR (118) million (2003: EUR (119) million) and amortization of premiums and discounts of debt securities of EUR (150) million (2003: EUR (174) million). For an explanation of differences between Dutch GAAP and U.S. GAAP please refer to Notes 6.1 and 6.2 on pages F-93 to F-99.

Insurance Americas

Gross premiums written in the life business increased by EUR 925 million, or 5.3%, from EUR 17,503 million in 2003 to EUR 18,428 million in 2004, boosted by the introduction of new products as well as enhanced distribution. Gross non-life premiums decreased EUR 484 million, or 10%, to EUR 4,332 million in 2004, mainly due to lower premium income from motor and property insurance in Mexico as well as currency effects.

The operating profit before tax increased by EUR 359 million from EUR 1,310 million to EUR 1,669 million. The results include several one-off items related to the U.S. individual reinsurance business, which ING has exited, the pending sale of Life of Georgia, and the initial public offering of the non-life insurance business in Canada.

Operating expenses declined 1.5%, mainly as a result of currency effects. Excluding currency effects, operating expenses increased 7.2% primarily as the result of the transfer of certain investment management activities from banking to insurance at the beginning of 2004, as well as additional expenses related to exiting the U.S. individual life reinsurance business and the pending sale of Life of Georgia.

Under U.S. GAAP, operating profit before tax would have been EUR 263 million higher in 2004 and EUR 439 million higher in 2003. This difference is mainly caused by the following reconciling items for 2004: impairment of goodwill of EUR (147) million (2003: EUR (101) million),realized results on sales of debt securities of EUR 233 million (2003: EUR 712 million), amortization of premiums and discount of debt securities of EUR (111) million (2003: EUR 75 million), accounting for derivative financial instruments held for risk management of EUR 176 million (2003: EUR 283 million). For an explanation of differences between Dutch GAAP and U.S. GAAP please refer to

Notes 6.1 and 6.2 on pages F-93 to F-99.

Table of Contents

Insurance Asia / Pacific

Gross premiums written in the life business increased by EUR 2,039 million, or 28.3, from EUR 7,193 million in 2003 to EUR 9,232 million in 2004, led by South Korea and Japan, while non-life premium income fell 40.9%, reflecting the sale of the Australian non-life business in the second quarter of 2004. Excluding the impact of currencies and divestments, total life premiums increased 32.9%. Double-digit growth rates in local currencies were recorded in Japan 81.8%, South Korea 49.6%, Malaysia 17.1%, Hong Kong 16.2%, Thailand 37.6%, India 211.3% and China 10.5%.

The operating profit before tax of the insurance operations decreased by EUR 117 million, or 20.6%, primarily due to the operating gain of EUR 222 million in 2002 from the transaction with ANZ, to EUR 452 million in 2003. The operations in Australia, Japan, Hong Kong and Korea all showed improved results in local currencies. Results from Taiwan were lower, mainly because of an addition of EUR 50 million to the provision against a prolonged low interest rate environment. Excluding this provision and at constant exchange rates, profit increased.

The operating profit before tax of the banking operations decreased by EUR 33 million from EUR 34 million in 2002 to EUR 1 million in 2003, mainly because of lower dividends in 2003, EUR (18) million received on the investment in Kookmin Bank (South Korea) and lower results EUR (15) million regarding the 44% stake in Vysya Bank (India)

The operating profit before tax increased by EUR 340 million, or 82.7% to EUR 751 million in 2004 from EUR 411 million in 2003, including a one-time gain of EUR 219 million from the sale of ING s 50% stake in the Australian non-life insurance joint venture in the second quarter of 2004. Excluding that gain, operating profit before tax increased by 29.4% to EUR 532 million, led by the Australian life and wealth businesses and the life insurance businesses in South Korea and Japan.

Wholesale Banking

Total operating income of Wholesale Banking declined by EUR 64 million, or 1.1%, to EUR 5,761 million in 2004 from EUR 5,825 million in 2003, due in part to divestments. The interest result declined 4.6%, mainly as a result of a decrease in the Netherlands. Commission income decreased 0.4% to EUR 1,363 million from EUR 1,368 million in 2003. Other income increased 11.5% to EUR 1,017 million despite a charge of EUR 165 million from the combined impact of the sales of ING BHF-Bank activities (EUR (210) million), the Asian cash equities business (EUR (42) million) and CenE Bankiers (EUR 87 million). That was offset by an increase in other income in the Netherlands and Belgium due to higher results from financial transactions.

Operating profit before tax from Wholesale Banking increased by EUR 660 million, or 51.9%, to EUR 1,932 million from EUR 1,272 million in 2003. The increase was fully driven by a sharp decline in risk costs as the addition to the provision for loan losses decreased to EUR 192 million from EUR 868 million in 2003, as described below under Addition to the provision for loan losses . Profit was furthermore impacted by a number of one-off items, including losses on the sale of ING BHF-Bank activities and the Asian cash equities business, a gain on the sale of CenE Bankiers in the Netherlands, as well as restructuring costs and the transfer of businesses between insurance and banking. Excluding those items, operating profit before tax increased 57.0% to EUR 2,240 million from EUR 1,427 million in 2003. Currency effects had a negative impact of EUR 25 million.

Under U.S. GAAP, operating profit before tax would have been EUR 71 million lower in 2004 and EUR 131 million lower in 2003. This difference is mainly caused by the following reconciling items for 2004: real estate valuation of EUR (104) million (2003: EUR (48) million), realized results on sales and amortization of premiums and discount of debt securities of EUR (228) million (2003: EUR (151) million), accounting for derivative financial instruments held for risk management of EUR 206 million (2003: EUR (224) million). For an explanation of differences between

Dutch GAAP and U.S. GAAP please refer to Notes 6.1 and 6.2 on pages F-93 to F-99.

Retail Banking

Total operating income of Retail Banking rose EUR 262 million, or 5.5%, to EUR 5,035 million in 2004 from EUR 4,773 million in the previous year. Interest income increased 8.2% from EUR 3,630 million in

Table of Contents

2003 to EUR 3,928 million in 2004 due to higher mortgage lending and increased savings, while interest margins narrowed slightly. Commission income rose 7.7%, mainly driven by higher securities-related commissions. Other income declined sharply, due in part to a EUR 48 million loss taken by Postbank in the first quarter of 2004 to compensate customers for a disappointing return on investments related to the unit-linked mortgage product MeerWaardehypotheek . Excluding this loss, total income increased 6.5%.

Operating profit before tax from Retail Banking rose 10.6%, or EUR 112 million, from EUR 1,058 million in 2003 to EUR 1,170 million in 2004, driven by solid income growth and slightly lower risk costs. Results were bolstered by higher profit in the Netherlands, driven by increased mortgage lending and savings, and in Poland, which benefited from lower risk costs. Profit from Belgium declined, due to non-recurring expenses and risk costs which resulted in a loss in the fourth quarter, despite a 12.1% increase in operating income for full-year 2004.

Under U.S. GAAP, operating profit before tax would have been EUR 184 million higher in 2004 and EUR 190 million higher in 2003. This difference is mainly caused by the following reconciling items for 2004: valuation of fixed interest securities of EUR 278 million (2003: nil), and amortization of premiums and discount of debt securities of EUR (62) million (2003: EUR (57) million). For an explanation of differences between Dutch GAAP and U.S. GAAP please refer to Notes 6.1 and 6.2 on pages F-93 to F-99.

ING Direct

Operating income from ING Direct increased by EUR 660 million, or 63.2%, from EUR 1,045 million in 2003 to EUR 1,705 million in 2004, driven mainly by a 62.1% increase in the interest result, caused by the continued growth in funds entrusted. Total funds entrusted grew by EUR 46.0 billion, or 46.3%, to EUR 145.4 billion at December 31, 2004. Growth in mortgage lending also boosted income. At yearend 2004, ING Direct had a total mortgage portfolio of EUR 33.1 billion, an increase of EUR 12.1 billion from the end of 2003, driven mainly by growth in Germany and the U.S.

Operating profit before tax from ING Direct increased to EUR 432 million in 2004 compared with EUR 151 million in 2003 as it continued to attract new customers and gain critical mass in the markets where it operates. Of the eight countries in which ING Direct is active, it is profitable in seven.

Under U.S. GAAP, operating profit before tax would have been EUR 237 million lower in 2004 and EUR 43 million lower in 2003. This difference is caused by the following reconciling item for 2004: accounting for derivative financial instruments held for risk management of EUR (237) million (2003: EUR (47) million). For an explanation of differences between Dutch GAAP and U.S. GAAP please refer to Notes 6.1 and 6.2 on pages F-93 to F-99.

Year ended December 31, 2003 compared to year ended December 31, 2002

Insurance Europe

Gross premiums written in the life operations increased by EUR 639 million, or 7.5%, to EUR 9,199 million. Gross premiums written in the non-life operations increased EUR 23 million, or 1.1%, to EUR 2,202 million.

The operating profit before tax increased by 38.2% to EUR 1,791 million from EUR 1,296 million in 2002. Pressure on investment income and higher expenses resulted in lower life results in the Netherlands. The life operations in Belgium and Poland, however, performed well. The non-life results on the home markets in the Netherlands and Belgium developed very favorably.

Under U.S. GAAP, operating profit before tax would have been EUR 205 million higher in 2003 and EUR 876 million lower in 2002. This difference is mainly caused by the following reconciling items for 2003: accounting for derivative financial instruments held for risk management of EUR (264) million (2002: EUR 105 million), realized result on sales and amortization of debt securities of EUR (120) million (2002: EUR (120) million), real estate gains and losses of EUR 268 million (2002: EUR 165 million), valuation of equity securities of EUR 349 million (2002: EUR (962) million). For an explanation of differences between Dutch GAAP and U.S. GAAP please refer to Notes 6.1 and 6.2 on pages F-93 to F-99.

Insurance Americas

Gross premiums written in the life business decreased by EUR 6,550 million, or 23.1%, from EUR 28,380 million in 2002 to EUR 21,830 million in 2003, mainly caused by decreased fixed annuities sales, which suffered from the depressed interest rate environment. Gross non-life premiums decreased EUR 803 million, or 14.7%, to EUR 4,660 million in 2003.

The operating profit before tax decreased by EUR 120 million from EUR 1,430 million to EUR 1,310 million, due to the impact of lower interest rates causing margin compression and lower fixed annuity sales as well as unfavourable mortality in the reinsurance business.

Under U.S. GAAP, operating profit before tax would have been EUR 439 million higher in 2003 and EUR 11,557 million lower in 2002. This difference is mainly caused by the following reconciling items for 2003: impairment of goodwill of EUR (101) million (2002: EUR (10,942) million), valuation of debt securities of EUR (333) million (2002: EUR (375) million), realized results on sales and amortization of premiums and discount of debt securities EUR 786 million (2002: EUR 546 million), accounting for derivative financial instruments held for risk management of EUR 283 million (2002: EUR (538) million), deferred acquisition costs of EUR (169) million (2002: EUR 2 million). For an explanation of differences between Dutch GAAP and U.S. GAAP please refer to Notes 6.1 and 6.2 on pages F-93 to F-99.

Insurance Asia/Pacific

Gross premiums written in the life business decreased by EUR 243 million, or 3.3%, from EUR 7,436 million in 2002 to EUR 7,193 million in 2003. Gross premiums, life and non-life, of the developing markets operations (mainly South Korea and Taiwan) increased 23.6% in local currencies. In Japan, premium income decreased by 1.4% in local currency due to the flat sales of single premium variable annuity product. Gross premiums of the non-life operations increased by 10.8% from EUR 362 million in 2002 to EUR 401 million in 2003.

The operating profit before tax of the insurance operations decreased by EUR 163 million, or 28.4%, to EUR 411 million in 2003 primarily due to the operating gain of EUR 222 million in 2002 from the transaction with ANZ, to EUR 411 million in 2003. The operations in Australia, Japan, Hongkong and South Korea all showed improved results in local currencies. Results from Taiwan were lower, mainly because of an addition of EUR 50 million to the provision against a prolonged low interest rate environment. Excluding this provision and at constant exchange rates, profit increased.

Wholesale Banking

Total operating income of Wholesale Banking rose EUR 60 million, or 1.0%, to EUR 5,825 million from EUR 5,765 million in 2002. The interest result declined 5.1%, particular in the international wholesale banking activities. Commission income increased 2.5% to EUR 1,368 million. Other income increased 31.6% to EUR 912 million, especially in Asset Management (ING Real Estate and ING Furman Selz), the international wholesale banking activities and ING Bank Netherlands. In 2002, Other income included an exceptional profit of EUR 94 million on Cedel shares.

Operating profit before tax from Wholesale Banking more than doubled to EUR 1,272 million from EUR 596 million. The higher profit is to a large extent caused due to a decrease of the addition to the provision for loan losses to EUR 868 million from EUR 1,267 million in 2002, particular in the Americas. Profit was impacted by a number of one-off items, including the EUR 94 million gain on Cedel shares in 2002 and restructuring costs in both 2002 (EUR 128 million) and 2003 (EUR 82 million). Excluding those items, operating profit before tax increased 115% to EUR 1,354 million.

Under U.S. GAAP, operating profit before tax would have been EUR (131) million lower in 2003 and EUR 1,011 million lower in 2002. This difference is mainly caused by the following reconciling items for 2003: valuation fixed interest securities of EUR 298 million (2002: EUR 344 million), goodwill EUR 0 million (2002: EUR (1,070) million), realized results on sales and amortization of premiums and

Table of Contents

discount of debt securities of EUR (151) million (2002: EUR (97) million), accounting for derivative financial instruments held for risk of management EUR (224) million (2002: EUR (45) million). For an explanation of differences between Dutch GAAP and U.S. GAAP please refer to Notes 6.1 and 6.2 on pages F-93 to F-99.

Retail Banking

Total operating income of Retail Banking decreased EUR 41 million, or 0.9%, to EUR 4,773 million in 2003 from EUR 4,814 million in 2002. Interest income increased 0.3%. Commission income decreased 6.5%, mainly caused by the on average lower stock market levels and the reluctance of private clients to invest in securities. Other income rose EUR 20 million to EUR 87 million in 2003.

Operating profit before tax from Retail Banking rose 3.4%, or EUR 35 million, from EUR 1,023 million to EUR 1,058 million in 2003, entirely due to lower operating expenses.

Under U.S. GAAP, operating profit before tax would have been of EUR 190 million higher in 2003 and EUR 98 million higher in 2002. This difference is mainly caused by the following reconciling items for 2003: goodwill EUR 0 million (2002: EUR (98) million), valuation of debt securities of EUR 102 million (2002: EUR 196 million), accounting for derivative financial instruments held for risk management of EUR 169 million. For an explanation of differences between Dutch GAAP and U.S. GAAP please refer to Notes 6.1 and 6.2 on pages F-93 to F-99.

ING Direct

Operating income from ING Direct increased EUR 427 million or 69.1% from EUR 618 million in 2002 to EUR 1,045 million in 2003, driven mainly by a 78.4% increase in the interest result, driven by the continued growth in funds entrusted. Total funds entrusted grew by EUR 44.2 billion, or 80.1%, to EUR 99.4 billion at the end of December 2003.

Operating profit before tax from ING Direct turned from a loss of EUR 48 million in 2002 to a profit of EUR 151 million in 2003 as it continued to attract new customers and gain critical mass in the markets where it operates. ING Direct is profitable in five of the eight countries in which it is active. ING Direct is not profitable in France, Italy and the United Kingdom.

Under U.S. GAAP, operating profit before tax would have been EUR (43) million lower in 2003 and EUR 0 million in 2002. This difference is mainly caused by the following reconciling item for 2003 accounting for derivative financial instruments held for risk management of EUR (47) million (2002: EUR 0 million). For an explanation of differences between Dutch GAAP and U.S. GAAP please refer to Notes 6.1 and 6.2 on pages F-93 to F-99.

Investment portfolio impairments and unrealized losses

The carrying value of all investments in our investment portfolio is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The review includes, amongst other, an evaluation of the level and trends of interest rates, trends and level of volatility in stock markets, financial condition of the issuer or counterparty, economic developments and expectations in the business segment in which the issuer or counterparty operates, the extent to which the fair value is below the cost price, the period of time for which unrealized losses have existed and ING Group s intent and ability to hold a security until fair value will recover. For all investments for which, based on such review, the unrealized losses are expected to be other than temporary, the amount of unrealized loss is charged to the profit and loss account.

As of December 31, 2004, our consolidated investment portfolio included unrealized gains on a U.S. GAAP basis of EUR 14,424 million (December 31, 2003: EUR 11,245 million) and unrealized losses of EUR 921 million (December 31, 2003: EUR 1,408 million).

The investment portfolio unrealized losses and impairments under U.S. GAAP are discussed below.

Table of Contents

Investment portfolio unrealized losses

See Note 7.1 on page F-108 for the composition of investments in marketable securities on December 31, 2004 and December 31, 2003 on a U.S. GAAP basis.

The table below provides the gross unrealized loss on a U.S. GAAP basis on debt and equity securities of EUR 921 million for the year ended December 31, 2004 broken down by type of security and by the period of time for which the fair value was below cost price.

	Less than 6 months below cost	Between 6 and 12 months below cost	More than 12 months below cost	Total
		(EUR millions)		
Debt securities:				
Dutch Government		1		1
Foreign Governments	29	17	38	84
Corporate debt securities	79	55	128	262
Mortgage-backed securities	124	118	87	329
Other	37	5	51	93
Sub-total	269	196	304	769
Shares and convertible debentures	67	26	59	152
Total	**336**	**222**	**363**	**921**

The table below provides the gross unrealized loss on a U.S. GAAP basis on debt and equity securities of EUR 1,408 million for the year ended December 31, 2003 broken down by type of security and by the period of time for which the fair value was below cost price.

	Less than 6 months below cost	Between 6 and 12 months below cost	More than 12 months below cost	Total
		(EUR millions)		
Debt securities:				
Dutch Government	61	2		63
Foreign Governments	152	124	83	359

Corporate debt securities	257	221	47	525
Mortgage-backed securities	123	80	49	252
Other	14	26	5	45
Sub-total	607	453	184	1,244
Shares and convertible debentures	75	19	70	164
Total	**682**	**472**	**254**	**1,408**

The Company does not consider the securities with unrealized losses for over 12 months of EUR 363 million as of December 31, 2004 to be impaired, since either:

the market values securities are only insignificantly lower than the cost price

the unrealized loss arose due to changes interest rates, however this has not effected the expected future cash flows, or

the issuers of debt securities are not considered to be in financial difficulty, despite the fact that their credit rating has been lowered, reducing the market value of their securities.

The unrealized losses on securities on a Dutch GAAP basis are EUR 1,287 million higher as compared to U.S. GAAP as discussed in Note 6.1.e on page F-95 (2003: EUR 1,435 million higher).

Of the EUR 1,001 million unrealized losses on equit securities under Dutch GAAP that were in an unrealized loss position for more than six months as of December 31, 2004, EUR 717 million related to the equity security portfolio of our insurance operations in the Netherlands.

The unrealized losses are concentrated in the nutrition industry (EUR 145 million), chemical industry

(EUR 49 million), IT-services (EUR 36 million), general industrials (EUR 70 million), publishing industry (EUR 19 million), retail industry (EUR 15 million) and temporary labour industry (EUR 10 million).

Of the EUR 1,324 million unrealized losses on securities under Dutch GAAP that were in an unrealized loss position for more than six months as of December 31, 2003, EUR 887 million related to the equity security portfolio of our insurance operations in the Netherlands. The unrealized losses are concentrated in the nutrition industry (EUR 174 million), chemical industry (EUR 104 million), IT services (EUR 76 million), retail-wholesale (EUR 64 million), general industrials (EUR 57 million) and financials (EUR 25 million).

Impairments

The carrying value of all investments in our investment portfolio is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The review includes, amongst other, an evaluation of the level and trends of interest rates, trends and level of volatility in stock markets, financial condition of the issuer or counterparty, economic developments and expectations in the business segment in which the issuer or counterparty operates, the extent to which the fair value is below the cost price, the period of time for which unrealized losses have existed and ING Group s intent and ability to hold a security until the fair value will recover. For all investments for which, based on such review, the unrealized losses are expected to be other than temporary, the amount of unrealized loss is charged to the profit and loss account.

The table below provides the impairments on a U.S. GAAP basis as on December 31, 2004, 2003 and 2002.

	2004	**2003**	**2002**
Debt securities	95	474	716
Equity securities	40	215	1,532
Total	**135**	**689**	**2,248**

In 2004, we recorded impairments of EUR 135 million on a U.S. GAAP basis, of which EUR 95 million is related to our portfolio of debt securities.

Impairment of debt securities under Dutch GAAP

Unrealized losses on debt securities consist of two components: interest related unrealized losses and credit related unrealized losses. Interest related unrealized losses, which fully relate to fluctuations in risk free market interest rates, generally would not result in any impairments. Credit related unrealized losses may relate to impairment if it is uncertain whether future interest and principal payments will be collected.

Impairments on debt securities, recorded at redemption value under Dutch GAAP, are accounted for as a reduction of the carrying value of the debt security. This reduction is reversed in a subsequent period if the recoverable amount increases and the increase can be objectively related to an event occurring after the impairment was recognized in income. The amount of the reversal is then included in the profit and loss account for the period.

Developments in 2004

The impairment review of the debt securities in our investment portfolio produced an impairment of EUR 95 million for 2004. The impairment is related to our portfolio in the United States. The most significant item is the EUR

53 million impairment on asset-backed securities, collateralized debt obligations, mortgage-backed and mortgage-backed derivative securities.

Developments in 2003

The 2003 impairment review of the debt securities in our investment portfolio produced an impairment of EUR 141 million, of which EUR 135 million is related to our portfolio in the United States:

Table of Contents

EUR 51 million on debt securities of issuers in the airline energy industry. The majority of our airline investments are comprised of Enhanced Equipment Trust Certificates (EETC). Since the events of September 11, 2001, the airline industry suffered from reduced passenger volume due to a combination of security concerns and the slowdown in 2002 and gradual recovery in 2003 of the U.S. economy. Compounding the reduced volume were increased costs of enhanced security measures, increased fuel costs and relatively high cost structures. Over the past two years several carriers have sought bankruptcy protection and rejected a number of leases supporting debt structures similar to those held by ING resulting in our impairment

EUR 31 million attributed to asset-backed securities

EUR 11 million on debt securities of issuers in the cable and telecommunications industry. During 2003, the telecommunications industry remained under pressure due to a gradual recovery in the economy and an overcapacity of the industry s infrastructure.

EUR 11 million on debt securities of issuers in the healthcare industry. The most significant holdings were impaired due to material accounting irregularities.

Impairment of debt securities under U.S. GAAP

Under U.S. GAAP impairments are determined similar to Dutch GAAP. In the case of impairment, the related unrealized loss (included in shareholders equity) is recorded through the profit and loss account as a reduction of cost price. Under U.S. GAAP impairments may not be reversed in future periods. This difference has not resulted in any differences between the cost price of securities under Dutch GAAP and U.S. GAAP in 2004 or 2003 as no impairments were reversed under Dutch GAAP.

Impairment of equity securities under Dutch GAAP

Under Dutch GAAP, a distinction is made between unrealized losses due to general market fluctuations and unrealized losses due to issuer-specific developments. Unrealized losses due to temporary fluctuations in equity markets do not lead to impairment. The impairment review focuses on issuer specific developments regarding financial condition and future prospects, taking into account the intent and ability to hold the securities under the ING Group s long term investment strategy. Issuer specific developments may include significant financial difficulty of the issuer, a high probability of bankruptcy or other financial reorganization of the issuer and the disappearance of an active market for that financial asset due to financial difficulties. If, in a subsequent period, the recoverable amount increases and the increase can be objectively related to an event occurring after the impairment was recognized in income, the loss should be reversed, with the reversal included in net result for the period.

Developments in 2004

In 2004, ING Group recognized impairments of EUR 9 million under Dutch GAAP.

Developments in 2003

In 2003, ING Group recognized impairments of EUR 55 million under Dutch GAAP, consisting of several minor impairments, concentrated in the general industrials (EUR 16 million) and IT services (EUR 8 million).

Impairment of equity securities under U.S. GAAP

Under U.S. GAAP, based on strict Securities and Exchange Commission interpretations, additional impairments are recognized for other than temporary unrealized losses on top of the impairments already recognized under Dutch

GAAP.

An additional impairment may be recognized under U.S. GAAP after giving additional consideration to the extent to which the fair value is below the cost price and the period of time for which unrealized losses have existed. Under U.S. GAAP, impairments may not be reversed in future periods. Impairments are treated as a reduction of cost. This last difference has not resulted in any differences

Table of Contents

between the cost price of securities under Dutch GAAP and U.S. GAAP in 2004 as no impairments were reversed under Dutch GAAP.

Developments in 2004

In 2004, we recorded an impairment of EUR 40 million on equity securities related to other than temporary losses on a U.S. GAAP basis.

Developments in 2003

In 2003, under U.S. GAAP, the adjustment for equity securities was EUR 335 million lower, as the adjustment for realized losses (either sold or impaired) under Dutch GAAP, which were already recognized under U.S. GAAP in prior years, exceeds the additional impairment on a U.S. GAAP basis.

In 2003, we recorded an impairment of EUR 215 million related to other than temporary losses on a U.S. GAAP basis, concentrated in the temporary labor industry (EUR 62 million), IT services (EUR 54 million), nutrition industry (EUR 40 million) and retail-wholesale (EUR 11 million).

Impact on future earnings

Although all individual securities were reviewed to ensure that all material impairments or other than temporary losses were charged to the profit and loss account in 2004, the identification of impairment and other than temporary losses and the determination of the recoverable amount are an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices. Further developments after December 31, 2004 may indicate that certain unrealized losses that existed as of December 31, 2004 will need to be considered other than temporary, resulting in a negative impact on our profit and loss account.

Goodwill

In 2002, a significant difference existed between the result pursuant to Dutch GAAP, which was a profit of EUR 4,500 million, and the net loss of EUR 9,627 million pursuant to U.S. accounting principles. This difference was primarily the result of the adoption of new goodwill requirements under U.S. GAAP.

As of January 1, 2002 goodwill is no longer amortized but tested for impairment if any events or a change in circumstances indicate that impairment may have taken place, or at a minimum on an annual basis. See Note 7.12, Business Combinations for additional information on the accounting treatment of goodwill under U.S. GAAP.

Under Dutch GAAP, goodwill paid on acquisitions is directly charged to shareholders equity at the time of an acquisition. This difference between Dutch and U.S. accounting principles is explained in Note 6.1 to the financial statements.

Transitional goodwill impairment test 2002

ING Group adopted SFAS 142 as of January 1, 2002 and performed the required assessment of whether there was any indication that goodwill was impaired as of the date of adoption. As a result, certain goodwill was impaired and ING Group recognized a transitional goodwill impairment charge of EUR 13,103 billion in the 2002 profit and loss account for the cumulative effects of changes in accounting principles as required by SFAS 142.

Table of Contents

The transitional goodwill impairment charge related to the following reporting units:

	2002
Reporting unit	
US	8,077
Latin America	2,836
Sub-total EC Americas	10,913
Germany	977
UK	191
Sub-total EC Europe	1,168
Greater China	1,022
Sub-total EC Asia/Pacific	1,022
Total transitional goodwill impairment charge	**13,103**

In performing the transitional goodwill impairment test ING Group determined the fair value of the reporting units using valuation techniques consistent with market appraisals for insurance companies and banks. The fair value of our insurance operations, including the reporting units in the United States, Latin America and Greater China, was determined using a discounted cash flow model, discounting the future earnings arising on the books on December 31, 2001, requiring assumptions as to a discount rate and expectations with respect to future growth rates.

Goodwill allocated to the reporting units in the United States, Latin America and Greater China mainly relates to the goodwill paid on the acquisition of ReliaStar Financial Corp., Aetna Financial Services and Aetna International in 2000. ING Group acquired these companies in 2000 at the height of the acquisition market. At the time of the acquisition, similar models were used to estimate the fair value of these entities, using then prevailing assumptions. These assumptions were significantly affected by the ongoing weakness in the overall economic conditions. In 2001, market and business conditions deteriorated compared to 2000, which has adversely affected the assumptions used at the time of acquisition and as a result, adversely affected the fair value of the reporting units. Future earnings were discounted at the risk free rate, adjusted for the basic risk premium that differs per country, which depends on the size of the business, immature market conditions and economic and political conditions. Discount rates used in the transitional goodwill impairment test are 11% for the United States, 12.5% to 16% for Latin America and 13.5% for Greater China.

The fair value of our banking operations, including the reporting units in Germany and the United Kingdom, was determined with a price/earnings multiple model, in which the 2002 forecasted profit was multiplied by the current price/earnings multiple for similar acquisitions. In 1998, goodwill allocated to these reporting units relates mainly to the acquisition of BHF-Bank A.G. Since then, the price/earnings multiple for similar acquisitions has decreased significantly given the overall weakness in the economy set out above, which has adversely affected the fair value of the reporting unit.

Annual goodwill impairment tests

The annual goodwill impairment test is performed in the fourth quarter for all reporting units.
In 2004, with the exception of reporting unit Latin America discussed below, there is no indication that goodwill is impaired as of December 31, 2004.

Goodwill for reporting unit Latin America was almost fully impaired in the 2002 transitional goodwill impairment test. Remaining goodwill for reporting unit Latin America was EUR 461 million, of which EUR 439 million related to the 49% interest in Sul América, accounted for under the equity method in the Dutch GAAP annual accounts. Goodwill allocated to equity method investments is not tested for impairment in accordance with SFAS 142 but under APB 18, which requires that a other than temporary decline in value of an equity method investments is recognized in the profit and loss account.

Table of Contents

Of the remaining goodwill for reporting unit Latin America, EUR 101 million was written off in the 2003 annual goodwill impairment test. As of December 31, 2003 the fair value, estimated using a discounted cash flow model was below carrying value. Since the acquisition in 2002, the local economic environment and business conditions deteriorated, leading to higher interest rates and devaluation of the Real. The decline in fair value was viewed as other than temporary and ING Group recognized an impairment charge of EUR 101 million in 2003 for U.S. GAAP purposes.

The fair value of the reporting unit, estimated using a discounted cash flow model, has continued to decrease in 2004 and the decrease is viewed as other than temporary. In 2004, ING Group has recognized an additional impairment charge of EUR 26 million for U.S. GAAP purposes for goodwill allocated to the reporting unit Latin America. The impairment charge had no impact on net income under Dutch GAAP since goodwill has not been capitalized but charged to equity immediately at the time of the acquisition.

The 2002 annual goodwill impairment test did not result in any impairment charges above that recorded as the transition impairment charge described above.

The business line structure that was introduced in 2004 changed ING Group s operating segments and, one level below, the components used in the transitional goodwill impairment test to identify the reporting units. As a consequence, ING Group revised the reporting units in 2004 which did not affect the outcome of the 2004 annual goodwill impairment test.

Table of Contents

INSURANCE OPERATIONS

The following table sets forth selected financial information for the Group s consolidated insurance operations for the years ended December 31, 2004, 2003 and 2002:

	Year ended December 31,		
	2004	2003	2002
	(EUR millions)		
Income from insurance operations:			
Gross premiums written:			
Life	36,975	33,904	38,899
Non-life	6,642	7,288	7,917
Total	43,617	41,192	46,816
Income from investments	9,944	9,721	10,506
Commissions and other income	1,837	2,320	2,127
Total (1)	**55,398**	**53,233**	**59,449**
Net premiums written:			
Life	35,355	32,803	37,806
Non-life	5,886	6,358	6,642
Total	**41,241**	**39,161**	**44,448**
Operating profit before tax from insurance activities:			
Life	2,396	2,478	2,603
Non-life	1,609	1,008	567
Total	**4,005**	**3,486**	**3,170**
Taxation	901	861	540
Third party interests	119	117	92
Operating net profit	**2,985**	**2,508**	**2,538**

(1) Under U.S. GAAP total operating income 2004 was EUR 36,400 million (2003 EUR 32,349 million, 2002: EUR 31,523 million). The difference with Dutch GAAP mainly relates to contracts that do not expose the Company to significant mortality or morbidity risks. (See note 6.4.k to the consolidated financial statements).

As of the first quarter of 2004, Guaranteed Investment Contracts (GICs) are no longer included in premium income and underwriting expenditure, to bring reporting into line with practice at other insurers. Premium income and underwriting expenditure related to these contracts are no longer included in revenues and expenses, respectively. Only the difference between premium income and underwriting expenditure of GICs is included in the profit and loss account. Figures in the corresponding periods have been adjusted accordingly. In 2004, EUR 3,356 million in GICs proceeds were received, compared with EUR 4,327 million in 2003 and EUR 5,468 million in 2002.

The following table sets forth the breakdown of gross premiums written and profits before tax by geographic area for the Group s consolidated insurance operations for each of the years indicated. The relationship between gross premiums written and profits before tax varies significantly between geographic areas and from year to year, based upon a variety of factors, including differences in regulatory requirements, product mixes and levels of competition in different countries, as well as our capital allocation and internal funding policies.

Table of Contents

	Gross premiums written			Operating profit before tax		
	2004	**2003**	**2002**	**2004**	**2003**	**2002**
	(EUR millions)			**(EUR millions)**		
The Netherlands	7,516	7,429	6,786	1,423	1,451	1,067
Belgium	2,439	2,568	2,335	128	109	74
Rest of Europe	1,415	1,404	1,618	182	231	155
North America	20,663	19,981	25,231	1,438	1,008	1,123
Latin America	2,097	2,338	3,293	231	302	307
Asia	8,046	5,950	6,035	314	235	245
Australia	1,423	1,644	1,763	437	176	329
Other	155	348	388	(148)	(26)	(130)
Premiums between geographic areas (1)	(137)	(470)	(633)			
Total	**43,617**	**41,192**	**46,816**	**4,005**	**3,486**	**3,170**

(1) Represents reinsurance premiums ceded between Group companies in different geographic areas.

Year ended December 31, 2004 compared to year ended December 31, 2003

On a consolidated basis, the Group s insurance operations contributed EUR 4,005 million and EUR 3,486 million to the Group s profits before tax in 2004 and 2003, respectively, and EUR 2,985 million and EUR 2,508 million to the Group s net profits in those years. Changes in income and profit were affected by exchange rate movements, acquisitions and divestments in those years.

Total income

Total income from insurance operations in 2004 increased by EUR 2,165 million, or 4.1%, to EUR 55,398 million, from EUR 53,233 million in 2003. The increase was negatively affected by exchange rate movements, as the euro strengthened against most other currencies. Gross premiums increased by EUR 2,425 million or 5.9%, as strong growth, particularly from the life insurance businesses in the United States and Asia, was offset in part by divestments and currency effects. Investment income increased by EUR 223 million mainly due to one-time gains on the sale of the Australian non-life business and the IPO of ING Canada in 2004 (EUR 219 million and EUR 249 million respectively), partly compensated by disposals in 2003. Commissions and other income decreased by EUR 483 million, or 20.8%, amongst others due to lower gains from discontinued reinsurance activities (EUR 96 million in 2004 compared to EUR 303 million in 2003), the release of a catastrophe provision in 2003 (EUR 88 million) and currency effects.

The total impact of exchange rate movements amounted to EUR (2,607) million. Acquisitions and divestitures decreased total income on balance by EUR 825 million. The organic growth of total income, disregarding the influence of acquisitions, divestitures and exchange rate movements, was EUR 5,597 million or 11.3%, reflecting a 13.6% increase in gross premiums (life increased by 15.6% and non-life increased by 3.0%) and 3.6% higher investment income, commissions and other income.

As of 2004, the ING Real Estate Investment Management companies were transferred from the insurance operations to the banking operations, while the former Furman Selz activities were transferred from banking operations to the insurance operations. On balance, the transfer decreased the comparable operating profit before taxation of ING s insurance operations in 2003 as follows:

	Year ended December 31, 2003 (EUR millions)
Income from investments	(1)
Commissions	(97)
Other income	(5)
Total	(103)
Personnel expenses	(9)
Other operating expenses	(21)
Operating expenses	(30)
Profit before taxation	**(73)**

The following table sets forth the Group s gross life premiums by geographic area and type of product for the years indicated.

Profit before tax

The profit before tax from the Group s insurance activities increased in 2004 by EUR 519 million, or 14.9%, to EUR 4,005 million, from EUR 3,486 million in 2003, reflecting a decrease in life operations of 3.3% and a growth in non-life operations of 59.6%. Higher hedge profits contributed EUR 107 million to the increase in profits, but were partially offset by the influence of exchange rate movements which had a negative effect of EUR 89 million, mainly due to the depreciation of most currencies against the euro. Higher profits were generated especially in North America, Australia, Asia and Belgium while the Netherlands, the Rest of Europe, Latin America and Other regions showed lower profits compared to 2003.

Operating expenses for 2004 decreased by 1.2% as compared to 2003, as personnel expenses increased by 1.0% and other operating expenses decreased by 4.1%. Excluding exchange rate differences and acquisitions and divestments, total operating expenses increased organically by 6.1%, mainly due to higher expenses in the Netherlands, Belgium, the Rest of Europe and Australia, amongst others caused by investments in new IT systems and improvements to the quality of IT systems. Expenses as a percentage of assets under management for investment products increased 8 basis points to 0.94%. Expenses as a percentage of life premiums improved to 12.8% in 2004 from 13.2% in 2003. The expense ratio for non-life insurance was 30.6% compared with 28.2% in 2003.

Taxation

The overall effective tax rate in 2004 for the Group s insurance operations was 22.5%, compared to a 24.7% rate in 2003. The decrease was mainly due to the release of tax provisions and the inclusion of a number of gains with zero or low tax charges.

Operating net profit

Operating net profit for the Group s insurance operations in 2004 amounted to EUR 2,985 million, an increase of EUR 477 million, or 19.0% from EUR 2,508 million in 2003.

Embedded value of life operations

The total embedded value of ING s life insurance operations was EUR 23,500 million before dividends of EUR 1,049 million to the Group, an 12.8% increase from the revised embedded value of EUR 20,836 million at year-end 2003. After dividends the embedded value was EUR 22.5 billion. The 2004 year-end figures reflect ING s adoption of the European Embedded Value principles issued by the CFO forum, a group representing the chief financial officers of major European insurers. The most significant impact of this adoption on the embedded value was a reduction of EUR 616 million for the expenses associated with financial options and guarantees, resulting in a 2.7% decrease in the embedded value at year-end 2004. Another significant change was the adoption of a new internal capital model, which better aligns capital with the economics of the business. This change reduced embedded value by EUR 744 million in 2004. Currency impacts had an impact of EUR 529 million, while assumption changes and financial variances increased embedded value by EUR 314 million and EUR 431 million respectively.

Year ended December 31, 2003 compared to year ended December 31, 2002.

On a consolidated basis, the Group s insurance operations contributed EUR 3,486 million and EUR 3,170 million to the Group s profits before tax in 2003 and 2002, respectively, and EUR 2,508 million and EUR 2,538 million to the Group s net profits in such years. Changes in income and profit were affected by disposals in 2003 (including Seguros Bital, Sviluppo), the joint venture with ANZ (one of Australia s major banks) which we entered into in 2002, and by a few smaller acquisitions and divestitures.

Total income

Total income from insurance operations in 2003 decreased by EUR 6,216 million, or 10.5%, to EUR 53,233 million, from EUR 59,449 million in 2002. The decrease was fully caused by exchange rate movements, as the euro strengthened against most other currencies. Gross premiums decreased by EUR 5,624 million mainly due to currency effects. However, gross premiums in the Netherlands and Belgium increased by 9.5% and 10.0% respectively. Investment income decreased by 7.5% over 2002 levels due to currency effects and the operating part of the ANZ gain in 2002; however, realized capital gains on real estate were higher than in 2002. Despite the currency effect, commissions and other income increased by EUR 193 million, or 9.1%, primarily due to a gain from discontinued, reinsurance activities (EUR 303 million) and the release of a catastrophe provision (EUR 88 million), both in 2003, which was, in part, offset by the profit on the surrender of a group life contract (EUR 120 million) in 2002.

The total impact of exchange rate movements amounted to EUR (6,826) million. Acquisitions and divestitures decreased total income by EUR 263 million. The organic growth of total income, disregarding the influence of acquisitions, divestitures and exchange rate movements, was EUR 874 million or 1.8%, reflecting on balance slightly higher gross premiums (0.6% for life and 4.2% for non-life) and 5.7% higher investment income, commissions and other income.

Profit before tax

The profit before tax from the Group s insurance activities increased in 2003 by EUR 316 million, or 10.0%, to EUR 3,486 million, from EUR 3,170 million in 2002, reflecting a decrease in life operations of 4.8% and a growth in non-life operations of 77.8%. The influence of exchange rate movements decreased the profit before tax by EUR 220 million, mainly due to the depreciation of most currencies against the euro, offset in part by EUR 98 million higher hedge profits. Higher profits were generated especially in the Netherlands, Belgium, Rest of Europe and Other regions while North America, Latin America, Asia and Australia showed lower profits compared with 2002.

Operating expenses in 2003 decreased by 5.9% from EUR 5,203 million in 2002 to EUR 4,897 million in 2003 as personnel expenses decreased by 1.0% and other operating expenses decreased by 11.4%. Excluding exchange rate differences and acquisitions and divestments, total operating expenses increased organically by 6.5%, mainly because of higher pension costs, additional expenses with regard to the improvement of the service levels of the Dutch operations, implementation costs of shared service centres, reorganization costs in the United States and Poland and increased claim handling expenses in some business units. In addition, a strong expense growth was experienced in Canada, higher staff expenses and litigation reserve, and South Korea, high organic growth due to marketing and promotion costs.

The difference between the (adjusted) premium and (adjusted) expense growth of the life and non-life operations, excluding Australia (due to the influence of the ANZ joint venture), was (7.8) percentage points compared to 16.1% in 2002. The deterioration primarily reflects much higher expenses in the Netherlands and lower fixed annuities sales and higher expenses in North America.

Taxation

The overall effective tax rate in 2003 for the Group s insurance operations was 24.7%, compared to a 17.0% rate in 2002. The tax rate increase was mainly caused by the release of a tax provision in 2002 and lower tax-exempt gains in 2003.

Operating net profit

Operating net profit for the Group s insurance operations in 2003 amounted to EUR 2,508 million, a decrease of EUR 30 million, or 1.2% compared with 2002.

Embedded value of life operations

At the end of 2003, the total embedded value of ING s life insurance operations was EUR 21,724 million compared to EUR 23,279 million at year-end 2002. The primary reasons for the decline in embedded value are the lower assumed investment return especially in the Netherlands and Asia/Pacific and the impact of the strengthening of the euro. The value of new business written decreased from EUR 519 million in 2002 to EUR 440 million in 2003. This decrease reflects lower sales and lower returns on investment. During 2003, ING invested EUR 1,479 million to write new life insurance business. The overall rate of return expected on this investment is 10.9%. This compares to an overall return of 11.5% in 2002. The expected rate of return in developing markets is 15.3%.

Life insurance operations

The following table sets forth certain summarized financial information for the Group s life insurance operations for the years indicated.

	Year ended December 31,		
	2004	2003	2002
	(EUR millions)		
Gross premiums	36,975	33,904	38,899
Net premiums (1)	35,356	32,802	37,806
Income from investments	8,217	8,285	8,289
Other income	33	94	223
Total income	43,606	41,181	46,318
Life policy benefits paid or provided for	36,628	34,909	39,336
Operating expenses	2,536	2,459	2,601
Acquisition costs and other expenses	2,046	1,335	1,778
Total expenditure	41,210	38,703	43.715
Profit before taxation	**2,396**	**2,478**	**2,603**

(1) Net of reinsurance premiums ceded of EUR 1,619 million, EUR 1,102 million and EUR 1,093 million, in 2004, 2003 and 2002 respectively.

Year ended December 31, 2004 compared to year ended December 31, 2003

Premium income

Gross premium income of the Group s life operations in 2004 increased by EUR 3,071 million, or 9.1%, compared to 2003 levels. Disregarding the negative effects of exchange rate movements, (which resulted in a decrease of EUR 1,816 million), and acquisitions/divestitures (which resulted in a decrease of EUR 114 million), gross premium income for the Group increased by EUR 5,001 million or 15.6%. All regions, and in particular North America and Asia contributed to the growth, except for Belgium and Australia.

Life policy benefits paid or provided for

Life policy benefits paid or provided for consist of life benefits paid to policy owners and beneficiaries, increases in life insurance provisions and profit sharing and rebates for policyholders. Total life policy benefits increased by EUR 1,719 million, or 4.9%, to EUR 36,628 million from EUR 34,909 million in 2003, in each case net of reinsurance. Life policy benefits paid and insurance provisions increased by EUR 1,790 million, or 5.2%, to EUR 35,944 million in line with the increase in premiums. Profit sharing and rebates, which consist of distributions (in the form of a reduction of premiums or credits) to policyholders with respect to portfolio yield or the profits of the policy issuing company, decreased by

Table of Contents

4.6% from EUR 328 million in 2003 to EUR 313 million in 2004; bonuses added to policies decreased by 12.9% from EUR 426 million in 2003 to EUR 371 million in 2004.

Operating expenses

Life operating expenses increased by EUR 77 million, or 3.1%, from EUR 2,459 million in 2003 to EUR 2,536 million in 2004. Excluding exchange rate movements, the increase was 8.7%.

Profit before tax

The profit before tax from life insurance operations in 2004 decreased by 3.3% from EUR 2,478 million in 2003 compared to EUR 2,396 million in 2004, as the impact of divestments and other one-off items offset strong results at the core life insurance businesses, particularly in the United States. One-off items had a negative impact of EUR 237 million in 2004, including a charge of EUR 219 million at the individual life reinsurance business in the United States, which ING exited. In 2003, one-off items had a positive impact of EUR 269 million such as gains on the sale of ING s life insurance unit in Italy of EUR 71 million and on ING s stake in Seguros Bital joint venture in Mexico of EUR 38 million, a release of a catastrophe provision of EUR 88 million and a gain on discontinued reinsurance activities of EUR 72 million). In 2003, excluding one-off items, total operating profit before tax from life insurance increased by 19.2% to EUR 2,633 million from EUR 2,209 million in 2003. In particular, the life businesses in the United States, Asia/Pacific and Belgium, posted strong results.

The following table sets forth a geographic breakdown of the profits before taxation of the Group s life operations:

	Year ended December 31,	
	2004	**2003**
		(EUR millions)
Profit before tax		
The Netherlands	1,139	1,192
Belgium	111	86
Rest of Europe	171	220
North America	652	781
Latin America	108	137
Asia	311	236
Australia	162	101
Other	(258)	(275)
Total	**2,396**	**2,478**

In the *Netherlands,* profit before tax decreased by EUR 53 million, or 4.4%, over 2003 levels as improved morbidity results were more than offset by higher operating expenses and the impact of the transfer of a real estate portfolio to the banking operations. Substantial realized capital gains on real estate were slightly higher than in 2003 (EUR 489 million compared to EUR 482 million in 2003). Operating expenses were higher, due to investments in new IT- systems and continued efforts to reduce backlogs and update policies to comply with Dutch legislative changes at Nationale-Nederlanden. One-off items which consisted primarily of gains on discontinued reinsurance activities amounted to EUR 10 million in 2004 compared to EUR 37 million in 2003.

In *Belgium,* profit before tax rose by EUR 25 million or 29.1% from 2003 levels, mainly due to higher fee and investment income due to a growth in assets under management.

In the *Rest of Europe,* the profit before tax decreased by EUR 49 million, or 22.3%, to EUR 171 million, as a result of the sale of ING s life insurance business in Italy in 2003 (which had a negative impact of EUR 56 million, (an additional EUR 15 million was recorded in the area Other). All operations in Eastern Europe (except Slovakia) as well as Greece and Spain posted higher profits than in 2003.

In *North America,* profit before tax in 2004 decreased by EUR 129 million, or 16.5%, to EUR 652 million. However, excluding a charge of EUR 219 million at the individual life reinsurance business in the United States, which ING exited and EUR 28 million expenses related to the pending sale of Life of Georgia and a loss of EUR 69 million based on currency movement, the profit before tax in North

America increased by EUR 189 million or 23.9%, due to higher fee income as asset levels increased, driven by higher sales and positive net inflows in the retirement services, life and annuities business. Results from asset management increased, driven by higher gains on the private equity portfolio as well as expense management. In addition, lower net credit related investment losses.

In *Latin America,* profit before tax decreased by EUR 29 million, or 21.2%, to EUR 108 million. Excluding the currency impact and the gain from the sale of the Seguros Bital joint venture in Mexico in 2003 the profit before tax increased by EUR 16 million or 17.4%, mainly due to higher commissions-and investment income in Mexico. In addition EUR 8 million higher results in Argentina due to expense savings primarily related to no longer paying agent commissions on the renewal of the business that remains inforce (on October 20, 2004, ING announced that it signed an agreement to transfer all life insurance policies and other assets of ING Insurance Argentina to Zurich Financial Services Group, which was completed in the first quarter of 2005).

In *Asia,* profit before tax was EUR 311 million, EUR 75 million, or 31.8%, higher than in 2003, led by the life insurance businesses in South Korea and Japan. Profits from South Korea increased driven by higher sales and renewal premiums and continued low claim levels. Profits from Japan increased mainly due to higher sales of corporate-owned life insurance products and single-premium variable annuity products. However, profits from Taiwan were lower, mainly because of an EUR 50 million higher addition to the provision against a prolonged low interest rate environment.

In *Australia,* profit before tax increased by EUR 61 million, or 60.4%, to EUR 162 million in 2004. Excluding the impact of the transfer of real estate businesses from insurance to Wholesale Banking, profit from the ongoing Australian life and wealth operations rose by EUR 67 million or 70.5%. Earnings included a release of EUR 29 million in excess reserves in the fourth quarter, which were held for the capital guarantee business. Profit growth was driven by higher investment earnings and higher fees as a result of growth in assets under management, due to favourable capital market developments, and favourable claims and lapse results.

Profit before tax in the area *Other* (for a large part consisting of paid interest on core debt and hedge results) improved on balance due to higher hedge results and lower paid interest on core debt, partly offset by a release of a catastrophe provision in 2003, a gain on the sale of ING Sviluppo in 2003 and higher gains from previously discontinued reinsurance business.

Year ended December 31, 2003 compared to year ended December 31, 2002

Premium income

Gross premium income of the Group s life operations in 2003 decreased by EUR 4,995 million, or 12.8%, compared to 2002 levels. Disregarding the negative effects of exchange rate movements (EUR 4,714 million) and acquisitions/divestitures (EUR 217 million), gross premium income for the Group decreased organically by EUR 64 million or 0.2%, due primarily to the uncertainty of consumers about the economic climate, the fierce competition in the main insurance markets and the choice of ING for profitability above market share; premium income in the United States dropped organically by 7.4%, mainly due to lower sales of annuities. However, Life premiums in the Dutch and Belgian Life market showed a double digit growth.

Life policy benefits paid or provided for

Life policy benefits paid or provided for consist of life benefits paid to policy owners and beneficiaries, increases in life insurance provisions and profit sharing and rebates for policyholders. Total life policy benefits decreased by EUR 4,427 million, or 11.3%, to EUR 34,909 million from EUR 39,336 million in 2002, in each case net of reinsurance.

Life policy benefits paid and insurance provisions decreased by EUR 4,623 million, or 11.9%, to EUR 34,154 million in line with the decrease in premiums. Profit sharing and rebates, which consist of distributions (in the form of a reduction of premiums or credits) to policyholders with respect to portfolio yield or the profits of the policy issuing company, increased from EUR 60 million in 2002 to EUR 328 million in 2003; bonuses added to policies decreased from EUR 499 million in 2002 to EUR 426 million in 2003.

Table of Contents

Operating expenses

Life operating expenses decreased by EUR 142 million, or 5.5%, from EUR 2,601 million in 2002 to EUR 2,459 million in 2003. The decrease was due to exchange rate movements.

Profit before tax

The profit before tax from life insurance operations in 2003 decreased by 4.8% or EUR 125 million compared with 2002 to EUR 2,478 million.

This decrease can be attributed primarily to the operating part of the ANZ gain (EUR 222 million) in Australia in 2002 and lower profits in North America and the area Other.

The following table sets forth a geographic breakdown of the profits before taxation of the Group s life operations:

	Year ended December 31,	
	2003	**2002**
	(EUR millions)	
Profit before tax		
The Netherlands	1,192	914
Belgium	86	72
Rest of Europe	220	149
North America	781	945
Latin America	137	127
Asia	236	251
Australia	101	290
Other	(275)	(145)
Total	**2,478**	**2,603**

In the *Netherlands,* profit before tax increased by EUR 278 million, or 30.4%, as compared to 2002 levels mainly due to higher realized capital gains on real estate. Operating expenses were higher, due to higher pension costs as well as expenses to reduce backlogs and improve the service level. Mortality and morbidity experience improved over 2002. One-time items amounted to EUR 37 million in 2003 (gain from previously discontinued reinsurance business) as compared to EUR 120 million in 2002 (profit on the surrender of a group life contract).

In *Belgium,* profit before tax rose by EUR 14 million or 19.4% from 2002 levels, mainly due to the strong retail profit on universal life products.

In the *Rest of Europe,* the profit before tax increased by EUR 71 million, or 47.7%, to EUR 220 million, including part of the gain on the sale of ING Sviluppo (EUR 56 million; an additional EUR 15 million was recorded in the area Other). Almost all operations in Eastern Europe as well as Greece and Spain posted higher profits than in 2002.

In *North America,* profit before tax decreased by EUR 164 million, or 17.4%, to EUR 781 million. However, excluding currency impact and the release in 2002 of contingent provisions associated with prior acquisitions, the profit before tax in North America increased by EUR 16 million or 2.1%. Higher profits in the United States were mainly caused by improved equity markets and lower net credit related investment losses, partly offset by lower investment spreads and unfavourable individual reinsurance product experience.

In *Latin America,* profit before tax increased by EUR 10 million to EUR 137 million in 2003. Excluding the currency impact and the gain from the sale of the Seguros Bital joint venture in Mexico the profit before tax decreased by EUR 2 million, mainly due to Argentina (currency gain from working capital denominated in USD in 2002) and the impact of divestitures in 2002.

In *Asia,* profit before tax was EUR 236 million, EUR 15 million lower than in 2002. Excluding currency impact the profit before tax increased by EUR 29 million. The main contributors to this growth

Table of Contents

were Korea and Japan. Profits from Japan increased mainly due to higher results on mortality and morbidity and profits in Korea rose due to better results on mortality, interest, expenses and surrenders. Businesses in the developing markets of China, India and Thailand also posted substantial increases. Profits from Taiwan were lower, mainly because of an addition of EUR 50 million to the provision against a prolonged low interest rate environment.

In *Australia,* profit before tax decreased by EUR 189 million to EUR 101 million in 2003. Excluding the EUR 222 million of the operating part of the ANZ gain in 2002, profit before tax rose by EUR 33 million, reflecting the continuing strong underwriting environment, higher premium rates and favourable claims experience.

Profit before tax in the area *Other* decreased on balance by EUR 130 million. Lower interest income and lower dividend income mainly as a consequence of measures to strengthen ING s capital base and to reduce core debt were partly compensated by higher hedge results, the release of a catastrophe provision, a gain from previously discontinued reinsurance business and the gain on the sale of ING Sviluppo in 2003.

Non-life insurance operations

The following table sets forth certain summarized financial information for the Group s non-life operations for the years indicated:

	Year ended December 31,		
	2004	**2003**	**2002**
	(EUR millions)		
Gross premiums written	6,642	7,288	7,917
Net premiums earned (1)	5,813	6,128	6,297
Income from investments	1,232	920	732
Other income	27	9	62
Total income	7,072	7,057	7,091
Claims and claims expenses	3,352	3,945	4,390
Operating expenses	883	849	911
Acquisition costs and other expenses	1,228	1,255	1,223
Total expenses	5,463	6,049	6,524
Profit before tax	**1,609**	**1,008**	**567**

(1) Net of reinsurance ceded of EUR 756 million, EUR 930 million and EUR 1,275 million in 2004, 2003 and 2002, respectively and changes in provision for unearned premiums and unexpired insurance risks.

The following table sets forth the Group s non-life gross written premiums by geographic area:

	Year ended December 31,		
	2004	2003	2002
	(EUR millions)		
The Netherlands	1,693	1,847	1,859
Belgium	324	311	282
Rest of Europe	48	44	38
North America	2,741	2,944	3,069
Latin America	1,591	1,872	2,546
Asia	37	45	66
Australia	200	356	296
Other	142	337	385
Premiums between geographic areas (1)	(134)	(468)	(624)
Total	6,642	7,288	7,917

(1) Represents reinsurance premiums ceded between Group companies in different geographic areas.

Year ended December 31, 2004 compared to year ended December 31, 2003

Premium income

Gross premium income of the Group s non-life operations in 2004 decreased by EUR 646 million, or 8.9%, over 2003 levels. Disregarding the negative effects of exchange rate movements (a decrease of EUR 303 million) and acquisitions/divestitures (a decrease of EUR 530 million), gross premium income for the Group increased organically by EUR 187 million or 3.0%.

Non-life gross premiums in the Netherlands decreased by 8.3% but excluding the effect of the sale of the Dutch health insurance business there was an increase of 3.6% mainly in the loss of income and accident lines. Belgium experienced a premium growth of 4.2% primarily caused by higher tariffs and portfolio takeover. Gross premiums in North America increased in Canada by 2.3%, but decreased in the United States by 32.3%. Latin America showed a decrease of 4.3% mainly due to the loss of one major contract and the termination of some unprofitable fleet contracts in Mexico. Gross premiums Australia decreased due to the sale of the non-life business completed in June 2004.

Net non-life premiums written in 2004 and 2003 reflected premiums ceded to reinsurers of EUR 756 million and EUR 930 million, respectively, resulting in overall retention levels of 88.6% in 2004 and 87.2% in 2003. Net non-life premiums written amounted to EUR 5,886 million in 2004 compared to EUR 6,358 million in 2003.

Claims and claims expenses

Claims and claims expenses for the Group s non-life business decreased by EUR 593 million, or 15.0%, from EUR 3,945 million in 2003 to EUR 3,352 million in 2004. Although all product lines contributed to the decrease, the health and automobile insurance business were the main cause and contributed EUR 265 million and EUR 111 million respectively. Claims and claims expenses in the reinsurance business were EUR 166 million, or 72.0%, lower than in 2003. For a more detailed discussion of unpaid claims and claims adjustment expenses and developments between years, see Note 7.7 of Notes to the consolidated financial statements.

The development of net premiums earned and claims and claims expenses resulted in a lower overall non-life loss ratio (63.0% versus 69.4%). All regions except Rest of Europe, Latin America and Asia contributed to this improvement. By line of product, the loss ratio of Automobile improved by 9.9 percentage points to 62.5%, the loss ratio of Loss of Income/Accident improved by 4.7 percentage points to 62.2% and the loss ratio of Fire and Health improved both by 4.3 percentage points to 51.4% and 79.3% respectively.

Operating expenses

Operating expenses increased by EUR 34 million or 4.0% from EUR 849 million in 2003 to EUR 883 million in 2004. Excluding exchange rate movements the increase was 7.3%.

Table of Contents

Profit before tax

The profit before tax from non-life insurance operations in 2004 increased by EUR 601 million, or 59.6%, compared with 2003, to EUR 1,609 million. This increase was especially due to North America (IPO of ING Canada) and Australia (gain on sale non-life operations). The following table sets forth the profit before taxation of the Group s non-life operations by geographic area:

	Year ended December 31,	
	2004	**2003**
	(EUR millions)	
The Netherlands	284	259
Belgium	17	23
Rest of Europe	11	10
North America	786	227
Latin America	123	165
Asia	3	(1)
Australia	275	75
Other	110	250
Total	**1,609**	**1,008**

The following table sets forth loss, expense and combined ratio information for the Group s non-life operations by geographic area for the years 2004 and 2003:

	Year ended December 31,					
	2004	**2003**	**2004**	**2003**	**2004**	**2003**
	Loss ratio		**Expense ratio**		**Combined ratio**	
	(all figures %)					
The Netherlands	60.6	69.8	36.8	31.0	97.4	100.8
Belgium	71.1	70.6	36.7	35.1	107.8	105.7
Rest of Europe	46.1	40.9	35.8	37.0	81.9	77.9
North America	61.0	73.9	27.6	24.7	88.6	98.6
Latin America	71.8	68.1	27.6	26.9	99.4	95.0
Asia	56.6	55.1	40.9	43.5	97.5	98.6
Australia	46.3	49.9	28.0	28.5	74.3	78.4
Other	62.8	42.4	16.4	51.6	79.2	94.0
Total non-life	63.0	69.4	30.6	28.2	93.6	97.6

In the Netherlands, non-life profit before tax increased by EUR 25 million, or 9.7%, from EUR 259 million in 2003 to EUR 284 million in 2004, driven by favourable claims experience, particularly in the lines Fire and Loss of Income/Accident, which more than offset the sale of the health insurance portfolio.

In *Belgium,* non-life profit before tax decreased from EUR 23 million in 2003 to EUR 17 million in 2004, due to higher expenses and a loss on the run-off of an old book of marine and aviation business.

In the *Rest of Europe,* non-life profit before tax rose in 2004 by EUR 1 million to EUR 11 million due to higher results in the business line Automobile.

In *North America,* non-life profit before tax increased by EUR 559 million, or 246.3%, to EUR 786 million in 2004. The initial public offering of the non-life insurance business in Canada contributed EUR 249 million to the profit. In addition, the result of non-life in Canada increased strongly to EUR 462 million from EUR 175 million in 2003, driven by favourable claims experience, due to mild weather and a regulatory change that capped motor insurance claims. Non-life profits in the United States rose organically by EUR 27 million due to increased health results.

In *Latin America,* non-life profit before tax decreased from EUR 165 million in 2003 to EUR 123 million in 2004. However, excluding the currency impact and the gain from the sale of the Seguros Bital joint venture in Mexico in 2003 the profit before tax decreased by EUR 10 million, mainly as a result of reserve strengthening, higher acquisition costs and higher claims, particularly in health insurance In Mexico. Chile showed higher profits due to low expenses and improved product experience health (higher premium income in conjunction with a better claims control).

In *Asia,* non-life profit before tax increased from a loss of EUR 1 million in 2003 to a profit of EUR 3 million in 2004. The increase was mainly due to miscellaneous, partly offset by health.

In *Australia,* non-life profit before tax increased by EUR 200 million to EUR 275 million in 2004. The gain on the sale of the non-life insurance business in the second quarter of 2004 contributed EUR 219 million to the profit. This sold joint venture contributed EUR 75 million to operating profit before tax in full-year 2003 and EUR 55 million in the first half of 2004.

The decrease of EUR 140 million in non-life profit before tax of the area Other, mainly the in-house reinsurance activities (ING Reinsurance), was mainly caused by the lower unallocated one-off gains from previously discontinued reinsurance activities (2004 EUR 85 million, 2003 EUR 228 million).

Year ended December 31, 2003 compared to year ended December 31, 2002

Premium income

Gross premium income of the Group s non-life operations in 2003 decreased by EUR 629 million, or 7.9%, over 2002 levels. Disregarding the negative effects of exchange rate movements (EUR (873) million) and acquisitions/divestitures (EUR (48) million), gross premium income for the Group increased organically by EUR 292 million or 4.2%.

Non-life gross premiums in the Netherlands decreased by 0.6% mainly in the loss of income and accident lines. In Belgium all product lines, but especially motor and fire, contributed to the 10.2% growth. Gross premiums in North America decreased by 4.1%, but rose organically by 9.2% thanks to Canada (motor, miscellaneous and fire) and the United States (health). Latin America showed an organic decrease of 2.0% due to Mexico (miscellaneous and motor), and gross premiums Australia rose organically by 20.9%, primarily due to miscellaneous and fire due to rate increases. The decrease of the non-life premium income in the area Other is fully due to reinsurance premiums.

Net non-life premiums written in 2003 and 2002 reflected premiums ceded to reinsurers of EUR 930 million and EUR 1,275 million, respectively, resulting in overall retention levels of 87.2% in 2003 and 83.9% in 2002. Net non-life premiums written amounted to EUR 6,358 million in 2003 compared to EUR 6,642 million in 2002.

Claims and claims expenses

Claims and claims expenses for the Group s non-life business decreased by EUR 445 million, from EUR 4,390 million in 2002 to EUR 3,945 million in 2003, due to nearly all product lines, especially health EUR (123) million, automobile EUR (128) million and accident EUR (115) million. Claims and claims expenses in the reinsurance business were EUR 60 million lower than in 2002. For a more detailed discussion of unpaid claims and claims adjustment expenses and developments between years, see Note 7.7 of Notes to the consolidated financial statements as stated in the Annual Report.

The development of net premiums earned and claims and claims expenses resulted in a lower overall non-life loss ratio (69.4% versus 75.0%). All regions contributed to this improvement. By product line, the loss ratio of Fire improved by 3.7 percentage points to 55.7% in 2003, the loss ratio of Loss of Income/Accident improved by 12.1 percentage points to 66.9% and the loss ratio of Automobile improved by 5.0 percentage points to 72.4%.

Operating expenses

Operating expenses decreased by EUR 62 million or 6.8% from EUR 911 million in 2002 to EUR 849 million in 2003, fully due to exchange rate movements.

Table of Contents

Profit before tax

The profit before tax from non-life insurance operations in 2003 increased by EUR 441 million, or 77.8%, compared with 2002, to EUR 1,008 million. This increase was due to all regions, except Latin America (caused by currency influences). The following table sets forth the profit before taxation of the Group s non-life operations by geographic area:

	Year ended December 31,	
	2003	2002
	(EUR millions)	
The Netherlands	259	153
Belgium	23	2
Rest of Europe	10	6
North America	227	178
Latin America	165	180
Asia	(1)	(6)
Australia	75	39
Other	250	15
Total	**1,008**	**567**

The following table sets forth loss, expense and combined ratio information for the Group s non-life operations by geographic area for the years 2003 and 2002:

	Year ended December 31,					
	2003	2002	2003	2002	2003	2002
	Loss ratio		Expense ratio		Combined ratio	
			(all figures %)			
The Netherlands	69.8	77.5	31.0	28.9	100.8	106.4
Belgium	70.6	76.7	35.1	34.7	105.7	111.4
Rest of Europe	40.9	49.8	37.0	41.6	77.9	91.4
North America	73.9	77.7	24.7	25.6	98.6	103.3
Latin America	68.1	68.8	26.9	25.6	95.0	94.4
Asia	55.1	66.6	43.5	51.5	98.6	118.1
Australia	49.9	66.9	28.5	29.5	78.4	96.4
Other	42.4	94.4	51.6	7.8	94.0	102.2
Total non-life	**69.4**	**75.0**	**28.2**	**27.1**	**97.6**	**102.1**

In the *Netherlands,* non-life profit before tax increased by EUR 106 million from EUR 153 million in 2002 to EUR 259 million in 2003. Especially the result of loss of income/accident rose strongly, mainly as a result of a favourable run-off of outstanding claims from former years and the release of a redundant insurance provision. The results from motor insurance also developed favorably.

In *Belgium,* non-life profit before tax increased from EUR 2 million in 2002 to EUR 23 million in 2003, due to premium rate increases and an improved claims ratio in both the retail and wholesale business.

In the *Rest of Europe,* non-life profit before tax rose in 2003 by EUR 4 million to EUR 10 million due to higher results in fire.

In *North America,* non-life profit before tax increased by EUR 49 million, or 27.5%, to EUR 227 million in 2003. Excluding currency effects the organic increase was EUR 67 million, mainly due to Canada (EUR 52 million). Canada delivered a record combined ratio of 94.9% in 2003 improving from 97.7% in 2002. Strong underwriting performance combined with organic premium growth of 10.9% mainly caused these higher profits. Non-life profits in the United States rose organically by EUR 15 million due to increased health and miscellaneous results.

In *Latin America,* non-life profit before tax decreased from EUR 180 million in 2002 to EUR 165 million in 2003. However, excluding the currency impact and the gain from the sale of the Seguros Bital joint venture in Mexico in 2003 the profit before tax increased by EUR 24 million, mainly due to higher profits in Mexico (EUR 11 million, mainly investment income), Brazil (EUR 6 million) and Chile (EUR 4 million).

In *Asia,* non-life profit before tax increased from a loss of EUR 6 million in 2002 to a loss of EUR 1 million in 2003. The increase was mainly due to health, partly offset by miscellaneous.

In *Australia,* non-life profit before tax increased by EUR 36 million to EUR 75 million in 2003, mainly due to higher results in the loss of income, accident and miscellaneous lines, largely caused by higher premiums, improved claims ratios and the release of prior year provisions.

The non-life profit before tax of the area Other, mainly the in-house reinsurance activities (ING Reinsurance), was strongly affected by the unallocated one-off gain from previously discontinued reinsurance activities in 2003 (EUR 228 million). In addition the higher results reflected on improved claims ratio in the fire lines as a result of lower catastrophe claims.

Allocation of income from investments and commission and other income

The following table sets forth the profit of the allocation of income from investments and commission and other income to life and non-life operations for the years indicated:

	Year ended December 31,		
	2004	**2003**	**2002**
		(EUR millions)	
Income from investments	9,944	9,721	10,506
Commissions and other income	1,837	2,320	2,127
Total	**11,781**	**12,041**	**12,633**
Investment expenses	2,239	2,557	2,629
Addition to the provision for investment losses	32	163	664
Other expenses	1	14	34
Total	9,509	9,308	9,306
Allocated to income from investments:			
Life operations	8,217	8,285	8,289
Non-life operations	1,232	920	732
Total	**9,449**	**9,205**	**9,021**
Allocated to other income:			
Life operations	33	94	223
Non-life operations	27	9	62
	60	**103**	**285**

Table of Contents

Insurance investments

The following table sets forth the components of the investment portfolio of the Group s insurance operations at the end of the years indicated:

	Year ended December 31, 2004	2003	2002
		(EUR millions)	
Land and buildings(1)	5,982	6,024	7,242
Fixed-interest securities (2)	138,067	129,575	132,059
Shares and convertible debentures	9,932	9,922	11,024
Interests in investment pools of the insurance operations (3)	27	71	99
Deposits with insurers	72	85	94
Investments for the risk of policyholders and investments of annual life funds	77,662	70,552	64,281
	231,742	**216,229**	**214,799**

(1) Including commuted ground rents.

(2) Includes EUR 1,113 million, EUR 1,481 million and EUR 1,823 million on December 31, 2004, 2003 and 2002, respectively, representing intercompany balances between Group insurance and banking companies.

(3) Consists of assets relating to certain large Dutch group life policies under which coverage is provided by ING and other insurers.

At year-end 2004 the component of the investment portfolio fixed interest securities consists of 72.0% debentures and fixed-interest securities (compared to 69.6% year-end 2003), 19.5% mortgage loans (compared to 19.9% year-end 2003), 3.8% private loans (compared to 5.7% year-end 2003) and 4.7% other fixed interest securities (compared to 4.8% year-end 2003). The change in the fixed interest securities portfolio was negatively affected by exchange rate movements (approximately EUR 5 billion).

The increase in investments for the risk of policyholders of EUR 7,110 million primarily relates to the component Shares and convertible debentures which increased by EUR 13,243 million to EUR 74,015 million at year-end 2004; the component fixed-interest securities decreased from EUR 8,484 million to EUR 2,673 million at year-end 2004.

	2004		2003		2002 restated	
	Income	Pre-tax yield(1)	Income	Pre-tax yield(1)	Income	Pre-tax yield(1)
			(EUR millions)			
Income from disposal of group companies	480		110		238	
Land and buildings	766	12.8%	822	11.3%	872	10.4%
Fixed-interest securities (2)(3)	8,279	6.2%	8,299	6.3%	8,788	6.6%
Shares and convertible debentures	419	4.2%	490	4.7%	608	4.4%
Total (4)	9,944		9,721		10,506	

Commissions and other income (5)	1,837	2,320	2,127
Total	**11,781**	**12,041**	**12,633**

---

(1) (1) Pre-tax yield is calculated using interest, rental, dividend, realized gains on convertible debentures and land and buildings in 2004, 2003 and 2002, divided by the average of beginning and year-end balances on related assets (excepting the calculation of the yield in 2002 of land and buildings: in December 2002 EUR 1.0 billion non-EU real estate was transferred from ING Insurance to ING Bank).

(2) Includes income from interests in investment pools that consists of investment income from assets relating to certain large Dutch group life policies under which coverage is provided by ING and other insurers.

(3) Includes mortgages and other loans.

(4) Includes EUR 163 million, EUR 218 million and EUR 73 million in 2004, 2003 and 2002, respectively, representing intercompany interest between Group insurance and banking companies.

(5) Commission and other income consists primarily of fees on asset management and insurance brokerage, profits of minority interests and profits from financial transactions.

Table of Contents

Year ended December 31, 2004 compared to year ended December 31, 2003

In 2004, income from investments, commissions and other income of the Group s insurance operations decreased in total by EUR 260 million, or 2.2%, to EUR 11,781 million, from EUR 12,041 million in 2003. This decrease was due to lower commissions and other income (EUR 483 million), partly offset by higher income from investments (EUR 223 million). However, disregarding the effect of acquisitions and divestitures and the effect of exchange rate movements, income from investments, commissions and other income increased by EUR 409 million, or 3.6%.

Income from investments increased by EUR 223 million from EUR 9,721 million in 2003 to EUR 9,944 million in 2004. Income from disposal of group companies increased by EUR 370 million reflecting the gain on the sale of our Australia non-life operation and the IPO of ING Canada in 2004 (EUR 219 million and EUR 249 million respectively), partly compensated by disposals in 2003 (amongst others Seguros Bital, Sviluppo). Income from land and buildings in 2004 was EUR 56 million lower than in 2003, mainly due to EUR 92 million lower rental income caused by the sale of real estate, partly compensated by higher realized real estate capital gains. Income from fixed interest securities decreased by EUR 20 million or 0.2% to EUR 8,279 million. Excluding foreign currency impact income from fixed interest securities increased by 4.3%, the income from investments in shares and convertible debentures decreased by EUR 71 million to EUR 419 million due primarily to lower dividends.

Income from commissions decreased by EUR 112 million, or 8.5%, to EUR 1,201 million from EUR 1,313 million, mainly due to the transfer of the ING Real Estate companies from insurance operations to the banking operations while the former Furman Selz activities were transferred from the banking operations to the insurance operations (combined net impact on commisions EUR (97) million).

Other income, including profits on sale of equity participations and financial transactions, decreased by EUR 371 million, from EUR 1,007 million to EUR 636 million, mainly due to lower gains from old reinsurance activities (EUR 96 million in 2004 vs EUR 303 million in 2003), the release of a catastrophe provision (EUR 88 million) in 2003 and lower income related to the sale of the Dutch health insurance portfolio (EUR (46) million).

Investment expenses decreased in 2004 by EUR 318 million, or 12.4%, to EUR 2,239 million. The addition to the provision for investment losses decreased from EUR 163 million in 2003 to EUR 32 million in 2004. For both years these provisions are almost fully attributable to the United States, and reflect the improvement in U.S. economic and market conditions. The losses equal to 2 basis points of the total fixed interest securities in 2004 (in 2003 :13 basis points).

Year ended December 31, 2003 compared to year ended December 31, 2002

In 2003, income from investments, commissions and other income of the Group s insurance operations decreased in total by EUR 592 million, or 4.7%, to EUR 12,041 million, from EUR 12,633 million in 2002. This decrease was due to lower income from investments (EUR 785 million), partly offset by higher commission and other income (EUR 193 million). However, disregarding the effect of acquisitions and divestitures and the effect of exchange rate movements, income from investments, commission and other income increased by EUR 645 million, or 5.7%.

Income from investments decreased by EUR 785 million from EUR 10,506 million in 2002 to EUR 9,721 million in 2003. Income from disposal of group companies decreased by EUR 128 million reflecting the gain on the ANZ joint venture in 2002 (EUR 222 million), partly compensated by disposals in 2003 (amongst others Seguros Bital, Sviluppo). Income from land and buildings in 2003 was EUR 50 million lower than in 2002, mainly due to EUR 102 million lower rental income caused by the sale of real estate, partly compensated by higher realized real estate capital gains. Income from fixed interest securities decreased by EUR 489 million or 5.6% to EUR 8,299 million, due to lower interest levels (mainly in the United States). The income in investments in shares and convertible debentures decreased by EUR 118 million to EUR 490 million amongst others due to the decreased value of the portfolio.

Income from commissions decreased by EUR 32 million, or 2.4%, to EUR 1,313 million from EUR 1,345 million. Except the regions the Netherlands (EUR 18 million), North America (EUR 10 million) and Asia

Table of Contents

(EUR 4 million) all regions showed a decrease in income from commissions, especially Latin America EUR (31) million, mainly currency impact and Rest of Europe EUR (24) million.

Other income, including profits on sale of equity participations and financial transactions, increased by EUR 225 million, from EUR 782 million to EUR 1,007 million, due to a gain from old reinsurance activities (EUR 303 million) and the release of a catastrophe provision (EUR 88 million) both in 2003, which was, in part, offset by the profit on the surrender of a group life contract (EUR 120 million) and a gain from previously discontinued reinsurance activities both in 2002.

Investment expenses decreased in 2003 by EUR 72 million, or 2.7%, to EUR 2,557 million. The addition to the provision for investment losses decreased from EUR 664 million in 2002 to EUR 163 million in 2003. For both years these losses are almost fully attributable to the United States. The losses equal to 13 basis points of the total fixed interest securities in 2003 (in 2002: 50 basis points).

BANKING OPERATIONS

The following table sets forth certain summary financial data for the Group s banking operations for the years indicated:

	Year ended December 31,		
	2004	**2003**	**2002**
	(EUR millions)		
Interest income	25,580	23,802	24,088
Interest expense	16,772	15,687	16,442
Net interest result	**8,808**	**8,115**	**7,646**
Commissions	2,581	2,464	2,615
Other income			
Income from securities and participating interests	47	154	201
Result from financial transactions	596	562	454
Other revenue	505	385	285
Total other income	**1,148**	**1,101**	**940**
Total income	**12,537**	**11,680**	**11,201**
Staff costs	4,981	4,694	4,787
Other administrative expenses	3,677	3,490	3,511
Operating expenses	**8,658**	**8,184**	**8,298**
Addition to the provision for loan losses	465	1,125	1,435
Operating profit before taxation	**3,414**	**2,371**	**1,468**
Taxation	857	599	333
Third party interests	153	227	240
Operating net profit	**2,404**	**1,545**	**895**

Year ended December 31, 2004 compared to year ended December 31, 2003

Operational profit before taxation

The operating profit before taxation from ING s banking operations for 2004 increased by EUR 1,043 million, or 44.0%, to EUR 3,414 million from EUR 2,371 million for 2003, driven by a 7.3% increase in operating income and a sharp reduction of the addition to the provision for loan losses. Total operating income rose by EUR 857 million, or 7.3%, to EUR 12,537 million from EUR 11,680 million in 2003. The increase was mainly caused by a EUR 693 million higher net interest result as a result of increased balance sheet totals (notably ING Direct), partly offset by a lower average interest margin and EUR 117 million higher commissions. Other income rose by EUR 47 million, or 4.3%, to EUR 1,148 million from EUR 1,101 million in 2003. In 2004, other income included aggregate losses of EUR 165 million related to various divestments of ING s banking operations. Operating expenses increased by EUR

474 million or 5.8%. Included in operating expenses are restructuring provisions of respectively EUR 82 million in 2003 (comprised of EUR 30 million for ING BHF-Bank, EUR 15 million for ING Bank France and EUR 37 million for the international wholesale banking activities) and EUR 101 million in 2004 (comprised of EUR 60 million for ING BHF-Bank and EUR 41 million for the international wholesale banking activities). Including EUR 42 million in one-off costs related to the sale of the Asian cash equities business in the first quarter of 2004, total one-off expenses amounted to EUR 143 million in 2004. The addition to the provision for loan losses decreased by EUR 660 million, or 58.7%, to EUR 465 million, from EUR 1,125 million for 2003, reflecting improved credit conditions.

One-off items, including results on divestments and restructuring charges, on balance had a negative impact of EUR 308 million on operating profit before taxation in 2004 compared to EUR 82 million in 2003. The transfer of activities between banking and insurance had a positive impact of EUR 73 million.

All three banking business lines reported improved results. The operating profit before taxation of ING Direct increased by 186.1% from EUR 151 million in 2003 to EUR 432 million in 2004, mainly due to higher interest income driven by continued strong growth in funds entrusted. Wholesale Banking posted a EUR 660 million, or 51.9%, increase in operating profit before taxation, fully driven by a sharp decline in risk costs. A decrease in income, caused by one-off losses on divestments, was largely compensated by lower operating expenses. Retail Banking reported an increase of operating profit before taxation of EUR 112 million, or 10.6%.

Total operating income

Total operating income from the banking operations increased by EUR 857 million, or 7.3%, to EUR 12,537 million from EUR 11,680 million for 2003. Adjusted for currency movements and excluding the impact of transfers of activities between banking and insurance, total income increased by EUR 863 million, or 7.4%.

Operating expenses

Operating expenses increased by EUR 474 million, or 5.8%, to EUR 8,658 million, from EUR 8,184 million for 2003. Adjusted for currency movements and excluding the impact of transfers of activities between banking and insurance, operating expenses increased by EUR 507 million, or 6.2%. Excluding one-off expenses (EUR 82 million in 2003 and EUR 143 million in 2004), operating expenses increased by EUR 446 million or 5.5% of which 3.5% was due to continued growth of ING Direct.

Cost/income ratio

As the increase in income outpaced the expense growth, the cost/income ratio of the banking activities improved to 69.1% in 2004, from 70.1% in 2003. Excluding one-off items, the cost/income ratio improved to 67.0% from 69.4%.

Net interest result

Within the banking operations, the net interest result for 2004 increased by EUR 693 million, or 8.5%, to EUR 8,808 million from EUR 8,115 million for 2003, reflecting a 16.7% higher average balance sheet total (notably ING Direct), partly offset by a narrowing of the interest margin.

Commissions

Commissions for 2004 increased by EUR 117 million, or 4.7%, to EUR 2,581 million, from EUR 2,464 million for 2003. The increase is mainly driven by higher securities-related commissions. Management fees increased by EUR 172 million, or 29.0%, of which EUR 97 million is the net effect from the transfer of activities between banking and insurance. Commissions from the securities business were EUR 665 million, unchanged from 2003, despite the sale of the Asian cash equities business in the first quarter of 2004, which had a negative impact on revenue of about EUR 60 million.

Other income

Other income for 2004 increased by EUR 47 million, or 4.3%, to EUR 1,148 million, from EUR 1,101 million for 2003. Income from securities and participating interests dropped EUR 107 million, while the result from financial transactions and other revenue increased by EUR 34 million and EUR 120 million respectively. The decrease in income from securities and participating interests was fully caused by the EUR 165 million loss related to various divestments in ING s banking operations in 2004.

Addition to the provision for loan losses

The addition to the provision for loan losses decreased by EUR 660 million, or 58.7%, to EUR 465 million, from EUR 1,125 million for 2003 reflecting a further improvement of the overall credit portfolio, the release of some debtor provisions and the absence of large loan defaults. The addition in 2004 equalled 18 basis points of average credit risk weighted assets compared with 46 basis points in 2003.

Effect of transfer of activities between insurance and banking

As of 2004 the ING Real Estate Investment Management companies were transferred from insurance to banking, while the former Furman Selz activities were transferred from banking to insurance. On balance, the transfer increased the comparable operating profit before taxation of ING s banking operations in 2003 as follows:

	Year ended December 31 2003 (EUR millions)
Net interest result	1
Commissions	97
Other income	5
Total operating income	**103**
Staff costs	9
Other expenses	21
Operating expenses	**30**
Operating profit before taxation	**73**

Year ended December 31, 2003 compared to year ended December 31, 2002

Profit before taxation

The operating profit before taxation from ING s banking operations for 2003 increased by EUR 903 million, or 61.5%, to EUR 2,371 million from EUR 1,468 million for 2002. Net of the EUR 310 million lower addition to the provision for loan losses, the operating result before addition to the provision for loan losses increased by EUR 593 million or 20.4%. Although 2002 income was boosted by an exceptional gain of EUR 94 million on the sale of Cedel-shares, total income in 2003 rose by EUR 479 million or 4.3%. The increase was on balance caused by a EUR 469 million higher net interest result as a result of increased volumes (notably ING Direct) and a higher average interest margin in the Netherlands. Operating expenses decreased by EUR 114 million or 1.4%. Included in the operating expenses are restructuring provisions of respectively EUR 128 million in 2002 (for the international wholesale banking activities) and EUR 82 million in 2003 (comprised of EUR 30 million for ING BHF-Bank, EUR 15 million for ING Bank France and EUR 37 million for the international wholesale banking activities).

Both income and operating expenses were furthermore affected by the appreciation of the euro against most currencies. Excluding currency fluctuations and the acquisition of Toplease and ING Vysya Bank in 2002, operating profit before taxation rose organically by 59.1% (income increased by 7.2%, operating expenses increased by 1.0%). Also excluding the aforementioned gain on the sale of Cedel-shares and restructuring provisions, the operating profit before taxation improved by 60.9%.

Most banking units reported improved results. The operating profit before taxation of ING Direct turned from a loss of EUR 48 million in 2002 to a profit of EUR 151 million in 2003. The main driver of this success was the increasing number of customers and funds entrusted resulting in a strong growth of the net interest result. The operations in Canada, Australia, United States, Spain and Germany reported profits.

Exchange rate movements increased the total operating profit before taxation by EUR 56 million, mainly as a result of a US dollar-denominated loss in the fourth quarter of 2002.

Total operating income

Total operating income from the banking operations increased by EUR 479 million, or 4.3%, to EUR 11,680 million from EUR 11,201 million for 2002. Adjusted for currency movements and excluding the consolidation effect of Toplease and ING Vysya Bank, total income increased by EUR 776 million, or 7.2%.

Operating expenses

Operating expenses decreased by EUR 114 million, or 1.4%, to EUR 8,184 million, from EUR 8,298 million for 2002. Adjusted for currency movements and excluding the consolidation effect of Toplease and ING Vysya Bank, operating expenses increased by EUR 84 million, or 1.0%. Also excluding restructuring provisions (EUR 128 million in 2002 and EUR 82 million in 2003) and the continued growth of ING Direct, operating expenses decreased by EUR 84 million or 1.2%.

Table of Contents

Cost/income ratio

Excluding the continued growth of ING Direct operations and the restructuring provisions, the cost/income ratio (total operating expenses as a percentage of total income) was 68.4% for 2003, an improvement compared to 71.0% for 2002. Including ING Direct and the restructuring provisions, the cost/income ratio was 70.1% for 2003, compared to 74.1% for 2002.

Net interest result

Within the banking operations, the net interest result for 2003 increased by EUR 469 million, or 6.1%, to EUR 8,115 million from EUR 7,646 million for 2002, reflecting a higher average balance sheet total (notably ING Direct) and an improvement of the interest margin in the Netherlands. The widening of the interest margin in the Netherlands can be attributed to improved product margins and a steepening of the average yield curve.

Commissions

Commissions for 2003 decreased by EUR 151 million, or 5.8%, to EUR 2,464 million, from EUR 2,615 million for 2002. In particular, securities commissions and management fees were lower, reflecting the lower activity level on the stock markets and the continued reluctance of private clients to invest in securities.

Other income

Other income for 2003 increased by EUR 161 million, or 17.1%, to EUR 1,101 million, from EUR 940 million for 2002. Income from securities and participating interests dropped EUR 47 million, while the results from financial transactions and other revenue increased by EUR 108 million and EUR 100 million respectively.

Addition to the provision for loan losses

The addition to the provision for loan losses decreased by EUR 310 million, or 21.6%, to EUR 1,125 million, from EUR 1,435 million for 2002. The addition in 2003 equalled 46 basis points of average credit risk weighted assets against 59 basis points in 2002.

Effect of acquisitions/consolidations

The consolidation of Toplease (as of May 1, 2002) and ING Vysya Bank (as of October 1, 2002) contributed to the Group s 2003 total income, total operating expenses and profit before taxation as follows:

	Year ended December 31,		
	2003	**2002**	**Consoli-dated Effect**
	(EUR millions)		
Net interest result	42	13	29
Commissions	15	4	11
Other income	20	29	(9)
Total operating income	**77**	**46**	**31**

Staff costs	42	7	35
Other expenses	38	7	31
Operating expenses	**80**	**14**	**66**
Addition to the provision for loan losses	0	0	0
Profit before taxation	**(3)**	**32**	**(35)**

Net interest result

The following table sets forth certain information concerning the total net interest result of the Group s banking operations. The interest income and net interest result figures in the following table (other than Other net interest result and Total net interest result) include interest on non-accruing loans and do not

Table of Contents

reflect (1) interest income on amortized results investments; (2) lending commissions; (3) interest income on off-balance sheet instruments; (4) other interest income not considered to be directly related to interest-earning assets; (5) interest expense on off-balance sheet instruments; or (6) other interest expense not considered to be directly related to interest-bearing liabilities, all of which are reflected in the Other net interest result and Total net interest result below, which corresponds to the net interest result line item in the consolidated financial statements. A reconciliation of the interest income, interest expense and net interest result figures below to the corresponding line items in the consolidated financial statements is contained in the table under Item 4. Information on the Company Selected Statistical Information on Banking Operations Average Balances and Interest Rates .

	Year ended December 31,		
	2004	**2003**	**2002**
		(EUR millions)	
Interest income(1)	22,836	21,013	21,603
Net interest result(1)	8,272	7,561	7,093
Other net interest result(2)	536	554	553
Total net interest result	**8,808**	**8,115**	**7,646**
Average interest-earning assets	578,581	495,943	449,562
Average interest-bearing liabilities	546,698	468,179	422,650
Domestic			
Interest income(1)	7,996	8,788	8,873
Net interest result(1)	3,693	3,782	3,656
Average interest-earning assets	194,050	185,875	174,962
Average interest-bearing liabilities	183,216	167,295	160,660
Foreign			
Interest income(1)	14,840	12,225	12,730
Net interest result(1)	4,579	3,779	3,437
Average interest-earning assets	384,531	310,068	274,600
Average interest-bearing liabilities	363,482	300,884	261,990
Gross yield(3)			
Domestic	4.12%	4.73%	5.07%
Foreign	3.86%	3.94%	4.64%
Total	3.95%	4.24%	4.81%
Interest spread(4)			
Domestic	1.77%	1.74%	1.82%
Foreign	1.04%	1.14%	1.09%
Total	1.28%	1.36%	1.37%
Interest margin(4)			
Domestic	1.90%	2.03%	2.09%
Foreign	1.19%	1.22%	1.25%
Total	1.43%	1.52%	1.58%

(1) See Item 4. Information on the Company Selected statistical information on banking operations Average balances and Interest rates

(2) Additional net interest result required to reconcile Total net interest result to consolidated financial statements. See Item 4. Information on the Company Selected statistical information on banking operations Average balances and interest rates

(3) Gross yield is the average interest rate earned on Average interest-earning assets. See Item 4. Information on the Company Selected statistical information on banking operations Average balances and interest rates .

(4) Interest spread is the difference between the average interest rate earned on Average interest-earning assets and the average interest rate paid on Average interest-bearing liabilities. See Item 4. Information on the Company Selected statistical information on banking operations Average balances and interest rates.

(5) Interest margin is Net interest result before reconciliation to consolidated financial statements as a percentage of Average interest-earning assets.

Table of Contents

Year ended December 31, 2004 compared to year ended December 31, 2003

The Group s total net interest result in 2004 increased by EUR 693 million, from EUR 8,115 million in 2003 to EUR 8,808 million in 2004, reflecting a EUR 82.6 billion, or 16.7%, increase in volume, combined with a narrowing of the interest margin by 9 basis points. Both Dutch domestic and international operations recorded volume growth, of 9% and 24.0% respectively. The narrowing of the total interest margin by 9 basis points is the result of the 13 basis points lower interest margin in the Netherlands and the 3 basis points lower interest margin in the international operations, combined with the increased stake of the interest-earning assets outside the Netherlands (mainly triggered by ING Direct), with a substantially lower interest margin than within the Netherlands. The EUR 8.2 billion increase in volume of average interest-earning assets in the domestic operations was mainly caused by an increase of EUR 5.8 billion in average interest-earning securities and an increase of EUR 2.5 billion in average loans and advances. The increase in volume of the average interest-earning assets in the international operations of EUR 74.4 billion, attributable primarily to ING Direct, was mainly caused by an increase of EUR 49.1 billion in average interest-earning securities and an increase of EUR 23.1 billion in average loans and advances.

The change in total net interest result in 2004 can be allocated by average rate and volume effects as follows:

	(EUR millions)[1]
Increase due to changes in average balances	365
Increase due to changes in average rates	346
Increase due to changes in average rates and balances	711
Increase due to changes in other net interest (from reconciliation)	(18)
Total	**693**

(1) See Item 4. Information on the Company Selected statistical information on banking operations Analysis of changes in net interest income .

Year ended December 31, 2003 compared to year ended December 31, 2002

The Group s total net interest result in 2003 increased by EUR 469 million, from EUR 7,646 million in 2002 to EUR 8,115 million in 2003, representing a EUR 46.4 billion, or 10.3%, increase in volume, combined with a narrowing of the interest margin by 6 basis points. Both Dutch domestic and international operations recorded volume growth, of 6.2% and 12.9% respectively. The narrowing of the total interest margin by 6 basis points is the result of the 6 basis points lower interest margin in the Netherlands and the 3 basis points lower interest margin in the international operations, combined with the increased stake of the interest-earning assets outside the Netherlands (mainly triggered by ING Direct), with a substantially lower interest margin than within the Netherlands. The EUR 10.9 billion increase in volume of average interest-earning assets in the domestic operations was mainly caused by an increase of EUR 8.7 billion in average loans and advances and an increase of EUR 4.9 billion in interest-earning securities. The increase in volume of the average interest-earning assets in the international operations of EUR 35.5 billion, attributable primarily to ING Direct, was mainly caused by an increase of EUR 23.5 billion in average interest-earning securities and an increase of EUR 11.4 billion in average loans and advances.

The change in total net interest result in 2003 can be allocated by average rate and volume effects as follows:

	(EUR millions)[1]
Increase due to changes in average balances	561
Decrease due to changes in average rates	(93)
Increase due to changes in average rates and balances	468
Increase due to changes in other net interest (from reconciliation)	1
Total	**469**

(1) See Item 4. Information on the Company Selected statistical information on banking operations Analysis of changes in net interest income .

Table of Contents

Commissions

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

	Year ended December 31,		
	2004	2003	2002
	(EUR millions)		
Funds transfer	575	587	592
Securities business	665	665	731
Insurance brokerage	136	115	117
Management fees	766	594	688
Brokerage and advisory fees	139	146	197
Other	300	357	290
Total	**2,581**	**2,464**	**2,615**

Year ended December 31, 2004 compared to year ended December 31, 2003

Total commissions for 2004 increased by EUR 117 million, or 4.7%, to EUR 2,581 million, from EUR 2,464 million for 2003.

Funds transfer

Commissions from funds transfer decreased by EUR 12 million, or 2.0%, to EUR 575 million from EUR 587 million for 2003. ING Bank s commission from domestic funds transfer decreased by EUR 10 million, or 2.5%. Commission from international funds transfer decreased by EUR 2 million, or 0.9%, mainly at ING Bank Slaski, partly compensated by increases at ING Belgium and ING Direct.

Securities business

Commissions from the securities business were unchanged at EUR 665 million. The negative impact of the sale of the Asian cash equities business in the first quarter of 2004 (which had a negative effect of approximately EUR 60 million) was partly compensated by increases in Belgium and the other international wholesale banking units. In the Netherlands commissions from securities transactions increased by EUR 1 million or 0.8%.

Insurance brokerage

The commissions from insurance brokerage increased by EUR 21 million, or 18.3%, to EUR 136 million from EUR 115 million for 2003. The increase mainly occurred in ING s branch network in the Netherlands (increase of EUR 14 million or 26.4%) and in ING Belgium (increase of EUR 6 million or 11.8%).

Management fees

Management fees increased by EUR 172 million, or 29.0%, to EUR 766 million from EUR 594 million for 2003, of which EUR 97 million is the net effect from the transfer of ING Real Estate Investment Management companies from insurance to banking and the transfer of former Furman Selz business from banking to insurance. The remaining increase of EUR 75 million or 10.9%, can be attributed mainly to ING Real Estate and Baring Asset Management.

Brokerage and advisory fees

Brokerage and advisory fees decreased by EUR 7 million, or 4.8%, to EUR 139 million from EUR 146 million for 2003. Lower fees at ING Belgium were partly compensated by higher fees at the international wholesale banking units.

Other

The 16.0% decrease in other commission income (from EUR 357 million in 2003 to EUR 300 million in 2004) is mainly due to lower commission from leasing and factoring.

Table of Contents

Year ended December 31, 2003 compared to year ended December 31, 2002

Total commissions for 2003 decreased by EUR 151 million, or 5.8%, to EUR 2,464 million, from EUR 2,615 million for 2002.

Funds transfer

Commissions from funds transfer decreased slightly by EUR 5 million, or 0.8%, to EUR 587 million from EUR 592 million for 2002. ING Bank s commission from domestic funds transfer increased by EUR 4 million, or 1.0%. Commission from international funds transfer decreased by EUR 9 million, or 4.5%, mainly at ING Bank Slaski, partly compensated by ING Vysya Bank.

Securities business

Commissions from the securities business decreased by EUR 66 million, or 9.0%, to EUR 665 million from EUR 731 million for 2002, mainly due to the lower activity level on the stock markets. The decrease occurred entirely outside the Netherlands (decrease of EUR 69 million or 11.4%). In the Netherlands commissions from securities transactions increased by EUR 3 million or 2.4%.

Insurance brokerage

The commissions from insurance brokerage decreased by EUR 2 million, or 1.7%, to EUR 115 million from EUR 117 million for 2002. The increase in ING Belgium was fully offset by lower commissions in the Netherlands.

Management fees

Management fees decreased by EUR 94 million, or 13.7%, to EUR 594 million from EUR 688 million for 2002, caused by the on average lower stock market levels and the reluctance of private clients to invest in securities. In particular, ING Belgium, Baring Asset Management, ING Bank Netherlands and ING Furman Selz reported lower management fees.

Brokerage and advisory fees

Brokerage and advisory fees decreased by EUR 51 million, or 25.9%, to EUR 146 million from EUR 197 million for 2002. The decrease can be fully attributed to the international wholesale banking units. The brokerage and advisory fees in the Netherlands and ING Belgium were higher.

Other

The 23.1% increase in other commission income (from EUR 290 million in 2002 to EUR 357 million in 2003) can mainly be attributed to the international wholesale banking units.

Other Income

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

	Year ended December 31,		
	2004	**2003**	**2002**

		(EUR millions)	
Income from securities and participating interests	47	154	201
Result from financial transactions	596	562	454
Other revenue	505	385	285
Total	**1,148**	**1,101**	**940**

Year ended December 31, 2004 compared to year ended December 31, 2003

Other income increased by EUR 47 million, or 4.3%, to EUR 1,148 million from EUR 1,101 million.

Income from securities and participating interests

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, as well as valuation differences on equity participations. Income from securities and participating interests

Table of Contents

decreased by EUR 107 million, or 69.5%, to EUR 47 million from EUR 154 million in 2003. The decrease was entirely caused by the EUR 165 million loss on divestments in 2004, including a loss of EUR 210 million on the partial sale of ING BHF-Bank and a one-off loss of EUR 42 million on the sale of the Asian cash equities business, partly compensated by a EUR 87 million gain on the sale of CenE Bankiers.

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. Also included in this item are exchange rate differences in connection with holding assets and liabilities in foreign currencies, 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 accounting principles for recognition of result from financial transactions under Dutch and U.S. GAAP are different. See Note 6.1.d of Notes to the consolidated financial statements.

The result from financial transactions can be analyzed as follows:

	Year ended December 31,	
	2004	**2003**
	(EUR millions)	
Result from securities trading portfolio	365	226
Result from currency trading portfolio	566	46
Other results	(335)	290
Total	**596**	**562**

On balance, results from financial transactions increased EUR 34 million, or 6.0%, to EUR 596 million from EUR 562 million for 2003, despite the loss of EUR 48 million taken by Postbank in the first quarter of 2004 to compensate customers for a disappointing return on investments related to the unit-linked mortgage product MeerWaardeHypotheek . Excluding this loss, the result from financial transactions increased EUR 82 million, mainly attributable to the international wholesale banking units and ING Belgium. There are strong fluctuations between the separate lines, which are to a large extent interrelated.

The result from the securities trading portfolio for 2004 increased by EUR 139 million, or 61.5%, to EUR 365 million from EUR 226 million for 2003. The increase was fully attributable to the international wholesale banking units (especially in Amsterdam).

Result from currency trading portfolio

The result from the currency trading portfolio for 2004 increased by EUR 520 million to EUR 566 million from EUR 46 million for 2003. The increase occurred mainly in Wholesale International Amsterdam, ING Belgium and the international wholesale banking units in Asia. This development was largely offset by lower results from derivatives trading (part of Other results), which were to a large extent interrelated with the result from currency trading.

Other results

Other results, (which include asset trading, results from derivatives trading and the effects of revaluations in hyperinflationary countries), turned from a profit of EUR 290 million for 2003 to a loss of EUR 335 million for 2004. The deterioration can mainly be attributed to lower results from derivatives trading in Wholesale International Amsterdam, ING Belgium and the international wholesale banking units in Asia (interrelated with the higher results from currency trading portfolio). Also included in Other results is the loss taken by Postbank in the first quarter of 2004 for the unit-linked mortgage product described above.

Table of Contents

Other revenue

Income from Other revenue for 2004 rose by EUR 120 million, or 31.2%, to EUR 505 million from EUR 385 million for 2003. The increase was mainly due to higher leasing income and higher results from real estate, including rental income and profit from sales.

Year ended December 31, 2003 compared to year ended December 31, 2002

Other income increased by EUR 161 million, or 17.1%, to EUR 1,101 million from EUR 940 million.

Income from securities and participating interests

Income from securities and participating interests decreased by EUR 47 million, or 23.4%, to EUR 154 million from EUR 201 million in 2002. Income in 2002 included an exceptional profit of EUR 94 million on Cedel shares.

Result from financial transactions

The result from financial transactions can be analyzed as follows:

	Year ended December 31,	
	2003	**2002**
	(EUR millions)	
Result from securities trading portfolio	226	201
Result from currency trading portfolio	46	242
Other results	290	11
Total	**562**	**454**

On balance, result from financial transactions increased by EUR 108 million, or 23.8%, to EUR 562 million from EUR 454 million for 2002. There were strong fluctuations between the separate lines, which are to a large extent interrelated. The increase of the total result from financial transactions can be mainly attributed to ING BHF-Bank, ING Furman Selz (mainly lower losses on seed capital) and ING Bank Netherlands. The main contributors to the result from financial transactions (i.e. the international wholesale banking units and ING Belgium) realized only slightly higher results in 2003 compared to 2002.

Result from securities trading portfolio.

The result from the securities trading portfolio for 2003 increased by EUR 25 million, or 12.4%, to EUR 226 million from EUR 201 million for 2002. On balance, the increase was caused by ING Furman Selz (lower losses on seed capital investments).

Result from currency trading portfolio.

The result from the currency trading portfolio for 2003 decreased by EUR 196 million, or 81.0%, to EUR 46 million from EUR 242 million for 2002. The decrease occurred mainly in the international wholesale banking units and ING Belgium. This development was largely offset by higher related results from derivatives trading (part of Other results).

Other results.

Other results for 2003 improved by EUR 279 million to EUR 290 million from EUR 11 million for 2002. The improvement can mainly be attributed to higher results from derivatives trading in ING Belgium and the international wholesale banking units.

Table of Contents

Other revenue

Income from other revenue for 2003 rose by EUR 100 million, or 35.1%, to EUR 385 million from EUR 285 million for 2002. The increase was to a large extent caused by higher results from real estate. It should be noted that Other revenue in 2002 was relatively low due to one-off losses relating to operational problems in car leasing and securities brokerage at ING Bank.

Operating expenses

The following table sets forth the components of operating expenses:

	Year ended December 31,		
	2004	**2003**	**2002**
	(EUR millions)		
Staff costs	4,981	4,694	4,787
Other administrative expenses	3,677	3,490	3,511
Total	**8,658**	**8,184**	**8,298**

Year ended December 31, 2004 compared to year ended December 31, 2003

Total operating expenses of ING s banking operations in 2004 increased by EUR 474 million, or 5.8%, to EUR 8,658 million, from EUR 8,184 million for 2003. Included in the operating expenses are restructuring provisions of EUR 82 million in 2003 (comprised of EUR 30 million for ING BHF-Bank, EUR 15 million for ING Bank France and EUR 37 million for the international wholesale banking activities) and EUR 101 million in 2004 (comprised of EUR 60 million for ING BHF-Bank and EUR 41 million for the international wholesale banking activities). Including EUR 42 million in one-off costs related to the sale of the Asian cash equities business in 2004, total one-off expenses for 2004 amounted to EUR 143 million. Excluding those one-off items, currency movements and the impact of transfers of activities between insurance and banking, operating expenses increased by EUR 446 million, or 5.5% of which 3.5% was due to the continuously expanding ING Direct activities.

Staff costs

Total staff costs increased by EUR 287 million, or 6.1%, to EUR 4,981 million in 2004, reflecting higher expenses for external staff, higher bonuses, the impact of the collective labor agreement in the Netherlands which came into effect in May 2003 and a change in the staff composition (fewer staff in Wholesale Banking and Retail Banking, more in ING Direct). In the Netherlands, the average number of staff (full time equivalents) decreased by 1.8% from 22,674 in 2003 to 22,262 in 2004. Outside the Netherlands, the average number of staff employed decreased by 201, or 0.5%, from 41,508 in 2003 to 41,307 in 2004. Excluding the continuously expanding ING Direct activities, the average foreign headcount in 2004 decreased by approximately 1,500.

Other administrative expenses

Other administrative expenses increased by EUR 187 million, or 5.4%, to EUR 3,677 million from EUR 3,490 million in 2003. The increase can be attributed fully to the strong growth of the ING Direct activities. Excluding ING Direct, other administrative expenses remained nearly unchanged as higher marketing expenses (notably in Retail Banking) and the impact of restructuring provisions and one-off costs related to the sale of the Asian cash equities business in

Wholesale Banking were offset by lower depreciations on capitalized software (which were exceptionally high in 2003).

Year ended December 31, 2003 compared to year ended December 31, 2002

Total operating expenses of ING s banking operations decreased by EUR 114 million, or 1.4%, to EUR 8,184 million, from EUR 8,298 million for 2002. Included in the operating expenses are restructuring provisions of EUR 128 million in 2002 (for the international wholesale banking activities) and EUR 82 million in 2003 (comprised of EUR 30 million for ING BHF-Bank, EUR 15 million for ING Bank France and EUR 37 million for the international wholesale banking activities). Adjusted for currency movements and excluding the effect of the consolidation of Toplease and ING Vysya Bank, operating expenses increased by EUR 84 million, or 1.0%. Also abstracted from the restructuring provisions created in 2002 and 2003 and the continuously expanding ING Direct (which saw operating expenses rise by EUR 214 million at constant exchange rates) expenses decreased by EUR 84 million, or 1.2%. This decrease reflected stringent cost control despite higher pension expenses, the impact of the collective labor agreement in the Netherlands and accelerated depreciation of capitalized software.

Staff costs

Despite the impact of the collective labor agreement in the Netherlands and higher pension costs, total staff costs decreased by EUR 93 million, or 1.9%, to EUR 4,694 million in 2003, reflecting lower expenses for third-party staff, lower stock option expenses and a change in the staff composition (fewer staff in international wholesale banking, more in ING Direct and newly acquired ING Vysya Bank). In the Netherlands, the average number of staff (full time equivalents) increased slightly from 22,639 in 2002 to 22,674 in 2003. Outside the Netherlands, the average number of staff employed increased by 2,958, or 7.7%, from 38,550 in 2002 to 41,508 in 2003. Excluding the consolidation of ING Vysya Bank and excluding the continuously expanding ING Direct, the average foreign headcount in 2003 decreased by approximately 2,500.

Other administrative expenses

Other administrative expenses decreased by EUR 21 million, or 0.6%, to EUR 3,490 million in 2003 from EUR 3,511 million in 2002. The impact of cost containment actions and the depreciation of most currencies against the euro was to a large extent offset by the strong growth of ING Direct, the consolidation of Toplease and ING Vysya Bank and the accelerated depreciation of capitalized software.

Addition to the provision for loan losses

In 2004, the total addition to the provision for loan losses amounted to EUR 465 million, a decrease of EUR 660 million compared to the level in 2003 (EUR 1,125 million). The addition equalled 18 basis points of average credit risk weighted assets, against 46 basis points in 2003. The lower addition was possible due to a further improvement of the credit portfolio, the release of some debtor provisions, as a result of improved performance of specific borrowers, and the absence of large loan defaults.

For Wholesale Banking, the addition to the provision for loan losses in 2004 dropped to 12 basis points of average credit-risk weighted assets from 56 basis points in 2003. The addition was significantly lower than in previous years as a result of portfolio credit quality improvements registered in ING s core markets of Netherlands, Belgium and Poland. New loan portfolio problems in Germany were limited and the existing problem portfolio in Germany showed significant improvements. The improved diversification of the portfolio, due to stringent implementation of caps on single borrower exposures, further contributed to the reduction.

In 2004, Retail Banking additions were 25 basis points of average credit-risk weighted assets against 27 basis points in 2003, reflecting on one hand a continuing benign experience in mortgages, on the other higher consumer loan arrears related to the growth of the portfolio.

The addition to the provision for loan losses for ING Direct increased 36.9% to EUR 89 million in 2004 from EUR 65 million in 2003, in pace with the strong growth of the business. The addition equalled 22 basis points of average credit-risk weighted assets, compared with 26 basis points in 2003.

In 2003, the total addition to the provision for loan losses amounted to EUR 1,125 million, a decrease of EUR 310 million compared to the high level in 2002 when the continued weak economic conditions combined with the bankruptcy of National Century Financial Enterprises in the United States required a total addition of EUR 1,435 million. In 2003, the addition equalled 46 basis points of average credit risk weighted assets, against 59 basis points in 2002. Additions to provision for loan losses in the Americas were also substantially lower in 2003, since high additions for Argentina and the telecom and energy portfolios were necessary. The year 2003 was also characterized by generally lower additions in most regions, supported by releases from provisions created in previous years (notably in Asia) with the exceptions of the Netherlands, Central Europe and ING Direct where higher additions were necessary. The increase in the Netherlands was caused by an extra addition for NMB Heller s credit portfolio combined with higher additions for retail banking, while provisions in Central Europe included an addition for Parmalat. The higher addition to the provision for loan losses at ING Direct (notably in Germany) was mainly caused by the continued strong growth of the portfolio.

Taxation

The effective taxation rate for the operating net profit of the banking operations was 25.1% (EUR 857 million), 25.3% (EUR 599 million) and 22.7% (EUR 333 million) in 2004, 2003 and 2002 respectively, compared to a statutory rate of 34.5% in all these years in the Netherlands. The difference between the effective and statutory rates reflected the effect of foreign tax rates and other items. The relatively low taxation rates in these years were mainly caused by non-taxable gains and to a substantially lower tax ratio of the Belgian banking operations. The effective taxation rate in 2004 was also influenced by a EUR 112 million release of redundant tax provisions.

Operating net profit

Operating net profit for 2004 increased by EUR 859 million, or 55.6%, to EUR 2,404 million from EUR 1,545 million for 2003. Operating net profit for 2003 increased by EUR 650 million, or 72.6%, to EUR 1,545 million from EUR 859 million for 2002.

Total net profit

Due to the absence of non-operating items in 2004, 2003 and 2002 operating net profit from banking operations equalled total net profit.

Geographical breakdown

The following table sets forth the geographic distribution of operating income and operating profit before taxation of the banking operations:

	Year ended December 31,					
	Operational income			Operational result before taxation		
	2004	2003	2002	2004	2003	2002
	(EUR millions)			(EUR millions)		
The Netherlands	5,374	5,270	4,982	1,729	1,588	1,510
Belgium	2,254	2,012	2,044	711	478	613
Rest of Europe	3,265	2,997	2,773	351	(15)	(311)
North America	1,039	731	536	482	110	(509)
Latin America*	115	162	315	42	118	74
Asia	310	376	436	0	38	38
Australia	180	132	107	99	60	55
Other	0	0	8	0	(6)	(2)
Total	**12,537**	**11,680**	**11,201**	**3,414**	**2,371**	**1,468**

* Latin America = South America, including Mexico.

Year ended December 31, 2004 compared to year ended December 31, 2003

In the *Netherlands*, operating income for 2004 increased by EUR 104 million, or 2.0%, to EUR 5,374 million, from EUR 5,270 million for 2003. The net interest result decreased by EUR 139 million, or 3.4%. The average interest margin deteriorated by 14 basis points to 1.86%, partly caused by lower interest results on the asset and liability matching book. Commissions rose by EUR 53 million, or 6.4%. Higher management fees and insurance brokerage fees were partly offset by lower other commissions and funds transfer fees. Other income increased by EUR 190 million, or 58.5%, influenced by the gain of EUR 87 million on the sale of CenE Bankiers and higher results from real estate, including rental income and profit from sales, partly offset by the EUR 48 million loss taken on Postbank s unit-linked mortgage product. Operating expenses rose by EUR 154 million, or 4.6%. The increase of staff costs by EUR 192 million, next to the impact of the collective labour agreement which came into effect in May 2003 due to higher costs for external staff and to the transfer of activities from insurance to banking,

Table of Contents

was partly compensated by lower other administrative expenses, in particular lower depreciation of capitalized software. The addition to the provision for loan losses decreased by EUR 191 million, supported by the release of debtor provisions and the absence of significant defaults. The operating profit before taxation rose by EUR 141 million, or 8.9%, to EUR 1,729 million, from EUR 1,588 million for 2003.

In *Belgium,* operating income for 2004 increased by EUR 242 million, or 12.0%, to EUR 2,254 million, from EUR 2,012 million for 2003. Both the Wholesale Banking and Retail Banking activities contributed to the increase. The net interest result rose EUR 94 million or 5.9%. Commissions were up EUR 22 million or 6.5% and Other income rose EUR 126 million or 172.6%. Operating expenses increased by EUR 73 million, or 5.1%. Compared to 2003, loan loss provisioning decreased by EUR 64 million or 56.1%. The operating profit before taxation rose EUR 233 million, or 48.7%, to EUR 711 million, from EUR 478 million for 2003.

In the *Rest of Europe*, operating income for 2004 rose EUR 268 million, or 8.9%, to EUR 3,265 million, from EUR 2,997 million for 2003. Higher interest results (an increase of EUR 476 million, mainly attributable to ING Direct and ING BHF-Bank) and higher commissions were partly offset by the EUR 210 million loss on the sale of parts of ING BHF-Bank in the fourth quarter of 2004. Operating expenses increased EUR 254 million, or 10.4%, mainly due to ING Direct, ING Real Estate and the activities of ING Belgium in this geographical region. Included in the operating expenses are restructuring provisions of respectively EUR 82 million in 2003 (comprised of EUR 30 million for ING BHF-Bank, EUR 15 million for ING Bank France and EUR 37 million for the international wholesale banking activities) and EUR 63 million in 2004 (comprised of EUR 60 million for ING BHF-Bank and EUR 3 million as part of the EUR 41 million for the total of the international wholesale banking activities). The addition to the provision for loan losses decreased by EUR 352 million, mainly due to lower risk costs at ING BHF-Bank, the international wholesale banking activities and ING Bank Slaski. As a result, the operating profit before taxation improved by EUR 366 million to EUR 351 million, from a loss of EUR 15 million for 2003.

In *North America*, operating income for 2004 increased by EUR 308 million, or 42.1%, to EUR 1,039 million, from EUR 731 million for 2003. This increase can be mainly attributed to ING Direct, ING Real Estate (mainly fee business transferred from insurance) and the international wholesale banking activities, partly offset by the impact of the transfer of former Furman Selz activities to insurance. Operating expenses increased EUR 32 million, or 6.6%. The addition to the provision for loan losses decreased by EUR 96 million, mainly due to lower risk costs in the international wholesale banking activities. The operating profit before taxation improved from EUR 110 million in 2003 to EUR 482 million in 2004.

In *Latin America*, operating income for 2004 decreased by EUR 47 million, or 29.0%, to EUR 115 million, from EUR 162 million for 2003, due to lower interest results and commissions, partly compensated by higher other income. Operating expenses were only slightly lower, while the releases of loan loss provisions were EUR 30 million less favourable than in 2003. As a result, the operating profit before taxation decreased by EUR 76 million to EUR 42 million, from EUR 118 million for 2003.

In *Asia*, operating income for 2004 decreased by EUR 66 million, or 17.6%, to EUR 310 million, from EUR 376 million for 2003. The decrease was entirely due to the sale of the Asian cash equities business in the first quarter of 2004. In addition to a EUR 42 million loss on the sale, securities commissions were approximately EUR 60 million lower. Operating expenses decreased by EUR 52 million, or 13.9%, despite EUR 32 million one-off expenses related to the sale (the other EUR 10 million one-off expenses related to the sale are taken in the geographical regions Rest of Europe and North America). The releases of loan losses provisions were EUR 24 million lower than in previous year. As a result, the operating profit before taxation dropped to breakeven in 2004, from a profit of EUR 38 million in 2003.

In *Australia*, operating income for 2004 increased by EUR 48 million, or 36.4%, to EUR 180 million, mainly due to ING Real Estate (partly caused by the transfer of activities from insurance to banking) and ING Direct Australia. Operating expenses increased by EUR 20 million, or 32.3%, while the addition to the provision for loan losses decreased by EUR 11 million due to a release of provisions in

2004. The operating profit before taxation increased EUR 39 million to EUR 99 million, from EUR 60 million for 2003.

Year ended December 31, 2003 compared to year ended December 31, 2002

In the *Netherlands*, operating income for 2003 increased by EUR 288 million, or 5.8%, to EUR 5,270 million, from EUR 4,982 million for 2002. The net interest result rose by EUR 259 million, or 6.7%. The average interest margin improved by 13 basis points to 2.00%, mainly due to higher product margins. Commissions rose by EUR 42 million, or 5.4%. Higher brokerage and advisory fees and other commission income, were partly offset by lower management fees. Other income decreased by EUR 13 million, or 3.8%. Operating expenses rose by EUR 91 million, or 2.8%. The impact of a reduced average number of staff and lower expenses for third-party staff was more than offset by higher pension costs, higher marketing costs and the accelerated depreciation of capitalized software. The addition to the provision for loan losses increased by EUR 119 million, among others at NMB Heller. The operating profit before taxation rose by EUR 78 million, or 5.2%, to EUR 1,588 million, from EUR 1,510 million for 2002.

In *Belgium*, operating income for 2003 decreased by EUR 32 million, or 1.6%, to EUR 2,012 million, from EUR 2,044 million for 2002. Excluding the exceptional gain on the sale of Cedel-shares in 2002 of which EUR 64 million was booked in Belgium, income rose by 1.6% due to a higher interest result. Operating expenses increased by EUR 50 million, or 3.6%. Compared to 2002, loan loss provisioning increased by EUR 53 million, but is still relatively low. The operating profit before taxation decreased by EUR 135 million, or 22.0%, to EUR 478 million, from EUR 613 million for 2002.

In the *Rest of Europe*, operating income for 2003 rose by EUR 224 million, or 8.1%, to EUR 2,997 million, from EUR 2,773 million for 2002. Higher interest results (mainly ING Direct) and higher results on real estate and leasing were partly offset by lower commissions. Despite the strong growth of ING Direct, operating expenses decreased by EUR 164 million, or 6.3%, mainly in the international wholesale banking units. Included in the expenses are restructuring provisions of respectively EUR 60 million in 2002 (as part of the EUR 128 million for the total of the international wholesale banking activities) and EUR 82 million in 2003 (comprised of EUR 30 million for ING BHF-Bank, EUR 15 million for ING Bank France and EUR 37 million for the international wholesale banking activities). The addition to the provision for loan losses increased by EUR 92 million, mainly due to higher risk costs of ING BHF-Bank, the international wholesale banking activities and ING Direct. As a result, the operating profit before taxation improved by EUR 296 million to a loss of EUR 15 million, from loss of EUR 311 million for 2002. Especially the performance in Germany (ING BHF-Bank) and Poland (ING Bank Slaski) was disappointing. The results of the international wholesale banking units, ING Direct, ING Real Estate and ING Belgium in this geographical region improved considerably.

In *North America*, operating profit before taxation turned from a loss of EUR 509 million in 2002 to a profit of EUR 110 million in 2003. The strong improvement was mainly caused by EUR 364 million lower loan loss provisioning, reflecting improved credit conditions in the United States and the absence of major borrower defaults. Operating income for 2003 increased by EUR 195 million, or 36.4%, to EUR 731 million, from EUR 536 million for 2002. This increase can be mainly attributed to ING Direct, ING Furman Selz and ING Real Estate. Operating expenses decreased by EUR 60 million, or 11.0%. Lower operating expenses for the international wholesale banking units and ING Furman Selz were partly offset by higher expenses ING Direct.

In *Latin America*, operating income for 2003 decreased by EUR 153 million, or 48.6%, to EUR 162 million, from EUR 315 million for 2002. The sharp decrease in income was compensated by EUR 19 million lower operating expenses and a EUR 178 million lower addition to the provision for loan losses (in 2002 high due to Argentina provisioning). The operating profit before taxation increased by EUR 44 million to EUR 118 million, from EUR 74 million for 2002.

In *Asia*, in spite of the consolidation of ING Vysya Bank, operating income for 2003 decreased by EUR 60 million, or 13.8%, to EUR 376 million, from EUR 436 million for 2002. The decrease was entirely due to lower income from the international wholesale banking activities partly compensated by ING Vysya Bank. Operating expenses decreased by EUR 15 million, or 3.9%. The lower expenses of the international wholesale banking activities (in 2002 high due to the Asian share of the restructuring provision for international wholesale banking) was largely offset by the consolidation effect of ING Vysya Bank. The addition to the provision for loan losses decreased by EUR 45 million, due to a release of provisions in 2003. As a result, the operating profit before taxation remained unchanged on EUR 38 million.

In *Australia*, operating income for 2003 increased by EUR 25 million, or 23.4%, to EUR 132 million, due to an increase of EUR 27 million in net interest result (mainly ING Direct Australia). Operating expenses increased by EUR 7 million, or 12.7%, while the addition to the provision for loan losses rose by EUR 13 million. The operating profit before taxation increased by EUR 5 million to EUR 60 million, from EUR 55 million for 2002.

Table of Contents

LIQUIDITY AND CAPITAL RESOURCES

ING Groep N.V. is a holding company whose principal assets are its investments in the capital stock of its primary insurance and banking subsidiaries. The liquidity and capital resource considerations for ING Groep N.V., ING Insurance and ING Bank vary in light of the business conducted by each, as well as the insurance and bank regulatory requirements applicable to the Group in the Netherlands and the other countries in which it does business. ING Groep N.V. has no employees and substantially all of ING Groep N.V. s operating expenses are allocated to and paid by its operating companies.

As a holding company, ING Groep N.V. s principal sources of funds are funds that may be raised from time to time from the issuance of debt or equity securities and bank or other borrowings, as well as cash dividends received from its subsidiaries. ING Groep N.V. s total debt and capital securities outstanding to third parties at December 31, 2004 was EUR 10,570 million, and at December 31, 2003 and 2002 was EUR 8,956 million and EUR 8,713 million, respectively. The EUR 10,570 million of debt outstanding at December 31, 2004 consisted of US$ 250 million principal amount of 9.20% non-cumulative guaranteed trust preferred securities issued in June 2000, which have a balance sheet value of EUR 183 million, US$ 1,500 million principal amount of 8.439% non-cumulative guaranteed trust preferred securities issued in December 2000, which have a balance sheet value of EUR 1,100 million, EUR 600 million principal amount of 6.5% perpetual subordinated debt securities issued in September 2001, US$ 800 million principal amount of 7.05% perpetual debt securities issued in July 2002, which have a balance sheet value of EUR 586 million, US$ 1,100 million principal amount of 7.20% perpetual debt securities issued in December 2002, which have a balance sheet value of EUR 807 million, EUR 750 million principal amount perpetual debt securities with a variable interest rate issued in June 2003, US$ 500 million principal amount of 6.20% perpetual debt securities issued in October 2003, which have a balance sheet value of EUR 366 million, EUR 1,000 million principal amount perpetual debt securities with a variable interest rate issued in 2004 and EUR 5,178 million debentures. The detail with respect to the debentures is as follows:

Interest Rate (%)	Year of issue	Due date	Principal amount (EUR millions)
5.0	2001	May 3, 2006	1,000
6.125	2000	January 4, 2011	1,000
6	2000	August 1, 2007	750
5.5	2000	May 11, 2005	1,428
5.5	1999	September 14, 2009	1,000
			5,178

At December 31, 2004, 2003 and 2002, ING Groep N.V. also owed EUR 606 million, EUR 655 million, EUR 376 million, respectively, to ING Group companies pursuant to intercompany lending arrangements. Of the EUR 606 million owed by ING Groep N.V. to ING Group companies at December 31, 2004, EUR 47 million was owed to ING Insurance companies, EUR 6 million was owed to ING Bank companies and EUR 553 million was owed to direct subsidiaries of ING Group companies, as a result of normal intercompany transactions.

At December 31, 2004, 2003 and 2002, ING Groep N.V. had EUR 460 million, EUR 204 million and EUR 269 million, respectively, of cash. Dividends paid to the Company by its subsidiaries amounted to EUR 1,446 million, EUR 1,102 million and EUR 1,604 million in 2004, 2003 and 2002, respectively, in each case representing dividends declared and paid with respect to the reporting calender year and the prior calendar year. Of the amounts paid to the Company, EUR 629 million, EUR 519 million and EUR 1,262 million were received from ING Insurance in 2004, 2003 and 2002, respectively; EUR 817 million, EUR 583 million and EUR 258 million were received from ING Bank in 2004, 2003 and 2002 respectively, and for 2004 EUR 0 million was received from other ING Group companies. Repayments to ING by its subsidiaries amounted to EUR 2,303 million, EUR 40 million and EUR 1,453 million in 2004, 2003 and 2002, respectively, of the amounts paid to the Company, EUR 2,303 million was received from ING Bank in 2004, EUR 40 million and EUR 1,453 million were received from ING Bank in 2003 and 2002, respectively. ING and its Dutch subsidiaries are subject to legal restrictions on the amount of dividends they can pay to their shareholders. The Dutch Civil Code provides that dividends can only be paid by Dutch companies up to an amount equal to the excess of a company s shareholders equity over the sum of (1) paid-up capital and (2) shareholders reserves required by law. Further, certain of the Group companies are subject to restrictions on the amount of funds they may transfer in the form of cash dividends or otherwise to ING Groep N.V.

In addition to the restrictions in respect of minimum capital and capital base requirements that are imposed by insurance, banking and other regulators in the countries in which the Group s subsidiaries operate, other limitations exist in certain countries. For example, the operations of the Group s insurance company subsidiaries located in the United States are subject to limitations on the payment of dividends to their parent company under applicable state insurance laws. Dividends paid in excess of these limitations generally require prior approval of the Insurance Commissioner of the state of domicile.

In order to strengthen the capital base, the Annual General Meeting of Shareholders of ING Group N.V. approved, in April 2003, the introduction of optional cash/stock dividend as from the final dividend 2002, and fully fund the cash element by issuing and selling to the market the depositary receipts that would have been issued if stock would have been chosen instead of cash. To reduce the dilution of earnings per share even further ING decided in the beginning of 2005 to change its dividend policy to a full cash dividend starting with the final dividend 2004 (to be paid in May 2005). Following the introduction of International Financial Reporting Standards (IFRS) which is expected to increase volatility in net profit ING intends to pay dividends in relation to the longer-term underlying development of profit.

ING Groep N.V. made dividend payments of EUR 14 million, EUR 21 million and EUR 21 million on its Preference shares and declared dividends of EUR 2,057 million, EUR 2,024 million and EUR 1,930 million on its Ordinary shares, in 2004, 2003 and 2002, respectively. Of the amounts paid as dividends on ING Groep N.V. s Ordinary shares in 2003 and 2002 EUR 861 million and EUR 429 million, respectively, were paid in the form of cash dividends and the remainder was paid in the form of stock dividends. Of the interim dividend paid in 2004 EUR 867 million was paid in cash and the remainder was paid in the form of stocks. The final dividend for 2004 will be fully paid in cash.

ING Group Consolidated Cash Flows

Year ended December 31, 2004 compared to year ended December 31, 2003

Net cash provided by operating activities amounted to EUR 76,082 million for the year ended December 31, 2004, an increase of 17.6% compared to EUR 64,705 million for the year ended December 31, 2003. The increase in cash flow generated through the insurance funds of EUR 13,244 million and through the funds entrusted to and debt securities of the banking operations of EUR 67,414 million was partly used for the lending and investment portfolio. The lower increase in insurance funds of EUR 13,244 million in 2004 compared with EUR 24,563 million in 2003, resulted mainly from the development in the net investment for risk of policyholders.The cash flow employed in lending increased from a cash outflow of EUR 9,233 million in 2003 to a cash outflow of EUR 33,453 million in 2004. The year 2004 reflects mainly the strong growth of the mortgage portfolio both inside and outside the Netherlands. Interbank lending showed a cash inflow in 2004 of EUR 20,780 million against a cash outflow of EUR 8,463 million in 2003.

Net cash used in investment activities in 2004 was EUR 73,604 million, compared to EUR 65,558 million in 2003, reflecting on balance higher investments in fixed-interest securities and lower investments for account and risk of policyholders.

Net cash flow from financing activities was EUR 1,518 million in 2004, compared to EUR 973 million in 2003. The increase of EUR 545 million in net cash flow from financing activities mainly reflects an increase in the issuance of bonds, loans contracted and deposits by reinsurers partly offset by lower private placements of preference shares of group companies.

The operating, investing and financing activities described above resulted in net cash and cash equivalents at year-end 2004 of EUR 11,291 million, compared to EUR 7,338 million at year-end 2003,

Table of Contents

an increase of EUR 3,953 million from 2003 levels, mainly reflected in an increase of short-dated government paper.

Year ended December 31, 2003 compared to year ended December 31, 2002

Net cash provided by operating activities amounted to EUR 64,705 million for the year ended December 31, 2003, compared to EUR 26,022 million for the year ended December 31, 2002. The increase in cash flow generated through the insurance funds of EUR 24,563 and through the funds entrusted to and debt securities of the banking operations of EUR 62,847 million was partly used for the lending and investment portfolio. The cash flow employed in lending decreased from a cash outflow of EUR 30,277 million in 2002 to a cash outflow of EUR 9,233 million in 2003. The year 2003 reflects mainly a lower level of advances regarding corporate lending due to the detoriation of the economic circumstances. Interbank lending showed a cash flow in 2003 of EUR 8,463 million against a cash flow of EUR 5,895 million in 2002. The cash outflow for taxation increased from EUR 381 million in 2002 to EUR 1,118 million in 2003 partly due to a tax refund received in 2002 and also due to the timing of payments to various taxation authorities, including finalization of tax assessments for prior years.

Net cash used in investment activities in 2003 was EUR 65,558 million, compared to EUR 26,556 million in 2002, reflecting on balance higher investments in fixed-interest securities and investments for account and risk of policyholders.

Net cash flow from financing activities was EUR 973 million in 2003, compared to EUR 3,184 million in 2002. The decrease of EUR 2,211 million in net cash flow from financing activities mainly reflects a decrease in the issuance of bonds and subordinated loans and lower cash dividend due to the change in dividend policy from cash dividends to stock dividends.

The operating, investing and financing activities as described above resulted in net cash and cash equivalents at year-end 2003 of EUR 7,338 million, compared to EUR 7,830 million at year-end 2002, a small decrease of EUR 492 million from the 2002 levels.

ING Insurance Cash Flows

The principal sources of funds for ING Insurance are premiums, net investment income and proceeds from sales or maturity of investments, while the major uses of these funds are to provide life policy benefits, pay surrenders and profit sharing for life policyholders, pay non-life claims and related claims expenses, and pay other operating costs. ING Insurance generates a substantial cash flow from operations as a result of most premiums being received in advance of the time when claim payments or policy benefits are required. These positive operating cash flows, along with that portion of the investment portfolio that is held in cash and highly liquid securities, have historically met the liquidity requirements of ING Insurance s operations, as evidenced by the growth in investments. See also Item 11. Quantitative and Qualitative Disclosure on Market Risk.

Premium income and income from investments totaled EUR 43,617 million and EUR 9,944 million in 2004, EUR 41,192 million and EUR 9,721 million in 2003 and EUR 46,816 million and EUR 10,506 million in 2002, respectively. Uses of funds by ING Insurance include underwriting expenditures (reinsurance premiums, benefits, surrenders, claims and profit sharing by life policyholders) and employee and other operating expenses, as well as interest expense on outstanding borrowings. Underwriting expenditures, employee and other operating expenses and interest expense for ING Insurance totaled EUR 45,384 million, EUR 4,837 million and EUR 1,140 million in 2004, EUR 43,396 million, EUR 4,897 million and EUR 1,291 million in 2003 and EUR 49,771 million, EUR 5,203 million and EUR 1,305 million in 2002, respectively.

ING Insurance s liquidity requirements are met on both a short- and long-term basis by funds provided from insurance premiums collected, investment income and collected reinsurance receivables, and from the sale and maturity of investments. ING Insurance also has access to the commercial paper, medium-term note and other credit facilities. ING Insurance s balance of cash and cash equivalents was EUR 1,968 million at December 31, 2004, EUR 1,848 million at December 31, 2003 and EUR 3,221 million at December 31, 2002, respectively.

Net cash provided by operating activities was EUR 19,638 million, EUR 25,032 million and EUR 10,567 million in 2004, 2003 and 2002, respectively.

Net cash used by ING Insurance in investment activities was EUR 21,533 million, EUR 26,781 million and EUR 8,583 million in 2004, 2003 and 2002, respectively.

Cash provided by ING Insurance s financing activities amounted to EUR 2,061 million, EUR 521 million and EUR 61 million in 2004, 2003 and 2002, respectively.

Capital Base Margins and Capital Requirements

In the United States, since 1993, insurers, including the companies comprising ING Insurance U.S. operations, have been subject to risk-based capital (RBC) guidelines. See Item 4. Information on the Company Regulation and Supervision Insurance Americas.

ING Bank Cash Flows

The principal sources of funds for ING Bank s operations are growth of the retail funding, which mainly consists of current accounts, savings and retail deposits, repayments of loans, disposals and redemptions of investment securities (mainly bonds), sales of trading portfolio securities, interest income and commission income. The major uses of funds are advances of loans and other credits, investments, purchases of investment securities, funding of trading portfolios, interest expense and administrative expenses (See Item 11, Quantitative and Qualitative Disclosure of Market Risk). At December 31, 2004, 2003 and 2002, ING Bank had EUR 10,021 million, EUR 5,735 million and EUR 5,191 million, respectively, of cash and cash equivalents.

The EUR 16,268 increase in the ING Bank s operating activities of EUR 55,410 million cash inflow for the year ended December 31, 2004, compared with a EUR 39,142 million cash inflow for the year ended December 31, 2003, was largely attributable to the decrease of the loans and advances granted/repaid which were partially offset by the increase of funds entrusted aswell as the increase of banks available on demand and the increase other liabilities and accrued liabilities.

ING Bank s operating activities had a EUR 39,142 million cash inflow for the year ended December 31, 2003, compared with a EUR 16,900 million cash inflow for the year ended December 31, 2002, a cash inflow of EUR 10,307 million for the year ended December 31, 2001. The EUR 19,230 million increase in cash provided from operations from 2003 to 2002 was largely attributable to the decrease of banks available on demand and the increase of loans and advances and the increase of the trading portfolio which were partially offset by an increase in growth of funds entrusted.

Net cash generated from investment activities was EUR 52,222 million cash outflow, EUR 38,639 million cash outflow and EUR 17,759 million cash outflow in 2004, 2003 and 2002, respectively, mainly reflecting the investment in interest-earning securities exceeding the dispositions and redemptions of interest-earning securities. Investment in interest-earning securities was EUR 98,084 million, EUR 90,811 million and EUR 70,273 million in 2004, 2003 and 2002, respectively. Dispositions and redemptions of interest-earning securities was EUR 47,135 million, EUR 52,799 million and EUR 52,537 million in 2004, 2003 and 2002, respectively.

Net cash flow from financing activities amounted to EUR 1,094 million, EUR 510 million and EUR 1,750 million in 2004, 2003 and 2002, respectively.

The operating, investment and financing activities described above resulted in a negative net cash flow of EUR 4,282 million in 2004, EUR 1,013 million in 2003 and a net cash flow of EUR 891 million in 2002, respectively.

The amount of USD capital invested in foreign investments has increased significantly during 2004. The main reason was a capital injection to ING New York of USD 2.4 billion, in connection with prior year tax loss carry forward.

Table of Contents

Capital Adequacy

Capital adequacy and the use of capital are monitored by ING Bank and its subsidiaries, employing techniques based on the guidelines developed by the Basel Committee on Banking Supervision and implemented by the EU and the Dutch Central Bank for supervisory purposes (See Item 4, Information on the Company).

The following table sets forth the risk-weighted capital ratios of ING Bank N.V. as of December 31, 2004, 2003 and 2002.

	Year ended December 31,		
	2004	**2003**	**2002**
	(EUR million, other than percentages)		
Risk-Weighted Assets	274,138	251,266	247,287
Consolidated group equity:			
Tier 1 Capital	21,139	19,074	18,080
Tier 2 Capital	10,471	9,743	9,116
Tier 3 Capital	357	138	257
Supervisory deductions	(534)	(473)	(302)
Total qualifying capital	**31,433**	**28,482**	**27,151**
Tier 1 Capital Ratio	7.71%	7.59%	7.31%
Total Capital Ratio (Tier 1, 2 and 3)	11.47%	11.34%	10.98%

ING Group s management believes that working capital is sufficient to meet the current and reasonably foreseeable needs of the Company.

Table of Contents

Item 6. Directors, Senior Management and Employees

ING Groep N.V. has a Supervisory Board and an Executive Board. The Executive Board is responsible for the day-to-day management of the Company. The Supervisory Board supervises the Executive Board and the general course of events in the Company, and provides advice to the Executive Board. In the performance of their duties, the members of the Supervisory Board must serve the interests of ING Group as a whole. Certain decisions of the Executive Board affecting ING Group as a whole such as the issue or acquisition of shares, profit appropriation, major investments and capital expenditures and major changes in the working conditions of a substantial numbers of employees require the approval of the Supervisory Board and/or the General Meeting of Shareholders.

The members of the Executive Board are employees of ING Groep N.V. Members appointed before 2004 were appointed by the Supervisory Board for an indefinite period. Following the amendments of the Articles of Association in 2003, members appointed in 2004 and later have been and will be appointed by the General Meeting of Shareholders. These members are appointed for a period of four years and can be reappointed for additional four years-periods without any limit to the number of times they may be reappointed, taking into account ING s retirement rules. All Executive Board members retire by the end of the month in which they reach the age of 60. By mutual agreement the retirement date can be extended to the end of the month in which they reach the age of 61 or 62.

The members of the Supervisory Board appointed before 2004 were appointed by the Supervisory Board with a right of objection for the Central Works Council and the General Meeting of Shareholders. Following the amendments of the Articles of Association in 2003, Supervisory Board members are appointed by the General Meeting of Shareholders from a binding nomination of at least two candidates for each vacancy. No employee of ING Group is eligible for appointment to the Supervisory Board. There are no service contracts with any members of the Supervisory Board. Members of the Supervisory Board are appointed for a term of four years and may be re-appointed for two terms subject to the requirement in the charter of the Supervisory Board that Supervisory Board members retire from the Board in the year in which he or she turns 70.

Set forth below is certain information concerning the members of the Supervisory and the Executive Board of ING Groep N.V.

Table of Contents

SUPERVISORY BOARD OF ING GROEP N.V.

Name	Born	Year Appointed	Term Expires	Other Business Activities
Cornelius A.J. Herkströter, chairman	1937	1998	2006	Former President of Royal Dutch Petroleum Company N.V. and Chairman of the Committee of Managing Directors, Royal Dutch/Shell Group. Chairman of the Supervisory Board of Royal DSM N.V. Member of the Advisory Committee, Robert Bosch GmbH. Trustee of the International Accounting Standards Committee Foundation. Chairman of the Listing and Issuing Rules Advisory Committee, Euronext N.V. Chairman of the Social Advisory Council, Tinbergen Institute. Professor of International Management, University of Amsterdam. Chairman of the Board of Trustees, Erasmus University Rotterdam.
Eric Bourdais de Charbonniere, vice-chairman	1939	2004	2008	Former managing director of JP Morgan and Chief Financial Officer of Michelin. Chairman of the Supervisory Board of Michelin and Member of the Supervisory Board of Thomson

Table of Contents

Name	Born	Year Appointed	Term Expires	Other Business Activities
Luella Gross Goldberg	1937	2001	2005	Former member of the Board of Directors of ReliaStar Financial Corp. Member of the Supervisory Board of Directors of each of TCF Financial Corporation, Hormel Foods Corporation, Communications Systems Inc. and Hector Communications Corporation. Member of the Advisory Board of Carlson School of Management, University of Minnesota, Member of the Supervisory Board of the Minnesota Orchestra, Member (emeirita) of the Board of Trustees, Wellesley College.
Paul F. van der Heijden	1949	1995	2007	Rector-Magnificus and Professor of labor law and industrial relations at the University of Amsterdam. Member of the Supervisory Board of NUON N.V. Member of the Supervisory Board of Buhrmann Nederland B.V. Crown-appointed member of the Social and Economic Council, the Netherlands. President of the ILO Governing Body, Committee of Freedom of Association (United Nations).
Claus Dieter Hoffmann	1942	2003	2007	Former Chief Financial Officer of Robert Bosch GmbH. Managing partner of H+H Senior Advisors, Stuttgart. Chairman of the Supervisory Board of SupplyOn AG. Member of the Supervisory Board of each of EnBW AG, Bauerfeind AG and Jowat AG.
Adrianus G. Jacobs	1936	1998	2006	Former chairman of the Executive Board of ING Groep N.V. (retired in May 1998). Chairman of the Supervisory Board of each of Royal Dutch/Shell Group, Imtech N.V., and N.V. Verenigd Bezit VNU N.V. Vice-chairman of the Supervisory Board of each of IHC Caland N.V. and Buhrmann N.V. Chairman of the Supervisory Board of Johan Enschede.

Table of Contents

Name	Born	Year Appointed	Term Expires	Other Business Activities
Wim Kok	1938	2003	2007	Former Minister of Finance and Prime Minister of the Netherlands. Member of the Supervisory Board of each of Royal Dutch/Shell Group, TPG N.V. and KLM Royal Dutch Airlines N.V.
Godfried J. A. van der Lugt	1940	2001	2005	Former chairman of the Executive Board of ING Groep N.V. (retired in May 2000) Member of the Supervisory Board of Grontmij N.V. Chairman of the Supervisory Board of each of Siemens Nederland N.V. and Stadsherstel Amsterdam N.V. Vice-chairman of the Supervisory Board of Academisch Ziekenhuis Groningen (hospital).
Paul J.A. Baron de Meester	1935	1998	2006	Former member of the Board of Directors of BBL. Former chairman of Belgische Betonmaatschappij Besix-Betonimmo N.V. Member of the Supervisory Board of each of Tessenderlo Chemie N.V. and ETEX N.V. Chairman of the International Chamber of Commerce Belgium, Member of the Supervisory Board of Regionaal Ziekenhuis H. Hart (hospital)
Jan D. Timmer	1933	1996	2005	Former President and Chairman of the Board of Management of Philips Electronics N.V.
Karel Vuursteen	1941	2002	2006	Former chairman of the Executive Board of Heineken N.V. Chairman of the Supervisory Board of Petroplus International N.V. Member of the Supervisory Board of each of Ahold N.V., AB Electrolux, AKZO Nobel N.V. and Henkel KgaA.

At the Shareholders Meeting of April 26, 2005, Ms. Luella Gross Goldberg and Mr. Godfried van der Lugt will be proposed for reappointment to the Supervisory Board.

As a new member, Mr. Jan Hommen (born 1943, Dutch nationality) will be proposed for appointment to the Supervisory Board as of June 1, 2005. Mr. Hommen is vice-chairman and Chief Financial Officer of Royal Philips Electronics N.V. until May 1, 2005. The proposed appointment is based on Jan Hommen s knowledge of international trade and industry and his expertise and experience as a CFO of a multinational.

As a new member, Ms. Christine Lagarde (born 1956, French nationality) will be proposed for appointment to the Supervisory Board as of April 27, 2005. Ms. Lagarde is partner of Baker & Mackenzie and chairman of its Policy Committee. The proposed appointment is based on her knowledge of business and labour law and her competence in international economic, regulatory and public policy issues.

Table of Contents

Jan Timmer will retire from the Supervisory Board after the Shareholder s Meeting on April 26, 2005, following his reappointment in 2003 for two extra years.

EXECUTIVE BOARD OF ING GROEP N.V.

Michel J. Tilmant, CEO and chairman
(Born 1952, Belgian nationality)

Michel Tilmant graduated from Louvain University with a licence in Business Administration. He is also a graduate of Louvain School for European Affairs. He started his career with Morgan Guaranty Trust Company in New York. In 1992 he joined Bank Brussels Lambert, where he was appointed chairman of the Executive Board in 1997. After the acquisition of BBL by ING Group in 1998, Michel Tilmant was appointed vice-chairman as of May 2000. He was appointed CEO and chairman as of April 28, 2004. His main responsibilities are Corporate Human Resources, Corporate Development, Corporate Communications & Affairs and Corporate Audit Services.

Cees Maas, vice-chairman and CFO
(Born 1947, Dutch nationality)

After completing his degree in engineering physics and economics at the Erasmus University of Rotterdam in 1976, Cees Maas joined the Ministry of Finance of the Netherlands. From 1986 to 1992 he was Treasurer-General. In July 1992, he joined ING Group and became a member of the Executive Board. In July 1996, Cees Maas was appointed Chief Financial Officer of the Executive Board. He was appointed vice-chairman as of April 28, 2004. His main responsibilities are Corporate Control & Finance, Market, Credit and Insurance Risk Management, Corporate Tax and Corporate Legal, Compliance & Security.

Eric F. Boyer de la Giroday
(Born 1952, Belgian nationality)

After completing his degree in commercial engineering, Eric Boyer started his career with Citibank in 1978. In 1984 he joined Bank Brussels Lambert, which was acquired by ING Group in 1998, where he held various management positions in the fields of capital markets, treasury and corporate and investment banking. He was appointed a member of the Executive Board of ING Group in April 2004. His main responsibilities are ING s Wholesale Banking activities worldwide.

Fred S. Hubbell
(Born 1951, American nationality)

Fred Hubbell received his bachelor s degree (B.A.) from the University of North Carolina in Chapel Hill. He also has a law degree from the University of Iowa College of Law, Iowa City and attended the Harvard Graduate School of Business in Boston. He was Chief Executive Officer and President of the US life insurance company Equitable of Iowa, which was acquired by ING in 1997. Following his responsibility for the international insurance activities, he was appointed a member of the Executive Board of ING Group in May 2000. Fred Hubbell is also chairman of ING Verzekeringen N.V. (ING Insurance). His main responsibilities are ING s insurance activities in the Americas and at Nationale-Nederlanden in the Netherlands, ING Investment Management in the Americas, ING Investment Management in Europe, coordination of global activities of ING Investment Management, and Parcom.

Eli P. Leenaars
(Born 1961, Dutch nationality)

Eli Leenaars studied civil law at the Catholic University of Nijmegen and received a LLM from the European University Institute in Florence, Italy and attended the Harvard Graduate School of Business in Boston. After a traineeship at ABN AMRO bank, he joined ING in 1991, where he held various management positions, including chairman of ING Poland and of ING Latin America. He was appointed a member of the Executive Board of ING Group in April 2004. His main responsibilities are ING s Retail Banking and Private Banking activities, in particular ING Bank, Postbank and RVS in the

Netherlands, ING South-West Europe (including ING Belgium), ING Bank Slaski in Poland, ING Vysya Bank in India and ING Trust. He is also responsible for Operations/IT Banking.

Alexander H.G. Rinnooy Kan
(Born 1949, Dutch nationality)

Alexander Rinnooy Kan graduated with a doctorate degree in mathematics (cum laude) from the University of Leiden. He also holds a bachelor s degree in econometrics (cum laude) and a PhD in mathematics from the University of Amsterdam. He was awarded a honorary degree in economics from the Free University of Brussels. Since 1977, he has held various positions with the Erasmus University of Rotterdam, of which he was appointed Rector Magnificus in 1986. In 1991, he became President of the Federation of Netherlands Industries and Employers (VNO). After the merger in 1995 with the Netherlands Christian Employers Federation (NCW) he became President of VNO-NCW. In September 1996, he became a member of the Executive Board of ING Group. His main responsibilities are ING s insurance activities in Central Europe, ING s Insurance activities in Asia/Pacific, ING Global Pensions, ING Investment Management in Asia/Pacific, ING Real Estate, Corporate IT and Corporate Procurement.

Hans K. Verkoren
(Born 1947, Dutch nationality)

After positions with banks before completing his degree in economics, and after his graduation, with the Ministry of Finance and the Municipality of Amsterdam, Hans Verkoren began his career with ING in 1978 at the Postal Giro and National Savings Bank, which were merged into Postbank N.V. in 1986. In 1987 he was appointed to the Board of Postbank and, after the merger with NMB Bank, to the Board of NMB Postbank. After the merger with Nationale-Nederlanden in 1991 he remained responsible for Postbank until 1995. In that year he became responsible for consumer banking international, notably the new ING Direct line of business. He was appointed a member of the Executive Board of ING Group in April 2004. His main responsibilities are ING Direct and ING Card.

COMPENSATION OF DIRECTORS AND OFFICERS

The remuneration policy for the Executive Board was approved by the Annual General Meeting of Shareholders (AGM) on April 27, 2004. There are no changes to this policy and therefore, the approval of the AGM still applies. The following describes the general policy for senior-management remuneration, followed by the Executive Board compensation for 2004 loans and advances, shares held by Executive Board members and the compensation structure for 2005. For the Supervisory Board, information is given on the remuneration, loans and advances and shares and options held by its members.

GENERAL POLICY SENIOR-MANAGEMENT REMUNERATION

Background

In 2002, an external consultancy firm was hired to report on the market competitiveness of ING s remuneration levels and mix. Based on this report, the Supervisory Board adopted a new remuneration policy for ING s senior management in 2003.

The prime objective of the remuneration policy is to enable the Company to recruit and retain qualified and expert managers. The current remuneration policy supports a performance-driven culture that aligns ING s objectives with those of its stakeholders. ING rewards performance on the basis of previously determined, measurable and influenceable short-term and long-term targets.

Remuneration structure

Total compensation throughout ING consists of three basic components:

- Fixed or base salary, the total guaranteed annual income;

- Short-term incentive (STI) in cash, compensates for past performance measured over one year;

- Long-term incentive (LTI) in stock options and/or performance shares, compensates for performance measured over multiple years and is forward-looking.

Table of Contents

In addition to the base salary, Executive Board members enjoy benefits similar to most other employees of ING Group. These include benefits such as private medical insurance, the use of company cars (or cash in lieu) and, if applicable, expatriate allowances.

ING s remuneration policy is based on five key principles that apply across ING. These principles are:

- Total compensation levels will be benchmarked against relevant markets in which ING competes for talent.

- ING aims for total compensation at the median level in the relevant market, allowing only for above-median compensation in the event of outstanding performance.

- The remuneration package will gradually focus more on the variable-pay components (short-tem and long-term incentives) to ensure that executive remuneration will be linked to ING s short-term and long-term business performance.

- To enhance the effectiveness of the short-term incentive plan, clear, measurable and challenging targets will be set at the beginning of each year.

- Long-term incentives will ensure a focus on longer-term strategic targets and will create alignment of management with the interests of shareholders. A broad selection of ING s senior managers participate in the plan to ensure a common focus on ING s overall performance.

Base salary

The base salaries of the Executive Board should be sufficient to attract and retain high calibre management needed to achieve our business objectives. The Supervisory Board assesses the experience, background and responsibilities of the CEO and the members of the Executive Board when making decisions on base-salary levels.

To ensure base-salary levels are in line with the relevant market for talent, the Supervisory Board will review the base-salary levels of the Executive Board on an annual basis.

Short-term incentive plan

The short-term incentive plan (STIP) is a key component of ING s movement towards an even more performance-driven company. The short-term incentive is paid in cash. The at target bonus opportunity is expressed as a percentage of base salary. The target levels are based on benchmarks reflecting external market competitiveness as well as internal objectives. Three financial measures were used in the 2004 STIP for the members of the Executive Board and top senior management across the organization (the top-200 executives) to measure performance at the ING Group level. These financial measures are: operating net profit, total operating expenses and return on economic capital.

By combining a profit, a cost and a return measure, we believe the overall performance of ING is properly reflected. Each element is weighted equally to determine the final award. The three performance targets are set by the Supervisory Board at the beginning of the performance period. Under the short-term incentive plan, the actual payout in any year may vary between 0% and 200% of the target level.

In addition to the financial targets, part of the short-term incentive award is based on individual performance, assessed over predefined measurable targets set for each senior executive. These targets depend on the specific responsibilities of the individual Executive Board members and are determined and assessed by the Supervisory Board. The Executive Board sets the targets for senior management. For this layer directly reporting to the Executive Board, the emphasis is on individual performance as the primary business-related responsibility.

Table of Contents

Short-term incentive: relative weight of Group and individual performance

	Group performance	Individual performance
Executive Board	70% of total bonus	30% of total bonus
Top senior management	15% of total bonus	85% of total bonus

The above table has been adjusted from last year, because of ING s internal reorganization that eliminated one reporting level between the Executive Board and the top senior management.

Long-term incentive plan

In the overall evaluation of the remuneration components, the Supervisory Board conducted a cost/benefit analysis of the original long-term incentive plan (LTIP) in 2003. The study assessed whether the instrument used (stock options only) supported ING s objectives. As a result of this study, the Supervisory Board decided to introduce an additional instrument to the LTIP: the performance share. Performance shares are granted to ensure alignment of senior management with the interests of shareholders, and to retain top management over a longer period of time. Thus, the LTI awards will be granted with the total fair value split between stock options and performance shares. The new LTI plan was approved during the General Meeting of Shareholders on April 27, 2004.

The ING stock options have a total term of ten years and a vesting period of three years. After three years, the options will only vest if the option holder is still employed by ING (or retired). The exercise price of the stock options is equal to the Euronext Amsterdam opening price on a specific date during the first open period after the General Meeting of Shareholders.

Performance shares will be conditionally granted. The number of shares that will ultimately be granted at the end of a 3-year performance period depends on the ING Group performance. The Supervisory Board decided to use Total Shareholder Return (TSR) over three years (return in the form of capital gains and reinvested dividends that shareholders receive in that period) relative to the performance of a pre-defined peer group. The criteria used to determine the performance peer group were: (1) considered comparable and relevant by the Supervisory Board, (2) representing ING s current portfolio of businesses (e.g. banking, insurance and asset management) and ING s geographical spread, (3) global players, (4) listed and a substantial free float.

On the basis of these criteria the performance peer group was composed as follows:

Citigroup, Credit Suisse, Fortis, Lloyds TSB (bank/insurance companies);

ABN Amro, Bank of America, BNP Paribas, BSCH, Deutsche Bank, HSBC (banks);

Aegon, AIG, Allianz, Aviva, AXA, Prudential, Hartford Financial Services, Munich Re (insurance companies);

Amvescap PLC (asset manager).

ING s (TSR) ranking within this group of companies will determine the final number of performance shares that will vest at the end of the three-year performance period. The initial number of performance shares granted at the beginning of each three-year period is based on a mid-position of ING (100%). This initial grant can be increased or decreased (on a linear basis) on the basis of ING s TSR position after the three-year performance period as specified in the table below.

Number of shares awarded after each three-year performance period related to peer group

ING Ranking	Number of shares
1 3	200%
4 8	Between 200% and 100%
9 11	100%
12 17	Between 100% and 0%
18 20	0%

The Supervisory Board will review the peer group before each new three-year performance period.

Table of Contents

The performance test itself will be carried out at the end of every three-year performance period by an independent third party.

The Executive Board members are not allowed to sell shares obtained either through the stock-option or the performance-shares plan within a period of five years from the grant date. They will only be allowed to sell part of their performance shares at the date of vesting to pay tax on the vested award. Shares obtained from exercised stock options may only be sold within a period of five years from the grant date of the options to pay tax over the vested award.

Remuneration levels

As part of the study on the future remuneration, a comparative assessment on compensation levels and mix of fixed and variable components had to be made. Therefore, early in 2003, a compensation peer group was composed. This peer group is a mix of European financial services companies and Dutch-based multinationals. The peer group reflects ING s business structure and environment. ING competes with these companies for executive talent. The following companies are part of this compensation peer group: ABN Amro, Aegon, Ahold, AXA, BNP Paribas, Credit Suisse, Fortis, KPN, Royal Bank of Scotland, Société Générale.

The report identified a significant compensation gap at total direct compensation level between ING s Executive Board and its peer group counterparts. Key recommendations from the report included that in order to close the gap, in particular the variable (performance-driven) pay component should be increased.

In line with ING s overall remuneration policy, the Supervisory Board decided to initiate a gradual convergence of Executive Board salaries to the European/Dutch median benchmark over a period of three to four years, starting over 2003. This will be achieved by raising the target bonus levels of both the short-term and long-term incentives. This ensures that future payout will more directly reflect performance. As a result, the mix between base salary, short-term and long-term incentives will change so that over time the total remuneration will be divided equally between each component (i.e. 1/3rd base salary, 1/3rd short-term incentives, and 1/3rd long-term incentives) in case of at-target performance.

Pensions Executive Board members

The pensions of the Dutch members of the Executive Board are based on defined-benefit plans, which are insured through a contract with Nationale-Nederlanden Levensverzekering Maatschappij N.V. The employment contracts will terminate by operation of law in case of retirement (Standard Retirement), which will take place on June 1 of the year that the incumbent has reached or will reach the age of 60. By mutual agreement the retirement date can be extended to the end of the month in which Executive Board members reach the age of 61 or 62. Their prospective pensions amount to a maximum of 60% of their base salaries. According to existing employment contracts, the pension rights of the members of the Executive Board are free of premium. T