ING BANK

ANNUAL REPORT 2003

ING BANK

ING BANK

ANNUAL REPORT 2003

ING Bank N.V.
Amstelveenseweg 500, 1081 KL Amsterdam
P.O. Box 810, 1000 AV Amsterdam
The Netherlands
Telephone: +31 20 541 5411
Telefax: +31 20 541 5444

Internet: www.ing.com

ING BANK

Commercial Register of Amsterdam, nr. 33031431

PROFILE ING GROUP

ING BANK IS PART 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 more than 60 million clients in over 50 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 continuity and growth.

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.

Strategic objectives

ING Group's strategic objectives are as follows:

1. Strengthen 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.

TABLE OF CONTENTS

FIVE YEARS KEY FIGURES ING BANK

FIVE YEARS KEY FIGURES ING BANK

amounts in millions of euros	2003	2002	2001	2000	1999
BALANCE					
Group equity	**15,890**	15,836	16,546	16,104	14,010
Group capital base	**31,687**	30,244	28,819	26,393	22,693
Deposits and funds borrowed (1)	**482,280**	418,875	386,087	349,349	303,003
Loans and advances	**293,987**	284,638	255,892	247,440	205,834
Total assets	**541,594**	477,111	443,356	406,393	349,618
BIS ratio	**11.34%**	10.98%	10.57%	10.75%	10.38%
Tier-1 ratio	**7.59%**	7.31%	7.03%	7.22%	7.02%
RESULTS					
Total income	**11,508**	11,036	10,989	11,958	10,469
Operating expenses	**8,272**	8,376	8,282	8,860	7,426
Value adjustments to receivables	**1,125**	1,435	750	400	580
Value adjustments to financial fixed assets	**-48**	136			
Additions to the Fund for general banking risks	**140**	140	140	140	114
Profit before tax	**2,019**	949	1,817	2,558	2,349
Taxation	**520**	272	426	732	613
Profit after tax	**1,499**	677	1,391	1,826	1,736
Net profit for the period	**1,440**	638	1,363	1,781	1,696

(1) Including Banks, Funds entrusted and Debt securities.

SUPERVISORY BOARD, EXECUTIVE BOARD AND SME ADVISORY COUNCIL

as at 31 December 2003

SUPERVISORY BOARD

Paul van der Heijden, *Chairman*
Luella Gross Goldberg
Claus Dieter Hoffmann
Aad Jacobs
Wim Kok
Godfried van der Lugt
Paul Baron de Meester
Jan Timmer
Karel Vuursteen

EXECUTIVE BOARD

Michel Tilmant, *Chairman*
Fred Hubbell
Cees Maas, *Chief Financial Officer*
Alexander Rinnooy Kan

SME ADVISORY COUNCIL

Having its origins in the Dutch small and medium-sized business sector, ING Bank Netherlands enjoys a special relationship with small and medium-sized enterprises (SMEs) and is closely involved in their operations. The SME Advisory Council, which reports to the Executive Board, has been established to support the Bank's activities in this area by identifying needs and providing advice.

As at 31 December 2003, the composition of the Dutch SME Advisory Council was as follows:

G. Doornbos, *Chairman of the Dutch Organsation for Agriculture and Horticulture (LTO Nederland)*
H. Dijkstra, *Member of the board Netherlands Association of Universities of Professional Education (HBO Raad)*
M.C. van der Harst, *Chairman of Netherlands Transport and Logistics (Transport en Logistiek Nederland)*
L.M.L.H.A. Hermans, *Chairman Netherlands Federation of Small and Medium-Sized Enterprises (MKB Nederland)*
P.H.M. van Hoesel, *Chairman Executive Board Small Business Research and Consultancy (EIM)*
J. ten Hoopen, *Chairman Foundation Social Entrepreneurship (Stichting Maatschappelijk Ondernemen)*
K.J. Koekkoek, *Chairman Royal Association of the Printing Industry (Koninklijk Verbond van Grafische Ondernemingen)*
A.L.M. Nelissen, *Chairman of the Dutch Organisation BouwNed*
J.B. Schueler, *Chairman Netherlands Motor Trade Association (BOVAG)*
P.M. Slagmulder, *Chairman of Netherlands Wholesale and International Trade Federation (Nederlands Verbond van de Groothandel)*
C.M. Verdiesen, *Chairman Netherlands Association of Small-Business Advisors and Accounting Consultants (Nederlandse Orde van Accountants-Administratieconsulenten)*
Mrs. H.C.W. Verhoeven-van Lierop, *Member Executive Board Netherlands Organisation of Small and Medium-Sized Engineering Enterprises (Metaalunie)*
C. Vis, *Member Board of Management Netherlands Public Broad Casting (NOS)*

REPORT OF THE SUPERVISORY BOARD

TO THE SHAREHOLDER,

The Supervisory Board hereby presents you the 2003 Annual Report of ING Bank N.V. The Annual Report includes the report of the Executive Board, the Annual Accounts and Other information.

Annual Accounts and dividend

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 their management and the members of the Supervisory Board in respect of their supervision during the past financial year. Adoption of the Annual Accounts also implies that the dividend for 2003 amounts to EUR 618 million. An amount of EUR 500 million has already been paid as interim dividend to the holders of ordinary shares. The remaining dividend of EURO 118 million will be paid to holders of preference shares.

Meetings

In 2003, the Supervisory Board met on seven occasions. The most important subjects were the Medium Term Plan 2003-2005, the annual results 2002 and the development of the results during 2003.

Supervisory Board Committees

The Audit Committee discussed among other things the annual results and the semi-annual results, reports of the internal auditor, risk management and the developments in international regulations with regard to accounting principles. The Remuneration 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 15 April 2003, Mr. Hoffmann and Mr. Kok have been appointed member of the Supervisory Board.

On 22 September 2003 Mr. Stekelenburg, member of the Supervisory Board, died from a serious illness. We will remember him as an exceptional and passionate man, always looking for solutions. He was a wonderful colleague. May he rest in peace.

The Supervisory Board nominates Mr. Bourdais de Charbonnière for appointment at the General Meeting of Shareholders on 27 April 2004.

Composition of the Executive Board

In the previous Annual Report we already informed you about the retirement of Mr. Lindenbergh per 1 July 2003. The Supervisory Board announced its intention to propose Mr. Boyer de la Giroday, Mr. Leenaars and Mr. Verkoren for appointment by the General Meeting of Shareholders on 27 April 2004.

Amsterdam, 8 March 2004

THE SUPERVISORY BOARD

REPORT OF THE EXECUTIVE BOARD

GENERAL

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

MAIN DEVELOPMENTS

Operating environment

The economic and political environment in which ING Bank operates has been turbulent. The SARS epidemic caused much unrest. The war in Iraq puts international political relations on the edge. Scandals continued at various large corporations. In 2003 financial markets initially remained volatile, which undermined the confidence of individuals and businesses. Against the end of the year there were signs of a recovery on the stock exchanges and a modest economic revival.

In this environment, ING Bank opted to put value before growth. ING Bank has focussed on existing businesses, paid a lot of attention to cost containment and gave high priority to risk management. These efforts, combined with a focus on improving the overall service towards the client, led to good results.

The Netherlands

In the Netherlands, the various ING companies continued their integration to one organisation ING Netherlands, albeit still functioning under different brand names. This reorganisation created extra incentives to help promote products and services of sister companies. It also stimulated the transfer of best practices.

Postbank added a new service for its clients with the creation of a mortgage sales force in January 2003. In the spirit of ING's click-call-face strategy this new sales force introduced 'the face' in this attractive but competitive market. This initiative allowed Postbank to boost the sale of mortgages to a total amount of EUR 6.0 billion.

Since 1 January 2003, the majority of the employees in the Netherlands is employed by the ING Personeel VOF, a joint venture between ING Bank and ING Insurance. This has been done to standardise the employment conditions of ING Bank and ING Insurance in the Netherlands and to facilitate labour mobility between ING Bank and ING Insurance. ING Personeel VOF invoices the direct remuneration costs of ING Personeel VOF employees working for ING Bank at cost price.

South-West Europe

In Belgium, Bank Brussel Lambert changed its name to ING Belgium in April 2003, concluding an 18-month process to familiarise customers and employees with the new brand. At ING Bank France a restructuring plan was implemented with a view to adapting the cost structure to new market conditions and to restore the company's profitability.

Central Europe

ING Bank's reputation in this region is good: for the fifth consecutive year ING Bank received the award for 'Best Cash Management Bank in Eastern Europe'. The developing Central-European countries were affected by the strong economic headwind in 2003. This caused ING Bank to take the necessary steps to control costs. At ING Bank Slaski in Poland this implied a major restructuring, leading to the redundancy of 760 employees, ten percent of the total staff.

ING Direct

In 2003 ING Direct became profitable for the first time. Seven years ago ING Direct started from scratch in Canada. Today ING Direct has 8.5 million clients and funds entrusted of over EUR 99 billion. It is active in eight countries and reported a net profit of EUR 151 million in 2003.

The strategy of ING Direct is to be a low-cost provider of financial services in large mature markets by offering its clients best value for money and excellent service via call-centres and the Internet. The direct channels are supported by the ING Direct cafés, which can be found in a number of large cities in the countries in which ING Direct operates.

RESULTS

Net profit and result before taxation

The net profit of ING Bank N.V. improved strongly by 125.7% from EUR 638 million in 2002 to EUR 1,440 million in 2003. The profit before taxation rose by EUR 1,070 million (+112.8%) to EUR 2,019 million. The strong improvement was for EUR 310 million caused by lower value adjustments to receivables (in 2002 high among others due to the National Century Financial Enterprises loan loss provisioning in the fourth quarter of 2002). Furthermore, value adjustments to financial fixed assets turned from a loss of EUR 136 million in 2002 to a profit of EUR 48 million in 2003 showing a recovery of the fair value of shares in the investment portfolio and of participating interests. The gross result (i.e. total income minus operating expenses) increased strongly by EUR 576 million or 21.7%. Although 2002 income was boosted by an exceptional one-off gain of EUR 94 million on the sale of Cedel-shares, total income in 2003 rose by EUR 472 million or 4.3%. The increase was on balance caused by a EUR 473 million higher interest result as a result of increased volumes (notably ING Direct) and a higher average interest margin in the Netherlands. Total operating expenses decreased by EUR 104 million or 1.2%. Included in the expenses are restructuring provisions of respectively EUR 128 million in 2002 (for the international wholesale banking activities) and EUR 82 million in 2003 (whereof EUR 30 million for ING BHF-Bank, EUR 15 million for ING Bank France and EUR 37 million for the international wholesale banking activities).

Both income and expenses were furthermore affected by the appreciation of the euro against most currencies. Excluding currency fluctuations and the acquisition of Toplease and ING Vysya Bank in 2002, profit before taxation rose organically by 107.8% (income +7.2%, operating expenses +1.2%).

Most banking units reported improved results. The result before taxation of ING Direct turned from a loss of EUR 48 million in 2002 to a profit of EUR 151 million this year. The main driver of this success was the increasing number of customers and funds entrusted resulting in a strong growth of the interest result. The ING Direct operations in Canada, Australia, USA, Spain and Germany reported profits for the full year. Although slightly improved compared to prior year, the result of ING BHF-Bank is still far from break-even, mainly due to continued high risk costs.

Interest

The interest result increased substantially by EUR 473 million or 6.3% to EUR 7,951 million, due to a higher average balance sheet total, notably caused by the continued strong growth of ING Direct (with an interest margin of approximately 1%). In the Netherlands the interest margin improved by 13 basis point to 1.93%, mainly due to higher product margins. The total interest margin, however, decreased by 4 basis points to 1.55%. This is fully caused by the increased stake of the balance sheet total outside the Netherlands (mainly triggered by ING Direct), with a substantially lower interest margin than within the Netherlands.

At the end of December 2003, bank lending (loans and advances) was EUR 9.3 billion or 3.3% higher compared to year-end 2002. The depreciation of most currencies against the euro had a negative impact of EUR 5.5 billion on the development. In 2003, corporate bank lending decreased by EUR 4.2 billion, while personal lending (mainly residential mortgages) rose by EUR 13.4 billion.

Funds entrusted rose by EUR 60.7 billion or 24.6% to EUR 307.8 billion at the end of 2003. The increase was to a large extent caused by the continued strong growth of ING Direct.

Income from securities and participating interests

Income from securities and participating interests dropped from EUR 197 million in 2002 to EUR 138 million. Last year's figure included an exceptional profit of EUR 94 million on the sale of Cedel shares.

Commission income

Total commission decreased by EUR 151 million to EUR 2,464 million (-5.8%). Commission from securities business dropped by EUR 66 million (-9.0%) due to the lower activity level on the stock markets. The continued reluctance of (private) clients to invest in securities also led to a decline in management fees (-13.7%) and brokerage and advisory fees (-25.9%). Funds transfer commission and insurance broking commission were slightly lower. The 23.1% increase in 'other' commission can be mainly attributed to the international wholesale banking units.

Results from financial transactions

On balance, results from financial transactions increased by EUR 108 million (+23.8%) to EUR 562 million, but there are strong fluctuations between the separate lines, which are to a large extent interrelated. The increase of the total results from financial transactions can be mainly attributed to ING BHF-Bank, ING Furman Selz (mainly lower losses on seed capital) and ING Bank Netherlands. The two main contributors to the results from financial transactions (i.e. the international wholesale banking units and ING Belgium) both realised only slightly higher results compared to 2002.

The strong decrease of the results from currency trading was more than compensated by higher other results from financial transactions, especially related results from derivatives trading.

COMMISSION INCOME

amounts in millions of euro	2003	2002	% CHANGE
Funds transfer	**587**	592	-0.8
Securities business	**665**	731	-9.0
Insurance broking	**115**	117	-1.7
Management fees	**594**	688	-13.7
Brokerage and advisory fees	**146**	197	-25.9
Other	**357**	290	23.1
Total	**2,464**	2,615	-5.8

RESULTS FROM FINANCIAL TRANSACTIONS

amounts in millions of euro	2003	2002	% CHANGE
Results from securities trading portfolio	**226**	201	12.4
Results from currency trading portfolio	**46**	242	-81.0
Other	**290**	11	
Total	**562**	454	23.8

Other revenue

Compared to 2002, Other revenue rose by EUR 101 million or 34.6% to EUR 393 million, to a large extent caused by higher results from real estate (especially in the fourth quarter of 2003). It should be noted that Other revenue in 2002 was relatively low due to one-off losses relating to operational problems in car leasing and securities brokerage.

Operating expenses

Total operating expenses decreased by EUR 104 million (-1.2%) to EUR 8,272 million. Organically, i.e. excluding currency fluctuations and the consolidation of Toplease and ING Vysya Bank, expenses increased by EUR 94 million or 1.2%. This indicates that ongoing cost control measures as well as the restructuring and integration efforts were offset by a growth in expenses. This expense growth was a result of the ongoing expansion of ING Direct, higher pension costs, accelerated depreciation of capitalised software, and the new collective labour agreement in the Netherlands.

However, also abstracted from the restructuring provisions created in 2002 and 2003 (EUR 128 million and EUR 82 million respectively) and the continuously expanding ING Direct (expenses rose by EUR 214 million at comparable exchange rates) expenses decreased by 1.0%. On a comparable basis, i.e. organically and excluding restructuring provisions and ING Direct, personnel expenses decreased by EUR 62 million or 1.4%. A reduction of the average headcount by 3,400 full-timers, lower stock option expenses and lower expenses for third-party staff more than offset the impact of the collective labour agreement and higher pension costs. Other expenses were 0.4% lower.

The efficiency ratio (total operating expenses as a percentage of total income) improved from 75.9% in 2002 to 71.9% in 2003.

Loan loss provision

In 2003, the value adjustments to receivables amounted to EUR 1,125 million, a decrease of EUR 310 million compared to the high level in 2002 (EUR 1,435 million; high among others due to the National Century Financial Enterprises provisioning in the fourth quarter of 2002). The addition equalled 46 basis points of average credit risk weighted assets, against 59 basis points in 2002. In the fourth quarter 2003, ING Bank added EUR 270 million to the provision for loan losses, a EUR 30 million increase compared to the third quarter 2003. Included in the fourth quarter addition are a provision for Parmalat and an extra addition for NMB Heller's credit portfolio.

OUTLOOK FOR 2004

The Executive Board is cautiously optimistic about the outlook for 2004. In the year ahead, ING Bank N.V. will continue to leverage its existing strengths in both mature and developing markets. The Executive Board considers it premature at this stage to make a profit forecast for 2004. In 2004, ING Bank's top priorities will be to strive for excellence in servicing our clients in mature and developing markets, to further improve the capital position, to allocate capital as efficiently as possible, to be firm on the cost side, and to continue the policy of active portfolio management.

STAFF

Number of staff continued to increase

The average number of staff (full-time equivalents) increased by 2,197 to 63,386 in 2003. In the Netherlands, the average number of staff decreased by 753 to 21,886, while the average number of staff outside the Netherlands rose by 2,950 to 41,500. Excluding the consolidation of ING Vysya Bank and Toplease and excluding the continuously expanding ING Direct, the total average number of staff decreased by approximately 3,400 full-time equivalents in 2003.

RISK MANAGEMENT

Balancing risk, return and capital

Because of the size of ING Bank, its wide diversity of activities, types of clients and geographic regions, ING Bank has comprehensive risk management procedures on all levels, which enable the Bank to control and monitor risks and the accumulation of risks. The risk governance and systems of controls in use ensure management that risks are measured, monitored and reported adequately and effectively.

Risk Adjusted Return on Capital (RAROC)

ING Bank uses the RAROC framework to consistently measure performance on a risk-adjusted basis (which is linked to shareholder-value creation). RAROC is calculated as the risk adjusted return divided by economic capital. The risk adjusted return is based on similar valuation principles as applied in the annual accounts, with two important exceptions:

1. the actual credit risk provisioning is replaced by expected losses reflecting statistically calculated average credit losses over the entire economic cycle
2. the Profit and Loss account is adjusted for effects that relate to replacing actual book capital by economic capital.

ING Bank continues to develop and refine the models supporting the RAROC calculations.

ING Direct – with a RAROC of 14.1% in 2003 – is still excluded in the following figures.

The total (pre-tax) RAROC figure for 2003 (excluding ING Direct) was 17.6%, a strong improvement compared to 2002 (13.2%) and only slightly below the hurdle of 18.5%. Next to a higher economic return, the improvement was caused by a lower economic capital, which decreased by EUR 1.7 billion to EUR 12.8 billion. The decrease was due to a methodology refinement for business and operational risk, as well as lower credit and transfer risk capital. Compared to 2002, the RAROC of the wholesale activities improved by 2.4%-point to 12.5%. The already good RAROC of the retail activities improved further from 26.4% in 2002 to 35.8% in 2003.

Credit risk

The credit exposure of ING Bank is mainly related to traditional lending to private individuals and businesses. Loans to private individuals are mainly mortgage loans secured by residential property. Loans to businesses are often collateralised but can be granted on an unsecured basis if supported by internal analysis of the borrowers' creditworthiness. Credit exposure arises also from our trading activities for instance in derivatives, repurchase transactions and securities lending/borrowing.

DEBTOR PROVISIONING The credit portfolio is under constant review. A formal analysis takes place on a quarterly basis to determine the provisions for possible bad debts, using a bottom-up approach. ING Bank is of the opinion that its loan loss provisions as of 31 December 2003 are adequate to absorb losses from ING Bank's credit-risk-taking activities. The table below shows the regional specification of the addition to the provision for loan losses.

COUNTRY RISK In countries where ING is active, the risk profile is regularly evaluated, resulting in a country rating. Based on this rating and ING's risk appetite, country-risk limits are defined. Country-risk limits are assigned for transfer risk, generally only in developing markets. The amount of developing-markets transfer risk as a percentage of total retail and wholesale lending activities decreased from 6.0% in 2002 to 4.6% in 2003. Exposure is closely monitored for economic country risks, although no formal limits are established. The next table shows the largest economic country risks.

RISK CLASSES ING BANK IN % OF TOTAL OUTSTANDINGS (1)

	2003	2002	MOODY'S EQUIVALENT	S&P'S EQUIVALENT
Investment Grade: 1-10	57.1%	46.5%	Aaa - Baa3	AAA - BBB-
Speculative Grade: 11-17	41.2%	51.7%	Ba1 - C	BB+ - C
Problem Grade:18-22	1.7%	1.8%	D	D
Total	100.0%	100.0%		

(1) Based on retail & wholesale lending activities and investments.

ADDITIONS TO THE PROVISION FOR LOAN LOSSES ING BANK (BASED ON RISK COUNTRY) (1)

amounts in millions of euro

	2003	2002
Netherlands	352	236
Belgium	114	53
Rest of Western Europe	410	352
Central and Eastern Europe	94	80
North America	194	497
Latin America	-18	167
Asia	-31	3
Other	10	47
Total additions	1,125	1,435

(1) The regions are related to the risk country of the underlying credit risk.

LARGEST ECONOMIC EXPOSURES BY COUNTRY (1)

amounts in billions of euro

	2003	2002
Netherlands	183.5	145.4
United States	50.4	67.4
Germany	49.4	43.1
United Kingdom	47.1	36.0
Belgium	41.1	25.3
France	24.6	24.0
Spain	19.2	10.1
Canada	12.3	9.0
Italy	11.8	6.3
Australia	11.0	7.3

(1) Only covers exposures in excess of EUR 10 billion, including intercompany exposures with ING Insurance.

CONSOLIDATED TRADING VAR ING BANK

amounts in millions of euro

	YEAR-END 2003	YEAR-END 2002
Foreign exchange	4.8	2.5
Equities	11.2	10.7
Interest	11.1	9.3
High yield/Developing markets	6.4	7.7
Diversification	-10.6	-9.5
Total VaR	22.9	20.7

INTEREST RATE SENSITIVITY ING BANK

amounts in millions of euro

	2003	2002
Earnings-at-Risk	212	14
Value at Risk	111	65

Market risk

TRADING RISK ING's policy is to maintain an internationally diversified and mainly client-related trading portfolio, while avoiding large risk concentrations. ING applies Value-at-Risk and stress-testing scenarios for market risk management. Value-at-Risk measures the maximum overnight loss that could occur under normal market circumstances due to changes in risk factors (e.g. interest rate, foreign exchange rate, equity prices) if the trading positions remain unchanged for a time interval of one day.

BANKING RISK Apart from market risks in its trading portfolios, ING Bank has a structural interest rate risk on its balance sheet. ING Bank uses several measures to control interest rate risk. The most important ones are Earnings-at-Risk (EaR) which measures the sensitivity of ING Bank earnings to interest rate movements, and Value at Risk, which measures the maximum overnight loss that could occur due to changes in interest rates if positions remain unchanged for a time interval of one day. EaR measures the potential change in the expected (interest) earnings over the next 12 months resulting from an instantaneous rise of interest rates by 1%.

Liquidity risk

Liquidity risk is defined as the risk that ING Bank cannot meet its financial liabilities when due. Liquidity risk is managed at Group and local level through a combination of investment mandates, product features, close monitoring of the day-to-day funding needs and maintenance of an adequate mix of funding sources and liquid assets.

Operational risk

ING's policy is to manage operational risks through clear governance, an embedded operational risk management function, and the implementation of comprehensive operational risk identification, measurement, monitoring and mitigation processes. All business managers are responsible for establishing specific internal policies, procedures and controls and for continuously monitoring and controlling of the operational risks. At the various organisational levels, the Operational Risk Management departments aim at supporting general management. The Group's Corporate Audit Services performs independent periodic investigations into the quality of the system of internal controls and procedures of business units and recommends actions to solve any identified weaknesses.

CAPITAL POSITION

At year-end 2003, the tier-1 ratio of ING Bank N.V. was 7.59%, an improvement of 28 basis points compared to year-end 2002 (7.31%). The solvency ratio (BIS ratio) improved from 10.98% to 11.34%. Despite the strong growth of ING Direct, total risk-weighted assets increased only modestly from EUR 247.3 billion at year-end 2002 to EUR 251.3 billion at the end of 2003, supported by the depreciation of the US-dollar and a EUR 3.8 billion increase of securitisations.

GRATITUDE

The Executive Board's thanks go out to all our clients who entrusted their business to us and to our employees who worked very hard.

Amsterdam, 8 March 2004

THE EXECUTIVE BOARD

Michel Tilmant, *Chairman*
Fred Hubbell
Cees Maas, *Chief Financial Officer*
Alexander Rinnooy Kan

ANNUAL ACCOUNTS 2003

CONSOLIDATED AND COMPANY BALANCE SHEET OF ING BANK AS AT 31 DECEMBER *before profit appropriation*

amounts in millions of euros	CONSOLIDATED		COMPANY	
	2003	2002	**2003**	2002
ASSETS				
Cash 1	**10,135**	8,782	**6,975**	5,301
Short-dated government paper 2	**6,521**	8,398	**4,141**	5,692
Banks 3	**61,060**	45,682	**33,848**	32,985
Public sector loans and advances	**14,917**	14,194	**685**	3,659
Private sector loans and advances	**279,070**	270,444	**145,451**	133,219
Loans and advances 4	**293,987**	284,638	**146,136**	136,878
Interest-bearing securities 5	**140,032**	99,994	**28,062**	32,175
Shares 6	**8,882**	8,020	**3,872**	3,757
Participating interests in group companies 7			**16,916**	14,963
Other participating interests 8	**1,613**	1,845	**452**	584
Property and equipment 9	**5,720**	6,184	**283**	281
Other assets 10	**4,581**	5,919	**1,008**	2,295
Accrued assets 11	**9,063**	7,649	**4,099**	2,568
Total	**541,594**	477,111	**245,792**	237,479

The numbers against the items refer to the notes starting on page 28.

amounts in millions of euros

	CONSOLIDATED		COMPANY	
	2003	2002	**2003**	2002
LIABILITIES AND EQUITY				
Banks 12	**102,115**	96,267	**77,998**	79,844
Savings accounts	**168,168**	115,156	**12,048**	17,170
Other funds entrusted	**139,625**	131,959	**65,291**	55,170
Funds entrusted 13	**307,793**	247,115	**77,339**	72,340
Debt securities 14	**72,372**	75,493	**36,422**	39,933
Other liabilities 15	**17,400**	17,636	**12,840**	7,634
Accrued liabilities 16	**8,815**	8,759	**12,519**	11,175
General provisions 17	**1,412**	1,597	**745**	759
	509,907	446,867	**217,863**	211,685
Fund for general banking risks 18	**1,281**	1,233	**1,281**	1,233
Subordinated liabilities 19	**14,516**	13,175	**11,780**	9,897
Share capital			**525**	525
Preference share premium reserve			**3,002**	3,002
Share premium reserve			**6,839**	6,790
Revaluation reserve			**235**	189
Reserve for participating interests			**114**	72
Exchange differences reserve			**-1,096**	-602
Other reserves			**3,851**	4,093
Profit available for distribution			**1,398**	595
Shareholders' equity 20	**14,868**	14,664	**14,868**	14,664
Third-party interests	**553**	744		
Capital and reserves of Stichting Regio Bank 21	**469**	428		
Group equity	**15,890**	15,836		
Group capital base	**31,687**	30,244	**27,929**	25,794
Total	**541,594**	477,111	**245,792**	237,479
Contingent debts	**22,810**	23,283	**19,116**	19,008
Irrevocable facilities	**66,640**	63,866	**25,546**	32,501
Contingent liabilities 22	**89,450**	87,149	**44,662**	51,509

The numbers against the items refer to the notes starting on page 39.

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

amounts in millions of euros

	2003	2002	2001
Interest income	**23,600**	23,883	24,800
Interest expense	**15,649**	16,405	18,864
Interest 23	**7,951**	7,478	5,936
Income from securities and participating interests 24	**138**	197	557
Commission income	**3,085**	3,231	3,248
Commission expense	**621**	616	483
Commission 25	**2,464**	2,615	2,765
Results from financial transactions 26	**562**	454	1,080
Other revenue 27	**393**	292	651
Other income	**3,557**	3,558	5,053
Total income	**11,508**	11,036	10,989
Staff costs 28	**4,694**	4,787	5,068
Other administrative expenses 29	**3,150**	3,178	2,765
Staff costs and other administrative expenses	**7,844**	7,965	7,833
Depreciation 30	**428**	411	449
Operating expenses	**8,272**	8,376	8,282
Value adjustments to receivables	**1,125**	1,435	750
Value adjustments to financial fixed assets	**-48**	136	
	9,349	9,947	9,032
Additions to the Fund for general banking risks	**140**	140	140
Total expenses	**9,489**	10,087	9,172
Profit before tax	**2,019**	949	1,817
Taxation 31	**520**	272	426
Profit after tax	**1,499**	677	1,391
Third-party interests	**59**	39	28
Net profit for the period	**1,440**	638	1,363
Non-distributable profit of Stichting Regio Bank	**42**	43	37
Profit available for distribution	**1,398**	595	1,326

The numbers against the items refer to the notes starting on page 59.

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

amounts in millions of euros

	2003	2002	2001
Distributable result of group companies after taxation	**1,351**	668	1,218
Other results after taxation	**47**	-73	108
Profit available for distribution	**1,398**	595	1,326

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

amounts in millions of euros

	2003	2002	2001
Net profit for the period	**1,440**	638	1,363
Other components of comprehensive net profit:			
– unrealised revaluations (1)	**53**	- 57	– 391
– exchange differences (2)	**-494**	-454	91
Net profit not recognised in the consolidated profit and loss account	**-441**	-511	– 300
Realised revaluations released to the profit and loss account	**-2**	-117	
Comprehensive net profit for the period	**997**	10	1,063

(1) In 2003, deferred taxes with regard to unrealised revaluations amounted to EUR 18 million (2002: EUR – 20 million; 2001: EUR -137 million).

(2) In 2003, deferred taxes with regard to exchange differences amounted to EUR -170 million (2002: EUR -157 million; 2001: EUR 32 million).

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

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

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

amounts in millions of euros

	2003	2002	2001
Profit before tax	**2,019**	949	1,817
Adjusted for :			
– depreciation	**428**	411	449
– value adjustments to receivables	**1,125**	1,435	750
– value adjustments to financial fixed assets	**-48**	136	
– additions to the Fund for general banking risks	**140**	140	140
– other	**410**	-2,333	-584
Loans and advances granted/repaid	**-10,473**	-30,181	-9,202
Trading portfolio purchases/sales			
(incl. securities and property)	**-6,783**	3,298	-2,255
Taxation	**-227**	-105	-680
Movements in:			
– funds entrusted and debt securities	**58,444**	45,660	23,603
– banks, not available on demand	**-8,463**	-5,896	-120
– other receivables and accrued assets	**-77**	3,843	-1,410
– other liabilities and accrued liabilities	**-180**	-130	-1,300
– provisions	**-185**	-327	-901
Net cash flow from operating activities 32	**36,130**	16,900	10,307
Investments and advances:			
– participating interests	**-434**	-729	-190
– investments in interest-bearing securities	**-90,811**	-70,273	-68,522
– investments in shares	**-519**	-543	-994
– property and equipment	**-1,691**	-1,314	-1,389
Disposals and redemptions:			
– participating interests	**369**	66	358
– investments in interest-bearing securities	**52,799**	52,537	59,921
– investments in shares	**851**	1,815	1,284
– property and equipment	**797**	682	875
Net cash flow from investing activities	**-38,639**	-17,759	-8,657
Movements in long-term liabilities	**1,146**	2,048	1,892
Paid-in share premium			618
Cash dividends	**-636**	-298	-939
Net cash flow from financing activities	**510**	1,750	1,571
Net cash flow	**-1,999**	891	3,221
Cash at beginning of year	**5,191**	3,467	597
Exchange differences	**2,543**	833	-351
Cash at year-end	**5,735**	5,191	3,467
Cash comprises the following items:			
Short-dated government paper	**6,521**	8,398	4,653
Bank deposits available on demand	**-10,921**	-11,989	-9,236
Cash	**10,135**	8,782	8,050
Cash at year-end	**5,735**	5,191	3,467

The numbers against the items refer to the notes starting on page 65.

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

INTRODUCTION

The financial data of ING Bank are also included in the consolidated annual accounts of ING Groep N.V., which is the holding company of ING Bank. The annual accounts of ING Groep N.V. are available on the Internet at the ING Group website: www.ing.com.

CONSOLIDATION PRINCIPLES

ING Bank comprises ING Bank N.V. and its group companies. The consolidated financial statements of ING Bank include the financial statements of all companies that form an organisational and economic entity and are controlled by ING Bank. Control is presumed to exist when ING Bank 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 ING Bank's interest where it is relevant to the understanding of ING Bank's shareholders' equity and results. Intercompany financial relationships between business units of ING Bank are eliminated.

Assets, liabilities, income and expenses of Stichting Regio Bank are included in full. By virtue of this savings bank's legal status as a non-profit organisation (Stichting), its net profit is not eligible for distribution to the shareholders of ING Bank, but is instead added to this organisation's reserves. These reserves, together with the capital, are shown separately as a part of Group equity.

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

CHANGES IN THE COMPOSITION OF THE GROUP

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

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

In 2002, ING Bank increased its 49% stake in DiBa to a majority interest by acquiring a further share participation in DiBa from BGAG. The figures of DiBa are fully consolidated, without deduction of a third-party interest. The total purchase price of the additional acquisition amounted to EUR 573 million. The goodwill amounted to EUR 532 million and is charged to *Shareholders' equity.*

In 2002, ING Bank closed the purchase of an additional 24% stake in ING Vysya Bank in India increasing its interest to 44%. The total purchase price of the additional acquisition amounted to EUR 73 million. The goodwill amounted to EUR 55 million and is charged to *Shareholders' equity.* As ING Bank currently enjoys management control, ING Vysya Bank has been consolidated.

In 2002, ING Bank acquired car lease company Toplease. The total purchase price of the acquisition amounted to EUR 111 million. The goodwill amounted to EUR 70 million and is charged to *Shareholders' equity.*

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.

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 benefit 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 Bank. 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 and liabilities assumed in connection with their financing;
- exchange differences on loans serving to hedge exchange rate risks on foreign interests.

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

FORWARD FOREIGN EXCHANGE CONTRACTS Forward foreign exchange contracts relating to borrowing and lending are translated at the spot mid-rates prevailing on the balance sheet date. In general, 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 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.

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 *Property and equipment*, participating interests and Shares and *Interest-bearing securities* as part of the investment portfolio 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. Impairments of participating interests, shares and interest-bearing securities that are part of the investment portfolio are included in the profit and loss account as *Value adjustments to financial fixed assets*. 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 deemed necessary to cover the risk of uncollectibility.

Investment and trading portfolios
The investment portfolio comprises those assets which are intended for use on a continuing basis and have been identified as such. These investments are held in order to manage interest rate, capital and liquidity risks. Positions held with trading intent are those held intentionally for short-term resale and/or with the intent of benefiting from actual or expected short-term price movements or to lock in arbitrage profits, and positions held through matched principal broking and market making.
If due to a change in management's intent transfers are made between investment and trading portfolios, these assets are remeasured to fair value and gains and losses are accounted for in accordance with the accounting principles applicable to the portfolio in which the assets were originally held.

Repurchase transactions and reverse repurchase transactions

Interest-bearing securities and shares which have been sold with an agreement to repurchase (repurchase transactions), are included as assets in the balance sheet. Interest-bearing securities and shares, which have been acquired in reverse sale and repurchase transactions, are not recognised in the balance sheet.

Securities borrowing and lending

Interest-bearing securities and shares which are lent out, are included in the balance sheet. Interest-bearing securities and shares which are borrowed, are not recognised in the balance sheet.

Leases

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

SPECIFIC PRINCIPLES

Acquisition and disposal of group companies and goodwill

ING Bank's acquisitions are accounted for under the purchase method of accounting, whereby the cost of the acquisitions is allocated to the fair value of assets and liabilities acquired. Goodwill, being the difference between the cost of the acquisition (including assumed debt) and ING Bank'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.

Short-dated government paper and interest-bearing securities

Investment portfolio 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. Investment portfolio 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 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.

The results on the disposal of investment portfolio securities i.e. the difference between the proceeds on disposal and the carrying amount of the investment portfolio securities sold, are shown as yield differences. Results on disposal of derivatives related to the investment portfolio securities 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 investment portfolio securities are included directly in the profit and loss account, including the results on disposal of the related derivatives.

Securities that are part of the trading portfolio are stated at the fair value; which generally means quoted prices. Changes in the fair value, both realised and unrealised, on these securities are included in the profit and loss account. The company's own debentures repurchased for sale at a future date and interest-bearing securities repurchased after issue by group companies are stated at the lower of cost and fair value.

Banks and Loans and advances

Banks and *Loans and advances* refer to receivables from banks and non-banks. Receivables that are part of the non–trading portfolio are carried at face value less any diminution in value (impairment) deemed necessary to cover the risk of uncollectibility. Receivables are impaired if it is probable that the principal and interest contractually due will not be collected. In general, to determine the amount of the 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 (provision for debtor risk);
– per group of loans subdivided by country, taking into account country-specific risks;
– per group of loans subdivided by the degree of risk of uncollectibility (risk classification), determined on the basis of a wide range of aspects with regard to creditworthiness and taking into account empirically determined risk percentages for each risk category.

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

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

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

Receivables included in *Loans and advances* that are part of the trading portfolio are stated at the fair value. Changes in the fair value, both realised and unrealised, on these receivables are included in the profit and loss account.

Shares

Shares are stated at the fair value as at balance sheet date, which generally means quoted prices. Changes in the carrying amount resulting from revaluations, on the securities in the trading portfolio are included in the profit and loss account.

In the case of investment portfolio shares, changes in the carrying amount resulting from revaluations are credited or debited to *Shareholders' equity* allowing for taxation where necessary. Dividends received and the difference between the sale proceeds and cost on disposal of investment portfolio shares, are taken to the profit and loss account.

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.

Participating interests in group companies

Movements in balance sheet values due to movements in the revaluation reserves of the participating interests are reflected in the Revaluation reserve, which forms part of *Shareholders' equity*. Movements in balance sheet values due to the results of these Participating interests in group companies, accounted for in accordance with ING Bank accounting principles, are included in the profit and loss account. In case of a permanent diminution in value (impairment) the movement is included in the profit and loss account as Value adjustments to financial fixed assets. Other movements in the balance sheet value of these Participating interests in group companies, other than those due to movements in share capital are included in Other reserves, which forms part of Shareholders' equity.

The Reserve for participating interests is carried at an amount equal to the share in the results of Participating interests in group companies 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*.

Other participating interests

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

INVESTMENTS IN NON-ASSOCIATES Investments in non-associates 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*. In case of a permanent diminution in value (impairment) the movement is included in the profit and loss account as *Value adjustments to financial fixed assets*. On disposal of Investments in non-associates, the difference between the sale proceeds and cost is included in the profit and loss account.

Property and equipment

PROPERTY IN USE BY THE BANK Property in use by the Bank is stated at fair value as at balance sheet date. Changes in the carrying amount, resulting from revaluations are credited or debited to *Shareholders' equity*, allowing for taxation where necessary. External valuations 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 properties made since the last valuation are capitalised at the cost of the investment until the next valuation. The buildings are depreciated on a straight-line basis over an estimated economic life of at most 50 years. The installations and banking facilities are depreciated on a straight-line basis over ten years. In determining depreciation, no allowance is made for residual value. Land is not depreciated.

PROPERTY NOT IN USE BY THE BANK Buildings let as a long-term investment and bank premises no longer in use are stated at the fair value as at balance sheet date. Changes in the carrying amount resulting from revaluations 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. Buildings are depreciated on a straight-line basis over a maximum of 50 years, no allowance is made for residual value.

Properties under construction are stated at 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 diminution in value on completion. The difference between the net proceeds and cost of property under construction and any downward diminution in value are reflected in the profit and loss account. Infrastructure projects and properties let on a lease basis are valued at cost including interest and own development costs less investment grants, or at fair value if lower; depreciation is charged over the term of the contracts concerned on the basis of the value thus obtained. Properties not let on a lease basis and vacant properties are stated at estimated value on private sale and are depreciated at 2% per annum.

EQUIPMENT AND OTHER OPERATING ASSETS Equipment and other operating 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

DEFERRED TAX ASSETS Deferred corporate tax assets are stated at face value and are calculated for the carryforward of unused tax losses and for temporary valuation differences between carrying amounts of assets and liabilities in the balance sheet and tax base based on tax rates that are expected to apply in the period when the assets are realised. Deferred corporate tax assets in relation with the carryforward of unused tax losses are recognised only to the extent that it is probable that future taxable profits will be available for compensation. Deferred tax assets are reported net of adjustable deferred tax liabilities.

COMPUTER SOFTWARE 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.

Funds entrusted

The savings accounts included in *Funds entrusted* are stated including interest payable insofar as it is contractually agreed that this will be added to the savings accounts. Liabilities that are not included in the trading portfolio are stated at face value. Liabilities that are part of the trading portfolio are stated at the fair value. Changes in the fair value, both realised and unrealised, on these liabilities are included in the profit and loss account.

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.

General provisions

GENERAL A general provision involves a present obligation arising from past events, the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits, whereas the timing or the amount is uncertain. Unless stated otherwise below, general provisions are discounted using a pre-tax discount rate to reflect the time value of money.

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

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

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

	2003	2002	2001
Discount rates	**5.50**	5.75	6.00
Expected rates of salary increases			
(excluding promotional increase)	**2.50**	2.75	2.75
Medical cost trend rates	**4.00**	3.25	2.75
Consumer price inflation	**1.75**	2.00	2.25

The expected rate of return for 2003 on plan assets was 7.00% (2002: 7.00%; 2001: 7.50%).
The expected rate of return on plan assets was weighted by the fair value of these assets. All other assumptions were weighted by defined benefit obligations.

Fund for general banking risks

The *Fund for general banking risks* serves to hedge the general risk inherent in the banking operations. Amounts added to or withdrawn from the *Fund for general banking risks* are recognised separately as such in the profit and loss account. Apart from characteristics of a provision, the *Fund for general banking risks* bears the nature of group equity and is recognised net of deferred tax claims. In accordance with the rules of the Dutch Central Bank, the *Fund for general banking risks* is regarded as Tier-1 capital.

Contingent liabilities

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

Revenue recognition

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

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

Taxation

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

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

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

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

In the net cash flow from operating activities, the profit before tax is adjusted for those items in the profit and loss account and movements in balance sheet items which do not result in actual cash flows during the year. The net cash flow shown in respect of *Loans and advances* only relates to transactions involving actual payments or receipts. The *Value adjustments to receivables* which is deducted from the item *Loans and advances* in the balance sheet has been adjusted accordingly for the profit before tax and is shown separately in the cash flow statement.

The *Value adjustments to financial fixed assets* which is deducted from the items *Shares* an *Other participating interests* is also shown separately in the net 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. The cash-assets of the consolidated participating interests that were transferred from ING Group to ING Bank as a payment of share premium are included in Cash-assets from acquisitions.

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 AND COMPANY BALANCE SHEET OF ING BANK

amounts in millions of euros, unless stated otherwise

ASSETS

1 CASH

Cash includes till money at Dutch post offices and deposits with central banks in countries where the bank has a presence and which are available on demand. Cash and balances with central banks amount to EUR 8,838 million (2002: EUR 7,591 million) consolidated and EUR 6,841 million (2002: EUR 5,132 million) for the company.

2 SHORT-DATED GOVERNMENT PAPER

Short-dated government paper includes international government paper amounting to EUR 6,365 million (2002: EUR 8,056 million) consolidated and EUR 3,984 million (2002: EUR 5,350 million) for the company.

The cost and fair value of the *Short-dated government paper* as at balance sheet date are virtually the same, both consolidated and for the company (year-end 2002 also virtually the same).

3 BANKS

Banks includes receivables from banks, other than in the form of interest-bearing securities.

BANKS

	NETHER-LANDS	INTER-NATIONAL	TOTAL	NETHER-LANDS	INTER-NATIONAL	TOTAL
			2003			2002
Loans and advances to banks	9,551	51,536	61,087	7,587	38,142	45,729
Provision for loan losses			-27			-47
			61,060			45,682

Banks includes receivables with regard to securities, which have been acquired in reverse sale and repurchase transactions amounting to EUR 14,494 million (2002: EUR 13,942 million) consolidated and EUR 9,163 million (2002: EUR 7,113 million) for the company.

BANKS ANALYSED BY NON-SUBORDINATED AND SUBORDINATED RECEIVABLES

	CONSOLIDATED		COMPANY	
	2003	2002	2003	2002
Non-subordinated receivables from:				
Group companies		288	14,470	18,947
Third parties	60,514	44,753	18,921	13,234
	60,514	45,041	33,391	32,181
Subordinated receivables from:				
Group companies			400	753
Third parties	546	641	57	51
	61,060	45,682	33,848	32,985

LEASE CONTRACTS

	CONSOLIDATED		COMPANY	
	2003	2002	2003	2002
Assets held under finance lease contracts	134	100		16
Assets held under operating lease contracts	158	60		
	292	160		16

4 LOANS AND ADVANCES

Loans and advances is subject to credit risk, which means the risk of suffering losses following default by a debtor or counterparty. Concentrations of credit risk exist when changes in economic, industry or geographical factors similarly affect groups of counterparties whose aggregate exposure is material in relation to ING Bank's total exposure. Although ING Bank's portfolio of financial instruments is broadly diversified along industry and product lines, material transactions are completed with other financial institutions. Additionally, mortgages and loans in the Netherlands represent areas of significant credit exposure.

LOANS AND ADVANCES ANALYSED BY SECURITY

			CONSOLIDATED			CONSOLIDATED
	NETHER-LANDS	INTER-NATIONAL	TOTAL	NETHER-LANDS	INTER-NATIONAL	TOTAL
			2003			2002
Private sector:						
– loans guaranteed by public authorities	**5,631**	**2,502**	**8,133**	5,327	3,611	8,938
– loans secured by mortgages	**94,125**	**39,604**	**133,729**	86,932	31,260	118,192
– loans guaranteed by credit institutions	**701**	**1,289**	**1,990**	1,184	6,782	7,966
– other private lending	**7,009**	**7,813**	**14,822**	8,201	6,810	15,011
– other corporate loans	**38,201**	**86,812**	**125,013**	41,134	83,395	124,529
Public sector	**843**	**14,101**	**14,944**	2,686	12,139	14,825
	146,510	**152,121**	**298,631**	145,464	143,997	289,461
Provision for loan losses	**-1,150**	**-3,494**	**-4,644**	-999	-3,824	-4,823
	145,360	**148,627**	**293,987**	144,465	140,173	284,638

LOANS AND ADVANCES ANALYSED BY NON-SUBORDINATED AND SUBORDINATED RECEIVABLES

		CONSOLIDATED		COMPANY
	2003	2002	2003	2002
Non-subordinated receivables from:				
Participating interests in group companies				
ING Group	**2,224**	2,534	**1,000**	
Other group companies			**48,573**	34,168
Third parties	**291,223**	281,570	**96,559**	102,661
	293,447	284,104	**146,132**	136,829
Subordinated receivables from:				
Other group companies			**4**	49
Third parties	**540**	534		
	293,987	284,638	**146,136**	136,878

The receivables from ING Group relate among others to the financing transaction in respect of acquisitions of group companies. The ensuing interest income is offset by charging group expenses to ING Bank.

LOANS AND ADVANCES ANALYSED BY INDUSTRY

	CONSOLIDATED	
	2003	2002
Private sector:		
– agriculture, horticulture, forestry and fisheries	**1,797**	1,552
– manufacturing	**30,503**	34,999
– service industry	**57,012**	58,303
– financial institutions	**63,869**	63,729
– personal	**121,598**	108,198
– other	**8,909**	8,438
	283,688	275,219
Public authorities	**14,943**	14,242
	298,631	289,461
Provision for loan losses	**-4,644**	-4,823
	293,987	284,638

LEASE CONTRACTS INCLUDED IN LOANS AND ADVANCES

	CONSOLIDATED		COMPANY	
	2003	2002	2003	2002
Assets held under finance lease contracts	**8,303**	6,864	**164**	274
Assets held under operating lease contracts	**3,215**	4,248	**1**	2
	11,518	11,112	**165**	276

As at 31 December 2003, the balance sheet value of receivables included in *Loans and advances*, of which interest income is not recognised in the profit and loss account because realisation of the interest income is almost certainly not to be expected, amounted to EUR 3,564 million (2002: EUR 4,137 million).

As at 31 December 2003, the receivables included in *Loans and advances* that are part of the trading portfolio amounted to EUR 184 million consolidated (2002: EUR 2,097 million) and nil (2002: EUR 1,820 million) for the company.

Loans and advances includes receivables with regard to securities which have been acquired in reverse sale and repurchase transactions amounting to EUR 35,703 million (2002: EUR 38,282 million) consolidated and EUR 12,200 million (2002: EUR 9,390 million) for the company.

The total amount of loans, advances and guarantees granted to members of the Executive Board and members of the Supervisory Board as at balance-sheet date is EUR 1.5 million (2002: EUR 1.7 million), at an average interest rate of 3.9% (2002: 4.4%).

PROVISION FOR LOAN LOSSES The provision for loan losses is allocated to *Loans and advances, Banks* and *Accrued assets*.

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

	NETHER-LANDS	INTER-NATIONAL	TOTAL	NETHER-LANDS	INTER-NATIONAL	TOTAL
			2003			2002
Loans to and guaranteed by public authorities		30	30	31	47	78
Loans secured by mortgages	164	238	402	121	73	194
Loans guaranteed by credit institutions		1	1		43	43
Other private lending	258	385	643	199	145	344
Other corporate loans and guarantees	728	2,840	3,568	648	3,516	4,164
Allocated to Loans and advances	1,150	3,494	4,644	999	3,824	4,823
Allocated to Banks		27	27		47	47
Allocated to Accrued assets	16	148	164	18	248	266
	1,166	3,669	4,835	1,017	4,119	5,136

MOVEMENTS IN THE PROVISION FOR LOAN LOSSES INCLUDED IN LOANS AND ADVANCES, BANKS AND OTHER ASSETS

	CONSOLIDATED	
	2003	2002
Opening balance	5,136	4,763
Changes in the composition of the group	87	98
Write-offs	-1,338	-882
Recoveries	48	33
Additions from:		
– value adjustments to receivables	1,125	1,435
– interest income	123	105
Other movements	-346	-416
Closing balance	4,835	5,136

5 INTEREST-BEARING SECURITIES

PORTFOLIO ANALYSIS OF INTEREST-BEARING SECURITIES

	CONSOLIDATED		COMPANY	
	2003	2002	2003	2002
Investment portfolio	112,871	77,200	14,953	23,869
Trading portfolio	27,161	22,794	13,109	8,306
	140,032	99,994	28,062	32,175

INTEREST-BEARING SECURITIES ANALYSED BY ISSUER

	CONSOLIDATED		COMPANY	
	2003	2002	2003	2002
Public sector	65,177	56,998	18,870	14,607
Other	74,855	42,996	9,192	17,568
	140,032	99,994	28,062	32,175

INTEREST-BEARING SECURITIES ANALYSED BY LISTING

	CONSOLIDATED		COMPANY	
	2003	2002	2003	2002
Listed	123,276	94,244	22,963	29,113
Unlisted	16,756	5,750	5,099	3,062
	140,032	99,994	28,062	32,175

INTEREST-BEARING SECURITIES ANALYSED BY NON-SUBORDINATED AND SUBORDINATED

	CONSOLIDATED		COMPANY	
	2003	2002	2003	2002
Non-subordinated interest-bearing securities issued by:				
Participating interests	86	104	980	1,261
Group companies	229	572	229	527
Third parties	138,990	98,338	26,547	30,274
	139,305	99,014	27,756	32,062
Subordinated interest-bearing securities issued by:				
Participating interests	166	2	165	2
Group companies		20		20
Third parties	561	958	141	91
	140,032	99,994	28,062	32,175

INVESTMENT PORTFOLIO OF INTEREST-BEARING SECURITIES

	CONSOLIDATED BALANCE SHEET VALUE		CONSOLIDATED ESTIMATED FAIR VALUE	
	2003	2002	2003	2002
Debentures	112,059	76,732	116,115	79,960
Other interest-bearing securities	812	468	812	468
	112,871	77,200	116,927	80,428

MOVEMENTS IN THE INVESTMENT PORTFOLIO OF INTEREST-BEARING SECURITIES

	CONSOLIDATED		COMPANY	
	2003	2002	2003	2002
Opening balance	77,200	60,725	23,869	21,143
Additions	90,811	70,272	16,231	21,928
Changes in the composition of the group	1,276	1,389	-10,879	
Disposals and redemptions	-52,799	-52,534	-13,882	-18,491
Exchange differences	-3,425	-2,562	-532	-850
Other movements	-192	-90	146	139
Closing balance	112,871	77,200	14,953	23,869

The movement in *Changes in the composition of the group* in the company balance sheet mainly relates to the transfer of the activities of ING Direct Spain to the subsidiary ING Direct.

As at 31 December 2003, the cost of the investment portfolio of *Interest-bearing securities* amounted to EUR 114,434 million (2002: EUR 74,684 million) consolidated and EUR 15,150 million (2002: EUR 24,771 million) for the company.

As at 31 December 2003, the cost of the *Interest-bearing securities* in the trading portfolio was EUR 91 million higher (2002: EUR 365 million lower) consolidated than their fair value and EUR 22 million higher (2002: EUR 24 million lower) for the company.

As at 31 December 2003, of the total portfolio interest bearing securities an amount of EUR 108,789 million (2002: EUR 71,159 million) consolidated and EUR 18,074 million (2002: EUR 18,028 million) for the company was expected to be recovered or settled after more than one year from the balance sheet date.

INTEREST-BEARING SECURITIES LENT AND TEMPORARILY SOLD

	CONSOLIDATED 2003	2002	COMPANY 2003	2002
Lent	**2,307**	878	**36**	5
Sold in repurchase transactions	**17,812**	12,186	**812**	

Borrowed interest-bearing securities are not recognised in the balance sheet and amount to EUR 4,139 million (2002: EUR 145 million) consolidated and EUR 104 million (2002: EUR 31 million) for the company as at 31 December 2003.

The difference between redemption value and purchase price as at balance sheet date of the interest-bearing securities in the investment portfolio still to be amortised is EUR 1,015 million premium (2002: EUR 431 million premium) consolidated and EUR 322 million premium (2002: EUR 192 million premium) for the company.

6 SHARES

The portfolio comprises shares and equity participations.

ANALYSIS OF THE SHARES PORTFOLIO

	CONSOLIDATED 2003	2002	COMPANY 2003	2002
Investment portfolio	**766**	1,244	**17**	331
Trading portfolio	**7,135**	3,979	**3,827**	2,369
Equity participations	**981**	1,239	**28**	15
Other		1,558		1,042
	8,882	8,020	**3,872**	3,757

The balance sheet value of the trading portfolio as at 31 December 2003 includes depository receipts of ordinary shares of ING Groep N.V. amounting to EUR 449 million (2002: EUR 392 million). As at 31 December 2003, the market risk of these shares is hedged by means of an asset swap concluded with ING Group. The shares are part of the hedge for the ING Group stock option plan.

SHARES ANALYSED BY LISTING

	CONSOLIDATED 2003	2002	COMPANY 2003	2002
Listed	**7,644**	5,282	**3,803**	2,932
Unlisted	**1,238**	2,738	**69**	825
	8,882	8,020	**3,872**	3,757

MOVEMENTS IN THE INVESTMENT PORTFOLIO OF SHARES

	CONSOLIDATED 2003	2002	COMPANY 2003	2002
Opening balance	**1,244**	2,877	**331**	313
Additions	**519**	543		110
Changes in the composition of the group		8	**-232**	
Revaluations		-222		135
Value adjustments to financial fixed assets	**37**	-84	**4**	-84
Disposals	**-851**	-1,841	**-7**	-184
Exchange differences	**-39**	-25	**-1**	1
Other movements	**-144**	-12	**-78**	40
Closing balance	**766**	1,244	**17**	331

INVESTMENT PORTFOLIO OF SHARES

	CONSOLIDATED	
	2003	2002
Purchase price	813	1,328
Revaluations		
– gross unrealised gains	43	22
– gross unrealised losses	-90	-106
	766	1,244

As at 31 December 2003, the cost or purchase price of the shares in the trading portfolio was EUR 317 million higher (2002: EUR 51 million higher) consolidated than their fair value and EUR 127 million higher (2002: EUR 173 million higher) for the company. As at 31 December 2003, the cost or purchase price of shares in the investment portfolio was EUR 47 million higher (2002: EUR 84 million higher) consolidated than the carrying amount.

In 2002 an amount of EUR 84 million has been recognised as *Value adjustments to financial fixed assets*. Of this amount EUR 37 million has been reversed in 2003.

SHARES LENT AND TEMPORARILY SOLD

	CONSOLIDATED		COMPANY	
	2003	2002	2003	2002
Lent	5	453		453
Sold in repurchase transactions		1		1

Borrowed shares are not recognised in the balance sheet and amount to EUR 25 million (2002: EUR 72 million) consolidated.

7 PARTICIPATING INTERESTS IN GROUP COMPANIES

BREAKDOWN IN PARTICIPATING INTERESTS IN GROUP COMPANIES

	OWNERSHIP (%)	COMPANY BALANCE SHEET VALUE	OWNERSHIP (%)	COMPANY BALANCE SHEET VALUE
		2003		2002
Name of investee				
ING België N.V.	99.6	4,543	99.4	4,137
Storeria B.V. (holding company of ING BHF Bank)	100.0	1,588	100.0	1,793
Postbank N.V.	100.0	1,655	100.0	997
Bank Slaski S.A.	87.8	466	87.8	522
ING Lease Top Holding B.V.	100.0	331	100.0	291
ING Vastgoed B B.V.	100.0	1,454	100.0	1,278
CenE Bankiers	100.0	245	100.0	235
Middenbank Curaçao N.V.	100.0	102	100.0	102
Ingelton (1)			100.0	1,359
ING Direct N.V.	100.0	2,661	100.0	218
Other (including financing companies)		3,871		4,031
		16,916		14,963

(1) In 2003 the activities of Ingelton have been transferred to ING Direct N.V.

As at 31 December 2003, *Participating interests in group companies* included credit institutions of EUR 10,976 million (2002: EUR 6,979 million) for the company. As at 31 December 2003, listed participating interests in group companies amounted to EUR 466 million (2002: EUR 526 million) for the company.

MOVEMENTS IN PARTICIPATING INTERESTS IN GROUP COMPANIES

	COMPANY	
	2003	2002
Opening balance	**14,963**	15,856
Investments in group companies		1,011
Paid in share premium	**1,513**	
Revaluations	**42**	-130
Results from group companies	**1,351**	668
Dividends received	**-253**	-1,206
Disposals	**-24**	
Exchange differences	**-533**	-380
Other movements	**-143**	-856
Closing balance	**16,916**	14,963

8 OTHER PARTICIPATING INTERESTS

BREAKDOWN OF OTHER PARTICIPATING INTERESTS

			CONSOLIDATED			CONSOLIDATED
	OWNERSHIP (%)	BALANCE SHEET VALUE	ESTIMATED FAIR VALUE	OWNERSHIP (%)	BALANCE SHEET VALUE	ESTIMATED FAIR VALUE
			2003			2002
Investments in associates:						
– Atlas Investeringsgroep N.V.	**33.0**	**16**	**16**	33.0	22	22
– Postkantoren B.V.	**50.0**	**47**	**47**	50.0	49	49
– Lion Property Fund	**26.7**	**134**	**134**			
– Other investments in associates		**355**	**355**		889	889
		552	**552**		960	960
Investments in non-associates:						
– Kookmin Bank		**377**	**377**		429	429
– Other investments in non-associates		**528**	**528**		275	275
		905	**905**		704	704
Total investments in other participating interests		**1,457**	**1,457**		1,664	1,664
Receivables from other participating interests		**156**	**156**		181	181
		1,613	**1,613**		1,845	1,845

As at 31 December 2003, the cost of these *Other participating interests* amounted to EUR 1,590 million (2002: EUR 1,897 million).

As at 31 December 2003, *Other participating interests* included credit institutions of EUR 705 million (2002: EUR 756 million). As at 31 December 2003, listed other participating interests amounted to EUR 430 million (2002: EUR 494 million).

MOVEMENTS IN OTHER PARTICIPATING INTERESTS

	CONSOLIDATED					
	ASSOCIATES		NON-ASSOCIATES		RECEIVABLES FROM OTHER PARTICIPATING INTERESTS	
	2003	2002	2003	2002	2003	2002
Opening balance	**960**	564	**704**	395	**181**	154
Additions and advances	**69**	93	**364**	603		38
Changes in the composition of the group		402		-46		-1
Revaluations		-24	**1**	-138		
Value adjustments to financial fixed assets			**11**	-52		
Results from other participating interests	**-14**	-6	**-2**			
Dividends received	**-109**	-15	**-2**			
Disposals and redemptions	**-93**	-6	**-264**	-59	**-14**	-22
Exchange differences	**-21**	6	**-96**	1		
Other movements	**-240**	-54	**189**		**-11**	12
Closing balance	**552**	960	**905**	704	**156**	181

In 2002 an amount of EUR 52 million has been recognised as *Value adjustments to financial fixed assets.* Of this amount EUR 11 million has been reversed in 2003.

9 PROPERTY AND EQUIPMENT

PROPERTY AND EQUIPMENT BY TYPE

	CONSOLIDATED		COMPANY	
	2003	2002	2003	2002
Property:				
– in use by the Bank	**1,606**	1,595		1
– not in use by the Bank	**3,119**	3,557	**3**	1
Equipment and other operating assets	**995**	1,032	**280**	279
	5,720	6,184	**283**	281

Property not in use by the Bank includes real estate projects, infrastructure projects and residential, commercial and retail properties. As at 31 December 2003, the item also included operating lease contracts totalling EUR 13 million (2002: EUR 206 million) consolidated.

PROPERTY IN USE BY THE BANK, PROPERTY NOT IN USE BY THE BANK AND OTHER OPERATING ASSETS

	CONSOLIDATED					
	PROPERTY IN USE BY THE BANK		PROPERTY NOT IN USE BY THE BANK		EQUIPMENT AND OTHER OPERATING ASSETS	
	2003	2002	2003	2002	2003	2002
Opening balance	**1,595**	1,731	**3,557**	2,403	**1,032**	1,552
Capitalised interest during construction			**236**			
Additions	**34**	61	**1,262**	958	**395**	296
Changes in the composition of the group	**1**	10	**-992**	456	**-13**	
Revaluations	**46**	29	**110**	99		
Disposals	**-20**	-20	**-725**	-574	**-52**	-100
Depreciation	**-55**	-47	**-34**	-26	**-339**	-335
Exchange differences	**-22**		**-151**	-5	**-36**	-5
Other movements	**27**	-169	**-144**	246	**8**	-376
Closing balance	**1,606**	1,595	**3,119**	3,557	**995**	1,032

The balance sheet value as at 31 December 2003 included revaluations of EUR 360 million (2002: EUR 189 million) consolidated and depreciation and other diminution in value of EUR -2,802 million (2002: EUR -2,535 million) consolidated. The cost or purchase price of *Property and equipment* amounted to EUR 7,978 million (2002: EUR 8,316 million) consolidated.

APPRAISAL OF PROPERTY IN USE BY ING BANK DURING THE LAST FIVE YEARS

(in percentages)

YEARS OF APPRAISAL	
2003	**40**
2002	**25**
2001	**4**
2000	**10**
1999	**21**
	100

10 OTHER ASSETS

BREAKDOWN OF OTHER ASSETS

	CONSOLIDATED		COMPANY	
	2003	2002	2003	2002
Receivables not connected with lending	**2,121**	3,518	**447**	1,622
Recoverable taxation	**750**	763	**32**	340
Deferred tax assets	**821**	940	**166**	154
Other receivables	**889**	698	**363**	179
	4,581	5,919	**1,008**	2,295

As at 31 December 2003, an amount of EUR 1,381 million (2002: EUR 1,855 million) consolidated was expected to be recovered or settled after more than one year from the balance sheet date.

DEFERRED TAX ASSETS AS AT 31 DECEMBER BY ORIGIN

	CONSOLIDATED	
	2003	2002
Deferred tax assets relating to:		
– general provisions	**354**	248
– unused tax losses carried forward	**406**	367
– other	**271**	596
	1,031	1,211
Deferred tax liabilities (offset by deferred tax assets)	**-210**	-271
	821	940

DEFERRED TAX ASSETS IN CONNECTION WITH UNUSED TAX LOSSES CARRIED FORWARD

	CONSOLIDATED	
	2003	2002
Total unused tax losses carried forward	**4,838**	4,992
Unused tax losses carried forward not recognised as a deferred tax asset	**3,297**	3,436
Unused tax losses carried forward recognised as a deferred tax asset	**1,541**	1,556
Average tax rate	**26.3%**	23.6%
Deferred tax asset	**406**	367

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

	CONSOLIDATED	
	2003	2002
– up to five years	733	780
– five to ten years	329	209
– ten to twenty years	868	1,534
– unlimited	2,908	2,469
	4,838	4,992

11 ACCRUED ASSETS

BREAKDOWN OF ACCRUED ASSETS

	CONSOLIDATED		COMPANY	
	2003	2002	2003	2002
Accrued interests and rents	6,072	5,535	2,634	2,252
Other accrued assets	2,991	2,114	1,465	316
	9,063	7,649	4,099	2,568

As at 31 December 2003, an amount of EUR 1,487 million (2002: EUR 1,332 million) consolidated was expected to be recovered or settled after more than one year from the balance sheet date.

As at 31 December 2003 Accrued assets included options held by the bank for the account and risk of customers amounting to EUR 64 million (2002: EUR 150 million). These are customer's options, which are not segregated from the assets and liabilities of the group and, therefore, included in the balance sheet. The associated liability is included in *Other liabilities.*

LIABILITIES AND EQUITY

12 BANKS

Banks includes non-subordinated debts to banks, other than in the form of debt securities. As at 31 December 2003, liabilities with regard to securities sold in repurchase transactions amounted to EUR 20,979 million (2002: EUR 22,316 million) consolidated and EUR 7,696 million (2002: EUR 10,861 million) for the company.

BANKS ANALYSED BY INTEREST TYPE

			CONSOLIDATED			CONSOLIDATED
	NETHER-LANDS	INTER-NATIONAL	TOTAL	NETHER-LANDS	INTER-NATIONAL	TOTAL
			2003			2002
Non-interest bearing	**115**	**2,282**	**2,397**	142	2,171	2,313
Interest-bearing	**29,369**	**70,349**	**99,718**	27,996	65,958	93,954
	29,484	**72,631**	**102,115**	28,138	68,129	96,267

BANKS ANALYSED BY GROUP COMPANIES AND THIRD PARTIES

		CONSOLIDATED		COMPANY
	2003	2002	2003	2002
Group companies			**33,826**	35,494
Third parties	**102,115**	96,267	**44,172**	44,350
	102,115	96,267	**77,998**	79,844

13 FUNDS ENTRUSTED

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

FUNDS ENTRUSTED

		CONSOLIDATED		COMPANY
	2003	2002	2003	2002
Savings accounts	**168,168**	115,156	**12,048**	17,170
Other funds entrusted	**139,625**	131,959	**65,291**	55,170
	307,793	247,115	**77,339**	72,340

FUNDS ENTRUSTED ANALYSED BY INTEREST TYPE

			CONSOLIDATED			CONSOLIDATED
	NETHER-LANDS	INTER-NATIONAL	TOTAL	NETHER-LANDS	INTER-NATIONAL	TOTAL
			2003			2002
Non-interest bearing	**13,763**	**2,707**	**16,470**	14,867	3,252	18,119
Interest-bearing	**98,335**	**192,988**	**291,323**	82,885	146,111	228,996
	112,098	**195,695**	**307,793**	97,752	149,363	247,115

No funds have been entrusted to ING Bank by customers on terms other than those prevailing in the normal course of business.

As at 31 December 2003, *Funds entrusted* included liabilities with regard to securities sold in repurchase transactions amounting to EUR 13,723 million (2002: EUR 11,481 million) consolidated and EUR 9,375 million (2002: EUR 7,000 million) for the company.

As at 31 December 2003, the liabilities included under *Funds entrusted* that are part of the trading portfolio amounted to EUR 32 million consolidated (2002: EUR 277 million) and EUR 268 million for the company (2002: EUR 277 million).

FUNDS ENTRUSTED ANALYSED BY GROUP COMPANIES AND THIRD PARTIES

	CONSOLIDATED		COMPANY	
	2003	2002	2003	2002
Group companies	**2,781**	3,327	**8,518**	7,594
Third parties	**305,012**	243,788	**68,821**	64,746
	307,793	247,115	**77,339**	72,340

Savings accounts

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

Other funds entrusted

BREAKDOWN OF OTHER FUNDS ENTRUSTED

	CONSOLIDATED		COMPANY	
	2003	2002	2003	2002
Private loans	**1,729**	928	**1,217**	366
Mortgage loans	**50**	43		
Corporate time deposits	**42,832**	45,035	**28,174**	23,257
Credit balances on customer accounts	**95,014**	85,953	**35,900**	31,547
	139,625	131,959	**65,291**	55,170

14 DEBT SECURITIES

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

BONDS AND OTHER INTEREST-BEARING SECURITIES

	CONSOLIDATED		COMPANY	
	2003	2002	2003	2002
Other group companies		14		14
Third parties	**72,372**	75,479	**36,422**	39,919
	72,372	75,493	**36,422**	39,933

15 OTHER LIABILITIES

The amounts are due within one year.

OTHER LIABILITIES ANALYSED BY TYPE

	CONSOLIDATED		COMPANY	
	2003	2002	2003	2002
Sundry creditors	**5,005**	6,154	**3,886**	1,113
Income tax	**845**	394		37
Other taxation and social security contributions	**555**	672	**22**	57
Trading portfolio	**10,995**	10,416	**8,932**	6,427
	17,400	17,636	**12,840**	7,634

16 ACCRUED LIABILITIES

BREAKDOWN OF ACCRUED LIABILITIES

	CONSOLIDATED		COMPANY	
	2003	2002	2003	2002
Accrued interest	5,054	6,077	9,906	9,483
Costs payable	2,870	1,654	2,214	983
Yield differences on interest-bearing securities	891	1,028	399	709
	8,815	8,759	12,519	11,175

As at 31 December 2003, an amount of EUR 1,084 million (2002: EUR 1,663 million) consolidated was expected to be settled after more than one year from the balance sheet date.

17 GENERAL PROVISIONS

BREAKDOWN OF GENERAL PROVISIONS

	CONSOLIDATED		COMPANY	
	2003	2002	2003	2002
Deferred tax liabilities	594	791	16	25
Pension liabilities and other staff-related liabilities	336	326	-3	-59
Reorganisations and relocations	194	170	146	149
Other	288	310	586	644
	1,412	1,597	745	759

As at 31 December 2003, an amount of EUR 1,012 million (2002: EUR 1,061 million) consolidated was expected to be settled after more than one year from the balance sheet date.

MOVEMENTS IN GENERAL PROVISIONS, OTHER THAN PENSION LIABILITIES AND OTHER STAFF-RELATED LIABILITIES

					CONSOLIDATED	
	DEFERRED TAX LIABILITIES		REORGANISATIONS AND RELOCATIONS		OTHER	
	2003	2002	2003	2002	2003	2002
Opening balance	791	649	170	74	310	203
Changes in the composition of the group	9	197	-2	1	14	
Additions / releases	9	-443	56	142	121	177
Transfer to deferred tax assets	-242	306				
Charges			-64	-43	-103	-41
Exchange differences	-21	4	-4		-6	-1
Other movements	48	78	38	-4	-48	-28
Closing balance	594	791	194	170	288	310

PROVISION FOR DEFERRED TAX LIABILITIES BY ORIGIN

	CONSOLIDATED	
	2003	2002
Deferred tax assets (offset by deferred tax liabilities) relating to:		
– unused tax losses carried forward	8	10
– other	30	
	38	10
Deferred tax liabilities relating to:		
– investments	52	164
– depreciation	3	27
– general provisions	34	98
– receivables	55	77
– loans	93	239
– shares	10	
– property and equipment	241	148
– other	144	48
	632	801
	594	791

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

	CONSOLIDATED	
	2003	2002
Total unused tax losses carried forward	22	29
Unused tax losses carried forward not recognised as a deferred tax asset		
Unused tax losses carried forward recognised as a deferred tax asset	22	29
Average tax rate	34.0%	33.0%
Deferred tax asset	8	10

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

	CONSOLIDATED	
	2003	2002
– up to five years	22	17
– unlimited		12
	22	29

Pension liabilities and other staff-related liabilities

ING Bank maintains defined benefit retirement plans in the major countries in which it operates. These plans generally cover all employees and provide benefits that are related to the remuneration and service of employees upon retirement. On condition the plan assets are sufficient, the benefits from many of these plans are subject to some form of indexation. Annual contributions are paid to the funds at a rate necessary to adequately finance the accrued liabilities of the plans calculated in accordance with local legal requirements. Plans in other countries comply with applicable local regulations concerning funding and investment levels. ING Bank provides other post-employment and post-retirement employee benefits to certain employees. These are primarily post-retirement healthcare benefits and post-employment defined benefit early-retirement plans provided to employees and former employees. Certain group companies sponsor defined contribution pension plans. These do not give rise to balance sheet provisions, other than relating to short-term timing differences included in current liabilities.

SUMMARY OF PENSION LIABILITIES AND OTHER STAFF-RELATED LIABILITIES

	PENSION LIABILITIES		HEALTHCARE		OTHER		CONSOLIDATED TOTAL	
	2003	2002	2003	2002	2003	2002	2003	2002
Defined benefit obligation	7,289	7,099	308	239	301	400	7,898	7,738
Fair value of plan assets	5,803	5,181			217	226	6,020	5,407
	1,486	1,918	308	239	84	174	1,878	2,331
Unrecognised past service costs			4	1			4	1
Unrecognised gains / losses	-1,530	-2,016	-52	-6	36	16	-1,546	-2,006
	-44	-98	260	234	120	190	336	326

MOVEMENTS IN PENSION LIABILITIES AND OTHER STAFF-RELATED LIABILITIES

	PENSION LIABILITIES		HEALTHCARE		OTHER		CONSOLIDATED TOTAL	
	2003	2002	2003	2002	2003	2002	2003	2002
Opening balance	-98	-160	234	294	190	864	326	998
Plan adjustments		509				-509		
Benefit costs	351	356	30	27	9	27	390	410
Employers' contribution	-304	-904		-5	-79	-34	-383	-943
Changes in the composition of the group		83		-78		-30		-25
Effect of curtailment or settlement	-2	15	-1	-2		-128	-3	-115
Exchange differences	9	3	-3	-2			6	1
Closing balance	-44	-98	260	234	120	190	336	326

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

As at 31 December 2003, the defined benefit obligation consisted of wholly or partly funded plans amounting to EUR 7,103 million (2002: EUR 7,031 million) and unfunded plans amounting to EUR 794 million (2002: EUR 707 million).

The assets of funded plans primarily consist of debt securities, equity and real estate funds, of which as at 31 December 2003 EUR 37 million (2002: EUR 32 million) was invested in securities issued by the employer and related parties, including shares of ING Groep N.V.

18 FUND FOR GENERAL BANKING RISKS

MOVEMENTS IN FUND FOR GENERAL BANKING RISKS

	CONSOLIDATED		COMPANY	
	2003	2002	2003	2002
Opening balance	1,233	1,146	1,233	1,146
Additions and advances	140	140	140	140
Exchange differences	-25	-3	-25	-3
Corporation tax	-56	-50	-56	-50
Other movements	-11		-11	
Closing balance	1,281	1,233	1,281	1,233

19 SUBORDINATED LIABILITIES

SUBORDINATED LIABILITIES BY TYPE

	CONSOLIDATED		COMPANY	
	2003	2002	2003	2002
Capital debentures	**11,104**	10,632	**8,820**	7,986
Private loans	**3,412**	2,543	**2,960**	1,911
	14,516	13,175	**11,780**	9,897

Subordinated liabilities relates to subordinated capital debentures and private loans which may be included in the calculation of the capital ratio. The capital debentures and private loans relate to debentures subordinated to all current and future liabilities of ING Bank and also debentures taken up by group companies.

The interest rate on the subordinated liabilities as at year-end is 6.0% (2002: 6.2%) consolidated and 5.9% (2002: 6.2%) for the company. The interest expense during the year 2003 was EUR 825 million (2002: EUR 779 million) consolidated and EUR 646 million (2002: EUR 549 million) for the company.

SUBORDINATED LIABILITIES TO GROUP COMPANIES AND TO THIRD PARTIES

	CONSOLIDATED		COMPANY	
	2003	2002	2003	2002
Group companies	**2,447**	1,560	**2,629**	1,335
Third parties	**12,069**	11,615	**9,151**	8,562
	14,516	13,175	**11,780**	9,897

Subordinated liabilities includes EUR 2,256 million (2002: EUR 1,335 million) of loans that qualify as Tier 1 capital. These loans have been placed with ING Bank N.V. by ING Group. If the solvency ratio decreases below 8%, EUR 396 million of these subordinated loans will be converted into *Shareholders' equity.*

20 SHAREHOLDERS' EQUITY

BREAKDOWN OF SHAREHOLDERS' EQUITY

	COMPANY	
	2003	2002
Share capital	**525**	525
Reserves	**12,945**	13,544
Profit available for distribution	**1,398**	595
	14,868	14,664

SHARE CAPITAL

	ORDINARY SHARES (PAR VALUE EUR 1.13)		PREFERENCE SHARES (PAR VALUE EUR 1.13)
	NUMBER X 1,000	AMOUNT	NUMBER X 1
2003			
Authorised share capital	**1,600,000**	**1,808**	**50**
Unissued share capital	**1,134,965**	**1,283**	**43**
Issued share capital	**465,035**	**525**	**7**
2002			
Authorised share capital	1,600,000	1,808	50
Unissued share capital	1,134,965	1,283	43
Issued share capital	465,035	525	7

MOVEMENTS IN ISSUED SHARE CAPITAL

	Ordinary shares Number x 1,000	Ordinary shares Amount	Preference shares Number x 1
Issued share capital as at 1 January 2002	465,035	525	7
Issued to ING Group			
Issued share capital as at 31 December 2002	465,035	525	7
Issued to ING Group			
Issued share capital as at 31 December 2003	465,035	525	7

The par value of the shares is currently EUR 1.13.

RESERVES

	Total	Preference share premium reserve	Share premium reserve	Revaluation reserve	Reserve for participating interests	Exchange differences reserve	Other reserves
Balance as at 31 December 2001	13,819	3,142	6,790	354	81	-288	3,740
Unrealised revaluations after taxation	-57			-48	-9		
Exchange differences	-454	-140				-314	
Net profit not recognised in the profit and loss account	-511	-140		-48	-9	- 314	
Realised revaluations released to the profit and loss account	-117			-117			
Write-off of goodwill	-738						-738
Profit appropriation previous year	1,326						1,326
Dividend	-298						-298
Other movements	63						63
Balance as at 31 December 2002	13,544	3,002	6,790	189	72	-602	4,093
Unrealised revaluations after taxation	53			48	5		
Exchange differences	-494					-494	
Net profit not recognised in the profit and loss account	-441			48	5	-494	
Realised revaluations released to the profit and loss account	-2			-2			
Write-off of goodwill	-119						-119
Profit appropriation previous year	595						595
Paid-in share premium	49		49				
Dividend	-636						-636
Other movements	-45				37		-82
Balance as at 31 December 2003	12,945	3,002	6,839	235	114	-1,096	3,851

The revaluation reserve and the reserve for participating interests include the statutory reserves. Share premium includes a non-distributable amount of EUR 3 million from the conversion of share capital into euros.

Tax benefit and net profit not recognised in the profit and loss account amounts to EUR -152 million (2002: EUR -176 million). The aggregate current tax relating to items that are charged or credited to *Shareholders' equity* amounted to EUR -378 million (2002: EUR -208 million). The aggregate deferred tax relating to items that are charged or credited to *Shareholders' equity* amounted to EUR 81 million (2002: EUR 65 million).

21 CAPITAL AND RESERVES OF STICHTING REGIO BANK

Capital and reserves of Stichting Regio Bank is shown separately by virtue of Stichting Regio Bank's legal status. The increase reflects the profit for 2003.

ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED AND COMPANY BALANCE SHEET OF ING BANK

amounts in millions of euros, unless stated otherwise

ANALYSIS OF CERTAIN ASSETS AND LIABILITIES BY MATURITY

						CONSOLIDATED
2003	ON DEMAND	UP TO THREE MONTHS	THREE MONTHS TO ONE YEAR	ONE YEAR TO FIVE YEARS	OVER FIVE YEARS	TOTAL
ASSETS						
Banks	7,854	38,089	7,864	4,428	2,825	61,060
Loans and advances	23,474	74,067	20,539	51,111	124,796	293,987
LIABILITIES						
Banks	18,775	65,312	14,320	1,243	2,465	102,115
Funds entrusted:						
– savings accounts	149,910	11,226	2,846	3,274	912	168,168
– other funds entrusted	71,029	44,804	12,437	4,812	6,543	139,625
Debt securities	343	26,482	16,770	19,933	8,844	72,372
Subordinated liabilities		190	483	4,217	9,626	14,516
2002	ON DEMAND	UP TO THREE MONTHS	THREE MONTHS TO ONE YEAR	ONE YEAR TO FIVE YEARS	OVER FIVE YEARS	TOTAL
ASSETS						
Banks	5,396	26,280	7,354	4,806	1,846	45,682
Loans and advances	19,652	77,538	22,817	50,931	113,700	284,638
LIABILITIES						
Banks	17,385	64,905	10,718	1,604	1,655	96,267
Funds entrusted:						
– savings accounts	98,943	9,243	1,277	2,517	3,176	115,156
– other funds entrusted	31,243	79,434	10,607	7,566	3,109	131,959
Debt securities	1,483	27,490	15,253	23,684	7,583	75,493
Subordinated liabilities		159	580	3,970	8,466	13,175

ANALYSIS OF CERTAIN ASSETS AND LIABILITIES BY MATURITY

						COMPANY
2003	ON DEMAND	UP TO THREE MONTHS	THREE MONTHS TO ONE YEAR	ONE YEAR TO FIVE YEARS	OVER FIVE YEARS	TOTAL
ASSETS						
Banks	9,640	16,145	4,458	724	2,881	33,848
Loans and advances	10,050	51,689	13,678	17,933	52,786	146,136
LIABILITIES						
Banks	21,085	42,773	11,437	987	1,716	77,998
Funds entrusted:						
– savings accounts	10,887	302	345	388	126	12,048
– other funds entrusted	23,154	27,546	6,570	3,763	4,258	65,291
Debt securities	5	21,799	5,707	4,188	4,723	36,422
Subordinated liabilities		123	145	2,582	8,930	11,780
2002	ON DEMAND	UP TO THREE MONTHS	THREE MONTHS TO ONE YEAR	ONE YEAR TO FIVE YEARS	OVER FIVE YEARS	TOTAL
ASSETS						
Banks	9,318	16,481	3,146	1,198	2,842	32,985
Loans and advances	13,272	46,301	11,545	15,178	50,582	136,878
LIABILITIES						
Banks	26,562	46,288	5,913	740	341	79,844
Funds entrusted:						
– savings accounts	13,511	383	170	1,182	1,924	17,170
– other funds entrusted	27,500	20,167	3,300	3,223	980	55,170
Debt securities		21,013	7,238	6,881	4,801	39,933
Subordinated liabilities		100	145	2,412	7,240	9,897

Assets not freely disposable

The assets not freely disposable primarily consist of interest-bearing securities pledged to secure deposits from the Dutch Central Bank and other banks, serve to secure margin accounts and are used for other purposes required by law. Of these assets EUR 5,658 million (2002: EUR 1,275 million) relates to guarantees provided for certain liabilities included in the balance sheet as well as off-balance-sheet contingent liabilities.

ASSETS NO FREELY DISPOSABLE

	FUNDS ENTRUSTED AND DEBT SECURITIES		BANKS		CONTINGENT LIABILITIES		TOTAL	
	2003	2002	2003	2002	2003	2002	2003	2002
Cash			216				216	
Short-dated government paper	26				40		66	
Banks	303	8	288			4	591	12
Loans and advances	895	762	423		2		1,320	762
Interest-bearing securities	664		2,479	445			3,143	445
Shares	61				2		63	
Other assets	170	55	78	1	11		259	56
	2,119	825	3,484	446	55	4	5,658	1,275

22 CONTINGENT LIABILITIES

BREAKDOWN OF CONTINGENT LIABILITIES

	CONSOLIDATED 2003	CONSOLIDATED 2002	COMPANY 2003	COMPANY 2002
Discounted bills	**3**	6	**3**	6
Guarantees	**17,096**	16,783	**15,665**	15,010
Irrevocable letters of credit	**5,356**	6,030	**3,344**	3,778
Other	**355**	464	**104**	214
Contingent debts	**22,810**	23,283	**19,116**	19,008
Irrevocable facilities	**66,640**	63,866	**25,546**	32,501
	89,450	87,149	**44,662**	51,509

CONTINGENT DEBTS

	CONSOLIDATED 2003	CONSOLIDATED 2002	COMPANY 2003	COMPANY 2002
Group companies		25	**6,848**	8,588
Third parties	**22,810**	23,258	**12,268**	10,420
	22,810	23,283	**19,116**	19,008

IRREVOCABLE FACILITIES

	CONSOLIDATED 2003	CONSOLIDATED 2002	COMPANY 2003	COMPANY 2002
Group companies			**1,018**	5,496
Third parties	**66,640**	63,866	**24,528**	27,005
	66,640	63,866	**25,546**	32,501

Contingent liabilities

In response to the needs of its customers, ING Bank offers financial products related to loans (discounted bills). The underlying values of these products are not recorded as assets or liabilities in the balance sheet. For these products, the underlying values represent the maximum potential credit risk to which ING Bank is exposed, i.e. assuming that all counterparties failed completely to perform in accordance with the terms of the contracts and that any existing collateral or security proves to be of no value.

Guarantees relate both to credit and non-credit substitute guarantees. Credit-substitute guarantees are guarantees given by ING Bank 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. The guarantees are generally of a short-term nature.

In addition to the items included in contingent liabilities, ING Bank has issued guarantees as a participant in collective arrangements of national industry bodies and as participant in collective arrangement of national industry bodies and as participant in government required collective guarantee schemes which apply in different countries.

Besides, general guarantees within the meaning of Section 403, Book 2, of the Dutch Civil Code have been given on behalf of a number of group companies. Further guarantees have been given on behalf of several group companies in the Netherlands. It is not expected that these guarantees will be called upon in the future. ING Bank is also jointly and severally liable for liabilities of the ING Personeel VOF in the Netherlands.

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

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

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

Special Purpose Entities (SPE)

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

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

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

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

Future rental commitments

FUTURE RENTAL COMMITMENTS FOR LEASE CONTRACTS AS AT 31 DECEMBER 2003

2004	39
2005	34
2006	26
2007	20
2008	16
Years after 2008	86

Legal proceedings

ING Bank companies are involved in lawsuits and arbitration cases in a number of countries, relating to claims by or against these companies arising in the course of ordinary activities, and also from acquisitions, including the activities as 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 Bank.

In the Netherlands ING Bank, together with all other major Dutch banks and their joint venture Interpay are subject of an examination by the Dutch competition authority 'Nederlandse Mededingings-autoriteit' or NMA. Allegedly the Dutch banks and Interpay have artificially kept the prices for the use of electronic payment systems higher than necessary. This investigation could result in a fine to be paid, but whether such fine will be imposed and, if so, what the amount of the fine will be, is still uncertain.

Derivatives

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

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

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

	Notional amount		Positive year-end fair value		Negative year-end fair value	
	2003	2002	2003	2002	2003	2002
Interest-rate contracts	**297,537**	298,751	**3,988**	4,764	**4,420**	5,109
Currency contracts	**11,839**	22,704	**315**	328	**389**	426
Equity contracts	**376**	629	**1**	70	**19**	19
	309,752	322,084	**4,304**	5,162	**4,828**	5,554

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

TRADING ACTIVITIES ING Bank trades derivative financial instruments on behalf of clients and for its own account. Derivative financial instruments used for risk management purposes to control risks of trading portfolios, are reported as being held for trading purposes.

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

	Notional amount		Average positive fair value		Average negative fair value		Positive year-end fair value		Negative year-end fair value	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Interest-rate contracts	**865,465**	867,312	**14,542**	10,468	**14,437**	10,500	**11,987**	14,809	**11,780**	15,216
Currency contracts	**271,893**	323,921	**5,300**	6,451	**6,155**	6,376	**5,746**	6,231	**6,989**	7,707
Equity contracts	**46,662**	32,680	**2,391**	1,835	**1,525**	1,080	**1,464**	2,349	**1,132**	1,447
Other contracts		19								
	1,184,020	1,223,932	**22,233**	18,754	**22,117**	17,956	**19,197**	23,389	**19,901**	24,370

NUMERICAL INFORMATION ABOUT DERIVATIVES ACTIVITIES The tables on the following pages 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 2003 and year-end 2003. Notional amounts represent units of account which, in respect of derivatives, reflect the relationship with the underlying assets (bonds, for example, in the case of interest-rate futures). What they do not reflect, however, is the credit risk assumed by entering into derivative 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 Bank 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 positive year-end fair value represents the maximum loss that ING Bank 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.

OPEN CONTRACTS AS AT YEAR-END

	NOTIONAL AMOUNT	POSITIVE FAIR VALUE	UNWEIGHTED CREDIT EQUIVALENT	WEIGHTED CREDIT EQUIVALENT 2003	NOTIONAL AMOUNT	POSITIVE FAIR VALUE	UNWEIGHTED CREDIT EQUIVALENT	WEIGHTED CREDIT EQUIVALENT 2002
INTEREST-RATE CONTRACTS								
Over-the-counter:								
– swaps	933,637	15,278	19,725	4,850	881,416	18,483	22,503	5,464
– forwards	74,142	53	81	21	75,074	106	134	28
– options purchased	63,363	639	936	261	68,145	982	1,322	345
– options written	41,645	5			48,533			
Listed:								
– options purchased	4,366				2,130	2		
– options written	2,278				1,111			
– futures	43,571				89,654			
CURRENCY CONTRACTS								
Over-the-counter:								
– swaps	35,969	1,290	2,908	851	33,560	1,120	2,589	802
– forwards	204,866	4,128	6,659	1,702	260,085	5,010	8,012	2,001
– options purchased	26,445	643	983	231	24,918	429	687	167
– options written	15,219				27,771			
Listed:								
– options purchased	375				6			
– options written	317				155			
– futures	541				130			
EQUITY CONTRACTS								
Over-the-counter:								
– swaps	7,785	266	739	226	5,775	667	1,017	433
– forwards	10		1		64	23	27	13
– options purchased	4,598	556	887	239	7,967	1,110	1,640	418
– options written	7,906				7,759			
Listed:								
– options purchased	13,822	643			5,537	619		
– options written	12,303				6,161			
– futures	614				46			
OTHER CONTRACTS								
Over-the-counter					19			
	1,493,772	23,501	32,919	8,381	1,546,016	28,551	37,931	9,671
Effect of contractual netting		-12,441	-15,277	-3,706		-14,449	-17,187	-4,019
		11,060	17,642	4,675		14,102	20,744	5,652

Collateral held, which do not meet the criteria for contractual netting, would additionally reduce the total weighted credit equivalent with an amount of EUR 362 million (2002: EUR 498 million).

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

2003	UP TO 1 YEAR	1 TO 2 YEARS	2 TO 3 YEARS	3 TO 4 YEARS	4 TO 5 YEARS	OVER 5 YEARS	TOTAL
INTEREST-RATE CONTRACTS							
Over-the-counter:							
– swaps	416,712	125,144	76,928	69,667	51,317	193,869	933,637
– forwards	68,768	5,025	157		32	160	74,142
– options purchased	28,994	6,770	5,831	5,317	3,896	12,555	63,363
– options written	16,402	5,064	5,020	4,387	2,654	8,118	41,645
Listed:							
– options purchased	4,330	6				30	4,366
– options written	2,152	6				120	2,278
– futures	37,213	3,864	1,347	24	321	802	43,571
CURRENCY CONTRACTS							
Over-the-counter:							
– swaps	8,954	5,501	5,696	4,405	3,787	7,626	35,969
– forwards	190,353	8,685	3,170	1,675	775	208	204,866
– options purchased	24,259	1,751	420	2	1	12	26,445
– options written	14,254	909	41	2	1	12	15,219
Listed:							
– options purchased	375						375
– options written	317						317
– futures	365	98	17		61		541
EQUITY CONTRACTS							
Over-the-counter:							
– swaps	7,524	7	27	50	152	25	7,785
– forwards	10						10
– options purchased	2,011	1,163	369	241	603	211	4,598
– options written	5,433	1,188	617	170	338	160	7,906
Listed:							
– options purchased	10,144	1,317	1,029	752	580		13,822
– options written	8,831	1,011	1,342	687	432		12,303
– futures	614						614
	848,015	167,509	102,011	87,379	64,950	223,908	1,493,772

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

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	393,175	135,745	69,315	58,869	59,760	164,552	881,416
– forwards	69,419	5,655					75,074
– options purchased	22,130	16,023	8,621	3,141	6,746	11,484	68,145
– options written	15,526	10,981	6,764	2,672	5,390	7,200	48,533
Listed:							
– options purchased	2,105					25	2,130
– options written	972				30	109	1,111
– futures	80,305	5,116	1,115	114	496	2,508	89,654
CURRENCY CONTRACTS							
Over-the-counter:							
– swaps	8,973	5,764	3,772	4,373	4,157	6,521	33,560
– forwards	245,183	8,820	3,308	1,238	1,258	278	260,085
– options purchased	24,377	328	182	23	2	6	24,918
– options written	27,311	353	76	23	2	6	27,771
Listed:							
– options purchased	6						6
– options written	155						155
– futures	72	9	36	13			130
EQUITY CONTRACTS							
Over-the-counter:							
– swaps	5,667				50	58	5,775
– forwards	64						64
– options purchased	5,700	653	999	168	103	344	7,967
– options written	5,232	871	1,007	261	142	246	7,759
Listed:							
– options purchased	4,336	470	471	260			5,537
– options written	4,669	778	290	424			6,161
– futures	46						46
OTHER CONTRACTS							
Over-the-counter	19						19
	915,442	191,566	95,956	71,579	78,136	193,337	1,546,016

OPEN CONTRACTS BY COUNTERPARTY

	NOTIONAL AMOUNT 2003	UNWEIGHTED CREDIT EQUIVALENT 2003	WEIGHTED CREDIT EQUIVALENT 2003	NOTIONAL AMOUNT 2002	UNWEIGHTED CREDIT EQUIVALENT 2002	WEIGHTED CREDIT EQUIVALENT 2002
Public sector	**89,498**	**283**		119,106	305	
Banks	**1,179,981**	**26,457**	**5,291**	1,215,687	30,467	6,092
Other	**224,293**	**6,179**	**3,090**	211,223	7,159	3,579
	1,493,772	**32,919**	**8,381**	1,546,016	37,931	9,671

Fair value of financial assets and liabilities

The following table presents the estimated fair values of ING Bank’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 do not represent, and should not be construed as representing, the underlying value of ING Bank.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

	ESTIMATED FAIR VALUE	BALANCE SHEET VALUE	ESTIMATED FAIR VALUE	BALANCE SHEET VALUE
		2003		2002
FINANCIAL ASSETS				
Cash	**10,135**	**10,135**	8,782	8,782
Short-dated government paper	**6,521**	**6,521**	8,398	8,398
Banks (1)	**60,916**	**60,768**	46,472	45,522
Loans and advances (2)	**284,795**	**282,470**	277,593	273,526
Interest-bearing securities				
– investment portfolio	**116,927**	**112,871**	80,428	77,200
– trading portfolio	**27,161**	**27,161**	22,794	22,794
Shares				
– investment portfolio	**766**	**766**	1,244	1,244
– trading portfolio	**7,135**	**7,135**	3,979	3,979
– equity participations	**1,009**	**981**	1,239	1,239
– other			1,558	1,558
Other participating interests	**1,613**	**1,613**	1,845	1,845
Other assets	**4,581**	**4,581**	5,919	5,919
Accrued assets	**9,063**	**9,063**	7,634	7,634
Derivatives held for non-trading purposes	**4,304**	**1,711**	5,162	1,851
	534,926	**525,776**	473,047	461,491
FINANCIAL LIABILITIES				
Banks	**102,330**	**102,115**	96,346	96,267
Funds entrusted	**308,084**	**307,793**	249,849	247,115
Debt securities	**73,015**	**72,372**	76,146	75,493
Other liabilities	**17,400**	**17,400**	17,636	17,636
Accrued liabilities	**8,815**	**8,815**	8,759	8,759
Subordinated liabilities	**15,566**	**14,516**	13,703	13,175
Derivatives held for non-trading purposes	**4,828**	**1,695**	5,554	1,836
	530,038	**524,706**	467,993	460,281

(1) Banks does not include receivables from leases.
(2) Loans and advances does not include receivables from leases.

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 Bank to estimate the fair value of the financial instruments.

Financial assets

CASH The carrying amount of cash approximates its fair value.

SHORT-DATED GOVERNMENT PAPER The fair values of short-dated government paper are based on quoted market prices, where available.

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

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

INTEREST-BEARING SECURITIES Fair values for interest-bearing 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.

SHARES The fair values of shares are based on quoted market prices or, if unquoted, on estimated market values generally based on quoted prices for similar securities. The fair values of equity participations are based on quoted market prices, where available.

OTHER PARTICIPATING INTERESTS The fair values of the shares of 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 other participating interests are determined using the same methods as described for interest-bearing securities.

OTHER ASSETS The carrying amount of other assets approximates its fair value.

ACCRUED ASSETS The carrying amount of accrued assets approximates its fair value.

Financial liabilities

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

FUNDS ENTRUSTED AND DEBT SECURITIES The carrying values of demand deposits and other deposits with no stated maturity approximate their fair values. The fair values of other deposits with stated maturities have been estimated based on discounting future cash flows using the interest rates currently applicable to deposits of similar maturities.

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

ACCRUED LIABILITIES The carrying amount of accrued liabilities approximates its fair value.

SUBORDINATED LIABILITIES The fair value of subordinated liabilities are estimated using discounted cash flows based on interest rates that apply to similar instruments.

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

SUMMARY OF THE RISK-WEIGTHED VALUE AND CONTRACT AMOUNT OF OTHER OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

	RISK WEIGHTED VALUE	CONTRACT AMOUNT	RISK WEIGHTED VALUE	CONTRACT AMOUNT
		2003		2002
Guarantees	**8,695**	**17,096**	8,220	16,783
Irrevocable letters of credit	**1,017**	**5,356**	1,483	6,030
Other	**306**	**358**	395	470
Irrevocable facilities	**12,412**	**66,640**	11,103	63,866

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

Regulatory requirements

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

CAPITAL POSITION

	2003	2002
Shareholders' equity (1)	**14,868**	14,664
Third-party interests	**553**	744
Capital and reserves of Stichting Regio Bank	**469**	428
Subordinated loans qualifying as Tier 1 capital (2)	**2,256**	1,336
Fund for general banking risks	**1,281**	1,233
Dividend preference shares (3)	**-118**	-136
Revaluation reserve (4)	**-235**	-189
Core capital - Tier 1	**19,074**	18,080
Supplementary capital - Tier 2	**9,743**	9,116
Available Tier 3 funds	**138**	257
Deductions	**-473**	-302
Qualifying capital	**28,482**	27,151
Risk Weighted Assets	**251,266**	247,287
Tier 1 ratio	**7.59%**	7.31%
BIS ratio	**11.34%**	10.98%

(1) Shareholders' equity includes an amount of EUR 3,002 million (2002: EUR 3,002 million) that qualifies as innovative Tier 1 capital (dated and undated). EUR 2,402 million has been raised via the Trust Preferred Securities issued by ING Groep N.V. and EUR 600 million has been raised by ING Groep N.V. as perpetual subordinated bond.
(2) Subordinated loans qualifying as Tier 1 capital have been placed by ING Groep N.V. with ING Bank N.V.
(3) Dividend declared but not yet paid is deducted, as it is not part of Tier 1 capital.
(4) Revaluation reserve is deducted, as it is not part of Tier 1 capital (included in Tier 2).

Related parties

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

RELATED PARTY TRANSACTIONS

	JOINT VENTURES	ASSOCIATES	JOINT VENTURES	ASSOCIATES
		2003		2002
Receivables	**303**	**81**	452	24
Liabilities	**1**	**9**	1	10
Guarantees issued in favour of	**79**	**1**	64	
	383	**91**	517	34

In addition to the transactions with joint ventures and associates ING Bank also enters into transactions with ING Insurance and its subsidiaries. ING Bank together with ING Insurance forms the ING Group. These transactions vary from financing activities to regular purchase and sale transactions. These transactions also take place on an at arm's length basis.

Income received from and expenses paid to joint ventures were EUR 13 million respectively EUR 150 million (2002: EUR 17 million respectively EUR 180 million).

Income received from and expenses paid to associates were EUR 2 million respectively nil (2002: nil respectively nil).

NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING BANK

INCOME

23 INTEREST

Interest income includes an amount of EUR 5,390 million (2002: EUR 5,222 million; 2001: EUR 4,116 million) in respect of interest-bearing securities. Interest expense includes an amount of EUR 3,187 million (2002: EUR 3,964 million; 2001: EUR 3,458 million) in respect of interest-bearing securities.

Despite the existence of a legal claim, interest income of EUR 123 million (2002: EUR 105 million; 2001: EUR 122 million) is not recognised in the profit and loss account because the realisation of the interest income is almost certainly not to be expected.

INTEREST INCOME AND EXPENSES

	2003	2002	2001
Interest income on loans/deposits	**15,920**	16,097	18,273
Interest income suspended	**-123**	-105	-122
Net interest income on loans/deposits	**15,797**	15,992	18,151
Origination fees and loan-servicing fees	**96**	102	167
Interest income on investment securities	**4,650**	4,141	3,478
Interest income on trading portfolio	**741**	1,081	638
Other interest income	**2,316**	2,567	2,366
Total interest income	**23,600**	23,883	24,800
Interest expenses on deposits by banks	**1,437**	2,071	3,372
Interest expenses on funds entrusted	**8,223**	6,273	6,230
Interest expenses on debt securities	**2,558**	4,073	4,152
Interest expenses on subordinated loans	**825**	779	699
Other interest expenses	**2,606**	3,209	4,411
Total interest expenses	**15,649**	16,405	18,864
Net interest result	**7,951**	7,478	5,936

INTEREST MARGIN, ANALYSED ON A PERCENTAGE BASIS OF THE NETHERLANDS AND INTERNATIONAL OPERATIONS

	2003	2002	2001
Netherlands	**1.93%**	1.80%	1.62%
International	**1.00%**	1.01%	0.77%
Overall	**1.55%**	1.59%	1.36%

In 2003 the growth of the average total assets caused an increase of the interest result with EUR 674 million (2002: EUR 530 million). The decrease of the interest margin by 4 basis points caused a decrease of the interest result with EUR 201 million (in 2002 the increase of the interest margin by 23 basis points caused an increase of the interest result with EUR 1,012 million).

24 INCOME FROM SECURITIES AND PARTICIPATING INTERESTS

BREAKDOWN OF INCOME FROM SECURITIES AND PARTICIPATING INTERESTS

	2003	2002	2001
Shares	**12**	23	249
Investments in associates	**43**	67	78
Other participating interests	**14**	6	75
Equity participations	**69**	101	155
	138	197	557

Equity participations include valuation differences on equity participations.

25 COMMISSION

BREAKDOWN OF COMMISSION

	2003	2002	2001
Funds transfer	**587**	592	526
Securities business	**665**	731	884
Insurance broking	**115**	117	89
Management fees	**594**	688	751
Brokerage and advisory fees	**146**	197	203
Other	**357**	290	312
	2,464	2,615	2,765

In 2003, EUR 3,085 million (2002: EUR 3,231 million; 2001: EUR 3,248 million) was received and EUR 621 million (2002: EUR 616 million; 2001: EUR 483 million) was paid in respect of commission.

26 RESULTS FROM FINANCIAL TRANSACTIONS

Results from financial transactions includes results from securities valuation fluctuations in the securities trading portfolio. Also included in this item are exchange differences in connection with holding assets and liabilities in foreign currencies, the results of the associated forward contracts and the results from financial instruments other than those serving to limit interest-rate risks. Asset trading results are also included in this item.

BREAKDOWN OF RESULTS FROM FINANCIAL TRANSACTIONS

	2003	2002	2001
Results from securities trading portfolio	**226**	201	617
Results from currency trading portfolio	**46**	242	464
Other	**290**	11	-1
	562	454	1,080

27 OTHER REVENUE

Other revenue includes income which cannot be classified with any of the above items, including rental income and results on the sale of property EUR 192 million (2002: EUR 153 million; 2001: EUR 204 million) and leasing income which is not classified as interest EUR 66 million (2002: EUR 52 million; 2001: EUR 128 million).

EXPENSES

28 STAFF COSTS

BREAKDOWN OF STAFF COSTS

	2003	2002	2001
Salaries	**3,132**	3,228	3,349
Pension and early retirement costs	**449**	298	323
Social security costs	**421**	453	438
Other staff costs	**692**	808	958
	4,694	4,787	5,068

Since 1 January 2003, the majority of the employees in the Netherlands is employed by the ING Personeel VOF, a joint venture between ING Bank and ING Insurance. The direct remuneration costs of the employees of ING Personeel VOF working for ING Bank are invoiced at cost price by ING Personeel VOF to ING Bank. In substance these costs are staff costs and therefore are reported as such.

PENSION AND EARLY-RETIREMENT COSTS

	PENSION			HEALTHCARE			OTHER			TOTAL		
	2003	2002	2001	2003	2002	2001	2003	2002	2001	2003	2002	2001
Current service cost	**261**	334	210	**14**	13	10	**6**	9	33	**281**	356	253
Past service cost	**-7**	15	10							**-7**	15	10
Interest expenses	**390**	363	292	**16**	14	14	**16**	31	65	**422**	408	371
Expected return on assets	**-371**	-361	-376				**-13**	-14	-15	**-384**	-375	-391
Amortisation of unrecognised net (gains)/losses	**78**	7				-1			2	**78**	7	1
Effect of curtailment or settlement	**-2**	15	-3	**-1**	-2	-8		-128		**-3**	-115	-11
Defined benefit post-employment plans	**349**	373	133	**29**	25	15	**9**	-102	85	**387**	296	233
Defined contribution plans										**62**	2	90
										449	298	323

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

The actual return on the plan assets amounted to EUR 548 million (2002: EUR -402 million; 2001: EUR -161 million).

Remuneration of the members and former members of the Executive Board and of the Supervisory Board

The members of the Executive Board and Supervisory Board of ING Bank are also members of the Executive Board and Supervisory Board of ING Group. The remuneration costs of ING Group amounted to EUR 7.5 million (2002: EUR 5.7 million and 2001: EUR 6.6 million) for members and former members of the Executive Board and EUR 1.0 million (2002: EUR 1.0 million and 2001: EUR 0.9 million) for members and former members of the Supervisory Board. These remuneration costs are charged in full by ING Group to its subsidiaries on the basis of a general allocation formula. The remuneration costs allocated to ING Bank amounted to EUR 3.8 million (2002: EUR 2.9 million and 2001: EUR 3.3 million) for members and former members of the Executive Board and EUR 0.5 million (2002: EUR 0.5 million and 2001: EUR 0.4 million) for members and former members of the Supervisory Board.

Stock option plan

ING Group (the parent company of ING Bank) has granted option rights on depository receipts of 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 Bank 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 Group, 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 fulfil 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 ING Group shares, causing a dilution of the net profit per share. As at 31 December 2003, 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 costs in connection with the stock option plan primarily consist of costs of funding resulting from the purchase of own shares by ING Group. The costs are proportionally charged to ING Bank by ING Group.

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.

29 OTHER ADMINISTRATIVE EXPENSES

BREAKDOWN OF OTHER ADMINISTRATIVE EXPENSES

	2003	2002	2001
Computer costs	**699**	584	538
Office equipment and accommodation	**675**	727	787
Travel expenses	**110**	130	165
Advertising and public relations	**418**	324	299
External advisory fees	**233**	289	342
Restructuring costs	**82**	128	
Other	**933**	996	634
	3,150	3,178	2,765

As of 2003 all office related expenses (including accommodation costs) are reported on one line. The comparable figures have been adjusted accordingly.

Computer costs include accelerated depreciation and impairment charges related to capitalised software of EUR 118 million.

30 DEPRECIATION

DEPRECIATION BY CATEGORY

	2003	2002	2001
Property	**89**	76	71
Equipment and other operating assets	**339**	335	378
	428	411	449

31 TAXATION

TAXATION BY TYPE

	NETHERLANDS 2003	INTERNATIONAL 2003	TOTAL 2003	NETHERLANDS 2002	INTERNATIONAL 2002	TOTAL 2002	NETHERLANDS 2001	INTERNATIONAL 2001	TOTAL 2001
Current taxation	**183**	**288**	**471**	135	104	239	434	303	737
Deferred taxation	**-1**	**50**	**49**	1	32	33	-170	-141	-311
	182	**338**	**520**	136	136	272	264	162	426

RECONCILIATION OF THE STATUTORY INCOME TAX RATE TO ING BANK'S EFFECTIVE INCOME TAX RATE

	2003	2002	2001
Profit before tax	**2,019**	949	1,817
Statutory tax rate	**34.5%**	34.5%	35.0%
Statutory tax amount	**697**	327	636
Participating interests exemption	**-65**	-47	-82
Other tax exempt income	**-231**	-168	-332
Differences caused by different foreign tax rates	**-16**	-126	-69
Non-recognised taxes on losses incurred	**54**	154	559
Other	**81**	132	-286
Effective tax amount	**520**	272	426
Effective tax rate	**25.8%**	28.7%	23.4%

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

amounts in millions of euros, unless stated otherwise

SEGMENT REPORTING

STAFF BY GEOGRAPHICAL AREA (1)

	2003	2002	2001
Netherlands	**21,886**	22,639	23,474
Belgium	**11,345**	12,072	12,457
Rest of Europe (2)	**19,847**	20,155	19,330
North America (2)	**2,087**	1,941	1,955
Latin America	**510**	593	737
Asia	**7,119**	3,287	2,376
Australia (2)	**571**	427	363
Other	**21**	75	79
	63,386	61,189	60,771

(1) Average number of staff employed on the basis of full-time equivalents.
(2) Includes headcount employed by ING Direct of 3,955 FTE (2002: 2,440 FTE).

INCOME BY GEOGRAPHICAL AREA

	2003	2002	2001
Netherlands	**5,111**	4,832	4,661
Belgium	**2,012**	2,044	1,993
Rest of Europe (1)	**2,997**	2,772	3,018
North America (1)	**718**	538	534
Latin America	**162**	315	244
Asia	**376**	421	476
Australia (1)	**132**	107	55
Other		7	8
	11,508	11,036	10,989

(1) Includes income attributable to ING Direct of EUR 1,045 million (2002: EUR 618 million).

PROFIT BEFORE TAX BY GEOGRAPHICAL AREA

	2003	2002	2001
Netherlands	**1,391**	1,317	1,323
Belgium	**458**	593	524
Rest of Europe (1)	**-37**	-328	351
North America (1)	**90**	-508	-450
Latin America	**118**	74	27
Asia	**37**	24	191
Australia (1)	**60**	55	– 7
Other	**-6**	-2	– 2
	2,111	1,225	1,957
Additions to the Fund for general banking risks	**140**	140	140
Value adjustments to financial fixed assets	**-48**	136	
	2,019	949	1,817

(1) Includes profit before tax attributable to ING Direct of EUR 151 million (2002: EUR 48 million).

The region Latin America comprises South America and Mexico. Until 2002 Mexico was included in the region North America. This revised regional split is more in line with the internal management reporting structure. The comparable figures have been adjusted accordingly.

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS OF ING BANK

32 NET CASH FLOW FROM OPERATING ACTIVITIES

The net cash flow shown in respect of *Loans and advances* only relates to transactions involving actual payments or receipts. The *Value adjustments to receivables* which is deducted from the item *Loans and advances* in the balance sheet has been adjusted for the profit before tax and is shown separately in the cash flow statement.

The *Value adjustments to financial fixed assets* which is deducted from the items *Shares* an *Other participating interests* is also shown separately in the net cash flow statement.

As a result of adjustments in the maturity of *Banks* as at 31 December 2002, the 2002 comparable figures in the consolidated cash flow statement were restated.

Amsterdam, 8 March 2004

THE SUPERVISORY BOARD,

Paul van der Heijden, *Chairman*
Luella Gross Goldberg
Claus Dieter Hoffmann
Aad Jacobs
Wim Kok
Godfried van der Lugt
Paul Baron de Meester
Jan Timmer
Karel Vuursteen

THE EXECUTIVE BOARD,

Michel Tilmant, *Chairman*
Fred Hubbell
Cees Maas, *Chief Financial Officer*
Alexander Rinnooy Kan

OTHER INFORMATION

AUDITOR'S REPORT

Introduction

We have audited the annual accounts 2003 of ING Bank N.V. registered in Amsterdam, the Netherlands. 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 annual accounts presentation. 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 2003 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 Dutch Civil Code.

Amsterdam, 8 March 2004

KPMG ACCOUNTANTS N.V.

PROFIT APPROPRIATION

The profit is appropriated pursuant to Article 36 of the Articles of Association of ING Bank 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

amounts in millions of euros	
Net profit	1,440
Due to holders of preference shares pursuant to Article 36 (3) of the Articles of Association	118
Non-distributable profit of Stichting Regio Bank, added to the reserves	42
At the disposal of the General Meeting of Shareholders	1,280
Add to Other reserves	775
Add to Reserve for participating interests	5
Dividend	500

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 Bank's core markets, (ii) performance of financial markets, including emerging markets, (iii) interest rate levels, (iv) currency exchange rates, (v) general competitive factors, (vi) changes in laws and regulations, and (vii) changes in the policies of governments and/or regulatory authorities. ING Bank assumes no obligation to update any forward-looking information contained in this document.

TEXT AND PRODUCTION

ING Groep N.V., Amsterdam

DESIGN AND DPP

Total Identity bv, Amsterdam

PRINTING

PlantijnCasparie Capelle a/d IJssel

BINDING

Hexspoor bv, Boxtel

WWW.ING.COM

219488