Form

Unknown document format

D> 1,393 72

- written
425 1,388 101
Listed

- options written
(1)
- futures
394

372,422 6,142 6,842 289,661 4,243 4,396

F-126

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
Amounts are in millions of euros, unless otherwise stated

End-user Contracts:

	Notional principal amounts		Percentage of 2001 amount maturing			
	2002	2001	Within 1 year	1 to 5 years	Thereafter	Total
Interest Rate Contracts	337,940	257,961	47.57%	27.61%	15.56%	90.74%
Currency contracts	32,430	28,608	6.48%	1.50%	0.73%	8.71%
Equity contracts	2,052	3,092	0.33%	0.14%	0.08%	0.55%
Total	**372,422**	**289,661**	**54.38%**	**29.25%**	**16.37%**	**100.00%**

End-user Interest Rate Swaps:

	Notional amounts of contracts maturing as of December 31, 2002			
	Within 1 year	1 to 5 years	Thereafter	Total
Received fixed swaps				
Notional amounts	78,386	40,073	28,440	146,899
Weighted average received rate	3.57%	5.18%	5.09%	4.30%
Weighted average paid rate	3.01%	2.59%	2.78%	2.85%
Pay fixed swaps				
Notional amounts	73,757	53,277	27,847	154,881
Weighted average received rate	3.05%	3.39%	3.21%	3.20%
Weighted average paid rate	3.29%	3.82%	4.51%	3.69%
Other swaps				
Notional amounts	1,159	7,133	1,262	9,554
Weighted average received rate	2.79%	5.29%	4.76%	4.92%
Weighted average paid rate	1.89%	4.68%	2.30%	4.03%
Total	**153,302**	**100,483**	**57,549**	**311,334**

All rates were those in effect at December 31, 2002. Variable rates are primarily based on LIBOR and may change significantly, affecting future cash flows.

7.12. Business combinations

For acquisitions in 2002 and 2001 refer to note 1.3. Changes in the composition of the group .

Under both Dutch and US GAAP, the business combinations of 2002, 2001, 2000 were accounted for under the purchase method of accounting. Under Dutch GAAP, goodwill arising from acquisitions is directly charged to shareholders equity in the respective years when the acquisitions take place. Accordingly, goodwill charged to shareholder s equity under Dutch GAAP amounted to EUR 1,176 million in 2002, EUR 1,908 million in 2001 and EUR 11,774 million in 2000.

For the purpose of the reconciliation of Dutch GAAP to US GAAP, ING Group s accounting policy is to capitalize goodwill and test for impairment on an annual basis, or more frequently if circumstances indicate a potential impairment. Prior to the adoption of SFAS 142, goodwill

was capitalized and amortized on a straight-line basis over a period not exceeding 20 years. Pursuant to this policy, goodwill arising from the 2001 and 2000 acquisitions has been amortized over a period of 5 to 20 years. Goodwill arising from acquisitions after July 1, 2001 was no longer amortized but tested for impairment.

Goodwill capitalized net of impairment for US GAAP purposes in 2002, 2001 and 2000 amounted to EUR 4,601 million, EUR 16,645 million and EUR 16,287 million, respectively. Gross amount of goodwill recognized up to 2002 is EUR 21,746 million, EUR 20,570 million and EUR 18,621 million for the years 2002, 2001 and 2000 respectively. Accumulated amortization net of impairment under US GAAP

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
Amounts are in millions of euros, unless otherwise stated

amounted to EUR 4,042 million, EUR 3,925 million and EUR2,334 million for the years 2002, 2001 and 2000 respectively.

Goodwill capitalized net of impairments for US GAAP purposes in 2002 includes intangible assets of EUR 462 million (2001: EUR 579 million) which are recognized apart from goodwill and amortized in twenty years under US GAAP and not separated but included in the amount of goodwill under ING Group accounting principles. Gross amount of intangible assets recognized under US GAAP amounts to USD 550 million, the accumulated amortization is USD 65 million as of December 31, 2002.

In accordance with the transition provisions of SFAS 142, ING Group performed an assessment of whether there was any indication that goodwill is impaired as of the date of adoption, January 1, 2002. This assessment had to be performed in two steps. In Step 1, ING Group had to identify its reporting units and to determine the carrying value of each reporting unit by assigning the assets and liabilities, including existing goodwill and intangible assets, to those reporting units as of January 1, 2002. Furthermore, ING Group was required to determine the fair value of each reporting unit and to compare this fair value the carrying amount of the reporting unit. The fair value of the reporting units was determined using valuation techniques consistent with market appraisals for insurance companies and banks, a price/earnings multiple model and a discounted cash flow model, requiring assumptions as to a discount rate, the value of existing business and expectations with respect to future growth rates. If the carrying amount of the reporting unit exceeded fair value, ING Group was required to perform Step 2 of the transitional goodwill impairment. In Step 2, the implied fair value of goodwill was determined by allocating the fair value of the reporting unit to all of the assets and liabilities of the reporting unit in a manner similar to a purchase price allocation, in accordance with SFAS 141. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill that is compared to the carrying value of goodwill. A goodwill impairment is recorded to the extent that carrying value of goodwill exceeds the calculated implied fair value of goodwill.

In Step 1 an estimate was made of the expected impairment. Step 1 of the transitional goodwill impairment test resulted in an expected goodwill impairment in a range of EUR 6 to 8 billion as disclosed in the June 30, 2002 6-K filing. The assumptions used in the determination of the fair value involve significant judgments and estimates. Minor changes in these assumptions have significant impact on the fair value of the reporting unit and as a consequence, on the implied fair value of goodwill and the amount of goodwill impairment. The discount rates used are believed to be consistent with the nature of the forecast and appropriate based on the reporting units particular circumstances. The assumptions used in Step 1 were refined in Step 2, which was performed in the fourth quarter of 2002, significantly changing the estimate.

As a result of the transitional goodwill impairment test, certain goodwill is impaired and ING Group has included a separate line item 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. This non-cash impairment charge relates to the reporting units US, Latin America, Germany, UK and Greater China.

The changes in the carrying amount of goodwill for the year ended December 31, 2002 are as follows:

	Europe	Americas	Asia/ Pacific	Asset Manage- ment	Total
Balance as of December 31, 2001	2,468	11,318	1,844	436	16,066
Transitional impairment charge	(1,168)	(10,913)	(1,022)		(13,103)
Balance as of January 1, 2002	1,300	405	822	436	2,963
Goodwill acquired during year	713	245	218		1,176
Balance as of December 31, 2002	**2,013**	**650**	**1,040**	**436**	**4,139**

All segments are tested for impairment in the fourth quarter.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
Amounts are in millions of euros, unless otherwise stated

The changes in the carrying amount of intangible assets for the year ended December 31, 2002 are as follows:

Balance as of January 1, 2002	579
Amortization	(29)
Exchange differences	(88)
Balance as of December 31, 2002	**462**

7.13. Dividend restrictions

In addition to the restrictions in respect of minimum capital and solvency requirements that are imposed by industry regulators in the countries in which the subsidiaries operate, other limitations exist in certain countries. The most significant restrictions for ING Group are related to the insurance operations located in the United States, which are subject to limitations on the payment of dividends to the parent company imposed by the Insurance Commissioner of the state of domicile. For life, accident and health subsidiaries, dividends are generally limited to the greater of 10% of statutory surplus or the statutory net gain from operations. For the property and casualty subsidiaries, dividends are limited to a specified percentage of the previous year s shareholders equity or previous year s net investment gains, which varies by state. Dividends paid in excess of these limitations require prior approval of the Insurance Commissioner of the state of domicile.

The management of ING Group does not believe that these limitations will affect the ability of ING Group to pay dividends to its shareholders in the future.

7.14. Minimum capital requirements

In accordance with European Union directives, insurance enterprises organized in European Union member countries are required to maintain minimum solvency margins. Life insurance companies are required to maintain a minimum solvency margin of generally 4% of insurance reserves (1% of separate accounts reserves) plus 0.3% of the amount at risk under insurance policies. The required minimum solvency margin for non-life insurers is the greater of two calculations, one based on premiums and one based on claims. The former is based on at least 16% of gross premiums written for the year, the latter is based on 23% of a three-year average of gross claims. As of December 31, 2002, the solvency margin of the insurance operations of ING Group computed in accordance with these directives amounted to EUR 8,718 million (2001: EUR 9,845 million). These companies held capital and surplus, as of December 31, 2002, of EUR 17,848 million (2001: EUR 20,650 million).

The banking operations of ING Group are regulated by the Dutch Central Bank. The solvency requirements of the banking activities of ING Group depend on the degree of risk involved in the various banking operations. The related assets are assigned a weighting coefficient. The total risk (weighted value of both on- and off-balance sheet items) is divided into actual own funds to obtain a Tier 1 ratio. Internationally, it has been agreed that the BIS (Bank for International Settlements) ratio must be at least 8%. As of December 31, 2002, the Tier 1-ratio and BIS-ratio of ING Bank N.V. were 7.31% (2001: 7.03%) and 10.98% (2001: 10.57%), respectively.

7.15. Stock option plan

ING Group has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation Transition and disclosures an amendment of FASB Statement No. 123 . Accordingly, no compensation cost has been recognized for the stock option plan. Had compensation cost for ING Group s stock-based compensation been determined based on the fair value at the grant dates in 2002 consistent with the method of SFAS 148, net profit and earnings per share based on US GAAP would have been as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
Amounts are in millions of euros, unless otherwise stated

	2002	2001	2000
Net profit after deducting profits on preference shares			
- as reported	(9,648)	1,749	10,904
- pro forma (1)	(9,741)	1,620	10,775
Basis earnings per share			
- as reported	(5.00)	0.91	5.72
- pro forma	(5.05)	0.84	5.65
Diluted earnings per share			
- as reported	(5.00)	0.90	5.64
- pro forma	(5.05)	0.83	5.57

(1) The compensation cost for ING Group s employee stock-based compensation expenses determined based on the fair value at grant dates consistent with the disclosure requirements of SFAS 148 is EUR 93 million in 2002 (2001: EUR 129 million; 2000: EUR 129 million).

The fair value of options at the date of the grant was estimated for these purposes using the Trinomial Model with the following weighted average assumptions:

	2002	2001	2000
Risk-free interest rate	4.98%	4.80%	5.17%
Expected life (years)	5.4	5.0	5.0
Expected volatility	27.73%	26.49%	30.85%
Expected dividends	4.02%	2.48%	2.24%

Beginning in the year 2000, the Equity compensation plan of ING America Holding Inc provides certain key employees with Restricted American Depositary Shares (ADS) Units and Restricted Performance Units to reward individual performance. Restricted American Depositary Shares (ADS) are subject to a vesting period of three to five years from the grant date. Restricted Performance units are contingent grants of ING Group N.V. ADS based upon the achievement of future profit objectives of ING America Holding Inc and are subject to three year vesting period from the date of grant. As of December 31, 2002, a total of l Restricted ADS units (2001: 206,070) and l Restricted Performance Units (2001: 438,768) were granted at weighted average grant price of USD l (2001: USD 33.02) and USD l (2001: USD 39.25) respectively. As at December 31, 2002, l Restricted ADS Units (2001: 746,684) and l Restricted Performance Units (2001: 615,242) remained outstanding.

7.16. Restructuring charges

During the fourth quarter of 2002, ING Group announced the further restructuring of its international wholesale banking operations to improve profitability. The additional restructuring measures primarily address underperforming branches and businesses. The 2002 restructuring charge relates mainly to a restructuring provision of EUR 128 million that was charged to the profit and loss account to cover the expenses of these measures. In the Americas, Asia and Europe, with the exception of the Benelux, a further 1,000 full-time equivalents will be reduced on top of the realized 700 at wholesale banking since the end of 2001.

During the fourth quarter of 2001, ING Americas announced that it aimed to further integrate ING s US insurance activities with those of Aetna and ReliaStar, in order to build a more customer-focussed organization and recorded a pre-tax charge of EUR 70 million as a result of that restructuring. This charge included mainly employee-related costs that referred, amongst others, to an reduction of approximately 1600 full-time equivalents.

7.17. Impact of the Terrorist Attacks of September 11, 2001

Effective September 2001, the ING Group adopted Emerging Issues Task Force (EITF) Issue 01-10,

Table of Contents

Accounting for the Impact of the Terrorist Attacks of September 11, 2001 . Under the consensus, costs related to the terrorist act should be reported as part of income from continuing operations and not as an extraordinary item.

The majority of claims relate to the reinsurance business of ING s US subsidiary ReliaStar, which company was acquired in 2000. These claims relate to losses incurred by companies that were based on the upper floors of the World Trade Center, through reinsurance of carriers that write workers compensation contracts and personal-accident insurance. Potential estimates of the claims in connection with these reinsurance businesses amount to approximately EUR 600 million before catastrophe cover and before tax, of which approximately EUR 100 million is covered against retrocession contracts. ING Group based the loss estimate upon a review of insured exposures using a variety of assumptions and actuarial techniques, including estimated amounts for unknown and unreported policyholder losses and costs incurred in settling claims. As a result of the uncertainties involved in the estimation process, final claims settlement may vary from present estimates.

Under Dutch GAAP, claims amounting to EUR 350 million have been charged against catastrophe provision. As a result, under Dutch GAAP the net effect on ING Group s profit and loss account for the year 2001 amounted to EUR 155 million before tax and EUR 100 million after tax.

Under US GAAP, provision for future catastrophe is not allowed. Under US GAAP the effect of the September 11 attack on ING Group s profit and loss account for the year 2001 amounts to EUR 321 million after tax.

Table of Contents

REPORT OF KPMG ACCOUNTANTS N.V.

The Supervisory Board and Executive Board of ING Bank N.V.

We have audited the consolidated balance sheets of ING Bank N.V. and subsidiaries as of December 31, 2002 and 2001, and the related consolidated profit and loss accounts and consolidated statements of cash flows for each of the three years in the period ended December 31, 2002. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We serve as principal auditor of ING Bank N.V. In our position we did not audit assets constituting 25% in 2002 and 29% in 2001, and total income constituting 23% in 2002, 26% in 2001 and 27% in 2000 of the consolidated totals of ING Bank N.V. These data were reported on by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to parts not audited by us, is based totally on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An auditor also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ING Bank N.V. and subsidiaries as of December 31, 2002 and 2001, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the Netherlands.

Amsterdam, the Netherlands
March 10, 2003

KPMG Accountants N.V.

Table of Contents

AUDITOR S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002 TO THE SHAREHOLDERS MEETING OF BANQUE BRUXELLES LAMBERT N.V./S.A.

In accordance with legal and regulatory requirements, we are pleased to report to you on the performance of the audit mandate, which you have entrusted to us.

We have audited the consolidated balance sheets of Bank Brussels Lambert N.V./S.A. and subsidiaries as of December 31, 2002 and 2001, and the related consolidated profit and loss accounts for each of the three years in the period ended December 31, 2002. These consolidated financial statements are the responsibility of the Company s management. We have also examined the Directors report.

Unqualified audit opinion on the consolidated financial statements

We conducted our audit in accordance with the standards of the Institut des Reviseurs d Entreprises/Instituut der Bedrijfsrevisoren and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, taking into account the legal and regulatory requirements applicable to consolidated financial statements in Belgium.

In accordance with those standards, we considered the group s administrative and accounting organization, as well as its internal control procedures. We have obtained explanations and information required for our audit. We examined, on a test basis, evidence supporting the amounts in the consolidated financial statements. We have assessed the validity of the accounting principles, the consolidation policies and significant accounting estimates made by the company, as well as the overall presentation of the consolidated financial statements. We believe that those procedures provide a reasonable basis for our opinion.

The consolidated financial statements are prepared in conformity with the in Belgium applicable legal and regulatory requirements.

In our opinion, based on our audits, the consolidated financial statements give a true and fair view of the group s assets, liabilities and consolidated financial position as of December 31, 2002 and 2001 and the consolidated results of the operations for each of the three years in the period ended December 31, 2002, in accordance with its legal and regulatory requirements applicable in Belgium and the information given in the notes to the consolidated financial statements is adequate.

Additional certification

The Directors report contains the information required by law and is consistent with the consolidated financial statements.

Brussels, March 19, 2003

Ernst & Young Reviseurs d Entreprises S.C.C. (B 160)

GLOSSARY

Annual life funds
Participants in an annual life fund periodically transfer money to the fund. The sum of the assets of a fund including accrued investment income is divided over the participants who are alive at the end of the duration of the fund.

Associate
An associate is a participating interest in which a significant influence is exercised over the financial and operating policy and which is neither a subsidiary nor a joint venture of the investor.

Basic net profit per ordinary share
The net profit per ordinary share is calculated on the basic of the weighted average number of ordinary shares in issue. The following has been taken into consideration in calculating the weighted average number of ordinary shares in issue:
- own shares held by group companies are deducted from the total number of ordinary shares in issue;
- the computation is based on daily averages;
- in the case of exercised warrants, the day of exercise is taken into consideration.

Certificates of deposit
Short-term negotiable bearer debt instruments issued by banks.

Claim
A demand for payment of a policy benefit because of the occurrence of an insured event, such as the death or disability of the insured or the maturity of an endowment, the incurrence of hospital or medical defects in, liens on, or challenges to the title to real estate, or the occurrence of a surety loss.

Claims ratio
The claims ratio is the claims, including claims handling expenses, expressed as a percentage of net earned premiums.

Climbing loan
Climbing loans are loans not generating cash flows prior to the predetermined maturity date. Each year, the accrued interest is added to the principal amount.

Combined ratio
The sum of the claims ratio and the cost ratio for a non-life insurance company or a reinsurance company. A combined ratio of more than 100% does not necessarily mean that there is a loss on non-life insurance policies, because the result also includes the allocated investment income.

Control
Control is presumed to exist when ING Group has, direct or indirect through group companies, more than one half of the voting power or otherwise exercises effective control.

Concentrations
Concentrations of credit risk exist when changes in economic, industry or geographical factors similarly affect groups of counterparties whose aggregate exposure is material in relation to ING Group s total exposure.

Contingent liabilities
Contingent liabilities are outflow from ING Group of resources embodying economic benefits will occur. The underlying value of these liabilities is not recorded as liabilities in the balance sheet. For these products, the underlying value represents the maximum potential credit risk to which ING Group is exposed, i.e. assuming that all counterparties failed completely to perform in accordance with the terms of the contracts and that any existing collateral or security proves to be of no value.

Convertible debenture
Convertible debentures are debentures with embedded options issued by corporations. The holder has the right to exchange a convertible debenture for equity in the issuing company at certain times in the future according to a certain exchange ratio. Very often, the conversion is callable. This means that it can be repurchased by the issuer at a certain price at certain times in the future. Once the debentures have been called, the holder can always choose to convert prior to repurchase.

Cost ratio
Underwriting costs expressed as a percentage of premiums written.

Country risk
The risk that a foreign government will not fulfil its obligations or obstructs the remittance of funds by debtors, either for financial reasons (transfer risk) or for other reasons (political risk).

Credit institutions
Credit institutions are all institutions which are subject to banking supervision by public authorities, including mortgage

bills, the destruction or damage of property and related deaths or injuries,	commitments or risks, for which it is more likely than not that no

GLOSSARY

banks, capital market institutions, multilateral development banks and the International Monetary Fund (IMF).

Deferred tax assets
The amounts of income tax recoverable in future periods in respect of:

deductible temporary differences;
the carry forward of unused tax losses; and
the carry forward of unused tax credits.

Deferred tax liabilities
The amounts of income tax payable in future periods in respect of temporary valuation differences between carrying amounts of assets or liabilities in the balance sheet and tax base, based on tax rates that are expected to apply in the period when the assets are realised or the liabilities are settled.

Defined benefit plan
Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Defined contribution plan
Post-employment benefit plans under which an enterprise pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depositary receipt
Depositary receipt for ordinary and preference shares, issued by the

Derivatives
Derivatives are financial instruments, which include forwards, futures, options and swaps, whose value is based on an underlying asset, index or reference rate.

Diluted net profit per share
Diluted net profit per share data are computed as if the stock options and warrants outstanding at year-end were exercised at the beginning of the period. It is also assumed that ING Group uses the cash thus received for stock options and warrants exercised to buy its own shares against the average market price in the financial year. The net increase in the number of shares resulting from the exercise of warrants and stock options is added to the average number of shares used for the calculation of diluted net profit per share.

Discounted bills
Bills that are sold under deduction of interest giving the owner the right to receive an amount of money on a given date.

Elimination
Elimination is a process by which intercompany transactions are matched with each other and deducted, so that the assets, liabilities, income and expenses are not inflated.

Employee benefits
All forms of consideration given by a company in exchange for service rendered by (former) employees.

accounting principles of ING Group.

Equity participation
An investment in the equity of a corporation which is held in order to participate temporarily. The investment does not serve the business of the acquirer and will not be part of the investment portfolio. The acquirer and the equity participation are not organisationally bound.

Fair value
The amount at which an asset or a liability could be traded on a fair basis at the balance sheet date, between knowledgeable, willing parties in arm s-length transactions.

Finance lease
A lease that transfers substantially all the risks and rewards associated with ownership of an asset to the lessee. Title may or may not eventually be transferred.

Financial asset
Any asset that is:

a contractual right to receive cash or another financial asset from another company;
a contractual right to exchange financial instruments with another company under conditions that are potentially favourable; or
an equity instrument of another company.

Financial instruments
Financial instruments are contracts that give rise to both a financial asset for one company and a financial liability or equity instrument for another company.

Trust, in exchange for ordinary and preference shares issued by ING Group.

Equity method
A method of accounting whereby a participating interest is recorded at its net asset value according to the

Financial liability
Any liability that is a contractual obligation:

GLOSSARY

to deliver cash or another financial asset to another company; or
to exchange financial instruments with another company under conditions that are potentially unfavourable.

Forward contracts
Forward contracts are commitments to exchange currencies or to buy or sell other financial instruments at specified future dates.

Future contracts
Future contracts are commitments to exchange currencies or to buy or sell other financial instruments at specified future dates. Exchanges act as intermediaries and require daily cash settlement and collateral deposits.

General provision
A general provision is a liability carried in the balance sheet for a present obligation arising from past events, the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits, whereas the timing or amount of the outflow is uncertain. The settlement, which will take place in the future, should be reliably measurable. The settlement can be enforced by law or the event creates valid expectations in other parties that the company will discharge the obligation.

Goodwill
Goodwill is the difference between the cost of the acquisition and the net asset value of a participating interest. The net asset value is calculated according to the fair value of the assets and liabilities of the participating interest at the moment of acquisition.

Gross premiums written
Total premiums (whether or not earned) for insurance contracts written or assumed (including deposits for investment contracts with limited or no life contingencies written) during a specific period, without deduction for premiums ceded.

Group company
Corporations, i.e. public limited liability companies, private limited liability companies, general partnerships or limited partnerships, that form an organisational and economic entity and are controlled by ING Group.

Hedge accounting
Transactions qualify as hedges if they are identified as such and there is a negative correlation between the hedging results and the results of the positions being hedged. Hedging instruments are accounted for in accordance with the accounting principles of the hedged item.

Impairment
An impairment is a permanent diminution in value, i.e. the recoverable amount is less than the carrying amount of the asset. In such circumstances a write-down of the asset is necessary.

Interest bearing instrument
An interest bearing instrument is a financial asset or a liability for which a time-proportionate compensation is paid or received, in relation to a notional amount.

Interest-rate rebates
Profit sharing for group life insurance business. A rebate granted to policyholders based on the discounted value of the difference between the interest rate used for calculating the premiums and the expected yield on investment. The profit sharing is granted by means of a premium discount related to the yield on government bonds.

In the money
A call option is said to be in the money if the exercise price is lower than the price of the underlying value; a put option is said to be in the money if the exercise price is higher than the price of the underlying value.

Investment portfolio
The investment portfolio comprises those assets which are intended for use on a continuing basis, and have been identified as such. These investments are held in order to cover the insurance provisions and to manage interest rate, capital and liquidity risks.

Irrevocable facility
Irrevocable facilities mainly constitute unused portions of irrevocable credit facilities granted to corporate clients and commitments made to purchase securities to be issued by governments and private issuers.

Irrevocable letters of credit
An irrevocable letter of credit concerns an obligation on behalf of a client to, within certain conditions, pay an amount of

Interest-rate arbitrage
Taking advantage of interest-rate differences between separate markets.

money under submission of a specific document or to accept a bill of exchange.
An irrevocable letter of credit cannot be cancelled or adjusted by the bank that has

F-136

GLOSSARY

granted it during the duration of the agreement unless all those concerned agree.

Joint venture
A contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

Monetary assets and liabilities
Monetary assets and liabilities are assets and liabilities whose amounts are fixed in terms of units of currency by contract or otherwise. Examples are cash, short or long-term accounts, notes receivable in cash and notes payable in cash.

Net asset value
The net asset value is used in the equity method of accounting. The initial net asset value of the investment is determined by the fair value of the assets and liabilities of the investee. After the initial valuation of assets and liabilities of the investee at fair value, the assets and liabilities of the investee are valued in accordance with the accounting principles of the investor. The income statement reflects the investor s share in the results of operations of the investee.

Net premiums written
Gross premiums written for a given period less premiums ceded to retrocessionaires during such period.

Notional amounts
Notional amounts represent units of account which, in respect of derivatives, reflect the relationship with the underlying assets. They do not reflect, however, the credit risks assumed by entering into derivative transactions.

Offsetting of financial assets and financial liabilities Offsetting is done on the basis of a legal right, by contract or otherwise, to settle or otherwise eliminate all or a portion of an amount due to a creditor by applying against that amount an amount due from the creditor. A financial asset and a financial liability should be offset and the net amount reported in the balance sheet when ING:

intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously; and

has a legally enforceable right to set off the recognised amounts; and

the financial asset and the financial liability are identical in nature.

Operating segments
Operating segments are defined as components of an enterprise about which discrete information is available that is evaluated regularly by the chief operating decision maker or decision making group in deciding how to allocate resources and in assessing performance.

Operating lease
A lease other than a finance lease.

Option contracts
Option contracts give the purchaser, for a premium, the right, but not the obligation, to buy or sell within a limited period of time a financial instrument or currency at a contracted price that may also be settled in cash. Written options subject ING Group to market risk, but not to credit risk, since the counterparties have already performed in accordance with the terms of the contract by paying a cash premium up front.

Ordinary share
An equity instrument that is subordinate to all other classes of equity instruments. Ordinary shares participate in the net profit for the financial year after other types of shares such as preference shares.

Out of the money
A call option is said to be out of the money if the exercise price is higher than the price of the underlying value; a put option is said to be out of the money if the exercise price is lower than the price of the underlying value.

Over-the-counter instrument
Non-standardised financial instrument not traded on a stock exchange but directly between market participants.

Participating interest
A participating interest exists if a corporation or its subsidiary provides capital or causes capital to be provided for the account of either of them to another corporation in order to be durably linked to that corporation in furtherance of its own activities. An interest is deemed to be a participating interest if 20% or more of the share capital is provided.

Plan
Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies. Assets held by a long-term

employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting enterprise) that:

are held by an entity (a fund)

GLOSSARY

that is legally separate from the reporting enterprise and exists solely to pay or fund employee benefits; and
are available to be used only to pay or fund employee benefits, are not available to the reporting enterprise s own creditors (even in bankruptcy), and cannot be returned to the reporting enterprise, unless either the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting enterprise or the assets are returned to the reporting enterprise to reimburse it for employee benefits already paid.
A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party of the reporting enterprise, if the proceeds of the policy:
can be used only to pay or fund employee benefits under a defined benefit plan; and

are not available to the reporting enterprise s own creditors (even in bankruptcy) and cannot be paid to the reporting enterprise, unless either the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations or the proceeds are returned to the reporting enterprise to reimburse it for employee benefits already paid.

Post-employment benefit plans
Formal or informal arrangements under which a company provides post-employment benefits for one or more employees.
Post-employment benefits are employee benefits other than termination benefits and equity compensation benefits, which are payable after the completion of employment.

Preference share
A preference (or preferred) share is similar to an ordinary share but carries certain preferential rights. These rights usually concern the guarantee of a fixed (cumulative) return to the shareholder or a guaranteed return on the investment.

Premiums earned
That portion of net premiums written in current and past periods which applies to the expired portion of the policy period, calculated by substracting movements in unearned premium reserves from net premiums.

Private loan
Private loans are loans to governments, other public bodies, public utilities, corporations, other institutions or individuals with a loan agreement as the only instrument of title.

Private placement
A placement where newly issued shares or debentures come into possession of a limited group of subscribers who are prepared to buy the new securities.

Projected unit credit method
An actuarial valuation method that considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

promises to pay a certain sum to a specific person or its order on a certain maturity date, at sight or aftersight in a certain time on a certain place.

Proportional consolidation
A method of accounting and reporting whereby a venturer s share of each of the assets, liabilities and income and expense items of a jointly controlled entity is combined on a line-by-line basis with similar items in the venturer s financial statements or reported as separate line items in the venturer s financial statements.

Provision for loan losses
Provision, presented as a deduction from Lending and Banks, meant to absorb losses from debtors defaults in the Lending and Banks portfolios.

Recognition
The process of incorporating in the balance sheet or profit and loss account an item that meets the definition of an element and satisfies the following criteria for recognition:
it is probable that any future economic benefit associated with the item will flow to or from the enterprise; and
the item has a cost or value that can be measured reliably.

Redemption value
With respect to investments in fixed-interest securities, the amount payable on the maturity date.

Reinsurance
The practice whereby one party, called the reinsurer, in consideration for a premium paid to him, agrees to indemnify another party, called the reinsured or ceding company, for part or all of the liability assumed by the

Promissory notes

A promissory note is a signed and dated document in which the signeratory unconditionally

F-138

GLOSSARY

reinsured under a contract or contracts of insurance which the reinsured has issued. The reinsured may also be referred to as the original or primary insurer, the direct writing company, or the ceding company.

Repurchase transactions
Repurchase transactions are commitments to repurchase securities which have been sold.

Reverse repurchase transactions
Reverse repurchase transactions are commitments to sell securities which have been purchased.

Share premium (reserve)
Paid-in capital in addition to the nominal value and paid-up on issued share capital.

Stock option plan
Option rights granted to a number of senior executives, to all ING Group staff in the Netherlands and to a considerable number of employees outside the Netherlands to purchase ING Group shares.

Subordinated loan
A credit or a liability where, in the event of bankruptcy under the application of the emergency regulations as referred to in the Act on Supervision of the Credit System, or liquidation of the debtor, the outstanding part is not eligible for set-off and is not repayable until all other currently outstanding debts have been repaid.

Subsidiary
A corporation:

in which, by agreement with other holders of voting rights or of the voting rights in a general meeting can be exercised by the company or one of its subsidiaries;

of which the company or a subsidiary is a member or shareholder and can appoint or dismiss, by agreement with other holders of voting rights or otherwise, alone or together with others more than half of the executive board or the supervisory board.

Surrender
The termination of a life or retirement contract at the request of the policyholder after which the policyholder receives the cash surrender value, if any, on the contract.

Swap contracts
Swap contracts are commitments to settle in cash at a specified future date, based on differentials between specified financial indices as applied to a notional principal amount. Generally, no cash is exchanged at the outset of the contract and no principal payments are made by either party.

Third-party interest
That part of the net results and of net assets of a subsidiary attributable to an interest which is not owned, directly or indirectly, by the parent.

Trading portfolio
The trading portfolio comprises those financial instruments which are held to obtain short-term transaction results, to facilitate transactions on behalf of clients or to hedge other positions in the trading portfolio.

government. Dutch Treasury Certificates are regarded as Dutch Treasury bills.

Unweighted credit equivalent
The unweighted credit equivalent is the maximum loss that ING Group would incur on its derivatives transactions if all its counterparties defaulted with a margin added in accordance with internationally accepted criteria.

Warrant
A financial instrument that gives the holder the right to purchase ordinary shares.

Weighted credit equivalent
The weighted credit equivalent is the unweighted credit equivalent multiplied by the weighting factors determined in accordance with standards of the international supervisory authorities. Under certain conditions, the credit risk can be reduced by entering into bilateral netting agreements.

otherwise, more than half

Treasury bills
Generally short-term debt
certificates issued by a central

F-139

Table of Contents

SCHEDULE I SUMMARY OF INVESTMENTS OTHER THAN INVESTMENTS IN RELATED PARTIES
As of December 31, 2002 Amounts are in millions of euros

Column A	Column B	Column C	Column D
Type of investment	Cost	Fair Value	Amount at which shown in the balance sheet
Debt securities			
Debentures / available-for-sale:			
- Dutch government	4,440	4,681	4,479
- Foreign governments	56,969	60,525	56,395
- Public utilities	5,131	5,336	5,081
- Mortgage-backed securities	36,503	37,664	36,668
- Redeemable preference shares/sinking fund	315	327	312
- All other corporate bonds	66,899	69,544	66,488
Private loans / available-for-sale:			
- Dutch government	4,126	4,532	4,114
- Foreign governments	126	135	125
- Public utilities	613	646	620
- Corporate and other loans	1,564	1,662	1,537
Deposits with credit institutions	904	900	897
Other fixed maturity investments	2,800	2,946	2,931
Shares and convertible debentures			
Ordinary shares			
- Public utilities	169	155	155
- Banks, trusts and insurance companies	3,210	4,306	4,306
- Industrial and all others	5,017	6,412	6,412
Preference shares	1,403	1,371	1,371
Convertible debentures	32	34	34
Mortgage loans	27,082	28,408	26,993
Real estate	7,344	10,951	10,951
Policy loans	3,238	3,246	3,238
Total investments	**227,885**	**243,781**	**233,107**

Table of Contents

SCHEDULE III SUPPLEMENTARY INSURANCE INFORMATION
Amounts are in millions of euros

Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H	Column I	Column J	Column K
Segment	Deferred policy acquisition costs	Future policy benefits, losses, claims, and loss expenses	Un-earned Pre-miums	Other policy and claims benefits payable	Premium revenue	Net invest-ment income (inclu-ding other income and other expenses) allocated to under-writing accounts	Claims, Losses and Settlement expenses	Amorti-zation Benefits, of deferred policy acqui-sition costs	Other opera-ting expenses	Pre-miums written
2002										
Life	10,299	185,136		848	43,274	9,204	44,804	1,454	2,700	43,274
Non-life	337	6,390	3,341	116	6,297	819	4,722	94	1,646	6,642
Total	10,636	191,526	3,341	964	49,571	10,023	49,526	1,548	4,346	49,916
2001										
Life	11,035	203,677		910	43,157	8,984	44,513	1,444	3,328	43,157
Non-life	320	5,892	3,382	125	5,283	770	3,895	82	1,446	5,289
Total	11,355	209,569	3,382	1,035	48,440	9,754	48,408	1,526	4,774	48,446
2000										
Life	10,393	192,413		833	24,006	6,817	25,355	914	1,831	24,006
Non-life	260	5,086	1,582	239	3,867	601	2,886	4	1,140	3,908
Total	10,653	197,499	1,582	1,072	27,873	7,418	28,241	918	2,971	27,914

Table of Contents

SCHEDULE IV REINSURANCE
Amounts are in millions of euros

Column A	Column B Gross Amount	Column C Ceded to other companies	Column D Assumed from other companies	Column E Net amount	Column F Percentage of amount assumed to net
2002 Premiums:					
- Life	43,076	1,093	1,291	43,274	3.0%
- Non-Life	7,869	1,275	48	6,642	0.7%
Total Premiums	**50,945**	**2,368**	**1,339**	**49,916**	**2.7%**
2001 Premiums:					
- Life	43,045	1,400	1,512	43,157	3.5%
- Non-Life	5,858	614	45	5,289	0.9%
Total Premiums	**48,903**	**2,014**	**1,557**	**48,446**	**3.2%**
2000 Premiums:					
- Life	24,424	1,013	595	24,006	2.5%
- Non-Life	4,066	187	29	3,908	0.7%
Total Premiums	**28,490**	**1,200**	**624**	**27,914**	**2.2%**

SCHEDULE VI SUPPLEMENTAL INFORMATION CONCERNING NON-LIFE INSURANCE OPERATIONS
Amounts are in millions of euros

Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H		Column I	Column J	Column K
Affiliation with the registrant	Deferred Policy acquisition costs	Reserves for unpaid claims & claims adjusted expenses	Discount, if any, deducted in Column C	Unearned premiums	Earned- premiums	Net Investment income (including other income and other expenses) allocated to non-life operations	Claims and claims adjustment expenses incurred related to accident years		Amortization of DPAC(1)	Paid claims & claims adjusted expenses	Premiums Written
							Current	Prior			
2002											
Consolidated non-life entities	337	6,390	559	3,341	6,297	819	3,977	348	94	4,097	6,642
2001											
Consolidated non-life entities	320	5,892	349	3,382	5,283	770	3,663	18	82	3,669	5,289
2000											
Consolidated non-life entities	260	5,086	239	1,582	3,867	601	2,716	(48)	4	2,574	3,908

(1) DPAC: Deferred policy acquisition costs

This page is intentionally left blank.

Table of Contents

EXHIBIT INDEX

Exhibit No.	Description
Exhibit 1.1	Articles of Association of ING Groep N.V.
Exhibit 1.2	Amended and Restated Trust Agreement (English Translation)
Exhibit 2.1	Subordinated Indenture between the Company and The Bank of New York, dated July 18, 2002
Exhibit 4.1	Form of Employment Contract for Members of the Executive Board (English Translation)
Exhibit 4.2	Employment Contract for Michel Tilmant (English Translation)
Exhibit 4.3	Employment Contract for Fred Hubbell
Exhibit 7	Statement regarding Computation of Ratio of Earnings to Fixed Charges
Exhibit 8	List of Subsidiaries of ING Groep N.V.
Exhibit 10.1	Consent of Ernst & Young Accountants
Exhibit 10.2	Consent of KPMG Accountants
Exhibit 10.3	Consent of Ernst & Young Reviseurs d Enterprises S.C.C.