ANNUAL REPORT 2002

ING VERZEKERINGEN N.V.
(ING Insurance)

ING Verzekeringen N.V. (ING Insurance) is part of ING Groep N.V. (ING Group)

Profile of ING Group

Mission
ING's mission is to be a leading, global, client-focused, innovative and low-cost provider of financial services through the distribution channels of the client's preference in markets where ING can create value.

Profile
ING Group is a global financial institution of Dutch origin with 115,000 employees. ING offers banking, insurance and asset management to 60 million clients in 60 countries. The clients are individuals, families, small businesses, large corporations, institutions and governments. ING comprises a broad spectrum of prominent businesses that increasingly serve their clients under the ING brand.

Key to ING's retail business is its distribution philosophy of 'click–call–face'. This is a flexible mix of internet, call centres, intermediaries and branches that enables ING to deliver what today's clients expect: unlimited access, maximum convenience, immediate and accurate execution, personal advice, tailor-made solutions and competitive rates. ING's wholesale product offering focuses strongly on its strengths in employee benefits/pensions, financial markets, corporate banking and asset management.

ING's strategy is to achieve sustainable growth while maintaining healthy profitability. The Group's financial strength, its broad range of products and services, the wide diversity of its profit sources and the good spread of risks form the basis for ING's continuity and growth potential.

ING seeks a careful balance between the interests of its stakeholders: its customers, shareholders, employees and society at large. It expects all its employees to act in accordance with the Group's Business Principles. These principles are based on ING's core values: responsiveness to the needs of customers, entrepreneurship, professionalism, teamwork and integrity.

Strategy
Given the prospect of low or even zero economic growth, the Executive Board has decided on the following Group strategic objectives for the years 2003-2005:
1. Strenghten capital base and improve other key ratios to maintain a solid financial foundation;
2. Optimise the existing portfolio of businesses;
3. Create value for our clients with a multi-product/multi-channel approach;
4. Develop our special skills – direct banking, insurance in developing markets, employee benefits and pensions;
5. Further lower the cost base.

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Commercial Register of Amsterdam, no. 33260659

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As at 31 December 2002

Supervisory board
Mijndert Ververs, *Chairman*
Lutgart van den Berghe
Luella Gross Goldberg
Paul van der Heijden
Aad Jacobs
Godfried van der Lugt
Paul Baron de Meester
Johan Stekelenburg
Hans Tietmeyer
Jan Timmer
Karel Vuursteen

Executive Board
Ewald Kist, *Chairman*
Fred Hubbell
Hessel Lindenbergh
Cees Maas, *Chief Financial Officer*
Alexander Rinnooy Kan
Michel Tilmant

REPORT OF THE SUPERVISORY BOARD

To the shareholder,

The Supervisory Board hereby presents you the 2002 Annual Report of ING Verzekeringen N.V. The Annual Report includes the report of the Executive Board, the Annual Accounts and Other information.

Annual Accounts
The Annual Accounts have been prepared by the Executive Board and have been discussed by the Supervisory Board. They are presented to you for approval. Approval of the Annual Accounts will serve to ratify the actions of the Executive Board in respect of its management and the members of the Supervisory Board in respect of their supervision during the past financial year.

Dividend
Adoption of the Annual Accounts also implies that the dividend for 2002 amounts to EUR 605 million. This is the amount that has already been paid as interim dividend. In accordance with the proposed profit appropriation, no additional final dividend will be paid.

Meetings
In 2002, the Supervisory Board met on seven occasions. The most important subjects were the Medium Term Plan 2002-2004, the annual results 2001, the developments of the results during 2002 and the development of the capital base.

Supervisory Board Committees
The Audit Committee discussed the annual results and the semi-annual results, the reports of the internal auditor, risk management, the developments in international regulations with regard to accounting principles (IAS), the measures that needed to be taken to strengthen the capital base and the update of the Audit Committee regulations.
The Remuneration and Nomination Committee discussed the potential of talented managers who will in time qualify for the highest management levels and the way in which future vacancies in the Executive Board, the Supervisory Board and its committees will be filled

Composition of the Supervisory Board
During the Annual General Meeting of Shareholders of 17 April 2002, the Supervisory Board bade farewell to Mr. Berghuis and to Mr. Kamminga. Mr. Vuursteen was appointed new member. These changes were announced in the previous annual report.
After the Shareholders' Meeting of 15 April 2003 Mr. Ververs and Ms. Van der Berghe will retire as members of the Supervisory Board after having reached the maximum term of twelve years. Mr. Ververs has also reached the age of 70, which is the age at which members of the Supervisory Board retire in principle. Mr. Tietmeyer will also retire after the Shareholders' Meeting of 15 April 2003, as he will reach the maximum age limit of 72. These three Supervisory Board members have been of exceptional meaning to ING, all from their own background, experience and expertise. This calls for a special word of thanks for the way in which they have exerted their talents to the benefit of ING.
Mr. Claus Hoffmann and Mr. Wim Kok are proposed for appointment in the Supervisory Board. Mr. Hoffmann has been CFO of Robert Bosch and has gained extensive expertise in German and European markets, which is of great interest to ING as well. He will also be appointed member of the Audit Committee. Mr. Kok has been proposed for appointments because of his expertise and vision regarding global economic, social and political issues which he gained while serving as Minister of Finance and Prime Minister of the Netherlands and in several previous positions.

Composition of the Executive Board
The composition of the Executive Board did not change in 2002. As per 1 July 2003, Hessel Lindenbergh will retire as member of the Executive Board, as he has reached the pension-entitlements age of 60. After 20 years, ING bids farewell to an upright and professional banker in heart and soul. His contribution to the development of ING has been significant, for which we would like to thank him sincerely.

Gratitude
The Supervisory Board would like to express its gratitude to the Executive Board and to all employees worldwide for their efforts during the past difficult year.

Amsterdam, 10 March 2003
THE SUPERVISORY BOARD

REPORT OF THE EXECUTIVE BOARD
General

ING Verzekeringen N.V. (ING Insurance), together with ING Bank N.V., is part of ING Groep N.V. The Annual Report of ING Group pays ample attention to its insurance and banking activities. ING Insurance accounts for the major part of the insurance operations.

Main developments

Operational realised capital gains
As planned, ING Insurance realised net capital gains on equity investments of the insurance operations of EUR 820 million against EUR 713 million a year ago (+15%). Net realised capital gains on real estate were EUR 220 million compared to EUR 147 million in 2001. At year-end 2002, the revaluation reserve of equity investments of the insurance operations was EUR 0.8 billion.
Starting in 2003, ING Insurance will realise capital gains on equities depending on market opportunities thereby ending its policy of increasing these gains at a fixed and predetermined pace.

Capital base
ING Insurance was able to absorb substantial book value losses caused by the continued fall of stock markets indices without the capital base dropping below the internal minimum level. This internal level is well-above the legally required level.
Nonetheless, in November, ING Insurance announced a series of measures to shore up the capital base in order to continue to be able to withstand potential future volatility of stocks and real estate. First, in December a new subordinated loan has been issued. Further, the non-EU real estate portfolio has been transferred from ING Verzekeringen N.V. to ING Bank N.V.. In addition, the risk of further negative revaluation of equity investments has been limited by hedging transactions to an amount of EUR 3 billion and the sale of equities to an amount of EUR 2 billion.
End of period, the capital base of ING Verzekeringen N.V. amounted to EUR 14.7 billion, well in excess (169%) of the legally required level of EUR 8.7 billion.

US insurance operations
By the end of 2002, most of the integration activities relating to the ReliaStar and Aetna Financial Services acquisitions were completed. Integration was designed to build more streamlined, market-focused US operations and create one integrated financial services platform ranking in the top-5 of the US market. Despite the significant impact on the US operational results from the weak markets, revenue synergies remained on track. Management responded to market impact and achieved cost savings of more than EUR 400 million in excess of forecasts made at the time of the acquisitions.
The reorganisation efforts in the US succeeded in reducing expenses by 17.5% or EUR 334 million in 2002. The total US workforce decreased by 16.4% or 1,810 full-time equivalents since the third quarter of 2001, exceeding the 15% target reduction.

Double-digit growth of insurance operations in developing markets
The result from insurance operations in developing markets showed an increase of EUR 211 million (+44%) to EUR 690 million. Adjusted for the increased ownership in Mexico the increase was 37%. The growth in premium income (+34.5% in local currencies) was positively influenced by the inclusion of premiums from ING Comercial América and negatively influenced by the sale of Aetna Argentina in 2001. Excluding these items, premiums increased by 9.3%. Mexico, Taiwan and Korea accounted for 71% of the total results before tax and 77% of the total premium income. Poland, the Czech Republic, Mexico and Taiwan strongly improved their performance.

Joint venture in Australia
In April 2002, ING Insurance and ANZ Bank, one of Australia's major banks, formed a funds management and a life insurance joint venture in Australia. The joint venture called ING Australia is 51%-owned by ING.
ING Australia enjoys a 10% market share in retail life insurance and 8% in retail wealth management business. The formation of the joint venture resulted in a total net profit of EUR 469 million of which EUR 222 million was booked as operational net profit and the balance as non-operational non-distributable profit.

Second life company in China opened for business, mutual fund company to follow suit
ING Insurance and Beijing Capital Group agreed to establish a joint venture life insurance company in Dalian, China. The new joint venture will be known as ING Capital Life Insurance Company Ltd. Both companies own 50% of the joint venture. ING Capital Life opened for business in December 2002 in the city of Dalian by offering traditional life products.
Just before year-end, China Merchants Fund Management Company, a joint venture of ING Investment Management and China Merchants Securities, was the first international joint venture to receive an operational

license for selling mutual funds. As mutual funds are a relatively new concept in China, the company will start with simple and easy-to-understand funds investing in mainland bond and equity markets.

Kookmin Bank
As part of a restructuring of ING Group's activities, the participating interest in Kookmin Bank has been transferred from ING Verzekeringen N.V. to ING Bank N.V..

Dollar hedge
The euro value of the results of the life insurance operations in the US and Canada is proteced from depreciation of the US and Canadian dollar for the year 2001 and 2002. The results were fully hedged at a EUR/USD exchange rate of 0.879. The hedge contributed EUR 55 million to operational net profit (2001: EUR 14 million).

In anticipation of a further strengthening of the euro versus the US dollar, ING has also hedged the expected profits of the US insurance operations for the years 2003 and 2004 at a EUR/USD exchange rate of 0.920 and 0.922 respectively.

Value of new business and embedded value life operations
The value of new life insurance business written during 2002 was EUR 519 million, a substantial increase over the 2001 level of EUR 336 million (revised) in 2001. About half of the value of new business arises from the insurance operations in developing markets. At the end of 2002, the total embedded value of ING's life insurance operations was EUR 23.3 billion compared to EUR 25.8 billion at year-end 2001. The decrease mainly reflects the impact of lower stock prices, credit-related losses and lower currency exchange rates versus the euro.

Results
The operational net profit rose by 26.4% to EUR 3,561 million, reflecting a continued strong performance of the life and non-life business units. Net profit , i.e. including non-operational items, increased by 21.2% to EUR 3,808 million. The geographical analysis includes the operational and the non-operational items.

Premium income and result before taxation, excluding non-operational items, developed as follows:

	2002	2001	% change
Premium income (in millions of euros)			
Life insurance	44,367	43,906	+ 1.0
Non-life insurance	7,917	5,894	+ 34.3
Total	52,284	49,800	+ 5.0
Result before taxation (in millions of euros)			
Life insurance	4,009	3,259	+ 23.0
Non-life insurance	654	656	– 0.3
Total	4,663	3,915	+ 19.1

Europe
Life premiums in the *Netherlands* decreased by 8.0% to EUR 4,927 million. Individual single life premiums were lower due to the changed tax treatment and fierce competition. Group life premiums decreased as a result from lower single premium production and the surrender of a large life contract. Non-life premiums increased by 2.6% to EUR 1,859 million, largely reflecting higher premiums in Loss of income/Accident and Fire.

The life result in the Netherlands improved by 1.7% to EUR 2,217 million due to higher realised capital gains, a profit on the surrender of a group life contract and a lower than expected result on interest and mortality. In 2001, the Dutch life result was supported by a partial release of a catastrophe provision and a gain from old reinsurance business. Interest received on an intercompany loan to the US operations was lower. Results on venture capital activities were alsolower. Investment losses were higher. The result on non-life business decreased by 15.4% to EUR 225 million. Miscellaneous reported lower results due to lower realised capital gains. Results from Fire were lower as the number of claims increased, among others following the storm in October. Motor was lower due to higher additions to the technical provision.

Life premiums in *Belgium* advanced by 111% to EUR 2,053 million. This increase is mainly caused by the transfer of the BBL Insurance business from ING Bank N.V. Verzekeringen N.V. in the fourth quarter 2001.

Life premium income in *other countries in Europe* increased by 6.8% in local currencies to EUR 1,580 million, mainly due to Italy and Romania. The total life result declined from EUR 176 million in 2001 to EUR 155 million. Italy, Poland, Romania, Hungary and the Czech Republic improved their performance but Greece and Spain did less well than the year before.

Americas

The result before taxation of ING Americas increased by 20.0% to EUR 1,079 million. Excluding the release of contingent provisions associated with prior acquisitions of EUR 106 million, the results were 8.2% higher than a year ago. The increase reflects responsive expense management, higher investment income, favourable car insurance loss ratios and business growth in Mexico, and lower financing costs. Accelerated amortisation of deferred acquisition costs, higher credit-related investment losses, and lower revenues on assets under management negatively impacted the result. The World Trade Center losses and a restructuring charge relating to the US reorganisation adversely impacted the 2001 results. The hedge programme of the US and Canadian dollar contributed EUR 85 million before tax compared to EUR 22 million a year ago.

In the *United States*, the pre-tax operational result increased by EUR 25 million to EUR 534 million. Excluding the release of contingent provisions, the United States pre-tax operational result decreased by EUR 81 million to EUR 428 million. Significant expense reductions (–17.5% organically), higher investment income and lower financing costs could not overcome the continuing impact of the weak economy and financial markets. The weak economy and business climate caused an increase in gross investment losses to EUR 565 million (80 basis points of the total fixed income investment portfolio). Lower current levels of assets under management in the variable product lines resulted in an acceleration of DAC unlocking and a higher net cost of the corresponding guaranteed benefits. These items led to a combined charge of EUR 281 million in 2002 (2001: EUR 18 million). Lower interest rates and lower debt levels positively impacted the financing costs of the US operations.

Life premium income in the US by product line

(in millions of euros)	2001	2002	% change
Life	2,593	2,635	2%
Fixed annuities	3,272	4,909	50%
Variable annuities	4,841	4,284	-12%
Rollover payout	317	227	-28%
Employee benefits	804	787	-2%
Defined contribution	8,254	8,367	1%
Reinsurance	1,029	935	-9%
Institutional markets (GICs)	7,190	5,468	-24%
Other		18	n.a.
Total	**28,300**	**27,630**	**-2%** *)

*) In constant exchange rates: + 3.2%

US premiums, excluding GIC premiums, increased 5% (11% at constant exchange rates) due to an increased demand for fixed annuities. Sales of variable annuities decreased due to the shift in the market away from equity-based variable products resulting from the volatility in the financial markets. GIC premiums were lower compared to a record high in 2001 due to reduced levels of short-term contract renewals. Increased premiums for the defined contribution block of business were due to favourable sales in the healthcare, government and education lines of business.

Asia/Pacific

The pre-tax operational result from the insurance operations in Asia/Pacific was up 86.4% to EUR 577 million from EUR 309 million in 2001. The result includes EUR 222 million profit relating to the formation of the joint venture life and mutual fund operations in Australia with ANZ (ING 51% ownership). The remaining EUR 247 million has been reported as non-operational non-distributable net profit.

Excluding the gain related to ANZ, pre-tax operational results increased to EUR 355 million, up 14.9% from EUR 309 million in 2001. The Australian result improved due to better claims ratios and cost control initiatives. Taiwan results improved due to growth of business in combination with tight expense control. The result of the life company in Japan increased by 160% to EUR 31 million as a result of lower claims and surrenders as well as reduced costs due to changes in distribution. The life operations in Korea reported a 32% increase in pre-tax profits reflecting ongoing strong production, better persistency and improved claims. Sales continue to grow rapidly in China, India and Thailand although in general, there were higher start-up expenses. Premium income in Asia/Pacific grew by 14.5% mainly due to the strong sales of a newly introduced single premium variable annuity product in Japan and continued sales growth and high persistency in Korea. Operating expenses for Asia/Pacific were lower as the region continues to focus on reducing costs and integration synergies from the Aetna acquisition are realised.

Profit appropriation

Pursuant to article 36 of the Articles of Association holders of preference shares will receive EUR 29 million dividend. The remaining net profit of EUR 3,779 million is at the disposal of the Shareholders' Meeting. An interim dividend of EUR 605 million has already been paid. It is proposed to pay no additional final dividend and add the remaining amount of EUR 3,174 million to Other reserves.

Outlook for 2003

In view of the current economic and political uncertainties, the Executive Board will not make a forecast for the 2003 result. The Executive Board remains convinced that ING Insurance has a solid base in core markets, will continue to exploit its many synergy opportunities successfully and is adequately responding to today’s difficult market conditions.

Amsterdam, 10 March 2003
The Executive Board

Ewald Kist, *Chairman*
Fred Hubbell
Hessel Lindenbergh
Cees Maas, *Chief Financial Officer*
Alexander Rinnooy Kan
Michel Tilmant

ANNUAL ACCOUNTS

ING INSURANCE

2002

CONSOLIDATED BALANCE SHEET OF ING INSURANCE AS AT 31 DECEMBER

before profit appropriation

amounts in millions of euros

	2002	2001
ASSETS		
Investments		
Land and buildings **1**	7,239	8,236
Investments in group companies and participating interests **2**	2,423	3,494
Other financial investments **3**	141,912	147,979
Deposits with insurers **4**	94	31
	151,668	**159,740**
Investments for risk of policyholders and investments of annual life funds 5	**64,281**	**82,743**
Debtors 6		
Receivables on account of direct insurance	3,275	3,438
Reinsurance receivables	797	669
Other receivables	3,697	3,889
	7,769	**7,996**
Other assets		
Tangible fixed assets **7**	382	475
Cash **8**	3,221	1,534
Other assets **9**	884	1,471
	4,487	**3,480**
Accrued assets 10		
Accrued interest and rents	2,758	2,517
Deferred acquisition costs of insurance business	10,636	11,355
Other accrued assets	211	177
	13,605	**14,049**
Total	**241,810**	**268,008**

The numbers against the items refer to the notes starting on page 25.

CONSOLIDATED BALANCE SHEET OF ING INSURANCE AS AT 31 DECEMBER

before profit appropriation

amounts in millions of euros

	2002	2001
EQUITY AND LIABILITIES		
Shareholders' equity **11**	10,827	15,450
Third-party interests	1,163	975
Group equity	**11,990**	**16,425**
Subordinated loans 12	**2,727**	**1,250**
Insurance provisions		
Provision for unearned premiums and unexpired non-life insurance risks		
Gross	4,186	4,351
Reinsurance element	845	969
	3,341	3,382
Provision for life policy liabilities **13**		
Gross	125,945	129,421
Reinsurance element	5,085	8,511
	120,860	120,910
Claims provision **14**		
Gross	7,197	7,016
Reinsurance element	807	1,124
	6,390	5,892
Provision for profit sharing and rebates	778	743
Other insurance provisions **15**	186	292
	131,555	**131,219**
Insurance provisions for policies for which policyholders bear the investment risk and for annual life funds		
Gross	65,372	83,740
Reinsurance element	1,096	972
	64,276	**82,768**
General provisions 16		
Deferred tax liabilities	1,637	1,786
Other	560	1,360
	2,197	**3,146**
Deposits from reinsurers	**197**	**269**
Creditors 17		
Liabilities relating to direct insurance	1,847	2,905
Liabilities relating to reinsurance	342	371
Other debentures and private loans **18**	12,271	14,191
Loans from credit institutions **19**	3,939	4,737
Other liabilities **20**	8,759	8,348
	27,158	**30,552**
Accrued liabilities 21	**1,710**	**2,379**
Total	**241,810**	**268,008**

The numbers against the items refer to the notes starting on page 31.

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

amounts in millions of euros

	2002	2001	2000
I NON-LIFE UNDERWRITING ACCOUNT 22			
Premiums written for own account			
Gross premiums	7,917	5,894	4,087
Outward reinsurance premiums	1,275	614	187
	6,642	**5,280**	**3,900**
Changes in provision for unearned premiums and unexpired non-life insurance risks			
Gross	– 420	28	– 47
Reinsurers' share	– 75	34	– 7
	– 345	**– 6**	**– 40**
Premiums earned for own account	**6,297**	**5,274**	**3,860**
Allocated income and expenses 23	**819**	**797**	**1,026**
Other underwriting income for own account	**62**	**14**	**6**
Claims for own account			
Gross	4,708	4,077	2,700
Reinsurers' share	611	411	128
	4,097	**3,666**	**2,572**
Changes in claims provision			
Gross	665	529	304
Reinsurers' share	40	303	– 7
	625	**226**	**311**
Total claims incurred	**4,722**	**3,892**	**2,883**
Operating expenses 24	**1,757**	**1,534**	**1,146**
Other underwriting expenditure for own account	**45**	**3**	
Result from non-life underwriting account	**654**	**656**	**863**
II LIFE UNDERWRITING ACCOUNT 25			
Premiums for own account			
Gross premiums	44,367	43,906	24,628
Outward reinsurance premiums	1,093	1,395	1,004
	43,274	**42,511**	**23,624**
Allocated income and expenses 23	**– 949**	**1,580**	**14,277**
Other underwriting income for own account	**223**	**143**	**62**
Benefits for own account			
Gross	29,322	27,371	15,561
Reinsurers' share	995	2,153	443
	28,327	**25,218**	**15,118**
Changes in other insurance provisions for own account			
Provisions for life policy liabilities			
Gross	6,917	11,456	10,444
Reinsurers' share	251	834	983
	6,666	**10,622**	**9,461**
Profit sharing and rebates	**– 831**	**318**	**830**
Operating expenses 24	**4,361**	**4,886**	**2,685**
Other underwriting expenditure for own account	**16**	**– 69**	**89**
Result from life underwriting account	**4,009**	**3,259**	**9,780**

The numbers against the items refer to the notes starting on page 42.

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

amounts in millions of euros

	2002	2001	2000
III NON-TECHNICAL ACCOUNT			
Result from insurance operations			
Result from non-life underwriting account	654	656	863
Result from life underwriting account	4,009	3,259	9,780
Technical result	**4,663**	**3,915**	**10,643**
Income from investments **26**	919	3,079	15,869
Investment expenses **27**	2,673	2,581	1,680
Other income **28**	1,651	1,914	993
Other expenses	27	35	– 121
Allocated income and expenses transferred to underwriting accounts **23**	130	– 2,377	– 15,303
Result before taxation	**4,663**	**3,915**	**10,643**
Taxation **29**	759	699	1,025
Result after taxation	**3,904**	**3,216**	**9,618**
Third-party interests	96	74	39
Net profit for the period	**3,808**	**3,142**	**9,579**
Operational net profit	**3,561**	**2,817**	**2,367**
Non-operational net profit **30**	247	325	7,212
Net profit for the period	**3,808**	**3,142**	**9,579**

The numbers against the items refer to the notes starting on page 42.

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

amounts in millions of euros

	2002	2001	2000
Net profit for the period	3,808	3,142	9,579
Other components of comprehensive net profit:			
– unrealised revaluations (1)	– 2,988	– 2,315	530
– exchange differences (2)	– 971	234	– 247
Net profit not recognised in the consolidated profit and loss account	**– 3,959**	**– 2,081**	**283**
Realised revaluations released to the profit and loss account (3)	– 1,278	– 1,210	– 7,654
Comprehensive net profit for the period	**– 1,429**	**– 149**	**2,208**

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.

(1) In 2002, deferred taxes with regard to unrealised revaluations amounted to EUR – 83 million (2001: EUR 2 million; 2000: EUR 353 million).
(2) In 2002, deferred taxes with regard to exchange differences amounted to EUR – 12 million (2001: EUR 111 million; 2000: EUR – 129 million).
(3) In 2002, no realised revaluations have been released to the profit and loss account in respect of the sale of investments in shares regarding the financing of acquisitions (2001: EUR 0.3 billion; 2000: EUR 6.7 billion).

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

amounts in millions of euros

			2002	2001	2000
Result before taxation			4,663	3,915	10,643
Adjusted for:	– depreciation		211	208	119
	– movements in deferred acquisition costs of insurance business		– 914	– 510	– 693
	– increase in insurance provisions		7,444	6,299	10,130
	– other		– 184	– 1,831	– 9,012
Trading portfolio purchases/sales (incl. securities and property)			126	148	– 21
Net investment in tangible fixed assets			– 109	– 313	– 190
Taxation			– 485	– 462	– 177
Movements in:	– other receivables, prepayments and accrued assets		252	3,031	– 3,253
	– other liabilities and accruals		– 437	1,747	3,622
Net cash flow from operating activities		**31**	**10,567**	**12,232**	**11,168**
Investments and advances:	– participating interests		– 1,443	– 1,677	– 14,873
	– investments in shares and property		– 7,203	– 8,141	– 10,518
	– investments in fixed-interest securities		– 230,791	– 187,332	– 69,688
	– other investments		– 24	61	– 3
Disposals and redemptions:	– participating interests		804	189	1,010
	– investments in shares and property		8,487	6,277	8,687
	– investments in shares regarding financing of acquisitions			583	9,618
	– investments in fixed-interest securities		214,773	169,330	65,994
	– other investments		1	4	1
Net investment for risk of policyholders			6,813	3,001	– 4,844
Net cash flow from investing activities		**32**	**– 8,583**	**– 17,705**	**– 14,616**
Subordinated loans of group companies			1,504	1,250	
Bonds, loans contracted and deposits by reinsurers			748	4,770	1,612
Private placements of ordinary shares			439	46	2,867
Repayment of capital to ING Group NV			– 1,453		
Cash dividends			– 1,299	– 571	– 673
Net cash flow from financing activities			**– 61**	**5,495**	**3,806**
Net cash flow			**1,923**	**22**	**358**
Cash at beginning of year			1,534	1,632	1,278
Exchange differences			– 236	– 120	– 4
Cash at year-end			**3,221**	**1,534**	**1,632**
Cash comprises the following items:					
Cash and bank balances and call money			3,221	1,534	1,632
Cash at year-end			**3,221**	**1,534**	**1,632**

The numbers against the items refer to the notes starting on page 54.

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

INTRODUCTION

ING Insurance comprises ING Verzekeringen N.V. and its group companies. The financial data of ING Insurance are also included in the consolidated Annual Accounts of ING Groep N.V., which is the holding company of ING Insurance. Copies of these Annual Accounts can be obtained at the office of ING Groep N.V., Amstelveenseweg 500, 1081 KL Amsterdam, the Netherlands. The Annual Accounts of ING Groep N.V. are also available on the Internet at the ING Group website: www.ing.com.

CONSOLIDATION PRINCIPLES

The consolidated financial statements of ING Insurance include the financial statements of all companies that form an organisational and economic entity and are controlled by ING Insurance. Control is presumed to exist when ING Insurance 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 Insurance's shareholders' equity and results. Intercompany financial relationships between business units of ING Insurance 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 The Hague, in accordance with Section 379 (5), Book 2, of the Dutch Civil Code.

CHANGES IN THE COMPOSITION OF THE GROUP

amounts in millions of euros, unless stated otherwise

The impact of the most significant changes in the composition of the group on assets, liabilities, shareholders' equity and net profit is as follows:

			2002			**2001**
	Before acquisition/ disposal	After acquisition/ disposal	Impact	Before acquisition/ disposal	After acquisition/ disposal	Impact
Assets	246,335	241,810	– 4,525	266,685	268,008	1,323
Liabilities	235,437	230,983	– 4,454	250,054	252,558	2,504
Shareholders' equity	10,898	10,827	– 71	16,631	15,450	– 1,181
Net profit for the period	3,164	3,808	644	3,152	3,142	– 10

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.

As part of a restructuring of ING Group's activities the participating interest in Kookmin Bank has been transferred from ING Verzekeringen N.V. to ING Bank N.V.. The transfer was done at fair value at 30 June 2002. As of 31 December 2002 a real estate portfolio has been transferred from ING Verzekeringen N.V. to ING Bank N.V., the transfer was done at fair value.

In 2002, ING Insurance strengthened its partnership with Sul América, a leading insurance company in Brazil, by acquiring a 49% stake. The total purchase price of the additional acquisition amounted to EUR 188 million in cash, plus its 49% stake in SulAet as well as its asset management operations (ING Investment Management Brazil). The goodwill amounted to EUR 245 million and is charged to *Shareholders' equity*.The interest in Sul América is included as a participating interest.

In 2002, ING Insurance and ANZ, one of Australia's major banks, have formed a funds management and life insurance joint venture called ING Australia. The company is 51%-owned by ING and 49%-owned by ANZ. As part of the transaction, the new joint venture acquired net assets from ANZ. This resulted in goodwill of EUR 169 million that is charged to *Shareholders' equity*. Furthermore, ING Group contributed net assets to the new joint venture, which resulted in a net result of EUR 469 million. From this amount, EUR 247 million has been used for financing acquisitions and has therefore been accounted for as non-operational profit. The remainder of EUR 222 million has been recorded as operational profit.

In 2001, ING Insurance increased its shareholding in Seguros Comercial América, an insurance company based in Mexico, from 42% to 100%. SCA was de-listed from the Mexican stock exchange effective 9 November 2001. The total purchase price of the additional acquisition amounted to EUR 1,134 million, including EUR 584 million assumed debt. The acquisition was partly financed by the sale of shares. The goodwill amounted to EUR 1,015 million and is charged to *Shareholders' equity*. As from 1 July 2001, the results of Seguros Comercial América have been fully consolidated in the financial statements of ING Group. All retail operations of ING in Mexico now operate under the name ING Comercial América.

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 Insurance. 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 *Investments* and *Tangible fixed assets* 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.

Receivables

Receivables are carried at the 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 on a static basis:

– 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 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.

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.

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 risk.

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.

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.

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

Investments

Realised gains and loses on investments Realised gains and loses on investments are determined as the difference between the sale proceeds and the cost based on a weigthed average basis.

Land and buildings Investments in land and buildings 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.

Investments in group companies and participating interests ING Insurance'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 Insurance'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.
On disposal of group companies the difference between the sale proceeds and cost is included in the profit and loss account; for disposals within 5 years of acquisition, goodwill is adjusted on a pro-rata basis.

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

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*.

On disposal of participating interests, the difference between the sale proceeds and cost is included in the profit and loss account.

Other financial investments Shares and other non-fixed interest securities 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.

Fixed-interest securities are stated at redemption value. 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.

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

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, which is part of *Insurance provisions* or *Insurance provisions for policies for which the policyholders bear the investment risk and for annual life funds.*

Repurchase transactions and reverse repurchase transactions Debentures, other fixed-interest securities, shares and other non-fixed interest securities which have been sold with an agreement to repurchase (repurchase transactions), are included as assets in the balance sheet. Debentures, other fixed-interest securities, shares and other non-fixed interest securities, which have been acquired in reverse sale and repurchase transactions, are not recognised in the balance sheet.

Securities borrowing and lending Debentures, other fixed-interest securities, shares and other non-fixed interest securities, which are lent out, are included in the balance sheet. Debentures, other fixed-interest securities, shares and other non-fixed interest securities, which are borrowed, are not recognised in the balance sheet.

Investments for risk of policyholders and investments of annual life funds

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 and the annual funds of the annual life fund operations are stated at fair value plus accrued interest where relevant.

Other assets

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.

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.

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.

Insurance provisions

Provision for unearned premiums and unexpired insurance 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.

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 and adjusted if necessary with a provision for any shortfall due to the applied principles. The adequacy test takes into account future developments and allows for remaining unamortised interest-rate rebates and deferred acquisition costs.

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.

Other insurance provision These include the provision to cover the risk of possible catastrophes.

Insurance provisions for policies for which the policyholders bear the investment risk and for annual life funds

The Insurance provisions for policies for which the policyholders bear the investment risk and for annual life funds 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 and for annual life funds, the insurance provisions are generally shown at the balance sheet value of the associated investments.

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 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 is stated at the face value and is 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 assets are realised or the liabilities are settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. A deferred tax asset is recognised for the carryforward of unused tax losses to the extent that it is probable that future taxable profits will be available for compensation.

The effect of dividend withholding tax is not taken into account in respect of the valuation of retained earnings of participating interests.

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 pension adjustments reflect specific country conditions.

At 31 December the weighted averages of basic actuarial assumptions used for valuation purposes were:

Annual %	**2002**	**2001**	**2000**
Discount rates	5.75	6.50	6.50
Expected rates of salary increases (excluding promotional increase)	2.75	3.00	3.00
Medical cost trend rates	4.50	4.50	2.75
Consumer price inflation	2.00	2.25	2.25

The expected rate of return for 2002 on plan assets was 7.50% (2001: 7.75%; 2000: 7.75%).

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

Creditors

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 Insurance 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.

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 a accrued basis. Interest income includes coupons earned on fixed income investment and trading securities and amortisation of accrued discounts and premiums and yield differences.

Taxation

Taxation is calculated on the result before taxation 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 INSURANCE

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 result before taxation 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 Loans and advances granted and repaid only relates to transactions involving actual payments or receipts. The additions to the provision for loan losses which is deducted from the item *Debtors* in the balance sheet has been adjusted accordingly for the result before taxation 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 INSURANCE

amounts in millions of euros, unless stated otherwise

ASSETS

1. Land and buildings

	2002	2001
Land and buildings wholly or partially in use by group companies	1,061	1,092
Other land and buildings	6,178	7,144
	7,239	**8,236**

The movements in investments in Land and buildings were as follows:

	2002	2001
Opening balance	8,236	7,764
Additions	834	649
Transfer from other assets	113	– 236
Changes in the composition of the group	– 1,028	159
Capitalised interest during construction	10	10
Revaluations	254	333
Disposals	– 927	– 499
Exchange differences	– 253	56
Closing balance	**7,239**	**8,236**

The balance sheet value as at 31 December 2002 included revaluations of EUR 1,518 million (2001: EUR 1,678 million). The cost or purchase price amounted to EUR 5,721 million (2001: EUR 6,558 million).

The appraisal of land and buildings during the last five years in relation to the balance sheet value as at 31 December 2002 was as follows:

Years of appraisal (in %)	
2002	67
2001	8
2000	14
1999	3
1998	8
	100

2. Investments in group companies and participating interests

			2002			2001
	Ownership (%)	Balance sheet value	Estimated fair value	Ownership (%)	Balance sheet value	Estimated fair value
Name of investee						
Investments in associates:						
De Goudse Verzekeringen N.V.	20	34	34	20	34	34
Q-Park N.V.	20	63	63	22	52	52
Seguros Bital, S.A. de C.V. (Grupo Financiero Bital)	49	22	120			
Vesteda	22	635	635			
Other investments in associates		59	42		608	592
		813	**894**		**694**	**678**
Investments in other participating interests		293	293		806	806
Total investments in participating interests		**1,106**	**1,187**		**1,500**	**1,484**
Receivables from:						
– group companies of ING Group		1,305	1,397		1,980	1,909
– participating interests		12	12		14	13
		1,317	**1,409**		**1,994**	**1,922**
		2,423	**2,596**		**3,494**	**3,406**

The decrease of Investments in other participating interest mainly caused by the sale of the participating interest in Kookmin Bank to ING Bank.

The balance sheet value of *Investments in group companies and participating interests* as at 31 December 2002 included revaluations of EUR – 10 million (2001: EUR – 45 million). The cost of these *Investments in group companies and participating interests* amounted to EUR 1,548 million (2001: EUR 1,545 million).

	2002	**2001**	**2002**	**2001**	**2002**	**2001**
	Associates		Other participating interests		Receivables from participating interests	
Opening balance	694	385	806	678	14	10
Additions and advances	991	1,543	283	25	4	6
Changes in the composition of the group	– 233	125	– 137	3		5
Transition to Group companies and investments	– 239	54	– 18	– 98		
Revaluations	– 256	– 1,307	37	319		
Movements in provision for credit risk exposure					– 1	– 1
Results from participating interests	134	63				
Dividends received	– 145	– 6				
Disposals and redemptions	– 97	– 174	– 627	– 148	– 4	– 6
Impairments			– 5	– 3		
Exchange differences	– 36	11	– 46	30	– 1	
Closing balance	**813**	**694**	**293**	**806**	**12**	**14**

3. Other financial investments

	2002	**2001**	**2002**	**2001**
	Balance sheet value		Estimated fair value	
Shares and other non-fixed-interest securities	11,024	16,625	11,024	16,625
Debentures and other fixed-interest securities	90,334	90,202	95,769	92,360
Interests in investment pools	99	86	99	86
Mortgage loans	26,993	26,812	28,408	27,156
Other loans	10,342	11,572	10,940	12,077
Deposits with credit institutions	897	1,326	900	1,348
Other	2,223	1,356	2,227	1,332
	141,912	**147,979**	**149,367**	**150,984**

As at 31 December 2002, the cost of *Other financial investments* except for investments in Shares and other non-fixed-interest securities and Interests in investment pools amounted to EUR 131,036 million (2001: EUR 130,559 million).

The cost of the investments stated at fair value amounted to:

	2002	**2001**
Shares and other non-fixed-interest securities	10,197	11,452
Interests in investment pools	99	86

The movements in *Other financial investments* except for Interests in investments pools, Deposits with credit institutions and Other were as follows:

	2002	**2001**	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**
	Shares and other non-fixed-interest securities		Debentures and other fixed-interest securities		Mortgage loans		Other loans	
Opening balance	16,625	18,504	90,202	73,143	26,812	22,692	11,572	11,545
Additions and advances	6,369	7,491	194,423	159,766	5,359	5,526	2,352	1,619
Changes in the composition of the group	– 256	289	– 3	578		451		90
Yield differences			– 2,038	– 87	11	85	– 1	12
Revaluations	– 3,365	– 2,971						
Disposals and redemptions	– 7,582	– 6,422	– 179,882	– 145,595	– 3,251	– 2,698	– 3,024	– 1,757
Impairments	– 292	– 3						
Exchange differences	– 462	115	– 12,243	2,475	– 1,930	381	– 630	144
Other movements	– 13	– 378	– 125	– 78	– 8	375	73	– 81
Closing balance	**11,024**	**16,625**	**90,334**	**90,202**	**26,993**	**26,812**	**10,342**	**11,572**

Non-income-producing investments ING Insurance's investments in debentures and other fixed-interest securities, with a combined carrying value of EUR 339 million (2001: EUR 25 million) were non-income-producing for the year ended 31 December 2002.

Concentrations As at 31 December 2002, ING Insurance had investments in shares and fixed-interest securities of ABN AMRO Holding N.V with a carrying value that individually exceeded 10% of *Shareholders' equity*. The total investment amounted to EUR 2,887 million (2001: EUR 3,378 million) and comprised EUR 2,719 million (2001: EUR 3,187 million) in shares and EUR 168 million (2001: EUR 191 million) in fixed-interest securities.

Shares and other non-fixed-interest securities

	2002	**2001**
Listed	9,999	15,046
Unlisted	1,025	1,579
	11,024	**16,625**

Shares and other non-fixed-interest securities can be analysed as follows:

		2002	**2001**
Purchase price		10,197	11,452
Revaluation:	– Gross unrealised gains	2,772	6,167
	– Gross unrealised losses	1,945	994
		11,024	**16,625**

Debentures and other fixed-interest securities

	2002	**2001**
Listed	72,853	75,020
Unlisted	17,481	15,182
	90,334	**90,202**

As at 31 December 2002, the cost of investments in Debentures and other fixed-interest securities amounted to EUR 90,642 million (2001: EUR 90,160 million).

At 31 December 2002 no listed securities issued by ING Group were held (2001: EUR 14 million).

The balance sheet value includes Debentures and other fixed-interest securities which are:

	2002	**2001**
Lent	266	
Sold in repurchase transactions	4,409	1,395
	4,675	**1,395**

Other loans

	2002	**2001**
Private loans	6,817	7,517
Policy loans	3,238	3,791
Professional loans	287	264
	10,342	**11,572**

As at 31 December 2002, an amount of EUR 122,864 million (2001: EUR 124,785 million) was expected to be recovered or settled after more than one year from the balance sheet date for *Other financial investments* except Shares and other non-fixed-interest securities.

4. Deposits with insurers

Deposits with insurers relates to receivables under a reinsurance contract which are not freely available. As at 31 December 2002, the fair value amounted to EUR 94 million (2001: EUR 20 million).

5. Investments for risk of policyholders and investments of annual life funds

		2002	2001
Land and buildings		21	85
Other financial investments:	– shares and convertible debentures	53,099	73,576
	– fixed-interest securities	9,948	7,898
	– other	1,213	1,184
		64,281	**82,743**

	2002	2001
Opening balance	82,743	81,536
Additions and advances	40,691	71,054
Changes in the composition of the group		414
Disposals and redemptions	– 41,778	– 67,857
Exchange differences	– 8,598	2,682
Other movements	– 8,777	– 5,086
Closing balance	**64,281**	**82,743**

As at 31 December 2002, the cost of *Investments for risk of policyholders and investments of annual life funds* amounted to EUR 64,646 million (2001: EUR 84,781 million).

6. Debtors

	2002	2001
Receivables on account of direct insurance from:		
– policyholders	2,790	2,924
– intermediaries	485	514
Reinsurance receivables	797	669
Other receivables:		
– pension assets and other staff related assets	498	491
– ING Group	26	157
– third parties	3,173	3,241
	7,769	**7,996**

As of 2002 pension assets/liabilities and other staff related assets/liabilities are included as one amount in the balance sheet. An analysis of pension assets/liabilities and other staff related assets/liabilities is included under *General Provisions*.

As at 31 December 2002, an amount of EUR 1,336 million (2001: EUR 1,538 million) was expected to be recovered or settled after more than one year from the balance sheet date.

7. Tangible fixed assets

	2002	2001
Data-processing equipment	102	143
Other movable fixed assets	280	332
	382	**475**

	2002	2001
Opening balance	475	433
Additions	193	245
Changes in the composition of the group	1	1
Disposals	– 89	– 78
Depreciation	– 139	– 135
Exchange differences	– 59	9
Closing balance	**382**	**475**

	2002	2001
Gross carrying amount as at 31 December	728	884
Accumulated depreciation as at 31 December	346	409
	382	**475**

8. Cash

	2002	2001
Cash and bank balances	2,993	1,387
Call money	228	147
	3,221	**1,534**

9. Other assets

	2002	2001
Trading portfolio	119	341
Equity participations	358	309
Property	66	70
Deferred tax assets	190	592
Other receivables	151	159
	884	**1,471**

As at 31 December 2002, an amount of EUR 430 million (2001: EUR 322 million) was expected to be recovered or settled after more than one year from the balance sheet date.

As at 31 December 2002, the deferred tax assets analysed by its origin were as follows:

	2002	2001
Deferred tax assets relating to:		
– insurance provisions	1,295	1,618
– other provisions	461	
– unused tax losses carried forward	457	462
– other	431	99
	2,644	2,179
Deferred tax liabilities (offset by deferred tax assets) relating to:		
– investments	6	11
– deferred acquisition costs	1,128	580
– general provisions	1,099	994
– other	221	2
	2,454	1,587
	190	**592**

The deferred tax assets in connection with unused tax losses carried forward were arrived at as follows:

	2002	2001
Total unused tax losses carried forward	1,322	1,549
Unused tax losses carried forward not recognised as a deferred tax asset	49	292
Unused tax losses carried forward recognised as a deferred tax asset	**1,273**	**1,257**
Average tax rate	35.9%	36.8%
Deferred tax asset	**457**	**462**

Total unused tax losses carried forward as at 31 December 2002 analysed by expiration terms:

	2002	2001
– up to five years	293	311
– five to ten years	202	363
– ten to twenty years	825	829
– unlimited	2	46
	1,322	**1,549**

10. Accrued assets

As at 31 December 2002, an amount of EUR 9,208 million (2001: EUR 10,095 million) was expected to be recovered or settled after more than one year from balance sheet date.

The movements in Deferred acquisition costs of insurance business were as follows:

	2002	2001	2002	2001	2002	2001
	Life insurance		Non-life insurance		Total	
Opening balance	11,035	10,393	320	260	11,355	10,653
Capitalised	2,272	2,478	162	83	2,434	2,561
Amortisation	– 1,455	– 1,444	– 93	– 82	– 1,548	– 1,526
Changes in the composition of the group	– 2	– 182		55	– 2	– 127
Exchange differences	– 1,616	344	– 49	1	– 1,665	345
Transfer of portfolios	65	– 554	– 3	3	62	– 551
Closing balance	**10,299**	**11,035**	**337**	**320**	**10,636**	**11,355**

Included in Amortisation for the year 2002 is an amount of EUR 281 million due to deferred acquisition costs unlocking.

EQUITY AND LIABILITIES

11. Shareholders' equity

	2002	2001
Opening balance	15,450	17,875
Unrealised revaluations after taxation	– 2,988	– 2,315
Exchange differences	– 971	234
Net profit not recognised in the profit and loss account	– 3,959	– 2,081
Realised revaluations released to the profit and loss account	– 1,278	– 1,210
Write-off of goodwill	– 450	– 1,733
Net profit for the period	3,808	3,142
Payment to ING Groep N.V. / by ING Groep N.V.	– 1,453	17
Dividend paid	– 1,291	– 560
Closing balance	**10,827**	**15,450**

12. Subordinated loans

	2002	2001
– 6.250% bonds, issued by ING Verzekeringen N.V. on 21 June 2001, due on 21 June 2021	1,250	1,250
– 6.375% bonds, issued by ING Verzekeringen N.V. on 7 May 2002, due on 7 May 2021	1,000	
– 7.2% perpetual subordinated loan issued by ING Verzekeringen N.V. on 12 December 2002	477	
	2,727	**1,250**

13. Provision for life policy liabilities

The Provision for life policy liabilities, net of reinsurance, can be analysed as follows:

	2002	2001
Provision for life policy liabilities	121,909	121,975
Unamortised interest-rate rebates	1,049	1,065
	120,860	**120,910**

The provision for life policy liabilities is of a long-term nature.

14. Claims provision

	2002	2001
Opening balance	5,892	5,081
Changes in the composition of the group		199
	5,892	5,280
Additions:		
– for the current year	3,970	3,617
– for prior years	310	– 24
– interest accrual of provision for disability losses	45	36
	4,325	3,629
Claim settlements and claim settlement costs:		
– for the current year	2,397	2,042
– for prior years	1,326	1,369
	3,723	3,411
Exchange differences	– 393	– 7
Other movements	289	401
Closing balance	**6,390**	**5,892**

The claims provision is of a long-term nature.

15. Other insurance provisions

Other insurance provisions includes the catastrophe provision.

16. General provisions

	2002	2001
Deferred tax liabilities	1,637	1,786
Pension liabilities and other staff-related liabilities		538
Reorganisations and relocations	85	184
Other	475	638
	2,197	**3,146**

As of 2002 pension assets / liabilities and other staff related assets / liabilities are included as one amount in the balance sheet. Because the balance of pension assets / liabilities and other staff related assets / liabilities at 31 December 2002 is an asset, the amount is included in the balance sheet under *Debtors.*

As at 31 December 2002, an amount of EUR 1,955 million (2001: EUR 2,717 million) was expected to be settled after more than one year from balance sheet date.

The movements in *General provisions*, other than Pension liabilities and other staff-related liabilities, can be analysed as follows:

	2002	2001	2002	2001	2002	2001
	Deferred tax liabilities		Reorganisations and relocations			Other
Opening balance	1,786	2,003	184	58	638	656
Changes in the composition of the group	– 25	– 217		64	38	– 81
Additions	1,118	1,031	18	73	36	85
Releases	– 328	– 799			– 23	
Transfer to deferred tax assets	– 402	154				
Charges	– 508	– 365	– 104	– 13	– 136	– 45
Exchange differences	– 4	– 21	– 13	2	– 78	23
Closing balance	**1,637**	**1,786**	**85**	**184**	**475**	**638**

Deferred tax liabilities
The provision for deferred tax liabilities analysed by its origin was as follows:

	2002	2001
Deferred tax assets (offset by deferred tax liabilities) relating to:		
– insurance provisions	415	125
– other provisions	6	15
– unused tax losses carried forward	107	83
– equalisation reserve	698	921
– other	132	273
	1,358	**1,417**
Deferred tax liabilities relating to:		
– investments	1,154	1,605
– deferred acquisition costs	1,028	1,100
– equalisation reserve	204	191
– depreciation	5	36
– general provisions	407	104
– other	197	167
	2,995	**3,203**
	1,637	**1,786**

The deferred tax asset (offset by deferred tax liabilities) in connection with unused tax losses carried forward is arrived at as follows:

	2002	2001
Total unused tax losses carried forward	634	559
Unused tax losses carried forward not recognised as a deferred tax asset	289	268
Unused tax losses carried forward recognised as a deferred tax asset	**345**	**291**
Average tax rate	31.0%	28.6%
Deferred tax asset	**107**	**83**

Total unused tax losses carried forward as at 31 December analysed by expiration terms:

	2002	2001
– up to five years	388	272
– five to ten years		33
– ten to twenty years		1
– unlimited	246	253
	634	**559**

Pension liabilities and other staff-related liabilities
ING Insurance 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.
Annual contributions are paid to the fund 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 investment and funding levels.

ING Insurance 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.

Pension liabilities and other staff-related liabilities can be summarised as follows:

	2002	2001	2002	2001	2002	2001	2002	2001
	Pension liabilities		Healthcare		Other		Total	
Defined benefit obligation	3,956	3,857	276	296	50	280	4,282	4,433
Fair value of plan assets	3,662	3,904					3,662	3,904
Funded status	**294**	**– 47**	**276**	**296**	**50**	**280**	**620**	**529**
Unrecognised past service costs	– 4	3	9	– 6			5	– 3
Unrecognised gains/(losses)	– 1,105	– 447	– 18	25		– 57	– 1,123	– 479
	– 815	**– 491**	**267**	**315**	**50**	**223**	**– 498**	**47**

The movement in Pension liabilities and other staff-related liabilities can be analysed as follows:

	2002	2001	2002	2001	2002	2001	2002	2001
	Pension liabilities		Healthcare		Other		Total	
Opening balance	– 491	– 567	315	298	223	170	47	– 99
Plan adjustments	152				– 152			
Benefit cost	98	57	23	27	– 1	23	120	107
Employers' contribution	– 472	– 142	– 13	7	– 13	– 23	– 498	– 158
Changes in the composition of the group	– 127	174	– 33	– 24	– 6	53	– 166	203
Effect of curtailment or settlement	– 25	– 4					– 25	– 4
Exchange differences	50	– 9	– 25	7	– 1		24	– 2
Closing balance	**– 815**	**– 491**	**267**	**315**	**50**	**223**	**– 498**	**47**

In 2002 the employer's contributions amounted EUR 498 million. This includes a payment of EUR 152 million in connection with the transfer of liabilities related to the early retirement scheme in the Netherlands. This resulted in a decrease of the Pension liabilities and other staff related liabilities. Because the balance of Pension liabilities and other staff related liabilities at 31 December 2002 is an asset, the amount is included in the balance sheet under Debtors.

Plan adjustments reflects the transfer of liabilities related to the early retirement scheme in the Netherlands.

As at 31 December 2002, the defined benefit obligation consisted of funded plans amounting to EUR 3,606 million (2001: EUR 3,403 million) and unfunded plans amounting to EUR 676 million (2001: EUR 1,030 million).

The assets of funded plans primarily consist of debt securities, equity and real estate funds, of which as at 31 December 2002 EUR 23 million (2001: EUR 42 million) was invested in securities issued by the employer and related parties, including shares of ING Groep N.V.

17. Creditors

Analysed by remaining term:

			2002			2001
	up to 1 year	1 to 5 years	over 5 years	up to 1 year	1 to 5 years	over 5 years
Liabilities relating to direct insurance	1,847			2,905		
Liabilities relating to reinsurance	342			371		
Other debentures and private loans	6,199	4,241	1,831	5,410	5,360	3,421
Loans from credit institutions	3,051	472	416	4,067	378	292
Other liabilities	8,038	284	437	5,467	2,013	868
	19,477	**4,997**	**2,684**	**18,220**	**7,751**	**4,581**

As at 31 December 2002, collateral was given with regard to Loans from credit institutions amounting to EUR 7 million (2001: EUR 64 million).

18. Other debentures and private loans

	2002	2001
Non-subordinated loans:		
– debenture loans	5,656	5,766
– private loans	6,615	8,425
	12,271	**14,191**

Debenture loans have been issued with an average interest rate of 5.6% (2001: 6.0%) and are repayable in the years 2003 through 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 2002, loans amounting to EUR 3,917 million (2001: EUR 4,279 million) bore an average fixed-interest rate of 6.1% (2001: 6.4%). The remaining EUR 1,739 million (2001: EUR 1,487 million) bore an average variable-interest rate of 4.5% (2001: 4.8%).

The average interest rate of the private loans, with a remaining principal amounting to EUR 1,591 million (2001: EUR 2,931 million), was 6.9% (2001: 7.0%). The remaining EUR 5,024 million (2001: EUR 5,494 million) bore an average variable-interest rate of 1.2% (2001: 2.2%). These loans are repayable in the years 2003 to 2032.

Analysed by remaining term:

			2002			2001
	up to 1 year	1 to 5 years	over 5 years	up to 1 year	1 to 5 years	over 5 years
Non-subordinated loans:						
– debenture loans	797	3,557	1,302	114	4,341	1,311
– private loans	5,402	684	529	5,297	1,018	2,110
	6,199	**4,241**	**1,831**	**5,411**	**5,359**	**3,421**

19. Loans from credit institutions

	2002	2001
Group companies of ING Group	184	1,247
Third parties	3,755	3,490
	3,939	**4,737**

Analysed by remaining term:

			2002			2001
	up to 1 year	1 to 5 years	over 5 years	up to 1 year	1 to 5 years	over 5 years
Group companies of ING Group	167	17		1,218	23	6
Third parties	2,885	454	416	2,849	355	286
	3,052	**471**	**416**	**4,067**	**378**	**292**

The average interest rate of Loans from credit institutions with fixed-interest rates, with a remaining principal amounting to EUR 2,971 million (2001: EUR 4,510 million), was 2.7% (2001: 3.8%). The remaining EUR 968 million (2001: EUR 227 million) bore an average variable-interest rate of 2.8% (2001: 4.8%). As at 31 December 2002, loans totalling EUR 7 million (2001: EUR 64 million) were secured by mortgages.

20. Other liabilities

	2002	2001
ING Group	128	174
Group companies of ING Group	255	80
Income tax	732	945
Other taxation and social security contributions	264	214
Other	7,380	6,935
	8,759	**8,348**

Analysed by remaining term:

			2002			2001
	up to 1 year	1 to 5 years	over 5 years	up to 1 year	1 to 5 years	over 5 years
ING Group	128			174		
Group companies of ING Group	255			80		
Income tax	596	115	21	803	116	26
Other taxation and social security contributions	238	21	5	214		
Other	6,821	148	411	4,196	1,897	842
	8,038	**284**	**437**	**5,467**	**2,013**	**868**

21. Accrued liabilities

	2002	2001
Accrued interest	994	737
Costs payable	789	859
Yield differences on fixed-interest investments	– 73	783
	1,710	**2,379**

As at 31 December 2002, an amount of EUR 26 million (2001: EUR 910 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 INSURANCE

amounts in millions of euros, unless stated otherwise

Assets not freely disposable

Assets not freely disposable relate to guarantees provided for certain liabilities included in the balance sheet as well as off-balance sheet contingent liabilities. As at 31 December 2002, assets not freely disposable included investments amounting to EUR 1,660 million (2001: EUR 367 million).

Contingent liabilities

Contingent liabilities can be analysed as follows:

	2002	2001
Commitments concerning investments in land and buildings	667	619
Commitments concerning fixed-interest securities	1,383	941
Guarantees	20,087	22,363
Other	686	1,363
	22,823	**25,286**

Guarantees relate both to credit and non-credit substitute guarantees. Credit-substitute guarantees are guarantees given by ING Insurance in respect of credit granted to customers by a third party. Many of them are expected to expire without being drawn on and do not necessarily represent future cash outflows. In addition, general guarantees within the meaning of Section 403, Book 2, of the Netherlands Civil Code have been given on behalf of a number of group companies. Furthermore, guarantees have been given on behalf of several group companies in the Netherlands. The last two kinds of guarantees are not included in the above-mentioned scheme. It is not expected that these guarantees will be called upon in the future. As at 31 December 2002, the company was jointly and severally liable for or had issued guarantees for amounts totalling EUR 23,597 million (2001: EUR 25,146 million).

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

Future rental commitments

Future rental commitments for lease contracts as at 31 December 2002, can be analysed as follows:

2003	115
2004	95
2005	81
2006	66
2007	59
Years after 2007	87

Legal proceedings

ING Insurance companies are involved in lawsuits and arbitration cases in the Netherlands and in a number of other countries, relating to claims by or against these companies arising in the course of ordinary activities, and also from acquisitions, including the activities as insurer, lender, employer, investor and taxpayer. Several of these cases involve claims of either large or indefinite amounts. Although it is not feasible to predict or to determine the outcome of current or impending legal proceedings, the Executive Board is of the opinion that the outcome is unlikely to have any material adverse effects on the financial position or results of ING Insurance.

Derivatives

Use of derivatives ING Insurance 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.

ING Insurance's principal objective in holding or issuing derivatives for non-trading purposes is risk management. To achieve its risk management objective, ING Insurance 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.

The following table reflects the notional amounts and the positive and negative fair value of derivative financial instruments used for non-trading purposes.

	2002	2001	2002	2001	2002	2001
	Notional amount		Positive year-end fair value		Negative year-end fair value	
Interest-rate contracts	43,223	26,718	924	600	1,514	446
Currency contracts	13,853	16,191	414	40	49	120
Equity contracts	5,307	103	81		1	3
	62,383	**43,012**	**1,419**	**640**	**1,564**	**569**

ING Insurance'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.

As at 31 December 2002, the notional amount of derivative financial instruments used for trading purposes amounted to EUR 710 million (2001: EUR 446 million).

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 2002 and year-end 2001. 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 risks 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 Insurance 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 Insurance 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 table.

As at year-end the following contracts were open:

	2002 Notional amount	Positive fair value	Unweighted credit equivalent	Weighted credit equivalent	2001 Notional amount	Positive fair value	Unweighted credit equivalent	Weighted credit equivalent
Interest-rate contracts								
Over-the-counter:								
– swaps	37,600	890	1,183	362	24,320	517	669	258
– forwards	5,579		2		396		1	
– options purchased	51	34	35	7	2,002	83	99	35
Listed:								
– futures	143				119			
Currency contracts								
Over-the-counter:								
– swaps	7,592	117	336	71	8,604	29	331	70
– forwards	5,264	283	390	79	7,723	11	88	18
– options purchased	465	14	18	4	38		1	
– options written	791				80			
Equity contracts								
Over-the-counter:								
– swaps	95		6	1	103		8	2
– options purchased	2,619	46	218	65				
– options written	2,199	35						
Listed:								
– options purchased	27				3			
– options written	219				33			
– futures	449				37			
	63,093	**1,419**	**2,188**	**589**	**43,458**	**640**	**1,197**	**383**
Effect of contractual netting		– 2	– 4	– 1		– 3	– 15	– 3
		1,417	**2,184**	**588**		**637**	**1,182**	**380**

The analysis by remaining term, based on the notional amounts, as at 31 December was as follows:

2002

	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	4,649	5,257	8,263	2,940	3,310	13,181	37,600
– forwards	5,102	477					5,579
– options purchased					5	46	51
Listed:							
– futures	143						143
Currency contracts							
Over-the-counter:							
– swaps	4,328	471	847	875	576	495	7,592
– forwards	3,916	1,193	108			47	5,264
– options purchased	465						465
– options written	791						791
Equity contracts							
Over-the-counter:							
– swaps	95						95
– options purchased	2,103	150	74	11	41	240	2,619
– options written	2,199						2,199
Listed:							
– options purchased	27						27
– options written	219						219
– futures	449						449
	24,486	**7,548**	**9,292**	**3,826**	**3,932**	**14,009**	**63,093**

2001

	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	3,778	5,747	2,732	3,086	3,597	5,380	24,320
– forwards	283	113					396
– options purchased	663	68	189	76	24	982	2,002
Listed:							
– futures	119						119
Currency contracts							
Over-the-counter:							
– swaps	4,041	906	533	708	1098	1,318	8,604
– forwards	7,719	4					7,723
– options purchased	38						38
– options written	80						80
Equity contracts							
Over-the-counter:							
– options purchased		103					103
Listed:							
– options purchased	3						3
– options written	33						33
– futures	37						37
	16,794	**6,941**	**3,454**	**3,870**	**4,719**	**7,680**	**43,458**

Analysis by counterparty:

			2002			**2001**
	Notional amount	Unweighted credit equivalent	Weighted credit equivalent	Notional amount	Unweighted credit equivalent	Weighted credit equivalent
Public sector	838			192		
Banks	43,882	1,683	336	24,500	717	143
Other	18,373	505	253	18,766	480	240
	63,093	**2,188**	**589**	**43,458**	**1,197**	**383**

Fair value of financial assets and liabilities
The following table presents the estimated fair values of ING Insurance'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 Insurance.

		2002		**2001**
	Estimated fair value	Balance sheet value	Estimated fair value	Balance sheet value
Financial assets				
Investments				
– group companies and participating interests	2,596	2,423	3,406	3,494
– other financial investments:				
– shares and other non-fixed-interest securities	11,024	11,024	16,625	16,625
– debentures and other fixed-interest securities	95,769	90,334	92,360	90,202
– other financial investments	3,226	3,219	2,766	2,768
– loans	39,348	37,335	39,233	38,384
– deposits with insurers	94	94	20	31
Debtors	7,769	7,769	7,996	7,996
Cash	3,221	3,221	1,534	1,534
Other assets				
– trading portfolio	119	119	273	341
– equity participations	387	358	376	309
– other receivables	217	217	229	229
Accrued assets (1)	2,969	2,969	2,694	2,694
Derivatives held for non-trading purposes	1,419	705	640	614
	168,158	**159,787**	**168,152**	**165,221**
Financial liabilities				
Subordinated loans	2,727	2,727	1,280	1,250
Insurance provisions related to investment-type contracts	87,830	89,165	84,703	85,723
Deposits from reinsurers	197	197	269	269
Creditors	27,087	27,158	31,892	30,552
Accrued liabilities	1,710	1,710	2,379	2,379
Derivatives held for non-trading purposes	1,564	188	569	107
	121,115	**121,145**	**121,092**	**120,280**

(1) 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 Insurance to estimate the fair value of the financial instruments.

Financial assets
Investments The fair values of the shares of associates and other 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 group companies and other participating interests are determined using the same methods as described below for Debentures and other fixed-interest securities. The fair values of Shares and other non-fixed-interest securities are based on quoted market prices or, if unquoted, on estimated market values generally based on quoted prices for similar securities. Fair values for Debentures and other fixed-interest securities 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.

Debtors The carrying amount of debtors approximates its fair value.

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 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.

Creditors 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 Insurance would receive or pay to terminate the contracts at the balance sheet date.

The fair value of other off-balance sheet financial instruments can be summarised as follows:

		2002		**2001**
	Estimated fair value	Contract amount	Estimated fair value	Contract amount
Commitments concerning investments in land and buildings	667	667	619	619
Commitments concerning investments in fixed-interest securities	1,383	1,383	941	941
Guarantees		20,087		22,363
Others		686		1,363
		22,823		**25,286**

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

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. The fair value of guarantees is estimated based on fees charged for similar agreements or the estimated cost to terminate them or otherwise settle the obligations with the counterparties.

Regulatory requirements

The insurance operations are subject to detailed comprehensive regulations with regard to capital position. European Union directives require insurance companies established in member states of the European Union to maintain minimum capital position.

			2002			**2001**
	Total ING Verzekeringen N.V.	Non-insurance companies, core debt,and other eliminations	Insurance companies	Total ING Verzekeringen N.V.	Non-insurance companies, core debt,and other eliminations	Insurance companies
Available capital	14,717	3,131	17,848	17,675	2,975	20,650
Required capital	8,718		8,718	9,845		9,845
Surplus capital	5,999		9,130	7,830		10,805
Ratio of available versus required capital	169%		205%	180%		210%

amount in millions of euros, unless stated otherwise

22. Non-life underwriting account

	Gross premiums written	Gross premiums earned (2)	Gross claims expenses	Operating expenses (3)	Net reinsurance income/ expenses	Under-writing result	Allocated income and expenses	Result
2002								
Health	1,596	1,571	1,314	312	– 6	– 61	192	131
Accident (1)	869	874	691	201	2	– 16	186	170
Third-party liability motor	816	781	670	178	– 9	– 76	121	45
Other motor	1,682	1,580	1,154	367	– 19	40	108	148
Marine and aviation	198	192	93	54	– 36	9	7	16
Fire and other property losses	1,718	1,581	904	504	– 165	8	92	100
General liability	490	438	336	140	4	– 34	57	23
Credit and suretyship	49	44	5	18	– 4	17	3	20
Legal assistance	28	28	25	12		– 9	1	– 8
Miscellaneous financial losses	423	342	152	108	– 106	– 24	21	– 3
Indirect business	48	66	29	163	107	– 19	31	12
	7,917	**7,497**	**5,373**	**2,057**	**– 232**	**– 165**	**819**	**654**
2001								
Health (4)	1,317	1,322	1,015	252	– 4	51	100	151
Accident (1)	831	843	701	212	3	– 67	213	146
Third-party liability motor	638	639	530	193	10	– 74	137	63
Other motor	1,171	1,128	919	293	79	– 5	89	84
Marine and aviation	128	135	85	45	– 3	2	9	11
Fire and other property losses	1,214	1,247	865	435	35	– 18	86	68
General liability	344	334	272	116	42	– 12	76	64
Credit and suretyship	26	26	10	6	– 1	9	3	12
Legal assistance	24	24	17	10		– 3	2	– 1
Miscellaneous financial losses	156	181	167	60	33	– 13	27	14
Indirect business	45	43	25	34	5	– 11	55	44
	5,894	**5,922**	**4,606**	**1,656**	**199**	**– 141**	**797**	**656**
2000								
Health	350	342	299	49	3	– 3	24	21
Accident (1)	816	829	673	198	– 1	– 43	364	321
Third-party liability motor	674	654	561	176	2	– 81	205	124
Other motor	679	667	501	180	11	– 3	95	92
Marine and aviation	62	59	49	21	1	– 10	10	
Fire and other property losses	1,107	1,095	662	403	– 23	7	144	151
General liability	302	295	239	106	20	– 30	127	97
Credit and suretyship	21	19		6	– 6	7	1	8
Legal assistance	23	23	15	9		– 1	3	2
Miscellaneous financial losses	24	25	14	11	– 1	– 1	28	27
Indirect business	29	32	– 9	38	– 8	– 5	25	20
	4,087	**4,040**	**3,004**	**1,197**	**– 2**	**– 163**	**1,026**	**863**

(1) Including disability insurance products.
(2) Excluding reinsurance.
(3) Including other underwriting income.
(4) In the 2001 figures, an amount of EUR 52 million has been reclassified from Life underwriting account to Non-Life underwriting account.

23. Allocated income and expenses

Income and expenses that are not directly recorded in operational 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. Investments for risk of policyholders and investments of annual life funds is allocated to Result from life underwriting.

For a specification of non-operational results allocated to the Result from non-life underwriting account and Result from life underwriting account, reference is made to note 30 on page 49.

24. Operating expenses

	2002	**2001**	**2000**	**2002**	**2001**	**2000**
	Non-life underwriting account			Life underwriting account		
Commission paid gross	1,276	866	637	2,699	2,817	1,818
Administrative expenses with regard to commission paid	– 165	– 62	– 32	– 358	– 479	– 496
Commission paid net	**1,111**	**804**	**605**	**2,341**	**2,338**	**1,322**
Expenses allocated	281	292	287	866	1,226	676
Costs of acquiring new business	**1,392**	**1,096**	**892**	**3,207**	**3,564**	**1,998**
Amortisation of deferred acquisition costs of insurance business	94	82	3	1,454	1,445	914
Capitalised acquisition costs of insurance business	– 162	– 83	– 13	– 2,273	– 2,478	– 1,601
	1,324	**1,095**	**882**	**2,388**	**2,531**	**1,311**
Administrative and staff costs and depreciation of business equipment allocated	750	572	320	2,078	2,474	1,622
Commission and profit-sharing amounts received from reinsurers	317	133	56	105	119	248
	1,757	**1,534**	**1,146**	**4,361**	**4,886**	**2,685**

The total of Expenses allocated and Administrative and staff costs and depreciation of business equipment allocated to the Non-life and Life underwriting account can be analysed as follows:

	2002	**2001**	**2000**
Salaries	1,997	2,100	1,331
Pension and early-retirement costs	196	123	69
Social security costs	227	187	135
Other staff costs	274	286	221
Salaries, pension and social security costs	**2,694**	**2,696**	**1,756**
Depreciation of tangible fixed assets	139	134	100
Computer costs	230	291	140
Office equipment and accommodation	724	643	445
Travel and accommodation expenses	114	132	96
Advertising and public relations	165	188	148
External advisory fees	369	190	196
Commission paid	523	541	528
Other	304	1,052	389
Total expenses	**5,262**	**5,867**	**3,798**
Expenses allocated to *Investment expenses*	– 1,287	– 1,303	– 893
	3,975	**4,564**	**2,905**

Pensions and early-retirement costs can be analysed as follows:

	2002	2001	2000	2002	2001	2000	2002	2001	2000	2002	2001	2000
			Pension			Healthcare			Other			Total
Current service cost	134	133	88	7	7	4		9	12	141	149	104
Past service cost	– 2		36			9	– 1			– 3		45
Interest expenses	236	238	170	18	20	13	1	13	12	255	271	195
Expected return on assets	– 286	– 317	– 267							– 286	– 317	– 267
Amortisation of unrecognised net (gains)/losses	16	3	– 6	– 2		– 1		1	1	14	4	– 6
Effect of curtailment or settlement	– 25	– 4	– 2							– 25	– 4	– 2
Defined benefit post-employment plans	**73**	**53**	**19**	**23**	**27**	**25**		**23**	**25**	**96**	**103**	**69**
Defined contribution plans										100	20	
										196	**123**	**69**

Contributions to defined contribution plans are generally determined as a percentage of pay.

The actual return on the plan assets amounted to EUR – 317 million (2001: EUR – 211 million; 2000: EUR 164 million).

Remuneration of the members of the Executive Board and the members and former members of the Supervisory Board
The remuneration of the members and former members of the Executive Board and Supervisory Board, who are also members and former members of the Executive Board and Supervisory Board of ING Group, including pension contributions, is paid by ING Group. These and other expenses of ING Group are charged in full by ING Group to its subsidiaries, on the basis of a general allocation formula.

The amount outstanding as at 31 December 2002 in respect of loans and advances to members of the Executive Board and Supervisory Board was EUR 2.5 million (2001: EUR 2.8 million) at an average interest rate of 5% (2001: 5.1%).

Stock option plan
ING Group (the parent company of ING Insurance) has granted option rights on ING Group shares to a number of senior executives (members of the Executive Board and the Executive Committees, general managers and other officers nominated by the Executive Board), to all ING Insurance staff in the Netherlands and to a considerable number of employees outside the Netherlands. The purpose of the option scheme, apart from promoting a lasting growth of ING Insurance, is to attract, retain and motivate senior executives and staff.

ING Group purchases direct or indirect its own shares at the time options are granted in order to fulfill the obligations with regard to the existing stock option plan and to hedge the position risk of the options concerned. The purpose of this policy is to avoid an increase in the number of shares, causing a dilution of the net profit per share. As at 31 December 2002, own shares were held in connection to the option plan. As a result the granted option rights were hedged taking into account the following parameters: strike price, opening price, zero coupon interest rate, dividend yield, expected volatility and employee behaviour.

The option rights are valid for a period of five or ten years. Option rights which are not exercised within this period lapse. Each year, the ING Group Executive Board will take a decision as to whether the option scheme is to be continued and, if so, to what extent. 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.

25. Life underwriting account

	2002	2001	2000	2002	2001	2000	2002	2001	2000
			Gross		Reinsurers' share				Own account
Premiums written	44,367	43,906	24,628	1,093	1,395	1,004	43,274	42,511	23,624
Other underwriting income	223	143	62				223	143	62
Benefits	29,322	27,371	15,561	995	2,153	443	28,327	25,218	15,118
Changes in other insurance provisions (1)	6,917	11,456	10,444	251	834	983	6,666	10,622	9,461
Profit sharing and rebates	– 897	308	841	– 66	– 10	11	– 831	318	830
Operating expenses	4,467	5,005	2,933	106	119	248	4,361	4,886	2,685
Other insurance expenses for own account (2)	16	– 69	89				16	– 69	89
Allocated income and expenses (2)	– 949	1,580	14,277				– 949	1,580	14,277
Result from life underwriting account	**3,816**	**1,558**	**9,099**	**– 193**	**– 1,701**	**– 681**	**4,009**	**3,259**	**9,780**

(1) In the 2001 figures, an amount of EUR 52 million has been transferred from Non-Life underwriting account to Life underwriting account.
(2) In the 2001 figures, Other insurance expenses and Allocated income have been decreased with EUR 85 million.

Profit sharing and rebates can be analysed as follows:

	2002	2001	2000
Distributions on account of interest or underwriting results	– 1,330	– 148	396
Bonuses added to policies	499	466	434
	– 831	**318**	**830**

Analysis of premium income on life insurance policies

			2002			2001			2000
	Gross	Reinsurers' share	Own account	Gross	Reinsurers' Share	Own Account	Gross	Reinsurers' share	Own account
Policies for which the insurer bears the investment risk	25,915	931	24,984	26,225	906	25,319	13,144	642	12,502
Policies for which the policyholder bears the investment risk	17,161	78	17,083	16,169	512	15,657	10,888	345	10,543
Total direct business	**43,076**	**1,009**	**42,067**	**42,394**	**1,418**	**40,976**	**24,032**	**987**	**23,045**
Indirect business	1,299	92	1,207	1,539	4	1,535	582	3	579
	44,375	**1,101**	**43,274**	**43,933**	**1,422**	**42,511**	**24,614**	**990**	**23,624**
Eliminations	8	8		27	27		– 14	– 14	
	44,367	**1,093**	**43,274**	**43,906**	**1,395**	**42,511**	**24,628**	**1,004**	**23,624**

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

Premium income includes EUR 26,928 million (2001: EUR 23,738 million; 2000: EUR 12,483 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, universal life contracts and guaranteed investment contracts.

Premiums written from direct life business

2002		Policies for which the insurer bears the investment risk			Policies for which the policyholder bears the investment risk	
	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	5,729	– 140	5,869	739	32	707
– with profit sharing	216	4	212			
Total	**5,945**	**– 136**	**6,081**	**739**	**32**	**707**
Total single premiums	**9,456**	**– 134**	**9,590**	**7,019**	**32**	**6,987**
Total life business premiums	**25,915**	**931**	**24,984**	**17,161**	**78**	**17,083**

The total single premiums include EUR 566 million in 2002 from profit sharing.

2001		Policies for which the insurer bears the investment risk			Policies for which the policyholder bears the investment risk	
	Gross	Reinsurers' share	Own account	Gross	Reinsurers' share	Own account
Periodic premiums						
Individual policies:						
– without profit sharing	8,849	698	8,151	1,787	377	1,410
– with profit sharing	4,482	117	4,365			
Total	**13,331**	**815**	**12,516**	**1,787**	**377**	**1,410**
Group policies:						
– without profit sharing	1,018	64	954	7,012	88	6,924
– with profit sharing	730	19	711			
Total	**1,748**	**83**	**1,665**	**7,012**	**88**	**6,924**
Total periodic premiums	**15,079**	**898**	**14,181**	**8,799**	**465**	**8,334**
Single premiums						
Individual policies:						
– without profit sharing	1,830		1,830	5,529		5,529
– with profit sharing	1,675	9	1,666			
Total	**3,505**	**9**	**3,496**	**5,529**		**5,529**
Group policies:						
– without profit sharing	7,408	– 1	7,409	1,841	47	1,794
– with profit sharing	233		233			
Total	**7,641**	**– 1**	**7,642**	**1,841**	**47**	**1,794**
Total single premiums	**11,146**	**8**	**11,138**	**7,370**	**47**	**7,323**
Total life business premiums	**26,225**	**906**	**25,319**	**16,169**	**512**	**15,657**

The total single premiums include EUR 567 million in 2001 from profit sharing.

2000		Policies for which the insurer bears the investment risk			Policies for which the policyholder bears the investment risk	
	Gross	Reinsurers' share	Own account	Gross	Reinsurers' share	Own account
Periodic premiums						
Individual policies:						
– without profit sharing	4,847	567	4,280	942	1	941
– with profit sharing	2,281	102	2,179			
Total	**7,128**	**669**	**6,459**	**942**	**1**	**941**
Group policies:						
– without profit sharing	127	– 21	148	698	29	669
– with profit sharing	611	12	599			
Total	**738**	**– 9**	**747**	**698**	**29**	**669**
Total periodic premiums	**7,866**	**660**	**7,206**	**1,640**	**30**	**1,610**
Single premiums						
Individual policies:						
– without profit sharing	336	1	335	8,176	294	7,882
– with profit sharing	1,546	– 21	1,567			
Total	**1,882**	**– 20**	**1,902**	**8,176**	**294**	**7,882**
Group policies:						
– without profit sharing	3,035		3,035	1,072	21	1,051
– with profit sharing	361	2	359			
Total	**3,396**	**2**	**3,394**	**1,072**	**21**	**1,051**
Total single premiums	**5,278**	**– 18**	**5,296**	**9,248**	**315**	**8,933**
Total life business premiums	**13,144**	**642**	**12,502**	**10,888**	**345**	**10,543**

The total single premiums include EUR 472 million in 2000 from profit sharing.

26. Income from investments

	2002	2001	2000
Income from land and buildings	872	665	505
Income from investments in group companies and participating interests:			
– income from disposal of group companies	189	17	300
– income from investments in associates	137	119	49
– income from investments in other participating interests	263	59	5
Income from other financial investments:			
– shares and other non-fixed-interest securities	1,611	1,432	1,246
– debentures and other fixed-interest securities	5,829	5,566	3,380
– mortgage loans	1,781	1,800	1,339
– deposits with credit institutions	49	104	53
– other	550	701	1,183
Income from investments for risk of policyholders and from investments of annual life funds	– 10,642	– 7,709	441
Operational result	**639**	**2,754**	**8,501**
Non-operational results **30**	280	325	7,368
	919	**3,079**	**15,869**

Income from land and buildings includes an amount in respect of rental income allocated to business units of ING Insurance (the same amount is included in *Other expenses*) of EUR 50 million (2001: EUR 51 million; 2000: EUR 45 million).

Income from investments in land and buildings and shares and other non-fixed-interest securities includes realised results on disposal of EUR 1,357 million (2001: EUR 1,005 million; 2000: EUR 882 million).

Analysis of income from investments by counterparty:

	2002	2001	2000
Participating interests	172	178	406
ING Group	3	1	1
Group companies of ING Group	752	76	80
Third parties	– 8	2,824	15,382
	919	**3,079**	**15,869**

27. Investment expenses

	2002	2001	2000
Interest expenses	1,304	1,286	767
Expenses allocated	1,287	1,303	893
Increase in provision for doubtful investments	82	– 8	20
	2,673	**2,581**	**1,680**

28. Other income

	2002	2001	2000
Commission	1,345	1,419	855
Income from securities	– 1	160	58
Results from financial transactions	112	16	– 10
Other results	195	319	90
	1,651	**1,914**	**993**

Commission
Commission includes fees for services rendered such as insurance broking.

	2002	2001	2000
Insurance broking	159	131	100
Management fees	628	663	251
Other	558	625	504
	1,345	**1,419**	**855**

Results from financial transactions
Included in Results from financial transactions is an aggregate (profit)/loss on foreign currency translation amounting to EUR 33 million in 2002 (2001: EUR 4 million; 2000: EUR – 1 million).

29. Taxation

Taxation analysed by type:

			2002			2001			2000
	Netherlands	International	Total	Netherlands	International	Total	Netherlands	International	Total
Current taxation	253	115	368	479	– 10	469	486	12	498
Deferred taxation	50	341	391	– 82	312	230	228	299	527
	303	**456**	**759**	**397**	**302**	**699**	**714**	**311**	**1,025**

Reconciliation of the statutory income tax rate to ING Insurance's effective income tax rate:

	2002	2001	2000
Result before taxation	4,663	3,915	10,643
Statutory tax rate	34.5%	35.0%	35.0%
Statutory tax amount	1,608	1,370	3,725
Participating interests exemption	– 858	– 506	– 2,677
Differences caused by different foreign tax rates	27	– 16	16
Other	– 18	– 149	– 39
Effective tax amount	**759**	**699**	**1,025**
Effective tax rate	**16.3%**	**17.9%**	**9.6%**

30. Non-operational net profit

	2002	2001	2000
Results on sale of:			
– investments in shares regarding financing of acquisitions allocated to:			
– Results non-life		28	7,033
– Results life		297	335
		325	**7,368**
Part of the gain on joint-venture ANZ	280		
Income from investments	**280**	**325**	**7,368**
Additions/(release) of:			
– provision for the calamity fund for the year 2000			– 91
Other expenses			**– 91**
Non-operational results before taxation	**280**	**325**	**7,459**
Taxation	33		247
Non-operational net profit	**247**	**325**	**7,212**

ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING INSURANCE

amounts in millions of euros, unless stated otherwise

Result from investments in shares and other non-fixed-interest securities 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 other non-fixed-interest securities						
2002	608	– 4,119	– 1	– 3,512	– 2,143	– 13.5
2001	649	– 2,858	– 1	– 2,210	– 1,950	– 10.2
2000	675	– 13	– 1	661	629	2.8
1999	657	2,794	– 1	3,450	3,051	13.3
1998	487	4,183	– 2	4,668	4,470	25.8
1997	465	4,847		5,312	4,956	37.5
1996	436	3,646	– 3	4,079	3,824	39.9
1995	353	1,355	– 6	1,702	1,576	19.6
Average	541	1,229	– 2	1,768	1,802	11.2
Land and buildings						
2002	684		– 155	529	342	4.2
2001	634	356	– 123	867	581	7.4
2000	544	927	– 106	1,365	903	14.6
1999	485	381	– 87	779	511	9.7
1998	459	154	– 83	530	350	7.3
1997	427	121	– 106	442	294	6.7
1996	370	89	– 83	376	261	6.8
1995	358	– 54	– 83	221	153	4.1
Average	495	247	– 103	639	424	7.7
Total						
2002	1,292	– 4,119	– 156	– 2,983	– 1,801	– 7.5
2001	1,283	– 2,502	– 124	– 1,343	– 1,369	– 5.1
2000	1,219	914	– 107	2,026	1,532	5.4
1999	1,142	3,175	– 88	4,229	3,562	12.6
1998	946	4,337	– 85	5,198	4,820	21.8
1997	892	4,968	– 106	5,754	5,250	29.8
1996	806	3,735	– 86	4,455	4,085	30.4
1995	711	1,301	– 89	1,923	1,729	14.8
Average	1,036	1,476	– 105	2,407	2,226	10.3

(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 taxation as a percentage of the average amount invested.

The result from investments in shares and other non-fixed-interest securities and land and buildings (excluding investments for risk of policyholders and investments of annual life funds) 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.

Geographical analysis of claims ratio, cost ratio and combined ratio for non-life insurance policies

	2002	**2001**	**2000**	**2002**	**2001**	**2000**	**2002**	**2001**	**2000**
	Claims ratio			Cost ratio			Combined ratio		
Netherlands	77.5	77.1	75.6	28.9	30.4	29.9	106.4	107.5	105.5
Belgium	76.7	78.8	72.9	34.7	34.3	35.5	111.4	113.1	108.4
Rest of Europe	49.8	50.1	55.3	41.6	51.4	50.0	91.4	101.5	105.3
North America	73.8	71.1	73.9	25.6	29.1	26.0	99.4	100.2	99.9
South America	79.5	77.2	51.4	26.6	21.6	50.2	106.1	98.8	101.6
Asia	66.6	58.6	51.5	51.5	44.6	49.1	118.1	103.2	100.6
Australia	66.9	70.7	80.2	29.5	32.5	32.9	96.4	103.2	113.1
Other (1)	94.4	63.9	80.2	7.8	11.4	22.5	102.2	75.3	102.7
Total	**75.0**	**73.8**	**74.7**	**27.1**	**29.1**	**29.4**	**102.1**	**102.9**	**104.1**

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.

Analyses of premium income

Reinsurance ING Insurance is involved in both ceded and assumed reinsurance for the purpose of spreading risk and limiting exposure on large risks. The effects of reinsurance on premiums written and earned are illustrated below.

Premiums written

			2002			**2001**			**2000**
	Non-life	Life	Total	Non-life	Life	Total	Non-life	Life	Total
Direct premiums written, gross	7,869	43,076	50,945	5,849	42,394	48,243	4,058	24,032	28,090
Reinsurance assumed premiums written, gross	48	1,291	1,339	45	1,512	1,557	29	596	625
Total gross premiums written	**7,917**	**44,367**	**52,284**	**5,894**	**43,906**	**49,800**	**4,087**	**24,628**	**28,715**
Reinsurance ceded	1,275	1,093	2,368	614	1,395	2,009	187	1,004	1,191
	6,642	**43,274**	**49,916**	**5,280**	**42,511**	**47,791**	**3,900**	**23,624**	**27,524**

Non-life premiums earned

	2002	**2001**	**2000**
Direct premiums earned, gross	7,431	5,879	4,008
Reinsurance assumed premiums earned, gross	66	43	32
Total gross premiums earned	**7,497**	**5,922**	**4,040**
Reinsurance ceded	1,200	648	180
	6,297	**5,274**	**3,860**

In 2002 ING Insurance completed a study which has resulted in adjusted reinsurance covers, particularly with respect to catastrophe exposure for the non-life insurance business. The latter have now 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 Insurance 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 Insurance 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 2002, the receivables from reinsurers amounted to EUR 797 million (2001: EUR 669 million; 2000: EUR 611 million), against which EUR 20 million (2001: EUR 4 million; 2000: EUR 5 million) was provided for as uncollectible reinsurance.

Segment reporting

Analysis by executive centre ING Insurance's operating segments relate to the internal business segmentation by executive centres. These include the geographical areas ING Europe, ING Americas (including the Group's reinsurance activities) and ING Asia/Pacific and the global activities of ING Asset Management.

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 Insurance's chief operating decision making group is the Executive Board. Each executive centre is headed by an Executive Committee, most members of which are either members of the Executive Board or general managers of business units belonging to that executive centre. The chairman of each Executive Committee is a member of the Executive Board. The Executive Board sets the performance targets and approves and monitors the budgets prepared by the Executive Committees. The Executive Committees formulate the strategic, commercial and financial policy of the executive centres 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 18). 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 geographic areas based on time spend by head office personnel, the relative number of staff, on the basis of income and/or assets of the operating segment. Operating segments have not been aggregated.

The following tables present information regarding ING Insurance's operating segments.

2002	Europe	Americas	Asia/Pacific	Asset management	Total segments	Reconciliation	Total group
Total income:							
Income – external	14,821	31,007	8,765	546	55,139		55,139
Income – inter-segment	135	137	8	2	282	– 282	
	14,956	**31,144**	**8,773**	**548**	**55,421**	**– 282**	**55,139**
Segment results before taxation	2,622	1,079	857	105	4,663		4,663
Segment assets	89,963	132,255	22,495	954	245,667	– 3,857	241,810
Segment liabilities	85,090	127,621	20,667	330	233,708	– 3,857	229,851
Average number of employees (1)	15,004	26,543	7,251	2,134	50,932		50,932

2001	Europe	Americas	Asia/Pacific	Asset management	Total segments	Reconciliation	Total group
Total income:							
Income – external	15,552	31,176	7,798	424	54,950		54,950
Income – inter-segment	323	126	1	6	456	– 456	
	15,875	**31,302**	**7,799**	**430**	**55,406**	**– 456**	**54,950**
Segment results before taxation	2,597	899	308	111	3,915		3,915
Segment assets	96,090	154,540	23,455	898	274,983	– 6,975	268,008
Segment liabilities	83,180	153,331	21,782	265	258,558	– 6,975	251,583
Average number of employees (1)	15,336	26,139	7,792	1,786	51,053		51,053

2000	Europe	Americas	Asia/Pacific	Asset management	Total segments	Reconciliation	Total group
Total income:							
Income – external	22,212	17,710	5,343	380	45,645		45,645
Income – inter-segment	273	133		5	411	– 411	
	22,485	**17,843**	**5,343**	**385**	**46,056**	**– 411**	**45,645**
Segment results before taxation	9,665	622	221	135	10,643		10,643
Segment assets	90,408	141,212	21,143	785	253,548	– 6,838	246,710
Segment liabilities	73,012	141,839	19,873	235	234,959	– 6,838	228,121
Average number of employees (1)	15,625	11,947	3,795	1,375	32,742		32,742

(1) The average numbers of employees of joint ventures are included proportionally.

Geographical analysis

Income by geographical area

	2002	2001	2000	2002	2001	2000	2002	2001	2000	2002	2001	2000
	Non-life premiums written			Life premiums written			Investment income (1)					Total
Netherlands	1,859	1,811	1,817	4,927	5,353	5,551	4,162	5,312	12,547	10,948	12,476	19,915
Belgium	282	244	221	2,053	973	573	– 120	305	239	2,215	1,522	1,033
Rest of Europe	38	34	31	1,580	1,623	1,299	413	483	451	2,031	2,140	1,781
North America	5,312	2,933	1,595	28,085	28,965	13,348	– 2,818	– 2,064	2,501	30,579	29,834	17,444
South America	303	618	46	292	493	194	330	390	89	925	1,501	329
Asia	66	64	48	5,969	4,718	1,766	558	580	250	6,593	5,362	2,064
Australia	296	250	328	1,467	1,779	1,894	481	449	1,114	2,244	2,478	3,336
Other	385	211	107	3	4	4	50	70	60	438	285	171
	8,541	**6,165**	**4,193**	**44,376**	**43,908**	**24,629**	**3,056**	**5,525**	**17,251**	**55,973**	**55,598**	**46,073**
Income between geographic areas (2)	– 624	– 271	– 106	– 9	– 2	– 1	– 201	– 375	– 321	– 834	– 648	– 428
	7,917	**5,894**	**4,087**	**44,367**	**43,906**	**24,628**	**2,855**	**5,150**	**16,930**	**55,139**	**54,950**	**45,645**

(1) Including commission and other income.
(2) Mainly related to reinsurance premiums ceded between group companies in different geographical areas.

Gross premiums written by geographical area
(out of direct insurance operations)

	2002	2001	2000	2002	2001	2000	2002	2001	2000
			Non-life			Life			Total
Netherlands	1,803	1,772	1,776	4,833	5,323	5,507	6,636	7,095	7,283
Other EU member states	345	289	264	2,882	1,788	1,353	3,227	2,077	1,617
Countries outside EU	5,721	3,788	2,018	35,361	35,283	17,172	41,082	39,071	19,190
	7,869	**5,849**	**4,058**	**43,076**	**42,394**	**24,032**	**50,945**	**48,243**	**28,090**

Result before taxation by geographical area

	2002	2001	2000	2002	2001	2000	2002	2001	2000
			Non-life			Life			Total
Netherlands	225	266	633	2,217	2,179	8,881	2,442	2,445	9,514
Belgium	3	7	23	76	60	59	79	67	82
Rest of Europe	6	2	2	155	176	188	161	178	190
North America	370	242	140	667	520	439	1,037	762	579
South America	– 1	50	3	60	29	– 9	59	79	– 6
Asia	– 6	2	3	261	228	78	255	230	81
Australia	39	21	6	571	64	144	610	85	150
Other	18	66	53	2	3		20	69	53
	654	**656**	**863**	**4,009**	**3,259**	**9,780**	**4,663**	**3,915**	**10,643**

Net profit for the period by geographical area

	2002	2001	2000
Netherlands	2,053	1,992	8,764
Belgium	55	62	76
Rest of Europe	117	144	125
North America	777	597	389
South America	27	57	– 8
Asia	154	136	72
Australia	585	97	122
Other	40	57	39
	3,808	**3,142**	**9,579**

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS OF ING INSURANCE

31. Net cash flow from operating activities
The net cash flow shown in respect of Loans and advances granted/repaid only relates to transactions involving actual payments or receipts.

32. Net cash flow from investing activities
General and numerical information (at the moment of acquisition) for the most significant companies acquired in 2001 and 2000 is shown in the table below:

amounts in billions of euros	**Seguros Comercial América**	**ReliaStar Financial Corporation**	**Aetna Financial Services and Aetna International**
General			
Year of acquisition	2001	2000	2000
Primary line of business	Non-life insurance	Life insurance	Life insurance
Purchase price			
Purchase price	1.1	6.7	8.3
Assumed debt in purchase price	0.6	1.1	3.0
Assets			
Investments	1.3	23.8	58.4
Miscellaneous other assets	1.2	4.9	9.3
Liabilities			
Insurance provisions	1.7	22.3	61.3
Miscellaneous other liabilities	0.6	3.5	6.6

The effect of the acquisitions in 2002 is limited

To finance the acquisition of ReliaStar Financial Corporation, Aetna Financial Services and Aetna International, investments in shares have been sold in the financial year 2000. The proceeds of the sales amounted to EUR 9.6 billion.

PARENT COMPANY BALANCE SHEET OF ING INSURANCE AS AT 31 DECEMBER
before profit appropriation

amounts in millions of euros

	2002	2001
ASSETS		
Participating interests in group companies **1**		
Shares	14,585	10,637
Amounts receivable	14,672	17,128
	29,257	**27,765**
Other financial investments		190
Other receivables **2**	3,599	566
Other assets	568	430
Accrued assets	264	196
Total	**33,688**	**29,147**
EQUITY AND LIABILITIES		
Shareholders' equity **3**		
Share capital	174	174
Share premium	4,374	4,374
Revaluation reserve	1,754	7,340
Reserve for participating interests	2	2
Exchange differences reserve	– 263	– 203
Other reserves	978	621
Net profit for the period	3,808	3,142
	10,827	**15,450**
Subordinated loans	2,727	1,250
	13,554	**16,700**
General provisions **4**	575	609
Creditors **5**	19,256	11,642
Accrued liabilities	303	196
Total	**33,688**	**29,147**

PARENT COMPANY PROFIT AND LOSS ACCOUNT OF ING INSURANCE FOR THE YEARS ENDED 31 DECEMBER

amounts in millions of euros

	2002	2001	2000
Result of group companies after taxation	3,400	3,111	8,100
Other results after taxation	408	31	1,479
Net profit for the period	**3,808**	**3,142**	**9,579**

The numbers against the items refer to the notes starting on page 57.

ACCOUNTING PRINCIPLES FOR THE PARENT COMPANY BALANCE SHEET AND PROFIT AND LOSS ACCOUNT OF ING INSURANCE

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.

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 Insurance 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 INSURANCE

amounts in millions of euros, unless stated otherwise

ASSETS

1. Participating interests in group companies

		2002		2001
	Ownership (%)	Balance sheet value of shares	Ownership (%)	Balance sheet value of shares
Name of investee				
Nationale-Nederlanden Nederland B.V.			100	8,080
Nationale-Nederlanden Interfinance B.V.	100	646	100	635
ING Insurance International B.V.	100	– 2,459	100	– 2,248
Grabenstrasse Staete B.V.			100	682
ING America Insurance Holding inc.	100	3,775	100	512
Johan de Wittlaan B.V.	100	6,460		
Berendaal Beleggingsmaatschappij B.V.	100	2,127		
Kievietsdaal Beleggingsmaatschappij B.V.	100	909		
Aconto B.V.	100	246	100	240
Vitigudino B.V.	100	115	100	113
Diagonac B.V.	100	88	100	86
N.V. Balmore	100	852	100	833
Bancory B.V.	100	508	100	496
Anardel B.V.	100	508	100	496
ING Vermogensbeheer B.V.	100	37	100	34
ING Holdinvest B.V.	100	482	100	473
ING Investment Management Holdings N.V.	100	43	100	35
ING Insurance Investments Holdings B.V.			100	58
ING Vastgoed Management Holding B.V.	100	140	100	118
Fred C. Meyster/ ING ME Investments B.V.	100	– 19	100	– 6
Ruud Hendriks B.V.	100	144		
Other		– 17		
		14,585		**10,637**

The movements in *Participating interests in group companies* were as follows:

		2002		2001
	Shares	Receivables	Shares	Receivables
Opening balance	10,637	17,128	13,287	12,252
Advances		10,601		8,486
Investments in group companies	10,032		841	
Write-off of goodwill	– 450		– 1,733	
Revaluations	– 4,732		– 3,416	
Result of group companies	3,400		3,111	
Dividend	– 420		– 1,439	
Redemptions	– 3,334	– 12,606		– 3,925
Exchange differences	– 548	– 451	– 14	315
Closing balance	**14,585**	**14,672**	**10,637**	**17,128**

The balance sheet value of the Shares as at 31 December 2002 included revaluations of EUR – 8,867 million (2001: EUR – 6,117 million).

2. Other receivables

	2002	2001
Receivables from group companies	2,916	171
Pensions	683	395
	3,599	**566**

As at 31 December 2002, an amount of EUR 683 million (2001: EUR 395 million) was expected to be recovered or settled after more than one year from the balance sheet date.

EQUITY AND LIABILITIES

3. Shareholders' equity

Share capital

	Ordinary shares (par value EUR 1.13)		Preference shares (par value EUR 1.13)
2002	number x 1,000	amount	number x 1
Authorised share capital	680,000	768	50
Unissued share capital	526,116	594	49
Issued share capital	**153,884**	**174**	**1**

2001		(par value NLG 2.50)	(par value NLG 2.50)
Authorised share capital	680,000	768	50
Unissued share capital	526,116	594	49
Issued share capital	**153,884**	**174**	**1**

There have been no movements in share capital.

The par value of the shares is currently EUR 1.13. In 2001, the par value of the shares was converted from NLG 2.50 into EUR 1.13. As part of the conversion, the share capital was decreased. This decrease was added to the share premium reserve.

Reserves
The composition of and movements in the reserves were as follows:

	Total	Share premium	Preference share premium reserve	Revaluation reserve	Reserve for participating interests	Exchange differences reserve	Other reserves
Balance as at 31 December 2000	**8,121**	**3,814**	**542**	**10,521**	**2**	**– 143**	**– 6,615**
Unrealised revaluations after taxation	– 3,181			– 3,181			
Exchange differences	– 60					– 60	
Net profit not recognised in the profit and loss account	**– 3,241**			**– 3,181**		**– 60**	
Conversion of the share capital into euros	1	1					
Write-off of goodwill	– 1,733						– 1,733
Profit appropriation previous year	9,579						9,579
Payment of share premium by ING Group	17	17					
2000 final dividend and 2001 interim dividend	– 610						– 610
Balance as at 31 December 2001	**12,134**	**3,832**	**542**	**7,340**	**2**	**– 203**	**621**
Unrealised revaluations after taxation	– 5,177			– 5,586			409
Exchange differences	– 60					– 60	
Net profit not recognised in the profit and loss account	**– 5,237**			**– 5,586**		**– 60**	**409**
Write-off of goodwill	– 450						– 450
Profit appropriation previous year	3,142						3,142
Payment of share premium by ING Group	– 1,453						– 1,453
2001 final dividend and 2002 interim dividend	– 1,291						– 1,291
Balance as at 31 December 2002	**6,845**	**3,832**	**542**	**1,754**	**2**	**– 263**	**978**

The revaluation reserve and the reserve for participating interests include the statutory reserves. Share premium includes a non-distributable amount of EUR 1 million from the conversion of share capital into euros.

4. General provisions

	2002	2001
Deferred tax liabilities	321	232
Other staff-related liabilities	151	296
Other	103	81
	575	**609**

Other staff-related liabilities includes the provision for early retirement and the provision for other non-activity schemes. Also included in this item are provisions relating to reorganisations, integration of operating processes and relocations.

As at 31 December 2002, an amount of EUR 527 million (2001: EUR 596 million) was expected to be settled after more than one year from the balance sheet date.

5. Creditors

	2002	2001
Debenture loans	4,432	4,317
Amounts owed to group companies	11,406	5,319
Other liabilities	3,418	2,006
	19,256	**11,642**

Analysed by average interest rate, notional amount and term of redemption:

	2002			2001		
	Average interest rate in %	Notional amount	Term of redemption	Average interest rate in %	Notional amount	Term of redemption
Debenture loans						
– in Dutch guilders				6.1	726	2009
– in Swiss francs	3.3	1,513	2007	3.5	1,082	2006
– in US dollars	6.2	1,526	2006	6.2	1,808	2007
– in German marks				4.8	511	2003
– in Euros	5.6	1,256	2008		64	2008
– in Norwegian crowns	7.1	137	2004	7.1	126	2004

Some of the loans have been converted into loans with a variable-interest rate by means of interest-rate swaps. As at 31 December 2002, an amount of EUR 3,360 million (2001: EUR 3,749 million) had a variable interest rate of 3.3% (2001: 3.3%).

Analysed by remaining term:

	2002			2001		
	up to 1 year	1 year to 5 years	over 5 years	up to 1 year	1 year to 5 years	over 5 years
Debenture loans	797	3,457	178	113	3,253	951
Amounts owed to group companies	8,830	2,005	571	3,699	782	838
Other liabilities	2,771	420	227	1,678	101	227
	12,398	**5,882**	**976**	**5,490**	**4,136**	**2,016**

Amsterdam, 10 March 2003

The Supervisory Board,

Mijndert Ververs, *Chairman*
Lutgart van den Berghe
Luella Gross Goldberg
Paul van der Heijden
Aad Jacobs
Godfried van der Lugt
Paul Baron de Meester
Johan Stekelenburg
Hans Tietmeyer
Jan Timmer
Karel Vuursteen

The Executive Board,

Ewald Kist, *Chairman*
Fred Hubbell
Hessel Lindenbergh
Cees Maas, *Chief Financial Officer*
Alexander Rinnooy Kan
Michel Tilmant

OTHER INFORMATION

AUDITOR'S REPORT

Introduction

We have audited the annual accounts of ING Verzekeringen N.V., The Hague for the year 2002. 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 2002 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, 10 March 2003

Ernst & Young Accountants

EVENTS AFTER THE BALANCE-SHEET DATE

At 31 December 2002, the revaluation reserve of ING Group for equity securities was EUR 0.8 billion positive (after tax). Due to a further decline of the stock markets, partly offset by hedging transactions on approximately EUR 4 billion (at 10 March 2003) of the equities securities portfolio, the revaluation reserve is approximately EUR 0.6 billion negative (after tax) at 10 March 2003 (at opening Amsterdam Stock Exchange).

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

PROFIT APPROPRIATION

The profit is appropriated pursuant to Article 36 of the Articles of Association of ING Verzekeringen N.V., the relevant stipulations of which state that the part of the profit remaining after the dividend to the preference shareholders is made payable, shall be at the disposal of the General Meeting of Shareholders.

PROPOSED PROFIT APPROPRIATION

amount in millions of euros

Net profit	**3,808**
Due to holders of preference shares pursuant to Article 36 (3) of the Articles of Association	29
At the disposal of the General Meeting of Shareholders	**3,779**
Add to other reserves	3,174
Dividend	**605**

Disclaimer

Certain of the statements contained in this Annual Report are statements of future expectations and other forward-looking statements. These expectations are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those in such statements due to, among other things, (i) general economic conditions, in particular economic conditions in ING Insurance's core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) interest rate levels, (vii) currency exchange rates, (viii) general competitive factors, (ix) changes in laws and regulations, and (x) changes in the policies of governments and/or regulatory authorities.

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