2004

ING GROUP
ANNUAL REPORT

ING

LAYING THE FOUNDATIONS FOR PROFITABLE GROWTH

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ING AT A GLANCE

COMPOSITION OF THE BOARDS
as at 31 December 2004

EXECUTIVE BOARD
Michel J. Tilmant (52), *CEO and chairman*
Cees Maas (57), *vice-chairman and CFO*
Eric F. Boyer de la Giroday (52)
Fred S. Hubbell (53)
Eli P. Leenaars (43)
Alexander H.G. Rinnooy Kan (55)
Hans K. Verkoren (57)

SUPERVISORY BOARD
Cor A.J. Herkströter (67), *chairman*
Eric Bourdais de Charbonnière (65)
Luella Gross Goldberg[1] (67)
Paul F. van der Heijden (55)
Claus Dieter Hoffmann (62)
Aad G. Jacobs (68)
Wim Kok (66)
Godfried J.A. van der Lugt[1] (64)
Paul J.A. Baron de Meester (69)
Jan D. Timmer[2] (71)
Karel Vuursteen (63)

[1] Nominated for reappointment per 26 April 2005
[2] Retirement as of 26 April 2005

AUDIT COMMITTEE
Aad G. Jacobs, *chairman*
Claus Dieter Hoffmann
Paul J.A. Baron de Meester
Jan D. Timmer

REMUNERATION AND NOMINATION COMMITTEE
Cor A.J. Herkströter, *chairman*
Luella Gross Goldberg
Paul F. van der Heijden
Jan D. Timmer

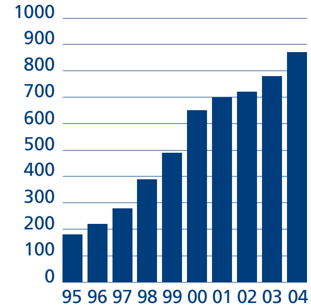
CORPORATE GOVERNANCE COMMITTEE
Cor A.J. Herkströter, *chairman*
Luella Gross Goldberg
Paul F. van der Heijden
Jan D. Timmer

Eric Bourdais de Charbonnière was appointed as vice-chairman of the Supervisory Board as of 16 February 2005.
Christine Lagarde and Jan Hommen are nominated for appointment to the Supervisory Board, as of 27 April 2005 and as of 1 June 2005, respectively. The Shareholders' Meeting will decide on these nominations on 26 April 2005.

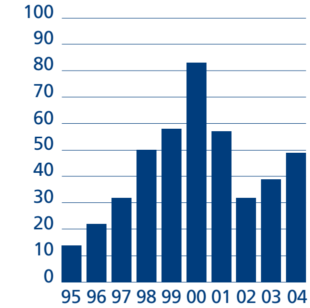
You can find more information on the members of the Executive Board and Supervisory Board on pages 43 and 45-46.

KEY FIGURES

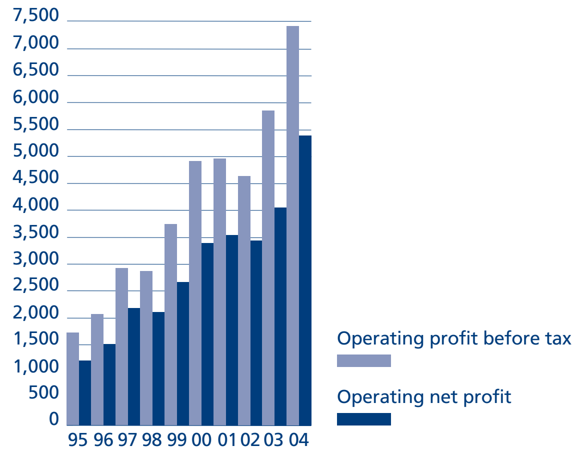
TOTAL ASSETS
in billions of euros



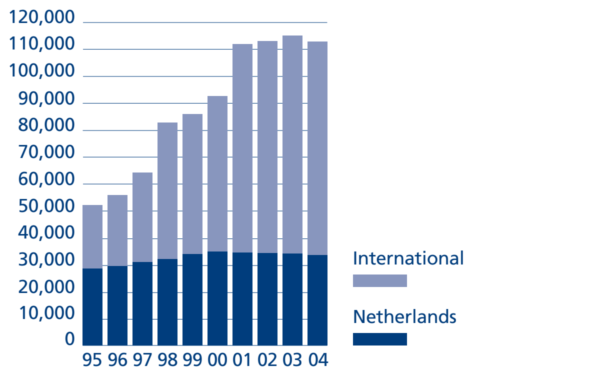
MARKET CAPITALISATION
in billions of euros



OPERATING PROFIT
in millions of euros



EMPLOYEES
average FTEs



FIVE YEARS' KEY FIGURES

	2004	2003	2002	2001	2000
BALANCE SHEET (in billions of euros)					
Total assets	**866**	779	716	705	650
Shareholders' equity	**26**	21	18	22	25
ASSETS UNDER MANAGEMENT (in billions of euros)	**492**	463	449	513	503
MARKET CAPITALISATION (in billions of euros)	**49**	39	32	57	83
OPERATING INCOME (in millions of euros)					
Insurance operations	**55,398**	53,233	59,449	55,274	34,521
Banking operations	**12,537**	11,680	11,201	11,111	11,302
OPERATING EXPENSES (in millions of euros)					
Insurance operations	**4,837**	4,897	5,203	5,583	5,023
Banking operations	**8,658**	8,184	8,298	8,186	8,273
ADDITIONS TO THE PROVISION FOR LOAN/INVESTMENT LOSSES (in millions of euros)	**497**	1,288	2,099	907	400
PROFIT (in millions of euros)					
Insurance operations	**4,005**	3,486	3,170	2,792	2,307
Banking operations	**3,414**	2,371	1,468	2,170	2,605
Operating profit before tax	**7,419**	5,857	4,638	4,962	4,912
Operating net profit	**5,389**	4,053	3,433	3,539	3,388
Capital gains/negative value adjustment shares	**579**	-10	820	713	620
Non-operating net profit			247	325	7,976
Net profit	**5,968**	4,043	4,500	4,577	11,984
Distributable net profit	**5,968**	4,043	4,253	4,252	4,901
FIGURES PER ORDINARY SHARE (EUR 0.24 nominal value)					
Operating net profit	**2.53**	2.00	1.77	1.83	1.76
Net profit	**2.80**	2.00	2.32	2.37	6.27
Distributable net profit	**2.80**	2.00	2.20	2.20	2.56
Dividend	**1.07**	0.97	0.97	0.97	1.13
Shareholders' equity	**11.76**	10.08	9.14	11.03	13.04
RATIOS (in %)					
ING GROUP					
Operating return on equity (ROE)	**22.9**	21.5	17.4	15.3	10.3
Operating net profit growth	**33**	18	-3	4	27
INSURANCE OPERATIONS					
Combined ratio	**94**	98	102	103	104
Capital coverage ratio	**210**	180	169	180	235
BANKING OPERATIONS					
BIS ratio ING Bank	**11.47**	11.34	10.98	10.57	10.75
Tier-1 ratio ING Bank	**7.71**	7.59	7.31	7.03	7.22
Cost/income ratio	**69.1**	70.1	74.1	73.7	73.2
EMPLOYEES (average FTEs)	**113,000**	115,200	113,060	112,000	92,650

1.1 WHO WE ARE

ING AT A GLANCE

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

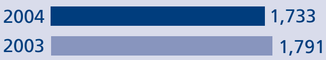
ING Group is a global financial services company of Dutch origin with 150 years of experience, providing a wide array of banking, insurance and asset management services in over 50 countries. Our 113,000 employees work daily to satisfy a broad customer base: individuals, families, small businesses, large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

ING GROUP

In 2004, ING introduced a new structure of six business lines. A clear client focus and strong business logic are the key elements in this structure.

INSURANCE

OPERATING PROFIT BEFORE TAX*
INSURANCE EUROPE



*in millions of euros

INSURANCE EUROPE

Operates the insurance activities in the Netherlands, Belgium, Spain, Greece and Central Europe and asset-management activities in Europe. In these countries we offer life insurance with special attention for pensions. In the Netherlands and Belgium we also offer non-life insurance.

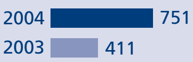
OPERATING PROFIT BEFORE TAX*
INSURANCE AMERICAS

*in millions of euros

INSURANCE AMERICAS

Holds insurance operations and asset-management activities in the Americas. It is well-established in the United States with retirement services, annuities and life insurances and has leading positions in non-life insurance in Canada and Mexico. Furthermore, we are active in Chile, Brazil and Peru.

OPERATING PROFIT BEFORE TAX*
INSURANCE ASIA/PACIFIC

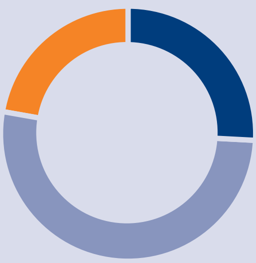


*in millions of euros

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, Korea, Malaysia and Taiwan. The activities in China, India and Thailand are future growth engines for ING.

DISTRIBUTION OF PREMIUM INCOME
PER BUSINESS LINE
in millions of euros



Insurance Europe	26%	11,369
Insurance Americas	52%	22,760
Insurance Asia/Pacific	22%	9,469
Other		19
Total	100%	43,617

MORE INFORMATION

For further information visit:
www.ing.com

BUSINESS

ING is the number one financial services company in the Benelux home market. 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. In Canada, we are the top property and casualty insurer. ING Direct is a leading 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.

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.

BANKING

WHOLESALE BANKING

Takes care of the global wholesale banking operations. It has five divisions: Clients, Network, Products, Corporate Finance and Equity Markets, and Financial Markets. It offers a full range of products to corporates and institutions in the home markets in the Benelux countries and elsewhere it operates a more selective and focused client and product approach.

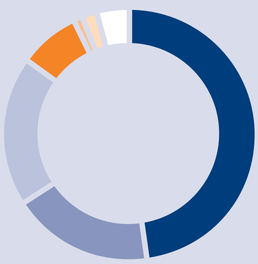
RETAIL BANKING

Holds retail banking activities in the Netherlands, Belgium, Poland, Romania and India. Retail Banking also offers private banking in selected markets; for instance in the Netherlands, Belgium, Luxembourg, Switzerland and several countries in Asia.

ING DIRECT

Operates direct retail-banking activities for individual clients in Australia, Canada, France, Germany (including Austria), Italy, Spain, United Kingdom and the United States. Main products offered are savings and mortgages.
A separate activity is ING Card, which manages a credit-card portfolio within the Benelux.

DISTRIBUTION OF BANK LENDING
in billions of euros



Netherlands	48%	152.4
Belgium	18%	55.8
Rest of Europe	19%	61.9
North America	8%	26.9
Latin America	1%	1.9
Asia	2%	6.8
Australia	4%	11.8
Total	100%	317.5

LAYING THE FOUNDATIONS FOR PROFITABLE GROWTH

Dear Stakeholder

In May 2004, the renewed Executive Board assumed leadership of ING Group. Three new Executive Board members joined the team and I succeeded Ewald Kist. On behalf of the Executive Board, I would like to thank Ewald Kist for the four years in which he led the company and effected the integration of the Group. It is a big challenge for me and my team to lead ING, a company with a respectable track record, a good business mix and an entrepreneurial culture. ING was built on the back of mergers and acquisitions and has grown from a market capitalisation of EUR 4.9 billion in 1991 to EUR 49.1 billion end 2004. Even in the turbulent times of the past few years, ING managed to deliver strong earnings, and 2004 was no exception. Operating net profit rose from EUR 4,053 million in 2003 to EUR 5,389 million in 2004, an increase of 33%.

Our past success, however, does not justify complacency about the future. ING's overall strategic direction is to create a business mix that respects ING's identity and offers better value-creating opportunities. We remain committed to our three core business areas – banking, insurance and asset management – albeit in a more focused and streamlined manner. The challenge in 2004 was to lay the foundations for moving ING forward. For this reason, we have chosen a theme for our Annual Report that reflects our efforts best: 'Laying the foundations for profitable growth'.

ING is a company with six unique strengths. We have a strong home market position in the Benelux, which has a high level of wealth accumulation. Our large presence in the United States puts us in the world's biggest savings market. In Asia and Central Europe we have a portfolio of successful life insurance companies. In mature markets, ING Direct has become the world's leading direct bank. ING is also among the world's 100 best brands. Lastly, our size and scope generate important benefits, for instance in funding, exploring new business initiatives and attracting qualified staff.

But in spite of these strengths, it had become clear that, after a period of strong growth and acquisitions, our organisation had become quite complex. It also emerged that some of our businesses were underperforming and that some were drifting away from ING's core. We responded by making a number of changes in 2004.

The first initiative of the renewed Executive Board was to simplify the management structure. The new structure is based on six business lines, and is designed to bring the Executive Board closer to the business, foster faster decision-making and enhance personal accountability. The business lines are Insurance Europe, Insurance Americas, Insurance Asia/Pacific, Wholesale Banking, Retail Banking and ING Direct.

In addition we took a more critical look at our business portfolio. We decided to sell businesses which were non-core or underperforming. These divestments have freed up capital, part of which has been used to reduce the leverage of the Group. The rest will be invested in our core activities.

We have also sharpened our focus on execution. In what we do, we want to excel. We want to offer exemplary customer service, generate profitable top-line growth, and pursue strict cost control, all underpinned by solid risk management to reduce the need for capital. Disciplined performance in these areas ultimately generates strong bottom-line results.

ING will continue to seek growth in mature markets where we already have a long-standing presence, for example the Benelux countries and the United States. Furthermore, we have good businesses with clear growth potential. The first is ING Direct. The second is pension products and services. The third is life insurance business in developing markets.

In pursuing this strategy, we want to add value for all our stakeholders. Our *customers* entrust us with their savings and pensions, and therefore put a large part of their financial future in our hands. This is reflected in our adapted mission statement, which reads as follows: 'To set the standard in helping our customers manage their financial future'. Our *shareholders* provide us with the capital we need to grow. For this reason, total shareholder return is at the heart of our value-creating strategy. Our *employees* are crucial to our ability to deliver on our promises. That is why we want to be an attractive and competitive place to work with a distinct performance-related culture. For our *business partners* ING wants to be a reliable counterpart. And finally, *society at large:* in accordance with our ethical standards and business principles we are committed to be a responsible corporate citizen in the countries where we do business.

You can be assured that the Executive Board will implement this new strategic direction with focus, determination and leadership. Leadership is a permanent combination of vision and execution, professionalism and common sense, and determination and flexibility. Above all, leadership requires empathy for and management through people. ING derives great strength from the rich diversity of its 113,000 staff worldwide. I fully recognise the importance of talent management for the success of our company. For that reason I decided to assume responsibility for Human Resources within the Executive Board. I also took on the Corporate Communication portfolio, since open communication with our stakeholders is crucial in an environment of constant change. We genuinely hope this Annual Report matches your expectations in this respect.

In this report you will find an overview of the financial and strategic developments of ING Group and its business lines. Each of our six business lines contributed to ING's good overall result in 2004. For this accomplishment the Executive Board would like to thank the ING staff. Their daily dedication is the cornerstone of the company's success.

We are confident that the foundations for future profitable growth are in place. ING started 2005 in good shape with a streamlined and entrepreneurial organisation, a good business mix and strong leadership. This forms a solid base for meeting the challenge of exploiting ING's growth opportunities.

Michel Tilmant
Chairman Executive Board

SETTING THE STANDARD IN HELPING OUR CUSTOMERS MANAGE THEIR FINANCIAL FUTURE

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 the 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 businesses.

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 good 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.

WE HAVE PLACED CUSTOMER SATISFACTION IN ALL OUR MARKETS AS A KEY INDICATOR OF BUSINESS PERFORMANCE.

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 company Nationale-Nederlanden are starting to pay off. Customer satisfaction ratings went up substantially in 2004.

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

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.

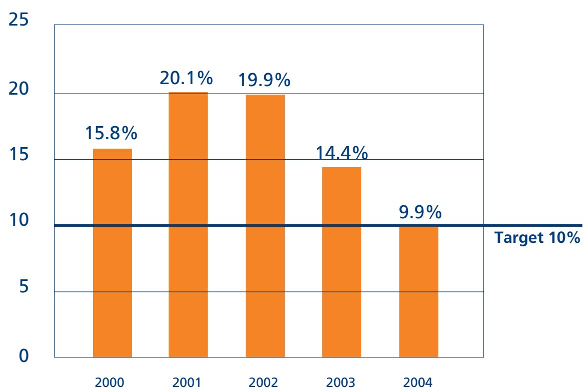
AN IMPORTANT CONTRIBUTION TO VALUE CREATION COMES FROM ACTIVE MANAGEMENT OF THE BUSINESS PORTFOLIO.

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.

DEBT/EQUITY RATIO ING GROUP
at year-end



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 the 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. 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 realised 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.

MANAGING FOR VALUE BECAME THE CORE OF OUR STRATEGY.

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 emphasise and implement the renewed strategic focus, by optimising 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.

ROBUST RESULTS AND IMPROVED CAPITAL POSITION

ING GROUP 2004 CONSOLIDATED PROFIT & LOSS ACCOUNT

in millions of euros	2004	2003	change
Total operating income	**67,814**	64,746	4.7%
Total operating expenditure	**60,395**	58,889	2.6%
Operating profit before tax	**7,419**	5,857	26.7%
Taxation	**1,758**	1,460	20.4%
Third-party interests	**272**	344	-20.9%
Operating net profit	**5,389**	4,053	33.0%
Capital gains/losses on shares	**579**	-10	
Net profit	**5,968**	4,043	47.6%

OPERATING PROFIT BEFORE TAX PER BUSINESS LINE*

Insurance Europe	22%	1,733
Insurance Americas	22%	1,669
Insurance Asia/Pacific	10%	751
Wholesale Banking	25%	1,932
Retail Banking	15%	1,170
ING Direct	6%	432

**Excludes component 'other' in banking and insurance.*

ING achieved strong results in 2004 with a rise in operating net profit of 33% to EUR 5,389 million. Including capital gains on shares, net profit even increased by 48% to 5,968 million. Moreover, ING successfully sold non-core and underperforming business units in 2004. The proceeds of these sales were used to strengthen the capital position, leading to a sharp improvement of the debt/equity ratio to 9.9%, under the 10% target. ING decided to return to full cash dividend as from the final 2004 dividend.

The rise in the Group's operating net profit was led by a strong performance at ING's banking operations, notably ING Direct and Wholesale Banking. The insurance operations also posted a healthy profit growth, driven by the life insurance activities in Asia/Pacific and the core businesses in the United States, and continued strong non-life results in Canada.

Given EUR 579 million in realised capital gains on shares in 2004, net profit amounted to EUR 5,968 million, an increase of 48% compared to 2003. The high level of capital gains on shares, most of which were realised in the second half of 2004, was the result of a decision to sell part of the Dutch equity portfolio to reduce volatility of the solvency ratios.

The 2004 result was also influenced by the considerable strengthening of the euro against most currencies. This had a negative impact of EUR 86 million on net profit, but it was offset by a gain of EUR 188 million after tax on the U.S. dollar hedge. From 2005, ING no longer has hedges in place for the U.S. dollar.

Particularly encouraging was the robust increase in total operating income of 11% (excluding the impact of acquisitions, divestments and currency effects). The insurance business lines posted strong growth in premium income, while product-pricing was adjusted to increase returns on new business. The banking business lines continued to benefit from lower risk costs, and operating income showed a solid increase, despite pressure on interest rates in the past year.

Total operating expenses increased by 6% (excluding the impact of acquisitions, divestments and currency effects). This was the result of some one-offs and non-recurring expenses, but underlying costs were contained, except at Nationale-Nederlanden, where ING continued to invest deliberately to meet the structural improvements required.

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, little changed from 2003, while the operating net return on equity from banking rose to 15.8% from 11.1%.

FINANCIAL HIGHLIGHTS
(continued)

DIVIDEND

Net profit per share rose 40.0% to EUR 2.80, compared with 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. Dilution of earnings per share was limited in 2004 because ING stopped issuing shares to fund the cash portion of the dividend payment, starting with the interim dividend 2004. Moreover, ING decided to return to full cash dividend as from the final 2004 dividend.

At the Annual General Meeting of Shareholders on 26 April 2005, ING will propose a total dividend for 2004 of EUR 1.07 per (depositary receipt for an) ordinary share, up from EUR 0.97 per (depositary receipt for an) ordinary share in 2003. Taking into account the interim dividend of EUR 0.49 made payable in September 2004, the final dividend will amount to EUR 0.58 per (depositary receipt for an) ordinary share, to be paid fully in cash. ING's shares will be quoted ex-dividend as of 28 April 2005 and the dividend will be made payable on 4 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.

BUSINESS PORTFOLIO PROGRAMME

In 2004, ING conducted a number of divestments, the sale of ING BHF-Bank, ING Re individual life and Life of Georgia being the largest. The divestments completed in 2004 resulted in a release of EUR 1.5 billion in regulatory capital. These proceeds have been used to reduce ING's debt/equity ratio and to invest in the growth of businesses such as ING Direct, the activities in developing markets such as Asia and Central Europe and the retirement services business such as in the United States.

CAPITAL POSITION

The debt/equity ratio of ING Groep N.V. improved to 9.9% from 14.4% at the end of 2003 and over 20% at the end of 2001. The improvement was caused by a EUR 4.9 billion increase in the Group capital base, excluding third-party interests, due to retained earnings and the issue of hybrid securities in June 2004 as well as a EUR 1.0 billion decrease in core debt.

The capital coverage ratio for ING's insurance operations increased to an industry-wide very high level of 210% of regulatory requirements at the end of 2004, compared with 180% at year-end 2003.

The Tier-1 ratio of ING Bank N.V. stood at 7.71% on 31 December 2004, up from 7.59% at the end of 2003 and thus comfortably above the 7.3% target. Also the Bank's solvency ratio (BIS ratio) was above the 11% target and improved to 11.47% from 11.34% at the end of 2003. Compared with year-end 2003, total risk-weighted assets rose by EUR 22.8 billion, or 9.1%, to EUR 274.1 billion, almost fully caused by the growth of ING Direct.

INSURANCE OPERATIONS

Operating net profit from insurance rose 19.0% to EUR 2,985 million, driven by a strong increase in results from non-life insurance, due to a favourable 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. Net profit from insurance increased 42.7% to EUR 3,564 million in 2004.

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 the impact of divestments and currency effects. Excluding these effects, total premium income increased 13.6%. Total life insurance premiums increased 9.1% to EUR 36,975 million. Total non-life premiums declined 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.

Operating expenses from the insurance operations declined 1.2% to EUR 4,837 million. 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. Excluding one-offs, currency effects and expenses at Nationale-Nederlanden, expense growth in insurance totalled 3.5%.

Investment losses amounted to EUR 32 million, or just 2 basis points of total fixed-interest securities, which is low in historical perspective. In 2003 investment losses were EUR 163 million, or 13 basis points of total fixed-interest securities.

The value of new life insurance business written in 2004 increased to EUR 632 million, up 43.6% from EUR 440 million in 2003. The increase is due to improved pricing margins, higher sales and investment in new business. Insurance Asia/Pacific generated more than half of the total value of new business created by ING Group, indicating the strong future earnings potential of the business in the region. The overall internal rate of return on the new business written is 12.1% (compared with 10.9% in 2003), which is above ING's target of 12%.

KEY POINTS

- Strong increase in (operating) net profit
- Successful sale of non-core and underperforming business units
- Proceeds divestments used to strengthen capital position
- Return to full cash dividend

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 8.2% increase from EUR 21,724 million at year-end 2003. After dividends the embedded value was EUR 22,451 million. ING is one of the first European companies to comply with the, industry-wide agreed, European Embedded Value principles. These principles aim to improve comparability amongst insurance companies.

BANKING OPERATIONS

Operating net profit from banking rose 55.6% to EUR 2,404 million, driven by a solid increase in operating income and a sharp reduction in risk costs. All three banking business lines reported higher profits before tax.

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 interest result increased 8.5% to EUR 8,808 million, mainly due to the continued strong growth of ING Direct. The total interest margin narrowed 10 basis points to 1.48% compared with full-year 2003. Bank lending increased by EUR 24.9 billion, or 8.5%, from the end of 2003 to EUR 317.5 billion at year-end 2004. Corporate lending rose by EUR 2.0 billion, while personal lending increased by EUR 22.5 billion. The growth in personal lending was almost entirely due to a EUR 22.0 billion increase in residential mortgages, of which EUR 11.8 billion was from ING Direct. The sale of CenE Bankiers and parts of ING BHF-Bank had a negative impact of approximately EUR 8 billion on the growth of total bank lending. Commission income increased 4.7% to EUR 2,581 million, mainly driven by higher securities-related commissions.

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. Excluding one-offs, currency effects and ING Direct, expense growth in banking was contained at 2%. 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.

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 (46 basis points in 2003), which is very low in historical perspective. 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, but also to structural changes in risk management procedures, which began to bear fruit in 2004.

The after-tax Risk-Adjusted Return On Capital (RAROC) of ING's banking operations improved strongly to 14.8% in 2004 (12.7% in 2003), which is comfortably above ING's target of 12%. RAROC is traditionally high in Retail Banking. For the first time also Wholesale Banking met the target.

ASSETS UNDER MANAGEMENT

Total assets under management increased EUR 29.2 billion, or 6.3%, in 2004 to EUR 491.9 billion. The increase resulted from a net inflow (EUR 26.5 billion) and higher stock markets (EUR 25.3 billion), partially offset by the decline of most currencies against the euro (–EUR 16.1 billion). The net inflow of EUR 26.5 billion was mainly realised as a result of good sales of money-market funds and structured products at KB Asset Management in Korea, and good life premium growth in Taiwan and Korea.

The portfolio of ING Real Estate – the world's largest real-estate management company – increased by EUR 7.9 billion to EUR 50.1 billion. The increase mainly came from the introduction of ten new mutual funds, such as ING Clarion Global Real Estate Income Fund (United States), a listed fund which had EUR 2.2 billion in assets under management by year-end and was the largest-ever initial public offering of a real-estate fund in history. The acquisition of Rodamco Asia also added EUR 800 million to property assets under management.

The functional operating profit before tax from asset management (which is derived from figures included in the insurance and banking results) increased 14% to EUR 484 million in 2004.

PROGRESS IN VALUE CREATION AND CUSTOMER SATISFACTION

PROFIT AND LOSS ACCOUNT

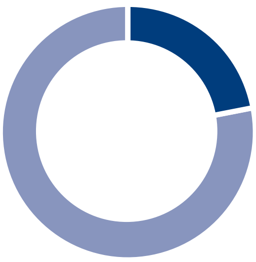
in millions of euros	2004	2003	change	comparable*
Premium income	**11,369**	11,401	-0.3%	2.6%
Operating expenses	**1,832**	1,815	0.9%	10.9%
Operating profit before tax	**1,733**	1,791	-3.2%	4.6%

* Comparable change = excluding foreign exchange differences, acquisitions and divestments, and one-offs.

KEY FIGURES

	2004	2003
Value of new life business (in millions in euros)	**138**	94
Internal rate of return	**12.4%**	10.9%
Embedded value life business (in millions in euros)	**12,257**	11,503

OPERATING PROFIT BEFORE TAX
in millions of euros



Insurance Europe	22%	1,733
Rest of ING	78%	5,686

GEOGRAPHICAL BREAKDOWN OF PREMIUM INCOME
in millions of euros

Netherlands	66%	7,516
Belgium	21%	2,439
Rest of Europe*	13%	1,414
Total	100%	11,369

**Poland, Hungary, Czech Republic, Slovakia, Romania, Bulgaria, Greece and Spain*

Insurance Europe's result was influenced by lower profits in the Netherlands. A favourable development was that large-scale investments to improve the service of the Dutch insurance unit Nationale-Nederlanden began to bear fruit, with the company succeeding in improving customer satisfaction levels and increasing the value of new life insurance business. In Belgium, our insurance activities showed a strong sales performance. In Central Europe, we continue to be the largest international provider of life insurance products and we created value in existing and new life business.

FINANCIAL DEVELOPMENTS

Operating profit before tax from Insurance Europe fell 3.2% to EUR 1,733 million. This decline was caused by lower results from life insurance in the Netherlands which could not be offset by higher results from the life businesses elsewhere in Europe and from non-life activities. The external environment for non-life was favourable, as demonstrated by the relatively low number of claims.

Insurance Europe encompasses the insurance and asset management activities in the Netherlands, Belgium and Central Europe, which account for respectively around 82%, 7% and 11% of operating profit before tax and 66%, 21% and 13% of premium income. Overall, around 82% of Insurance Europe's profits originate from life insurance businesses and 18% from non-life.

Total premium income declined 0.3% to EUR 11,369 million, due to a 6.2% drop in non-life premium income, as a result of the sale of the Dutch health insurance business.

Operating expenses increased 0.9% to EUR 1,832 million as the impact from divestments helped to offset higher expenses in the Netherlands. Excluding those divestments, operating expenses rose 10.9%. The higher expenses in the Netherlands stemmed from extra costs for external staff, investments in new IT systems, a restructuring provision to improve service, and costs to comply with Dutch legislative changes at Nationale-Nederlanden.

KEY POINTS

- Strong improvement in the value of new business and internal rate of return
- Increase in customer satisfaction at Nationale-Nederlanden
- ING is number one international provider of life products in Central Europe
- Operating net profit before tax declines due to lower one-offs and higher costs

Embedded value

The value of new life insurance business written by Insurance Europe was EUR 138 million, an increase of 46.8% compared with 2003. The overall internal rate of return (IRR) on these sales was 12.4%, up from 10.9% a year earlier. This rise can largely be accounted for by the Netherlands, where the IRR increased to 10.5% from 8.0% in 2003, due to price adjustments on single-premium products at Nationale-Nederlanden. The value of new business from Central Europe amounted to EUR 37 million, up from EUR 28 million in 2003.

The embedded value for Insurance Europe increased 6.6% to EUR 12,257 million after dividend payment to the Group. Before dividend payment, the rise was 15.2%. The overall rise in embedded value is the result of increases due to changes to the capital model and the lowering of the corporate tax, combined with declines through a revision to the expense assumptions in the Netherlands, a change to persistency assumptions and the adverse impact of adding the cost of financial options and guarantees. The embedded value of the Dutch life insurance operations increased to EUR 9,223 million, while that of Central Europe went up to EUR 1,786 million.

Country developments

In the Netherlands, operating profit before tax declined 1.9% to EUR 1,423 million. The reasons were lower gains from old reinsurance business and the impact of the transfer of the real-estate portfolio to ING Bank at the beginning of 2004. Life premium income increased 4.3%, driven by the acquisition on new contracts by Nationale-Nederlanden. Operating profit before tax from Nationale-Nederlanden increased 5.2% to EUR 684 million, mainly driven by favourable morbidity results as well as lower profit sharing for policyholders.

In Belgium, higher fee and investment income due to growth in assets under management led to a higher operating profit before tax of EUR 128 million, a rise of 17.4%.

In the rest of Europe, operating profit before tax fell 21.2% to EUR 182 million, mainly as a result of currency impacts and the sale of ING's life insurance business in Italy in 2003. Excluding these effects, an increase of 4.6% was reported. This development was driven by higher life results in Central Europe, particularly in Poland (+12%), Czech Republic (+12%) and Hungary (+19%).

HIGHLIGHTS

Client focus in the Netherlands

In 2004, ING's Dutch insurance activities focused on improving customer service. Nationale-Nederlanden made progress in improving the quality of its service and reducing backlogs. In the non-life business, backlogs were completely removed by the end of the year. In the independent annual Dutch Insurance Performance Survey, clients acknowledged the efforts undertaken and awarded Nationale-Nederlanden with higher ratings, leading to a considerable increase in overall client satisfaction (up 17%). This improvement was the result of increased efficiency, the proper execution of change programmes and the commitment of employees to handle these changes.

Nationale-Nederlanden changed towards a more market-oriented and client-focused organisation. A key element of these changes is the clear link between the expectations and requirements of markets and clients and the performance of the organisation. The quality of management was reinforced and personal performance targets were set for every employee. This was supported by the introduction of a programme aimed at streamlining processes (Project Operational Management/Lean), which entails introducing manufacturing best-practices. The programme should boost productivity significantly.

By providing know-how, quality of advice, reliability and rapid service, Nationale-Nederlanden has positioned itself to capitalise on changes taking place in the Dutch personal financial sector, especially those brought about by government regulation on retirement and disability regulations and on the role of brokers. One development has been the reinforcement of the broker website www.mijnNN.nl, which facilitates online insurance transactions and supports brokers by sharing knowledge and giving information. The site will be further enhanced and its features broadened to include all retail insurance products, thus helping to improve supply chain integration.

As regards the other insurance business units in the Netherlands, efforts at RVS, ING's tied-agents unit, were concentrated on repositioning its name in the market, simplifying the product range and on further cost efficiencies. Where possible, initiatives to cross-sell insurance products via the banking channel were strengthened, as for instance by Postbank Verzekeringen (the insurance outlet of Postbank) and by RVS (through allocating agents to ING Bank and Postbank).

Distribution gains in Belgium
The basis for the good performance of ING's life business in Belgium lies in the efficient bancassurance approach. The IT infrastructure is supporting sales in ING's bank branches and policy maintenance in the insurance back-offices. The merger of three insurance business units and the rebranding to ING Insurance in 2001 resulted in cost reduction and a stronger market position. In 2004, the Belgian government opened the market for individual life insurance for self-employed (fiscally stimulated retirement products), in which ING Insurance realised an estimated market share of over 20%.

Value creation in Central Europe
ING is the number one international provider of life insurance products in the largest countries of Central Europe. Value creation has been occurring across the region, with strong contributions coming from the life companies in the Czech Republic and Hungary and the Polish pension fund.

In 2004, we focused on optimising the existing operations, for instance by improving the performance of the tied-agency force. The introduction of mutual funds in Hungary and Slovakia enlarged the product offering, while initiatives have been taken to sell mortgages in various countries.

Pension activities
Throughout Europe, major developments are taking place in the pension area. In the Netherlands, our insurance operations are preparing their response to drastic changes in early-retirement legislation. In Belgium, ING is making plans to benefit from new opportunities in the corporate pension market. Several governments in Central Europe are planning reform of their pension systems. In Slovakia, the government enabled private parties to operate pension funds as from 2005 and ING is one of the participants. Inflows into ING's pension funds in Central Europe increased 42% to EUR 850 million. ING's pension fund in the Czech Republic was the fastest growing pension fund in the country, adding 56,000 new clients to a total number of 350,000. The robust long-term investment performance strongly contributed to this growth.

ING Investment Management Europe
Our investment management and insurance business units in Europe fostered their co-operation, which led to an improvement in the pricing of life insurance products. The increased focus on operational efficiency and on achieving economies of scale started to show results. A number of products have proved successful: the high-dividend equity funds have grown strongly and have now reached over EUR 3 billion of assets, and the ING Bank Kroon Obligatie Fonds was introduced with an intake of EUR 300 million, one of the most successful fixed-income fund introductions in the Netherlands ever.

CONCLUSIONS AND AMBITIONS

In the Netherlands, Nationale-Nederlanden is set to make further improvements. Particular ambitions are raising customer satisfaction levels to market standards in 2005 and reinforcing client differentiation, which is based on the size, composition and profitability of the broker portfolio. Also high on the agenda is the further reduction of backlogs in the life business, although the pace may slow down given the consequences of (new) legislation, especially in the areas of equal opportunity, gender regulations and early retirement.

In addition, the process of improving operational efficiency to industry benchmark levels will continue. This will be achieved by controlling costs, reducing the number of external advisors and agency staff, increasing returns on existing and new products and services, strengthening IT platforms, and implementing new systems.

The strategy at ING Insurance Belgium is to sustain high sales levels of life investment products, to accelerate sales to bank clients of other life insurances and individual non-life, and to increase cost efficiency in the broker channel. Building on the proven capability to gain market share in the group life insurance business, ING expects significant further growth in market share in the coming years.

In order to ensure further value creation in Central Europe, ING will continue to focus on improving distribution performance and product offerings. The key to this is to reinforce the tied-agency channel, and this will be done by costumer segmentation, by introducing a new commission system based on value-weighted sales and by improving the productivity of the sales network. Further cost control will be achieved by implementing shared IT solutions.

In each country where it is active, ING will explore new distribution channels, based on alliances with banks and brokers. Cross-border cooperation opportunities will also be examined, as well as possibilities for new initiatives in markets with significant growth potential.

ING Investment Management Europe is taking steps to further improve the performance of its funds and to strengthen operations and efficiency. New products will be developed and the growth in assets under management will be supported through proprietary insurance and bank channels.

HIGHER PROFITS AND BETTER RETURNS CREATE SOLID PLATFORM FOR THE FUTURE

PROFIT AND LOSS ACCOUNT

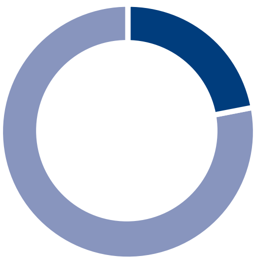
in millions of euros	2004	2003	change	comparable*
Premium income	**22,760**	22,319	2.0%	12.1%
Operating expenses	**2,230**	2,263	-1.5%	4.1%
Operating profit before tax	**1,669**	1,310	27.4%	47.5%

* Comparable change = excluding foreign exchange differences, acquisitions and divestments, and one-offs.

KEY FIGURES

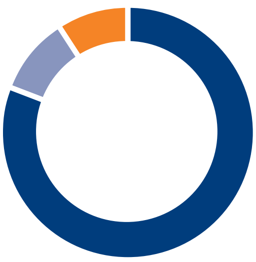
	2004	2003
Value of new life business (in millions of euros)	**173**	94
Internal rate of return	**10.7%**	9.0%
Embedded value life business (in millions of euros)	**8,118**	8,305

OPERATING PROFIT BEFORE TAX
in millions of euros



Insurance Americas	22%	1,669
Rest of ING	78%	5,750

GEOGRAPHICAL BREAKDOWN OF PREMIUM INCOME
in millions of euros



United States	81%	18,450
Canada	10%	2,213
Latin America	9%	2,097
– of which Mexico		1,551
– of which South America*		546
Total	100%	22,760

**Argentina, Brazil, Chile and Peru*

ING Insurance Americas strengthened its position in core business lines through better execution, organic growth and divestments. ING generated strong sales and improved returns across most of its key businesses while also responding to new regulatory challenges. In the United States, the sale of non-core businesses allows for increased focus on business units with better growth potential and lower risk. In Canada, ING strengthened its number-one position in non-life insurance by purchasing a large portion of the non-life activities of Allianz Canada.

FINANCIAL DEVELOPMENTS

Insurance Americas' main financial goals for 2004 were to improve sustainable and profitable growth and value creation in its core business lines. Both objectives were achieved.

Operating profit before tax from Insurance Americas increased 27.4% to EUR 1,669 million in 2004. This result also included several one-off items related to divestments in the Americas. On a comparable basis, the overall operating profit before tax increased 47.5% on 2003. Premium income increased 2.0% to EUR 22,760 million (12.1% on a comparable basis). Life premium income rose 5.3% to EUR 18,428 million, boosted by the introduction of new products as well as enhanced distribution. Non-life premiums declined 10.0%, mainly due to Mexico and currency effects. Operating expenses rose 4.1% on a comparable basis, due to higher sales and benefit costs.

Embedded value

The internal rate of return (IRR) of the life business improved from 9.0% in 2003 to 10.7% in 2004, reflecting a larger volume of new business and improved pricing. As a consequence, the value of new business (VNB) in life insurance rose from EUR 94 million in 2003 to EUR 173 million in 2004. The embedded value of the life business decreased because of adverse currency effects and divestments and increased due to Latin American pension funds. Adjusted for these items, the embedded value increased by EUR 560 million when compared with 2003 embedded value.

Country developments

In the United States, the operating profit before tax declined 13.1%. This was due to one-off charges related to adverse mortality experience at and disposition of the individual reinsurance business. Expenses related to the sale of Life of Georgia played a role as well. Excluding those items, operating profit before tax rose 16.5%. ING's three main businesses in the United States – retirement services, fixed and variable annuities and individual life insurance – reported strong profitable sales growth. This growth was supported by limited expense growth, improved service and distribution capabilities and the introduction of several successful products. With approximately one-third of the total, retirement services were the largest contributor to overall earnings. Premium income in the United States increased 3.6% to EUR 18,450 million, with the strongest growth coming from fixed and variable annuities. Investment losses dropped to 7 basis points of average fixed-interest securities in 2004, down from 21 basis points the year before.

In Canada, where ING offers non-life insurance, operating profit before tax, excluding a one-off gain from the initial public offering of ING Canada shares, increased to EUR 462 million. The increase was driven by a favourable claims experience. ING Canada continued to deliver excellent results on both combined ratio and return on equity. The combined ratio was 85% at year-end, compared to 95% in 2003. This was largely the result of fewer claims and lower claim amounts, driven by regulatory reforms in automobile insurance in a number of jurisdictions. In the long run, ING Canada's 2004 combined-ratio level is not expected to be sustainable, as claims frequency levels will return to more normal amounts and the full effect of premium reductions across the country, caused by regulatory reforms put in place, will be felt.

In Latin America, premium income declined 10.3% and operating profit before tax fell 23.5% to EUR 231 million, also due to currency effects. In Mexico, the largest contributor to premium income and profits in Latin America, operating profit before tax declined 39.3%. Apart from currency effects, the result was influenced by the profitable sale of the Seguros Bital joint venture in 2003, reserve strengthening, higher acquisition costs, and higher claims, particularly in health insurance. Operating profit before tax from Chile, Brazil, Peru and Argentina increased 40.0%. Favourable health results and investment income, and the consolidation of offices and branches in Chile contributed to this improvement.

HIGHLIGHTS

Portfolio management increases business focus

In 2004, Insurance Americas took a number of actions to better focus the portfolio of businesses on those where ING has a leading market position. It sold businesses that either no longer matched the wealth management strategy or were underperforming. Following a review of mortality assumptions at ING Reinsurance (ING Re), ING exited the individual life reinsurance business through a co-insurance agreement with Scottish Re. ING also sold Delta Asset Management and announced agreements to sell the tied-agent business of Life of Georgia and ING Insurance in Argentina.

These actions allow Insurance Americas to further focus on its core wealth management businesses and to reallocate capital to areas that create more value. They also significantly improve the risk profile in the region and the financial ratios for ING Group.

Stronger position in Canada

To strengthen its leading position as the largest provider of non-life insurance in Canada, ING acquired Allianz Canada's non-life portfolio of personal lines and small-to-medium commercial lines. This acquisition gives ING Canada additional scale, broader geographic coverage and a wider network of independent distributor partners. ING Canada subsequently made an initial public offering of 30% of the common shares of the combined entity, to finance the acquisition and return some capital to ING Group. As a public company, ING Canada will have more flexibility to further strengthen its competitive position in the future.

Strength of ING brand

Brand awareness in the United States increased to 80% in 2004, which supported business growth. ING distributes its products through more than 400 internal and external wholesalers to more than 130,000 points of distribution and 14.9 million customers.

Focus on customer service

During 2004, initiatives were taken to focus on the primary drivers of satisfaction for both distributors and end-customers. For example, in the United States customer research revealed that one important driver of satisfaction is the ability to resolve a problem during the first call. As measured by our customers, ING increased its first-call resolution rate from 66% in 2003 to 69% in 2004.

KEY POINTS

- Operating profit and value of new business were up substantially
- In the United States, ING exited individual life reinsurance business and tied-agent business
- In Canada, ING acquired a large part of Allianz Canada's non-life business and made a partial initial public offering
- Sale and exit of non-core businesses will reduce volatility of earnings

IT efficiency continues to be priority
Consolidation and enhancement of technology platforms and applications continued in 2004. In the United States, ING agreed to outsource part of its IT mainframe operations to IBM. These actions are expected to improve productivity and significantly reduce costs in the coming years.

Regulatory developments
In the United States, ING also dealt with a number of new regulatory developments. This included inquiries by the SEC (Securities and Exchange Commission), NASD (the National Association of Securities Dealers) and the New York Attorney General's Office into, amongst others, market timing and late trading of some of the mutual funds offered by ING in the United States. We have implemented new compliance rules, realigned our compliance organisation and updated our Code of Ethics. As part of a broad investigation by several states into insurance-bidding practices, ING is cooperating with the regulators and is providing all information requested.

ING Investment Management Americas
ING Investment Management (ING IM), with USD 223 billion in assets under management at year-end, continued to excel in its fixed-income performance. In its third-party business (USD 134 billion), ING IM took steps to improve its equity team capabilities in order to improve performance on its funds. This includes building a new strong team and improving technology and the investment process. On its proprietary portfolio – i.e. assets managed on behalf of ING's various insurance companies in the Americas region – ING IM achieved stable net yields. ING IM also generated significant private equity gains on its portfolio. In Canada and Latin America, we applied the same global standards for the investment process, controls, risk management and compliance.

Good opportunities for pensions
The US retirement services business made a strong contribution to new business value. Good progress in asset retention was instrumental in this development. ING Mexico and ING Global Pensions explored a business case to broaden the distribution of life insurance via tied agents. In Brazil, ING and its joint-venture partner, Sul America, began to offer pensions and life insurance in the wake of the reform of the pension system. The first-time value of new business and embedded value for Mexico, Peru and Chile showed healthy pension activities in these countries. In 2004, total fund inflows into the pension funds in Chile, Mexico and Peru increased 33.5% to EUR 1,542 million.

CONCLUSIONS AND AMBITIONS

In the coming years, ING Insurance Americas will continue to focus on value creation through a combination of above-average top-line growth and constantly improving operational execution. Higher returns will come from continued expense management and increasing the pricing margin on new business whenever appropriate.

In the United States, ING remains optimistic about the long-term opportunities in retirement-related businesses. ING will focus on improving premium growth in its existing core product lines as well as building its rollover/payout capabilities so that policyholders keep their assets with ING once they start drawing retirement income.

In Canada, the focus will be on translating our newly acquired scale from the Allianz Canada acquisition into a greater competitive advantage and higher market share.

In Latin America, ING plans to continue to expand distribution capacity (particularly through banks), improve its non-life performance and deepen its presence in core wealth management lines of business. In Mexico, competitive pressures are increasing and legal issues are continuing. Several new appointments to our senior management team in Mexico are expected to help in these areas.

ING Investment Management will continue to invest to improve its equity management performance and strengthen third-party results.

OVERALL GROWTH DRIVES FURTHER VALUE CREATION

PROFIT AND LOSS ACCOUNT

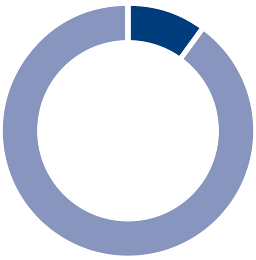
in millions of euros	2004	2003	change	comparable*
Premium income	**9,469**	7,594	24.7%	32.9%
Operating expenses	**726**	785	-7.5%	9.5%
Operating profit before tax	**751**	411	82.7%	50.5%

* Comparable change = excluding foreign exchange differences, acquisitions and divestments, and one-offs.

KEY FIGURES

	2004	2003
Value of new life business (in millions of euros)	**321**	252
Internal rate of return	**13.6%**	14.7%
Embedded value life business (in millions of euros)	**2,076**	1,917

OPERATING PROFIT BEFORE TAX
in millions of euros



Insurance Asia/Pacific	10%	751
Rest of ING	90%	6,668

GEOGRAPHICAL BREAKDOWN OF PREMIUM INCOME
in millions of euros

Japan	36%	3,459
Taiwan	25%	2,348
Korea	17%	1,598
Australia	15%	1,423
Rest of Asia*	7%	641
Total	100%	9,469

**India, China, Hong Kong, Thailand, Indonesia and Malaysia*

ING's insurance activities in Asia/Pacific performed well in 2004. Across the board, top-line income and profits grew significantly, helped by a constant focus on improving the overall quality and effectiveness of the business. Asia/Pacific continues to be a true value creator for ING, accounting for a substantial portion of the total value of new life business written. ING sees further potential in the region and has decided to increase its investments in future growth markets, particularly in China and India.

FINANCIAL DEVELOPMENTS

Insurance Asia/Pacific realised an increase in operating profit before tax of 82.7% to EUR 751 million. The overall profit increase included a one-time gain of EUR 219 million from the sale of ING's 50% stake in its Australian non-life insurance joint venture, QBE-Mercantile Mutual. On a comparable basis, operating profit before tax increased by 32.9%.

The strong results have been achieved in a financial and economic environment that showed some signs of improvement, but at the same time interest rates continued to be low and the euro appreciated against most Asian currencies.

On the income side, ING reported double-digit premium growth in local currency terms across the region, particularly in Japan (+82%) and Korea (+50%).

On the expense side, total operating expenses increased 9.5% (in local currency terms). This reflects the growth of business in Japan and Korea as well as additional costs in Australia to improve quality and integrate IT systems.

Embedded value

The value of new life insurance business written by Insurance Asia/Pacific was EUR 321 million, an increase of 27.4% compared with 2003. As has been the case over the past few years, Insurance Asia/Pacific accounts for a substantial amount of ING Group's total value of new business. Most of the increase in new business value is due to ING Life Japan. The overall internal rate of return (IRR) expected on the new life business is 13.6%, well above the internal ING hurdle of 12%.

The embedded value of the life business from Asia/Pacific increased to EUR 2,076 million at the end of 2004. The increase was driven by the value-added from new business, positive 2004 performance variances and an upward revision to assumed investment returns. These embedded-value gains were partially offset by higher cost of capital resulting from a change to ING's internal capital model.

KEY POINTS

- Strong increase in profit, driven by double-digit growth in premium income
- Most business units gained market share
- Asia/Pacific generates lion's share of the Group's value of new business
- New licence to start a life insurance branch in Beijing

Country developments
Across the region, profits were driven by higher premium income and lower claims. The main contributors to higher profits were the businesses in Japan, Korea, Taiwan and Australia.

Japan's operating profit before tax grew by 45.8% to EUR 70 million. This development was led by strong sales, higher margins and higher investment returns due to interest rate increases.

In Taiwan, operating profit before tax declined 28.1% to EUR 100 million. ING Antai had to double the addition to provisions for low interest rates on investments, resulting in a charge of EUR 100 million, up from EUR 50 million last year. Operating profit included a gain on the sale of the SinoPac credit card business. Excluding those items, profit before tax increased 29.3%, driven by higher premium income, mortality profits and a 6.2% drop in operating expenses.

Korea showed a strong increase in operating profit before tax of 44.3% to EUR 114 million, driven by higher sales of life insurance, higher renewal premiums and a continued good claims experience.

ING Australia, the life insurance joint venture with ANZ, achieved an operating profit before tax of EUR 437 million, including the gain on the sale of the non-life business. Excluding that gain, operating profit before tax increased 23.9%. The businesses benefited from higher investment earnings and higher fees as a result of growth in assets under management, due to positive capital market developments and favourable claims and lapse results.

In Malaysia, the rise in profits of 30% (in local currency term) originated from growth in sales of employee benefit products – where ING has a dominant market share – and individual life insurance. ING has achieved stable returns over the years from participating products. Encouraging opportunities are foreseen in employee benefit products sold to corporations.

In the rest of Asia, which principally comprises our businesses in China, India and Thailand, ING continued to invest and saw growth in premium income across all its operations. Premium income in these countries increased by respectively 11%, 211% and 38%, and in Hong Kong by 16% (all in local currency terms).

HIGHLIGHTS

Insurance Asia/Pacific's strong performance over the years is the result of its strategy to focus on value creation. Notably this includes active management of the business portfolio, the extension of distribution channels and the successful alignment of the diverse range of operations in the region. As a result of these efforts, in 2004 seven out of nine insurance units succeeded in increasing market share, and nine out of eleven asset management business units also augmented market share. ING's integrated insurance and asset management activities in Asia/Pacific (outside Japan) now rank second among foreign insurance companies in terms of premium income in the region.

Active management of business portfolio
In 2004, non-core activities were sold, such as the Australian non-life business joint venture, which was bought by QBE.

In Korea, ING Life gained from the liberalisation of bancassurance regulations and a strengthened relationship with Kookmin Bank. ING has established a separate bancassurance business in Korea, through a joint venture with Kookmin Bank – KB Life, in which ING owns a 49% stake. ING has seconded staff to key management positions. ING Life now ranks number four in terms of premium income. It is the largest foreign insurer and one of the fastest growing life insurance companies in the country.

Improvements in business performance
The quality of the organisation in Asia/Pacific is high and the execution of clearly defined strategic objectives has been successfully aligned across all business units in the region. The product mix in particular has undergone various structural changes. Unit-linked products and other investment-linked products account for an increasing part of total sales. ING has also been actively building new distribution channels, adding twenty new relationships with banks across the region, including six in Japan, six in Taiwan and four in Hong Kong.

The performance of ING's activities in Japan has been solid for a number of years. This is the result of product innovation and successful diversification, as well as adding distribution through banks and secured security houses to the existing independent agent channel. In 2004, a large-scale training programme, the opening of a call centre and positive mortality and morbidity experiences contributed to the strong sales performance. ING has specialised in Japan in providing single-premium variable annuities (SPVA) and corporate-owned life insurance (COLI). The outlook for these markets is positive.

In Australia, cost synergies in our life insurance business have largely been realised and the results of the joint venture have started to become visible on the revenue side. In Taiwan, new products were introduced with larger unit-linked or participating elements to take account of the low interest rate environment.

Our future growth markets
ING has a strong commitment to China through two life insurance joint ventures and an investment management joint venture. ING is one of the top-ranked foreign insurance companies in China. We decided to further expand the activities in China. In February 2004 ING's joint venture based in Shanghai opened a branch office in Guangzhou. In September 2004, approval was granted by the regulatory authorities allowing ING to establish a fourth life insurance branch office in China, in the highly important market of Beijing.

In India, ING has a 26% stake in the life insurance joint venture ING Vysya Life. It started operations in 2003, with encouraging results. In addition, through our 44% holding in ING Vysya Bank, we are continuously working to improve our distribution of insurance products through the bank channel. At the same time, our tied-agency strength has increased significantly.

Pension activities
Asia offers high growth potential in pensions. Many countries are planning or contemplating pension reforms, such as in Korea, where at the end of 2004 the opportunity was created for private providers to offer occupational pensions. ING wants to increase its presence in this sector and is active in advising governments and private institutions in helping to achieve sustainable pension systems. In 2004, ING provided government advisory services in Korea, India, China and Thailand. Fund inflows into ING pension funds in Hong Kong and Japan increased EUR 31 million.

ING Investment Management Asia/Pacific
ING is the second-largest fund manager overall in Asia (outside Japan) and the tenth-largest institutional manager after seven years of operations. The assets under management of ING IM Asia/Pacific are fast growing as a result of its strong distribution capabilities in the region and advanced product offerings. Gaining from ING IM's strategy and products in other parts of the world, ING has successfully introduced in the Korean market a 'protected mix' strategy (which guarantees investors' initial principal) and ING Antai in Taiwan has successfully marketed ING IM's Global Brands equity funds.

CONCLUSIONS AND AMBITIONS

Based on its current strong position in Asia/Pacific, ING strives to outperform its competitors, continuously improve the performance of its existing businesses and to deepen its presence in its core markets.

This objective has been set in the context of a difficult market environment – given the potential pressure on new business margins resulting from product mix shifts towards more savings-oriented and investment-linked products – and in volatile macro-economic circumstances, exemplified by low interest rates and other investment risks.

To meet these challenges ING has set a number of concrete objectives. First, ING wants to continue to gain market share in selected markets by building new partnerships and strengthening existing alliances.

ING will also continue to focus on improving its products, concentrating on expanding profitable product offerings while closing down product offerings which are high risk or offer only a low level of profitability.

ING plans to build on its distribution capabilities by reaping the full benefits of its alliances and joint venture partnerships, while seeking new and stronger distribution opportunities. In addition, the productivity of the tied-agency channel will be reinforced by improved recruitment, training and the use of ING's experience in other parts of the world. We put increasing emphasis on bancassurance as this is considered to be a key distribution growth area for the region.

ING will strive to further improve its value-based management and risk management instruments by applying strict risk-return measures.

ING aims at deepening and expanding activities in Asia/Pacific. In the Asian countries where it is active – notably in China, India and Japan – ING is working to strengthen partnerships and examines new growth opportunities.

The mix of the investment management business across proprietary, mutual fund and institutional client groups means it has a diversified growth base and together with ING's life insurance businesses, the aim is to achieve significant market share in each market.

A RESHAPED AND REPOSITIONED BUSINESS WITH A CLEAR FOCUS ON CLIENTS

PROFIT AND LOSS ACCOUNT

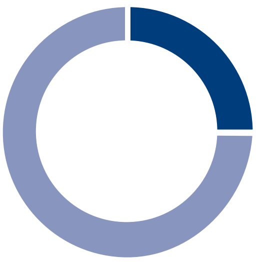
in millions of euros	2004	2003	change	comparable*
Operating income	**5,761**	5,825	-1.1%	1.2%
Operating expenses	**3,637**	3,685	-1.3%	-2.8%
Additions to loan loss provisions	**192**	868		
Operating profit before tax	**1,932**	1,272	51.9%	59.8%

* Comparable change = excluding foreign exchange differences, acquisitions and divestments, and one-offs.

KEY FIGURES

	2004	2003
After-tax RAROC	**12.2%**	10.3%
Economic capital (in billions of euros)	**9.6**	10.1

OPERATING PROFIT BEFORE TAX
in millions of euros



Wholesale Banking	25%	1,932
Rest of ING	75%	5,487

GEOGRAPHICAL BREAKDOWN OF OPERATING PROFIT BEFORE TAX
in millions of euros

Netherlands	937
Belgium	690
Germany	-243
Rest of world	278
Asset management*	348
Other	-78
Total	1,932

** mainly ING Real Estate and Baring Asset Management*

ING Wholesale Banking produced good results in 2004. The credit profile of its portfolio improved substantially. This resulted in an improvement of after-tax RAROC, proof of the value that has been created in this business line. Wholesale Banking concentrated its efforts on repositioning its business, involving a move to a more client-focused organisation. Together with the sale of non-core activities, this creates the foundations for a value-adding business line with predictable returns within ING Group.

FINANCIAL DEVELOPMENTS

Driven by a sharp decline in risk costs, operating profit before tax in Wholesale Banking increased 51.9% to EUR 1,932 million in 2004. Due in part to divestments, total operating income declined by 1.1% to EUR 5,761 million, but this was largely compensated by lower operating expenses, which declined by 1.3%. The average number of wholesale staff fell 4.0% compared with 2003, mainly due to the sale of parts of ING BHF-Bank, CenE Bankiers and the Asian cash equities business. Wholesale Banking's cost/income ratio was 63.1% in 2004, coming from 63.3% in 2003.

The rise in operating profit was helped by Wholesale Banking's stricter credit policy and better market conditions. This led to a sharp fall in the addition to the provisions for loan losses, mainly due to improvements in the Netherlands, Belgium, Germany and the Americas. The addition was equal to 12 basis points of average credit-risk-weighted assets, compared with 56 basis points in 2003.

Wholesale Banking's results were strongly supported by its Financial Markets business, which showed very good results. From a regional point of view, the rise in Wholesale Banking's profit was underpinned by a strong result in Belgium, Central Europe and the UK and an improved result in the Netherlands.

The asset management activities in banking, mainly ING Real Estate and Baring Asset Management (which was sold later in the year), posted a 54.7% increase in operating profit before tax to EUR 348 million from EUR 225 million in 2003.

The after-tax Risk-Adjusted Return On Capital (RAROC) of Wholesale Banking improved to 12.2% from 10.3% in 2003, driven by higher economic returns while the use of economic capital has gradually decreased. Excluding the loss on the sale of ING BHF-Bank activities, the RAROC after tax would have improved to 13.6%. Our Wholesale Banking activities in the Netherlands and Belgium showed strong pre-tax RAROCs of 25.5% and 22.2%, respectively. Pre-tax RAROCs in Central Europe and the Americas, at 23.8% and 18.0% respectively, were good as well.

HIGHLIGHTS

A client-focused organisation
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 corporates and institutions in the European home market (especially the Benelux countries). Outside the home markets, our approach became more selective in terms of products and clients. This repositioning was a natural consequence of ING Group's renewed strategic focus and the important shifts in wholesale-banking trends globally.

In line with the principles underlying the new structure of ING Group, Wholesale Banking moved away from its regionally organised structure towards a functionally driven and more client-focused organisation, in which the accent is on execution and accountability. The groundwork for this reorganisation was put in place in 2004 and was fully implemented by January 2005.

The new organisation allows for a much more unified approach to clients, put into practice by senior account managers and underpinned by focus 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 organisation is to find further cross-selling opportunities across all the business units, which add value for the client and for ING.

As from 2005, mid-corporates in the Netherlands and Belgium also form part of the new Wholesale Banking organisation. This strengthens the home market position of the corporate-client business and supports the wider initiatives to increase the cross-selling opportunity of the full product range in these markets.

Divestments and acquisitions
Wholesale Banking's repositioning and ING's overall focus on optimal capital allocation meant that portfolio management was an important point on the agenda in the Wholesale Banking business line. In Germany, ING sold ING BHF-Bank, in Asia the cash equities business was sold and in the Netherlands CenE Bankiers. We also reached an agreement to the sell UK-based Baring Asset Management. And with GE Commercial Finance, we reached an agreement to restructure our mutually owned working-capital joint venture, NMB-Heller. In the UK, ING purchased the asset finance, country finance and vendor finance businesses of Abbey National, since they form a strong fit with ING Lease UK's existing small and middle ticket equipment financing activities.

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; most of the bank was sold to Sal. Oppenheim for EUR 600 million. The transaction included ING BHF's asset management, private banking, financial markets and core corporate banking businesses. The London Branch of ING BHF-Bank was sold to Deutsche Postbank AG, while HVB Group agreed to buy part of ING BHF-Bank's corporate lending portfolio. Following these transactions, 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 move 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 specialised in commercial and private banking, was sold to Van Lanschot. As a result of its specialisation and segment approach, CenE Bankiers had 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 rightsizing elsewhere. Activities in Vietnam, Turkey, Thailand and Indonesia were readjusted, to adapt the local operations to Wholesale Banking's redefined target clients and product focus. Also in Asia, cost-efficiency considerations led ING to start trimming its support operations. The allocation of capital to the Asian region, however, remains unchanged. ING remains committed to Asia, which is an important future growth market. Worldwide, Wholesale banking will maintain its geographical coverage with branches or representative offices in more than 40 countries.

KEY POINTS

- Tangible improvement in loan-loss provisions
- New functional organisational structure to reflect a client-focused business line
- ING BHF-Bank and Asian equities business sold to optimise allocation of capital
- Landmark deals undertaken in the Benelux countries

Landmark deals

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'. This is a mission which ING wants to accomplish, supported by very good sector knowledge of our clients' businesses and a superior product offering. Wholesale Banking's products include amongst others payments and cash management, lending and debt products, structured finance, securitisation, syndication, securities services, leasing and diverse financial markets products (such as foreign exchange, integrated products and disintermediation, cash & 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.

The 2004 results underline the progress made overall in these different product lines. Several deals stand out. ING's corporate finance services advised the Belgian State on the sale of the Brussels International Airport Company, which according to the Financial Times was the world's biggest airport privatisation deal that year. ING took a lead role in a large rights offering and debt restructuring for the Dutch international food provider Ahold. There was also the payments contract closed with the Dutch tax authorities and the cash-management deal done with Deutsche Post, both of which were historically large contracts.

ING's strength in payments and cash management was proven by the winning of several awards. For the sixth consecutive year, Treasury Management International considered ING as best Cash Management Bank in Eastern Europe. And ING earned two awards for its performance on a range of products and services in the Euromoney Cash Management Survey. This survey also placed ING in second position for customer satisfaction in Western Europe, with a 60% very good/ excellent score for all service categories.

CONCLUSIONS AND AMBITIONS

Wholesale Banking created good value in 2004, as demonstrated by the positive results and the improvement in RAROC. As a consequence of its repositioning, active portfolio management, and new organisational structure, a firm groundwork was laid with a clear focus on the client. To underpin the efforts to build a united approach to client relationships, Wholesale Banking will start implementing a single global brand in 2005.

To ensure sustainable value creation in the future, Wholesale Banking's overall priorities in 2005 are threefold: cross-selling, controlling costs and focused execution. The business line's new structure will certainly facilitate cross-selling, which remains a priority in order to improve service for the core client group and to ensure sustainable income growth. The intermediation activities of the Financial Markets division are expected to help these efforts, and we will continue to focus on cross-selling asset-management products and employee benefits.

We will also continue to keep a tight grip on costs in 2005, as cost control is a prerequisite for core business profitability. Particular attention will be paid to risk costs and operational efficiency. Finally, focused execution covers Wholesale Banking's overall operations. Whether in its service towards clients, cost-efficiency initiatives or efforts to control risk costs, effective implementation is the best and thus only way to remain a strong and stable business with good value-creating opportunities.

GROW SELECTIVELY IN HOME MARKETS, EXPAND MARKET SHARE IN EMERGING MARKETS

PROFIT AND LOSS ACCOUNT

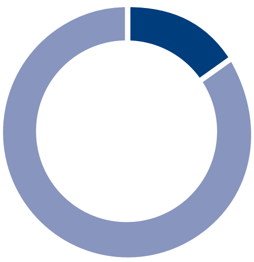
in millions of euros	2004	2003	change	comparable*
Operating income	**5,035**	4,773	5.5%	5.8%
Operating expenses	**3,681**	3,526	4.4%	4.7%
Additions to loan loss provisions	**184**	189	-2.6%	-2.1%
Operating profit before tax	**1,170**	1,058	10,6%	15.4%

* Comparable change = excluding foreign exchange differences, acquisitions and divestments, and one-offs.

KEY FIGURES

	2004	2003
After-tax RAROC	**29.1%**	29.3%
Economic capital (in billions of euros)	**2.7**	2.5

OPERATING PROFIT BEFORE TAX
in millions of euros



Retail Banking	15%	1,170
Rest of ING	85%	6,249

GEOGRAPHICAL BREAKDOWN OF OPERATING PROFIT BEFORE TAX
in millions of euros

Netherlands	1,066
Belgium	72
Poland	19
Other countries	13
Total	1,170

Retail Banking reported solid income growth and slightly lower risk costs. The results were bolstered by higher profit in the Netherlands and Poland. The strategic focus is on customer satisfaction, profitable growth and cost leadership. Retail Banking aims to grow selectively in the home markets and to expand its market share in emerging markets such as India, Poland and Romania. Private Banking is positioned to continue on its path of strong growth in both the home markets and the emerging markets.

FINANCIAL DEVELOPMENTS

Operating profit before tax from Retail Banking increased 10.6% to EUR 1,170 million, driven by continued income growth and slightly lower risk costs. The gross result increased by 8.6% to EUR 1,354 million.

Total operating income rose 5.5% to EUR 5.035 million in 2004. Interest income increased 8.2% due to higher mortgage lending and increased savings. Commission income rose 7.7%, while other income declined.

Operating expenses from Retail Banking increased 4.4% to EUR 3,681 million, mainly due to the impact of the collective labour agreement in the Netherlands which came into effect in May 2003, higher business volumes, the acceleration of IT projects and provisions for some litigation issues. However, income growth exceeded expense growth in 2004 and the cost/income ratio improved slightly to 73.1% from 73.9% in 2003, including the negative impact of some non-recurring expenses in the fourth quarter.

The addition to the provision for loan losses declined 2.6% to EUR 184 million from EUR 189 million in 2003. Lower risk costs in the Netherlands and Poland were largely offset by higher risk costs in Belgium. The addition was equal to 25 basis points of average credit-risk-weighted assets compared with 27 basis points in 2003.

The after-tax risk-adjusted return on capital (RAROC) for Retail Banking was 29.1%, almost equal to 2003 (29.3%) and far above the ING hurdle rate of 12.0%.

Country developments
Operating profit before tax from Retail Banking in the Netherlands rose 16.2% to EUR 1,066 million. Total income increased 3.1%, driven by higher interest results as a result of increased mortgage loans and savings volumes, which were partly offset by lower interest margins. The residential mortgage portfolio in the Netherlands rose by EUR 8.3 billion, or 11.2%, to EUR 82.2 billion at the end of 2004. The higher interest result more than offset the EUR 48 million loss taken by Postbank for a unit-linked mortgage product. Risk costs declined from 26 basis points of average credit-risk-weighted assets to 21 basis points.

KEY POINTS

- Good year for Retail Banking, distinct revenue increase in home markets
- Postbank increased sales of mortgage products rapidly; customers rate Postbank first of major banks in the Netherlands for its service
- Private Banking continued rapid growth, particularly in Belgium, the Netherlands and Asia
- ING Bank Slaski back on growth path

In Belgium, operating profit before tax from Retail Banking declined 31.4% to EUR 72 million, due to some non-recurring expenses and slightly higher risk costs, which resulted in a pre-tax loss of EUR 60 million in the fourth quarter of 2004. The loss was mainly caused by the acceleration of IT-projects, restructuring costs, provisions for litigation issues and a change in legislation that resulted in higher risk costs. Compared with 2003, total income rose 12.1%, mainly due to higher interest income resulting from increased lending and savings volumes. Operating expenses increased 14.4%, mainly due to non-recurring items. The risk costs increased to 34 basis points of average credit-risk-weighted assets from 12 basis points in 2003.

In Poland, operating profit before tax from the retail banking activities of ING Bank Slaski increased from EUR 7 million in 2003 to EUR 19 million in 2004. The increase was almost fully due to a 50.0% decline in risk costs. However, the level of loan loss provisioning remains high at 227 basis points of average credit-risk-weighted assets.

Retail banking in India turned to a profit after a loss in 2003 due to the reclassification of a trading portfolio into an investment portfolio, bringing ING Vysya Bank into line with ING's accounting principles.

ING Private Banking continued to grow rapidly in 2004. Assets under management grew by 13% (when adjusted for disposals), with particularly rapid growth in Belgium bolstered by the Belgian government's tax amnesty. Revenues overall were up by 13%, while costs were closely managed, despite initial investments in China and Latin America where new private banking teams have been hired. The cost/income ratio for private banking fell again this year to 76%.

HIGHLIGHTS

Home markets Benelux

In the Netherlands, Retail Banking rolled out strategies to improve its market positioning and cost/income ratio for retail banking and private banking. Postbank, which remains one of Retail Banking's main growth engines, successfully continued its marketing campaign for mortgages and savings. Clients rate Postbank the best of major banks in the country for its service. The effect of the Postbank mortgage sales force that started two years ago is now visible in the share of new sales, which increased substantially. Postbank has invested and is still investing in becoming a top Internet bank in the Netherlands. Since the launch of its new website in 2004, the number of clients and sales via the Internet increased considerably. Postbank now has over one million online customers. ING Bank is restoring a number of cash points and basic banking functions to meet customer demands. ING Bank reported solid growth in its Private Banking activities. New products and services were introduced to increase customer loyalty and cross-selling.

In Belgium, the rebranding process from BBL tot ING Belgium that was started in 2003 was completed and studies show that the results are positive with a spontaneous name recognition of 54% and total brand awareness of 97%. These figures are in line with the average former BBL figures, an enormous success after a mere year and a half of rebranding. We report strong growth in savings and in investment products. Our subsidiary Record Bank strengthened its position by the acquisition of Mercator Bank. Through successive mergers, Record Bank is now the fourth largest savings bank in Belgium operating through independent agents.

Central Europe

ING Bank Slaski introduced a new performance-oriented organisation structure. A programme rationalising the product portfolio and launching new products and marketing campaigns was started to re-establish our market presence and market position. The first product campaigns for credit cards and savings have been very successful.

In Romania, the launch of a new franchising concept using the strengths of ING such as the Self' Bank concept in Belgium and the ING brand will help realise future retail growth potential in a 22-million population market.

India
India is a great opportunity for ING to create value in retail banking. It is an attractive market in a rapidly growing economy. ING Vysya Bank continued on its path towards becoming 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.

Private Banking
ING Private Banking continued its strong growth during 2004 with increasing brand awareness in the key home markets (the Netherlands and Belgium) where a steady flow of quality referrals from Retail and Wholesale Banking continued to be the basis for growth. Innovative product development has provided the impetus in Asia where the investments of recent years are continuing to post strong returns. As part of the Group's overall portfolio optimisation, ING BHF-Bank and CenE Bankiers private banking units were sold in the latter part of the year, in line with the strategy to divest under-performing or niche businesses. New investments were made in new markets of Asia, especially China and India, Latin America and Central Europe, and increased product diversification further reduced the dependence upon transactional revenue in favour of fee-based income.

Operations and IT
Operations and IT (OPS/IT) completed its reorganisation and alignment with the Retail Banking and Wholesale Banking business lines. Despite important business volume increases, we are realising cost savings. The role of operations increasingly moved towards the initiation of IT innovations geared towards serving clients. The move to shared service centres, for example for mortgages, is leading to increased productivity. Process improvements will lead to further enhancements along the whole value chain.

CONCLUSIONS AND AMBITIONS

For 2005, Retail Banking aims to create value by maintaining selective growth in mature markets and further developing its capacity for future growth in emerging markets. Our focus remains on increasing customer satisfaction, cost leadership and profitable growth.

In the Netherlands, there is room for Postbank to increase sales of mortgages and mutual funds while maintaining its high customer satisfaction levels. At ING Bank, we aim to increase customer satisfaction and branch productivity. Focus on operational excellence and improved operations is the key to growth.

In Belgium, we aim for further growth in savings, insurance and investment products supported by campaigns and continued focus on sales productivity and customer satisfaction. Record and Mercator also aim for market share growth by building on their proposition through independent agents.

In Poland, after a period of reducing portfolio risk and restructuring the organisation, ING Bank Slaski has moved towards a phase of expansion. Our ambitions are to grow significantly, especially in the field of deposits, savings and mutual funds. On the asset side, in loans and mortgages, we are aiming for selective growth.

In India and Romania, we want to achieve volume growth and we are building platforms to serve as the basis for further expansion.

Further strong growth is anticipated in private banking in 2005 in the Belgian and Dutch home markets. Further expansion is also planned in Asia as the investments of recent years pay off.

THE WORLD'S LEADING DIRECT BANK

PROFIT AND LOSS ACCOUNT

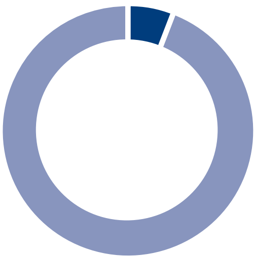
in millions of euros	2004	2003	change	comparable*
Operating income	**1,705**	1,045	63.2%	65.9%
Operating expenses	**1,184**	829	42.8%	44.9%
Additions to loan loss provisions	**89**	65	36.9%	39.1%
Operating profit before tax	**432**	151	186.1%	193.9%

* Comparable change = excluding foreign exchange differences, acquisitions and divestments, and one-offs.

KEY FIGURES

	2004	2003
After-tax RAROC	**11.3%**	6.1%
Economic capital (in billions of euros)	**2.4**	1.7

OPERATING PROFIT BEFORE TAX
in millions of euros



ING Direct	6%	432
Rest of ING	94%	6,987

ING Direct showed strong profit growth in 2004, contributing increasingly to overall Group profit. Business continued to grow strongly, in new customers worldwide, in funds entrusted and in retail mortgage lending, ING Direct's second core product. ING Direct's cost base was one of the lowest in the market. Brand awareness and customer satisfaction – already at high levels – continued to improve. All of the business units of ING Direct rank first in their direct banking markets in terms of total retail funds entrusted.

FINANCIAL DEVELOPMENTS

Operating profit before tax from ING Direct rose to EUR 432 million in 2004 compared with EUR 151 million in 2003, a rise of 186%, as it continued to attract new customers and increase the amount of funds entrusted. ING Direct consists of eight business units which are active in nine countries. Each country has its own business unit except for Austria which is part of ING Direct's German unit (ING DiBa). All eight business units are profitable, except the latest start up in the United Kingdom, which began operations in May 2003 and is still incurring the usual start-up losses. France and Italy moved into profit, compared with losses in 2003, and Canada and Australia, already very successful, produced double-digit profit growth. The United States, Spain and Germany posted strong profit increases.

Operating income increased 63.2% to EUR 1,705 million, driven by a 62.1% jump in the interest result, mainly triggered by the continued growth in funds entrusted. Since year-end 2003, total funds entrusted grew by EUR 46.0 billion, or 46.3%, to EUR 145.4 billion. In addition to attracting savings, ING Direct also offers mortgages. Growth in mortgage lending helped to boost income as well. At the end of 2004, ING Direct had a total mortgage loan portfolio of EUR 33.1 billion, an increase of EUR 12.1 billion (or 57.6%) from the end of 2003.

Operating expenses at ING Direct increased 42.8% to EUR 1,184 million as a result of strong growth, higher marketing costs and expenses to handle continued growth in the savings business, as well as investing in the expanding mortgage business. However, ING Direct has a low operational cost base, due to its focus on a limited, transparent product range, the use of standardised, state-of-the-art IT-systems, the absence of a branch network and its low acquisition costs per customer. Moreover, its cost/income ratio improved to 69.4% in 2004 from 79.3% the previous year. The addition to the provision for loan losses developed in line with the strong growth of the business, reaching EUR 89 million in 2004 compared with EUR 65 million in 2003. Risk costs equalled 22 basis points of average credit-risk-weighted assets, down from 26 basis points in 2003.

ING DIRECT
(continued)

KEY POINTS

- **Profit ING Direct almost triples to EUR 432 million**
- **Mortgage lending portfolio grows 57.6% to EUR 33.1 billion**
- **About three million new customers added in 2004, bringing total to 11.5 million customers in nine countries**
- **ING DiBa Germany expands its business into Austria**
- **Strong autonomous growth of 46.3% in funds entrusted to EUR 145.4 billion**

The after-tax Risk-Adjusted Return On Capital (RAROC) for ING Direct, which measures performance on a risk-adjusted basis, improved to 11.3% from 6.1% in 2003, slightly below ING's target of 12.0%. The economic capital increased to EUR 2.4 billion from EUR 1.7 billion in 2003.

HIGHLIGHTS

Spotlight on mortgages

In 2004, ING Direct sharpened its focus on retail mortgages, the second core product of its business model, thus addressing the asset side of the balance sheet. Savings is still the leading product, but mortgages are the second focus point for future development. Mortgages as a percentage of funds entrusted is increasing. The locked-in margins of the mortgages add stability to the overall business model. On the asset side of the balance sheet, ING Direct held EUR 33.1 billion in retail mortgages worldwide at year-end 2004. This compared with total retail client funds entrusted to ING Direct of EUR 145.4 billion worldwide at year-end, next to EUR 5.7 billion off-balance in mutual funds and pension plans. All countries, except for France and the United Kingdom, sold mortgages in 2004.

Strong growth in customer base

The customer base grew by 3 million to a total of 11.5 million customers worldwide in 2004. ING Direct Italy staged a special celebration to welcome ING Direct's 10 millionth customer in June 2004. In France, ING Direct acquired Egg France's 48,000 savings and brokerage customers. The year also marked the successful integration of ING Direct's German unit ING DiBa with the German direct bank Entrium, which ING acquired in 2003. Entrium was the second-largest direct bank in the country with almost 1 million customers and approximately EUR 8 billion in client funds entrusted. The former Entrium branch in Austria was re-branded to ING DiBa and launched a marketing campaign for its savings products. ING DiBa foresees good opportunities in the Austrian market.

High customer satisfaction

On average, close to 80% of ING Direct customers testify to receiving better service from ING Direct than from other financial institutions. This is an important qualitative indicator for ING Direct, as are client and deposit stability and brand awareness. The current attrition rate among ING Direct clients in all eight business units is, on average, 5% per year. The clients' deposits are very stable over time, which also contributes to the sustainability of the ING Direct business model. The average amount on a savings account globally is EUR 13,500.

Improved brand awareness

In all markets where ING Direct has set up business, initially the ING brand was virtually unknown. By 2004, however, brand awareness exceeded 80% in most countries, a big improvement compared with the previous year. The combination of high brand awareness with the right brand attributes is a prerequisite for growth, which is why, since the beginning of 2001, we have conducted standardised brand tracking research in each country, enabling us to monitor our development. The same brand name has been introduced in all countries except in Austria and in Germany, where our operations formerly known as DiBa, were successfully re-branded ING DiBa in 2004.

ING Card: successful start of new business unit

In 2003, it was decided to set up a new business unit, ING Card, which focuses on managing the existing credit card portfolios within ING and growing the card business faster, a.o. by leveraging ING's existing retail customer databases, mainly of ING Direct. ING Card is a separate unit next to ING Direct, but is financially consolidated within the ING Direct business line. In January 2004, ING Card took over the credit card portfolios of Postbank, ING Bank Netherlands and ING Bank Belgium. In addition, 2004 witnessed the successful introduction of the new product ING Card in the Netherlands. By the year end, ING Card had a portfolio of 1.6 million cards and EUR 518 million of total exposure. In the Netherlands, the total of ING's card products represents a market share of approximately 25% of cards and around 45% of total credits outstanding. ING Card has a pan-European ambition.

CONCLUSIONS AND AMBITIONS

ING Direct showed strong organic growth both in customers and in funds entrusted in 2004. The ING Direct approach has ensured a substantial retail presence in mature markets at low cost. All its business units rank first in terms of total retail funds entrusted in the direct banking market. These strong market positions were achieved in a relatively short period of time. Because we are active in different currency zones, the risks are diversified, providing us with an extra competitive advantage.

In 2005, our focus will continue to be on organic growth in savings and mortgages, and on the gradual roll out in new regions in the United States. In 2004, marketing campaigns were added to expand our footprint in California, Baltimore and Washington.

NUMBER OF CLIENTS AND TOTAL FUNDS ENTRUSTED

clients in thousands, funds entrusted in billions of euros at year-end

		Total clients		Total funds entrusted	
		2004	2003	**2004**	2003
Canada	(1997)*	**1,121**	905	**9.0**	7.0
Spain	(1999)	**975**	753	**10.2**	7.9
Australia	(1999)	**996**	719	**8.5**	6.9
France	(2000)	**413**	339	**9.2**	7.6
United States	(2000)	**2,226**	1,399	**21.2**	12.8
Italy	(2001)	**485**	379	**10.6**	7.6
Germany **	(2002)	**4,511**	3,735	**48.8**	38.1
United Kingdom	(2003)	**762**	305	**27.9**	11.5
Total		**11,489**	8,534	**145.4**	99.4

* year in which business started
** including Austria

OPERATING PROFIT BEFORE TAX

in millions of euros	**2004**	2003	change
Canada	**66**	56	17.9%
Spain	**32**	18	77.8%
Australia	**60**	52	15.4%
France	**5**	-26	
United States	**173**	58	198.3%
Italy	**9**	-27	
Germany*	**147**	64	129.7%
United Kingdom	**-54**	-44	
Subtotal ING Direct	**438**	151	190.1%
ING Card	**-6**	0	
Total	**432**	151	186.1%

* including Austria

LEVERAGING GLOBAL SCALE AND EXPERTISE

ASSETS UNDER MANAGMENT BY CLIENT CATEGORY
in billions of euros

Private clients	44%	215.2
Institutional clients	24%	119.6
Proprietary	32%	157.1
Total	100%	491.9

ASSETS UNDER MANAGMENT BY BUSINESS LINE
in billions of euros

Insurance Europe	31%	153.1
Insurance Americas	33%	163.2
Insurance Asia/Pacific	12%	56.7
Retail Banking	11%	55.1
Wholesale Banking	12%	61.2
ING Direct	1%	2.6
Total	100%	491.9

ING's asset management activities performed well in 2004, taking advantage of the global scale of operations and the expertise of asset managers. ING is among the largest global players in the asset management business. After a series of successful new fund launches and the acquisition of Rodamco Asia, ING Real Estate was recently ranked as the largest property company in the world.

FINANCIAL DEVELOPMENTS

With almost EUR 500 billion in assets under management, ING offers a complete range of investment products for its proprietary clients and third parties, including institutional and retail clients. For third parties – who account for about two-thirds of total assets under management – the main activities include institutional asset management, mutual funds, managed accounts and real estate. Asset management activities are reported, in accordance with ING's organisational structure in six business lines, mainly in the insurance businesses. The results of ING Real Estate are reported under Wholesale Banking.

Total assets under management increased in 2004 by EUR 29.2 billion, or 6.3%, to EUR 491.9 billion at year-end. The increase resulted from a net inflow of EUR 26.5 billion and EUR 25.3 billion from higher stock markets. The strengthening of the euro and divestments dampened growth by EUR 16.1 billion and EUR 6.5 billion respectively.

ING Real Estate's combined portfolio, including real-estate finance and development projects, increased to EUR 50 billion at the end of 2004 from EUR 42 billion at the end of 2003. With this portfolio size ING Real Estate ranks as the largest property company in the world. The real-estate investment management portfolio increased by EUR 4.6 billion, mainly due to the introduction of several new funds. The acquisition of the publicly listed Rodamco Asia real-estate fund added EUR 800 million.

The functional operating profit before tax from asset management (derived from figures included in the insurance and banking results) increased 14% to EUR 484 million in 2004. Asset management activities accounted for 7% of total group operating profit before tax in 2004.

KEY POINTS

- Assets under management rise 6.3% to almost EUR 500 billion
- ING Investment Management in top-15 worldwide
- ING Real Estate ranked as largest property company in the world

HIGHLIGHTS

Benefits of global scale

In the past two years, ING Investment Management (ING IM) transformed the decentralised product manufacturing effort of its investment management activities into an organisation that takes maximum advantage of its global scale and the considerable asset management talent within the organisation. The management structure ensures that the regional business units continue to deploy global strategies successfully.

In 2004, ING IM further developed mechanisms and infrastructure to meet client needs through its strong banking and institutional relationships and distribution channels. In Korea, ING has for instance effectively introduced a 'protected mix' strategy originally developed and marketed in the Netherlands. Our global brands equity strategy developed in Europe has been successfully promoted by ING Antai in Taiwan. ING Funds in the United States has recently introduced the Global Equity Dividend Fund – based on its European equivalent – which was awarded a five-star rating by fund tracker Morningstar and was the second-best performer over a three-year period among all global mutual funds in its category.

ING's relative investment performance further improved: on a five-year basis, 56% of ING's funds assets delivered an above-median performance in comparison with their peers and 61% of those assets outperformed their relevant benchmark. Rating agencies have assigned the highest rating (5 stars) to 16 mutual funds; 37 funds managed by ING have a 4-star rating. These 53 mutual funds represent a total of EUR 13.4 billion and underline ING's strong market position.

Divestments

In line with ING's strategy to focus on core activities, the divestment of Baring Private Equity Partners (BPEP) was finalised in 2004 and an agreement to sell Baring Asset Management (BAM) was reached late in 2004.

ING Real Estate

ING Real Estate constitutes a unique combination of finance, development and asset management activities. Our businesses gained in 2004 from the successful launch of the ING Clarion Global Real Estate Income Fund in the United States, which attracted over EUR 2 billion and from new fund launches in Europe of around EUR 1 billion. Another notable event was the purchase of Rodamco Asia. This acquisition acts as a stepping-stone for further growth in Asia, a region with strong potential for ING's activities.

ING Real Estate also started the pre-marketing of several closed-end property funds targeted at private investors in Asia and Europe. In addition, various large property development contracts were closed with municipalities in mainly European countries. Construction started on major projects in Australia and a number of European countries. Several development projects in Europe and the United States were sold. In an environment of strong competition, ING Real Estate maintained its leading position in the Dutch financing market. A noteworthy finance deal in 2004 was the refinancing of the Vendex KBB real-estate portfolio in close cooperation with ING Bank.

CONCLUSIONS AND AMBITIONS

The general strategy for ING's investment management operations is to provide institutional quality and repeatable and sustainable performance based on transparent and risk-controlled processes. Product development will remain essential to the success of the business. ING insurance and bank channels continue to be important drivers of asset growth. Further optimizing cooperation between the different regional business units will increase scale and drive down unit costs. Investments in back-office systems, as well as outsourcing non-core back-office activities in some of the larger offices, will contribute to the effectiveness and efficiency of the business.

ING Real Estate will continue to strive for a diversified real-estate portfolio in terms of products and regional presence. The key strategic goals for the next few years are to grow international activities, maintain the focus on client satisfaction, expand the product portfolio and enhance Operations & IT. The already strong global position is a stepping-stone for further growth. The financing activities in particular are expected to show strong international growth, mainly in Europe and the United States. Important initiatives have been taken to optimise client satisfaction, especially among the growing number of institutional investors.

MAKING STRATEGY WORK

To support ING's new strategy focusing on value creation, several initiatives have been taken in the field of Human Resources. The top priority is to build more strength, depth and diversity in the workforce and strengthen the performance culture. To succeed, the business and employees need to have a shared focus on the key strategic objectives.

STRENGTHENING THE PERFORMANCE CULTURE

To support ING's strategy, Human Resources (HR) has been reorganised, creating a central Group HR. This new function is linked to and focused on servicing the six business lines. To stress the importance of the workforce and make clear that HR is a top management priority, chairman Michel Tilmant has assumed responsibility for HR.

Managing for value is at the centre of ING's strategy. Our employees are essential in creating value. It is their quality, hard work and commitment that determines how successful we are and how much value we create for our shareholders. Delivering quality services attracts customers and makes our business grow, resulting in a good return for shareholders. Employees must embed this concept of value in their thinking and put it at the centre of their actions. To help them do this, ING has developed a workshop that explains the principles and practices behind value-based management. This workshop has been incorporated into the curriculum of the ING Business School.

Performance management is necessary in order to establish a true performance culture throughout the company. Several initiatives have been taken to strengthen this. For instance, as part of the new executive-compensation scheme introduced in 2004, ING has made total shareholder return a key component of the new long-term incentive plan for senior management. Granting performance shares in combination with share options also supports the focus on long-term shareholder value.

Change is a continuing process and requires an open mindset that is willing to give shape to changes. Group HR supports this process by providing training for all staff, and by helping them to understand the changes taking place throughout the organisation. This is being done group wide, in all business lines and regions. ING Australia, for instance, has undertaken an operational and cultural change strategy to enable the business to achieve its objectives. Executive coaching in Australia now focuses on key performance behaviour and all managers have access to online toolkits to assist them in developing team performance and change management. ING Bank Netherlands has introduced the 'Art of Salesmanship', a major programme to change fundamentally the culture, focus and management style within the bank.

Key to successful change management is effective communication. In 2004, Michel Tilmant gave presentations to employees in Europe, the United States and Asia to clarify ING's strategy. He also sent personal e-mails to staff worldwide in which he explained the reasons behind the new strategy and structure and what he expects from staff. By doing so, he underlined the fact that all employees should have a shared focus on the company's key priorities and act as a team.

To help employees, the ING Business School has developed the 'Live ING' programme. This is an interactive learning programme about our strategy, structure, culture and branding, designed for all staff, launched at the beginning of 2005. The ING Business School plays an important role in forming a corporate culture and is a place where employees can share experiences and learn from each other.

FOCUS ON TALENT

Talent management and succession planning are other important ingredients for creating long-term shareholder value. The objective of talent management is to get the right people in the right place at the right time and to recruit, develop, motivate and retain them. The aim of succession planning is to identify and develop future generations of leaders.

The process of recognising talent and filling up the 'leadership pipeline' starts at business level but is supported by Group HR using tools and methods such as mentoring, coaching, job rotation, special projects and Personal Action Development plans. In 2004, the ING Business School organised the 'ING Dialogue Series' which aims to familiarise identified talented people with executives. Employees participate in person or through web- and video-conferencing facilities. The Series will continue in 2005. To ensure ING has enough succession candidates, ING recruits graduates and puts them on intensive development programmes.

ING wants to attract the best people and tap the largest possible talent pool – which means recruiting from a variety of backgrounds. The core of our diversity philosophy is that staff perform better in a work environment where they feel welcomed and respected, regardless of their ethnic, cultural, religious, family or other backgrounds. A diverse workforce is also important for a company spanning the globe like ING in order to create a real corporate spirit. This is why diversity has been a priority for ING for many years. The chairman ensures that diversity is turned into action in all the businesses and at all working levels, aiming to build a culture where the importance of diversity is self-evident. In the past year, ING has encouraged its management to facilitate work/life balance. Such facilities motivate and retain people.

KEY POINTS

- Human Resources reorganised to support the new management structure
- Change management and performance management at the centre of attention
- Building talent and succession planning a continuing process

CONCLUSIONS AND AMBITIONS

Group HR has established a Leadership and Change function to support the business lines in their transformation processes in 2005. This function will provide tools, methods and approaches to manage change and will measure the progress and success of change processes. Furthermore, the 2005 agenda includes the introduction of programmes for 'Emerging Top Talent' and 'High Value Specialists', and activities such as mentoring and assessment.

The diversity ambitions for 2005 and beyond are defining, implementing and measuring diverse teams, recruiting diverse people and creating openness and awareness for talent. To deal with all the changes ING is facing, an open organisation and an open mind are important; that is why Group HR's initiatives are concentrated on establishing these attributes and on being a role model for strengthening the performance culture, enhancing the corporate spirit and making sure that each individual adds value to the company.

Customer satisfaction is the fundamental differentiator among players in a competitive financial services marketplace. Motivated, skilled staff play a paramount role in this.
ING will continue its efforts to be a good employer, a place where people like to work and that they can be proud of – in other words, a company, where a person's contributions are appreciated, where expectations are clear and where people are stimulated to develop themselves.

CREATING VALUE AS A RESPONSIBLE COMPANY

A growing number of investors and analysts recognise that non-financial issues – such as how a company gets along with interest groups, its treatment of employees and its relation with local communities determine – a company's risk profile and its ability to create value for the company's owners. ING wants to pursue profit on the basis of sound business ethics. ING's ethical framework is based on respect for its key stakeholders. Next to shareholders these are customers, employees, business partners and society at large.

BUSINESS PRINCIPLES

The ING Business Principles serve as the main ethical compass for our business activities. They describe our responsibilities toward each stakeholder and they create a single standard of ethical behaviour for everyone at ING.

The Business Principles were first articulated in 1999. They were updated in 2004 to reflect regulatory requirements and the changing business environment. We added a business principle that explicitly endorses the Universal Declaration of Human Rights. ING's top-200 managers received a management guide to help them define their role and responsibilities concerning human rights and in 2005 they will carry out a self-assessment of their business units.

The revised Business Principles also refer to ING's new Whistleblower Procedure, which was introduced in line with the US Sarbanes-Oxley Act. The procedure allows employees to make a complaint in case they believe an internal or external regulation or any procedure regarding accounting or auditing matters has been breached. The Business Principles have been integrated into Live ING, a learning programme for all ING employees worldwide to give them a better shared focus on our strategic priorities and corporate culture. Through such training, we are working to build a company in which ethical behaviour is well-engrained.

OUR STAKEHOLDERS

In our effort to create shareholder value, ING weighs the interests of all its stakeholders to the best of its abilities. As a global financial institution, ING has a special role in the economy. Our activities can have a significant impact on markets as well as on individual players. Our shareholders provide us with the capital we need to grow. For this reason, total shareholder return is at the heart of ING's value-creating strategy. Our customers represent all sections of society. They put a significant part of their financial future in our hands and it is our ambition to deliver on the confidence they have put in us. Therefore, we want to provide quality products at fair prices supported by good execution, exemplary service and proper accessibility. In other words: good value for money.

Satisfied and motivated employees deliver better customer service and drive our success as a business. We provide competitive terms of employment, safe working conditions and ample opportunities for professional and personal development. ING wants to have a performance-driven culture. We regularly hold employee surveys to determine how our people feel about their job, management, work/life balance and their reward. Furthermore, diversity in our workforce is an important HR issue. ING believes in equal opportunities and sees value-creating potential in diversity because it creates a more dynamic climate. This can contribute to better performance.

In 2004, ING added business partners as a stakeholder group. First of all we want to be a reliable partner. We also want to ensure that our cooperation with them, and the activities that originate from this cooperation, do not conflict with our values and ethical standards. That is why we updated our General Terms and Conditions for Procurement and communicated them to all our suppliers. They now include ethical clauses related to environment, health and safety, and child labour.

For society at large we want to be a good corporate citizen. That is why ING is involved in many programmes that contribute to community development and help vulnerable groups. In 2004, we developed a new corporate sponsoring and community policy. In 2005 ING's community development programme will be named 'ING Chances for Children', which focuses on making education accessible for children.

KEY POINTS

- The ING Business Principles were updated with a reference to the Universal Declaration of Human Rights
- The Equator Principles have been further embedded in the ING credit approval process

OTHER INITIATIVES IN 2004

In 2004, ING made progress in embedding social and environmental criteria into its core businesses. ING for example, made progress in implementing the Equator Principles, which were endorsed in 2003. The Equator Principles form a framework for determining, assessing and managing social and environmental risks in project finance transactions in developing markets. During 2004, ING has further embedded the Equator Principles in its credit approval process.

Sometimes different parts of ING interact with customers in different roles. For example, the possibility exists that an insurance unit is an investor in a company (and thus part owner) that ING also serves as an advisor via its wholesale banking unit. Conflicts of interest can arise in such cases. We have a long-standing tradition in keeping these matters separated. To increase the transparency of this practice we codified the way ING deals with these issues as an institutional investor in the ING Global Voting Policy adopted in 2004.

In acknowledging the importance of Corporate Responsibility, carefully weighing the interests of our stakeholders and by making sure that ING's activities are conducted in a responsible and ethical way, we believe that we have a healthy company that creates good value for both shareholders and other stakeholder groups.

For our 2004 Corporate Responsibility Report, visit www.ing.com.

Amsterdam, 7 March 2005
The Executive Board

REPORT OF THE SUPERVISORY BOARD

The new management structure, the strategic renewal and corporate governance were the dominant issues in the meetings of the Supervisory Board with the Executive Board in 2004. Every quarter the financial results were discussed. The Supervisory Board looks back on a year in which the renewed Executive Board focused on portfolio management and execution, thus laying the foundations for sustainable growth and profit.

General
In 2004 the Supervisory Board and its Committees – the Audit Committee, the Remuneration and Nomination Committee and the Corporate Governance Committee – met regularly. Certain issues were the subject of intensive discussion. Attendance levels were high, with Supervisory Board members only occasionally unable to be present.

An introduction programme was organised for Mr. Eric Bourdais de Charbonnière, the Supervisory Board member who was appointed with effect from 28 April 2004.
In view of the wider and more demanding range of tasks of the Audit Committee, the Supervisory Board decided to raise the cost allowance for this Committee from EUR 450 to EUR 1,500 per meeting. The cost allowance for the other Committees is EUR 450 per attended meeting. In addition, each committee member receives a fixed annual remuneration of EUR 1,360, apart from the compensation as a Supervisory Board member. The composition of the Supervisory Board and its Committees is stated on page 2 of this annual report.

Supervisory Board
The Supervisory Board met eight times in 2004, of which seven times in the presence of the Executive Board. Four meetings with the Executive Board centred on financial performance, two meetings were mainly dedicated to strategy and one meeting focused on exiting the individual life reinsurance business in the United States. Other major topics of discussion at the various meetings were management development, corporate governance, the remuneration policy of the Executive Board, the policy in relation to the communication of profit expectations and the progress of the projected divestments. The growth of ING Direct and the development of Nationale-Nederlanden were also on the agenda.
The discussions in the Supervisory Board on the result development were attended by the general managers of Corporate Control & Finance, the Group Actuary, the internal auditor and the external auditors.

The internal meeting without the Executive Board was devoted to the Supervisory Board's own performance as well as that of the Executive Board and its individual members. The future composition of the Supervisory Board was also discussed. It was decided to add the age limit of 70 years to the Supervisory Board charter in order to ensure a structured renewal of the Supervisory Board. It means that a Supervisory Board member will retire from the Board after serving three terms of four years or at the General Meeting of Shareholders in the year he or she turns 70, whichever comes first.

Several meetings included presentations by business units. These served a dual purpose, namely to keep the board members informed of evolving developments within the markets in which ING is active and to make acquaintances with the management of business units.

The May meeting was combined with a visit to Shanghai for a first-hand introduction to the Chinese market. Regional management provided insight into the prospects for ING in the coming years in Asia.

Audit Committee
The Audit Committee met six times: four times about the development of the results, and twice about the annual figures and the half-yearly figures according to the US accounting principles. The meetings also addressed such topics as accounting principles, risk management, administrative organisation, internal controls and internal and external audits. Furthermore, tax and legal affairs got attention, including quarterly reporting on complaints received under the Whistleblower procedure. The introduction of the International Financial Reporting Standards received extensive attention. ING is set to launch IFRS-compliant reporting with effect from 2005. The progress made towards reporting on the administrative organisation in conformity with the US Sarbanes-Oxley Act (SOX-404 requirements) was specifically discussed. Various business units held presentations to provide the Audit Committee with more insight into current developments from its own perspective. One of these subjects was information technology security. An updated version of the Audit Committee charter was discussed and approved.

The Audit Committee meetings were attended by the chairman and vice-chairman/CFO of the Executive Board as well as the general managers of Corporate Control & Finance, the Group Actuary, the General Counsel, the internal auditor and the external auditors. Every meeting ended with a closed meeting of the Audit Committee with the internal and external auditors to ensure that all relevant issues were discussed.

The independence of the external auditors was discussed and confirmed. The Audit Committee advised positively about the appointment of a new lead partner for KPMG, the external auditor of ING Bank. Brendan Nelson will succeed Leo Graafsma as of 27 April 2005.

Remuneration and Nomination Committee
The Remuneration and Nomination Committee met three times. The main subjects were the future composition of the Executive Board and Supervisory Board and the available management potential below the Executive Board. The remuneration structure of the Executive Board and the implications of the Dutch Corporate Governance Code for e.g. the contracts for members of the Executive Board were discussed at the start of 2004. The contracts for the Executive Board members being newly appointed were tabled and approved. The meetings were also attended by the chairman and vice-chairman of the Executive Board.

Corporate Governance Committee
The publication of the Dutch Corporate Governance Code on 9 December 2003 created an excellent foundation for assessing the quality of corporate governance at ING and making improvements where necessary. ING was already in compliance with most of the provisions. In a document published early in 2005, ING described how each provision was put into practice within the organisation. The implementation of the Tabaksblat Code by ING is an agenda item for the 2005 General Meeting of Shareholders.

In 2004 the Corporate Governance Committee held three meetings to discuss the developments in the field of corporate governance and the implementation of the Tabaksblat provisions. In November updated versions of the charters for the Executive Board and Supervisory Board were discussed in detail, as were the new profile for the Executive Board and the updated profile for the Supervisory Board. The meetings were also attended by the chairman and vice-chairman of the Executive Board.

Composition of the Executive Board
As announced in the previous annual report, three new members were appointed to the Executive Board following the General Meeting of Shareholders. With effect from 28 April 2004 the three new members are Eric Boyer de la Giroday, Eli Leenaars and Hans Verkoren, who are responsible for Wholesale Banking, Retail Banking and ING Direct, respectively. Ewald Kist, chairman, retired. He was succeeded as from 28 April 2004 by former vice-chairman Michel Tilmant. Cees Maas was appointed vice-chairman alongside his current role as Chief Financial Officer. Information on the members of the Executive Board is contained on page 43 of this annual report.

Composition of the Supervisory Board
Eric Bourdais de Charbonnière was appointed to the Supervisory Board with effect from 27 April 2004. In 2005, the members Luella Gross Goldberg and Godfried van der Lugt are due to retire by rotation. They will be nominated for reappointment. Jan Timmer will retire following the Shareholders Meeting on 26 April 2005, after being reappointed for two extra years in 2003 at the age of 70. In the 2005 Shareholders' Meeting two new members will be nominated for appointment: Jan Hommen, CFO of Royal Philips Electronics until 1 May 2005, and Christine Lagarde, partner of law firm Baker & MacKenzie. The latter is eligible for appointment as of 27 April 2005, Jan Hommen as of 1 June 2005. In its meeting of 16 February 2005 the Supervisory Board appointed Eric Bourdais de Charbonnière as vice-chairman. Information on the Supervisory Board members is provided as of page 45 of this annual report.

Retirement of Jan Timmer
Jan Timmer will retire from the Supervisory Board after the Shareholders' Meeting on 26 April 2005. He was appointed to the Supervisory Board in October 1996. From the beginning, he was of great value to ING. His inspiring personality, combined with his vast international experience made his input in discussions on strategy, business issues and management development always very valuable.
He was member of the Audit Committee, the Remuneration and Nomination Committee as well as the Corporate Governance Committee. He had always a visionary view on the main agenda items, without neglecting details that matter. ING is grateful for his contribution through the years.

Annual Accounts and dividend
The Executive Board has prepared the annual accounts and discussed these with the Supervisory Board. The annual accounts will be submitted for adoption to the General Meeting of Shareholders as part of the annual report.

The proposed dividend is EUR 1.07 per ordinary share. Taking account of the interim dividend of EUR 0.49, the proposed final dividend amounts to EUR 0.58 cent per ordinary share, payable in cash.

A word of appreciation
The Supervisory Board takes pleasure in expressing its appreciation for the results achieved in 2004, a year in which the renewed Executive Board took major steps towards streamlining the portfolio, better execution and setting the base for ongoing profitable growth. The Supervisory Board also wishes to extend its appreciation to all employees. Each of them played his/her role in the success of a company whose future is full of promise and opportunity.

Amsterdam, 7 March 2005
The Supervisory Board

IMPLEMENTATION OF THE DUTCH CORPORATE GOVERNANCE CODE

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. ING's corporate-governance structure, including its application of the Tabaksblat Code, as well as information on capital and control, the Executive Board, the Supervisory Board and the external auditors are discussed in detail below. This chapter ends with the reports of the ING Trust Office and the ING Continuity Foundation.

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", 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 shareholders' 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 2004 General Meeting of Shareholders, the draft minutes of that meeting were published 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.

CAPITAL AND CONTROL

Capital structure, shares

The authorised capital of ING Groep N.V. consists of ordinary shares, preference A shares, five series of preference B shares and cumulative preference shares. Currently, only ordinary and preference A shares are issued, while a right to acquire cumulative preference shares has been granted to the ING Continuity Foundation (see page 49). The purpose of the cumulative preference shares is to protect the company against a hostile takeover, while the ordinary shares and the preference shares are used solely for funding purposes. The shares, which are all registered shares, are not listed on a stock exchange.

Depositary receipts

Over 99% of the issued ordinary and preference shares are held by the ING Trust Office ("Trust Office"). The Trust Office issues bearer depositary receipts in exchange for these shares. The depositary receipts are listed (see page 170 for an overview of the listings). The depositary receipts can be exchanged, without any restrictions, for the relevant types of shares. A fee may be charged for this.

Although the depositary receipts themselves do not formally have any voting rights, holders of depositary receipts are in practice fully equated with shareholders with regard to voting. Holders of depositary receipts attending a meeting of shareholders, either personally or represented by a proxy, have full voting rights on the Trust Office's behalf, related to the shares held by the Trust Office. Holders of depositary receipts may vote as they see fit. Holders of depositary receipts not attending a meeting can also issue binding voting instructions to the Trust Office. The Trust Office has made it easier for votes to be cast in this way by putting arrangements in place for proxy voting and e-voting.

The Trust Office decides for itself how to vote in the case of shares for which it has not issued proxy votes to holders of depositary receipts and has not received any voting instructions. The way in which the Trust Office votes will reflect the interests of the holders of depositary receipts, but will also take account of the interests of ING Groep N.V., the businesses of ING Group and its group companies and all other ING Group stakeholders, so as to ensure that all these interests are given as much consideration and protection as possible.

The structure outlined above means that depositary receipts are used to prevent a small minority of shareholders, which coincidentally may form the majority in the meeting, from taking decisions purely to suit themselves in the absence of other parties at the General Meeting of Shareholders.

The board of the Trust Office comprises five members who are independent of ING Groep N.V. No ING Group employees or Supervisory Board members are on the board of the Trust Office. The board of the Trust Office appoints its own members, without any requirement for approval by ING Groep N.V. It is the duty of the Trust Office to represent the interests of all holders of depositary receipts, irrespective of whether they attend the General Meetings of Shareholders.

The board of the Trust Office reports on its activities through an annual report, which has been included as of page 47.

Voting rights

Each share entitles the holder to cast a vote at the General Meeting of Shareholders. In accordance with the statutory provisions, voting rights are proportional to the nominal value of the shares. In other words, each ordinary share (nominal value: EUR 0.24) gives the right to one vote, while each preference A share (nominal value: EUR 1.20) gives the right to five votes.

On the basis of the closing price of the shares on 31 December 2004, the ratio of market price to voting rights on depositary receipts for ordinary shares was EUR 22.26 : 1, while the ratio for depositary receipts for preference A shares was EUR 3.37 : 5. There is an element of disequilibrium in this respect. It should, however, be noted that the vast majority of the depositary receipts for preference A shares were issued as stock dividend on ordinary shares. The vast majority of holders of ordinary shares and depositary receipts for ordinary shares have, therefore, had the opportunity to obtain depositary receipts for preference A shares. Since the issue of preference A shares, new ordinary shares have been issued. It should also be remembered that the market price of the depositary receipts for preference A shares has been relatively flat because of the financial rights attached to them. The market price of the depositary receipts for ordinary shares, on the other hand, has risen substantially over the years. Indeed, the ordinary shares have been split on two occasions because of how the share price has developed. It should also be noted that the depositary receipts for preference A shares are freely available on the stock market. Any holders of ordinary shares or depositary receipts for ordinary shares who feel restricted by the disequilibrium can, therefore, choose to purchase additional depositary receipts for preference A shares. As it is not possible to adapt the voting rights on the preference A shares unilaterally, it is decided to await forthcoming legislation that will link the voting rights for preference shares to the market value of the shares.

Proposals by shareholders/holders of depositary receipts

In view of the size and market value of ING Groep N.V., proposals to put items on the Shareholders' Meeting agenda can only be made by shareholders and holders of depositary receipts representing a joint total of 1 per mille of the share capital or representing together, on the basis of the stock prices on the Amsterdam Stock Exchange, a share value of at least EUR 50 million. Given the periods of notice required for proxy voting, proposals have to be submitted in writing and at least 50 days before the date of the meeting. Properly submitted proposals will be included on the agenda for the General Meeting of Shareholders.

Issue of shares
The company's authorised capital is the maximum amount of capital allowed to be issued under the terms of its Articles of Association. New shares in excess of this amount can only be issued after amendment of the Articles of Association. For reasons of flexibility (an amendment to the Articles of Association has to be passed by notarial deed if it is to become effective, and this in turn requires a declaration of no objection to be issued by the Minister of Justice), the authorised capital in the Articles of Association of ING Groep N.V. has been set at the highest level permitted by law.

Share issues have to be approved by the General Meeting of Shareholders, which may also delegate its authority. Each year, the General Meeting is asked to delegate authority to the Executive Board to issue new shares. The powers thus delegated to the Executive Board are limited:
- in time: powers are delegated for a period of 18 months;
- to specific types of shares: only ordinary shares and preference B shares may be issued;
- by number: (1) ordinary shares may be issued up to a maximum of 10% of the issued capital, or 20% in the event of a merger or takeover; (2) it is proposed to introduce a maximum for preference B shares as well: this will be equal to the total number of preference B shares that is necessary to convert all outstanding ING Perpetuals III into preference shares if and when required pursuant to the conditions thereof;
- as regards the issue price in the case of the preference B shares: the issue price of the preference B shares must at least be equal to the stock price of the ordinary shares at the Amsterdam Stock Exchange;
- in terms of control: resolutions by the Executive Board to issue shares require the approval of the Supervisory Board.

Approval by the General Meeting of Shareholders would be required for any share issues exceeding these limits.

Shareholders' structure
Details of investors who have reported their interest in ING Groep N.V. pursuant to the Disclosure of Major Holdings in Listed Companies Act 1996 (or the predecessor of this legislation) are shown on page 170. ING Group is not aware of investors with an interest of 5% or more other than ABN Amro, Aegon and Fortis.

As at 31 December 2004, ING Group subsidiaries held an interest of 13.13% in ABN AMRO, mainly in preference shares. The interests in Aegon and Fortis were below 1%. These interests are held as investments. There are no shareholders' or other agreements between ING Group and the above major shareholders on the exercising of voting rights.

Under the terms of the Dutch Act on the Supervision of the Credit System 1992 and the Insurance Industry (Supervision) Act 1993, declarations of no objection are required by anyone wishing to obtain or hold a participating interest of at least 10% respectively in ING Groep N.V. or to exercise control to this extent via a participating interest in ING Groep N.V. ING Group is not aware of investors with an interest of 10% or more in ING Groep N.V.

EXECUTIVE BOARD

Profile of members of the Executive Board
The Supervisory Board has drawn up a profile to be used as a basis for monitoring the composition of the Executive Board. The profile will be submitted for discussion to the Annual General Meeting of Shareholders in 2005. It is available for inspection at the ING Group head office and on the ING website (www.ing.com).

Executive Board Charter
The organisation, powers and modus operandi of the Executive Board are detailed in the Executive Board Charter, which was approved by the Supervisory Board. The Executive Board Charter can be downloaded from the ING website (www.ing.com).

Remuneration and share ownership
Details of the remuneration of members of the Executive Board, including shares and/or or option rights granted to them, together with information on the policy behind such decisions, are provided in a separate chapter, starting on page 50 of this report. Members of the Executive Board are permitted to hold shares and depositary receipts for shares in the company for long-term investment purposes. Transactions in these shares are subject to the ING regulations for insiders. These regulations can be downloaded from the ING website (www.ing.com).

Ancillary positions/Conflicting interests
In order to avoid potential conflicts of interest, ING Group has a policy that members of its Executive Board do not accept corporate directorships with listed companies outside ING. The only exception is the membership of Fred Hubbell of the Board of Directors of The Macerich Company in the U.S., a real-estate company. He held this position already prior to his employment with ING.

Transactions involving actual or potential conflicts of interest
Details of relationships that members of the Executive Board may have with ING Group subsidiaries as ordinary, private individuals are not reported, with the exception of information on any loans that may have been granted to them (see page 56). In all these cases, the company complies with the best-practice provisions of the Tabaksblat Code.

INFORMATION ON MEMBERS OF THE EXECUTIVE BOARD

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 in 1998, Michel Tilmant was appointed vice-chairman as of May 2000. He was appointed CEO and chairman as of 28 April 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 28 April 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 an 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 Ops/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 in the Board of Postbank and, after the merger with NMB Bank, in 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.

SUPERVISORY BOARD

Profile of members of the Supervisory Board
The Supervisory Board has drawn up a profile to be used as a basis for monitoring its composition and ensuring it retains an independent position. The profile was approved by the Central Works Council and the Annual General Meeting of Shareholders in 2002. It is available for inspection at the ING Group offices and on the ING website (www.ing.com). The updated profile will be submitted for discussion to the Annual General Meeting of Shareholders in 2005.

In view of their experience and the valuable contribution that former members of the Executive Board can make to the Supervisory Board, it has been decided, partly because of the size of the Board and also because of ING's wide range of activities, that such individuals may become member of the Supervisory Board of ING Group. There is, however, a restriction in that only one in every five members of the Supervisory Board may be a former member of the Executive Board. In addition, this member must wait at least one year after resigning from the Executive Board before becoming eligible for appointment to the Supervisory Board. Former members of the Executive Board are also not permitted to be appointed to the position of Chairman of the Supervisory Board.

After being appointed to the Supervisory Board, a former member of the Executive Board may also be appointed to one of the Supervisory Board's committees. However, appointment to the position of chairman of a committee is only possible if the specific individual resigned from the Executive Board at least five years previously.

Supervisory Board Charter
The organisation, powers and modus operandi of the Supervisory Board are detailed in the Supervisory Board Charter. Separate charters have been drawn up for the Board's three committees: the Audit Committee, the Remuneration and Nomination Committee and the Corporate Governance Committee. Copies of these charters are available for inspection at the ING Group offices and may also be viewed on the ING website (www.ing.com).

Reappointment of Supervisory Board members
Members of the Supervisory Board will resign from the Board at the first General Meeting of Shareholders held after they have been a member for four years. As a general rule, they shall also resign at the Annual General Meeting of Shareholders in the year in which they attain the age of seventy. The schedule for resignation by rotation is available for inspection at the ING Group offices and may also be viewed on the ING website (www.ing.com). Members of the Supervisory Board may as a general rule be reappointed for two periods of four years. Reappointments of Supervisory Board members will be carefully considered and will certainly not be automatic. In order to ensure that this principle is observed, the procedures to be followed have been recorded in writing.

Ancillary positions/Conflicting interests
Members of the Supervisory Board are asked to provide details of any other directorships, paid positions and ancillary positions they may hold. Such positions are not permitted to conflict with the interests of ING Group. It is the responsibility of the individual member of the Supervisory Board and the Supervisory Board's Corporate Governance Committee to ensure that the directorship duties are performed properly and not affected by any other positions that the individual may hold outside the group.

Details of transactions involving actual or potential conflicts of interest
Details of any relationships that members of the Supervisory Board may have with ING Group subsidiaries as ordinary, private individuals are not reported, with the exception of any loans that may have been granted to them (see page 60).

Independence
Members of the Supervisory Board to whom the independence criteria of the Tabaksblat Code do not apply and members of the Supervisory Board to whom the criteria do apply, but who can explain why this does not undermine their independence are deemed to be independent. On the basis of these criteria, Godfried van der Lugt is not regarded as independent since he has been Chairman of the Executive Board within the last five years. He retired from the position of Chairman of the Executive Board in May 2000.

Remuneration and share ownership
The remuneration of the members of the Supervisory Board is set by the General Meeting of Shareholders and is not dependent on the results of the company. Details of the remuneration are provided as of page 58.

Members of the Supervisory Board are permitted to hold shares and depositary receipts for shares in the company for long-term investment purposes. Details are given on page 60. If any members of the Supervisory Board were granted ING option rights during their previous membership of the Executive Board (see page 60), these option rights will be part of the ING option scheme, which is detailed on page 111. Transactions by Supervisory Board members in ING Group shares and depositary receipts for shares and ING option rights held by Supervisory Board members are subject to the ING regulations for insiders. These regulations can be downloaded from the ING website (www.ing.com).

INFORMATION ON MEMBERS OF THE SUPERVISORY BOARD

Cor A.J. Herkströter, chairman
(Born 1937, appointed in 1998, term expires in 2006, Dutch nationality)
Chairman of the Remuneration & Nomination Committee and the Corporate Governance Committee. Former President of Royal Dutch Petroleum Company N.V. and Chairman of the Committee of Managing Directors, Royal Dutch/Shell Group. Other business activities: Chairman of the Supervisory Board of Royal DSM N.V. (listed company). 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 Charbonnière, vice-chairman
(Born 1939, appointed in 2004, term expires in 2008, French nationality)
Former Managing director of JP Morgan and Chief Financial Officer of Michelin. Other business activities: Chairman of the Supervisory Board of Michelin and Member of the Supervisory Board of Thomson (listed companies).

Luella Gross Goldberg
(Born 1937, appointed in 2001, term expires in 2005, American nationality)
Member of the Remuneration & Nomination Committee and the Corporate Governance Committee. Former member of the Board of Directors of ReliaStar Financial Corp.
Other business activities: Member of the Supervisory Board of each of TCF Financial Corporation, Hormel Foods Corporation, Communications Systems Inc. and Hector Communications Corporation (listed companies). Member of the Advisory Board of Carlson School of Management, University of Minnesota. Member of the Supervisory Board of the Minnesota Orchestra. Member (emerita) of the Board of Trustees, Wellesley College.

Paul F. van der Heijden
(Born 1949, appointed in 1995, term expires in 2007, Dutch nationality)
Appointment also on the recommendation of the Central Works Council. Member of the Remuneration & Nomination Committee and the Corporate Governance Committee.
Other business activities: Rector Magnificus and professor of labour law and industrial relations at the University of Amsterdam. Member of the Supervisory Board of NUON N.V. and Buhrmann Nederland B.V. Crown-appointed member of the Social and Economic Council, the Netherlands. President of the ILO Governing Body, Committee on Freedom of Association (United Nations).

Claus Dieter Hoffmann
(Born 1942, appointed in 2003, term expires in 2007, German nationality)
Member of the Audit Committee. Former Chief Financial Officer of Robert Bosch GmbH. Other business activities: 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 (listed company), Bauerfeind AG and Jowat AG.

Aad G. Jacobs
(Born 1936, appointed in 1998, term expires in 2006, Dutch nationality)
Chairman of the Audit Committee. Former chairman of the Executive Board of ING Groep N.V. (retired in May 1998). Other business activities: Chairman of the Supervisory Board of each of Royal Dutch/Shell Group, Imtech N.V. and N.V. Verenigd Bezit VNU (listed companies). Vice-chairman of the Supervisory Board of each of IHC Caland N.V. and Buhrmann N.V. (listed companies). Chairman of the Supervisory Board of Johan Enschede.

Wim Kok
(Born 1938, appointed in 2003, term expires in 2007, Dutch nationality)
Former Minister of Finance and Prime Minister of the Netherlands. Other business activities: Member of the Supervisory Board of each of Royal Dutch/Shell Group, TPG N.V. (listed companies) and KLM Royal Dutch Airlines N.V.

Godfried J.A. van der Lugt
(Born 1940, appointed in 2001, term expires in 2005, Dutch nationality)
Former chairman of the Executive Board of ING Groep N.V. (retired in May 2000). Other business activities: Member of the Supervisory Board of Grontmij NV (listed company). Chairman of the Supervisory Board of each of Siemens Nederland N.V. and Stadsherstel Amsterdam NV. Vice-chairman of the Supervisory Board of Academisch Ziekenhuis Groningen (hospital).

Paul J.A. Baron de Meester
(Born 1935, appointed in 1998, term expires in 2006, Belgian nationality)
Member of the Audit Committee. Former member of the Board of Directors of BBL. Former chairman of Belgische Betonmaatschappij Besix-Betonimmo N.V. Other business activities: 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
(Born 1933, appointed in 1996, term expires in 2005, Dutch nationality)
Member of the Audit Committee, the Remuneration & Nomination Committee and the Corporate Governance Committee. Former President and Chairman of the Board of Management of Philips Electronics N.V.

CORPORATE GOVERNANCE
(continued)

Karel Vuursteen
(Born 1941, appointed in 2002, term expires in 2006, Dutch nationality)
Former chairman of the Executive Board of Heineken N.V.
Other business activities: Chairman of the Supervisory Board of Petroplus International NV and member of the Supervisory Board of each of Ahold N.V., Akzo Nobel N.V., AB Electrolux and Henkel KGaA (listed companies).

REAPPOINTMENTS AND NEW APPOINTMENTS

At the Shareholders' Meeting on 26 April 2005, Ms. Gross Goldberg and Mr. Van der Lugt will be proposed for reappointment to the Supervisory Board. As new members, Mr. Jan Hommen (born 1943, Dutch nationality) and Ms. Christine Lagarde (born 1956, French nationality) will be proposed for appointment to the Supervisory Board.
Mr. Hommen is vice-chairman and CFO of the Board of management of Koninklijke Philips Electronics N.V. (until 1 May 2005). The proposed appointment per 1 June 2005 is based on his knowledge of international trade and industry and his expertise and experience as a CFO of a multinational.
Ms. Lagarde is chairman of the Policy Committee of Baker & Mackenzie. The proposed appointment per 27 April 2005 is based on her knowledge of business and labour law and her competence in international economic, regulatory and public policy issues.

EXTERNAL AUDITORS

Ernst & Young Accountants and KPMG Accountants N.V. are the appointed auditors of ING Group. The work involved in the assignment has been divided as follows: Ernst & Young Accountants is responsible for auditing the financial statements of ING Groep N.V. and ING Verzekeringen N.V., while KPMG Accountants N.V. is responsible for the audit of the financial statements of ING Bank N.V.

The auditors' report on the financial statements of ING Groep N.V. will be issued by Ernst & Young Accountants. At the General Meeting of Shareholders on 27 April 2004, Ernst & Young Accountants were appointed to audit these financial statements for the financial years 2004 to 2007 inclusive, to report about the outcome of these audits to the Executive Board and the Supervisory Board and to give a statement about the truth and fairness of the financial statements of ING Groep N.V.

The Executive Board and the Audit Committee shall report on their dealings with the external auditors to the Supervisory Board on an annual basis, including, in particular, their independence. In addition to the annual evaluation, the Audit Committee and Supervisory Board will review the auditors' performance in 2007, prior to the next term of appointment. The main conclusions will be reported to the General Meeting of Shareholders in 2008.

The external auditor attends the meetings of the Audit Committee.

After a maximum period of 5 years of performing audit services to ING Groep N.V. or ING Verzekeringen N.V. or ING Bank N.V., the lead audit partners of the external audit firms and the audit partners responsible for reviewing the audits, shall be replaced by other partners of the respective external audit firms. The Audit Committee shall make recommendations to the Supervisory Board regarding these replacements, among others, based on an annual evaluation of the provided services. In line with this agreement, the lead audit partner of KPMG Accountants N.V. will be succeeded after the year-end audit 2004 and the lead audit partner of Ernst & Young Accountants will be succeeded after the year-end audit 2006. The rotation of other partners of Ernst & Young Accountants and KPMG Accountants N.V. involved with the audit of the financial statements of ING are subject to applicable independence legislation.

The external auditors may be questioned at the Annual General Meeting of Shareholders in relation to their statements on the truth and fairness of the annual accounts. The external auditors shall therefore attend and be entitled to address this meeting.

Both Ernst & Young and KPMG may only provide permitted non-audit services to ING Group and its subsidiaries with permission of the Audit Committee. The Audit Committee shall separately pre-approve audit, audit-related and non-audit services to be provided by ING's external audit firms on an annual basis, provided that the annual amount for such pre-approved services may not be exceeded. Throughout the year the external audit firms and Corporate Audit Services will monitor the realisation of the pre-approved amounts. The external auditors will provide the Audit Committee with a full overview of all services provided to ING, including related fees, supported by sufficiently detailed information. This overview will semi-annually be evaluated by the Audit Committee.

In addition to the pre-approval procedure, on a case-by-case basis, each audit-related and non-audit engagement that is expected to generate fees in excess of EUR 100,000 and all further audit-related and non-audit related engagements over and above the pre-approved amounts have to be pre-approved. More details on ING's policy regarding external auditor's independence are published on the website of ING (www.ing.com).

In 2004, the following amounts were paid to Ernst & Young and KPMG for audit services and non-audit services:

FEES ERNST & YOUNG AND KPMG

in millions of euros	2004	2003
Audit fees	**40**	32
Audit-related fees	**7**	5
Tax fees	**5**	4
All other fees	**5**	7
Total	**57**	48

REPORT TO THE DEPOSITARY-RECEIPT HOLDERS OF ING GROEP N.V.

The following report is issued in compliance with the provisions in article 15 of the Trust Conditions for registered shares in ING Groep N.V.

Pursuant to its Constitution, the object of the Stichting ING Aandelen (ING Trust Office) is:

a. to foster the interests of the holders of depositary receipts for shares in the capital of ING Groep N.V., while having regard for the interests of (i) the company itself, (ii) the enterprises carried on by the company and companies associated with it in a group and (iii) all other stakeholders in the company, such that all those interests are balanced and safeguarded as effectively as possible;
b. to acquire and administer registered ordinary and preference shares for which bearer depositary receipts have been issued;
c. to foster the exchange of information between the company on the one hand and the depositary-receipt holders and shareholders in the company on the other;
d. to promote and organise the solicitation of proxies of shareholders other than the Stichting itself and of specific proxies and/or voting instructions of depositary-receipt holders.

During the 2004 reporting year the Board held four meetings. On 5 April 2004 the Board met to discuss the 2003 annual report and to prepare the Annual General Meeting of Shareholders on 27 April 2004. Prior to this Board meeting the Executive Board and Supervisory Board of ING Groep N.V. provided the Stichting with information on the company's activities and performance over 2003. On 27 April 2004 the Board convened before the Annual General Meeting to discuss the proxy voting results and to decide on the initial position of the Board vis-à-vis the items on the agenda. One of the Stichting's objectives is to promote and organise the solicitation of proxies of shareholders other than the Stichting itself and of specific proxies and/or voting instructions of depositary-receipt holders. The Board deems it important that as many depositary-receipt holders as possible cast their votes, since this enables the Board to better assess what is important for depositary-receipt holders. It is gratifying to record that for the 2004 Annual General Meeting the Stichting received voting instructions for approximately 538,000,000 depositary receipts, which account for approximately 21% of the total number of votes outstanding. Present at the meeting was approximately 6% of the total number of votes outstanding, so about 27% of the total issued capital attended or was represented in the Annual General Meeting of Shareholders, while the Board of the Stichting voted for the remaining depositary receipts.

The Board, as is customary, attended the Annual General Meeting and answered various questions. The Board voted in favour of all agenda items. A small majority of the voting instructions that were received instructed to vote against the agenda item regarding the authorisation to issue shares and to restrict or exclude preferential rights. For these votes the Board voted in accordance with the instructions it received. For the depositary-receipt holders who did not give a voting instruction, the Stichting decided however to vote in favour of the proposal. The Stichting has recognised that the Executive Board needs some flexibility for issuing new shares if circumstances so require. For the issue of shares approval of the Supervisory Board is required. The Stichting is of the opinion that the Executive Board and the Supervisory Board have shown in the past that they will use the power to issue shares in a prudent way. The Stichting has to vote in the interest of all depositary-receipt holders, including the majority of depositary-receipt holders that has not given voting instructions, while taking into account the interests of ING and other stakeholders.

In the meetings of 26 October 2004 and 13 December 2004 attention has been paid to in particular principle IV.2 of the Dutch Corporate Governance Code and the current state of affairs regarding proxy voting in order to achieve larger shareholder participation at the Shareholders' meeting. The Board has decided it will establish its own website before the Annual General Meeting of 2005.

Prior to its meeting on 13 December 2004 the Executive Board and Supervisory Board of ING provided the Stichting with information on the company's activities and performance over the first nine months of 2004.

On 31 December 2004 the nominal value of administered ordinary shares amounted to EUR 528,783,467.52 for which 2,203,264,448 depositary receipts of EUR 0.24 each were issued. During the reporting year, the net number of depositary receipts issued for ordinary shares ran to 88,303,285.
The increase came about as follows:

Add:	from final dividend for 2003	57,107,215
	from interim dividend for 2004	31,689,382
	from exercise of warrants	410
	from conversion of shares into depositary receipts	90,298
Less:	from conversion of depositary receipts into shares	584,020

On 31 December 2004, preference A shares representing a nominal amount of EUR 104,491,514.40 were entered into the administration, for which 87,076,262 depositary receipts with a nominal value of EUR 1.20 were issued. During the reporting year there have been no changes in the total number of outstanding depositary receipts of preference A shares.

REPORT OF ING TRUST OFFICE
(continued)

To our regret John Simons passed away on 2 August 2004. Until his death John Simons was the chairman of our Stichting. Shortly before the Shareholders' Meeting on 27 April 2004 a serious illness was detected, which prevented him from attending the meeting. John Simons has managed the change process that transformed Stichting Administratiekantoor ING Groep from aiming to prevent a hostile take-over into Stichting ING Aandelen, a body to foster primarily the interests of all holders of depositary receipts and to pursue optimal shareholders' and depositary-receipt holders' participation. We owe him our gratitude for this.

Ton Risseeuw and Jan Veraart were reappointed as Board members from 1 June 2004. In accordance with the provisions of article 7, section 3.8 of the Constitution, the Stichting announced the proposed reappointments by publication in NRC Handelsblad and the Officiële Prijscourant (AEX Official List) of 16 April 2004. In this same publication the appointment of Paul Frentrop was announced as per 1 July 2004. The Board is of the opinion that Paul Frentrop is an excellent addition to the Board because of his thorough knowledge of the corporate sector, his expertise in the area of corporate governance and his involvement with the subject of shareholders' participation. In the meeting on 26 October 2004 the Board appointed Ton Risseeuw as chairman and Huib Blaisse as the (first) person to replace him. In 2005 Tom Regtuijt is due to retire by rotation. He is eligible for reappointment. The intention to reappoint him will be published in due course.

The Board of the Stichting currently consists of:
Ton Risseeuw, chairman (former chairman of the Executive Board of Getronics NV, several supervisory directorships and additional offices);
Huib Blaisse (lawyer and partner at DLA SchutGrosheide, several other advisory offices);
Paul Frentrop, (Director Deminor Nederland B.V., in that capacity advisor of Dutch and foreign institutional investors with regard to corporate governance issues);
Tom Regtuijt (former Executive Board Member of Nederlandse Spoorwegen (Netherlands Railways), several supervisory and advice offices);
Jan Veraart (former Chairman of the Executive Board of HBG (Dutch construction company), several supervisory directorships and additional offices).

An overview of additional relevant offices held by Board members can be found on the website of the Stichting: ingtrustoffice.com.

The annual remuneration for Board members is EUR 7,800. The costs of proxy-voting amounted to EUR 81,925.59.

The Stichting may consult depositary-receipt holders. This possibility was not made use of, also given the fact that holders of depositary receipts can attend the General Meeting of Shareholders and look after their own interests.

The activities involved in the administration of shares are performed by Algemeen Administratie- en Trustkantoor BV, Amsterdam.

The contact details of Stichting ING Aandelen (ING Trust Office) are:
Coco C. M. van Hulten
Telephone + 31 20 5418864
E-mail: coco.van.hulten@ing.com

Amsterdam, 7 March 2005
Board of Stichting ING Aandelen

REPORT OF ING CONTINUITY FOUNDATION

REPORT OF STICHTING CONTINUÏTEIT ING

Stichting Continuïteit ING, established in Amsterdam, was founded on 22 January 1991. By amendment of the Articles of Association on 23 June 2003, the former name 'Stichting Cumulatief Preferente Aandelen ING Groep' was changed to Stichting Continuïteit ING ('ING Continuity Foundation').

A call-option agreement concluded between the Stichting and ING Groep N.V. vests the Stichting with the right to acquire cumulative preference shares in the capital of ING Groep N.V. up to a maximum of 900 million cumulative preference shares. The acquisition of cumulative preference shares by the Stichting is subject to the restriction that, immediately after the issue of cumulative preference shares, the total amount of cumulative preference shares may not exceed one third of the total issued share capital of ING Groep N.V. If new shares other than cumulative preference shares are subsequently issued, the Stichting may again exercise its right, subject to the provisions of the preceding sentence. On acquisition of cumulative preference shares, at least 25% of the nominal value must be paid up on said shares.

In 2004 the Board of the Stichting met twice, namely on 5 April and 13 December. The composition of the Board is currently as follows: Ad Timmermans (Chairman), Bas Kortmann (who was reappointed as of 5 April 2004), Allard Metzelaar and Wim van Vonno.

Statement of independence
The Board of Stichting Continuïteit ING and the Executive Board of ING Groep N.V. hereby declare that in their joint opinion the requirements concerning the independence of the members of the Board of Stichting Continuïteit ING contained in Annex X of the Listing and Issuing Rules of Euronext Amsterdam N.V., Amsterdam, have been complied with.

Amsterdam, 7 March 2005
Board of Stichting Continuïteit ING
Executive Board of ING Groep N.V.

REMUNERATION REPORT

This chapter sets out the remuneration for the Executive Board and the Supervisory Board. The remuneration policy was approved by the Annual General Meeting of Shareholders (AGM) on 27 April 2004. There are no changes to this policy and therefore, the approval of the AGM still applies. The chapter starts with the general policy for senior-management remuneration, followed by the Executive Board compensation for 2004 and the compensation structure for 2005. In addition, information is included on loans and advances to the Executive and Supervisory Board members as well as ING Group shares held by members of both boards.

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 decided in 2003 on a new remuneration policy for ING's senior management.

The prime objective of the new remuneration policy was to enable the company to recruit and retain qualified and expert managers. The new remuneration package 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.

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 will 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 will 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 organisation (the top-200 executives) to measure performance at 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, 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.

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 reorganisation 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 tabled and approved during the General Meeting of Shareholders on 27 April 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: a) considered comparable and relevant by the Supervisory Board, b) representing ING's current portfolio of businesses (e.g. banking, insurance and asset management) and ING's geographical spread, c) global players, d) 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 Total Shareholder Return (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. 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 over 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 Contract 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. The non-Dutch members of the Executive Board have a pension plan related to their home base.

Employment contract for newly appointed Board members
The contract of employment for Executive Board members appointed after 1 January 2004 provides for an appointment for a period of four years (the appointment period) and that they can then be re-appointed by the General Meeting of Shareholders.

For newly appointed Executive Board members the amount they would be entitled to in case of an involuntary exit has been set at a multiple of their Executive Board member base salary, preserving their existing rights. For the three Executive Board members that were appointed in the 2004 General Meeting of Shareholders these rights slightly exceed the exit-arrangement provision in the Dutch Corporate Governance Code, i.e. no more than two times base salary (first appointment period) or one time base salary (all other situations). For the Executive Board members appointed before 2004, the exit clause has been set at three years base salary.

The term of notice for new and existing Executive Board members is three months for the employee and six months for the employer.

REMUNERATION EXECUTIVE BOARD 2004

Base salary Executive Board 2004
The base salary of the Executive Board members has been frozen for 2004, in the light of the Dutch 'Sociaal Akkoord'. The Executive Board received a 7.5% increase in their base salary in 2003. Prior to 2003, the Executive Board members' base salary had been effectively frozen since 1999. Michel Tilmant and Cees Maas received a standard promotional increase in their base salary as of 28 April 2004 as a result of their appointment as chairman and vice-chairman of the Executive Board, respectively.

Short-term incentive Executive Board 2004
The target STI payout over 2004 was set at 50% of the individual Executive Board member's base salary. The final award is based on the achievement of a set of common Group financial targets and specific individual qualitative and quantitative objectives for each Executive Board member. Specifically, 70% of the total award is based on the Group's operating net profit, total operating expenses and return on economic capital, while the remaining 30% is based on individual objectives set at the beginning of the year, as proposed by the chairman of the Executive Board and approved by the Remuneration and Nomination Committee of the Supervisory Board.

Early in 2005, the Remuneration and Nomination Committee reviewed the actual results of ING against the 2004 targets. Over 2004, ING exceeded on average the three Group financial targets set, resulting in a score of 143% of target on this component. The individual performance of the Executive Board members was on average 179%. ING's external auditor has reviewed to which extent the objectives, both the group and the individual, have been met.

Long-term incentive Executive Board 2004
Under the long-term incentive plan (LTIP) for the Executive Board, two instruments are used: stock options and performance shares. As mentioned earlier, an identical plan has been adopted by the Executive Board for the top senior managers across ING. As a result, approximately 7,000 senior managers will participate in a similar plan.

The target level for the 2004 LTIP was set at 50% of base salary for each EB member. The final grant level depends on the Group STIP performance and will vary between 50% of the target level (if Group STI would be 0%) and 150% (if Group STI would be 200%).

As the Group STIP performance outcome over 2004 was 143%, the resulting LTIP award is 121% of target. The number of options and performance shares is determined on the basis of a reference price set at the end of 2004 (EUR 22.00) and a 'fair value' calculation of options and performance shares (based on an option-pricing model).

The grant is subject to shareholder approval of the maximum number of stock options and performance shares to be granted to the Executive Board pursuant to the 2004 LTIP. The LTIP grant table on page 55 shows the award amounts for each Executive Board member.

The exercise price of the options will be fixed at the Euronext Amsterdam Stock Market opening price of the ING Group share on 13 May 2005. The performance shares are granted provisionally at the beginning of 2005; the final number will depend on the ranking within the performance peer group after the three-year period (2005 – 2007) based on the performance/payout scale as indicated above.

REMUNERATION REPORT
(continued)

COMPENSATION IN CASH OF THE INDIVIDUAL MEMBERS AND FORMER MEMBERS OF THE EXECUTIVE BOARD

Amounts in thousands of euros	2004	2003	2002	2001
MICHEL TILMANT				
Base salary	**1,250**	1,172	1,090	1,090
Short-term performance-related bonus	**866**	366	0	177
Total cash compensation	**2,116**	1,538	1,090	1,267
CEES MAAS				
Base salary	**677**	634	590	590
Short-term performance-related bonus	**530**	333	0	78
Total cash compensation	**1,207**	967	590	668
ERIC BOYER DE LA GIRODAY (1)				
Base salary	**574**			
Short-term performance-related bonus	**445**			
Total cash compensation	**1,019**			
FRED HUBBELL (2)				
Base salary	**1,121**	1,232	1,374	1,453
Short-term performance-related bonus	**855**	647	0	192
Total cash compensation	**1,976**	1,879	1,374	1,645
ELI LEENAARS (1)				
Base salary	**428**			
Short-term performance-related bonus	**321**			
Total cash compensation	**749**			
ALEXANDER RINNOOY KAN				
Base salary	**634**	634	590	590
Short-term performance related Bonus	**493**	333	0	78
Total cash compensation	**1,127**	967	590	668
HANS VERKOREN (1)				
Base salary	**428**			
Short-term performance-related bonus	**335**			
Total cash compensation	**763**			
EWALD KIST (3)				
Base salary	**318**	761	708	708
Short-term performance-related bonus	**231**	400	0	94
Retirement benefit	**132**			
Total cash compensation	**681**	1,161	708	802

(1) Eric Boyer de la Giroday, Eli Leenaars and Hans Verkoren were appointed to the Executive Board on 28 April 2004. The figures for these members reflect compensation earned in their capacity as Executive Board members.

(2) Fred Hubbell gets his compensation in US dollars. For each year the compensation in US dollars has been translated to euros at the average exchange rate for that year.

(3) Ewald Kist retired as of 1 June 2004. Salary reflects payments made up to retirement. The short-term performance-related bonus reflects compensation earned for his contributions made up to retirement. Pursuant to the terms of retirement, he received a retirement benefit.

LONG-TERM INCENTIVES OF THE INDIVIDUAL MEMBERS AND FORMER MEMBERS OF THE EXECUTIVE BOARD [1]

Amounts in thousands of euros	2004	2003	2002	2001
MICHEL TILMANT				
Number of options	**82,600**	41,250	35,000	35,000
Number of shares	**15,000**	13,750	7,000	
Fair market value of long-term incentive [2]	**661**	481	238	238
CEES MAAS				
Number of options	**51,200**	41,250	35,000	35,000
Number of shares	**9,300**	13,750	7,000	
Fair market value of long-term incentive [2]	**410**	481	238	238
ERIC BOYER DE LA GIRODAY [3]				
Number of options	**43,400**			
Number of shares	**7,900**			
Fair market value of long-term incentive [2]	**347**			
FRED HUBBELL				
Number of options	**84,700**	41,250	35,000	35,000
Number of shares	**15,400**	13,750	7,000	
Fair market value of long-term incentive [2]	**678**	481	238	238
ELI LEENAARS [3]				
Number of options	**32,400**			
Number of shares	**5,900**			
Fair market value of long-term incentive [2]	**259**			
ALEXANDER RINNOOY KAN				
Number of options	**48,000**	41,250	35,000	35,000
Number of shares	**8,700**	13,750	7,000	
Fair market value of long-term incentive [2]	**384**	481	238	238
HANS VERKOREN [3]				
Number of options	**32,400**			
Number of shares	**5,900**			
Fair market value of long-term incentive [2]	**259**			
EWALD KIST [4]				
Number of options	**-**	41,250	35,000	35,000
Number of shares	**-**	13,750	7,000	
Fair market value of long-term incentive [2]	**-**	481	238	238

[1] Options are granted in the year following the reporting year.
In 2003, in relation to 2002 performance, each Executive Board member was granted 7,000 conditional shares, the condition being an employment contract. The vesting period for the conditional shares is two years, ending 15 May 2005. The total expense relating to the conditional share awards (EUR 604,000) is to be recognised pro rata over the vesting period. Accordingly, an amount of EUR 189,000 was recognised in 2003.
In 2004, in relation to 2003 performance, a new long-term incentive plan was approved by the AGM, pursuant to which the Executive Board members was granted in 2004 a combination of stock options (41,250) and provisional performance shares (13,750), based on a 50/50 split in the total value of the long-term incentive award. As a result of the fair-value calculation for the performance year 2003, the ratio of options to performance shares was 3:1. The vesting period for the performance shares is 3 years. The costs of the performance shares (intrinsic value at the grant date) are expensed pro rata over the vesting period.
In 2005, in relation to 2004 performance, the Company proposes to grant to the Executive Board members a combination of stock options and provisional performance shares (based on a 50/50 split in value), as disclosed in the above table, in May 2005 (after the AGM). These awards will be granted pursuant to the terms and conditions of the approved long-term incentive plan and is subject to the AGM's approval of the maximum number of stock options and performance shares for 2004. As a result of the fair market value calculations for the 2004 performance year, the ratio of options to performance shares is 5.5:1.

[2] Fair market value of long-term incentive reflects the estimated fair market value of the long-term incentive award on the date of grant based on an option-pricing model. The valuation is calculated annually for grants made to the Executive Board members for performance over the year specified.

[3] Eric Boyer de la Giroday, Eli Leenaars and Hans Verkoren were appointed to the Executive Board on 28 April 2004. The figures for these members reflect compensation earned in their capacity as Executive Board members.

[4] Ewald Kist retired as of 1 June 2004. For that reason no long-term incentives were granted to him in 2004.

PENSION COSTS OF THE INDIVIDUAL MEMBERS AND FORMER MEMBERS OF THE EXECUTIVE BOARD[1]

Amounts in thousands of euros	**2004**	2003	2002	2001
Michel Tilmant[2]	**467**	412	397	352
Cees Maas	**345**	361	336	333
Eric Boyer de la Giroday[3]	**260**			
Fred Hubbell[4]	**462**	273	314	464
Eli Leenaars[3]	**102**			
Alexander Rinnooy Kan	**346**	327	289	291
Hans Verkoren[3]	**109**			
Ewald Kist[5]	**887**	364	350	349

(1) For reasons of comparison, the company pension expenses are recalculated under IAS 19 with general assumption setting for 2001 to 2004.
(2) Restated figures for the years 2003, 2002 and 2001.
(3) Eric Boyer de la Giroday, Eli Leenaars and Hans Verkoren were appointed to the Executive Board on 28 April 2004. The figures for these members reflect pension costs in their capacity as Executive Board members.
(4) Fred Hubbell's pension costs have been translated from US dollars to euros at the average exchange rate for that year.
(5) The 2004 amount reflects the cost of the normal pension build-up to age 65, which has to be taken in the year of retirement, in accordance with IAS 19 accounting rules.

Loans and advances
The table below presents the loans and advances provided to Executive Board members. These loans are in the normal course of business and on terms applicable to Company personnel as a whole and approved by the Supervisory Board. In 2004, a loan has been granted to Fred Hubbell amounting to EUR 100,000 and was repaid before 31 December 2004. This loan bore an average interest rate of 4.7%.

LOANS AND ADVANCES TO MEMBERS OF THE EXECUTIVE BOARD

amounts in thousands of euros	**Amount outstanding 31 December**	**Average interest rate**	**repayments**	Amount outstanding 31 December	Average interest rate	repayments	Amount outstanding 31 December	Average interest rate	repayments
			2004			2003			2002
Cees Maas	**446**	**4.0%**		446	4.0%	15	461	5.6%	17
Eric Boyer de la Giroday	**34**	**4.3%**	**3**						
Alexander Rinnooy Kan[1]				889	3.4%		889	3.5%	
Hans Verkoren	**293**	**4.8%**	**16**						
	773	**4.3%**	**908**	1,335	3.6%	15	1,350	4.2%	17

(1) The loans and advances to Alexander Rinnooy Kan are with CenE Bankiers, which is not part of ING Group anymore.

ING Group shares held by members of the Executive Board
As at 31 December 2004, Fred Hubbell (including direct family) held 1,107,717 ING Group shares (2003: 1,104,100 and 2002: 1,053,000) of which 405,455 (2003: 405,455 and 2002: 405,000) are held in a trust. Other members of the Executive Board (including direct family) did not hold ING Group shares.

INFORMATION ON THE OPTIONS OUTSTANDING AND THE MOVEMENTS DURING THE FINANCIAL YEAR OF OPTIONS GRANTED TO THE MEMBERS OF THE EXECUTIVE BOARD AS AT 31 DECEMBER 2004

Number of options	Outstanding as at 31 December 2003	Granted in 2004	Exercised in 2004	Waived or Expired in 2004[1]	Outstanding as at 31 December 2004	Exercise price in euros	Exercise price in US dollars	Expiry date
Michel Tilmant	50,000			**50,000**		26.10		28 May 2004
	20,000				**20,000**	28.30		3 Apr 2005
	15,000				**15,000**	28.68		3 Apr 2005
	30,000				**30,000**	35.26		15 Mar 2006
	20,000				**20,000**	35.80		15 Mar 2006
	21,000				**21,000**	29.39		11 Mar 2012
	14,000				**14,000**	29.50		11 Mar 2012
	35,000				**35,000**	12.65		3 Mar 2013
		41,250			**41,250**	17.69		14 May 2014
Cees Maas	50,000			**50,000**		25.87		28 May 2004
	50,000				**50,000**	28.68		3 Apr 2005
	50,000				**50,000**	35.26		15 Mar 2006
	35,000				**35,000**	29.39		11 Mar 2012
	35,000				**35,000**	12.65		3 Mar 2013
		41,250			**41,250**	17.69		14 May 2014
Eric Boyer de la Giroday[2]					**2,000**	26.10		28 May 2009
					10,000	28.30		3 Apr 2010
					4,000	35.80		15 Mar 2011
					3,000	28.60		27 May 2012
					4,000	12.55		3 Mar 2013
					17,800	17.69		14 May 2014
Fred Hubbell	40,000			**40,000**		25.87		28 May 2004
	50,000				**50,000**	28.68		3 Apr 2005
	50,000				**50,000**	35.26		15 Mar 2006
	35,000				**35,000**	29.39		11 Mar 2012
	35,000				**35,000**	12.65		3 Mar 2013
		41,250			**41,250**	17.69		14 May 2014
Eli Leenaars[2]					**3,300**	25.25		1 Apr 2009
					10,000		27.28	3 Apr 2010
					22,400		31.96	15 Mar 2011
					31,000		25.72	11 Mar 2012
					7,850	12.55		3 Mar 2013
					9,654	18.75		15 Mar 2014
					6,436	18.71		15 Mar 2014
Alexander Rinnooy Kan	50,000			**50,000**		25.87		28 May 2004
	12,000				**12,000**	28.68		3 Apr 2005
	50,000				**50,000**	35.26		15 Mar 2006
	35,000				**35,000**	29.39		11 Mar 2012
	35,000				**35,000**	12.65		3 Mar 2013
		41,250			**41,250**	17.69		14 May 2014
Hans Verkoren[2]				**20,000**		25.87		28 May 2004
					12,000	28.68		3 Apr 2005
					20,000	35.26		15 Mar 2006
					23,000	29.39		11 Mar 2012
					30,000	12.65		3 Mar 2013
					17,800	18.71		15 Mar 2014
Ewald Kist	50,000			**50,000**		25.87		28 May 2004
	50,000				**50,000**	28.68		3 Apr 2005
	50,000				**50,000**	35.26		15 Mar 2006
	35,000				**35,000**	29.39		11 Mar 2012
	35,000				**35,000**	12.65		3 Mar 2013
		41,250			**41,250**	17.69		14 May 2014

[1] Waived at vesting date or expired at expiry date.

[2] Eric Boyer de la Giroday, Eli Leenaars and Hans Verkoren were appointed to the Executive Board on 28 April 2004. In their capacity of Executive Board member no options were granted to them in 2004 nor did they exercise any rights over past option grants.

REMUNERATION STRUCTURE EXECUTIVE BOARD 2005

Policy for 2005
With regard to the remuneration policy for 2005, the Supervisory Board plans to build upon the new remuneration policy initiated in 2003, further facilitating the movement toward a more performance-oriented culture. The intention is to continue the gradual convergence to the European benchmark through a gradual increase in the short-term and long-term incentive target levels (as a percentage of base salary).

Base salary Executive Board 2005
The plan is to keep base-salary levels flat in 2005. A market-competitiveness analysis will be conducted on an annual basis to ensure market competitiveness.

Short-term incentive Executive Board 2005
Continuing with the intended focus on variable, performance-related remuneration, the Supervisory Board has decided to increase the short-term incentive at target to 75% of base salary. The actual payout may vary between 0% and 200% of the target level (e.g. between 0% and 150% of base salary).

The mix for the 2005 short-term incentive award will remain the same as in 2003: 70% will be determined by pre-defined ING Group financial performance measures and 30% will be based on individual performance objectives set for each Executive Board member and agreed by the Supervisory Board.

The Supervisory Board believes that for 2005, the Executive Board's short-term incentive award for the Group performance should again be measured using the same three financial criteria as in 2004: operating net profit, total operating expenses and return on economic capital, equally weighted. The targets set are challenging.

Long-term incentive Executive Board 2005
The Supervisory Board intends to set the nominal LTI target value at 75% of base salary (same target percentage as the STI). The range may vary between 50% and 150% of the target level (e.g. between 37.5% and 112.5% of base salary). The structure for the 2005 long-term incentive award will remain the same as the 2003 structure (the total nominal value at grant will be split between stock option and performance shares).

As was the case in 2004, the total LTI value in stock options and provisional performance shares to be granted to the Executive Board members will be determined by the Supervisory Board at the end of 2005, based on the achievement of the three pre-defined financial objectives set out in the 2005 short-term incentive plan.

REMUNERATION SUPERVISORY BOARD

Remuneration
In 2004, the remuneration of the members and former members of the Supervisory Board amounted to EUR 0.5 million (2003: EUR 0.5 million; 2002: EUR 0.6 million). The remuneration of the chairman amounted to EUR 68,100, including EUR 6,810 expense allowances. Other members received a remuneration of EUR 38,600, including EUR 2,270 expense allowances.

In view of the extra costs resulting from the wider and more demanding range of tasks of the Audit Committee, the Supervisory Board decided to raise the cost allowance for the members of the Audit Committee from EUR 450 to EUR 1,500 per attended meeting. The cost allowance for the members of the other committees is EUR 450 per attended meeting. This cost allowance is in addition to a fixed annual remuneration of EUR 1,360 for each committee member, which remuneration is in addition to the remuneration as a Supervisory Board member.

Loans and advances
As at 31 December 2004, the amount of loans and advances outstanding to members of the Supervisory Board was EUR 1.6 million at an average rate of 4.7%. This amount concerns a loan to Aad Jacobs. No loans and advances were outstanding to other members of the Supervisory Board.

As at 31 December 2003, the amount of loans and advances outstanding to members of the Supervisory Board was EUR 1.8 million at an average rate of 4.7%. This amount concerned a loan to Aad Jacobs of EUR 1.6 million at an average rate of 4.7% and a loan to Paul Baron de Meester of EUR 0.2 million at an average rate of 4.8%. No loans and advances were outstanding to other members of the Supervisory Board.

REMUNERATION OF THE MEMBERS AND FORMER MEMBERS OF THE SUPERVISORY BOARD

amounts in thousands of euros	**2004**	2003	2002
MEMBERS OF THE SUPERVISORY BOARD			
Cor Herkströter	**68**	68	68
Eric Bourdais de Charbonnière [1]	**29**		
Luella Gross Goldberg	**44**	40	39
Paul van der Heijden	**44**	44	40
Claus Dieter Hoffmann	**46**	32	
Aad Jacobs	**49**	43	41
Wim Kok	**39**	29	
Godfried van der Lugt	**39**	39	39
Paul Baron de Meester [2]	**57**	52	48
Jan Timmer	**54**	46	40
Karel Vuursteen	**39**	39	29
	508	432	344
FORMER MEMBERS OF THE SUPERVISORY BOARD			
Mijndert Ververs		23	68
Lutgart van den Berghe		14	41
Jan Berghuis			55
Jan Kamminga			51
Johan Stekelenburg		39	39
Hans Tietmeyer		13	39
		89	293
	508	521	637

[1] Member as of 28 April 2004.
[2] Including a compensation payment to match his former remuneration as a member of the BBL Supervisory Board.

ING Group shares and options

As at 31 December 2004, five members of the Supervisory Board (direct family included) held in total 17,093 shares in ING Group as a long-term investment, as specified in the table below.

ING GROUP SHARES HELD BY MEMBERS OF THE SUPERVISORY BOARD [1]

	Number of shares		
	2004	2003	2002
MEMBERS OF THE SUPERVISORY BOARD			
Cor Herkströter	**1,616**	1,616	1,616
Luella Gross Goldberg	**6,701**	6,369	6,000
Paul van der Heijden	**1,716**	1,716	1,716
Paul Baron de Meester	**5,550**	5,276	4,970
Karel Vuursteen	**1,510**	1,510	1,510
	17,093	**16,487**	**15,812**

[1] ING Group shares of direct family included; members of the Supervisory Board (including direct family) not mentioned in this table did not hold ING Group shares.

As at 31 December 2004, two members of the Supervisory Board held option rights that were granted in earlier years when they were members of the Executive Board, specified in the table below

INFORMATION ON THE OPTIONS OUTSTANDING AND THE MOVEMENTS DURING THE FINANCIAL YEAR OF OPTIONS HELD BY MEMBERS OF THE SUPERVISORY BOARD AS AT 31 DECEMBER 2004

	Number of options				amounts in euros		
	Outstanding as at 31 December 2003	**Exercised in 2004**	**Waived or Expired in 2004**	**Outstanding as at 31 December 2004**	Exercise price	Share price at exercise date	Expiry date
Aad Jacobs	20,840		**20,840**			25.87	28 May 2004
Godfried van der Lugt	50,000		**50,000**			25.87	28 May 2004
	25,000			**25,000**		31.85	3 Apr 2005

WORKS COUNCILS AND ADVISORY COUNCIL

CENTRAL WORKS COUNCIL
as at 1 January 2005

Josine Sips, *chairman*
Paul de Widt, *secretary*
Wim Evers, *deputy chairman*
Gerard Dekkers, *deputy secretary*
Goof Bode, Hans van den Brink, Eric van den Broek, Petra Delhez, Foppe van Dijk, Wim Dijkhuizen, Jeffrey Dinsbach, Rik Eelkman Rooda, Ger Heijboer, Jan Hertog, Bas Hofstee, Jan Kuijper, René van der Linden, Boudewijn Muller, Anja Rozendaal, André Schat, Bert Sneller, Arie Stolk, Bernard Wempe, Paul Zoet

EUROPEAN WORKS COUNCIL
as at 1 January 2005

Mathieu Blondeel, *chairman*, Belgium
André Schat, *secretary*, the Netherlands
Adriana Dumitrescu, *deputy chairman*, Romania
Mirjam Busse, *deputy secretary*, the Netherlands
Jean-Claude Van Den Abeele, Freddy Dekerf, Olivier Vandueren, Dirk Verstrepen, Belgium
Evetta Mircheva, Bulgaria
Ladislav Slanicka, Czech Republic
Hervé Laurent, Patrick Thieux, France
Thomas Meder, Sylvia Ribeiro-Silveira, Germany
Sokratis Vedouras, Greece
Laszlo Szabo, Hungary
Alan Maher, Ireland
Arsène Kihm, Denis Richard, Luxembourg
Hans Bakkenist, Bob Bohlander, Eric van den Broek, Wim Evers, Ger Heijboer, Bas Hofstee, Paul Zoet, the Netherlands
Mieczyslaw Bielawski, Beata Kaszewska, Jaroslaw Szczesny, Poland
Katya Barinova, Russia
José Sanz Gomez, Gregorio Tejedor Mingo, Spain
Thomas Wipf, Switzerland
Mike Sharman, United Kingdom

ING GROUP ADVISORY COUNCIL
as at 1 January 2005

The ING Group Advisory Council advises the Executive Board regarding strategic, social and policy issues or developments that are relevant to ING.

Gerlach Cerfontaine, *chairman*, chairman Executive Board Schiphol Group, the Netherlands
Yuan Chen, President State Development Bank, China
Hans Eggerstedt, former member Executive Board Unilever, the Netherlands
Marc Eyskens, former Prime Minister of Belgium
Frits Goldschmeding, former President Randstad Holding, the Netherlands
Louise Gunning-Schepers, chairman Executive Board AMC (Amsterdam Medical Center), the Netherlands
Loek Hermans, Chairman MKB-Nederland (Netherlands Federation of Small and Medium-sized Enterprises)
Jim Heskett, Professor Emeritus of Business Logistics, Harvard University, USA
Rudy van der Meer, member Executive Board AKZO Nobel, the Netherlands
Paul Nouwen, former CEO ANWB (Royal Dutch Touring Club), the Netherlands
Petra Roth, Mayor Frankfurt am Main, Germany
George Verberg, President International Gas Union, the Netherlands
Eckart Wintzen, Managing Director Ex'tent, the Netherlands

CONSOLIDATED BALANCE SHEET OF ING GROUP

CONSOLIDATED BALANCE SHEET OF ING GROUP AS AT 31 DECEMBER before profit appropriation

amounts in millions of euros	2004	2003
ASSETS		
Tangible fixed assets 1	1,252	1,311
Participating interests 2	3,304	3,167
Investments 3	398,014	335,003
Lending 4	317,466	292,556
Banks 5	57,300	61,060
Cash 6	8,807	11,738
Other assets 7	58,910	53,473
Accrued assets 8	21,148	20,463
Total	866,201	778,771
EQUITY AND LIABILITIES		
Shareholders' equity 9	25,866	21,331
Preference shares of group companies 10	1,283	1,783
Third-party interests	2,212	1,730
Group equity	29,361	24,844
Subordinated loans 11	4,109	3,252
	33,470	28,096
General provisions 12	3,002	2,740
Insurance provisions 13	210,107	198,035
Funds entrusted to and debt securities of the banking operations 14	435,907	377,824
Banks 15	112,797	102,115
Other liabilities 16	62,173	61,123
Accrued liabilities 17	8,745	8,838
Total	866,201	778,771

The numbers against the items refer to the notes starting on page 77.

CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING GROUP

CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING GROUP FOR THE YEARS ENDED 31 DECEMBER

amounts in millions of euros	2004	2003	2002
Premium income 18	**43,617**	41,192	46,816
Income from investments of the insurance operations 19	**10,371**	9,523	11,716
Interest result from the banking operations 20	**8,850**	8,166	7,702
Commission 21	**3,782**	3,777	3,960
Other income 22	**1,784**	2,108	1,722
Total income	**68,404**	64,766	71,916
Underwriting expenditure 23	**45,384**	43,396	49,107
Other interest expenses 24	**1,019**	1,124	1,288
Salaries, pension and social security costs 25	**7,744**	7,429	7,551
Additions to the provision for loan losses	**465**	1,125	1,435
Additions to the provision for investment losses 26	**32**	163	664
Other expenses 27	**5,751**	5,652	5,950
Total expenditure	**60,395**	58,889	65,995
Profit before tax	**8,009**	5,877	5,921
Taxation 28	**1,769**	1,490	1,089
Profit after tax	**6,240**	4,387	4,832
Third-party interests	**272**	344	332
Net profit for the period	**5,968**	4,043	4,500

amounts in euros			
Net profit per share 29			
Basic profit per share	**2.80**	2.00	2.32
Diluted profit per share	**2.80**	2.00	2.32
Dividend per ordinary share 30	**1.07**	0.97	0.97

The numbers against the items refer to the notes starting on page 107.

CONSOLIDATED STATEMENT OF COMPREHENSIVE NET PROFIT OF ING GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE NET PROFIT OF ING GROUP FOR THE YEARS ENDED 31 DECEMBER

amounts in millions of euros	**2004**	2003	2002
Net profit for the period	**5,968**	4,043	4,500
Other components of comprehensive net profit:			
– unrealised revaluations[1]	**1,008**	528	-3,343
– exchange differences[2]	**-966**	-1,123	-1,041
Net profit not recognised in the consolidated profit and loss account	**42**	-595	-4,384
Realised revaluations released to the profit and loss account	**-932**	-258	-1,051
Comprehensive net profit for the period	**5,078**	3,190	-935

[1] In 2004, deferred taxes with regard to unrealised revaluations amounted to EUR 20 million (2003: EUR -9 million; 2002: EUR -62 million).
[2] In 2004, deferred taxes with regard to exchange differences amounted to EUR 191 million (2003: EUR -73 million; 2002: EUR -32 million).

Comprehensive net profit for the period includes all movements in shareholders' equity during the year, except for the cumulative effect of changes in the principles of valuation and determination of results and those resulting from the write-off of goodwill, the enlargement of share capital and distributions to shareholders.

Realised revaluations previously recognised in shareholders' equity are released from shareholders' equity to the profit and loss account. As these revaluations have already been included in comprehensive net profit of the year under report and previous years, under the caption unrealised revaluations, and are also included in net profit for the period in the year of realisation, these realised results are adjusted in the comprehensive net profit for the period.

CONSOLIDATED STATEMENT OF CASH FLOWS OF ING GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS OF ING GROUP FOR THE YEARS ENDED 31 DECEMBER

amounts in millions of euros		2004	2003[1]	2002
Profit before tax		**8,009**	5,877	5,921
Adjusted for :	– depreciation	**499**	625	993
	– movements in deferred acquisition costs of insurance business	**-858**	-783	-914
	– increase in insurance provisions	**13,244**	24,563	7,444
	– additions to the provision for loan losses	**465**	1,125	1,435
	– other	**3,357**	-2,910	-3,299
Loans and advances granted/repaid		**-33,453**	-9,233	-30,277
Trading portfolio purchases/sales (incl. securities and property)		**-5,641**	-6,281	2,715
Net investment in tangible fixed assets		**-457**	-486	-321
Taxation		**-1,163**	-1,118	-381
Movements in :	– funds entrusted to and debt securities of the banking operations	**67,414**	62,847	45,580
	– banks, not available on demand	**20,780**	-8,463	-5,895
	– other receivables, prepayments and accrued assets	**-259**	1,657	4,534
	– other liabilities and accruals	**4,145**	-2,715	-1,513
Net cash flow from operating activities 31		**76,082**	64,705	26,022
Investments and advances:	– participating interests	**-2,688**	-658	-1,584
	– investments in shares and property	**-6,323**	-6,599	-8,805
	– investments in fixed-interest securities	**-279,265**	-326,438	-295,121
	– other investments	**-266**	-507	-262
Disposals and redemptions:	– participating interests	**1,641**	911	276
	– investments in shares and property	**6,936**	8,377	11,361
	– investments in fixed-interest securities	**213,246**	273,769	260,725
	– other investments	**406**	158	41
Net investment for risk of policyholders		**-7,291**	-14,571	6,813
Net cash flow from investing activities 32		**-73,604**	-65,558	-26,556
Subordinated loans of group companies		**1,000**	1,181	3,651
Bonds, loans contracted and deposits by reinsurers		**807**	-221	419
Private placements of ordinary shares		**554**	44	438
Private placements of preference shares of group companies		**-410**		
Issue of shares		**483**	901	
Movements in shares ING Groep N.V.		**-34**	-5	653
Cash dividends		**-882**	-927	-1,977
Net cash flow from financing activities		**1,518**	973	3,184
Net cash flow		**3,996**	120	2,650
Cash at beginning of year		**7,338**	7,830	4,681
Exchange differences		**-43**	-612	499
Cash at year-end		**11,291**	7,338	7,830
Cash comprises the following items:				
Short-dated government paper		**12,382**	6,521	8,398
Bank deposits available on demand		**-9,898**	-10,921	-11,989
Cash and bank balances and call money of the insurance operations		**8,807**	11,738	11,421
Cash at year-end		**11,291**	7,338	7,830

[1] Restated to better reflect the impact of exchange differences on the net cash flow.

The numbers against the items refer to the notes starting on page 130.

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT OF ING GROUP

CONSOLIDATION PRINCIPLES

ING Group comprises ING Groep N.V., ING Verzekeringen N.V., ING Bank N.V. and their group companies. The consolidated financial statements of ING Group include the financial statements of all companies that form an organisational and economic entity and which are controlled by ING Group. Control is presumed to exist when ING Group has, directly or indirectly through group companies, more than one half of the voting power or otherwise exercises effective control. The financial statements of these group companies are consolidated in full on a line-by-line basis, using uniform accounting principles. Third-party interests are presented separately in the consolidated balance sheet and profit and loss account.

The financial data of joint ventures are included in proportion to the group's interest where it is relevant to the understanding of ING Group's shareholders' equity and results. Intercompany financial relationships between the insurance and the banking operations ensuing from financing commitments are eliminated.

The parent company profit and loss account has been drawn up in accordance with Section 402, Book 2, of the Dutch Civil Code. A list containing the information referred to in Section 379 (1) and Section 414, Book 2, of the Dutch Civil Code has been filed with the office of the Commercial Register of Amsterdam, in accordance with Section 379 (5), Book 2, of the Dutch Civil Code.

CHANGES IN PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

Starting 1 January 2004, ING adopted the US 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" 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 US.

This accounting change resulted in an EUR 91 million after-tax reduction in *Shareholders' equity*.

CHANGES IN PRESENTATION

Guaranteed Investment Contracts

As from 2004, Guaranteed Investment Contracts (GICs) are no longer included in *Premium income* and *Underwriting expenditure*, to bring reporting in line with the practice at other insurers. Premium income and underwriting expenditure related to these contracts are no longer included in revenues respectively expenses, only the spread is included in the profit and loss account. The comparative figures have been adjusted accordingly.

CHANGES IN THE COMPOSITION OF THE GROUP

IMPACT MOST SIGNIFICANT CHANGES IN COMPOSITION OF THE GROUP

amounts in millions of euros	**Before acquisition/ disposal**	**After acquisition/ disposal**	**Impact 2004**	Before acquisition/ disposal	After acquisition/ disposal	Impact 2003
Assets	**879,012**	**866,201**	**-12,811**	773,148	778,771	5,623
Liabilities	**853,276**	**840,335**	**-12,941**	751,826	757,440	5,614
Shareholders' equity	**25,736**	**25,866**	**130**	21,322	21,331	9
Net profit for the period	**5,913**	**5,968**	**55**	3,923	4,043	120

The impact of a change in the composition of the group is defined as the change in assets, liabilities, shareholders' equity or net profit resulting from the acquisition or disposal of a group company, compared to the situation where no acquisition or disposal took place. The impact is included in the financial year in which the acquisition or disposal took place.

In 2004, ING Group sold the most of the German banking units of ING BHF-Bank. The transaction includes ING BHF-Bank's asset management, private banking, financial markets and core corporate banking business. The value of the transaction amounted to EUR 600 million.

In 2004, ING Group acquired Allianz's property and casualty insurance operations in Canada. The goodwill amounted to EUR 48 million and is charged to *Shareholders' equity*.

In 2004, ING Group reduced its shareholding in ING Canada Inc from 100% to 72.9% by an initial public offering of 34,880,000 common shares of ING Canada Inc. The gross proceeds amounted to EUR 552 million. In 2005, the underwriting syndicate exercised its option to buy an additional 5,232,000 common shares, bringing back the shareholding of ING Group to 70%.

In 2004, ING Group signed a co-insurance agreement with Scottish Re regarding its individual life reinsurance business in the United States. Under this agreement, all assets of the business will be transferred to Scotish Re while the liabilities related to the business will be reinsured through Scottish Re. Under the agreement ING Group paid a ceding commission amounting to EUR 450 million.

In 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*.

In 2004, ING Group sold its 100% subsidiary CenE Bankiers to Van Lanschot. CenE Bankiers is specialised in commercial and private banking in the Netherlands. The value of the transaction amounted to EUR 250 million.

In 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.*

In 2004, ING Group sold its Asian cash equities business to Macquarie Bank. The cash equities business comprises sales, trading, research and equity capital markets operations.

In 2004, ING Group sold its non-life insurance business in Australia to QBE Insurance Group. The value of the transaction amounted to EUR 431 million.

In 2003, ING Group acquired a 100% stake in Entrium, Germany's second largest direct Bank. ING Group acquired Entrium from Fineco/Capitalia (Italy). The goodwill amounted to EUR 100 million and is charged to *Shareholders' equity*.

In 2003, ING Group sold its 99% shareholding in Fatum, an insurance company in the Netherlands Antilles and Aruba to Guardian Holdings Limited. The value of the transaction amounted to EUR 45 million.

In 2003, ING Group acquired an additional 30% stake in DiBa (Allgemeine Deutsche Direktbank) from BGAG, the investment company of a number of German trade unions. In this way, ING owns all shares in DiBa. The goodwill amounted to EUR 9 million and is charged to *Shareholders' equity*.

In 2003, ING Group sold its 49% shareholding in Seguros Bital to Grupo Financiero Bital S.A. The value of the transaction was EUR 126 million. The result on the sale amounted to EUR 44 million.

In 2003, ING Group sold ING Sviluppo and the affiliated Italian life insurance, asset management and private banking activities to UniCredito Italiano and Aviva. The value of the transaction was EUR 170 million. The result on the sale amounted to EUR 71 million.

CRITICAL ACCOUNTING POLICIES

ING Group has identified the accounting policies that are most critical to its business operations and the understanding of its results. These critical accounting policies are those which involve the most complex or subjective decisions or assessments, and relate to insurance provisions and deferred acquisition costs, provisions for loan losses, the determination of the fair values of financial assets and liabilities, and the determination of impairments. In each case, the determination of these items is fundamental to the financial condition and results of operations, and requires management to make complex judgements based on information and financial data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgements as to future events and are subject to change, as the use of different assumptions or data could produce materially different results. For a further discussion of the application of these accounting policies, reference is made to the applicable notes to the consolidated financial statements and the information below.

Insurance provisions and DAC

Insurance provisions represent estimates of future payouts that will be required in respect of life and non-life insurance claims, including expenses relating to such claims.

Insurance provisions on traditional life policies are calculated using various assumptions, including assumptions on mortality, morbidity, expenses, investment returns and surrenders. Assumptions for insurance provisions on traditional life insurance contracts, including traditional whole life and term life insurance contracts, are based on best estimate assumptions including margins for adverse deviations. The assumptions are set initially at the policy issue date and remain constant throughout the life of the policy, except in case of loss recognition.

Insurance provisions for universal life, variable life and annuity contracts, unit linked contracts, etc. are generally set equal to the balance that accrues to the benefit of the policyholders. Certain variable annuity products contain minimum guarantees on the amounts payable upon death and/or maturity. The insurance provisions include the impact of these minimum guarantees, taking into account the difference between the potential minimum benefit payable and the total account balance, expected mortality and surrender.

Claims reserves on non-life insurance are determined on a case-by-case basis, based on the facts known at the time provisions are established, and are periodically adjusted to recognise the estimated ultimate cost of a claim. In addition, so-called "IBNR" reserves are set to recognise the estimated cost of losses that have occurred but which have not yet been notified.

Deferred acquisition costs (DAC) are an asset and represent costs of acquiring insurance business that are deferred and amortised. The deferred costs, all of which vary with and are primarily related to the production of new and renewal business, consist principally of commissions, certain underwriting and contract issuance expenses, and certain agency expenses. DAC is amortised over the life of the underlying contracts. Included in DAC is also Value of Business Acquired (VOBA), which is in nature similar to DAC. VOBA is an asset that represents the present value of estimated net cash flows embedded in the contracts of an acquired company, which existed at the time the company was acquired by ING Group.

For traditional life insurance contracts DAC is amortised over the premium payment period in proportion to the premium revenue recognition.

For flexible life insurance contracts DAC is amortised over the lives of the policies in relation to the emergence of estimated gross profits. Amortisation is adjusted retrospectively when estimates of current or future gross profits to be realised from a group of products are revised. The estimates and the assumptions are reassessed at the end of each reporting period. For DAC on flexible insurance contracts the approach is that in determining the estimate of future gross profits ING assumes the short-term and long-term separate account growth rate assumption to be the same. The growth rate assumption is currently 8.5% gross (7.5% net). Higher/lower expected profits – e.g. reflecting stock market performance and a changed level of assets under management – may cause a lower/higher amortisation of DAC due to the catch-up of amortisation in old and future years. This process is known as DAC unlocking. The impact of the DAC unlocking is recorded in the profit and loss account of the period in which the unlocking occurs.

The adequacy of the Provision for life policy liabilities net of DAC and VOBA is evaluated each year, using a prudent confidence level. If it is determined using a best estimate (50%) confidence level that a shortfall exists at a business unit, it is immediately recorded in the profit and loss account.

In each case, the establishment of insurance provisions and DAC is an inherently uncertain process, involving assumptions about factors such as court decisions, changes in laws, social, economic and demographic trends, inflation, investment returns and other factors, and, in the life insurance business, assumptions concerning mortality and morbidity trends.

Provisions for loan losses
Management regularly assesses the adequacy of the provisions 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 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.

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 commitments to the customer;
– the realisable value of any security for the loan;
– the costs associated with obtaining repayment and realisation of any such security.

For certain homogeneous groups of small personal and corporate loans, provisions are assessed using statistical techniques.

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 the management's evaluation of the risk in the portfolio, current economic conditions, loss experience in recent years and credit and geographical concentration trends. Changes in such judgements and analyses may lead to changes in provisions over time.

Fair value of financial assets and liabilities
Fair value determinations for financial assets and liabilities are based generally on listed market prices or broker or dealer price quotations. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realised under current market conditions, assuming an orderly liquidation over a reasonable period of time. Certain financial instruments, including OTC derivative instruments, are valued using pricing models that consider, among other factors, contractual and market prices, correlations, time value, credit, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair value.

Impairments
The carrying value of all assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The identification of impairment 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. The determination of impairment is specifically relevant to the investments in equity securities and fixed interest securities.

In order to determine whether negative revaluations on equity securities represent impairment, all equity securities for which the market value has been significantly below cost price for a considerable period of time are individually reviewed. A distinction is made between negative revaluations due to general market fluctuations and due to issuer-specific developments. 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 Group's long-term investment strategy.

In order to determine whether investments in fixed-interest securities are impaired, all fixed-interest securities for which the market value has been significantly below cost price for a considerable period of time are individually reviewed. Distinction is made between negative revaluations due to general interest rate and other market fluctuations and due to issuer-specific developments. The impairment review focuses on issuer specific developments regarding financial condition and prospects of the issuer identifying whether repayment of interest and principal is expected, taking into account the intent and ability to hold the securities under the Group's long-term investment strategy.

Although all individual securities are reviewed to ensure that no material impairments are required to be charged to the profit and loss account, the identification of impairment 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 the balance sheet date may indicate that certain unrealised losses that existed as of the balance sheet date will result in impairment in future periods, resulting in a negative impact on the profit and loss account for future periods.

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

GENERAL PRINCIPLES

Recognition
An asset is recognised in the balance sheet when it is probable that the future economic benefits will flow to the enterprise and the asset can be measured reliably. A liability is recognised in the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably. If the criteria for recognition are no longer met, the assets and liabilities are derecognised.

Income is recognised in the profit and loss account when an increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably. Expenses are recognised in the profit and loss account when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Valuation
Assets and liabilities are shown at face value except where a different valuation principle is stated below.

Use of estimates
The preparation of the annual accounts necessitates the use of estimates and assumptions. These estimates and assumptions

affect the reported amounts of the assets and liabilities and the amounts of the contingent liabilities as at balance sheet date as well as reported income and expenses for the year. The actual outcome may differ from these estimates.

Foreign currencies
General The euro is the reporting currency of ING Group. Assets and liabilities in foreign currencies are translated at the spot mid-rates (Amsterdam exchange rates) prevailing on the balance sheet date. Non-monetary items which are expressed in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Income and expenses arising from foreign currency transactions are translated at the rates prevailing on the transaction date.
The following exchange differences are credited or debited, net of any related taxes, to *Shareholders' equity*:
– exchange differences on participating interests, investments and liabilities assumed in connection with their financing;
– exchange differences on insurance provisions and on investments serving to cover these liabilities;
– exchange differences on loans serving to hedge exchange rate risks on foreign interests and investments.

All other exchange differences are taken to the profit and loss account.

Forward foreign-exchange contracts Forward foreign-exchange contracts connected to borrowing and lending positions are translated at the spot mid-rates prevailing on the balance sheet date. Differences between the spot rates prevailing on the balance sheet date and on the contract date are taken to the profit and loss account. Differences between the valuations at the forward rate and the spot rate at the contract date are amortised and charged to the profit and loss account in proportion to the expired part of the terms of the contracts concerned.

The other forward foreign-exchange contracts are valued at the market quotations for their remaining terms at the balance sheet date. In general, differences resulting from revaluations are taken to the profit and loss account.

Exchange differences on forward foreign-exchange contracts serving to hedge exchange rate risks on participating interests and investments are taken to *Shareholders' equity*.

Business units outside the euro zone Assets and liabilities of business units outside the euro zone are translated at the closing rate prevailing on the balance sheet date. Income and expenses of business units outside the euro zone (excluding business units in countries with hyperinflation) are translated at average exchange rates for the year. The financial statements of a business unit that reports in the currency of a hyperinflationary economy, are restated for the influences of inflation before translation into euros. Income and expenses of business entities in countries with hyperinflation are translated at the closing rate prevailing on the balance sheet date.

Exchange differences on assets and liabilities of business units outside the euro zone are credited or debited, net of any related taxes, to *Shareholders' equity*, except for exchange differences on monetary assets and liabilities of business units in countries with hyperinflation. These differences are taken to the profit and loss account.

Exchange differences on results arising from differences between the spot rates on the balance sheet date and the average rates for the year are taken to *Shareholders' equity*.

Geographical analyses
The geographical analyses of assets, liabilities, income and expenses in the notes to the consolidated balance sheet and profit and loss account are based on the location of the office from which the transactions are originated.

Analysis of insurance business
Where amounts in respect of insurance business are analysed into "life" and "non-life", health and disability insurance business is included in "non-life".

Derivatives
Derivatives are stated at fair value. Changes in the fair value are included in the profit and loss account. However, derivatives serving to hedge the risks on own positions are recognised in accordance with the accounting principles of the hedged items.

Hedge accounting
Transactions qualify as hedges if these transactions 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.

Impairments
The carrying value of *Tangible fixed assets, Participating interests* and *Investments* is reviewed to ascertain whether there has

been a permanent diminution in value. These impairments are assessed on an individual basis and are taken to the profit and loss account immediately. However, impairments of assets carried at revalued amounts are first charged directly to any revaluation reserve for these assets.

For more details, reference is made to the critical accounting policies.

Receivables
Receivables are carried at the face value less any diminution in value deemed necessary to cover the risk of uncollectibility.

Investment and trading portfolios
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.

Positions held with trading intent are those held intentionally for short-term resale and/or with the intent of benefiting from actual or expected short-term price movements or to lock in arbitrage profits, and positions held through matched principal broking and market making.

If, due to a change in management's intent, transfers are made between investment and trading portfolios, these assets are remeasured to fair value and gains and losses are accounted for in accordance with the accounting principles applicable to the portfolio in which the assets were originally held.

Leases
Assets held under a lease for which substantially all the risks and rewards are transferred to the lessee (finance lease) are reported in the balance sheet at net present value. Income from a finance lease is recognised in the profit and loss account over the lease term in proportion to the funds invested.

Income from an operating lease is recognised over the lease term in the profit and loss account. Lease payments under an operating lease are recognised as an expense in the profit and loss account over the lease term.

Reinsurance
Reinsurance premiums, commissions and claim settlements, as well as provisions relating to reinsurance, are accounted for in the same way as the original contracts for which the reinsurance was concluded. Receivables as a consequence of reinsurance are deducted from the liabilities relating to the original insurance contracts.

SPECIFIC PRINCIPLES

Acquisition and disposal of group companies and goodwill
ING Group's acquisitions are accounted for under the purchase method of accounting, whereby the cost of the acquisitions is allocated to the fair value of the assets and liabilities acquired. Goodwill, being the difference between the cost of the acquisition (including assumed debt) and ING Group's interest in the fair value of the acquired assets and liabilities as at the date of acquisition, is debited to *Shareholders' equity*. The results of the operations of the acquired companies are included in the profit and loss account from their respective dates of acquisition.

Adjustments to the fair value as of the date of acquisition of acquired assets and liabilities that are identified before the end of the first annual accounting period commencing after acquisition are recorded as an adjustment to goodwill; any subsequent adjustment is recognised as income or expense. However, recognition of deferred tax assets after the acquisition date is recorded as an adjustment to goodwill even after the end of the first annual accounting period.

On disposal of group companies, the difference between the sale proceeds and cost is included in the profit and loss account; for disposals within five years of acquisition, goodwill is adjusted on a pro-rata basis.

Tangible fixed assets
Tangible fixed assets are stated at cost less accumulated depreciation. The cost of these assets is depreciated on a straight-line basis over their estimated useful lives, which are as follows: data processing equipment 2 to 5 years and other movable fixed assets 4 to 10 years. Expenditures for maintenance and repair are charged to the profit and loss account as incurred. Expenditure incurred on major improvements is capitalised and depreciated.

On disposal of these assets, the difference between the proceeds on disposal and net book value is recognised in the profit and loss account.

Participating interests

Investments in associates Participating interests in which a significant influence is exercised over the financial and operating policy are stated at net asset value. ING Group's share in the results of these investments in associates is recognised in the profit and loss account.

Investments in other participating interests Investments in other participating interests are stated at fair value. Each year, the net asset value of the investment is determined, which approximates the fair value. Dividends received are credited to the profit and loss account. Changes due to revaluation are credited or debited to *Shareholders' equity*.

Investments

Realised gains and losses on investments Realised gains and losses on investments are determined as the difference between the sale proceeds and cost. Cost is determined systematically (weighted average or specific identification) on a consistent basis per portfolio.

Land and buildings and shares and convertible debentures Investments in land and buildings as well as shares and convertible debentures held for the group's own risk, are stated at fair value as at balance sheet date. Changes in the carrying amount resulting from revaluations of these investments are credited or debited to *Shareholders' equity*, allowing for taxation where necessary. On disposal of these investments, the difference between the sale proceeds and cost is recognised in the profit and loss account.

Valuations of investments in land and buildings are made by rotation in such a way as to ensure that all properties are appraised at least once every five years. Value-enhancing investments in existing properties made since the last valuation are capitalised at the cost of the investment until the next valuation. Land and buildings are not depreciated.

Land and buildings under construction are stated at the direct purchase and construction cost incurred up to the balance sheet date plus interest during construction and the group's own development and supervision expenses, where necessary less any expected diminution in value on completion.

Fixed-interest securities Fixed-interest securities are stated at redemption value less any diminution in value (impairment) deemed necessary to cover the risk of uncollectibility. The difference between redemption value and purchase price is amortised over the weighted average remaining term of the investments concerned, either credited or debited to the profit and loss account.

Fixed-interest securities on which interest is not received annually and on which the redemption value is paid out as a lump sum on maturity (such as 'climbing' loans, zero-coupon bonds and savings certificates) are included at purchase price plus the proportion of the difference between purchase price and redemption value related to the period elapsed since the date of purchase.

Investments in interest-only securities are initially included at purchase price. Each year, the interest income decreases in proportion to the decline in the net book value of the interest-only security over its remaining term.

Investments in principal-only securities are stated at purchase price plus the proportion of the difference between purchase price and redemption value related to the period elapsed since the date of purchase, calculated on the basis of compound interest. The increase in value is included in the profit and loss account as interest income.

Yield differences The results on disposal of fixed-interest securities, i.e. the differences between the proceeds on disposal and the carrying amount of the investments sold, are shown as yield differences. Results on disposal of derivatives related to the investments concerned are likewise shown as yield differences. Allowing for the weighted average remaining term of the investment portfolio, these yield differences are included in the profit and loss account as interest income. Results on disposal due to a structural reduction of investments are included directly in the profit and loss account, including the results on disposal of the related derivatives.

Interests in investment pools Interests in investment pools are stated in accordance with the valuation principles of the pools concerned.

Investments for risk of policyholders In the valuation of these investments, the same principles are generally applied as those pertaining to the valuation of investments held for the group's own risk. However, fixed-interest securities directly linked to life policy liabilities are stated at fair value plus accrued interest where relevant.

Life insurance products In the case of life insurance products, where there is a relationship between the value of the investments and the level of the insurance provisions, differences resulting from revaluations, realised or unrealised, are initially taken to the profit and loss account. Subsequently, these revaluations are included either in Provision for life policy liabilities or Insurance provisions for policies for which the policyholders bear the investment risk.

Repurchase transactions and reverse repurchase transactions Fixed-interest securities, shares and convertible debentures, which have been sold with an agreement to repurchase (repurchase transactions), are included as assets in the balance sheet.

Fixed-interest securities, shares and convertible debentures, which have been acquired in reverse sale and repurchase transactions, are not recognised in the balance sheet.

Securities borrowing and lending Fixed-interest securities, shares and convertible debentures, which are lent out, are included in the balance sheet. Fixed-interest securities, shares and convertible debentures, which are borrowed, are not recognised in the balance sheet.

Provisions for investment losses The net amounts added to or withdrawn from the provision for default losses of investments (credit losses and impairments) are included in the profit and loss account.

Lending and Banks
Lending and *Banks* refer to receivables from non-banks and banks that are carried at face value less any diminution in value (impairment) deemed necessary to cover the risk of uncollectibility. Receivables are impaired if it is probable that the principal and interest contractually due will not be collected.

In general, to determine the amount of this impairment (provision for loan losses), the degree of risk of uncollectibility is assessed:
- per individual loan, taking into account among other things amounts outstanding at year-end, the financial position, results and cash-flow information of the debtor, the payment history and the value of the collateral;
- per group of loans subdivided by country, taking into account country-specific risk percentages;
- per group of loans subdivided by the degree of risk of uncollectibility (risk classification), determined on the basis of a wide range of aspects with regard to creditworthiness and taking into account empirically determined risk percentages for each risk category.

The net amounts added to or withdrawn from these provisions are included in the profit and loss account.

When a borrower is in default as regards repayment of principal or payment of interest for 90 days or when, in the judgement of management, the accrual of interest should cease before 90 days, such a loan is given non-accrual status. Any accrued but unpaid interest is reversed and charged to current period interest revenue. Interest payments received during the period are recorded as interest income on a cash basis.

Receivables are written off and charged against the provision for loan losses when all the necessary legal procedures have been completed and the amount of the loss is finally determined.

For more details, reference is made to the critical accounting policies.

Other assets
Assets that are part of the trading portfolio are stated at fair value, which generally means quoted prices. Changes in the fair value, both realised and unrealised, on these assets are included in the profit and loss account.

Fixed-interest securities in the trading portfolio repurchased after issue by group companies and equity participations are stated at the lower of cost and fair value. Unrealised losses and results on disposal of equity participations are included in the profit and loss account.

Computer software that has been purchased or generated internally for internal use is capitalised and amortised on a straight-line basis over its useful life. This period will generally not exceed three years.

Property under development is held with the intention to sell to third parties and is valued at direct construction cost incurred up to the balance sheet date, including interest during construction and the group's own development and supervision expenses. Rented property and infrastructure works are valued at the estimated proceeds on private sale or the contractually agreed selling price. The difference between the net proceeds on disposal and cost of property under development, rented property and infrastructure works and any downward value adjustments are reflected in the profit and loss account.

Deferred tax assets Deferred corporate tax assets are stated at face value and are calculated for the carryforward of unused tax losses and for temporary valuation differences between carrying amounts of assets and 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.

Deferred corporate tax assets in relation with the carryforward of unused tax losses are recognised only to the extent that it is probable that future taxable profits will be available for compensation.

Deferred tax assets are reported net of adjustable deferred tax liabilities.

Accrued assets
Direct variable costs for the acquisition of life insurance policies, for which periodic premiums will be receivable, are deferred and amortised over the average period for which these premiums will be received, with allocation to such periods being made on an annuity basis. Costs of acquiring non-life insurance business which vary with and are primarily related to the production of such business are deferred and amortised equally over the period of the insurance.

General provisions
General A general provision involves 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 the amount is uncertain. Unless stated otherwise below, general provisions are discounted using a pre-tax discount rate to reflect the time value of money.

Deferred tax liabilities Deferred corporate tax liabilities are stated at face value and are calculated for temporary valuation differences between carrying amounts of assets and liabilities in the balance sheet and tax base based on tax rates that are expected to apply in the period when the liabilities are settled.

Deferred tax liabilities are reported net of adjustable deferred tax assets.

Pension liabilities and other staff-related liabilities Provisions for pension liabilities and other staff-related liabilities are calculated using the projected unit credit method of actuarial cost allocation. In accordance with this method, the discounted value of the pension liabilities and other staff-related liabilities is determined on the basis of the active period of service up to the balance sheet date, the projected salary at the expected retirement date and the market yields at the balance sheet date on high quality corporate bonds.

In order to distribute expenses for pensions and other staff-related expenses evenly over the years, these expenses are calculated using the expected rate of return on plan assets. Differences between this expected return and the actual return on these plan assets and actuarial changes are not recognised in the profit and loss account, unless the accumulated differences and changes exceed 10% of the greater of the defined benefit obligation and the fair value of the plan assets. The excess is amortised and charged to the profit and loss account over employees remaining working lives.

The rates used for salary developments, interest discount factors and other adjustments reflect specific country conditions.

WEIGHTED AVERAGES OF BASIC ACTUARIAL ASSUMPTIONS IN ANNUAL % AS AT 31 DECEMBER

	2004	2003	2002
Discount rates	**4.75**	5.50	6.00
Expected rates of salary increases (excluding promotional increase)	**2.50**	2.50	2.75
Medical cost trend rates	**4.25**	4.00	3.75
Consumer price inflation	**2.00**	1.75	2.25

The expected rate of return for 2004 on plan assets was 6.75% (2003: 7.25%; 2002: 7.50%).

The expected rate of return on plan assets was weighted by the fair value of these assets. All other assumptions were weighted by defined benefit obligations.

Insurance provisions
Provision for life policy liabilities The Provision for life policy liabilities is calculated on the basis of a prudent prospective actuarial method, taking into account the conditions for current insurance contracts.

The as yet unamortised interest-rate rebates on periodic and single premium contracts are deducted from the Provision for life policy liabilities. Interest-rate rebates granted during the year are capitalised and amortised in conformity with the anticipated recovery pattern and are debited to the profit and loss account.

The adequacy of the Provision for life policy liabilities is evaluated each year. The adequacy test takes into account future developments and allows for remaining unamortised interest-rate rebates and deferred acquisition costs.

For more details, reference is made to the critical accounting policies.

Provision for unearned premiums and unexpired insuance risks The provision is calculated in proportion to the unexpired periods of risk. For insurance policies covering a risk increasing during the term of the policy at premium rates independent of age, this risk is taken into account in determining the provision. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Claims provision The Claims provision is calculated either on a case-by-case basis or by approximation on the basis of experience. Provisions have also been made for claims incurred but not reported and for future claims handling expenses. The adequacy of the Claims provision is evaluated each year using standard actuarial techniques.

Insurance provisions for policies for which the policyholders bear the investment risk The Insurance provisions for policies for which the policyholders bear the investment risk are for the segregated investment deposits calculated on the same basis as the provision for life policy liabilities.

For insurances for which policyholders bear the investment risk, the insurance provisions are generally shown at the balance sheet value of the associated investments.

Other liabilities

Liabilities that are part of the trading portfolio are stated at fair value, which generally means quoted prices. Changes in the fair value, both realised and unrealised, on these liabilities are included in the profit and loss account.

Contingent liabilities

Contingent liabilities are commitments or risks of which it is more likely than not that no outflow from ING Group of resources embodying economic benefits will occur. The underlying value of these commitments or risks is not recorded as a liability in the balance sheet.

Revenue recognition

Premium income Premiums from life insurance policies are recognised as revenue when due from the policyholder. For non-life insurance policies, premium income is recognised on a pro-rata basis over the term of the related policy coverage.

Interest income Interest income is recognised in the profit and loss account for all interest-bearing instruments on an accrued basis. Interest income includes coupons earned on fixed-income investment and trading securities and amortisation of accrued discounts and premiums and yield differences.

Commission Fees and commissions from banking and asset management services are recognised in the profit and loss account over the period in which the related services are performed. Fees and commissions with the nature of interest are deferred and amortised on a time-proportionate basis that takes into account the effective yield on the related asset, and are recognised under interest income.

Taxation

Taxation is calculated on the profit before tax shown in the annual accounts, taking into account tax-allowable deductions, charges and exemptions.

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED STATEMENT OF CASH FLOWS OF ING GROUP

The cash flow statement has been drawn up in accordance with the indirect method, distinguishing between cash flows from operating, investing and financing activities.

Cash flows in foreign currencies are translated at the average exchange rates for the year. Where the balance of items in the cash flow statement does not correspond to the movements in the relevant balance sheet items, this is mainly due to differences on translation.

In the net cash flow from operating activities, the profit before tax is adjusted for those items in the profit and loss account and movements in balance sheet items which do not result in actual cash flows during the year.

The net cash flow shown in respect of Lending only relates to transactions involving actual payments or receipts. The *Additions to the provision for loan losses* which is deducted from the item *Lending* in the balance sheet has been adjusted accordingly for the profit before tax and is shown separately in the cash flow statement.

The investments in and disposals of participating interests have been included in the cash flow from investing activities at cost/sales price, insofar as payment was made in cash. The cash assets of the consolidated participating interests concerned have been eliminated from the cost/sales price.

Cash dividends are included in the cash flow from financing activities.

Included in *Cash* are those assets which can be converted into cash without restriction and without material risk of diminution in value as a result of the transaction.

The difference between the net cash flow in accordance with the cash flow statement and the movement in *Cash* in the balance sheet is due to exchange differences and is separately accounted for as part of the reconciliation of the net cash flow and the balance sheet movement in cash.

NOTES TO THE CONSOLIDATED BALANCE SHEET OF ING GROUP

amounts in millions of euros, unless otherwise stated

ASSETS

1 TANGIBLE FIXED ASSETS

TANGIBLE FIXED ASSETS

	2004	2003
Data-processing equipment	**325**	375
Other movable fixed assets	**927**	936
	1,252	1,311
Opening balance	**1,311**	1,415
Additions	**423**	523
Changes in the composition of the group	**-8**	-16
Disposals	**-58**	-79
Depreciation	**-407**	-459
Exchange differences	**-9**	-73
Closing balance	**1,252**	1,311
Gross carrying amount as at 31 December	**3,280**	3,798
Accumulated depreciation as at 31 December	**2,028**	2,487
	1,252	1,311

2 PARTICIPATING INTERESTS

PARTICIPATING INTERESTS

Name of investee	Ownership %	Balance sheet value	Estimated fair value 2004	Ownership %	Balance sheet value	Estimated fair value 2003
Investments in associates:						
Vesteda	**25**	**724**	**724**	25	719	719
Property Fund Iberica	**30**	**134**	**134**	30	115	115
Lion Property Fund	**12**	**116**	**116**	27	134	134
Lion Industrial Trust	**16**	**102**	**102**			
Q-Park N.V.	**19**	**97**	**97**	21	84	84
Lionbrook Property Partnership	**26**	**79**	**79**			
ING UK Property Income Limited Partnership	**45**	**63**	**63**			
ING logistic Property C.V.	**25**	**60**	**60**	50	72	72
ING Retail Property Fund Australia	**30**	**56**	**56**	30	85	85
Postkantoren B.V.	**50**	**49**	**49**	50	47	47
De Goudse Verzekeringen N.V.	**20**	**40**	**40**	20	37	37
N.V. Levensverzekeringsmaatschappij De Hoop	**33**	**19**	**19**	33	19	19
Airport Real Estate Fonds C.V.	**18**	**17**	**17**			
Other investments in associates [1]		**924**	**924**		439	439
		2,480	**2,480**		1,751	1,751
Investments in other participating interests		**723**	**723**		1,246	1,246
Total investments in participating interests		**3,203**	**3,203**		2,997	2,997
Receivables from participating interests		**101**	**101**		170	170
		3,304	**3,304**		3,167	3,167

[1] Among which NRG and SulAmérica.

The balance sheet value of *Participating interests* as at 31 December 2004 included revaluations of EUR 235 million (2003: EUR 268 million). The cost of these Participating interests amounted to EUR 3,529 million (2003: EUR 3,411 million).

NOTES TO THE CONSOLIDATED BALANCE SHEET OF ING GROUP (continued)

MOVEMENTS IN PARTICIPATING INTERESTS

	2004	Associates 2003	2004	Other participating interests 2003	2004	Receivables from participating interests 2003
Opening balance	**1,751**	1,751	**1,246**	952	**170**	180
Additions and advances	**245**	178	**206**	449	**21**	4
Changes in the composition of the group	**80**	-22	**-133**	38	**-75**	
Transition to and from group companies and investments	**651**	-78	**-487**	188		
Revaluations	**60**	149	**-29**	5		
Results from participating interests	**109**	267				
Dividends received	**-127**	-186				
Disposals and redemptions	**-264**	-279	**-103**	-273	**-15**	-15
Impairments			**1**			
Exchange differences	**-25**	-29	**22**	-113		1
Closing balance	**2,480**	1,751	**723**	1,246	**101**	170

3 INVESTMENTS

INVESTMENTS PER TYPE

	2004	2003
Land and buildings, including commuted ground rents	**9,380**	8,994
Shares and convertible debentures	**10,456**	10,688
Fixed-interest securities	**300,417**	244,612
Investments for risk of policyholders	**77,662**	70,552
Other investments	**99**	157
	398,014	335,003

MOVEMENTS IN INVESTMENTS (EXCEPT FOR OTHER INVESTMENTS)

	2004	Land and buildings 2003	2004	Shares and convertible debentures 2003	2004	Fixed-interest interests 2003	2004	Investments for risk of policyholders 2003
Opening balance	**8,994**	10,951	**10,688**	12,278	**244,612**	209,878	**70,552**	64,281
Additions and advances	**1,251**	1,380	**5,334**	6,088	**279,208**	326,128	**34,468**	30,886
Changes in the composition of the group	**409**	-2,032	**-246**	-22	**-1,146**	740		-405
Transfer from other assets						295		
Yield differences					**-636**	-1,439		
Revaluations	**135**	296	**695**	337				
Impairments	**-41**	-17	**-9**	-56	**-44**	-142		
Disposals and redemptions	**-1,318**	-1,372	**-5,909**	-7,728	**-213,727**	-272,643	**-29,382**	-25,370
Exchange differences	**-52**	-217	**-97**	-209	**-7,850**	-18,205	**-4,212**	-7,754
Other movements	**2**	5					**6,236**	8,914
Closing balance	**9,380**	8,994	**10,456**	10,688	**300,417**	244,612	**77,662**	70,552

Non-income-producing investments Investments in connection with the insurance operations with a combined carrying value of EUR 136 million (2003: EUR 224 million) were non-income-producing for the year ended 31 December 2004.

LAND AND BUILDINGS BY INSURANCE AND BANKING OPERATIONS

	Insurance operations 2004	Insurance operations 2003	Banking operations 2004	Banking operations 2003	Total 2004	Total 2003
Land and buildings wholly or partially in use by group companies	**731**	865	**1,535**	1,772	**2,266**	2,637
Other land and buildings	**5,251**	5,159	**1,863**	1,198	**7,114**	6,357
	5,982	6,024	**3,398**	2,970	**9,380**	8,994

The balance sheet value as at 31 December 2004 included revaluations of EUR 1,290 million (2003: EUR 1,487 million). The cost or purchase price amounted to EUR 8,090 million (2003: EUR 7,507 million).

APPRAISAL OF LAND AND BUILDINGS DURING THE LAST FIVE YEARS

in percentages Years of appraisal	
2004	**70**
2003	**13**
2002	**2**
2001	**4**
2000	**11**
	100

SHARES AND CONVERTIBLE DEBENTURES BY INSURANCE AND BANKING OPERATIONS

	Insurance operations 2004	Insurance operations 2003	Banking operations 2004	Banking operations 2003	Total 2004	Total 2003
Listed	**8,960**	8,800	**546**	766	**9,506**	9,566
Unlisted	**950**	1,122			**950**	1,122
	9,910	9,922	**546**	766	**10,456**	10,688

REVALUATION OF SHARES AND CONVERTIBLE DEBENTURES

	2004	2003
Purchase price	**9,416**	9,769
Revaluation:		
– Gross unrealised gains	**2,041**	2,243
– Gross unrealised losses	**1,001**	1,324
	10,456	10,688

As at 31 December 2004, the balance sheet value included shares and convertible debentures which were lent or sold in repurchase transactions amounting EUR 5 million (2003: EUR 5 million) and EUR 9 million (2003: nil), respectively.

Borrowed shares and convertible debentures are not recognised in the balance sheet and amounted EUR 12 million as at 31 December 2004 (2003: EUR 25 million).

FIXED-INTEREST SECURITIES BY INSURANCE AND BANKING OPERATIONS

	Balance sheet value 2004	Balance sheet value 2003	Estimated fair value 2004	Estimated fair value 2003
INSURANCE OPERATIONS				
Debentures and fixed-interest securities	**99,403**	90,116	**106,610**	95,632
Private loans	**5,187**	7,418	**5,808**	8,122
Mortgage loans	**26,932**	25,802	**29,516**	26,421
Other fixed-interest securities	**6,545**	6,239	**6,550**	6,210
	138,067	129,575	**148,484**	136,385
BANKING OPERATIONS				
Debentures and options	**154,824**	109,563	**160,438**	112,714
Other fixed-interest securities	**8,226**	6,467	**8,226**	6,467
	163,050	116,030	**168,664**	119,181
Eliminations	**700**	993	**696**	1,039
	300,417	244,612	**316,452**	254,527

The cost of investments in Fixed-interest securities amounted to EUR 302,380 million as at 31 December 2004 (2003: EUR 247,330 million).

As at 31 December 2004, an amount of EUR 273,067 million (2003: EUR 225,919 million) was expected to be recovered or settled after more than one year from the balance sheet date.

The balance sheet value of Debentures and options in connection with the banking operations as at 31 December 2004 included EUR 3,652 million (2003: EUR 3,159 million) in respect of short-dated government paper.

The balance sheet value as at 31 December 2004 included EUR 164 million (2003: EUR 139 million) in respect of listed securities issued by the group.

As at 31 December 2004, the balance sheet value included fixed-interest securities which were lent or sold in repurchase transactions amounting to EUR 719 million (2003: EUR 2,473 million) and EUR 29,408 million (2003: EUR 21,639 million), respectively.

Borrowed fixed-interest securities are not recognised in the balance sheet and amounted to EUR 2,868 million as at 31 December 2004 (2003: EUR 4,139 million).

INVESTMENTS FOR RISK OF POLICYHOLDERS

	2004	2003
Land and buildings	**18**	23
Shares and convertible debentures	**74,015**	60,772
Fixed-interest securities	**2,673**	8,484
Other investments	**956**	1,273
	77,662	70,552

The cost of Investments for risk of policyholders as at 31 December 2004 was EUR 77,338 million (2003: EUR 70,723 million).

4 LENDING

Lending is subject to credit risk, which means the risk of suffering losses following default by a debtor or counterparty. 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. Although ING Group's portfolio of financial instruments is broadly diversified along industry and product lines, material transactions are completed with other financial institutions. Additionally, mortgages and loans in the Netherlands represent areas of significant credit exposure.

LENDING ANALYSED BY SECURITY

	Netherlands	**International**	**Total 2004**	Netherlands	International	Total 2003
Loans to or guaranteed by public authorities	**7,295**	**17,119**	**24,414**	6,473	16,603	23,076
Loans secured by mortgages	**103,595**	**53,156**	**156,751**	94,125	39,604	133,729
Loans guaranteed by credit institutions	**414**	**702**	**1,116**	701	1,289	1,990
Other private lending	**6,420**	**8,473**	**14,893**	7,009	7,813	14,822
Other corporate loans	**35,897**	**88,639**	**124,536**	36,861	86,722	123,583
	153,621	**168,089**	**321,710**	145,169	152,031	297,200
Provision for loan losses	**-1,072**	**-3,172**	**-4,244**	-1,150	-3,494	-4,644
	152,549	**164,917**	**317,466**	144,019	148,537	292,556

LENDING ANALYSED BY NON-SUBORDINATED AND SUBORDINATED RECEIVABLES

	2004	2003
Non-subordinated	**317,085**	292,016
Subordinated	**381**	540
	317,466	292,556

LENDING ANALYSED BY INDUSTRY

	2004	2003
Private sector:		
– agriculture, horticulture, forestry and fisheries	**2,094**	1,797
– manufacturing	**27,112**	30,503
– service industry	**55,746**	57,012
– financial institutions	**68,897**	60,841
– personal	**144,083**	121,598
– other	**6,600**	5,881
	304,532	277,632
Public authorities	**12,934**	14,924
	317,466	292,556

As at 31 December 2004, assets held under finance lease contracts amounted to EUR 11,506 million (2003: EUR 8,310 million) and assets held under operating lease contracts amounted to EUR 2,150 million (2003: EUR 3,215 million).

As at 31 December 2004, the balance sheet value of receivables included in *Lending*, of which interest income was not recognised in the profit and loss account because realisation of the interest income is almost certainly not to be expected, amounted to EUR 3,427 million (2003: EUR 3,564 million).

As at 31 December 2004, *Lending* included receivables with regard to securities which have been acquired in reverse repurchase transactions related to the banking operations amounting to EUR 44,279 million (2003: EUR 35,703 million).

NOTES TO THE CONSOLIDATED BALANCE SHEET OF ING GROUP (continued)

Provision for loan losses The provision for loan losses is allocated to *Lending*, *Banks* and other assets.

ALLOCATION OF THE PROVISION FOR LOAN LOSSES TO THE VARIOUS LENDING CATEGORIES

	Netherlands	**International**	**Total 2004**	Netherlands	International	Total 2003
Loans secured by public authorities		**36**	**36**		30	30
Loans secured by mortgages	**199**	**213**	**412**	164	238	402
Loans guaranteed by credit institutions		**5**	**5**		1	1
Other private lending	**181**	**344**	**525**	258	385	643
Other corporate loans and guarantees	**692**	**2,574**	**3,266**	728	2,840	3,568
Allocated to *Lending*	**1,072**	**3,172**	**4,244**	1,150	3,494	4,644
Allocated to *Banks*		**18**	**18**		27	27
Allocated to other assets	**14**	**180**	**194**	16	148	164
	1,086	**3,370**	**4,456**	1,166	3,669	4,835

MOVEMENTS IN PROVISION FOR LOAN LOSSES INCLUDED IN LENDING, BANKS AND OTHER ASSETS

	2004	2003
Opening balance	**4,835**	5,136
Changes in the composition of the group	**-38**	87
Write-offs	**-956**	-1,338
Recoveries	**85**	48
Additions from:		
– value adjustments to receivables	**465**	1,125
– interest income	**84**	123
Other movements	**-19**	-346
Closing balance	**4,456**	4,835

5 BANKS

BANKS

	Netherlands	**International**	**Total 2004**	Netherlands	International	Total 2003
Loans and advances to banks	**6,909**	**25,769**	**32,678**	7,877	19,088	26,965
Cash advances, overdrafts and other balances	**1,733**	**22,907**	**24,640**	1,674	32,448	34,122
	8,642	**48,676**	**57,318**	9,551	51,536	61,087
Provision for loan losses			**-18**			-27
			57,300			61,060

As at 31 December 2004, *Banks* included receivables with regard to securities, which have been acquired in reverse repurchase transactions amounting to EUR 22,915 million (2003: EUR 14,494 million).

As at 31 December 2004, the non-subordinated receivables amounted to EUR 57,034 million (2003: EUR 60,514 million) and the subordinated receivables amounted to EUR 266 million (2003: EUR 546 million).

As at 31 December 2004, assets held under finance lease contracts amounted to EUR 158 million (2003: EUR 134 million) and assets held under operating lease contracts amounted to EUR 60 million (2003: EUR 158 million).

6 CASH

CASH

	2004	2003
Cash and bank balances	**8,659**	11,423
Call money of the insurance operations	**148**	315
	8,807	11,738

As at 31 December 2004, Cash and bank balances included cash and balances with central banks of EUR 6,476 million (2003: EUR 8,838 million).

7 OTHER ASSETS

OTHER ASSETS

	2004	2003
Trading portfolio	**46,337**	38,911
Equity participations	**766**	1,295
Property	**1,874**	1,820
Deferred tax assets	**1,028**	901
Receivables on account of direct insurance from:		
– policyholders	**2,298**	2,497
– intermediaries	**327**	411
Reinsurance receivables	**388**	567
Income tax receivables	**232**	443
Pension assets and other staff-related assets	**354**	179
Other receivables	**5,306**	6,449
	58,910	53,473

As at 31 December 2004, an amount of EUR 3,796 million (2003: EUR 3,905 million) was expected to be recovered or settled after more than one year from the balance sheet date.

An analysis of pension assets/liabilities and other staff-related assets/liabilities is included under *General provisions*.

DEFERRED TAX ASSETS AS AT 31 DECEMBER BY ORIGIN

	2004	2003
Deferred tax assets relating to:		
– insurance provisions	**83**	1,226
– other provisions	**157**	620
– unused tax losses carried forward	**459**	725
– other	**528**	623
	1,227	3,194
Deferred tax liabilities (offset by deferred tax assets) relating to:		
– investments	**71**	147
– deferred acquisition costs	**48**	947
– general provisions		1,036
– other	**80**	163
	199	2,293
	1,028	901

NOTES TO THE CONSOLIDATED BALANCE SHEET OF ING GROUP (continued)

DEFERRED TAX ASSETS IN CONNECTION WITH UNUSED TAX LOSSES CARRIED FORWARD

	2004	2003
Total unused tax losses carried forward	**3,470**	4,312
Unused tax losses carried forward not recognised as a deferred tax asset	**1,817**	1,868
Unused tax losses carried forward recognised as a deferred tax asset	**1,653**	2,444
Average tax rate	**27.8%**	29.7%
Deferred tax asset	**459**	725

TOTAL UNUSED TAX LOSSES CARRIED FORWARD AS AT 31 DECEMBER ANALYSED BY EXPIRATION TERMS

	2004	2003
– up to five years	**630**	742
– five to ten years	**332**	360
– ten to twenty years	**938**	1,677
– unlimited	**1,570**	1,533
	3,470	4,312

8 ACCRUED ASSETS

ACCRUED ASSETS

	2004	2003
Accrued interest and rents	**8,345**	7,945
Deferred acquisition costs of insurance business	**10,350**	9,760
Other accrued assets	**2,453**	2,758
	21,148	20,463

As at 31 December 2004, Other accrued assets included options held by the group for the account and risk of customers amounting to EUR 52 million (2003: EUR 64 million). These are customers' options, which are not segregated from the assets and liabilities of the group and, therefore, included in the balance sheet. The associated liability is included in *Other liabilities*.

As at 31 December 2004, an amount of EUR 11,535 million (2003: EUR 9,971 million) was expected to be recovered or settled after more than one year from balance sheet date.

DEFERRED ACQUISITION COSTS OF INSURANCE BUSINESS BY GEOGRAPHICAL AREA

		Life insurance		Non-life insurance		Total
	2004	2003	**2004**	2003	**2004**	2003
Netherlands	**443**	466	**60**	62	**503**	528
Belgium	**47**	52	**18**	16	**65**	68
Rest of Europe	**209**	189	**4**	3	**213**	192
North America	**5,923**	5,890	**246**	193	**6,169**	6,083
Latin America	**74**	74	**99**	56	**173**	130
Asia	**3,226**	2,729	**2**	2	**3,228**	2,731
Australia				29		29
Other	**-1**	-1			**-1**	-1
	9,921	9,399	**429**	361	**10,350**	9,760

MOVEMENTS IN DEFERRED ACQUISITION COSTS OF INSURANCE BUSINESS

	Life insurance 2004	Life insurance 2003	Non-life insurance 2004	Non-life insurance 2003	Total 2004	Total 2003
Opening balance	**9,399**	10,299	**361**	337	**9,760**	10,636
Capitalised	**2,854**	1,997	**262**	148	**3,116**	2,145
Amortisation	**-1,808**	-1,244	**-219**	-118	**-2,027**	-1,362
Changes in the composition of the group		-28	**37**	-2	**37**	-30
Exchange differences	**-527**	-1,619	**-12**	-16	**-539**	-1,635
Transfer of portfolios	**3**	-6		12	**3**	6
Closing balance	**9,921**	9,399	**429**	361	**10,350**	9,760

EQUITY AND LIABILITIES

9 SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY

	2004	2003
Opening balance	**21,331**	18,254
Unrealised revaluations after taxation	**1,008**	528
Exchange differences	**-966**	-1,123
Net profit not recognised in the profit and loss account	**42**	-595
Realised revaluations released to the profit and loss account	**-932**	-258
Write-off of goodwill	**-119**	-145
Net profit for the period	**5,968**	4,043
Dividend paid	**-2,093**	-1,995
Issue of shares	**1,694**	1,977
	25,891	21,281
Changes in ING Groep N.V. shares held by group companies	**-25**	50
Closing balance	**25,866**	21,331

10 PREFERENCE SHARES OF GROUP COMPANIES

Preference shares of group companies consists of noncumulative guaranteed Trust Preferred Securities which are issued by wholly owned subsidiaries of ING Groep N.V. These securities have a liquidation preference of a certain amount plus any accrued interest and unpaid dividend. Dividends with regard to these preferred securities are accounted for, after tax, in *Third-party interests* in the profit and loss account. These Trust Preferred Securities generally have no voting rights.

PREFERENCE SHARES OF GROUP COMPANIES

Number of shares (in millions)	Interest rate	Year of issue	Liquidation preference per share (in USD)	Balance sheet value 2004	Balance sheet value 2003
1.5	8.439	2000	1,000	**1,100**	1,189
10	9.2	2000	25	**183**	198
20	7.7	1999	25		396
				1,283	1,783

These Trust Preferred Securities have been issued to raise Tier-1 capital for ING Bank N.V.

11 SUBORDINATED LOANS

Subordinated loans consists of perpetual subordinated bonds issued by ING Groep N.V. These bonds have been issued to raise hybrid capital for ING Verzekeringen N.V. and Tier-1 capital for ING Bank N.V.

SUBORDINATED LOANS

	National amount	Interest rate	Year of issue	First call date	Balance sheet value 2004	Balance sheet value 2003
EUR	1,000	Variable	2004	30 June 2014	**1,000**	
USD	500	6.2	2003	15 January 2009	**366**	396
EUR	750	Variable	2003	30 June 2013	**750**	750
USD	1,100	7.2	2002	15 December 2007	**807**	872
USD	800	7.05	2002	15 September 2007	**586**	634
EUR	600	6.5	2001	28 September 2006	**600**	600
					4,109	3,252

EUR 3,743 million (2003: EUR 2,256 million) of these loans has been subsequently provided as subordinated loans by ING Groep N.V. to ING Bank N.V. under the same conditions as the original bonds.

EUR 366 million (2003: EUR 396 million) has been subsequently provided as subordinated loan by ING Groep N.V. to ING Verzekeringen N.V. under the same conditions as the original bonds.

12 GENERAL PROVISIONS

GENERAL PROVISONS

	2004	2003
Deferred tax liabilities	**2,138**	1,900
Reorganisations and relocations	**253**	236
Other	**611**	604
	3,002	2,740

As at 31 December 2004, an amount of EUR 2,457 million (2003: EUR 2,271 million) was expected to be settled after more than one year from balance sheet date.

MOVEMENTS IN GENERAL PROVISIONS

	Deferred tax liabilities 2004	Deferred tax liabilities 2003	Reorganisations and relocations 2004	Reorganisations and relocations 2003	Other 2004	Other 2003
Opening balance	**1,900**	2,439	**236**	255	**604**	795
Changes in the composition of the group	**151**	-29	**-10**	35	**-60**	74
Additions	**772**	569	**152**	62	**262**	46
Releases	**-379**	-194	**-5**		**-20**	-32
Charges	**-284**	-794	**-118**	-108	**-162**	-219
Exchange differences	**-22**	-91	**-2**	-8	**-13**	-60
Closing balance	**2,138**	1,900	**253**	236	**611**	604

Deferred tax liabilities

PROVISION FOR DEFERRED TAX LIABILITIES BY ORIGIN

	2004	2003
Deferred tax assets (offset by deferred tax liabilities) relating to:		
– insurance provisions	**1,531**	571
– other provisions	**12**	46
– unused tax losses carried forward	**336**	117
– equalisation reserve	**33**	718
– other	**713**	138
	2,625	1,590
Deferred tax liabilities relating to:		
– investments	**1,352**	1,442
– deferred acquisition costs	**2,623**	791
– equalisation reserve		259
– depreciation	**76**	3
– general provisions	**318**	460
– receivables	**75**	55
– loans	**56**	93
– other	**263**	387
	4,763	3,490
	2,138	1,900

DEFERRED TAX ASSET (OFFSET BY DEFERRED TAX LIABILITIES) IN CONNECTION WITH UNUSED TAX LOSSES CARRIED FORWARD

	2004	2003
Total unused tax losses carried forward	**1,047**	638
Unused tax losses carried forward not recognised as a deferred tax asset	**64**	85
Unused tax losses carried forward recognised as a deferred tax asset	**983**	553
Average tax rate	**34.2%**	21.2%
Deferred tax asset	**336**	117

TOTAL UNUSED TAX LOSSES CARRIED FORWARD AS AT 31 DECEMBER BY EXPIRATION TERMS

	2004	2003
– up to five years	**268**	416
– five to ten years	**44**	15
– ten to twenty years	**657**	
– unlimited	**78**	207
	1,047	638

Pension liabilities and other staff-related liabilities

ING Group maintains defined benefit retirement plans in the major countries in which it operates. These plans generally cover all employees and provide benefits that are related to the remuneration and service of employees upon retirement. On condition the plan assets are sufficient, the benefits from many of these plans are subject to some form of indexation.

Annual contributions are paid to the funds at a rate necessary to adequately finance the accrued liabilities of the plans calculated in accordance with local legal requirements.

Plans in other countries comply with applicable local regulations concerning investments and funding levels.

NOTES TO THE CONSOLIDATED BALANCE SHEET OF ING GROUP (continued)

ING Group provides other post-employment and post-retirement employee benefits to certain employees. These are primarily post-retirement healthcare benefits and post-employment defined benefit early-retirement plans provided to employees and former employees.

Certain group companies sponsor defined contribution pension plans. These do not give rise to balance sheet provisions, other than relating to short-term timing differences included in current liabilities.

SUMMARY OF PENSION LIABILITIES AND OTHER STAFF-RELATED LIABILITIES

		Pension liabilities		Healthcare		Other		Total
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
Defined benefit obligation	**13,222**	11,710	**710**	614	**289**	335	**14,221**	12,659
Fair value of plan assets	**10,664**	9,651			**171**	217	**10,835**	9,868
	2,558	2,059	**710**	614	**118**	118	**3,386**	2,791
Unrecognised past service costs	**-62**	-1	**18**	6	**59**		**15**	5
Unrecognised gains/(losses)	**-3,580**	-2,913	**-162**	-98	**-13**	36	**-3,755**	-2,975
	-1,084	-855	**566**	522	**164**	154	**-354**	-179

MOVEMENTS IN PENSION LIABILITIES AND OTHER STAFF-RELATED LIABILITIES

		Pension liabilities		Healthcare		Other		Total
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
Opening balance	**-855**	-911	**522**	501	**154**	240	**-179**	-170
Plan adjustments	**13**						**13**	
Benefit costs	**525**	537	**69**	49	**9**	9	**603**	595
Employer's contribution	**-664**	-527	**-16**	-3	**2**	-94	**-678**	-624
Changes in the composition of the group	**-113**						**-113**	
Effect of curtailment or settlement	**-1**	3		-1			**-1**	2
Exchange differences	**11**	43	**-9**	-24	**-1**	-1	**1**	18
Closing balance	**-1,084**	-855	**566**	522	**164**	154	**-354**	-179

As at 31 December 2004, the defined benefit obligation consisted of funded plans amounting to EUR 12,660 million (2003: EUR 11,226 million) and unfunded plans amounting to EUR 1,561 million (2003: EUR 1,433 million).

The assets of funded plans primarily consist of debt securities, equity and real estate funds, of which as at 31 December 2004 EUR 16 million (2003: EUR 60 million) was invested in securities issued by the employer and related parties, including shares of ING Groep N.V.

Because the balance of Pension liabilities and other staff-related liabilities at 31 December 2004 is an asset, the amount is included in the balance sheet under *Other assets*.

13 INSURANCE PROVISIONS

INSURANCE PROVISIONS

	Gross 2004	Gross 2003	Reinsurance element 2004	Reinsurance element 2003	Own account 2004	Own account 2003
Provision for life policy liabilities	**125,805**	119,830	**4,106**	2,947	**121,699**	116,883
Provision for profit sharing and rebates	**849**	795			**849**	795
Provision for unearned premiums and unexpired insurance risks	**2,862**	3,174	**353**	687	**2,509**	2,487
Claims provision	**8,511**	7,911	**1,134**	614	**7,377**	7,297
Other insurance provisions	**17**	21			**17**	21
	138,044	131,731	**5,593**	4,248	**132,451**	127,483
Insurance provisions for policies for which the policyholders bear the investment risk	**78,807**	71,687	**1,151**	1,135	**77,656**	70,552
	216,851	203,418	**6,744**	5,383	**210,107**	198,035

The insurance provisions are generally of a long-term nature.

INSURANCE PROVISIONS OWN ACCOUNT BY GEOGRAPHICAL AREA

	Provision for life policy liabilities 2004	Provision for life policy liabilities 2003	Insurance provisions for policies for which the policy-holders bear the investment risk 2004	Insurance provisions for policies for which the policy-holders bear the investment risk 2003	Claims provision 2004	Claims provision 2003	Other 2004	Other 2003	Total 2004	Total 2003
Netherlands	**39,264**	37,485	**15,472**	14,883	**3,364**	3,409	**874**	911	**58,974**	56,688
Belgium	**6,732**	5,604	**3,248**	2,945	**510**	483	**181**	163	**10,671**	9,195
Rest of Europe	**4,479**	3,966	**1,708**	1,208	**26**	21	**70**	75	**6,283**	5,270
North America	**52,395**	53,981	**46,912**	44,020	**2,994**	2,626	**1,404**	1,194	**103,705**	101,821
Latin America	**2,168**	2,011	**66**	59	**232**	231	**572**	550	**3,038**	2,851
Asia	**16,586**	13,586	**4,251**	1,966	**21**	21	**272**	216	**21,130**	15,789
Australia	**75**	249	**5,999**	5,471		228		163	**6,074**	6,111
Other		1			**230**	278	**2**	31	**232**	310
	121,699	116,883	**77,656**	70,552	**7,377**	7,297	**3,375**	3,303	**210,107**	198,035

MOVEMENTS IN THE CLAIMS PROVISION FOR OWN ACCOUNT

	2004	2003
Opening balance	7,297	7,299
Changes in the composition of the group	215	-13
	7,512	7,286
Additions:		
– for the current year	3,609	3,579
– for prior years	-311	-15
– interest accrual of provision for disability losses	123	82
	3,421	3,646
Claim settlements and claim settlement costs:		
– for the current year	1,685	1,914
– for prior years	1,711	1,518
	3,396	3,432
Exchange differences	-119	-198
Other movements	-41	-5
Closing balance	7,377	7,297

14 FUNDS ENTRUSTED TO AND DEBT SECURITIES OF THE BANKING OPERATIONS

FUNDS ENTRUSTED TO AND DEBT SECURITIES OF THE BANKING OPERATIONS

	2004	2003
Savings accounts	221,121	168,168
Other funds entrusted	144,040	137,284
Funds entrusted to the banking operations	365,161	305,452
Debt securities	70,746	72,372
	435,907	377,824

FUNDS ENTRUSTED TO THE BANKING OPERATIONS BY TYPE

	Netherlands	International	Total 2004	Netherlands	International	Total 2003
Non-interest bearing	13,223	1,807	15,030	13,763	2,707	16,470
Interest-bearing	105,874	244,257	350,131	96,438	192,544	288,982
	119,097	246,064	365,161	110,201	195,251	305,452

No funds have been entrusted to ING Group by customers on terms other than those prevailing in the normal course of business. As at 31 December 2004, *Funds entrusted to and debt securities of the banking operations* included liabilities with regard to securities sold in repurchase transactions amounting to EUR 20,892 million (2003: EUR 13,723 million).

Savings accounts
Savings accounts relates to the balances on savings accounts, savings books, savings deposits and time deposits of personal customers. The interest payable on Savings accounts, which is contractually added to the accounts, is also included.

Other funds entrusted

OTHER FUNDS ENTRUSTED BY TYPE

	2004	2003
Private loans	**1,539**	1,729
Mortgage loans	**68**	50
Corporate time deposits	**43,020**	42,832
Credit balances on customer accounts	**99,413**	92,673
	144,040	137,284

Funds entrusted to the banking operations
Funds entrusted to the banking operations relates to non-subordinated debts to non-banks, other than in the form of debt securities.

Debt securities
Debt securities includes debentures and other issued debt securities with either fixed-interest rates or interest rates dependent on prevailing interest-rate levels, such as certificates of deposit and accepted bills issued by the group, where not subordinated.

15 BANKS

Banks includes non-subordinated debt to banks, other than in the form of debt securities. As at 31 December 2004, liabilities with regard to securities sold in repurchase transactions amounted to EUR 41,206 million (2003: EUR 20,979 million).

BANKS BY TYPE

	Netherlands	International	Total 2004	Netherlands	International	Total 2003
Non-interest bearing	**280**	**1,964**	**2,244**	115	2,282	2,397
Interest-bearing	**44,996**	**65,557**	**110,553**	29,369	70,349	99,718
	45,276	**67,521**	**112,797**	29,484	72,631	102,115

16 OTHER LIABILITIES

OTHER LIABILITIES BY TYPE

	2004	2003
Subordinated loans of group companies	**15,675**	14,511
Debenture loans	**9,481**	9,961
Loans contracted	**4,540**	5,500
Loans from credit institutions	**3,438**	3,672
Deposits from reinsurers	**549**	239
Income tax	**1,072**	1,296
Other taxation and social security contributions	**437**	540
Trading portfolio	**14,822**	12,316
Payable to credit institutions	**2,060**	1,598
Other deposits	**1,689**	1,891
Other	**8,410**	9,599
	62,173	61,123

NOTES TO THE CONSOLIDATED BALANCE SHEET OF ING GROUP (continued)

OTHER LIABILITIES BY REMAINING TERM

	Up to 1 year	1 to 5 years	Over 5 years 2004	Up to 1 year	1 to 5 years	Over 5 years 2003
Subordinated loans of group companies	**843**	**2,854**	**11,978**	673	4,217	9,621
Debenture loans	**2,604**	**5,011**	**1,866**	765	6,148	3,048
Loans contracted	**3,499**	**879**	**162**	4,403	794	303
Loans from credit institutions	**3,077**	**343**	**18**	3,029	624	19
Deposits from reinsurers	**397**	**99**	**53**	73	109	57
Income tax	**827**	**238**	**7**	1,121	147	28
Other taxation and social security contributions	**423**	**12**	**2**	520	16	4
Trading portfolio	**14,822**			12,258	14	44
Payable to credit institutions	**2,060**			1,598		
Other deposits	**1,128**	**171**	**390**	1,316	186	389
Other	**8,232**	**163**	**15**	9,559	34	6
	37,912	**9,770**	**14,491**	35,315	12,289	13,519

OTHER LIABILITIES BY ACTIVITY

	2004	2003
Liabilities relating to direct insurance	**1,532**	1,983
Liabilities relating to reinsurance	**173**	298

Non-subordinated debenture loans, loans contracted and deposits of the banking operations are included in *Funds entrusted to and debt securities of the banking operations* and in *Banks*.

Subordinated loans of group companies relates to capital debentures and private loans, which are subordinated to all current and future liabilities of ING Bank N.V. or Postbank N.V. The average interest rate on the subordinated loans is 5.6% (2003: 6.1%).

Debenture loans have been issued with an average interest rate of 5.5% (2003: 5.7%) and are repayable in the years 2005 to 2036. The loans are denominated in various currencies. Some of the loans have been converted into U.S. dollars by means of currency swaps. Others have been converted into loans with a variable-interest rate by means of interest-rate swaps. As at 31 December 2004, loans amounting to EUR 8,540 million (2003: EUR 8,810 million) bore an average fixed-interest rate of 5.6% (2003: 5.9%). The remaining EUR 941 million (2003: EUR 1,151 million) bore an average variable-interest rate of 4.1% (2003: 4.0%).

The average interest rate of Loans contracted with fixed-interest rates, with a remaining principal amount of EUR 1,045 million (2003: EUR 1,087 million), was 6.6% (2003: 6.5%). The remaining EUR 3,495 million (2003: EUR 4,413 million) bore an average variable-interest rate of 1.7% (2003: 1.1%). These loans are repayable in the years 2005 to 2021.

The average interest rate of Loans from credit institutions with fixed-interest rates, with a remaining principal amount of EUR 2,695 million (2003: EUR 2,556 million), was 2.8% (2003: 2.7%). The remaining EUR 743 million (2003: EUR 1,116 million) bore an average variable-interest rate of 2.1% (2003: 1.2%). As at 31 December 2004, loans totalling EUR 4 million (2003: EUR 5 million) were secured by mortgages.

17 ACCRUED LIABILITIES

ACCRUED LIABILITIES

	2004	2003
Accrued interest	**6,502**	6,250
Costs payable	**2,243**	2,462
Yield differences on fixed-interest investments		126
	8,745	8,838

Because the balance of the provision for yield differences at 31 December 2004 is an asset amounting to EUR 229 million, the amount is included in the balance sheet under *Accrued assets*.

As at 31 December 2004, an amount of EUR 1,148 million (2003: EUR 616 million) was expected to be settled after more than one year from the balance sheet date.

ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED BALANCE SHEET OF ING GROUP

amounts in millions of euros, unless stated otherwise

ANALYSIS OF CERTAIN ASSETS AND LIABILITIES BY MATURITY

2004	On demand	Up to three months	Three months to one year	One year to five years	Over five years	Total
ASSETS						
Lending	**18,669**	**73,252**	**24,761**	**56,273**	**144,511**	**317,466**
Banks	**5,300**	**39,067**	**6,002**	**4,389**	**2,542**	**57,300**
LIABILITIES						
Funds entrusted to and debt securities of the banking operations:						
– Savings accounts	**191,789**	**22,002**	**2,660**	**3,846**	**824**	**221,121**
– Other funds entrusted	**72,664**	**50,907**	**10,609**	**5,333**	**4,527**	**144,040**
– Debt securities	**3**	**27,322**	**9,377**	**22,701**	**11,343**	**70,746**
Banks	**15,198**	**79,379**	**14,343**	**2,945**	**932**	**112,797**

2003	On demand	Up to three months	Three months to one year	One year to five years	Over five years	Total
ASSETS						
Lending	23,474	74,067	20,406	49,834	124,775	292,556
Banks	7,854	38,089	7,864	4,428	2,825	61,060
LIABILITIES						
Funds entrusted to and debt securities of the banking operations:						
– Savings accounts	149,910	11,226	2,846	3,274	912	168,168
– Other funds entrusted	68,688	44,804	12,437	4,812	6,543	137,284
– Debt securities	343	26,482	16,770	19,933	8,844	72,372
Banks	18,775	65,312	14,320	1,243	2,465	102,115

ASSETS NOT FREELY DISPOSABLE

The assets not freely disposable primarily consist of interest-bearing securities pledged to secure deposits from the Dutch Central Bank and other banks, serve to secure margin accounts and are used for other purposes required by law. Of these assets EUR 8,632 million (2003: EUR 5,658 million) relates to guarantees provided for certain liabilities included in the balance sheet as well as off-balance sheet contingent liabilities.

ASSETS NOT FREELY DISPOSABLE

	Funds entrusted and debt securities		Banks		Coningent liabilities		Guarantees for off-balance sheet items		Total	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
Investments	**2,846**	751	**50**	2,480	**1**	42	**715**	567	**3,612**	3,840
Lending	**2,863**	895	**403**	422	**9**	2			**3,275**	1,319
Banks	**42**	303	**589**	288					**631**	591
Other assets	**340**	170	**1,448**	294	**41**	11			**1,829**	475
	6,091	2,119	**2,490**	3,484	**51**	55	**715**	567	**9,347**	6,225

OFF-BALANCE SHEET ARRANGEMENTS

Contingent liabilities

In the normal course of business ING Group is a party in activities whose risks are not reflected in whole or part in the consolidated financial statements. In response to the needs of its customers, ING Group offers financial products related to loans. These products include traditional off-balance sheet credit-related financial instruments.

CONTINGENT LIABILITIES

	2004	2003
INSURANCE OPERATIONS		
Commitments concerning investments in land and buildings	**507**	652
Commitments concerning fixed-interest securities	**1,424**	1,301
Guarantees	**1,082**	1,232
Other	**546**	605
BANKING OPERATIONS		
Contingent liabilities in respect of:		
– guarantees	**17,080**	17,115
– irrevocable letters of credit	**6,233**	5,356
– other	**378**	355
	27,250	26,616
Irrevocable facilities	**69,011**	66,640
	96,261	93,256

Guarantees relate both to credit and non-credit substitute guarantees. Credit-substitute guarantees are guarantees given by ING Group in respect of credit granted to customers by a third party. Many of them are expected to expire without being drawn on and therefore do not necessarily represent future cash outflows. The guarantees are generally of a short-term nature. The guarantees include credit default swaps in which ING sold credit protection amounting to EUR 1,981 million as at 31 December 2004 (2003: EUR 1,968 million). In addition to the items included in contingent liabilities, ING Group has issued guarantees as a participant in collective arrangements of national industry bodies and as participant in government required collective guarantee schemes which apply in different countries. The decrease of the guarantees of insurance operations was caused by the expiration of guarantees for a derivative portfolio.

Irrevocable letters of credit mainly secure payments to a third party for a customer's foreign and domestic trade transactions in order to finance a shipment of goods. ING Group's credit risk in these transactions is limited since these transactions are collateralised by the commodity shipped and are of a short duration.

Other contingent liabilities mainly relate to acceptances of bills and are of a short-term nature.

Irrevocable facilities mainly constitute unused portions of irrevocable credit facilities granted to corporate clients. Many of these facilities are for a fixed duration and bear interest at a floating rate. ING Group's credit risk in these transactions is limited. Most of the unused portion of irrevocable credit facilities is secured by customers’ assets or counter-guarantees by the central government and exempted bodies under the regulatory requirements. Irrevocable facilities also include commitments made to purchase securities to be issued by governments and private issuers.

Special Purpose Entities (SPE)

ING Group has established a number of SPEs and engages in activities with SPEs, for example as investor, administrator or provider of other financial services. A number of SPEs which are controlled by ING Group are included in the consolidated financial statements.

Asset-backed commercial-paper conduits The non-consolidated SPEs include asset-backed commercial-paper programmes. In the normal course of business, ING Group structures financing transactions for its clients assisting them in obtaining sources of liquidity by selling the clients’ receivables or other financial assets to an SPE. The SPE issues asset-backed commercial paper to the market to fund the purchases. ING Group, in its role as administrative agent, facilitates these transactions by providing structuring, accounting, funding and operations services. As ING Group has no ownership and controlling interest in the SPE nor does it service the transferred assets, the SPE is not included in the consolidated financial statements.

ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED BALANCE SHEET OF ING GROUP (continued)

ING Group supports the commercial paper programs by providing the SPE with short-term stand-by liquidity facilities. Primarily these liquidity facilities are meant to cover temporarily disruptions in the commercial-paper market. Once drawn these facilities bear normal credit risk. A number of programmes are supported by granting structured liquidity facilities to the SPE, in which ING Group - in addition to normal liquidity facilities - to a certain extent covers the credit risk incorporated in these programs itself, and as a consequence might suffer credit losses from it. Furthermore, under a Program Wide Credit Enhancement ING Group guarantees to a limited amount all remaining losses incorporated in the SPE to the commercial-paper investors. All facilities, which vary in risk profile, are granted to the SPE subject to normal ING Group analysis procedures regarding credit risk and liquidity risk. The fees received for services provided and for facilities are charged on market conditions.

The normal non-structured stand by liquidity facilities and the structured facilities are reported under irrevocable facilities.

Collateralised debt obligations (CDO)-transactions Within ING Group, SPEs are used for CDO transactions. In a typical CDO transaction an SPE is used to issue structured, rated securities which are backed (or collateralised) by a pool of transferable debt securities. In these transactions ING often has different roles:
- the arranger of the transaction; ING structures the SPE, acquires the assets for the SPE and sells the CDOs to investors;
- collateral manager of the assets in the SPE; ING manages the assets based on strict conditions of the SPEs charter;
- investor.

ING Group receives market-rate fees for structuring, (asset) managing and distributing CDO-securities to investors.

Other entities ING Group is also party in other SPEs used in for instance structured finance and leasing transactions.

FUTURE RENTAL COMMITMENTS

FUTURE RENTAL COMMITMENTS FOR LEASE CONTRACTS AS AT 31 DECEMBER 2004

2005	**100**
2006	**81**
2007	**68**
2008	**58**
2009	**51**
years after 2009	**152**

LEGAL PROCEEDINGS

ING Group companies are involved in litigation and arbitration proceedings in the Netherlands and in a number of foreign jurisdictions, including the United States, involving claims by and against them which arise in the ordinary course of their businesses, including in connection with their activities as insurers, lenders, employers, investors and taxpayers. In certain of such proceedings, very large or indeterminate amounts are sought, including punitive and other damages. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, management does not believe that their outcome will have a material adverse effect on the Group’s financial position or results of operations.

These legal proceedings include a dispute over certain hurricane damage alleged by the Mexican fertilizer producer Grupo Fertinal against ING Comercial América, a wholly owned subsidiary of ING Group. Fertinal claims EUR 238 million (USD 300 million) from ING Comercial América, the maximum coverage under the insurance policy of their mining operations. The case is disputed before a judge in Mexico. ING Comercial América continues to pursue this matter vigorously; however, we cannot assess the final outcome. Fertinal has also made criminal complaints alleging fraud against certain ING Comercial América employees, the outcome of which is also yet unclear.

ING Comercial América also has been the subject of certain complaints and suits concerning the performance of certain interest sensitive life insurance products. ING Comercial América is defending these matters vigorously; however, as of this date, we cannot assess the final outcome of these matters.

In the Netherlands ING Bank N.V., together with other major Dutch banks and the payment processor Interpay (in which ING Bank N.V. has a minority shareholding), were subject of an examination by the Dutch competition authority “Nederlandse Mededingings-autoriteit” or NMa. The NMa has adopted a decision in April 2004 in which it takes the view that ING Bank N.V. and other Dutch banks should have sold payment processing services on an individual basis and imposed a fine of EUR 3.9 million on ING Bank N.V. At the time of the decision, the banks had already decided that they would henceforth sell payment processing services individually. The NMa furthermore held that Interpay committed a separate infringement by charging prices for its services that were in the opinion of the NMa anti-competive. Both Interpay and the Dutch banks (including ING Bank N.V.) have appealed the NMa decision, which is as a result currently under reconsideration by the NMa. If the NMa upon reconsideration decides to maintain its original decision, that decision will be open to judicial review in two instances. It is therefore uncertain whether or not (and to what extent) the NMa decision will become definitive.

Like many other companies in the U.S. mutual funds, brokerage, investment products, and insurance industries, several of our U.S. companies have received informal and formal requests for information from various U.S. and state governmental and self-regulatory agencies in connection with investigations related to fund trading, compensation, conflicts of interest, and sales practices. ING is responding to the requests and working to resolve issues with regulators. One U.S. subsidiary has received notice of recommended disciplinary action by a U.S. regulator. We believe that any issues that have been identified thus far do not represent a systemic problem in the businesses involved and that the outcome of the investigations will not be material to ING Group.

DERIVATIVES

Use of derivatives ING Group uses derivative financial instruments in the normal course of business for non-trading and trading purposes. Derivatives are financial instruments, which include forwards, futures, options and swaps, whose value is based on an underlying asset, index or reference rate.

Non-trading activities ING Group's principal objective in holding or issuing derivatives for non-trading purposes is risk management. To achieve its risk-management objective, ING Group uses a combination of interest-rate instruments, primarily interest-rate swaps. Net positions in foreign currencies are subject to changes in value as exchange rates change. These fluctuations are managed by entering into currency swaps, forwards and options.

NOTIONAL AMOUNTS AND THE POSITIVE AND NEGATIVE FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS USED FOR NON-TRADING PURPOSES

	Notional amount		Positive year-end fair value		Negative year-end fair value	
	2004	2003	**2004**	2003	**2004**	2003
Interest-rate contracts	**413,574**	332,779	**7,875**	4,512	**6,397**	5,169
Currency contracts	**56,239**	23,654	**750**	664	**1,052**	459
Equity contracts	**5,044**	4,499	**155**	80	**75**	21
	474,857	360,932	**8,780**	5,256	**7,524**	5,649

ING Group's use of these instruments is changed from time to time in response to changing market conditions as well as changes in the mix of the related assets and liabilities.

Trading activities ING Group trades derivative financial instruments on behalf of clients and for its own account. Derivative financial instruments used for risk-management purposes to control risks of trading portfolios are reported as being held for trading purposes.

NOTIONAL AMOUNTS, THE AVERAGE FAIR VALUES AND YEAR-END FAIR VALUES OF TRADING DERIVATIVE FINANCIAL INSTRUMENTS

	Notional amount		Average positive fair value		Average negative fair value		Positive year-end fair value		Negative year-end fair value	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
Interest-rate contracts	**967,298**	859,161	**12,971**	14,542	**12,948**	14,437	**10,078**	11,370	**11,077**	11,152
Currency contracts	**259,584**	269,394	**5,123**	5,300	**5,497**	6,155	**7,064**	5,672	**7,495**	6,785
Equity contracts	**37,924**	42,156	**1,686**	2,391	**1,186**	1,525	**1,576**	1,441	**975**	1,122
	1,264,806	1,170,711	**19,780**	22,233	**19,631**	22,117	**18,718**	18,483	**19,547**	19,059

Credit derivatives As part of its trading activities, ING is also active in the field of credit derivatives. Credit derivatives are contracts in which the credit risk regarding a specified party with respect to certain types of financial instruments is transferred. As at 31 December 2004, ING has sold protection via total return swaps and credit default swaps for a total of EUR 10,060 million (2003: EUR 6,307 million). ING also has bought protection via total return swaps and credit default swaps for a total of EUR 10,903 million (2003: EUR 8,173 million). The fair value of the total return swaps and credit default swaps used to sell protection amounts to EUR 136 million at 31 December 2004 (2003: EUR 123 million). For the total return swaps and credit default swaps used to buy protection the fair value amounts to EUR –145 million at 31 December 2004 (2003: EUR –88 million).

ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED BALANCE SHEET OF ING GROUP (continued)

Numerical information about derivatives activities The following tables give numerical information about the derivatives activities, detailing types of derivatives, credit risks, counterparties and use of the derivatives transactions.

The first table illustrates the relative importance of the various types of derivative products, showing the notional amounts at year-end 2004 and year-end 2003. Notional amounts represent units of account which, in respect of derivatives, reflect the relationship with the underlying assets (bonds, for example, in the case of interest-rate futures). What they do not reflect, however, is the credit risk assumed by entering into derivatives transactions.

Listed derivatives are standardised and include futures and certain option contracts. Over-the-counter derivatives contracts are individually negotiated between contracting parties and include forward contracts, options and swaps.

Forward contracts are commitments to exchange currencies or to buy or sell other financial instruments at specified future dates. Futures contracts are similar to forwards. However, major exchanges act as intermediaries and require daily cash settlement and collateral deposits.

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 give the issuer 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. This subjects 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.

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 amount. Generally, no cash is exchanged at the outset of the contract and no principal payments are made by either party.

The year-end positive fair value represents the maximum loss that ING Group would incur on its derivatives transactions if all its counterparties at year end defaulted. This fair value can and will fluctuate from day to day due to changes in the value of the underlying assets. In order to arrive at an estimate of credit risk at any given time, a margin is added to the fair value figures to arrive, in accordance with internationally accepted criteria, at what is called the unweighted credit equivalents.

The weighted credit equivalents are the unweighted credit equivalents 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. In the case of non-observance of the obligation by the counterparty, this kind of agreement gives the right to net off receivables and payables in respect of open derivatives contracts. The effect of reducing the risk by means of bilateral netting agreements is shown at the bottom of the first table.

OPEN CONTRACTS AS AT YEAR-END

	Notional amount 2004	Positive fair value 2004	Unweighted credit equivalent 2004	Weighted credit equivalent 2004	Notional amount 2003	Positive fair value 2003	Unweighted credit equivalent 2003	Weighted credit equivalent 2003
INTEREST-RATE CONTRACTS								
Over-the-counter:								
– swaps	**1,181,207**	**17,009**	**22,040**	**5,049**	961,211	15,207	19,914	4,700
– forwards	**50,606**	**21**	**24**	**6**	74,393	53	81	21
– options purchased	**67,544**	**920**	**1,311**	**278**	62,689	617	912	247
– options written	**38,163**	**3**			43,389	5		
Listed:								
– options purchased	**2,275**				4,366			
– options written	**2,990**				2,278			
– futures	**38,087**				43,614			
CURRENCY CONTRACTS								
Over-the-counter:								
– swaps	**66,808**	**2,691**	**6,072**	**1,507**	40,589	1,344	3,109	861
– forwards	**211,727**	**4,710**	**7,242**	**1,761**	205,476	4,311	6,852	1,736
– options purchased	**16,455**	**413**	**599**	**141**	29,543	681	1,051	245
– options written	**19,174**				16,207			
Listed:								
– options purchased	**123**				375			
– options written	**136**				317			
– futures	**1,400**				541			
EQUITY CONTRACTS								
Over-the-counter:								
– swaps	**13,692**	**298**	**1,127**	**295**	7,350	267	714	213
– forwards	**1**				10		1	
– options purchased	**8,323**	**708**	**1,406**	**394**	7,182	608	1,130	361
– options written	**2,876**				4,891			
Listed:								
– options purchased	**9,477**	**725**			13,862	646		
– options written	**8,222**				12,304			
– futures	**377**				1,056			
	1,739,663	**27,498**	**39,821**	**9,431**	1,531,643	23,739	33,764	8,384
Effect of contractual netting		**-13,413**	**-16,810**	**-3,678**		-12,441	-15,277	-3,706
		14,085	**23,011**	**5,753**		11,298	18,487	4,678

Collateral held but not meeting the criteria for contractual netting, would additionally reduce the total weighted credit equivalent as at 31 December 2004 with an amount of EUR 573 million (2003: EUR 362 million).

ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED BALANCE SHEET OF ING GROUP (continued)

OPEN CONTRACTS BY REMAINING TERM, BASED ON THE NOTIONAL AMOUNTS, AS AT 31 DECEMBER

2004	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
INTEREST-RATE CONTRACTS							
Over-the-counter:							
– swaps	608,438	129,704	82,239	65,022	66,825	228,979	1,181,207
– forwards	50,004	360	10	32	128	72	50,606
– options purchased	19,316	13,467	6,928	3,895	8,921	15,017	67,544
– options written	6,899	5,925	4,083	2,262	8,008	10,986	38,163
Listed:							
– options purchased	2,275						2,275
– options written	2,990						2,990
– futures	25,624	10,068	2,309	79	7		38,087
CURRENCY CONTRACTS							
Over-the-counter:							
– swaps	14,340	9,165	7,362	6,393	4,557	24,991	66,808
– forwards	196,496	8,909	3,543	1,388	1,266	125	211,727
– options purchased	15,717	534	77	19	1	107	16,455
– options written	18,380	621	41	34	1	97	19,174
Listed:							
– options purchased	123						123
– options written	136						136
– futures	1,261	80	2	57			1,400
EQUITY CONTRACTS							
Over-the-counter:							
– swaps	13,412	28	58	97	23	74	13,692
– forwards	1						1
– options purchased	1,974	864	772	863	273	3,577	8,323
– options written	977	410	544	457	265	223	2,876
Listed:							
– options purchased	4,178	2,263	1,933	921	34	148	9,477
– options written	3,651	1,892	1,413	1,258	8		8,222
– futures	314	63					377
	986,506	184,353	111,314	82,777	90,317	284,396	1,739,663

OPEN CONTRACTS BY REMAINING TERM, BASED ON THE NOTIONAL AMOUNTS, AS AT 31 DECEMBER

2003	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
INTEREST-RATE CONTRACTS							
Over-the-counter:							
– swaps	418,371	130,521	79,899	72,306	53,756	206,358	961,211
– forwards	69,018	5,026	157		32	160	74,393
– options purchased	28,716	6,770	5,831	5,317	3,500	12,555	62,689
– options written	16,402	5,065	5,020	4,387	2,654	9,861	43,389
Listed:							
– options purchased	4,330	6				30	4,366
– options written	2,152	6				120	2,278
– futures	37,256	3,864	1,347	24	321	802	43,614
CURRENCY CONTRACTS							
Over-the-counter:							
– swaps	11,415	6,530	4,982	5,521	3,922	8,219	40,589
– forwards	190,909	8,738	3,171	1,675	775	208	205,476
– options purchased	27,358	1,750	420	2	1	12	29,543
– options written	15,243	908	41	2	1	12	16,207
Listed:							
– options purchased	375						375
– options written	317						317
– futures	365	98	17		61		541
EQUITY CONTRACTS							
Over-the-counter:							
– swaps	7,090	7	27	49	152	25	7,350
– forwards	10						10
– options purchased	3,179	1,579	934	293	669	528	7,182
– options written	2,418	1,188	617	170	338	160	4,891
Listed:							
– options purchased	10,184	1,317	1,029	752	580		13,862
– options written	8,832	1,011	1,342	687	432		12,304
– futures	1,056						1,056
	854,996	174,384	104,834	91,185	67,194	239,050	1,531,643

OPEN CONTRACTS BY COUNTERPARTY

	Notional amount	**Unweighted credit equivalent**	**Weighted credit equivalent 2004**	Notional amount	Unweighted credit equivalent	Weighted credit equivalent 2003
Public sector	**75,241**	**363**		90,025	283	
Banks	**1,517,336**	**34,324**	**6,864**	1,219,686	27,856	5,571
Other	**147,086**	**5,134**	**2,567**	221,932	5,625	2,813
	1,739,663	**39,821**	**9,431**	1,531,643	33,764	8,384

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table presents the estimated fair values of ING Group's financial assets and liabilities. Certain balance sheet items are not included in the table as they do not comply with the definition of a financial asset or liability. The aggregation of the fair values presented hereunder does not represent, and should not be construed as representing, the underlying value of ING Group.

ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED BALANCE SHEET OF ING GROUP (continued)

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

	Estimated fair value	**Balance sheet value 2004**	Estimated fair value	Balance sheet value 2003
FINANCIAL ASSETS				
Participating interests	**3,304**	**3,304**	3,167	3,167
Investments				
– shares and convertible debentures	**10,456**	**10,456**	10,688	10,688
– fixed-interest securities	**316,452**	**300,417**	254,527	244,612
Lending[1]	**308,897**	**303,810**	284,785	281,031
Banks[1]	**58,918**	**57,082**	60,916	60,768
Cash	**8,807**	**8,807**	11,738	11,738
Other assets[2]				
– trading portfolio	**46,337**	**46,337**	38,911	38,911
– equity participations	**484**	**766**	1,403	1,295
– other receivables	**9,347**	**9,347**	10,825	10,825
Accrued assets[3]	**10,798**	**10,798**	10,703	10,703
Derivatives held for non-trading purposes	**8,780**	**3,398**	5,256	2,405
	782,580	**754,522**	692,919	676,143
FINANCIAL LIABILITIES				
Subordinated loans	**4,342**	**4,109**	4,059	3,252
Insurance provisions related to investment-type contracts	**88,575**	**89,684**	84,115	86,076
Funds entrusted to and debt securities of the banking operations	**435,225**	**435,907**	380,126	377,824
Banks	**113,735**	**112,797**	102,330	102,115
Other liabilities	**64,483**	**62,173**	62,880	61,123
Accrued liabilities	**8,745**	**8,745**	8,838	8,838
Derivatives held for non-trading purposes	**7,524**	**2,904**	5,649	1,850
	722,629	**716,319**	647,997	641,078

(1) Lending and Banks do not include receivables from leases.
(2) Other assets does not include property, income tax receivables and pension assets and other staff-related assets.
(3) Accrued assets does not include deferred acquisition costs of insurance business.

The estimated fair values correspond with the amounts at which the financial instruments could have been traded on a fair basis at the balance-sheet date between knowledgeable, willing parties in arm's-length transactions. The fair value of financial assets and liabilities is based on quoted market prices, where available. Because substantial trading markets do not exist for most of these financial instruments various techniques have been developed to estimate their approximate fair values. These techniques are subjective in nature and involve various assumptions about the discount rate and the estimates of the amount and timing of the anticipated future cash flows. Changes in these assumptions could significantly affect the estimated fair values. Consequently, the fair values presented may not be indicative of the net realisable value. In addition, the calculation of the estimated fair value is based on market conditions at a specific point in time and may not be indicative of future fair values.

The following methods and assumptions were used by ING Group to estimate the fair value of the financial instruments.

Financial assets
Participating interests The fair values of the shares of participating interests are based on quoted market prices or, if unquoted, on estimated market values based on quoted prices for similar securities. Fair values of the receivables from participating interests are determined using the same methods as described below for Fixed-interest securities.

Investments The fair values of Shares and convertible debentures are based on quoted market prices or, if unquoted, on estimated market values generally based on quoted prices for similar securities. Fair values for Fixed-interest securities other than mortgage and policy loans are based on quoted market prices, where available. For those securities not actively traded, fair values are estimated using values obtained from private pricing services or by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investment. The fair values of mortgage loans are estimated by discounting future cash flows using interest rates currently being offered for similar loans to borrowers with similar credit ratings. The fair values of fixed-rate policy loans are estimated by discounting cash flows at the interest rates charged on policy loans of similar policies currently being issued. Loans with similar characteristics are aggregated for purposes of the calculations. The fair values of variable-rate policy loans approximate their carrying values.

Lending For loans that are repriced frequently and have had no significant changes in credit risk, carrying amounts represent a reasonable estimate of fair values. The fair values of other loans are estimated by discounting expected future cash flows using interest rates offered for similar loans to borrowers with similar credit ratings. The fair values of nonperforming loans are estimated by discounting the expected cash flows of recoveries.

Banks The fair values of receivables from banks are estimated based on discounting future cash flows using available market interest rates offered for receivables with similar characteristics.

Cash The carrying amount of cash approximates its fair value.

Other assets The fair values of securities in the trading portfolio and equity participations are based on quoted market prices, where available. For those securities not actively traded, fair values are estimated based on internal discounted cash flow pricing models taking into account current cash flow assumptions and the counterparties' credit standings. The carrying amount of Other receivables approximates its fair value.

Accrued assets The carrying amount of accrued assets approximates its fair value.

Financial liabilities

Subordinated loans The fair value of the Subordinated loans is estimated using discounted cash flows based on interest rates that apply to similar instruments.

Insurance provisions related to investment-type contracts (included in insurance provisions) For guaranteed investment contracts the fair values have been estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. For other investment-type contracts, fair values are estimated based on the cash surrender values.

Funds entrusted to and debt securities of the banking operations The carrying values of demand deposits and other deposits with no stated maturity approximate their fair values. The fair values of other deposits with stated maturities have been estimated based on discounting future cash flows using the interest rates currently applicable to deposits of similar maturities.

Banks The fair values of payables to banks are estimated based on discounting future cash flows using available market interest rates for payables to banks with similar characteristics.

Other liabilities For publicly traded debt, the fair values are based on quoted market prices. For non-traded, variable-rate debt, the carrying amounts approximate their fair values. For non-traded, fixed-rate debt, the fair values have been estimated using discounted cash flow calculations based on interest rates charged on similar instruments currently being issued.

Accrued liabilities The carrying amount of accrued liabilities approximates its fair value.

Derivatives The fair values of derivatives held for non-trading purposes are based on broker/dealer valuations or on internal discounted cash flow pricing models taking into account current cash flow assumptions and the counterparties' credit standings. The fair values of derivatives held for non-trading purposes generally reflect the estimated amounts that ING Group would receive or pay to terminate the contracts at the balance sheet date.

ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED BALANCE SHEET OF ING GROUP (continued)

FAIR VALUE OF OTHER OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

	Estimated fair value 2004	Contract amount 2004	Estimated fair value 2003	Contract amount 2003
INSURANCE OPERATIONS				
Commitments concerning investments in land and buildings	**507**	**507**	652	652
Commitments concerning investments in fixed-interest securities	**1,424**	**1,424**	1,301	1,301
Guarantees		**1,082**		1,232
Others		**546**		605
		3,559		3,790

	Risk weighted value 2004	Contract amount 2004	Risk weighted value 2003	Contract amount 2003
BANKING OPERATIONS				
Guarantees	**9,680**	**17,080**	8,695	17,115
Irrevocable letters of credit	**1,499**	**6,233**	1,017	5,356
Irrevocable facilities	**13,074**	**69,011**	12,413	66,640
Other	**333**	**378**	303	355
	24,586	**92,702**	22,428	89,466

For the other off-balance sheet financial instruments the following methods are used in order to determine the fair value.

Insurance operations The fair values of the commitments for investments in land and buildings and commitments concerning investments in fixed-interest securities are the same as their contract amounts on account of their short-term nature.

Banking operations Risk-weighted amounts of the banking operations have been calculated in accordance with the Dutch Central Bank guidelines which are based on the solvency ratio directives of the European Commission. In view of the lack of an established market and difficulties involved in segregating the value of these instruments from their underlying degree of uncertainty, it is not considered to be meaningful to provide an estimate of the fair value for these instruments.

CAPITAL BASE

BREAKDOWN CAPITAL BASE

	Group 2004	Insurance 2004	Bank 2004	Group 2003	Insurance 2003	Bank 2003
Shareholders' equity	**25,866**			21,331		
Preference shares of group companies	**1,283**			1,783		
Subordinated loans	**4,109**			3,252		
Capital base ING Group	**31,258**			26,366		
Core debt (debt raised to finance subsidiaries)	**3,436**			4,441		
	34,694	**14,278** (1)	**20,416** (2)	30,807	12,382 (1)	18,425 (2)
Third party interests		**1,722**	**508**		1,187	553
Subordinated loans ING Verzekeringen N.V.		**2,250**			2,250	
Equity components not included in Tier 1 (3)			**-325**			-353
ING Group shares held and consolidation adjustments		**22**	**540**		25	449
Capital base:						
– ING Verzekeringen N.V.		**18,272**			15,844	
– ING Bank N.V. (Tier-1 qualifying capital)			**21,139**			19,074

(1) Includes EUR 366 million (2003: EUR 396 million) of subordinated loans to ING Insurance.
(2) Includes EUR 5,025 million (2003: EUR 2,256 million) of subordinated loans to ING Bank. In 2004, new subordinated loans have been granted by ING Groep N.V. to ING Bank N.V. for an amount of EUR 2,883 million.
(3) Includes revaluation reserve and dividend declared but not yet paid.

REGULATORY REQUIREMENTS

ING Bank

Capital adequacy and the use of regulatory required capital are based on the guidelines developed by the Basel Committee on Banking Supervision (the Basel Committee) and European Community Directives, as implemented by the Dutch Central Bank (DNB) for supervisory purposes. The minimum Tier-1 ratio is 4% and the minimum total capital ratio (known as the 'BIS ratio') is 8% of all risk-weighted assets, including off-balance sheet items and market risk associated with trading portfolios.

CAPITAL POSITION OF ING BANK

	2004	2003
Shareholders' equity [1]	**13,977**	14,868
Third-party interests	**508**	553
Capital and reserves of Stichting Regio Bank	**507**	469
Subordinated loans qualifying as Tier-1 capital [2]	**5,025**	2,256
Fund for general banking risks	**1,446**	1,281
Dividend preference shares [3]		-118
Revaluation reserve [4]	**-324**	-235
Core capital - Tier 1	**21,139**	19,074
Supplementary capital Tier 2	**10,471**	9,743
Available Tier-3 funds	**357**	138
Deductions	**-534**	-473
Qualifying capital	**31,433**	28,482
Risk-Weighted Assets	**274,138**	251,266
Tier-1 ratio	**7.71%**	7.59%
BIS ratio	**11.47%**	11.34%

[1] As at 31 December 2003, Shareholders' equity included an amount of EUR 3,002 million that qualifies as innovative Tier-1 capital (dated and undated). EUR 2,402 million was raised via Trust Preferred Securities issued by ING Groep N.V. and EUR 600 million was raised by ING Groep N.V. as perpetual subordinated bonds. These amounts have been repaid in 2004.

[2] Subordinated loans qualifying as Tier-1 capital have been placed by ING Groep N.V. with ING Bank N.V. In 2004, new subordinated loans have been granted by ING Groep N.V. to ING Bank N.V. for an amount of EUR 2,883 million.

[3] Dividend declared but not yet paid is deducted as it is not part of Tier-1 capital.

[4] Revaluation reserve is deducted as it is not part of Tier-1 capital (included in Tier 2).

ING Insurance

European Union directives require insurance companies established in member states of the European Union to maintain minimum capital positions. The capital position of ING Insurance has been measured on the basis of this EU requirement.

CAPITAL POSITION OF ING INSURANCE

	Total ING Verzekeringen N.V.	**Non-insurance companies, core debt & other eliminations**	**Insurance companies 2004**	Total ING Verzekeringen N.V.	Non-insurance companies, core debt & other eliminations	Insurance companies 2003
Available capital	**18,272**	**278**	**18,550**	15,844	2,619	18,463
Required capital	**8,697**		**8,697**	8,779		8,779
Surplus capital	**9,575**		**9,853**	7,065		9,684
Ratio of available versus required capital	**210%**		**213%**	180%		210%

ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED BALANCE SHEET OF ING GROUP (continued)

ING Group
According to an agreement ('Protocol') between the Dutch Central Bank and the Pension & Insurance Board regarding the supervision of financial conglomerates, ING Group is required to have an amount of capital, reserves and subordinated loans which are at least equal to the sum of:
– the required capital for the banking activities; and
– the required capital for the insurance activities.
For regulatory purposes certain (external) subordinated loans of ING Bank N.V. and ING Verzekeringen N.V. are included.

REGULATORY REQUIRED CAPITAL ING GROUP

	2004	2003
Shareholders' equity	**25,866**	21,331
Preference shares of group companies	**1,283**	1,783
Subordinated loans	**4,109**	3,252
Capital base ING Group	**31,258**	26,366
Subordinated loans ING Bank N.V. (incl. in Tier 2)	**9,951**	8,979
Subordinated loans ING Verzekeringen N.V.	**2,250**	2,250
Capital base including subordinated loans	**43,459**	37,595
Required capital banking operations	**21,931**	20,101
Required capital insurance operations	**8,697**	8,779
Surplus capital	**12,831**	8,715

RELATED PARTIES

In the normal course of business, ING Group enters into various transactions with related companies. Related companies comprise non-consolidated participating interests and the non-consolidated part of joint-ventures. These transactions are not considered material to ING Group, either individually or in the aggregate. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Transactions have taken place on an at arm's length basis.

RELATED PARTY TRANSACTIONS

	Joint ventures	**Associates 2004**	Joint ventures	Associates 2003
Receivables	**142**	**242**	303	167
Liabilities	**214**	**27**	10	21
Guarantees issued in favour of	**124**	**2**	79	1

Income received from and expenses paid to joint-ventures were EUR 5 million respectively EUR 150 million (2003: nil respectively nil) and income received from and expenses paid to associates were EUR 7 million respectively nil (2003: EUR 7 million respectively EUR 2 million).

amounts in millions of euros, unless stated otherwise

INCOME

18 PREMIUM INCOME

PREMIUM INCOME	2004	2003	2002
Premium income from life insurance policies	**36,975**	33,904	38,899
Premium income from non-life insurance policies	**6,642**	7,288	7,917
	43,617	41,192	46,816

Premium income has been included before deduction of reinsurance and retrocession premiums granted.

Premium income includes EUR 18,472 million (2003: EUR 16,259 million; 2002: EUR 21,460 million) relating to investment type policies of the US, Latin America and Asia-Pacific operations. These policies mainly consist of individual and group fixed and variable annuities and universal life contracts.

19 INCOME FROM INVESTMENTS OF THE INSURANCE OPERATIONS

INCOME FROM INVESTMENTS OF THE INSURANCE OPERATIONS	2004	2003	2002
Income from disposal of group companies	**480**	110	518
Income from land and buildings	**766**	822	872
Income from investments in shares and convertible debentures	**1,009**	510	1,611
Income from investments in fixed-interest securities:			
– debentures	**5,537**	5,485	6,412
– private loans	**329**	151	127
– mortgage loans	**1,664**	1,656	1,781
– policy loans	**171**	183	208
– deposits with credit institutions	**19**	31	49
– professional loans	**16**	17	17
– other	**526**	757	180
Deposits with insurers	**17**	19	14
	10,534	9,741	11,789
Eliminations	**163**	218	73
	10,371	9,523	11,716

As from 2003, additions to the provision for investment losses are reported on a separate line within Total expenditure. Previously these additions were reported as an element of *Income from investments of the insurance operations*. The comparative figures have been adjusted accordingly.

Income from land and buildings includes an amount in respect of rental income allocated to business units of ING Group (the same amount is included in *Other expenses*) of EUR 52 million (2003: EUR 57 million; 2002: EUR 50 million).

Income from investments in land and buildings and shares and convertibles includes realised results on disposal of EUR 1,030 million (2003: EUR 425 million; 2002: EUR 1,357 million).

INCOME FROM INVESTMENTS BY COUNTERPARTY

	2004	2003	2002
ING Group	**2**	4	3
Group companies	**161**	214	70
Third parties	**10,371**	9,523	11,716
	10,534	9,741	11,789

Income from investments for risk of policyholders of EUR 2,309 million (2003: EUR 9,973 million; 2002: EUR -10,642 million) is not included in *Income from investments of the insurance operations*.

20 INTEREST RESULT FROM THE BANKING OPERATIONS

In 2004, interest income includes an amount of EUR 7,186 million (2003: EUR 5,559 million; 2002: EUR 5,075 million) in respect of interest-bearing securities. Interest expense includes an amount of EUR 3,368 million (2003: EUR 3,187 million; 2002: EUR 3,964 million) in respect of interest-bearing securities.

Despite the existence of a legal claim, interest income of EUR 84 million (2003: EUR 123 million; 2002: EUR 105 million) is not recognised in the profit and loss account because the realisation of the interest income is almost certainly not to be expected.

INTEREST INCOME AND EXPENSES

	2004	2003	2002
Interest income on loans/deposits	**16,019**	16,015	16,097
Interest income suspended	**-84**	-123	-105
Net interest income on loans/deposits	**15,935**	15,892	15,992
Origination fees and loan-servicing fees	**96**	96	102
Interest income on investment securities	**6,303**	4,818	3,994
Interest income on trading portfolio	**883**	741	1,081
Other interest income	**2,363**	2,255	2,919
Total interest income	**25,580**	23,802	24,088
Interest expenses on deposits by banks	**1,351**	1,437	2,071
Interest expenses on funds entrusted	**9,613**	8,260	6,273
Interest expenses on debt securities	**2,707**	2,587	4,105
Interest expenses on subordinated loans	**921**	857	779
Other interest expenses	**2,180**	2,546	3,214
Total interest expenses	**16,772**	15,687	16,442
Net interest result	**8,808**	8,115	7,646
Eliminations	**-42**	-51	-56
	8,850	8,166	7,702

INTEREST MARGIN, ANALYSED ON A PERCENTAGE BASIS OF THE NETHERLANDS AND INTERNATIONAL OPERATIONS

	2004	2003	2002
Netherlands	**1.86**	2.00	1.87
International	**0.98**	1.00	1.01
Overall	**1.48**	1.58	1.62

In 2004 the growth of the average total assets caused an increase of the interest result with EUR 1,200 million (2003: EUR 689 million). The decrease of the interest margin with 10 basis points caused a decrease of the interest result with EUR 507 million (in 2003 the decrease of the interest margin with 4 basis points caused an decrease of the interest result with EUR 220 million).

21 COMMISSION

COMMISSION

	Insurance operations 2004	2003	2002	Banking operations 2004	2003	2002	Total 2004	2003	2002
Funds transfer				**575**	587	592	**575**	587	592
Securities business				**665**	665	731	**665**	665	731
Insurance broking	**118**	114	159	**136**	115	117	**254**	229	276
Management fees	**470**	551	628	**766**	594	688	**1,236**	1,145	1,316
Brokerage and advisory fees				**139**	146	197	**139**	146	197
Other	**613**	648	558	**300**	357	290	**913**	1,005	848
	1,201	1,313	1,345	**2,581**	2,464	2,615	**3,782**	3,777	3,960

In 2004, the banking operations received EUR 3,336 million (2003: EUR 3,085 million; 2002: EUR 3,231 million) and paid EUR 755 million (2003: EUR 621 million; 2002: EUR 616 million) in respect of commission.

22 OTHER INCOME

OTHER INCOME

	Insurance operations 2004	2003	2002	Banking operations 2004	2003	2002	Total 2004	2003	2002
Income from participating interests and equity participations	**216**	255	156	**47**	154	201	**263**	409	357
Results from financial transactions	**236**	213	112	**596**	562	454	**832**	775	566
Other results	**184**	539	514	**505**	385	285	**689**	924	799
	636	1,007	782	**1,148**	1,101	940	**1,784**	2,108	1,722

INCOME FROM PARTICIPATING INTERESTS AND EQUITY PARTICIPATIONS

	Insurance operations 2004	2003	2002	Banking operations 2004	2003	2002	Total 2004	2003	2002
Shares				**160**	14	182	**160**	14	182
Investments in associates	**159**	154	137	**-113**	57	-11	**46**	211	126
Other participating interests	**20**	18	20		14	30	**20**	32	50
Equity participations	**37**	83	-1		69		**37**	152	-1
	216	255	156	**47**	154	201	**263**	409	357

RESULTS FROM FINANCIAL TRANSACTIONS

	Insurance operations 2004	2003	2002	Banking operations 2004	2003	2002	Total 2004	2003	2002
Results from securities trading portfolio	**1**	30	-6	**365**	226	201	**366**	256	195
Results from currency trading portfolio				**566**	46	242	**566**	46	242
Other	**235**	183	118	**-335**	290	11	**-100**	473	129
	236	213	112	**596**	562	454	**832**	775	566

Other results

Other results includes income which cannot be classified with any of the above items, including rental income, results on the sale of property and leasing income which is not classified as interest.

EXPENDITURE

23 UNDERWRITING EXPENDITURE

UNDERWRITING EXPENDITURE

	2004	2003	2002
EXPENDITURE FROM LIFE UNDERWRITING			
Reinsurance and retrocession premiums	**1,619**	1,102	1,093
Benefits for own account	**24,847**	23,283	28,327
Movements in other insurance provisions for own account	**11,097**	10,871	10,450
Costs of acquiring insurance business	**1,324**	1,248	1,523
Other underwriting expenditure	**713**	87	255
Profit sharing and rebates	**684**	755	559
EXPENDITURE FROM NON-LIFE UNDERWRITING			
Reinsurance and retrocession premiums	**756**	930	1,275
Claims for own account	**3,294**	3,738	3,765
Movements in the provision for unearned premiums	**73**	230	345
Movements in the claims provision	**58**	207	625
Costs of acquiring insurance business	**951**	997	1,043
Other underwriting expenditure	**-32**	-52	-153
	45,384	43,396	49,107

PROFIT SHARING AND REBATES

	2004	2003	2002
Distributions on account of interest or underwriting results	**313**	328	60
Bonuses added to policies	**371**	427	499
	684	755	559

As a result of the transfer of life insurance business to Scottish Re in 2004 by means of a co-insurance contract, ING recorded a loss amounting to EUR 160 million in *Underwriting expenditure*. This loss represents the reduction of the related deferred acquisition costs. In addition, an amount of EUR 240 million will be amortised over the life of the underlying business, starting in 2005 with a charge amounting to EUR 25 million and gradually decreasing in subsequent years as the business runs off.

Underwriting expenditure includes an amount of EUR 4,258 million in 2004 (2003: EUR 3,714 million; 2002: EUR 3,974 million) in respect of commission paid and payable with regard to the insurance operations. Amortisation of deferred costs of acquiring new business amounted to EUR 2,027 million in 2004 (2003: EUR 1,362 million; 2002: EUR 1,548 million).

Underwriting expenditure regarding investment income for risk of policyholders of EUR 2,309 million (2003: EUR 9,973 million; 2002: EUR -10,642 million) is not included in *Underwriting expenditure*.

24 OTHER INTEREST EXPENSES

Other interest expenses mainly consist of interest in connection with the insurance operations, including interest on the perpetual subordinated loans issued by ING Groep N.V. in September 2001, July 2002, December 2002, July 2003, October 2003 and June 2004.

Other interest expenses includes eliminations of EUR 121 million (2003: EUR 167 million; 2002: EUR 17 million).

25 SALARIES, PENSION AND SOCIAL SECURITY COSTS

SALARIES, PENSION AND SOCIAL SECURITY COSTS

			Insurance operations			Banking operations			Total
	2004	2003	2002	**2004**	2003	2002	**2004**	2003	2002
Salaries	**1,878**	1,904	2,032	**3,283**	3,132	3,228	**5,161**	5,036	5,260
Pension, healthcare and early-retirement costs	**237**	245	201	**454**	449	298	**691**	694	499
Social security costs	**191**	202	232	**426**	421	453	**617**	623	685
Other staff costs	**457**	384	299	**818**	692	808	**1,275**	1,076	1,107
	2,763	2,735	2,764	**4,981**	4,694	4,787	**7,744**	7,429	7,551

PENSION, HEALTHCARE AND EARLY-RETIREMENT COSTS

			Pension			Healthcare			Other			Total
	2004	2003	2002	**2004**	2003	2002	**2004**	2003	2002	**2004**	2003	2002
Current service cost	**433**	405	467	**31**	23	21	**6**	6	9	**470**	434	497
Past service cost	**-1**	-7	12		-6				-1	**-1**	-13	11
Interest expenses	**633**	628	599	**35**	32	31	**15**	16	32	**683**	676	662
Expected return on assets	**-685**	-645	-647				**-12**	-13	-14	**-697**	-658	-661
Amortisation of unrecognised past service costs	**-1**	3		**-3**						**-4**	3	
Amortisation of unrecognised net (gains)/losses	**146**	153	23	**6**		-2				**152**	153	21
Effect of curtailment or settlement	**-1**	3	-9		-1	-2			-128	**-1**	2	-139
Defined benefit post-employment plans	**524**	540	445	**69**	48	48	**9**	9	-102	**602**	597	391
Defined contribution plans										**89**	97	108
										691	694	499

Contributions to defined contribution plans are generally determined as a percentage of pay.

The actual return on the plan assets amounted to EUR 835 million (2003: EUR 849 million; 2002: EUR -718 million).

Remuneration senior management, Executive Board and Supervisory Board
The information on option plans and remuneration of senior management, members of the Executive Board and the Supervisory Board is included in the remuneration paragraph in the annual report (page 50 up to and including page 60). This information is considered to be an integral part of the audited annual accounts.

Stock option and share plans
ING Group has granted option rights on ING Group shares and conditional rights on depositary receipts for ING shares to a number of senior executives (members of the Executive Board, general managers and other officers nominated by the Executive Board), to all ING Group staff in the Netherlands and to a considerable number of employees outside the Netherlands. The purpose of the option and share schemes, apart from promoting a lasting growth of ING Group, is to attract, retain and motivate senior executives and staff.

ING Group holds direct or indirect its own shares in order to fulfil the obligations with regard to the existing stock option plan and to hedge the position risk of the options concerned (so-called delta hedge). As at 31 December 2004, 29,427,538 (2003: 28,068,191; 2002: 28,437,105) own shares were held in connection to the option plan compared to 81,010,410 options outstanding. As a result the granted option rights were (delta-)hedged, taking into account the following parameters: strike price, opening price, zero coupon interest rate, dividend yield, expected volatility and employee behaviour. The hedge is rebalanced regularly at predetermined points in time.

Exposure arising out of the share plan is not hedged. The obligations with regard to these plans will be funded by issuing own shares.

The option rights are valid for a period of five or ten years. Option rights, that are not exercised within this period, lapse. Option rights granted will remain valid until expiry date, even if the option scheme is discontinued. The option rights are subject to certain conditions, including a certain continuous period of service. The exercise prices of the options are the same as the quoted prices of ING Group shares at the date on which the options are granted.

The entitlement to the depositary receipts for ING shares is granted conditionally. If the participant remains in the employment for an uninterrupted period of three years from the grant date, the entitlement becomes unconditional. In 2004 68,750 shares have been granted to the members of the Executive Board and 3,647,146 shares have been granted to senior management and remaining personnel.

Each year, the ING Group Executive Board will take a decision as to whether the option and share schemes are to be continued and, if so, to what extent.

NUMBER OF OPTIONS OUTSTANDING AND EXERCISABLE, ANALYSED IN ACCORDANCE WITH YEAR OF ISSUE AND EXERCISE PRICE

Financial year	Original nummer of options	**Options outstanding as at 1 January 2004**	**Options outstanding as at 31 December 2004**	Exercise price in euros
1999	4,962,540	**2,876,032**	**2,548,490**	25.25
	48,000	**38,594**	**38,000**	25.50
	576,626	**246,650**	**82,844**	25.67
	8,733,946	**7,324,196**	**354,700**	25.87
	1,412,200	**1,290,700**	**1,133,700**	26.10
	201,500	**28,900**		26.62
	1,408,438	**780,592**	**606,952**	26.92
2000	1,528,300	**1,446,300**	**1,428,300**	28.30
	17,853,130	**7,282,326**	**6,785,174**	28.68
	210,800	**64,204**	**62,236**	30.16
	1,872,376	**1,431,118**	**1,362,118**	35.26
	579,550	**109,000**	**197,010**	37.55
	865,580	**678,500**	**655,720**	37.74
2001	4,000			28.50
	341,603	**324,720**	**255,058**	28.60
	621,312	**570,722**	**380,022**	33.26
	900	**900**	**900**	33.33
	19,827,702	**17,356,296**	**12,913,976**	35.26
	1,555,720	**1,491,080**	**1,472,760**	35.80
	561,844	**479,584**	**398,744**	36.95
2002	69,800	**67,300**	**55,003**	19.25
	125,479	**116,407**	**109,337**	23.12
	187,240	**170,490**	**151,158**	28.55
	88,750	**88,750**	**85,600**	28.60
	19,534,311	**18,404,173**	**17,476,619**	29.39
	1,057,650	**1,025,750**	**1,009,850**	29.50
2003	1,167,350	**1,152,050**	**1,142,500**	12.55
	17,706,793	**17,294,720**	**16,289,651**	12.65
	901,213	**855,783**	**796,974**	14.24
	480	**480**	**480**	14.54
	90,291	**90,291**	**87,825**	18.32
	103,025	**100,525**	**93,859**	18.38
	500	**500**	**500**	18.63
2004	448,100		**448,100**	17.69
	12,130,371		**11,907,756**	18.71
	660,994		**658,694**	18.75
	850		**850**	18.76
	18,950		**18,950**	18.79
	117,458,214	**83,187,633**	**81,010,410**	

MOVEMENTS IN THE OPTION RIGHTS

	Options outstanding 2004	2003	2002	Weighted average exercise price 2004	2003	2002
EXECUTIVE BOARD						
Opening balance	**1,037,000**	1,350,800	1,474,800	**27.05**	30.26	27.54
Granted	**206,250**	210,000	210,000	**17.69**	12.64	29.40
Exercised			334,000			17.72
Expired	**240,000**	303,800		**25.95**	31.30	
Transferred from/to Employees[1]	**22,990**	- 220,000				
Closing balance	**1,026,240**	1,037,000	1,350,800	**25.25**	27.05	30.26
EMPLOYEES						
Opening balance	**82,150,633**	84,620,784	69,571,115	**26.43**	30.53	30.45
Granted	**13,362,160**	19,773,502	20,826,405	**18.27**	12.79	29.32
Exercised	**918,566**	95,935	3,028,910	**16.76**	12.69	20.44
Expired	**14,587,067**	22,367,718	2,747,826	**28.65**	29.93	30.51
Transferred from/to the Executive Board[1]	**-22,990**	220,000				
Closing balance	**79,984,170**	82,150,633	84,620,784	**24.87**	26.43	30.53

[1] The options of former members of the Executive Board are included in the movements in option rights of employees.

The weighted average fair value of options granted in 2004 was EUR 3.45 (2003: EUR 3.64; 2002: EUR 6.78).

SUMMARY OF STOCK OPTIONS OUTSTANDING AND EXERCISABLE AS AT 31 DECEMBER 2004

Range of exercise price in euros	**Options outstanding as at 31 December 2004**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Options exercisable as at 31 December 2004**	**Weighted average exercise price**
0.00 - 15.00	**18,229,605**	**8.13**	**12.71**	**1,464,887**	**12.89**
15.00 - 20.00	**13,271,537**	**9.12**	**18.67**	**60,445**	**18.58**
20.00 - 25.00	**109,337**	**7.65**	**23.12**	**44,158**	**23.12**
25.00 - 30.00	**31,956,445**	**5.88**	**28.63**	**16,427,402**	**27.92**
30.00 - 35.00	**443,158**	**3.49**	**32.82**	**429,258**	**32.81**
35.00 - 40.00	**17,000,328**	**4.27**	**35.47**	**12,625,198**	**35.46**

OPTIONS IN THE MONEY AND OPTIONS OUT OF THE MONEY

	2004	2003	2002
In the money	**31,501,142**	19,493,849	
Out of the money	**49,509,268**	63,693,784	85,971,584

The options granted do not cause costs for ING Group except administrative costs for the stock option plan and funding costs resulting from the purchase of own shares. Due to timing differences in granting option rights and buying shares to hedge them, results can occur if shares are purchased at a different price than the exercise price of the options. These results are recognised in *Shareholders' equity*. However, ING Group does not intentionally create a position and occurring positions are closed as soon as possible. If option rights expire, the results on the (sale of) shares which were bought to hedge these option rights are either debited or credited to *Shareholders' equity*.

NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING GROUP (continued)

PRO FORMA RESULT IF STOCK OPTIONS WOULD HAVE BEEN RECOGNISED IN THE PROFIT AND LOSS ACCOUNT[1]

	As reported	**Pro forma 2004**	As reported	Pro forma 2003	As reported	Pro forma 2002
Net profit (in millions of euros)	**5,968**	**5,923**	4,043	3,974	4,500	4,386
Basic profit per share (in euros)	**2.80**	**2.79**	2.00	1.97	2.32	2.27
Diluted profit per share (in euros)	**2.80**	**2.79**	2.00	1.97	2.32	2.27

(1) The amounts in the pro forma columns reflect the figures if the fair value of the stock options at the time they were granted would have been recognised in the profit and loss account.

The fair values have been determined by using an option-pricing model. This model takes the risk free interest rate into account, as well as the expected life of the options granted, the expected volatility of the certificates of ING Group shares and the expected dividends.

26 ADDITIONS TO THE PROVISION FOR INVESTMENT LOSSES

ADDITIONS TO THE PROVISION FOR INVESTMENT LOSSES

	2004	2003	2002
Fixed-interest securities	**32**	163	663
Participating interests			1
	32	163	664

As from 2003, *Additions to the provision for investment losses* from the insurance operations are reported on a separate line within Total expenditure. Previously these additions were reported as an element of *Income from investments of the insurance operations* and *Other expenses*. The comparative figures have been adjusted accordingly.

27 OTHER EXPENSES

OTHER EXPENSES

	Insurance operations			Banking operations			Total		
	2004	2003	2002	**2004**	2003	2002	**2004**	2003	2002
Depreciation of tangible fixed assets	**100**	119	141	**308**	340	361	**408**	459	502
Computer costs	**211**	214	217	**663**	699	584	**874**	913	801
Office equipment and accommodation	**633**	671	727	**647**	675	727	**1,280**	1,346	1,454
Travel and accommodation expenses	**91**	96	115	**116**	110	130	**207**	206	245
Advertising and public relations	**128**	152	167	**557**	418	324	**685**	570	491
External advisory fees	**435**	345	369	**273**	233	289	**708**	578	658
Other	**476**	565	703	**1,113**	1,015	1,096	**1,589**	1,580	1,799
	2,074	2,162	2,439	**3,677**	3,490	3,511	**5,751**	5,652	5,950

As from 2003 all office related expenses (including accommodation costs) are reported on one line. The comparative figures have been adjusted accordingly.

28 TAXATION

TAXATION BY TYPE

	Netherlands 2004	International 2004	Total 2004	Netherlands 2003	International 2003	Total 2003	Netherlands 2002	International 2002	Total 2002
Current taxation	**568**	**808**	**1,376**	280	836	1,116	436	262	698
Deferred taxation	**236**	**157**	**393**	304	70	374	50	341	391
	804	**965**	**1,769**	584	906	1,490	486	603	1,089

RECONCILIATION OF THE STATUTORY INCOME TAX RATE TO ING GROUP'S EFFECTIVE INCOME TAX RATE

	2004	2003	2002
Profit before tax	**8,009**	5,877	5,921
Statutory tax rate	**34.5%**	34.5%	34.5%
Statutory tax amount	**2,763**	2,028	2,043
Participating interests exemption	**-507**	-305	-905
Differences caused by different foreign tax rates	**-120**	-51	-99
Other	**-367**	-182	50
Effective tax amount	**1,769**	1,490	1,089
Effective tax rate	**22.1%**	25.4%	18.4%

29 NET PROFIT PER SHARE

Basic net profit per ordinary share is calculated on the basis 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 calculating the increase in the weighted average number of shares resulting from interim and final stock dividends, the day on which the dividend is payable is taken into consideration;
- in case of exercised warrants, the day of exercise is taken into consideration.

Diluted 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.

NET PROFIT PER SHARE

	Net profit (in millions of euros)			Weighted average number of ordinary shares outstanding during the period (in millions)			Net profit per share (in euros)		
	2004	2003	2002	**2004**	2003	2002	**2004**	2003	2002
Net profit	**5,968**	4,043	4,500						
Dividend on preference shares	**-14**	-21	-21						
Basic profit	**5,954**	4,022	4,479	**2,125.3**	2,014.4	1,928.0	**2.80**	2.00	2.32

Due to the absence of dilutive effects, the basic profit equals the diluted profit.

30 DIVIDEND PER ORDINARY SHARE

DIVIDENDS PER ORDINARY SHARE

	Per ordinary share (in euros)	Total amount of dividend paid (in million of euros)
2004 [1]	**1.07**	**2,359**
2003	0.97	2,024
2002	0.97	1,930

[1] The Executive Board, with the approval of the Supervisory Board, has proposed, subject to the ratification by the General Meeting of Shareholders, a dividend of EUR 1.07 per share for the year 2004. Following the decision of the General Meeting of Shareholders with regard to the profit appropriation, the final dividend will become payable from 4 May 2005.

amounts in millions of euros, unless stated otherwise

RESULT FROM INVESTMENTS IN SHARES AND CONVERTIBLE DEBENTURES AND LAND AND BUILDINGS

	Direct investment income	Realised and unrealised revaluations and exchange differences	Operating and management expenses[1]	Before taxation	After taxation	Investment result in %[2]
SHARES AND CONVERTIBLE DEBENTURES						
2004	**442**	**598**		**1,040**	**822**	**8.1**
2003	507	73	-3	577	480	4.4
2002	646	-4,404	-12	-3,770	-2,341	-12.9
2001	707	-3,351	-14	-2,658	-2,241	-9.9
2000	717	480	-27	1,170	960	3.8
1999	698	2,973	-1	3,670	3,194	12.9
1998	500	3,918	-2	4,416	4,305	23.4
1997	436	4,405	-1	4,840	4,467	35.6
Average	**582**	**586**	**-8**	**1,160**	**1,206**	**6.7**
LAND AND BUILDINGS						
2004	**678**	**42**	**-174**	**546**	**360**	**3.8**
2003	736	142	-230	648	435	4.3
2002	820	-19	-181	620	401	3.3
2001	770	453	-146	1,077	718	7.2
2000	782	1,007	-160	1,629	1,075	12.2
1999	623	314	-107	830	545	7.7
1998	579	98	-141	536	355	6.1
1997	520	114	-128	506	335	6.4
Average	**688**	**269**	**-158**	**799**	**528**	**6.2**
TOTAL						
2004	**1,120**	**640**	**-174**	**1,586**	**1,182**	**6.0**
2003	1,243	215	-233	1,225	915	4.3
2002	1,466	-4,423	-193	-3,150	-1,940	-6.4
2001	1,477	-2,898	-160	-1,581	-1,523	-4.7
2000	1,499	1,487	-187	2,799	2,035	6.0
1999	1,321	3,287	-108	4,500	3,739	11.7
1998	1,079	4,016	-143	4,952	4,660	19.2
1997	956	4,519	-129	5,346	4,802	27.0
Average	**1,270**	**855**	**-166**	**1,959**	**1,734**	**6.6**

(1) In the profit and loss account, operating costs relating to investments in land and buildings are netted off against the income from these investments.
(2) Investment result after tax as a percentage of the average amount invested.

The result from investments in shares and convertible debentures and land and buildings (excluding investments for risk of policyholders) includes all the income and expenses associated with this category of investments except financing charges. In the annual accounts these income and expenses are partly included in the profit and loss account (dividends, interest, rental income, realised revaluations and exchange differences, operating and management expenses) and partly reflected directly as changes in *Shareholders' equity* (unrealised revaluations and exchange differences). Taxation is allocated on the basis of the standard rate, making allowance for tax exemptions.

Segment reporting
ING Group evaluates the results of its segments using 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
– realised gains on divestments that are made with the purpose of using the proceeds to finance acquisitions.

ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING GROUP (continued)

While these excluded items are significant components in understanding and assessing the Group's consolidated financial performance, ING Group believes that the presentation of operating results enhances the understanding and comparability of its performance by highlighting net income attributable to ongoing operations and the underlying profitability of the businesses. Trends in the underlying profitability of ING Group's businesses can be more clearly identified without the fluctuating effects of realised capital gains and losses on equity securities and the impact of the negative revaluation reserve on equity securities. These results are largely dependent on market cycles and can vary across periods. The timing of sales that would result in gains or losses is largely at the discretion of the company. The realised gains on divestments that are made with the purpose of using the proceeds related to the divestments to finance acquisitions are excluded because the timing of these gains is largely subject to the company's discretion, influenced by market opportunities and ING Group does not believe that they are indicative of future results. Operating profit before tax and operating net profit are not a substitute for profit before tax and net profit. 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.

RECONCILIATION OF NET PROFIT TO OPERATING NET PROFIT

			Insurance operations			Banking operations			Total
	2004	2003	2002	**2004**	2003	2002	**2004**	2003	2002
Net profit	**3,564**	2,498	3,605	**2,404**	1,545	895	**5,968**	4,043	4,500
Taxation	**912**	891	756	**857**	599	333	**1,769**	1,490	1,089
Third parties	**119**	117	92	**153**	227	240	**272**	344	332
Profit before tax	**4,595**	3,506	4,453	**3,414**	2,371	1,468	**8,009**	5,877	5,921
Realised capital gains (losses) on shares	**590**	20	1,003				**590**	20	1,003
Gain on divestments to finance acquisitions			280						280
Operating profit before tax	**4,005**	3,486	3,170	**3,414**	2,371	1,468	**7,419**	5,857	4,638
Taxation	**901**	861	540	**857**	599	333	**1,758**	1,460	873
Third parties	**119**	117	92	**153**	227	240	**272**	344	332
Operating net profit	**2,985**	2,508	2,538	**2,404**	1,545	895	**5,389**	4,053	3,433

OPERATING RESULTS BY INSURANCE OPERATIONS AND BANKING OPERATIONS

	Insurance operations 2004	2003	2002	Banking operations 2004	2003	2002	Total[1] 2004	2003	2002
Premium income	**43,617**	41,192	46,816				**43,617**	41,192	46,816
Income from investments of the insurance operations	**9,944**	9,721	10,506				**9,781**	9,503	10,433
Interest result from the banking operations				**8,808**	8,115	7,646	**8,850**	8,166	7,702
Commission	**1,201**	1,313	1,345	**2,581**	2,464	2,615	**3,782**	3,777	3,960
Other income	**636**	1,007	782	**1,148**	1,101	940	**1,784**	2,108	1,722
Total income	**55,398**	53,233	59,449	**12,537**	11,680	11,201	**67,814**	64,746	70,633
Underwriting expenditure	**45,384**	43,396	49,107				**45,384**	43,396	49,107
Other interest expenses	**1,140**	1,291	1,305				**1,019**	1,124	1,288
Salaries, pension and social security costs	**2,763**	2,735	2,764	**4,981**	4,694	4,787	**7,744**	7,429	7,551
Additions to the provision for loan losses				**465**	1,125	1,435	**465**	1,125	1,435
Additions to the provision for investment losses	**32**	163	664				**32**	163	664
Other expenses	**2,074**	2,162	2,439	**3,677**	3,490	3,511	**5,751**	5,652	5,950
Total expenditure	**51,393**	49,747	56,279	**9,123**	9,309	9,733	**60,395**	58,889	65,995
Operating profit before tax	**4,005**	3,486	3,170	**3,414**	2,371	1,468	**7,419**	5,857	4,638
Taxation	**901**	861	540	**857**	599	333	**1,758**	1,460	873
Operating profit after tax	**3,104**	2,625	2,630	**2,557**	1,772	1,135	**5,661**	4,397	3,765
Third-party interests	**119**	117	92	**153**	227	240	**272**	344	332
Operating net profit for the period	**2,985**	2,508	2,538	**2,404**	1,545	895	**5,389**	4,053	3,433

[1] The column Total includes eliminations with regard to *Income from investments of the insurance operations* of EUR 163 million (2003: EUR 218 million; 2002: EUR 73 million), *Interest result from the banking operations* of EUR -42 million (2003: EUR -51 million; 2002: EUR -56 million) and *Other interest expenses* of EUR 121 million (2003: EUR 167 million; 2002: EUR 17 million).

ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING GROUP (continued)

SEGMENTED OPERATING NET PROFIT OF THE INSURANCE OPERATIONS

		2004	2003	2002
OPERATING RESULT FROM LIFE UNDERWRITING				
Premiums for own account:	– gross premiums	**36,975**	33,904	38,899
	– outward reinsurance premiums	**1,619**	1,102	1,093
		35,356	32,802	37,806
Allocated income and expenses		**8,217**	8,285	8,289
Other underwriting income for own account		**33**	94	223
Benefits for own account :	– gross	**25,776**	24,294	29,322
	– reinsurers' share	**929**	1,011	995
		24,847	23,283	28,327
Changes in other insurance provisions for own account:				
Provision for life policy liabilities :	– gross	**12,608**	10,520	10,701
	– reinsurers' share	**1,511**	-351	251
		11,097	10,871	10,450
Profit sharing and rebates		**684**	755	559
Acquisition costs and other underwriting expenditure		**2,037**	1,327	1,762
Operating expenses		**2,536**	2,459	2,601
Other insurance expenses for own account		**9**	8	16
		2,396	2,478	2,603
OPERATING RESULT FROM NON-LIFE UNDERWRITING				
Premiums written for own account :	– gross premiums	**6,642**	7,288	7,917
	– outward reinsurance premiums	**756**	930	1,275
		5,886	6,358	6,642
Changes in provision for unearned premiums and unexpired				
non-life underwriting risks :	– gross	**-100**	-209	-420
	– reinsurers' share	**-27**	21	-75
		-73	-230	-345
Premiums earned for own account		**5,813**	6,128	6,297
Allocated income and expenses		**1,232**	920	732
Other underwriting income for own account		**27**	9	62
Claims for own account:	– gross	**3,620**	4,196	4,376
	– reinsurers' share	**326**	458	611
		3,294	3,738	3,765
Changes in the claims provision :	– gross	**16**	76	665
	– reinsurers' share	**-42**	-131	40
		58	207	625
		3,352	3,945	4,390
Acquisition costs and other underwriting expenditure		**919**	945	890
Operating expenses		**883**	849	911
Other insurance expenses for own account		**309**	310	333
		1,609	1,008	567
TOTAL OPERATING RESULT FROM INSURANCE OPERATIONS				
Operating result from life underwriting		**2,396**	2,478	2,603
Operating result from non-life underwriting		**1,609**	1,008	567
Technical operating result		**4,005**	3,486	3,170
Income from investments		**9,944**	9,721	10,506
Investment expenses		**2,239**	2,557	2,629
Additions to the provision for investment losses		**32**	163	664
Other income		**1,777**	2,218	1,842
Other expenses		**1**	14	34
Allocated income and expenses transferred to result from underwriting		**-9,449**	-9,205	-9,021
Operating profit before tax		**4,005**	3,486	3,170
Taxation		**901**	861	540
Operating profit after tax		**3,104**	2,625	2,630
Third-party interests		**119**	117	92
Operating net profit for the period		**2,985**	2,508	2,538

Allocated income and expenses Income and expenses that are not directly recorded in operating result from insurance operations, are allocated to the Result from life underwriting and Result from non-life underwriting on the basis of life insurance provisions and non-life insurance provisions of the insurance companies.

GEOGRAPHICAL ANALYSIS OF CLAIMS RATIO, COST RATIO AND COMBINED RATIO FOR NON-LIFE INSURANCE POLICIES

			Claims ratio			Cost ratio			Combined ratio
	2004	2003	2002	**2004**	2003	2002	**2004**	2003	2002
Netherlands	**60.6**	69.8	77.5	**36.8**	31.0	28.9	**97.4**	100.8	106.4
Belgium	**71.1**	70.6	76.7	**36.7**	35.1	34.7	**107.8**	105.7	111.4
Rest of Europe	**46.1**	40.9	49.8	**35.8**	37.0	41.6	**81.9**	77.9	91.4
North America	**61.0**	73.9	77.7	**27.6**	24.7	25.6	**88.6**	98.6	103.3
Latin America	**71.8**	68.1	68.8	**27.6**	26.9	25.6	**99.4**	95.0	94.4
Asia	**56.6**	55.1	66.6	**40.9**	43.5	51.5	**97.5**	98.6	118.1
Australia	**46.3**	49.9	66.9	**28.0**	28.5	29.5	**74.3**	78.4	96.4
Other	**62.8**	42.4	94.4	**16.4**	51.6	7.8	**79.2**	94.0	102.2
Total	**63.0**	69.4	75.0	**30.6**	28.2	27.1	**93.6**	97.6	102.1

The claims ratio is the claims, including claims handling expenses, expressed as a percentage of net earned premiums. The cost ratio is the costs expressed as a percentage of net premiums written. The claims ratio and the cost ratio together form the combined ratio. 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.

Analysis of premium income of the insurance operations

Reinsurance ING Group is involved in both ceded and assumed reinsurance for the purpose of spreading risk and limiting exposure on large risks. Reinsurance premiums are recognised in *Underwriting expenditure*.

EFFECT OF REINSURANCE ON PREMIUMS WRITTEN

	Non-life	**Life**	**Total 2004**	Non-life	Life	Total 2003	Non-life	Life	Total 2002
Direct premiums written, gross	**6,592**	**35,532**	**42,124**	7,226	32,587	39,813	7,869	37,608	45,477
Reinsurance assumed premiums written, gross	**50**	**1,443**	**1,493**	62	1,317	1,379	48	1,291	1,339
Total gross premiums written	**6,642**	**36,975**	**43,617**	7,288	33,904	41,192	7,917	38,899	46,816
Reinsurance ceded	**756**	**1,619**	**2,375**	930	1,102	2,032	1,275	1,093	2,368
	5,886	**35,356**	**41,242**	6,358	32,802	39,160	6,642	37,806	44,448

The reinsurance covers with respect to catastrophe exposure for the non-life insurance business have been designed to cover a large part of exposures resulting from events with a return period up to once in 250 years.

To the extent that the assuming reinsurers are unable to meet their obligations, ING Group remains liable to its policyholders for the portion reinsured. Consequently, provisions are made for receivables on reinsurance contracts which are deemed uncollectible. To minimise its exposure to significant losses from reinsurer insolvencies, ING Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographical regions, activities or economic characteristics of the reinsurer.

As at 31 December 2004, the receivables from reinsurers amounted to EUR 388 million (2003: EUR 567 million; 2002: EUR 797 million), against which EUR 7 million (2003: EUR 12 million; 2002: EUR 20 million) was provided for as uncollectible reinsurance.

ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING GROUP (continued)

PREMIUM INCOME ON LIFE INSURANCE POLICIES

	Gross	Reinsurers' share	Own account 2004	Gross	Reinsurers' share	Own account 2003	Gross	Reinsurers' share	Own account 2002
Policies for which the insurer bears the investment risk	19,119	783	18,336	19,018	663	18,355	20,447	931	19,516
Policies for which the policyholder bears the investment risk	16,413	53	16,360	13,569	70	13,499	17,161	78	17,083
Total direct business	35,532	836	34,696	32,587	733	31,854	37,608	1,009	36,599
Indirect business	2,090	1,430	660	1,320	372	948	1,299	92	1,207
	37,622	2,266	35,356	33,907	1,105	32,802	38,907	1,101	37,806
Eliminations	647	647		3	3		8	8	
	36,975	1,619	35,356	33,904	1,102	32,802	38,899	1,093	37,806

PREMIUMS WRITTEN FROM DIRECT LIFE BUSINESS

	Policies for which the insurer bears the investment risk			Policies for which the policyholder bears the investment risk		
2004	**Gross**	**Reinsurers' share**	**Own account**	**Gross**	**Reinsurers' share**	**Own account**
PERIODIC PREMIUMS						
Individual policies:						
– without profit sharing	6,605	632	5,973	3,566	1	3,565
– with profit sharing	4,213	74	4,139			
Total	10,818	706	10,112	3,566	1	3,565
Group policies:						
– without profit sharing	2,223	58	2,165	6,653	37	6,616
– with profit sharing	802	14	788			
Total	3,025	72	2,953	6,653	37	6,616
Total periodic premiums	13,843	778	13,065	10,219	38	10,181
SINGLE PREMIUMS						
Individual policies:						
– without profit sharing	1,476	1	1,475	4,011	1	4,010
– with profit sharing	2,716		2,716			
Total	4,192	1	4,191	4,011	1	4,010
Group policies:						
– without profit sharing	677		677	2,183	14	2,169
– with profit sharing	407	4	403			
Total	1,084	4	1,080	2,183	14	2,169
Total single premiums	5,276	5	5,271	6,194	15	6,179
Total life business premiums	19,119	783	18,336	16,413	53	16,360

The total single premiums includes EUR 457 million in 2004 from profit sharing.

PREMIUMS WRITTEN FROM DIRECT LIFE BUSINESS

2003	Policies for which the insurer bears the investment risk: Gross	Reinsurers' share	Own account	Policies for which the policyholder bears the investment risk: Gross	Reinsurers' share	Own account
PERIODIC PREMIUMS						
Individual policies:						
– without profit sharing	10,202	548	9,654	2,432	5	2,427
– with profit sharing	2,179	33	2,146			
Total	12,381	581	11,800	2,432	5	2,427
Group policies:						
– without profit sharing	1,692	67	1,625	5,969	36	5,933
– with profit sharing	741	10	731			
Total	2,433	77	2,356	5,969	36	5,933
Total periodic premiums	14,814	658	14,156	8,401	41	8,360
SINGLE PREMIUMS						
Individual policies:						
– without profit sharing	856	1	855	4,529		4,529
– with profit sharing	2,802		2,802			
Total	3,658	1	3,657	4,529		4,529
Group policies:						
– without profit sharing	121		121	639	29	610
– with profit sharing	425	4	421			
Total	546	4	542	639	29	610
Total single premiums	4,204	5	4,199	5,168	29	5,139
Total life business premiums	19,018	663	18,355	13,569	70	13,499

The total single premiums includes EUR 600 million in 2003 from profit sharing.

ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING GROUP (continued)

PREMIUMS WRITTEN FROM DIRECT LIFE BUSINESS

	Policies for which the insurer bears the investment risk			Policies for which the policy-holder bears the investment risk		
2002	Gross	Reinsurers' share	Own account	Gross	Reinsurers' share	Own account
PERIODIC PREMIUMS						
Individual policies:						
– without profit sharing	9,698	858	8,840	2,496	6	2,490
– with profit sharing	4,556	115	4,441			
Total	14,254	973	13,281	2,496	6	2,490
Group policies:						
– without profit sharing	1,403	75	1,328	7,646	40	7,606
– with profit sharing	802	17	785			
Total	2,205	92	2,113	7,646	40	7,606
Total periodic premiums	16,459	1,065	15,394	10,142	46	10,096
SINGLE PREMIUMS						
Individual policies:						
– without profit sharing	1,553		1,553	6,280		6,280
– with profit sharing	1,958	2	1,956			
Total	3,511	2	3,509	6,280		6,280
Group policies:						
– without profit sharing	261	-140	401	739	32	707
– with profit sharing	216	4	212			
Total	477	-136	613	739	32	707
Total single premiums	3,988	-134	4,122	7,019	32	6,987
Total life business premiums	20,447	931	19,516	17,161	78	17,083

The total single premiums includes EUR 566 million in 2002 from profit sharing.

PREMIUM INCOME ON NON-LIFE INSURANCE POLICIES BY CLASS OF BUSINESS

2004	**Gross premium written**	**Gross premium earned[2]**	**Gross claims expenses**	**Operating expenses**	**Acquisition costs/other underwriting expen-diture[3]**	**Net reinsurance income/ expenses**	**Operating result**
Health	**1,097**	**1,078**	**785**	**127**	**169**	**-50**	**77**
Accident[1]	**872**	**857**	**507**	**125**	**111**	**5**	**271**
Third-party liability motor	**840**	**839**	**556**	**106**	**94**	**-10**	**94**
Other motor	**1,335**	**1,343**	**663**	**161**	**204**	**-5**	**362**
Marine and aviation	**141**	**142**	**55**	**18**	**22**	**-38**	**9**
Fire and other property losses	**1,489**	**1,494**	**681**	**228**	**306**	**-136**	**156**
General liability	**438**	**431**	**228**	**69**	**89**	**-46**	**20**
Credit and suretyship	**57**	**55**	**3**	**10**	**10**	**-14**	**20**
Legal assistance	**35**	**35**	**25**	**13**	**6**		**-8**
Miscellaneous financial losses	**288**	**217**	**109**	**22**	**28**	**-49**	**509**
Indirect business	**50**	**51**	**24**	**4**	**-49**	**-5**	**99**
	6,642	**6,542**	**3,636**	**883**	**990**	**-348**	**1,609**

PREMIUM INCOME ON NON-LIFE INSURANCE POLICIES BY CLASS OF BUSINESS

2003	Gross premium written	Gross premium earned[2]	Gross claims expenses	Operating expenses	Acquisition costs/other underwriting expenditure[3]	Net reinsurance income/ expenses	Operating result
Health	1,404	1,321	1,110	136	140	22	77
Accident[1]	840	858	539	110	96	2	245
Third-party liability motor	840	802	613	98	109	-21	14
Other motor	1,479	1,412	827	159	221	-17	173
Marine and aviation	180	164	68	18	31	-26	23
Fire and other property losses	1,648	1,600	744	206	313	-220	120
General liability	491	468	234	68	84	-53	63
Credit and suretyship	52	45	3	10	8	-6	18
Legal assistance	33	33	24	10	5		-6
Miscellaneous financial losses	259	316	102	33	33	-148	15
Indirect business	62	60	8	1	84	31	266
	7,288	7,079	4,272	849	1,124	-436	1,008

PREMIUM INCOME ON NON-LIFE INSURANCE POLICIES BY CLASS OF BUSINESS

2002	Gross premium written	Gross premium earned[2]	Gross claims expenses	Operating expenses	Acquisition costs/other underwriting expenditure[3]	Net reinsurance income/ expenses	Operating result
Health	1,596	1,571	1,301	149	164	-6	125
Accident[1]	869	874	659	101	98	2	155
Third-party liability motor	816	781	629	113	64	-9	28
Other motor	1,682	1,580	1,035	166	203	-19	133
Marine and aviation	198	192	86	24	30	-36	15
Fire and other property losses	1,718	1,581	829	215	289	-165	78
General liability	490	438	307	68	73	4	15
Credit and suretyship	49	44	3	12	6	-4	20
Legal assistance	28	28	25	8	5		-8
Miscellaneous financial losses	423	342	144	51	56	-106	-5
Indirect business	48	66	23	4	158	122	11
	7,917	7,497	5,041	911	1,146	-217	567

[1] Including disability insurance products.
[2] Excluding reinsurance.
[3] Including other underwriting income.

ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING GROUP (continued)

Analysis by business lines ING Group's operating segments relate to the internal business segmentation by business lines. The business line structure was introduced in 2004. In the new structure a clear distinction is made between the insurance and banking business. For insurance the business lines are Insurance Europe, Insurance Americas and Insurance Asia/Pacific. For banking also three business lines exist: Wholesale Banking, Retail Banking and ING Direct. Other mainly includes items not directly attributable to the business lines.

Operating segments are defined as components of an enterprise about which discrete financial 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. ING Group's chief operating decision making group is the Executive Board.

Each business line is headed by a chairman who is also a member of the Executive Board. With the new structure the Executive Committees and Management Committees no longer exist. The Executive Board sets the performance targets and approves and monitors the budgets prepared by the business lines. The strategic, commercial and financial policy of the business lines are set by key executives at the business line level in conformity with the strategy and performance targets set by the Executive Board.

The accounting policies of the operating segments are the same as those described under Accounting principles for the consolidated balance sheet and profit and loss account (see page 66). Transfer prices for inter-segment transactions are set at arm's length. Geographical distribution of income is based on the origin of sales. The corporate expenses are allocated to the operating segments and geographical areas based on time spent by head office personnel, the relative number of staff or on the basis of income and/or assets of the operating segment. The comparative figures have been adjusted in accordance with the new structure.

OPERATING SEGMENTS OF ING GROUP

2004	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Wholesale banking	Retail banking	ING Direct	Other	Total segments	Recon-ciliation	Total Group
Total operating income:										
Income – external	16,179	28,108	10,467	7,020	4,430	1,174	436	67,814		67,814
Income – inter-segment	30	4	20	-1,259	605	531	569	500	-500	
	16,209	28,112	10,487	5,761	5,035	1,705	1,005	68,314	-500	67,814
Segment operating profit before tax(1)	1,733	1,669	751	1,932	1,170	432	-268	7,419		7,419
Segment assets	98,228	125,555	31,578	344,549	136,985	170,001	25,726	932,622	-66,421	866,201
Segment liabilities	88,467	120,259	28,953	329,417	133,354	167,117	15,226	882,793	-45,953	836,840
Average number of employees(2)	15,891	25,326	8,230	23,965	34,326	5,278	23	113,039		113,039

OPERATING SEGMENTS OF ING GROUP

2003	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Wholesale banking	Retail banking	ING Direct	Other	Total segments	Recon-ciliation	Total Group
Total operating income:										
Income – external	16,480	27,361	8,414	7,098	4,059	645	689	64,746		64,746
Income – inter-segment	57	228	10	-1,273	714	400	638	774	-774	
	16,537	27,589	8,424	5,825	4,773	1,045	1,327	65,520	-774	64,746
Segment operating profit before tax(1)	1,791	1,309	411	1,272	1,058	151	-135	5,857		5,857
Segment assets	90,186	124,290	25,398	324,371	126,356	114,119	29,625	834,345	-55,574	778,771
Segment liabilities	81,076	119,396	23,336	313,799	122,743	111,459	17,235	789,044	-35,117	753,927
Average number of employees(2)	16,569	26,165	8,275	25,010	35,201	3,971	27	115,218		115,218

OPERATING SEGMENTS OF ING GROUP

2002	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Wholesale banking	Retail banking	ING Direct	Other	Total segments	Recon-ciliation	Total Group
Total operating income:										
Income - external	15,577	35,037	8,770	5,545	4,754	485	465	70,633		70,633
Income - inter-segment	132	313	8	220	60	133	-27	839	-839	
	15,709	35,350	8,778	5,765	4,814	618	438	71,472	-839	70,633
Segment operating profit before tax[1]	1,296	1,430	574	596	1,023	-48	-233	4,638		4,638
Segment assets	90,713	131,497	22,514	310,331	123,575	63,099	14,509	756,238	-39,868	716,370
Segment liabilities	85,210	127,119	20,675	301,618	119,827	61,799	-1,556	714,692	-20,681	694,011
Average number of employees[2]	16,534	27,308	7,592	26,253	32,857	2,512		113,056		113,056

[1] For a reconciliation of the segment operating profit before tax (Total Group) to the Consolidated Financial Statements reference is made to page 118.
[2] The average numbers of employees of joint ventures are included proportionally.

INTEREST INCOME (EXTERNAL) AND INTEREST EXPENSE (EXTERNAL) BREAKDOWN PER BUSINESS LINES

	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Wholesale banking	Retail banking	ING Direct	Other	Total Group
2004								
Interest income	**3,313**	**4,171**	**642**	**11,560**	**7,832**	**6,141**	**167**	**33,826**
Interest expense	**126**	**320**	**5**	**6,955**	**4,491**	**5,077**	**905**	**17,879**
	3,187	**3,851**	**637**	**4,605**	**3,341**	**1,064**	**-738**	**15,947**
2003								
Interest income	3,214	4,282	570	12,003	7,449	4,273	310	32,101
Interest expense	129	276	10	7,241	4,568	3,689	1,065	16,978
	3,085	4,006	560	4,762	2,881	584	-755	15,123
2002								
Interest income	2,822	5,561	565	12,958	7,995	2,626	349	32,876
Interest expense	613	508	8	7,966	5,902	2,208	542	17,747
	2,209	5,053	557	4,992	2,093	418	-193	15,129

ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING GROUP (continued)

Geographical analysis of the insurance and banking operations

OPERATING INCOME BY GEOGRAPHICAL AREA

			Insurance operations			Banking operations			Eliminations			Total
	2004	2003	2002	**2004**	2003	2002	**2004**	2003	2002	**2004**	2003	2002
Netherlands	**11,520**	11,745	10,965	**5,372**	5,270	4,982	**13**	7	14	**16,879**	17,008	15,933
Belgium	**2,875**	2,947	2,640	**2,255**	2,012	2,044				**5,130**	4,959	4,684
Rest of Europe	**1,814**	1,844	2,031	**3,265**	2,997	2,773				**5,079**	4,841	4,804
North America	**25,439**	24,681	31,479	**1,039**	731	536			1	**26,478**	25,412	32,014
Latin America	**2,671**	2,908	3,940	**115**	162	315				**2,786**	3,070	4,255
Asia	**8,673**	6,532	6,623	**311**	376	436				**8,984**	6,908	7,059
Australia	**1,814**	1,892	2,168	**180**	132	107				**1,994**	2,024	2,275
Other	**1,091**	1,695	437			8				**1,091**	1,695	445
	55,897	54,244	60,283	**12,537**	11,680	11,201	**13**	7	15	**68,421**	65,917	71,469
Income between geographical areas[1]	**-499**	-1,011	-834				**108**	160	2	**-607**	-1,171	-836
	55,398	53,233	59,449	**12,537**	11,680	11,201	**121**	167	17	**67,814**	64,746	70,633

(1) Mainly related to reinsurance premiums ceded between group companies in different geographical areas.

OPERATING INCOME FROM THE INSURANCE OPERATIONS BY GEOGRAPHICAL AREA

			Life premiums written			Non-life premiums written			Investment income[1]			Total
	2004	2003	2002	**2004**	2003	2002	**2004**	2003	2002	**2004**	2003	2002
Netherlands	**5,823**	5,582	4,927	**1,693**	1,847	1,859	**4,004**	4,316	4,179	**11,520**	11,745	10,965
Belgium	**2,115**	2,257	2,053	**324**	311	282	**436**	379	305	**2,875**	2,947	2,640
Rest of Europe	**1,366**	1,360	1,580	**48**	44	38	**400**	440	413	**1,814**	1,844	2,031
North America	**17,922**	17,037	22,162	**2,741**	2,944	3,069	**4,776**	4,700	6,248	**25,439**	24,681	31,479
Latin America	**506**	466	747	**1,591**	1,872	2,546	**574**	570	647	**2,671**	2,908	3,940
Asia	**8,009**	5,905	5,969	**37**	45	66	**627**	582	588	**8,673**	6,532	6,623
Australia	**1,223**	1,288	1,467	**200**	356	296	**391**	248	405	**1,814**	1,892	2,168
Other	**14**	12	3	**142**	337	385	**935**	1,346	49	**1,091**	1,695	437
	36,978	33,907	38,908	**6,776**	7,756	8,541	**12,143**	12,581	12,834	**55,897**	54,244	60,283
Income between geographical areas[2]	**-3**	-3	-9	**-134**	-468	-624	**-362**	-540	-201	**-499**	-1,011	-834
	36,975	33,904	38,899	**6,642**	7,288	7,917	**11,781**	12,041	12,633	**55,398**	53,233	59,449

(1) Including commission and other income.
(2) Mainly related to reinsurance premiums ceded between group companies in different geographical areas.

OPERATING PROFIT BEFORE TAX BY GEOGRAPHICAL AREA

			Insurance operations			Banking operations			Total
	2004	2003	2002	**2004**	2003	2002	**2004**	2003	2002
Netherlands	**1,423**	1,451	1,067	**1,727**	1,588	1,510	**3,150**	3,039	2,577
Belgium	**128**	109	74	**713**	478	613	**841**	587	687
Rest of Europe	**182**	231	155	**351**	-15	-311	**533**	216	-156
North America	**1,438**	1,008	1,123	**483**	110	-509	**1,921**	1,118	614
Latin America	**231**	302	307	**41**	118	74	**272**	420	381
Asia	**314**	235	245		38	38	**314**	273	283
Australia	**437**	176	329	**99**	60	55	**536**	236	384
Other	**-148**	-26	-130		-6	-2	**-148**	-32	-132
	4,005	3,486	3,170	**3,414**	2,371	1,468	**7,419**	5,857	4,638

OPERATING PROFIT BEFORE TAX FROM THE INSURANCE OPERATIONS BY GEOGRAPHICAL AREA

	Life			Non-life			Total		
	2004	2003	2002	**2004**	2003	2002	**2004**	2003	2002
Netherlands	**1,139**	1,192	914	**284**	259	153	**1,423**	1,451	1,067
Belgium	**111**	86	72	**17**	23	2	**128**	109	74
Rest of Europe	**171**	221	149	**11**	10	6	**182**	231	155
North America	**652**	781	945	**786**	227	178	**1,438**	1,008	1,123
Latin America	**108**	137	127	**123**	165	180	**231**	302	307
Asia	**311**	236	251	**3**	-1	-6	**314**	235	245
Australia	**162**	101	290	**275**	75	39	**437**	176	329
Other	**-258**	-276	-145	**110**	250	15	**-148**	-26	-130
	2,396	2,478	2,603	**1,609**	1,008	567	**4,005**	3,486	3,170

OPERATING NET PROFIT FOR THE PERIOD BY GEOGRAPHICAL AREA

	2004	2003	2002
Netherlands	**1,964**	2,210	2,027
Belgium	**654**	459	485
Rest of Europe	**343**	14	-146
North America	**1,497**	717	349
Latin America	**220**	309	242
Asia	**178**	157	166
Australia	**447**	166	375
Other	**86**	21	-65
	5,389	4,053	3,433

amounts in billions of euros, unless stated otherwise

31 NET CASH FLOW FROM OPERATING ACTIVITIES

The net cash flow shown in respect of *Lending* only relates to transactions involving actual payments or receipts. The *Additions to the provision for loan losses* which is deducted from the item *Lending* in the balance sheet has been adjusted for the profit before tax and is shown separately in the cash flow statement.

32 NET CASH FLOW FROM INVESTING ACTIVITIES

MOST SIGNIFICANT COMPANIES ACQUIRED

	Rodamco Asia	Allianz Canada	DiBa
GENERAL			
Year of acquisition	**2004**	**2004**	2002
Primary line of business	**Real Estate**	**Non-life insurance**	Direct banking
PURCHASE PRICE			
Purchase price	**0.4**	**0.2**	0.6
Assumed debt in purchase price		**0.1**	
ASSETS			
Investments	**0.8**	**0.6**	7.7
Miscellaneous other assets		**0.2**	0.1
LIABILITIES			
Insurance provisions		**0.6**	
Funds entrusted to and debt securities of the banking operations	**0.4**		6.4
Miscellaneous other liabilities		**0.1**	1.2

PARENT COMPANY BALANCE SHEET OF ING GROUP AS AT 31 DECEMBER before profit appropriation

amounts in millions of euros

PARENT COMPANY BALANCE SHEET OF ING GROUP AS AT 31 DECEMBER

	2004	2003
ASSETS		
Participating interests 1	**29,859**	28,651
Other assets 2	**7,340**	4,284
Total	**37,199**	32,935
EQUITY AND LIABILITIES		
Shareholders' equity 3		
Share capital	**634**	612
Share premium	**8,525**	8,064
Revaluation reserve	**2,114**	2,223
Reserve for participating interests	**613**	585
Exchange differences reserve	**694**	607
Other reserves	**7,318**	5,197
Net profit for the period	**5,968**	4,043
	25,866	21,331
Subordinated loans 4	**5,392**	5,035
Capital base	**31,258**	26,366
Other liabilities 5	**5,941**	6,569
Total	**37,199**	32,935

The numbers against the items refer to the notes standing on page 134.

PARENT COMPANY PROFIT AND LOSS ACCOUNT OF ING GROUP FOR THE YEARS ENDED 31 DECEMBER

amounts in millions of euros

PARENT COMPANY PROFIT AND LOSS ACCOUNT OF ING GROUP FOR THE YEARS ENDED 31 DECEMBER

	2004	2003	2002
Result of group companies after tax	**5,978**	4,064	4,521
Other results after taxation	**-10**	-21	-21
Net profit for the period	**5,968**	4,043	4,500

ACCOUNTING PRINCIPLES FOR THE PARENT COMPANY BALANCE SHEET AND PROFIT AND LOSS ACCOUNT OF ING GROUP

The principles of valuation and determination of results stated in connection with the consolidated balance sheet and profit and loss account are also applicable to the valuation of directly held participating interests. Amounts receivable from and owed to group companies in connection with ordinary interbank transactions are included in *Other assets* and *Other liabilities*, respectively.

Changes in balance sheet values due to changes in the revaluation reserve of the participating interests are reflected in the Revaluation reserve, which forms part of *Shareholders' equity*. Changes in balance sheet values due to the results of these *Participating interests*, accounted for in accordance with ING Group accounting principles, are included in the profit and loss account. Other changes in the balance sheet value of these *Participating interests*, other than those due to changes in share capital, are included in Other reserves, which forms part of *Shareholders' equity*.

A statutory reserve is carried at an amount equal to the share in the results of *Participating interests* since their first inclusion at net asset value less the amount of profit distributions to which rights have accrued in the interim. Profit distributions which can be repatriated to the Netherlands without restriction are likewise deducted from the Reserve for participating interests, which forms part of *Shareholders' equity*.

NOTES TO THE PARENT COMPANY BALANCE SHEET OF ING GROUP

amounts in millions of euros, unless stated otherwise

ASSETS

1 PARTICIPATING INTERESTS

PARTICIPATING INTERESTS

Name of investee	**Ownership (%)**	**Balance sheet value 2004**	Ownership (%)	Balance sheet value 2003
ING Bank N.V.	**100**	**15,396**	100	16,169
ING Verzekeringen N.V.	**100**	**13,911**	100	11,985
Other		**552**		497
		29,859		28,651

MOVEMENTS IN PARTICIPATING INTERESTS

	2004	2003
Opening balance	**28,651**	26,596
Repayments to group companies	**-2,303**	-40
(Des)investments in group companies	**152**	527
Write-off of goodwill	**-119**	-145
Revaluations	**-966**	-1,192
Result of group companies	**5,978**	4,064
Dividend	**-1,446**	-1,102
	29,947	28,708
Changes in ING Groep N.V. shares held by group companies	**-88**	-57
Closing balance	**29,859**	28,651

2 OTHER ASSETS

OTHER ASSETS

	2004	2003
Receivables from group companies	**7,202**	4,150
Other receivables, prepayments and accruals	**138**	134
	7,340	4,284

EQUITY AND LIABILITIES

3 SHAREHOLDERS' EQUITY

SHARE CAPITAL

	Ordinary shares (par value EUR 0.24)		Preference shares (par value EUR 1.20)		Cumulative preference shares (par value EUR 1.20)	
	Number X 1,000	Amount	Number X 1,000	Amount	Number X 1,000	Amount
2004						
Authorised share capital	**3,000,000**	**720**	**300,000**	**360**	**900,000**	**1,080**
Unissued share capital	**795,280**	**190**	**212,920**	**256**	**900,000**	**1,080**
Issued share capital	**2,204,720**	**530**	**87,080**	**104**	**0**	**0**
2003						
Authorised share capital	3,000,000	720	300,000	360	900,000	1,080
Unissued share capital	884,099	212	212,920	256	900,000	1,080
Issued share capital	2,115,901	508	87,080	104	0	0
2002						
Authorised share capital	3,000,000	720	300,000	360	900,000	1,080
Unissued share capital	1,007,323	241	212,920	256	900,000	1,080
Issued share capital	1,992,677	479	87,080	104	0	0

MOVEMENTS IN ISSUED SHARE CAPITAL

	Ordinary shares		Preference shares	
	Number X 1,000	Amount	Number X 1,000	Amount
Issued share capital as at 1 January 2002	1,992,672	479	87,080	104
From exchange of ING Groep N.V. B warrants	5			
Issued share capital as at 31 December 2002	1,992,677	479	87,080	104
From exchange of ING Groep N.V. B warrants	407			
From 2002 final stockdividend	38,387	9		
From 2003 interim stockdividend	28,087	7		
Issue of shares	56,343	13		
Issued share capital as at 31 December 2003	2,115,901	508	87,080	104
From 2003 final stockdividend	**31,731**	**8**		
From 2004 interim stockdividend	**31,699**	**8**		
Issue of shares	**25,389**	**6**		
Issued share capital as at 31 December 2004	**2,204,720**	**530**	**87,080**	**104**

Shares All shares are in registered form. No share certificates will be issued. Shares may be transferred by means of a deed of transfer, subject to the approval of the Executive Board of ING Group.

Ordinary shares The par value of the ordinary shares is currently EUR 0.24.

Preference shares The par value of the preference shares is EUR 1.20. Preference shares are divided into two categories: "A" preference shares and "B" preference shares. The authorised share capital of ING Group consists of 100 million "A" preference shares, of which as at 31 December 2004 87 million have been issued and 200 million "B" preference shares, of which none have yet been issued.

Preference shares may only be issued if at least the nominal value is paid up.

Preference shares rank before ordinary shares in entitlement to dividends and distributions upon liquidation of ING Group, but are subordinated to cumulative preference shares. Holders of "A" and "B" preference shares rank pari passu among themselves. If the profit or amount available for distribution to the holders of preference shares is not sufficient to make such distribution in full, the holders will receive a distribution in proportion to the amount they would have received if the distribution could have been made in full. The "A" preference shares and "B" preference shares are not cumulative and their holders will not be compensated in subsequent years for a shortfall in a prior year.

The ING Group's Articles of Association make provision for cancellation of preference shares.

"A" Preference shares The dividend on the "A" preference shares is equal to a percentage of the amount (including share premium) for which the "A" preference shares were originally issued.

This percentage is calculated by taking the arithmetic mean of the average effective yield on the five longest-dated Dutch government loans, as calculated by a Calculating Agent to be designated by the Executive Board for the last twenty stock exchange days preceding the day on which the first "A" preference shares are issued, or, as the case may be, preceding the day on which the dividend percentage is adjusted. The percentage thus established may be increased or decreased by not more than a half percentage point, depending on the market conditions then prevailing, as the Executive Board may decide with the approval of the Supervisory Board.

The dividend on the "A" preference shares has been EUR 0.2405 per year until 1 January 2004. On 1 January 2004 the dividend has been readjusted to EUR 0.1582 per year until 1 January 2014. Then the dividend percentage will be readjusted again (and thereafter every ten years) to the average effective yield at that time on the five longest-dated Dutch government loans.

"A" preference shares may only be cancelled if a distribution of the amount (including share premium) for which the "A" preference shares were originally issued reduced by the par value of the shares can be made on each "A" preference share. Upon liquidation of ING Group, a distribution of the amount (including share premium) for which the "A" preference shares were originally issued will, insofar as possible, be made on each "A" preference share.

Depositary receipts for ordinary shares and for preference shares More than 99% of the ordinary shares and preference shares issued by ING Group are held by the Stichting ING Aandelen (Trust Office ING Shares). In exchange for these shares, the Trust Office has issued depositary receipts in bearer form for ordinary shares and for preference shares, respectively. The depositary receipts are listed on various European stock exchanges. Depositary receipts can be exchanged for (non-listed) shares of the relevant category without any restriction.

The holder of a depositary receipt is entitled to receive from the Trust Office payment of dividends and distributions corresponding with the dividends and distributions received by the Trust Office on a share of the relevant category.

In addition, the holder of a depositary receipt is entitled to attend and to speak at the General Meeting of Shareholders of ING Group either in person or by proxy. A holder of a depositary receipt who thus attends the General Meeting of Shareholders, is entitled to vote as a proxy of the Trust Office but entirely to his own discretion for a number of shares equal to the number of his depositary receipts of the relevant category.

A holder of a depositary receipt who does not attend the General Meeting of Shareholders in person or by proxy is entitled to give a binding voting instruction to the Trust Office for a number of shares equal to the number of his depositary receipts of the relevant category.

Concentration of holders of depositary receipts for shares As at 31 December 2004, ABN AMRO Holding, AEGON and Fortis had an interest in depositary receipts (for ordinary shares and for preference shares) of ING Group between 5% and 10%.

Depositary receipts for ordinary shares held by ING Group With reference to Section 98 (5), Book 2, of the Dutch Civil Code, as at 31 December 2004, a number of 29 million of depository receipts for ordinary shares ING Groep N.V. with a par value of EUR 0.24 was held by ING Group or its subsidiaries. These were purchased to hedge option rights granted to the Executive Board members and other employees. In 2004, ING Group sold 1,587,627 and purchased 2,948,601 depositary reciepts for own shares in connection with these option plans with an average price of EUR 15.59 and EUR 19.70 respectively. The net effect of these transactions is included in Other reserves. The secondary placements relate to shares issued when options from the option plans are exercised.

MOVEMENTS IN DEPOSITARY RECEIPTS FOR ORDINARY SHARES HELD BY ING GROEP N.V. AND ITS SUBSIDIARIES TO HEDGE THE OPTION RIGHTS GRANTED TO THE EXECUTIVE BOARD AND OTHER EMPLOYEES IN 2004

	Number X 1,000	Amount
Opening balance	28,068	845
Purchases	2,948	58
Sales	-658	-11
Secondary placements	-930	-13
Differences between purchase and sales prices		-9
Depositary receipts as at 31 December 2004	29,428	870

Cumulative preference shares The par value of the cumulative preference shares is EUR 1.20.

The cumulative preference shares rank before the preference shares and the ordinary shares in entitlement to dividend and to distributions upon liquidation of ING Group.

The dividend on the cumulative preference shares will be equal to a percentage, calculated on the amount compulsorily paid up or yet to be paid up. This percentage shall be equal to the average of the Euro OverNight Index Average (EONIA) as calculated by the European Central Bank. During the financial year for which the distribution is made, this percentage is weighted on the basis of the number of days for which it applies, increased by two and a half percentage points.

If and to the extent that the profit available for distribution is not sufficient to pay the dividend referred to above in full, the shortfall will be made up from the reserves insofar as possible. If and to the extent that the dividend distribution cannot be made from the reserves, the profits achieved in subsequent years shall first be used to make up the shortfall before any distribution may be made on shares of any other category.

ING Group's Articles of Association make provision for the cancellation of cumulative preference shares. Upon cancellation of cumulative preference shares and upon liquidation of ING Group, the amount paid up on the cumulative preference shares will be repaid together with the dividend shortfall in preceding years, insofar as this shortfall has not yet been made up.

B warrants In 1998, ING Group authorised the issue of a maximum of 17,317,132 B warrants, of which 17,220,200 have been issued. As at 31 December 2004,17,190,610 B warrants were outstanding (2003: 17,190,815). B warrant holders are entitled to obtain from ING Group, for a fixed price, depositary receipts for ordinary shares in the proportion of 1 B warrant to 2 depositary receipts. B warrant holders may exercise their rights at their own discretion but no later than 5 January 2008. As at 31 December 2004, no B warrants (2003: nil) were held by group companies of ING Group.

The current exercise price of B warrants is EUR 49.92 for 2 depositary receipts. The exercise price of B warrants will be adjusted by ING Group if one or more of the following circumstances occur:

1. ING Group issues ordinary shares with pre-emptive rights for existing holders thereof at a price lower than the average price over the 20 business days preceding the relevant announcement of the median price between the highest and lowest prices of the depositary receipts of EUR 0.24 par value as stated in the Official Price List of Euronext Amsterdam N.V.;

2. ING Group issues ordinary shares to existing holders thereof, such shares being paid from a reserve of the company at a price lower than the average price over the 20 business days preceding the relevant announcement of the median price between the highest and lowest prices of the depositary receipts of EUR 0.24 par value as stated in the Official Price List of Euronext Amsterdam N.V.;

3. ING Group issues ordinary shares to existing holders thereof by way of paying a dividend at a price lower than the average price over the 20 business days preceding the relevant announcement of the median price between the highest and lowest prices of the depositary receipts of EUR 0.24 par value as stated in the Official Price List of Euronext Amsterdam N.V.;

4. ING Group grants to existing holders of ordinary shares pre-emptive rights to obtain securities other than ordinary shares;

5. Any company grants to existing holders of ordinary shares of ING Group a right of subscription for securities which may be converted into or exchanged for ordinary shares of ING Group, provided that the price for which such ordinary shares of ING Group may (initially) be obtained is lower than the then applicable exercise price;

6. ING Group makes a distribution in cash out of its share premium reserve(s) to holders of ordinary shares.

In case of a split or consolidation of the shares of ING Group, a warrant holder shall remain entitled to a number of shares, the aggregate par value of which shall be equal to the aggregate par value of the number of shares to which he was entitled before the split or consolidation.

In case of a restructuring of the share capital of ING Group or a merger of ING Group with any other company or a transfer of the assets of ING Group (or a substantial part thereof) to any other company, the exercise price of the B warrants will not be adjusted. In that event, a warrant holder will be entitled to obtain the securities of the kind and number a holder of ordinary shares would have been entitled to if the B warrants had been exchanged for ordinary shares immediately before that event.

RESERVES

	Total	Share premium	Revaluation reserve	Reserve for participating interests	Exchange differences reserve	Other reserves
Balance as at 31 December 2001	16,354	7,188	6,287	466	-155	2,568
Unrealised revaluations after tax	-5,833		-4,304	35		-1,564
Exchange differences	398				398	
Net profit not recognised in the profit and loss account	-5,435		-4,304	35	398	-1,564
Write-off of goodwill	-1,176					-1,176
Profit appropriation previous year	4,577					4,577
2001 final dividend and 2002 interim dividend [1]	-1,969					-1,969
Exercise of warrants and options	-2	-2				
Changes in ING Groep N.V. shares held by group companies	822					822
Balance as at 31 December 2002	13,171	7,186	1,983	501	243	3,258
Unrealised revaluations after tax	-1,215		240	84		-1,539
Exchange differences	364				364	
Net profit not recognised in the profit and loss account	-851		240	84	364	-1,539
Write-off of goodwill	-145					-145
Profit appropriation previous year	4,500					4,500
2002 final dividend and 2003 interim dividend [2]	-1,995	-1,068				-927
Issue of shares	1,946	1,946				
Changes in ING Groep N.V. shares held by group companies	50					50
Balance as at 31 December 2003	16,676	8,064	2,223	585	607	5,197
Unrealised revaluations after tax	**-977**		**-109**	**28**		**-896**
Exchange differences	**87**				**87**	
Net profit not recognised in the profit and loss account	**-890**		**-109**	**28**	**87**	**-896**
Write-off of goodwill	**-119**					**-119**
Profit appropriation previous year	**4,043**					**4,043**
2003 final dividend and 2004 interim dividend [3]	**-2,109**	**-1,227**				**-882**
Issue of shares	**1,688**	**1,688**				
Changes in ING Groep N.V. shares held by group companies	**-25**					**-25**
Balance as at 31 December 2004	**19,264**	**8,525**	**2,114**	**613**	**694**	**7,318**

[1] 2001 final dividend of EUR 0.50 per share and 2002 interim dividend of EUR 0.48 per share.
[2] 2002 final dividend of EUR 0.49 per share and 2003 interim dividend of EUR 0.48 per share.
[3] 2003 final dividend of EUR 0.49 per share and 2004 interim dividend of EUR 0.49 per share.

As at 31 December 2004, the capital and reserves of Stichting Regio Bank, included in Other reserves, amounted to EUR 507 million (2003: EUR 469 million) and cannot be freely distributed.

The revaluation reserve and the reserve for participating interests include the statutory reserves.

Dividend restrictions ING Group and its Dutch group companies are subject to legal restrictions regarding the amount of dividends they can pay to their shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to the excess of the company's own funds over the sum of (i) the paid-up capital, and (ii) reserves required by law. Additionally, certain group companies are subject to restrictions on the amount of funds they may transfer in the form of cash dividends or otherwise to the parent company.
Furthermore, in addition to the restrictions in respect of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate, other limitations exist in certain countries.

The Executive Board of ING Group believes that these limitations will not affect the ability of ING Group to pay dividends to its shareholders in the future.

4 SUBORDINATED LOANS

Subordinated loans consists of perpetual subordinated bonds issued by ING Groep N.V. These bonds have been issued to raise hybrid capital for ING Verzekeringen N.V. and Tier 1 capital for ING Bank N.V.

SUBORDINATED LOANS

	Notional amount	Interest rate	Year of issue	First call date	Balance sheet value 2004	2003
EUR	1,000	Variable	2004	30 June 2014	**1,000**	
USD	500	6.2	2003	15 January 2009	**366**	396
EUR	750	Variable	2003	30 June 2013	**750**	750
USD	1,100	7.2	2002	15 December 2007	**807**	872
USD	800	7.05	2002	15 September 2007	**586**	634
EUR	600	6.5	2001	28 September 2006	**600**	600
					4,109	3,252

EUR 3,743 million (2003: EUR 2,256 million) of these loans has been subsequently provided as subordinated loans by ING Groep N.V. to ING Bank N.V. under the same conditions as the original bonds.

EUR 366 million (2003: EUR 396 million) has been subsequently provided as subordinated loan by ING Groep N.V. to ING Verzekeringen N.V. under the same conditions as the original bonds.

The number of debentures held by group companies as at 31 December 2004 was 7,800 with a balance sheet value of EUR 1 million (2003: 211,086 with a balance sheet value of EUR 21 million).

Unsecured subordinated loans from group companies to ING Groep N.V., which may be renewable at their due dates at the then prevailing market rates, are included in *Subordinated loans*.

UNSECURED SUBORDINATED LOANS FROM GROUP COMPANIES TO ING GROEP N.V.

Interest rate	Year of issue	Due date	Balance sheet value 2004	2003
8.439	2000	31 December 2030[1]	**1,100**	1,189
9.2	2000	30 June 2030	**183**	198
7.7	1999	29 June 2029		396
			1,283	1,783

[1] Interest rate is fixed until 31 December 2010, thereafter the interest rate will be reset based on three-month LIBOR plus spread.

5 OTHER LIABILITIES

OTHER LIABILITIES BY TYPE

	2004	2003
Debenture loans	**5,178**	5,704
Amounts owed to group companies	**606**	655
Other amounts owed and accrued liabilities	**157**	210
	5,941	6,569

DEBENTURE LOANS

Interest rate	Year of issue	Due date	Balance sheet value 2004	Balance sheet value 2003
5	2001	3 May 2006	**1,000**	1,000
6.125	2000	4 January 2011	**1,000**	1,000
6	2000	1 August 2007	**750**	750
5.5	2000	11 May 2005	**1,428**	1,500
5.5	1999	14 September 2009	**1,000**	1,000
7.125	1994	28 June 2004		454
			5,178	5,704

The number of debentures held by group companies as at 31 December 2004 was 6,377 with a balance sheet value of EUR 6 million (2003: 67,925 with a balance sheet value of EUR 68 million).

AMOUNTS OWED TO GROUP COMPANIES BY REMAINING TERM

	2004	2003
– up to one year	**600**	556
– one year to five years		7
– over five years	**6**	92
	606	655

Amsterdam, 7 March 2005

THE SUPERVISORY BOARD

Cor A.J. Herkströter, *chairman*
Eric Bourdais de Charbonnière
Luella Gross Goldberg
Paul F. van der Heijden
Claus Dieter Hoffmann
Aad G. Jacobs
Wim Kok
Godfried J.A. van der Lugt
Paul J.A. Baron de Meester
Jan D. Timmer
Karel Vuursteen

THE EXECUTIVE BOARD

Michel J. Tilmant, *chairman*
Cees Maas, *vice-chairman and Chief Financial Officer*
Eric F. Boyer de la Giroday
Fred S. Hubbell
Eli P. Leenaars
Alexander H.G. Rinnooy Kan
Hans K. Verkoren

AUDITORS' REPORT

Introduction
We have audited the annual accounts of ING Groep N.V., Amsterdam, for the year 2004. These annual accounts are the responsibility of the company's management. Our responsibility is to express an opinion on these annual accounts based on our audit.

Scope
We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion
In our opinion, the annual accounts give a true and fair view of the financial position of the company as at 31 December 2004 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2, of the Netherlands Civil Code.

Amsterdam, 7 March 2005

for Ernst & Young Accountants

Rob Lelieveld **Jan Nooitgedagt**

PROPOSED PROFIT APPROPRIATION / PROVISIONS CONCERNING ISSUE OF SHARES

PROPOSED PROFIT APPROPRIATION

The profit is appropriated pursuant to Article 38 of the Articles of Association of ING Groep N.V., the relevant stipulations of which state that the part of the profit remaining after the Executive Board, with the approval of the Supervisory Board, has determined the appropriation to reserves, shall be at the disposal of the General Meeting of Shareholders.

It is proposed to declare a dividend of EUR 1.07 per ordinary share of EUR 0.24.

On 10 September 2004, an interim dividend of EUR 0.49 per ordinary share of EUR 0.24 was made payable. At the shareholders' option, this interim dividend was paid entirely in ordinary shares out of share premium or in cash. Therefore, a final dividend remains of EUR 0.58. The final dividend will be paid entirely in cash and will be made payable on 4 May 2005.

APPROPRIATION OF PROFIT WHEN THE PROPOSAL WILL BE APPROVED BY THE GENERAL MEETING OF SHAREHOLDERS

amounts in millions of euros

Net profit	**5,968**
Due to holders of preference shares pursuant to Article 38 (4) of the Articles of Association	**14**
Addition to reserves pursuant to Article 38 (5) of the Articles of Association	**3,557**
Non-distributable profit of Stichting Regio Bank	**38**
At the disposal of the General Meeting of Shareholders pursuant to Article 38 (6) of the Articles of Association	**2,359**
Dividend of EUR 1.07 per ordinary share of EUR 0.24 par value	

PROVISIONS CONCERNING ISSUE OF SHARES

Pursuant to Article 13 of the Articles of Association, the authority to issue shares, grant the right to take up shares and restrict or exclude the preferential rights of shareholders has been conferred on the Executive Board, upon approval of the Supervisory Board.

This authority applies to the period ending on 27 October 2005 (subject to extension by the General Meeting of Shareholders):

1. i) for a total of 210,000,000 ordinary shares;
   plus
   ii) for a total of 210,000,000 ordinary shares, only if these shares are issued in connection with the take over of a business or company;
2. for 200,000,000 preference shares B.

TRANSITION TO IFRS

As of 2005, the European Union requires all listed companies in its member states to prepare consolidated financial statements under International Financial Reporting Standards (“IFRS”). As a result, ING Group will publish its quarterly and annual financial results in accordance with IFRS as of 1 January 2005.

IFRS differs significantly from the current ING Group accounting principles (as applied in the 2004 annual accounts) in several areas. Therefore, shareholders’ equity and net profit under IFRS may differ significantly from those under current ING Group accounting principles. The transition impact of implementing IFRS will be reported in shareholders’ equity.

Restated 2004 comparatives under IFRS will be presented together with the publication of the IFRS financial information for 2005. However, in line with the IFRS transitional provisions, ING Group will not restate the 2004 comparatives for IAS 32 and 39 (Financial instruments) and IFRS 4 (Insurance contracts).

On 11 March 2005 ING Group presented the most significant impacts of the transition to IFRS. This presentation, which is available on the ING web site, includes the following preliminary unaudited information:

– the impact on shareholders’ equity at transition;
– the impact on 2004 net profit;
– an explanation of differences between current ING Group accounting principles and IFRS.

SHAREHOLDERS' EQUITY AND NET PROFIT ON THE BASIS OF US GAAP

amounts in millions of euros, except for amounts per share

The following statement provides a reconciliation of the shareholders' equity and net profit on the basis of ING Group accounting principles to US GAAP.

RECONCILIATION OF THE SHAREHOLDERS' EQUITY AND NET PROFIT ON THE BASIS OF ING GROUP ACCOUNTING PRINCIPLES TO US GAAP

	Shareholders' equity		Net profit		
	2004	2003	**2004**	2003	2002
Amounts in accordance with ING Group accounting principles	**25,866**	21,331	**5,968**	4,043	4,500
Purchase accounting and goodwill and other intangible assets	**4,191**	4,315	**-164**	-125	-29
Valuation of Land and buildings	**-2,589**	-3,017	**-91**	53	-58
Valuation of Fixed-interest securities	**13,075**	9,579	**533**	-6	195
Realised gains/losses on disposal of Fixed-interest securities	**-1,419**	-936	**-327**	590	483
Valuation of equity securities			**148**	335	-1,085
Derivatives	**-101**	-530	**425**	-87	-472
Deferred acquisition costs of new insurance business	**-341**	-418	**-79**	-154	25
Pension liabilities and other staff-related liabilities	**-922**	-910	**43**	42	19
Provision for life policy liabilities	**-448**	-650	**280**	5	-51
Catastrophe and other insurance provision	**17**	21	**2**	-96	-172
Valuation and profit recognition of equity investments	**-138**	115	**5**	25	8
Restructuring provision	**60**		**60**		
Subtotal	**11,385**	7,569	**835**	582	-1,137
Taxation of the adjustments	**2,503**	1,207	**141**	129	-99
Minority interest in adjustments (after tax)	**346**	314	**26**	16	14
Adjustments after tax	**9,228**	6,676	**720**	469	-1,024
Amounts in accordance with US GAAP accounting principles (excluding effects of changes in accounting principles)	**35,094**	28,007	**6,688**	4,512	3,476
Cumulative effects of changes in accounting principles			**-91**		-13,103
Amounts in accordance with US GAAP accounting principles	**35,094**	28,007	**6,597**	4,512	-9,627
Diluted per share (in euros) in accordance with US GAAP accounting principles	**16.00**	13.27	**3.10**	2.23	-5.00

This information has been included in the Annual Report on Form 20-F, which is to be filed with the American Securities and Exchange Commission in connection with admission to listing on the New York Stock Exchange.

NOTES TO DIFFERENCES BETWEEN ING GROUP ACCOUNTING PRINCIPLES AND US GAAP

The principal differences between the accounting principles applied by ING Group and US GAAP are as follows:

Purchase accounting and goodwill and other intangible assets
Under ING Group accounting principles, goodwill paid on acquisitions including related intangible assets are charged directly to *Shareholders' equity*.

Under US GAAP, goodwill is capitalised and 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. In accordance with the transition provisions, ING Group has performed the required transitional impairment test on the carrying value of goodwill as of 1 January 2002. The non-cash transitional impairment loss was recognised in the income statement as cumulative effect of a change in accounting principles in the net profit for the year 2002.

Other intangible assets recognised under US GAAP, remain to be amortised over the estimated economic life.

Valuation of Land and buildings
Under ING Group accounting principles, land and buildings are carried at the fair value, with any unrealised revaluations accounted for directly in *Shareholders' equity*. These assets are not depreciated. Impairment losses are first charged against the revaluation reserves existing for these assets. Any remaining impairment losses are charged to the profit and loss account.

Under US GAAP, land and buildings in use by group companies and not in use by group companies (which are treated as Investments) are carried at cost less accumulated depreciation, adjusted for any impairment in value. Depreciation is calculated over the economic lives of the assets concerned.

Valuation of Fixed-interest securities
Investments in fixed-interest securities are carried at redemption value in accordance with ING Group accounting principles, differences between redemption value and cost being amortised and charged to the profit and loss account over the remaining terms of the investments concerned.

In accordance with US GAAP, the method of accounting for these assets depends on the classification of the securities concerned.

Securities held as part of the trading portfolio are stated at fair value. Realised and unrealised movements in the fair value are taken to the profit and loss account.

Securities held until maturity are stated at redemption value, differences between redemption value and cost being amortised and charged to the profit and loss account over the remaining terms of the investments concerned.

Securities which are available for sale are stated at fair value. Unrealised movements in the fair value are recognised in *Shareholders' equity*. Realised results on disposal are recognised in the profit and loss account.

Unrealised gains on these assets are included in *Shareholders' equity* for US GAAP purposes. When these gains are realised, a portion may be passed to policyholders, at the discretion of the company. As at 31 December 2004 this amount is estimated at EUR 2.2 billion.

Realised gains/losses on disposal of investments in Fixed-interest securities
The result on disposal of investments in fixed-interest securities, i.e. the difference between the proceeds from sale and the book value, is treated as a yield difference under ING Group accounting principles. These yield differences are taken to the profit and loss account over the average remaining weighted maturity of the investment portfolio.

In accordance with US GAAP, the result on disposal is immediately recognised as income.

Valuation of equity securities
Under ING Group accounting principles, unrealised losses on equity securities are recorded in the revaluation reserve, unless the securities are considered to be impaired. Impairments are charged to the profit and loss account. The determination of impairments involves various assumptions and factors, including the period of time and the extent to which the unrealised loss has existed and general market conditions, but is primarily based on the financial condition of the issuer in the long-term; ING has the intention and ability to maintain a long-term investment strategy.

Under US GAAP, unrealised losses that are considered "other than temporary" are charged to the profit and loss account. The determination of "other than temporary" is primarily based on the duration and extent to which the market value has been below cost price.

Derivatives
Under ING Group accounting principles, derivative financial instruments, primarily interest rate swap contracts, used to manage interest rate risk are accounted for as off-balance sheet transactions. The related interest income and expense is accounted for on a basis in conformity with the hedged position, primarily on an accrual basis. Transactions qualify as hedges if these transactions are identified as such and there is a negative correlation between the hedging results and the results of the position being hedged.

US GAAP requires that derivatives be carried at fair value with changes in fair value recorded in income unless specified criteria are met to obtain hedge accounting treatment.

SFAS 133, 'Accounting for Derivative Instruments and Hedging Activities' as amended by SFAS 138, requires that all derivative instruments, including certain derivative instruments embedded in other contracts, be recorded on the balance sheet, as either an asset or liability, measured at its fair value. The change in a derivative's fair value is generally to be recognised in current period's profit and loss account. However, if certain conditions are met, a derivative may be specifically designated as a hedge of an exposure to changes in fair value, variability of cash flows, or certain foreign currency exposures.

For the purpose of reconciliation of *shareholders' equity* and net profit under ING Group accounting principles to US GAAP, the change in the fair values of the hedged items have been set off against the gains and loss on the derivative instrument for hedges that meet SFAS 133 hedge criteria.

Deferred acquisition costs of insurance business
In accordance with ING Group accounting principles, the acquisition costs of life insurance business involving the receipt of regular premiums are capitalised and amortised to the profit and loss account.

In accordance with US GAAP, a similar policy applies, except that the method of amortisation is slightly different.

Under US GAAP, the revaluation reserve resulting from the valuation of fixed-interest securities at fair value is adjusted for the impact thereof on the DAC.

Pension liabilities and other staff-related liabilities
Pension liabilities and pension expenses The pension rights of the vast majority of the staff are insured with separate pension funds. In accordance with ING Group accounting principles, as from 1 January 1998, retroactive as from 1 January 1997, the pension expenses are based on a specific method of actuarial valuation of plan assets and related projected liabilities for accrued service including future salary indexation. Plan assets are taken at fair value.

The pension expenses under US GAAP are based on the same method of valuation of liabilities and assets. Differences in the level of expense and liabilities (or assets) occur due to the different transition dates under US GAAP.

Furthermore, under US GAAP an additional liability is recognised immediately in a situation where the accumulated benefit obligation exceeds the fair value of the plan assets. This additional liability is charged to *shareholders' equity*. The accumulated benefit obligation differs from the projected benefit obligation in that it does not take into account future compensation levels. Under ING Group accounting principles, in such situation the normal rules for differences between the projected benefit obligation and the fair value of plan assets continue to apply and, therefore, a liability is not recognised immediately.

Other staff-related liabilities In accordance with ING Group accounting principles, the other staff-related liabilities are determined under a similar methodology as described under pension liabilities and pension expenses.

The other staff-related liabilities under US GAAP are based on the same methods of valuation as for other assets and liabilities. Differences in the level of expenses and liabilities (or assets) occur due to the different transition date under US GAAP.

Provision for life policy liabilities
In accordance with both ING Group accounting principles and US GAAP, the provision for life policy liabilities is calculated on the basis of a prudent prospective actuarial method, having regard to the conditions of current insurance contracts. The difference between the ING Group accounting principles and US GAAP primarily concerns the treatment of initial expenses and the assumptions which are made in calculating the provisions with regard to the yield on the investments relating to these liabilities. This item includes reserve strengthening provisions recorded under ING Group accounting principles not permitted under US GAAP.

In addition, under US GAAP, the revaluation reserve resulting from the valuation of fixed-interest securities at fair value is adjusted for the impact thereof on the deferred profit sharing to policyholders.

NOTES TO DIFFERENCES BETWEEN ING GROUP ACCOUNTING PRINCIPLES AND US GAAP (continued)

Catastrophe and other insurance provision
ING Group carries provisions for that part of future losses from catastrophes and other extraordinary risks which are not reinsured.

Under US GAAP, these provisions are not allowed since such losses are recorded in the period they are incurred. Amounts that were charged to, or released from, the catastrophe provision under ING Group accounting principles are recorded in the profit and loss account under US GAAP.

Valuation and profit recognition of equity investments
This item relates to equity participations and certain equity investments. Equity participations that are held for sale are carried at either the lower of cost or market value or at net asset value. Dividends received and realised gains and losses on the sale of these shareholdings are charged to the profit and loss account. Under US GAAP, these shareholdings are accounted for at either fair value with changes in fair value recorded in *shareholders' equity*, or, in cases where significant influence can be exercised by the shareholders, by the equity method.

The criteria on recognition of gains and losses on the sale of certain equity investments are more stringent US GAAP. As a result, profit on sale is not always recognised in the same accounting period.

Restructuring provision
Under ING Group accounting principles, certain restructuring costs relating to employee terminations are recognised when a restructuring plan has been announced.

Under US GAAP, liabilities related to exit costs are recognised when incurred. Employee termination costs are generally considered to be incurred when the company has a liability to the employee unless further service is required from the employee in which case costs are recognised as benefits are earned.

RAROC PERFORMANCE

ING Bank applies the Risk Adjusted Return on Capital framework (RAROC). This method consistently measures the performance of different activities and links to shareholder-value creation. The use of RAROC increases focus on risks versus rewards in the decision-making process, and consequently stimulates the use of scarce capital in the most efficient way. Risk-adjusted pricing tools are also used as a basis for the pricing of certain transactions and as an important determinant in the credit-approval procedures.

RAROC is calculated as the risk-adjusted return divided by economic capital. The risk-adjusted return is based on similar valuation principles as applied in the financial accounts, with two important exceptions. The actual credit-risk provisioning is replaced by expected losses reflecting statistically calculated average credit losses over the entire economic cycle. In addition the profit and loss account is adjusted for effects that relate to replacing actual book capital by economic capital.

Economic capital is defined as the amount of capital required to bear the economic risks created by the activities employed and at the company's desired level of comfort. The Economic capital is based on detailed calculations for credit, transfer, market, operational and business risk and includes diversification benefit within the bank. ING uses a one-sided confidence interval of 99.95% – consistent with our target debt rating (AA/Aa2 long term) – and a one year time.

RAROC FOR BANKING OPERATIONS

	Raroc (pre-tax)		Economical capital (in billions of euros)	
	2004	2003	**2004**	2003
Netherlands	**25.5%**	28.2%	**3.0**	2.9
Belgium	**22.2%**	16.1%	**2.5**	2.7
Germany	**-20.7%**	-3.8%	**1.1**	1.3
Rest of the World	**8.8%**	5.0%	**2.0**	2.5
Other Wholesale	**-43.6%**	-45.5%	**0.2**	0.3
Subtotal Wholesale Banking	**13.6%**	12.6%	**8.8**	9.7
Asset Management	**39.5%**	44.0%	**0.8**	0.4
Total Wholesale Banking	**16.0%**	13.9%	**9.6**	10.1
Netherlands	**68.0%**	62.2%	**1.6**	1.5
Belgium	**17.8%**	18.3%	**0.4**	0.5
Poland	**20.5%**	19.5%	**0.1**	0.1
Other Retail	**-3.1%**	5.4%	**0.6**	0.4
Total Retail Banking	**43.1%**	43.4%	**2.7**	2.5
Total ING Direct	**19.9%**	12.5%	**2.4**	1.7
Corporate Line	**-134.1%**	-103.0%	**0.2**	0.2
Total banking operations	**19.7%**	17.0%	**14.9**	14.5

Note : 2003 figures revised for inclusions.

In 2004, the RAROC and economic capital have been calculated for ING Bank in total. The total pre-tax RAROC for the banking operations corresponds to an after-tax RAROC of 14.8% that can be compared with 12.7% for 2003. The Executive Board has set an overall target of 12% after-tax. The RAROC after-tax of wholesale banking improved to 12.2%, compared to 10.3% last year and performed just above the target. RAROC after-tax of retail banking was 29.1% and almost equalled the high level of 2003 (29.3%). ING Direct improved further to an after-tax RAROC of 11.3% compared to 6.1% last year.

In addition to RAROC, ING internally uses 'economic profit growth' as a key performance indicator to signal where value is being created or destroyed and to make better strategic choices as a result. The economic profit is calculated by deducting the weighted average cost of capital from the RAROC and multiply this with the economic capital.

ING Group continues to develop and refine the models supporting the RAROC calculations.

EMBEDDED VALUE

amounts in millions of euros, unless stated otherwise

Embedded value is an indicator of the economic value creation as a consequence of selling and managing long-term contracts such as life insurance, annuities and pensions. The components of embedded value are the present value of future earnings from in-force covered business, required capital less the cost of holding required capital, and free surplus. The value of new business is the embedded value added with sales during the year, and therefore provides insight into the expected profitability related to 2004 sales. Underlying assumptions (expenses, interest rates, mortality, lapse, etc.) reflect best estimates of future expected experience. Future earnings are discounted at a rate representing the cost of capital.

The European Embedded Value (EEV) Principles were published in May 2004 by the CFO Forum, a group representing the Chief Financial Officers of major European insurers. The Principles and associated guidance provide a framework for calculating and reporting supplementary embedded value information. The year-end 2004 results provided below are in accordance with the EEV Principles.

At the end of 2004, the total embedded value of ING's life insurance operations was EUR 22,451 million compared to EUR 21,724 million at year-end 2003. This is after EUR 1,049 million in dividends to the Group. Before dividends, the increase in embedded value was EUR 1,776 million. Both the 2003 and 2004 figures are before deduction for the life insurance pension deficit. In 2004, this deficit was EUR 252 million, which reflects EUR 736 million of the Group's pension deficit that is allocated to the life insurance business less EUR 484 million already included in the expense assumptions in the embedded value calculations.

The embedded value result reflects increases due to an increase in the value of new business, favourable variances and the positive impact of economic assumption changes. Currency effects, a change to the capital model, and financial options and guarantees had an adverse impact. A dividend payment of EUR 1,049 million from the life operations also reduced the result.

NEW BUSINESS VALUE

	Annual	**Premiums single**	**IRR[1]**	**Value**	**VNB/PV premiums[2]**	Annual	Premiums single	IRR[1]	Value
					2004				2003
Netherlands	**178**	**1,709**	**10.5%**	**58**	**1.9%**	161	1,220	8.0%	11
Belgium/Luxembourg	**51**	**1,583**	**22.8%**	**42**	**2.2%**	29	1,752	29.4%	55
Other Europe	**202**	**216**	**12.6%**	**38**	**1.0%**	151	143	11.9%	28
United States	**1,194**	**13,726**	**10.3%**	**138**	**0.9%**	1,583	14,545	9.2%	100
Latin America	**215**	**191**	**14.7%**	**35**	**1.0%**	49	77	4.8%	-6
Asia/Pacific	**1,086**	**2,996**	**13.6%**	**321**	**4.8%**	985	1,588	14.7%	252
ING Group	**2,926**	**20,421**	**12.1%**	**632**	**1.8%**	2,958	19,325	10.9%	440

(1) IRR = internal rate of return adjusted for expected currency movements relative to the euro.
(2) VNB/PV Premiums = value of new business divided by the present value of new business premiums.

The value of new business written during 2004 was EUR 632 million, compared to the 2003 level of EUR 440 million. This 44% increase is primarily due to further investment in new business, improved pricing margins and higher sales. During 2004 ING invested EUR 1,607 million to write new life insurance business. The overall rate of return expected on this investment is 12.1%. This compares to an overall return of 10.9% in 2003. The expected internal rate of return in developing markets is 13.5%.

The value of new business fully reflects acquisition expense overruns, which represent the excess of the costs of acquiring new business over the expense allowances provided in product pricing. Such overruns may exist while new operations are achieving scale, while several businesses are integrating into one, or during a year when sales are lower than anticipated. During 2004, after-tax acquisition expense overruns were EUR 73 million, compared to EUR 78 million in 2003.

EMBEDDED VALUE OF THE LIFE OPERATIONS

	2004	2003
Free surplus	**599**	2,500
Value of business in force	**21,852**	19,224
Embedded value	**22,451**	21,724

EMBEDDED VALUE PER BUSINESS LINE – LIFE OPERATIONS

	2004	2003
Netherlands	**9,223**	9,003
Belgium/Luxembourg	**871**	756
Other Europe	**2,163**	1,744
Insurance Europe	**12,257**	11,503
United States	**7,271**	7,932
Latin America	**847**	372
Insurance Americas	**8,118**	8,304
Insurance Asia/Pacific	**2,076**	1,917
ING Group	**22,451**	21,724

There are several exceptional items in the embedded value results. The capital model was changed in order to better reflect the economic risks in each business. In accordance with the EEV Principles, the costs associated with financial options and guarantees was explicitly reflected. In the Netherlands, assumptions were revised to reflect higher expense levels and lapse assumptions were increased to reflect recent experience. The divestment of ING of the individual reinsurance business in the United States and currency movements had an adverse impact on results. In Latin America, the addition of pension business to the calculation to the embedded value results increased the embedded value.

CHANGE IN EMBEDDED VALUE OF THE LIFE OPERATIONS

Reported embedded value 2003	**21,724**
Investment return on free surplus	**96**
Value of new business	**632**
Required return	**1,560**
Financial variances	**431**
Operational variances	**145**
Discount rate changes	**102**
Assumption changes	**314**
Currency effects	**-529**
Change to capital model	**-744**
Addition of financial options and guarantees	**-616**
Other	**385**
(Dividends) and capital injections	**-1,049**
Ending embedded value 2004	**22,451**

EMBEDDED VALUE (continued)

The major factors for each of these changes in 2004 are as follows:
- Investment income on free surplus of EUR 96 million;
- New sales in 2004 contributed EUR 632 million to the embedded value;
- The required return of EUR 1,560 million is the rollup of the discount rate on the beginning value of inforce business and on the value of new business;
- Financial variances in 2004 totalled EUR 431 million. Favourable investment experience across the businesses as well as favourable fund returns on separate accounts in the U.S. were the drivers of this increase;
- Operational variances increased embedded value by EUR 145 million over 2004, primarily reflecting positive mortality and morbidity experience in Asia/Pacific;
- Assumption changes increased value by EUR 314 million, reflecting offsetting items. An increase in the assumed long term interest rate in Taiwan, a reduction in the corporate tax rate in the Netherlands and changes to lapse, mortality, and morbidity assumptions in Asia/Pacific were partially offset by an increase in expenses included in Nationale-Nederlanden's projections;
- Currency impacts had a negative effect of EUR 529 million, primarily reflecting the effects of a declining U.S. dollar compared with the euro;
- Changes to the ING capital model reduced the embedded value by EUR 744 million and impacted all business lines. The change increased the embedded value for all business lines except Latin America and Asia/Pacific. The latter of which showed a significant increase in capital;
- The expense associated with financial options and guarantees were incorporated into the embedded value results for 2004, decreasing the value by EUR 616 million. The impact was reflected primarily in the Netherlands and the U.S. results;
- The embedded value was reduced by EUR 1,049 million due to dividends from the life operations paid to ING Group;
- Other amounts contributed EUR 385 million.

NEW BUSINESS VALUE FROM DEVELOPING MARKETS[1]

	Annual	Premiums single	IRR[2]	Value	Annual	Premiums single	IRR[2]	Value
				2004				2003
Central Europe	138	81	14.2%	33	107	53	13.9%	24
Americas	215	191	14.7%	35	49	77	4.8%	-6
Asia/Pacific	717	374	13.2%	201	682	142	16.9%	204
ING Group	1,070	646	13.5%	269	838	272	15.3%	222

(1) Countries classified as developing markets are:
– Central Europe: Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia;
– Americas: Argentina, Chile, Mexico, Peru;
– Asia/Pacific: China, Hong Kong, India, Korea, Malaysia, Taiwan and Thailand.
(2) IRR = internal rate of return adjusted for expected currency movements relative to the euro.

Developing markets new business value of EUR 269 million, increased by 21% from 2003 primarily due to the addition of the Latin America pension funds.

Independent opinion
Watson Wyatt, an international actuarial consultancy firm, has reviewed the methodology and assumptions used by ING in the calculation of the embedded value of the life insurance business at 31 December 2004 and the value of new business written during 2004. All material business units in the Americas, Asia/Pacific and Europe were covered by the review.

Watson Wyatt has concluded that the methodology adopted is appropriate and that the assumptions used are reasonable. In addition Watson Wyatt has concluded that the methodology and assumptions used in the calculation of the embedded value at 31 December 2004 comply with the European Embedded Value Principles and Guidance.

Watson Wyatt has performed limited high level checks on the results of the calculations and has discovered no material issues. Watson Wyatt has not, however, performed detailed checks on the models and processes used.

CREDIT RATINGS

Credit ratings are indicators for the likelihood of timely and complete repayment of interest and instalment of fixed-income securities as assigned by rating agencies.

MAIN CREDIT RATINGS OF ING[1]

	Standard & Poor's	Moody's
ING GROUP	A+	Aa3
ING INSURANCE		
– short term	A-1	P-1
– long term	A+	Aa3
ING BANK		
– short term	A1+	P-1
– long term	AA-	Aa2
– financial strength		B+

(1) The Standard & Poor's ratings have a stable positive outlook; the Moody's ratings have a stable outlook.

RISK MANAGEMENT

amounts in millions of euros, unless stated otherwise and all accounting based sensitivity measures are stated on an ING GAAP basis

INTRODUCTION

Group risk function During 2004 the Executive Board streamlined the governance of risk management at the ING Group level. The leading principle is that it should be clear who holds responsibility for risk decisions. As a result, the Executive Board has been given more direct involvement in, and accountability for, the risk management decision-making process, and the number of risk committees in the Group Risk Function has been substantially reduced.

The Executive Board determines the risk appetite of ING Group, aiming for a balance between risk, return and capital and sets risk policy and limits. The Chief Financial Officer (CFO) bears primary overall responsibility for the Group Risk Function. A Dual Signatory Approval structure is being introduced through which Executive Board members and the Corporate Risk Managers will take direct responsibility for specified matters (such as transactional approval) within the delegated authorities granted by the Executive Board.

The Group Risk Function is structured independently from the business lines and is organised through three departments:
- Corporate Credit Risk Management (CCRM) is responsible for the credit risk management of ING Bank and ING Insurance;
- Corporate Market Risk Management (CMRM) is responsible for the market risk management of ING Bank and also for the operational risk management of ING Bank and ING Insurance;
- Corporate Insurance Risk Management (CIRM) is responsible for the insurance and market risk management of ING Insurance.

The heads of these departments (Corporate Risk Managers) report to the CFO and bear direct responsibility for risk (mitigating) decisions. The Corporate Risk Managers advise the CFO and are responsible for the harmonisation and standardisation of risk-management practices. They are also responsible for risk definitions, policies, procedures, models and methodologies, measurement, monitoring and consolidated reporting.

The regional and local risk managers in the business lines have a functional reporting line to the Corporate Risk Managers; they ensure day-to-day risk analysis, proper measurement and controls, registration of risks and policy development within the overall risk governance framework.

Group risk committees The risk committees mentioned below act within the overall risk policy and delegated authorities granted by the Executive Board. The risk committees have an advisory role to the CFO and ensure a close link between the business lines and the Group risk management function through representation of the business heads and the Corporate Risk Managers on each committee.

Central Credit Committee ING Bank (CKC)
CKC is the highest credit approval body for ING Bank. It advises on country limits, country ratings, credit limits and counterparty limits. The CKC meets twice weekly.

ING Bank Provisioning Committee (IPC)
IPC advises on ING Bank's specific debtor- and country- provisioning levels based on formal analyses of the credit portfolio, which take place on a quarterly basis. The IPC meets on a quarterly basis.

Asset & Liability Committee ING Bank (ALCO Bank)
ALCO Bank advises on the overall risk profile of all ING Bank's non-trading market risk that occurs in its Wholesale Banking, Retail Banking and ING Direct activities. ALCO Bank defines the policy regarding funding, liquidity, interest rate mismatch and solvency of ING Bank. ALCO Bank meets on a monthly basis.

Asset & Liability Committee ING Insurance (ALCO Insurance)
ALCO Insurance advises on all risks for ING Insurance activities. This includes volatility (affecting earnings and value), exposure (required capital and market risk) and insurance risks. ALCO Insurance meets six times a year.

The following committees at the ING Group level were disbanded during 2004 in order to streamline risk management governance at the Group level: the Risk Policy Committee, the Asset & Liability Committee ING Group, the RAROC Directors Committee, the Market Risk Committee ING Bank and the Operational Risk Committee ING Group.

Group risk measurement is described by risk category for ING Bank and ING Insurance in two separate sections below. For ING Bank the following risk categories apply: credit risk, market risk and operational risk. For ING Insurance the relevant risks are: actuarial and underwriting risk, credit risk, market risk and operational risk.

In the sections below, the risk categories are sub-divided by types of risk and for each type of risk the applicable risk measurement method that ING practices is described, including a quantification of the risks.

Both sections also include a description of capital measurement methods.

ING BANK

CREDIT RISK

GENERAL

ING Bank's credit policy is to maintain an internationally diversified loan and bond portfolio, while avoiding large risk concentrations. The emphasis is on managing business developments within the business lines by means of top-down concentration limits for countries, individual borrowers and borrower groups. The aim is to expand relationship-banking activities, while maintaining stringent internal risk/return guidelines and controls.

In anticipation of the planned introduction of new global capital regulations from the Basel Committee, ING has commenced a bank-wide Basel project led by CCRM. The goal of this project is to ensure ING's compliance with the new regulations by the required implementation date of 31 December 2006. A key element of the project is the continued development, implementation and back-testing of in-house objective risk rating and loss-given default models for use in the credit approval process, risk reporting, performance monitoring and portfolio management. Simultaneously, ING is refining its credit risk management governance and practices to conform to industry best practices and regulatory requirements.

MEASUREMENT

Credit risk is the risk of loss from the default by debtors or counterparties. Credit risks arise in ING Bank's lending, pre-settlement and investment activities, as well as in its trading activities. Credit risk management is supported by dedicated credit risk information systems and internal rating methodologies for debtors and counterparties.

Credit analysis is risk/reward-oriented whereby the level of credit analysis is a function of the risk amount, tenor, structure (e.g. covers received) of the facility, and the risks entered into. Continually more sophisticated RAROC-based tools are used internally to ensure a proper balance of risk and reward within the portfolio and concentration parameters. ING's credit analysts make use of publicly available information in combination with in-house analysis based on information provided by the customer, peer-group comparisons, industry comparisons and other quantitative techniques.

The credit exposure of ING Bank is mainly related to traditional lending to individuals and businesses. Loans to individuals are mainly mortgage loans secured by residential property. Loans to businesses are often collateralised, but can be unsecured based on internal analysis of the borrowers' creditworthiness. Pre-settlement credit exposure arises also from trading activities, for instance in derivatives, repurchase transactions and securities lending/borrowing. ING uses various market pricing and measurement techniques to determine the amount of credit risk on pre-settlement activities. These techniques estimate ING's potential future exposure on individual and portfolios of trades. Master agreements and collateral agreements are frequently entered into to reduce these credit risks.

Risk classes are defined based upon the quality of the exposures in terms of creditworthiness, varying from investment grade to problem grade expressed in Moody's and S&P equivalents.

RISK CLASSES: ING BANK PORTFOLIO, AS % OF TOTAL OUTSTANDINGS[1]

	2004	2003
AAA (1)	**11.8%**	9.1%
AA (2-4)	**21.9%**	23.2%
A (4-7)	**10.9%**	14.1%
BBB (8-10)	**22.5%**	10.6%
BB (11-13)	**29.1%**	39.4%
B (14-17)	**2.3%**	1.9%
Watch / Problem Grade (18-22)	**1.5%**	1.7%
	100.0%	100.0%

[1] Based on lending (wholesale and retail), financial markets and investment activities.

The growth in AAA (1) outstandings is largely attributable to the conservative investment policy and growth in assets at ING Direct. There has also been a significant shift from BB (11-13) to BBB (8-10) ratings resulting from the introduction of improved rating models and a more complete coverage of the portfolio with these models, removing conservative default ratings.

RISK CONCENTRATION: ING BANK PORTFOLIO, BY ECONOMIC SECTOR

in percentages	2004	2003
Construction, Infrastructure & Real Estate	**4.3%**	5.1%
Financial Institutions	**39.6%**	39.4%
Private Individuals	**28.9%**	23.8%
Public Administration	**8.6%**	8.4%
Services	**2.1%**	2.5%
Other	**16.5%**	20.8%
Total	**100.0%**	100.0%

The credit portfolio is under constant review. A formal analysis takes place quarterly to determine the provisions for possible bad debts, using a bottom-up approach. Conclusions are discussed by the IPC, which advises the Executive Board on specific provisioning levels. ING Bank identifies as impaired loans those loans for which it is probable, based on current information and events, that the principal and interest amounts contractually due will not be collected in accordance with the contractual terms of the loan agreements.

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 significant reduction in additions to the provisions were the result of portfolio credit quality improvements registered in ING's core markets of Netherlands, Belgium and Poland. New problems in Germany were limited and the existing problem portfolio in Germany showed significant improvements. ING is of the opinion that its loan-loss provisions as of 31 December 2004 are adequate to absorb losses from ING Bank's credit risk taking activities.

ADDITIONS TO THE PROVISION FOR LOAN LOSSES ING BANK (BASED ON COUNTRY OF THE BORROWER)

	2004	2003
Netherlands	**197**	352
Belgium	**56**	114
Rest of Western Europe	**126**	410
Central and Eastern Europe	**70**	94
North America	**55**	194
Latin America	**-23**	-18
Asia	**-15**	-31
Other	**-1**	10
	465	1,125

Country risk is the risk that ING faces which is specifically attributable to events in a specific country (or group of countries). Country risk is identified in lending (corporate and counterparty), trading and investment activities. All transactions and trading positions generated by ING include country risk. Country risk is further divided into economic and transfer risk. Economic risk is the concentration risk relating to any event in the risk country which may affect transactions and other exposure in that country, regardless of the currency. Transfer risk is the risk incurred through the inability of ING or its counterparties to meet their respective foreign currency obligations due to a specific country event.

In countries where ING is active, the relevant country's risk profile is regularly evaluated, resulting in a country rating. Country limits are based on this rating and ING's risk appetite. Exposures derived from lending and investment activities are then measured and reported against these country limits on a daily basis. Country-risk limits are assigned for transfer risk generally only in emerging markets. The emerging-markets transfer risk as a percentage of total retail and wholesale activities decreased from 4.6% in 2003 to 4.0% in 2004. Exposure is closely monitored for economic country risk, although no formal limits are established. The table below shows the largest economic country risks at year-end 2004 compared with 2003. The significant growth in Germany, USA, Spain and Italy are largely the result of the growth in investment activities generated by ING Direct.

LARGEST ECONOMIC EXPOSURES: ING BANK LENDING PORTFOLIO, BY COUNTRY[1]

amounts in billions of euros	2004	2003
Netherlands	**178.4**	183.5
Germany	**60.5**	49.9
United States	**58.2**	50.4
Belgium	**43.3**	41.1
United Kingdom	**41.3**	47.1
Spain	**33.9**	19.2
France	**25.2**	24.6
Italy	**16.5**	11.8
Australia	**15.6**	11.0
Canada	**11.5**	12.3

[1] Only covers exposures in excess of EUR 10 billion, including intercompany exposures with ING Insurance.

The methodology of calculating risk capital is linked to the risk definitions with respect to determining where the country risk occurs. Emerging market countries with low and medium risk that have not defaulted require no mandatory provisions for transfer risk. Instead of provisions, additional capital is allocated to transactions that incur country risk, the amount of which is a function of the risk of the country as well as the risk of the transaction itself. For high-risk countries that are near default or have recently defaulted, adequate provisioning is a requirement. ING's policies with respect to capital allocation and provisioning for country risk are in line with the country-risk directives issued by the Dutch Central Bank.

LARGEST CROSS BORDER LENDING EXPOSURES ING BANK IN EMERGING MARKETS IN EXCESS OF EUR 500 MILLION[1]

		Gross transfer exposure
	2004	2003
COUNTRY		
South Korea	**1,263**	1,529
Poland	**1,142**	1,465
China	**1,106**	1,091
Russia	**894**	609
Hong Kong	**876**	680
Romania	**857**	356
Hungary	**516**	674

[1] Figures exclude local currency denominated loans.

Settlement risk arises when there is an exchange of value (funds, instruments or commodities) for the same or different value dates and receipt is not verified or expected until ING has paid or delivered its side of the trade. The risk is that ING delivers, but does not receive delivery from the counterparty. Settlement risk can most commonly be contained and reduced by entering into transactions with delivery-versus-payment (DVP) settlement methods, as is common with most clearing houses, or settlement netting agreements.

For those transactions where DVP settlement is not possible, ING establishes settlement limits through the credit approval process. Settlement risk is then monitored and managed through the credit risk management units. Risk is further mitigated by operational procedures requiring trade confirmations to counterparties with all transaction details, and entering into internationally accepted documentation, such as International Swaps and Derivatives Association (ISDA) Master Agreements for derivative transactions. Additionally, ING regularly participates in projects with other banks to improve and develop new clearing systems and clearing mechanisms to further reduce the level of settlement risk.

MARKET RISK

GENERAL

Market risk arises from trading and non-trading activities within the three business lines of ING Bank:
- ING Wholesale Banking: Trading risks arise within ING Wholesale Banking primarily through market making, client facilitation and proprietary trading in the fixed income, equities and foreign-exchange markets and directly related derivative markets. ING has no material commodity portfolios. Trading positions are marked to market daily. ING's policy is to maintain an internationally diversified and mainly client-related trading portfolio, while avoiding large risk concentrations. Non-trading market risk is transferred to the asset & liability management (ALM) books; these are structural interest rate mismatch positions that result from commercial banking activities;
- ING Retail Banking: ING identifies non-trading residual market risk that results from banking products of which future cash flows depend on client behaviour like current accounts, saving accounts and mortgages;
- ING Direct: Within ING Direct no trading positions are maintained; the market risks are characterised as a combination of ALM and market risk arising from retail products.

MEASUREMENT

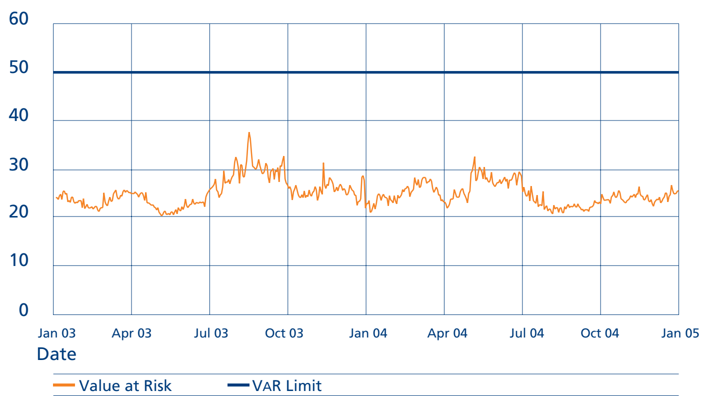
Trading risk ING Wholesale Banking uses the Value-at-Risk (VaR) methodology as the primary risk measure. VaR for market risk quantifies, with a one-sided confidence level of 99%, the maximum overnight loss that could occur due to changes in risk factors (e.g. interest rates, foreign-exchange rates, equity prices) if positions remain unchanged for a time interval of one day. The impact of historical market movements on today's portfolio is estimated, based on observed market movements of the previous 250 business days. The VaR also serves as a basis for the calculation of the regulatory capital and economic capital that ING needs to hold to cover possible losses from trading activities.

Market risk for the fixed income and equity markets is split into two components: general market risk and specific market risk. The general market risk component estimates the VaR resulting from general market-value movements (e.g. euribor movements). The specific market risk component estimates the VaR resulting from market-value movements that relate to the underlying issuer of securities in the portfolios.

The market risk of all the important option portfolios within ING is measured by Monte Carlo simulation methods.

The following chart shows the development of the overnight VaR for the ING Wholesale Banking trading portfolio during 2003 and 2004.

CONSOLIDATED TRADING VAR ING WHOLESALE BANKING 2003-2004
in millions of euros



At the beginning of 2003 and the end of 2004 the trading risk profile was relatively stable. The size of positions of the ING Wholesale Banking trading portfolio in the interest rate markets were above average during the first half of 2004.

The average exposure over 2004 was slightly lower than 2003 (average VaR 2004: EUR 24.7 million and average VaR 2003: EUR 25.3 million). The VaR remained well within the ING Wholesale Banking trading limit. More details on the VaR of the ING Wholesale Banking trading portfolio for 2004 and 2003 are provided in the table below.

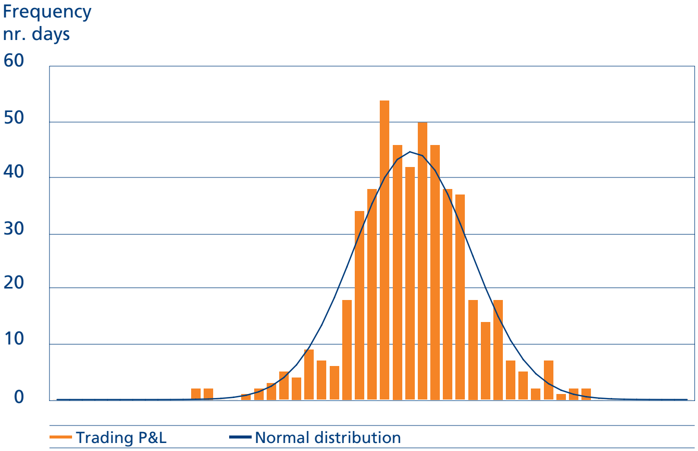
TRADING VaR: ING WHOLESALE BANKING, BY PORTFOLIO

	Low	High	Average	Year-end 2004	Low	High	Average	Year-end 2003
Foreign exchange	**2.4**	**10.6**	**4.4**	**3.4**	2.9	7.2	4.5	4.8
Equities	**4.6**	**12.1**	**7.6**	**9.2**	5.6	15.6	8.9	11.2
Interest	**9.2**	**23.0**	**13.8**	**11.7**	8.1	21.6	12.3	11.1
High yield/Emerging markets	**5.0**	**9.9**	**6.7**	**7.5**	5.3	10.4	7.9	6.4
Diversification (1)			**-7.8**	**-6.3**			-8.3	-10.6
Total VaR			**24.7**	**25.5**			25.3	22.9

(1) Diversification cannot be calculated for the columns Low and High since the observations for both the individual markets as well as total VaR may come from different dates.

Although VaR models estimate potential future results, estimates are based on historical market data. ING continuously monitors the plausibility and effectiveness of the VaR model in use. The technique for this purpose is generally known as backtesting in which the actual daily result is compared with the daily VaR. When the actual loss exceeds the VaR an "occurrence" has taken place. Based on ING Bank's one-sided 99% confidence level an occurrence is expected, on average, once in every 100 business days. In 2004, there has been no occurrence where a daily trading loss exceeded the daily consolidated VaR of ING Wholesale banking.

DISTRIBUTION OF DAILY TRADING P&L ING WHOLESALE BANKING 2003 - 2004



The graph above shows the distribution of the daily total P&L figures of ING Wholesale Banking trading books for the years 2003 and 2004. For reference purposes a normal-distribution line has been added.

Since VaR in general does not produce an estimate of the potential losses that can occur as a result of extreme market movements, ING uses highly structured stress testing for monitoring the market risk under these extreme conditions. Stress scenarios are based on historical and hypothetical extreme events. The result of the stress testing is an event risk number, which is an estimate of the P&L effect caused by a potential event and its world-wide impact for ING Wholesale Banking. The event-risk policy (and its technical implementation) is specific for ING as there is no event risk calculation method that is generally accepted by other banks and regulators (like the Value-at-Risk model). ING's event risk policy basically consists of defined stress parameters per country and per market (fixed income, equity, foreign exchange and related derivative markets). The parameters indicate historical maximum market movements within the time frame of one month. The scenarios and stress parameters are backtested against extreme market movements that actually occur in the markets.

Non-trading risk - Interest-rate risk The non-trading books primarily consist of banking (commercial) books and ALM books. Within ING Bank the commercial business units are not allowed to run structural mismatch positions in their banking books. As a result of this policy all structural interest-rate risks are replicated to the ALM books of the designated Treasury departments within ING Wholesale Banking. The management of structural interest-rate mismatch positions is performed within the Treasury function. The commercial business units bear responsibility for the remaining interest-rate risks that result from banking products of which future cash flows depend on client behaviour, like saving accounts and mortgages.

Within ING several methods are in place to replicate interest-rate risk taking into account both the contractual and behavioural characteristics of demand deposits, saving accounts and mortgages. All models and assumptions are back-tested regularly and presented to the designated Asset & Liability Committee for approval. Historical simulation is used to determine investment rules for saving accounts and demand deposits, taking into account historical client rates, outstanding volumes and market rates. The investment rules are tested on their suitability through volatility/correlation analysis and updated regularly. To estimate future prepayment rates of mortgages, a model is applied based on historical observed prepayments.

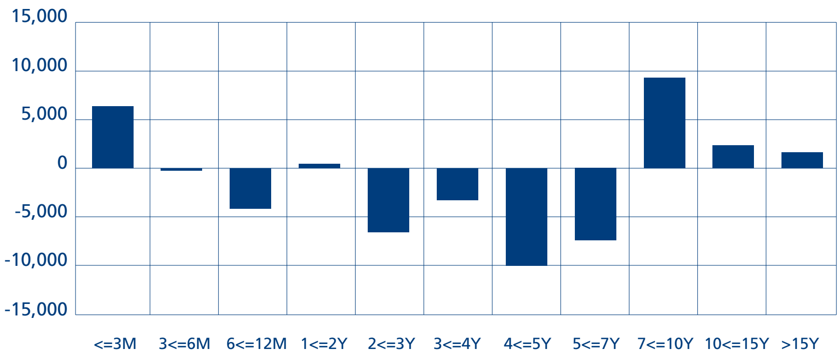
ING Bank uses several measures to control interest-rate risk. The most important ones are Value-at-Risk (VaR) and Earnings-at-Risk (EaR). EaR measures the loss of net accrual interest income resulting from changes of market interest rates over a time period of one year. The EaR calculations differ per portfolio. For the ALM books it measures the potential loss of net accrual interest due to the structural mismatch in interest rate positions. For the commercial banking books the EaR captures the basis risk between market interest rates and the client rates of saving accounts and demand deposits. The following table presents the total EaR figures of ING Bank. For comparison purposes the EaR figures of 2004 and 2003 are calculated on a like-for-like basis. The EaR figures presented below include the basis risk of all material portfolios of savings accounts and demand deposits within ING Bank and differ from the calculations presented in the 2003 annual report. Furthermore the EaR figures are determined on the basis of an upward 2% parallel rate shock in line with Basel II requirements (2003: 1%). The decrease of the EaR figure for ING Wholesale Banking is due to changes in the gap profile. The increase of the EaR figures of ING Direct and Retail Banking is mainly caused by increasing volumes and changing market rates.

EARNINGS-AT-RISK BY BUSINESS LINE

	2004	2003
ING Wholesale Banking	**-292**	-449
ING Retail Banking	**-155**	-123
ING Direct	**-367**	-226
ING Bank Total	**-814**	-798

The consolidated interest-rate position of ING Bank is presented below in gap format as at 31 December 2004. This condensed format outlines the net of repricing and maturing notional amounts from both the end-of-year asset and the liability portfolios. This net gap report is similar to the regulatory report on interest-rate positions.

NET GAP PROFILE ING BANK NON-TRADING BOOKS AS AT 31 DECEMBER 2004



GAP PROFILE OF THE MAIN CURRENCIES WITHIN ING BANK NON-TRADING BOOKS (31 DECEMBER 2004)

	On-balance				Off-balance				
	Euro	US dollar	Other	Total	Euro	US dollar	Other	Total	Grand total
Up to 3 months	34,543	-1,879	9,548	42,212	-25,097	-2,921	-7,826	-35,844	6,368
3 to 6 months	-6,454	-1,475	-3,558	-11,487	6,096	1,449	3,704	11,249	-238
6 to 12 months	-2,259	-2,148	-10,748	-15,155	6,772	-157	4,384	10,999	-4,156
1 to 2 years	2,132	753	-3,211	-326	-3,091	-113	3,980	776	450
2 to 3 years	-1,446	290	-3,109	-4,265	-3,078	-631	1,392	-2,317	-6,582
3 to 4 years	-994	992	-2,226	-2,228	-1,316	-519	801	-1,034	-3,262
4 to 5 years	-12,077	-518	-1,942	-14,537	2,385	-117	2,262	4,530	-10,007
5 to 7 years	-9,929	-193	-207	-10,329	1,687	857	364	2,908	-7,421
7 to 10 years	5,459	-408	-2,113	2,938	4,429	-66	2,002	6,365	9,303
10 to 15 years	2,903	-51	302	3,154	-898	47	19	-832	2,322
Over 15 years	-496	-1,111	14	-1,593	1,281	1,919		3,200	1,607
Total interest bearing	11,382	-5,748	-17,250	-11,616	-10,830	-252	11,082	0	-11,616
Non-interest bearing	10,673	2,037	-1,094	11,616					11,616
Total	22,055	-3,711	-18,344	0	-10,830	-252	11,082	0	0

Non-trading risk – Foreign-exchange risk ING takes on exposure to foreign-exchange fluctuations on its financial position and cash flows. Currency exposures in the non-trading books are largely transferred by way of internal transactions to Financial Markets Treasury, which performs the day-to-day management of all foreign-currency positions.

The most material foreign-exchange risk in the non-trading books relates to translation risk due to foreign investments and USD-denominated Tier-1 capital. For ING's main foreign currencies, US dollar, Pound sterling and Polish zloty, the translation risk is managed by ALCO Bank, taking into account the effect of translation results on the Tier-1 ratio. For all other currencies the translation risk is managed by Financial Markets Treasury Amsterdam.

OVERNIGHT EXPOSURE ING BANK, FOR PRIMARY NON-TRADING CURRENCIES

Currency	Foreign investment	Tier 1	Gross exposure	Hedges	Net position
					2004
US dollars	3,730	-2,675	1,055	-1,131	-76
Pound sterling	-1,250		-1,250	1,299	49
Polish zloty	642		642	-399	243
South Korean won	477		477	-438	39
Other currency	431		431	-191	240
Total	4,030	-2,675	1,355	-860	495
					2003
US dollars	2,165	-3,289	-1,124	69	-1,055
Pound sterling	-1,067		-1,067	1,059	-8
Polish zloty	472		472	-233	239
South Korean won	449		449	-398	51
Other currency	825		825	-695	130
Total	2,844	-3,289	-445	-198	-643

At 31 December 2004 ING's USD-denominated Tier-1 securities amounted to EUR 2,675 million and have an impact on the open FX exposure of EUR 76 million.

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 June 2004.

While results on net investment hedges are taxable under Dutch fiscal rules, ING has not chosen to adjust hedges to compensate for tax effects.

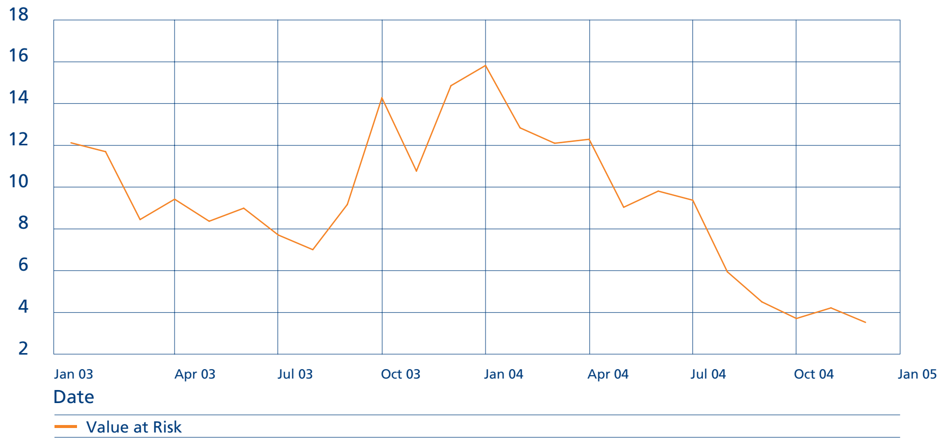
To quantify foreign-exchange risk, the same Value-at-Risk (VaR) approach is used as for the trading activities. The sharp decline of the VaR during 2004 is mainly caused by a reduction of the net USD position. This was caused by an increase of USD denominated risk weighted assets which led to rebalancing of the hedge position, taking into account the effect of translation results on the Tier-1 ratio.

CONSOLIDATED FX VAR NON-TRADING BOOKS ING BANK

	Low	**High**	**Average**	**Year-end 2004**	Low	High	Average	Year-end 2003
FX VaR	**3.5**	**15.8**	**8.6**	**3.5**	7.0	14.9	10.2	14.9

The chart graph below provides an overview of the development of the FX VaR during 2003 and 2004.

CONSOLIDATED FX VAR BANKING ING BANK 2003 – 2004



Liquidity risk Liquidity risk is the risk that ING Bank or one of its subsidiaries cannot meet its financial liabilities when they come due, at reasonable costs and in a timely manner. Within ING Bank, ALCO Bank bears overall responsibility for the liquidity risk strategy. ALCO Bank has delegated day-to-day liquidity management to the Treasury Amsterdam, which is responsible for managing the overall liquidity-risk position of ING Bank, while regional and local treasuries are responsible for managing liquidity in their respective regions and locations.

The main objective of ING's liquidity strategy is to maintain sufficient liquidity in order to ensure safe and sound operations. The liquidity strategy of ING Bank has four primary components.

The first is the day-to-day funding. It is policy to sufficiently spread the day-to-day funding requirements. The Treasury function monitors all maturing cash flows along with expected changes in core-business funding requirements. This includes replenishment of existing funds as they mature, expected withdrawals from retail current accounts, savings and additional borrowings.

The second component is to maintain an adequate mix of funding sources. ING Bank aims for a well-diversified funding mix in terms of instrument types, fund providers, geographic markets and currencies. Sources of liquidity are widely distributed over the entire ING Bank. ING has a broad base of core retail funding, which mainly consists of current accounts, savings and retail deposits. Although these accounts can be withdrawn immediately or at short notice, the accounts are considered to form a stable resource of funding because of the broad customer base. The retail funding is, from a geographical point of view, widely spread, with most of the funding located in the euro zone.

The third component of ING's liquidity strategy is to maintain a broad portfolio of highly marketable assets that can be easily used to bear disruptions in the cash-flow profile. ING has relatively large portfolios of unencumbered marketable assets. These marketable assets can provide liquidity through repurchase agreements or through sale. The majority of ING's marketable assets are located in the euro zone.

The fourth component of ING's liquidity strategy is to have adequate and up-to-date contingency funding plans in place throughout the organisation. The contingency funding plans are established for addressing temporary and long-term liquidity disruptions caused by a general event in the market or an ING specific event. These plans ensure that all roles and responsibilities are clearly defined and all necessary management information is in place. The main objective of ING's contingency funding plan is to enable senior management to act effectively and efficiently at times of crisis. The key focus of the measurement of liquidity within ING is on the periods of one week and one month. Positions are split by type of product and counterparty. All positions with a known maturity date are included in the maturity calendar based on their contractual maturity date. Positions with an unknown maturity date and marketable assets are included as items with a direct liquidity value. Standby facilities, undrawn irrevocable credit facilities, guarantees and other contingent liabilities are also included. The positions in the week and the month categories are weighted under several scenarios. The total available liquidity values are corrected for liquidity surpluses in inconvertible currencies and in locations with restrictions on capital transfer. Most of these inconvertible and intransferable positions are located outside the euro zone. A framework is implemented that sets limits on the overall weekly and monthly liquidity risk positions.

OPERATIONAL RISK

GENERAL

The aim for the Group and local operational risk management departments is to support general management of the business lines, which is responsible for managing operational risk by raising operational risk awareness and insight, increasing operational risk and loss transparency, improving early warning information and allocating risk ownership and responsibilities. This contributes to more stable business processes and lower operational risk costs. Furthermore, implementing an appropriate operational risk management function will prepare ING for the Basel II regulations applicable from 31 December 2006. ING intends to apply for the Advance Measurement Approach, the most sophisticated risk capital charge option available under Basel II.

MEASUREMENT

ING has defined operational risk as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes the risk of reputational loss. ING distinguishes the following event types (based on the Basel Committee level 1 and 2 event types):

– Processing failure
– Control failure
– Unauthorised activities
– Internal crime/fraud
– External crime/fraud
– Information security failure
– Employment practices & workplace safety
– Clients, products and business malpractice
– Business disruption
– System failure

Each of these risks has a related function (e.g. Compliance, IT, Legal, Information Security, Finance, Human Resources, Operations) responsible for the management process and oversight of that risk. Furthermore, operational risk often overlaps with the other risks, such as market risk, credit risk and insurance risk.

Operational risk measurement as calculated in the economic capital model consists of two parts. The first part is a probabilistic model in which a generic capital per business unit is calculated based on an incident loss database and the relative size and inherent risk of the business units. The second part is the scorecard adjustment, which reflects the business unit specific level of ORM implementation.
To assess, monitor and manage operational risk, ING has developed a sophisticated framework of activities which includes:
– Risk awareness programmes and risk & control self assessments;
– Audit finding action tracking and incident reporting and analysis;
– Key-risk indicators reporting and local operational risk committees;
– New-product reviews.

The maturity of the Operational Risk Management process is measured on an annual basis by a set of five scorecards assessing the ORM-framework activities. The Basel II progress report is also based on these scorecards. In March 2004 the 2003 scorecard panels were evaluated based on supporting evidence. The outcome of the scorecards evaluations for business units led to the following reductions of the economic capital for operational risks in 2004.

NET ECONOMIC CAPITAL FOR OPERATIONAL RISK IN 2004

	Net Capital before scorecard reduction	Scorecard add-on (+) / reduction (-)	Net Capital after scorecard reduction
Wholesale Banking	1,319.0	-11.8%	1,163.8
Retail banking	482.8	-6.1%	453.4
ING Direct	242.8	-31.4%	166.5
Corporate Items	10.1	0%	10.1
ING Bank Total	2,054.7	-12.7%	1,793.8

Net Capital before scorecard reduction   Net Capital after scorecard reduction

Net economic capital includes diversification effects (between business units and between risk types). The applied one-sided confidence interval is 99.95%.

In order to protect ING against financial consequences of uncertain operational events ING has acquired insurance policies issued by third-party insurers, with world-wide cover for (Computer) Crime, Professional Liability, Directors & Officers Liability, Employment Practices Liability and Fiduciary Liability. The portion of the risks that ING retains is of a similar magnitude to the risk retained for ING's property and casualty business-related catastrophe exposures.

ECONOMIC CAPITAL

GENERAL

ING assesses internal capital requirements by using its own risk-based methodologies. ING continues to develop and refine its internal capital models. For ING Bank the economic capital model is used.

MEASUREMENT

Economic capital is defined as the amount of capital required to bear the economic risks created by the activities of the company and at the company's desired level of comfort. ING Bank uses a one-sided confidence interval of 99.95% – consistent with our target debt rating (AA/Aa2 long term) – and a one year time horizon.

Economic capital should be available to absorb all future unexpected losses and is calculated for credit, transfer, market, operational and business risk. In 2004, economic capital was calculated for ING Bank in total.

ECONOMIC CAPITAL BREAK-DOWN BY RISK CATEGORY ING BANK

amounts in billions of euros	2004	2003
Credit risk (including Transfer risk)	**7.3**	7.6
Market risk	**4.0**	3.3
Operational risk	**1.8**	1.8
Business risk	**1.8**	1.8
Total	**14.9**	14.5

The figures shown by risk category reflect all diversification effects, including risk reduction between the risk categories. The diversification effects that arise as a result of combining bank and insurance activities are not taken into account.

Business risk, which is shown in the table as a separate category, is used to cover unexpected losses that may arise as a result of changes in volumes, margins and costs. Business risk can be seen as a result of management strategy (strategic risk) and internal efficiency (cost efficiency risk).

All risks, except for business risk, are subject to an independent control process with a functional reporting line to the Corporate Risk Managers. Although business risk is factored into the planning and budgeting process, business risk is not subject to an independent control process, but is the responsibility of the relevant business units.

Each Corporate Risk Management Department is responsible for the consistency and correctness of the respective methodology, including the calculation of economic capital (and expected loss) and the diversification within the risk type. In 2005 a central database for credit risk will be introduced, to ensure data compliance between the internal capital calculations and data used for Basel II and loan loss provisioning under IFRS.

ING INSURANCE

ACTUARIAL AND UNDERWRITING RISK

GENERAL
ING is engaged in the business of selling life and non-life insurance products. Life products include a broad range of traditional life, unit-linked, annuities, universal life, group life, pension, and guaranteed investment contracts. Non-life products include all lines of non-life business – fire, automobile, accident and health, third-party liability and disability.

Risks from these insurance products arise with respect to the adequacy of insurance premium rate levels and provisions with respect to insurance liabilities and capital position. The risks in these products are primarily market, credit, actuarial and underwriting risks. ING regularly monitors the adequacy of provisions for the insurance business at a prudent level. ING believes its insurance provisions are adequate.

Actuarial and underwriting risks are managed through product design requirements, risk limitations, and management of concentrations. Underwriting risks are covered in the process whereby applications submitted for insurance coverage are reviewed. The maximum underwriting exposure is limited through exclusions, cover limits and reinsurance.

MEASUREMENT
ING Group has established actuarial and underwriting risk limits in specific areas of its insurance operations. For our material non-life units (in The Netherlands, Belgium, Canada, Mexico) the risk tolerance is generally set at 2.5% of the Group's after-tax earnings. For 2004, the amount was set to EUR 160 million pre-tax, consistent with 2003. The assessment of potential losses in this business is done on the basis of 1 in 250 events. With respect to the fire-line of business this assessment is based upon risk assessment models that are widely accepted in the industry. For our smaller non-life units, the risk tolerance level for 2004 was set at EUR 3.8 million pre-tax per event per business unit.

With respect to life business the risk tolerance for events effecting multiple lives is not limited. While life-insurance risks are considered to be naturally diversifiable by virtue of each life being a separate risk, group contracts may result in significant exposures. For new group contracts underwriting guidelines have been revised, particularly for concentrations of risk by city and/or building. ING made its own assessment and believes that the potential loss from a significant mortality event occurring in the normal course of our business will not exceed an amount higher than approximately 12% of the Groups after-tax earnings. This translates into a pre-tax benchmark of EUR 750 million. ING Group's maximum risk retention per insured life is set at EUR 22 million.

In case of the existence of exposures higher than the risk tolerance as defined above, appropriate procedures are in place, including third-party reinsurance covers. Particularly for the property and casualty portfolio, ING purchases protection through which the exposure due to natural catastrophes is substantially mitigated. ING believes that the credit risks to which it is exposed under reinsurance contracts are minor.

Regarding catastrophic losses arising from man-made events such as terrorism, ING believes that it is not possible to develop a business model that takes into account the possibility of very high losses resulting from man-made events. For our non-life business, losses that result from man-made events are generally not covered unless required by law. In various countries industry pools are established to mitigate the terrorism risk to which the individual insurers are nevertheless still exposed. ING participates in such pools.

CREDIT RISK

GENERAL
ING Insurance is exposed to credit risk through the purchase of fixed income assets in support of insurance liabilities and capital. As with other risk types, the proper balance between risk and return must be managed.

ALCO Insurance sets the constraints for the overall asset allocation of the insurance activities including credit risk. These limits are set by rating class and average credit quality. Issuer limits are determined based on the obligor's rating and the maximum economic capital at risk. These limits are managed in the region where the parent company is domiciled. In addition each insurance company has one or more investment mandates that specify credit-risk appetite by issuer, type and quality.

MEASUREMENT
For the investment portfolios backing the insurance liabilities, ING's policy is to maintain a well diversified credit fixed-income investment portfolio across companies and industries. Also, there is a spread across instruments.

FIXED-INCOME INVESTMENT PORTFOLIO BY INSTRUMENTS

in percentages	2004	2003
Public & private corporate	**36.9%**	39.6%
ABS, MBS structured	**14.4%**	16.3%
Governments	**25.3%**	21.1%
Commercial mortgages	**5.6%**	6.4%
Residential mortgages	**12.5%**	13.4%
Cash & Money Market	**1.9%**	1.2%
Policy loans	**1.9%**	0.6%
Preferred shares	**1.5%**	1.4%

The credit exposure of ING Insurance is mainly related to investments in debt securities, private placements and traditional lending to private individuals. Loans to private individuals are mainly mortgage loans secured by residential property. Credit exposure also arises from derivatives, repurchase transactions, securities lending/borrowing and reinsurance contracts used to hedge the portfolio.

The geographical spread of the portfolio reflects both the geographical spread of ING's insurance activities and the international investments of some insurance companies.

The average credit rating of the general account fixed-income portfolios, as at 31 December 2004 and 2003, is shown in the table below.

FIXED-INCOME INVESTMENT PORTFOLIO BY RATING CLASS

in percentages	2004	2003
AAA	**36.7%**	36.5%
AA	**17.0%**	16.8%
A	**25.4%**	24.6%
BBB	**17.8%**	18.7%
BB	**2.4%**	2.5%
Higher risks	**0.7%**	0.9%

The rating averages are based on EUR 110 billion (2003 98.4 billion) of general account fixed income assets and exclude residential and commercial mortgages, preferred shares, cash and policy loans.

Debtor provisioning For credit risks, a provision for loan losses is maintained that is considered adequate to absorb losses arising from the existing insurance investment portfolios. The provisions are reviewed quarterly and amounted to EUR 170 million at the end of 2004 compared with EUR 178.5 million at the end of 2003.

MARKET RISK

GENERAL
Insurance market risks arise when asset and liability values do not move consistently as financial markets change. These risks are managed through asset-and-liability (ALM) policies and procedures with an ALCO Insurance structure established at both business unit and corporate levels. At ING Group level, CIRM is responsible for implementing and monitoring ALM practices and for consistency in such techniques world-wide. In 2004, CIRM introduced Market Value at Risk as a common ALM risk measure with the intention of determining limits for each business in early 2005.

MEASUREMENT
The risk of loss occurring through adverse changes of prices in the financial markets is quantified in extensive ALM analyses. These ALM analyses are used to determine the adequacy of the assets supporting reserves, to find the optimal asset (investment) mix complementing the (insurance) liabilities, to determine appropriate risk-based capital levels and to quantify market movements effects on the P&L. The market risk of ING Insurance is primarily related to interest-rate risk and equity risk although it also includes real estate and foreign currency risks. The following sections provide analysis of net profit and shareholder equity sensitivities to economic market changes. In addition, the impact on life insurance embedded value to changes in interest rates and equity markets can be found in the sensitivity analysis section of the ING Group Embedded Value 2004 report.

ALM risk – Interest-rate risk ING's insurance operations are exposed to interest-rate movements with respect to guaranteed interest rates as interest rates fall and with the need to meet policyholders expectations with respect to interest credited to policies as interest rates change. Asset portfolios backing these insurance liabilities are managed accordingly. The current product portfolio also includes products where interest-rate risks are entirely or partially passed on to the policyholder, thereby reducing ING's exposure to interest movements. Changes in interest rates can impact present and future earnings of the insurance operations and can affect the levels of new sales, surrenders or withdrawals.

Through scenario analyses, ING Insurance measures the potential changes in the expected earnings of the insurance operations over the next 12 months from an instantaneous increase/decrease in interest rates of 1%. These changes to income can relate to investment income, interest paid to policyholders, market-value adjustments, amortisation of Deferred Acquisition Costs (DAC), sales levels, or any other net-income item that would be affected by interest-rate changes. The effect of interest-rate changes is different by business line and by product. In addition, ING has estimated the impact to the 31 December shareholders equity of ING Insurance from such an instantaneous change in interest rates.

INTEREST-RATE SENSITIVITY

	Effect on ING Insurance Net profit				Effect on ING Insurance Shareholders' equity			
		2004		2003		**2004**		2003
Increase interest rates by 1%	**3%**	**72**	4%	95	**0%**	**5**	0%	6
Decrease interest rates by 1%	**-3%**	**-78**	-4%	-92	**0%**	**-6**	0%	-6

The sensitivity represents a one-time increase/decrease in interest rates based on a parallel yield curve shift as of 31 December.
The net profit sensitivity reflects the related effect on net income for the following year.

The most significant interest-rate risk within ING's insurance businesses exists in Taiwan where ING has material exposure to a sustained low interest-rate environment. This is due to long-term interest-rate guarantees of 6-8% embedded in the life contracts sold by the business until 2001. Since 2002, ING has changed the design of its Taiwan life insurance products, strengthened reserves by EUR 50-100 million annually, and increased the internal capital allocation for this business.

ALM risk – Equity risk ING's insurance operations are exposed to movements in equity markets on two levels: 1) those business units that have direct equity holdings in their general accounts; and 2) those products where the revenues to the insurance operations are linked to the value of underlying equity funds, since this has an impact on the level of charges deducted for unit-linked and variable business.

Through scenario analyses ING Insurance measures the potential changes in the expected earnings of the insurance operations over the next 12 months resulting from an instantaneous increase/decrease in equity markets of 10%. These changes to income can relate to fee income, unrealised or realised gains and losses, amortisation of DAC, sales levels, or any other net-income item that would be affected by a substantial change to equity markets. The effect of equity market changes is different by business line and by product. For 2004, net profit is less sensitive to equity movements due to an accounting change primarily impacting separate account products in the United States. In addition, ING has estimated the impact to the 31 December shareholders equity of ING Insurance from such a change in equity markets.

EQUITY SENSITIVITY

	Effect on ING Insurance Net profit				Effect on ING Insurance Shareholders' equity			
		2004		2003		**2004**		2003
Increase of equity of 10%	**1%**	**29**	3%	77	**5%**	**863**	5%	925
Decrease of equity of 10%	**-1%**	**-23**	-3%	-80	**-5%**	**-857**	-5%	-930

The sensitivity represents a one-time increase/decrease in equity markets as of 31 December.
The net profit sensitivity reflects the related effect on net income for the following year.

ALM risk – Foreign-exchange risk Foreign-exchange risk in the investments backing ING's insurance liabilities is dealt with in the investment-management processes. An immaterial portion of the investment portfolio backing insurance liabilities is invested in assets of a different currency than the liabilities. Locally required capital levels are invested in local currencies in order to satisfy regulatory requirements and to support local insurance business regardless of currency movements. These capital levels may affect the consolidated balance sheet when translated to euros. Depending on hedging costs and the capital exposure, ING may hedge the capital over locally required margins. The sensitivity to net profit and shareholder equity have been estimated and are shown in the accompanying table.

FOREIGN-CURRENCY SENSITIVITY

	Effect on ING Insurance Net profit				Effect on ING Insurance Shareholders' equity			
		2004		2003		**2004**		2003
10% Increase of Euro versus all other currencies	**-5%**	**-132**	-6%	-114	**-6%**	**-1,041**	-5%	-986
10% Decrease of Euro versus all other currencies	**7%**	**162**	7%	140	**7%**	**1,271**	7%	1,204

The sensitivity represents a one-time increase/decrease in the Euro as of 31 December.
The net profit sensitivity reflects the related effect on net income for the following year.

ALM risk – Real estate risk Real Estate risk exists in some of the investment portfolios of ING Insurance, most significantly in the Netherlands. ING Insurance is exposed to the risk of decreasing real estate prices to the extent these cannot be shared with contract holders in participating insurance plans. Through scenario analyses ING Insurance measures the potential changes in the expected earnings of the insurance operations over the next 12 months resulting from an instantaneous increase/decrease in real estate markets of 10%. In addition, ING has estimated the impact to the 31 December shareholders equity of ING Insurance from such a change in real estate markets.

REAL ESTATE SENSITIVITY

	Effect on ING Insurance Net profit				Effect on ING Insurance Shareholders' equity			
		2004		2003		**2004**		2003
Increase of real estate of 10%	**0%**	**0**	0%	0	**3%**	**595**	3%	623
Decrease of real estate of 10%	**0%**	**-1**	0%	-2	**-3%**	**-595**	-3%	-621

The sensitivity represents a one-time increase/decrease in real estate markets as of 31 December.
The net profit sensitivity reflects the related effect on net income for the following year.

Liquidity risk Liquidity problems arise if an insurance business does not have enough cash or liquid assets to meet its cash obligations. Demands for funds can usually be met through ongoing normal operations, premiums received, the sale of assets or borrowing. Unexpected demands for liquidity may be triggered by a credit-rating downgrade, negative publicity, deterioration of the economy, reports of problems of other companies in the same or similar lines of business, significant unanticipated policy claims, or other unexpected cash demands from policyholders.

Liquidity risk decreases as the time frame allowed for generating cash increases. Longer time frames allow for more assets to mature and increase the probability of finding a buyer for some of the company's non-maturing or less liquid assets or securing external financing. Expected liquidity demands within ING Insurance are managed through a combination of treasury, investment and asset-liability management guidelines, which are monitored on an ongoing basis. Unexpected liquidity demands are managed through a combination of product design, diversification limits on liabilities, investment strategy, systematic monitoring and advance contingency planning. During 2003, Corporate Insurance Risk Management issued formal guidelines requiring all insurance businesses to regularly assess, monitor and report on their liquidity risk profile. The guidelines require an analysis of liabilities that increase liquidity risk, a review of the investment portfolio to ensure adequate liquidity, and analysis of the expected asset-and-liability cash flows in regards to the ability of the business to meet cash demands.

OPERATIONAL RISK

GENERAL
For information about ING's operational risk framework we refer to the section under ING Bank.

Although not required for regulatory purposes ING has decided internally that ING Insurance will also adhere to the new Basel II regulations with respect to operational risk management.

MEASUREMENT
The ING Insurance units are increasingly making progress on Operational Risk Management implementation in all regions. The maturity of the Operational Risk Management process is measured on an annual basis by a set of 5 scorecards assessing the ORM-framework activities. In March 2004 the 2003 scorecard panels were evaluated based on supporting evidence. These scorecards have been translated in capital reductions only on a pilot basis for ING Insurance. In 2005 ING Insurance will migrate to a quarterly economic capital calculation for operational risks.

CAPITAL

GENERAL
ING assesses internal capital requirements by using its own risk based methodologies. The capital model is developed to measure the amount of capital ING believes is necessary to be considered a AA rated insurance business.

During 2004, ING further refined its internal model by which to allocate capital to the business lines. This capital formula is based on asset and liability factors with adjustments to provide additional calibrations to internal economic capital results. This capital formula does not calculate economic capital, but is considered to be a conservative estimate of economic capital for the ING insurance businesses in total. ING expects to continue to refine economic capital models and to potentially move to those in the future.

MEASUREMENT
ING believes that its new internal insurance capital model is a significant improvement over current EU capital requirements as more risk factors are considered. The results of the internal capital model indicate that ING Insurance has more assets than required.

INFORMATION FOR SHAREHOLDERS

Profit retention and distribution policy
ING Group's profit retention and distribution policy is dictated by its internal financing requirements on the one hand and the capital providers' dividend expectations on the other. ING Group's internal funding needs are determined partly by statutory solvency requirements and capital ratios, compliance with which is essential to its existence. No less important to ING Group are its credit ratings, which directly affect its financing costs and hence its profitability. For their part, the capital providers expect a dividend which reflects ING Group's financial results and is relatively predictable.

Each year, after publication of the financial results for the first six months of the year, an interim dividend is distributed by way of an advance against the final dividend, being in principle half of the total dividend over the preceding year.

From optional to cash dividend
The Annual General Meeting of Shareholders in April 2003 approved the introduction of optional cash/stock dividends as from the final dividend 2002. ING fully funded the cash element for the final dividend of 2003 by selling the bearer depositary receipts that would have been issued if stock had been chosen instead of cash. This policy change enabled ING to further strengthen its capital base. In August 2004, this funding policy was adjusted again because ING considered the strengthening of the capital base sufficient to return to the former policy, which meant that the cash component was no longer funded by the issuance of new shares in the market. This change diminished the dilution of share capital substantially, which was very much welcomed by investors and analysts.
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). ING intends to pay dividends in relation to the longer term underlying development of cash earnings following the introduction of International Financial Reporting Standards (IFRS), which is expected to increase volatility in net profit.

Rating agencies
In 2004 there were frequent contacts between ING and the credit rating agencies. Rating changes did not occur in this year, but in December 2004 Standard & Poor's changed the outlook of the ratings for ING Groep N.V. (A+), ING Verzekeringen N.V. (A+) and ING Bank N.V. (AA-) from stable to positive.

Moody's Investors Service did not apply any change to ratings or outlook of the ratings for ING Groep N.V. (AA3), ING Verzekeringen N.V. (AA3) or ING Bank N.V. (AA2). All these ratings are accompanied by a stable outlook. An overview of the ratings is given on page 159.

Corporate governance
The introduction of a new corporate-governance structure in 2003 had a very visible effect on the Annual General Meeting of Shareholders in April 2004. Many ING shareholders and holders of depositary receipts exercised their voting rights by means of proxy voting. Proxy voting increased from 8% (2003) to 21% in 2004. In 2003 proxy voting was introduced in the Netherlands and in 2004 it was expanded to the United States, a country where a considerable part of ING's share capital is located.

Listings
Depositary receipts for ING Group ordinary shares are listed on the stock exchanges of Amsterdam, Brussels, Frankfurt, Paris, the Swiss exchanges and the New York Stock Exchange. Depositary receipts for preference shares are listed on the Euronext Amsterdam Stock Market. Warrants B are listed on the Euronext Amsterdam and Brussels Stock Markets. Short-term and long-term options on ING Group depositary receipts for ordinary shares are traded on the Euronext Amsterdam Derivatives Markets and the Chicago Board Options Exchange.

Shareholders with stakes of 5% or more
Under the Dutch Act on the Disclosure of Significant Interests, three holders of depositary receipts with an interest or potential interest of between 5% and 10% in ING Group were known as at 31 December 2004. They were ABN AMRO, Aegon and Fortis.

DIVIDEND HISTORY

in euros	**2004**	2003	2002	2001	2000
Interim dividend	**0.49**	0.48	0.48	0.47	0.41
Final dividend	**0.58**[1]	0.49	0.49	0.50	0.72[2]
Total	**1.07**[1]	0.97	0.97	0.97	1.13

[1] Proposed
[2] Including an exceptional dividend of EUR 0.19.

PRICES DEPOSITARY RECEIPTS FOR ORDINARY SHARES

Euronext Amsterdam Stock Exchange, in euros	**2004**	2003	2002	2001	2000
Price – high	**22.28**	19.06	31.20	43.97	42.76
Price – low	**16.73**	8.70	13.29	22.80	24.26
Price – year-end	**22.26**	18.49	16.14	28.64	42.54
Price/earnings ratio*	**8.8**	9.3	9.1	15.7	24.2

* Based on the share price at the end of December and operating net profit per ordinary share for the financial year.

SHARES AND WARRANTS IN ISSUE

in millions	**Year-end 2004**	Year-end 2003
(Depositary receipts for) ordinary shares of EUR 0.24 nominal value	**2,204.7**	2,115.9
(Depositary receipts for) preference shares of EUR 1.20 nominal value	**87.1**	87.1
Warrants B	**17.2**	17.2
(Depositary receipts for) own ordinary shares held by ING Group and its subsidiaries	**29.5**	28.1

AUTHORISED AND ISSUED CAPITAL

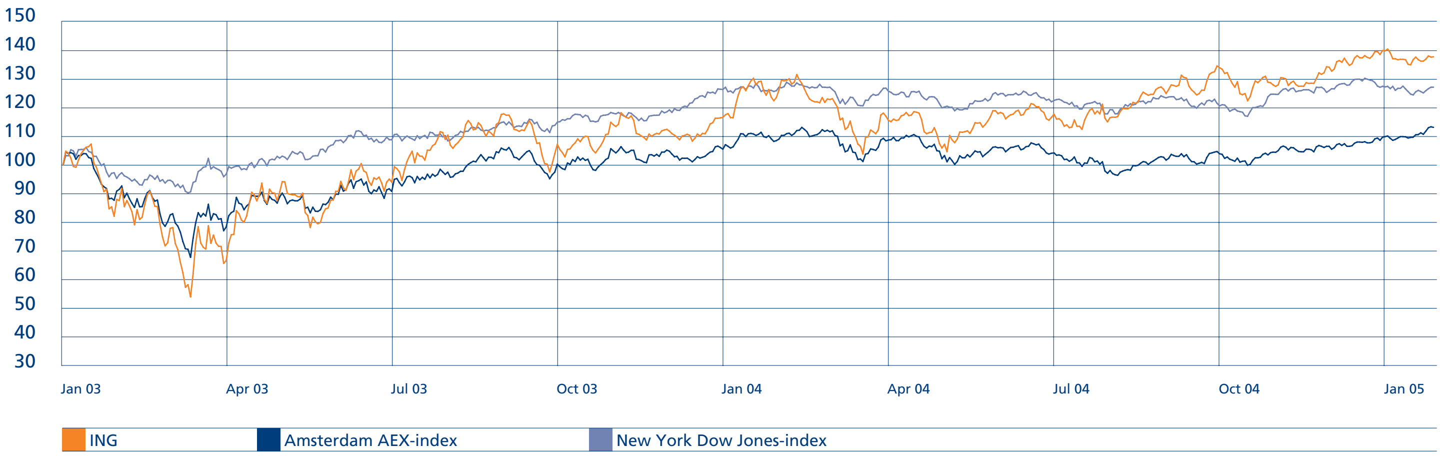
in millions of euros	**Year-end 2004**	Year-end 2003
Ordinary shares		
– authorised	**720**	720
– issued	**530**	508
Preference shares		
– authorised	**360**	360
– issued	**104**	104
Cumulative preference shares		
– authorised	**1,080**	1,080
– issued	**–**	–

INFORMATION FOR SHAREHOLDERS
(continued)

GEOGRAPHICAL DISTRIBUTION OF ING SHARES
in percentages

United Kingdom	27%
United States and Canada	23%
Netherlands	17%
Belgium	9%
Luxembourg	7%
Switzerland	6%
France	5%
Germany	3%
Other	3%

PRICES DEPOSITARY RECEIPTS FOR ORDINARY SHARES
index 1 January 2003 = 100



IMPORTANT DATES IN 2005 AND 2006*

Annual General Meeting of Shareholders
Tuesday, 26 April 2005
Circustheater, The Hague

ING share quotation ex final dividend 2004
Thursday, 28 April 2005

Payment date final dividend 2004
Wednesday, 4 May 2005

Publication results first three months 2005
Thursday, 12 May 2005

Publication results first six months 2005
Thursday, 11 August 2005

ING share quotation ex interim dividend 2005
Friday, 12 August 2005

Publication results first nine months 2005
Thursday, 10 November 2005

Publication of annual results 2005
Thursday, 16 February 2006

Annual General Meeting of Shareholders
Tuesday, 25 April 2006

ING share quotation ex final dividend 2005
Thursday, 27 April 2006

* All dates shown are provisional.

Investor relations
In addition to financial press releases, ING also publishes ShareholdersNews and ShareholdersBulletin. You can subscribe to both publications through the ING website, www.ing.com. To be kept informed of press releases and other ING news, you can subscribe to the e-mail service on www.ing.com.

For more information, please contact:
ING Group
Investor Relations Department (IH 07.432)
P.O. Box 810
1000 AV Amsterdam
The Netherlands
telephone +31 20 5415571
fax +31 20 5418551
www.ing.com

FINANCIAL GLOSSARY

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.

BIS
The Bank for International Settlements (BIS) is an international organisation which fosters international monetary and financial co-operation and serves as a bank for central banks. BIS has set a minimum for the solvency ratio reflecting the relationship between capital and risk weighted assets. The ratio should at least be 8%.

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 bills, the destruction or damage of property and related deaths or injuries, 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.

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 commitments or risks, for which it is more likely than not that no 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 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 Trust, in exchange for ordinary and preference shares issued by ING Group.

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.

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

FINANCIAL LIABILITY
Any liability that is a contractual obligation:
- 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.

FINANCIAL GLOSSARY
(continued)

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 ARBITRAGE
Taking advantage of interest-rate differences between separate markets.

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 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 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 ASSETS
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) 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.

FINANCIAL GLOSSARY
(continued)

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.

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 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 otherwise, more than half 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.

TIER-1 CAPITAL
The Tier-1 capital is also referred to as the core capital of ING Bank. It comprises paid up share capital, reserves excluding revaluation reserves, fund for general banking risks, retained earnings, third party interest.

TIER-1 RATIO
The Tier-1 ratio is reflecting the Tier-1 capital of ING Bank as a percentage of its total risk weighted assets. The minimum set by the Dutch central bank is 4%.

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.

TREASURY BILLS
Generally short-term debt certificates issued by a central 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.

2.4 GENERAL INFORMATION

ING Publications
- Annual Review, in Dutch and English;
- Annual Report, in Dutch and English;
- Corperate Responsibility Report, in Dutch and English;
- Annual Report on Form 20-F in, in English (in accordance with SEC guidelines);
- ING's implementation of the Dutch Corporate Governance Code, in Dutch and English.

These publications are available on www.ing.com.
The publications can be ordered on the internet:
www.ing.com/group, ING Publications button
by fax: +31 411 652 125, or
by mail: P.O. Box 258, 5280 AG Boxtel, the Netherlands.

ING Groep N.V.
Amstelveenseweg 500, 1081 KL Amsterdam
P.O. Box 810, 1000 AV Amsterdam
The Netherlands
Telephone +31 20 5415411
Fax + 31 20 5415444
Commercial Register of Amsterdam, no. 33231073

TEXT AND PRODUCTION
ING Groep N.V.,
Corporate Communications,
Amsterdam

DESIGN AND PRODUCTION
Addison Corporate Marketing,
London

PRINTING
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Binderij Hexspoor bv, Boxtel

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