2004

ING INSURANCE ANNUAL REPORT

ING INSURANCE

ING INSURANCE
ANNUAL REPORT 2004

ING Verzekeringen N.V.
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PROFILE ING GROUP

ING VERZEKERINGEN N.V. (ING INSURANCE) IS PART OF ING GROUP

Profile

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

Business

ING is the number one financial services company in the Benelux home market. ING services its retail clients in these markets with a wide range of retail-banking and insurance products. In our wholesale banking activities we operate worldwide, but also with a primary focus on the Benelux countries. In the United States, ING is a top-5 provider of retirement services and life insurance. In Canada, we are the top property and casualty insurer. ING Direct is a leading direct bank with over 10 million customers in nine large countries. In the growth markets of Asia, Central Europe and South America we provide life insurance. We are also a large asset manager with assets under management of almost EUR 500 billion.

Mission

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

Stakeholders

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

ING Insurance

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

Insurance Americas

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

Insurance Europe

Operates the insurance activities in the Netherlands, Belgium and Central Europe and asset-management activities in Europe. In these countries ING offers life insurance with special attention for pensions. In the Netherlands and Belgium it also offers non-life insurance. ING has leading positions in the Netherlands and Belgium and throughout Central Europe.

Insurance Asia/Pacific

Holds the life insurance operations and asset/wealth management activities in Asia/Pacific. It has well established positions in Australia, Hong Kong, Japan, Korea, Malaysia and Taiwan. The activities in India, China and Thailand are future growth engines for ING.

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COMPOSITION OF THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD

As at 31 December 2004

SUPERVISORY BOARD[1]

Cor Herkströter, *chairman*
Eric Bourdais de Charbonnière
Luella Gross Goldberg
Paul van der Heijden
Claus Dieter Hoffmann
Aad Jacobs
Wim Kok
Godfried van der Lugt
Paul Baron de Meester
Jan Timmer[2]
Karel Vuursteen

EXECUTIVE BOARD

Fred Hubbell, *chairman*
Cees Maas, *chief financial officer*
Eric Boyer de la Giroday
Eli Leenaars
Alexander Rinnooy Kan
Michel Tilmant
Hans Verkoren

[1] Nominated members:
Christine Lagarde (as of 27 April 2005)
Jan Hommen (as of 1 June 2005)
[2] Retirement as of 27 April 2005

2 REPORT OF THE SUPERVISORY BOARD

TO THE SHAREHOLDER,

The Supervisory Board hereby presents you the 2004 Annual Report of ING Verzekeringen N.V. The Annual Report includes the report of the Executive Board, the Annual Accounts and Other information.

Annual Accounts and dividend
The Annual Accounts have been prepared by the Executive Board and have been discussed with 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 2004 amounts to EUR 600 million. This is the amount that has already been paid as interim dividend. No additional final dividend will be paid.

Meetings
In 2004, the Supervisory Board met on eight occasions, of which seven times in the presence of the Executive Board. The most important subjects in the meetings with the Executive Board were financial performance, strategy, management development, corporate governance, the remuneration structure of the Executive Board and exiting the individual life reinsurance business in the United States. The internal meeting without the Executive Board was devoted to the Supervisory Board's own performance as well as that of the Executive Board and its individual members.

Supervisory Board Committees
The Audit Committee discussed among other things the annual results and the semi-annual results, the development of the results, and twice the annual figures and the half-yearly figures according to the US accounting principles. The meetings also addressed topics as accounting principles, risk management, administrative organisation, internal controls and internal and external audits. Furthermore, tax and legal affairs got attention, including quarterly reporting on complaints received under the Whistleblower procedure.

The introduction of the International Financial Reporting Standards received extensive attention. ING is set to launch IFRS-compliant reporting with effect from 2005. The progress made towards reporting on the administrative organisation in conformity with the US Sarbanes-Oxley Act (SOX-404 requirements) was specifically discussed. Various business units held presentations to provide the Audit Committee with more insight into current developments from its own perspective. One of these subjects was information technology security.

Composition of the Supervisory Board
Eric Bourdais de Charbonnière was appointed to the Supervisory Board with effect from 27 April 2004. At the 2005 Annual General Meeting, Luella Gross Goldberg and Godfried van der Lugt are due to retire by rotation. They will be nominated for reappointment. Jan Timmer will retire following the Shareholders' Meeting on 26 April 2005, after being reappointed for two extra years in 2003 at the age of 70. In the 2005 Shareholders' Meeting two new members will be nominated for appointment, Ms. Christine Lagarde, partner of law firm Baker & MacKenzie, as well as Jan Hommen, until 1 May 2005 CFO of Philips Electronics. The latter will be nominated for appointment as of 1 June 2005, while Ms. Lagarde date of appointment would be 27 April 2005.

Composition of the Executive Board
With effect from 28 April 2004 the Executive Board has three new members: Eric Boyer de la Giroday, Eli Leenaars and Hans Verkoren.

Amsterdam, 7 March 2005

THE SUPERVISORY BOARD

3 REPORT OF THE EXECUTIVE BOARD

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

MAIN DEVELOPMENTS

Business lines
A new business line structure was introduced in 2004. The business lines for insurance are Insurance Europe, Insurance Americas and Insurance Asia/Pacific.

Insurance Europe
Operating profit before tax from Insurance Europe fell 2.2% to EUR 1,761 million, caused by a 4.0% decline in profit from life insurance to EUR 1,449 million, due to one-off items, such as the sale of the Italian life business in 2003 and lower gains on old reinsurance business. Excluding one-off items and the transfer of a real estate portfolio, operating profit before tax from Insurance Europe increased 4.6% to EUR 1,722 million from EUR 1,647 million in 2003. Life results in the Netherlands declined 2.9%, caused by higher operating expenses, the impact of the transfer of a real estate portfolio to the bank, and a lower one-off gain on old reinsurance activities. Life results in Belgium and Central Europe increased 29.1% and 11.5% respectively. Operating profit before tax from non-life insurance increased 6.5% to EUR 312 million, mainly as a result of favourable claims experience in the Netherlands, which offset lower non-life results from Belgium.

Total premium income declined 0.3% to EUR 11,369 million, due to a 6.2% drop in non-life premium income, as a result of the sale of the Dutch health insurance portfolio. Excluding the impact of this sale, non-life premiums increased 3.8%. Life premium income increased 1.1% to EUR 9,304 million as a 4.3% increase in the Netherlands was largely offset by a 6.3% decline in Belgium. Inflows into ING's pension fund businesses in Central Europe increased 42.4% to EUR 850 million. Commission and other income declined 30.1% to EUR 475 million due to the transfer of a real estate portfolio to ING Bank, lower gains from old reinsurance business and lower income from private equity investments.

Operating expenses increased 0.9% to EUR 1,832 million as the impact from divestments helped to offset higher operating expenses in the Netherlands. Excluding the sales of the life insurance business in Italy in 2003 and the Dutch health insurance business in 2004, as well as the transfer of a real estate portfolio to ING Bank, operating expenses rose 10.9%, due to substantially higher costs in the Netherlands, including external staff, investments in new IT systems and a restructuring provision in the second quarter to improve service and comply with Dutch legislative changes at Nationale-Nederlanden. Operating expenses in Belgium increased 5.0%. The average number of staff at Insurance Europe declined 6.0% to 14,380, due in part to the sale of the Italian life insurance business in the fourth quarter of 2003.

Nationale-Nederlanden is set to make further improvements in 2005. Its particular ambitions are to further improve customer satisfaction levels, reinforce customer differentiation and reduce the backlogs in the life business. In Central Europe, we will continue to improve distribution and products, the key to which will be reinforcing the tied agency channel. In every country where we are active, we will explore new distribution channels by forming alliances with banks and brokers.

Insurance Americas
Operating profit before tax from Insurance Americas increased 27.4% to EUR 1,669 million. The results include several one-off items related to the U.S. individual reinsurance business, which ING has exited, the pending sale of Life of Georgia, and the initial public offering of the non-life insurance business in Canada. Excluding those items and the gain on the sale of the Seguros Bital joint venture in 2003, profit before tax from Insurance Americas increased 31.7% to EUR 1,667 million from EUR 1,266 million in 2003. The decline of the U.S. dollar and the Mexican peso against the euro in 2004 reduced results by EUR 105 million. Excluding one-off items, currency effects and the transfer of investment management activities from banking to insurance in 2004, operating profit before tax increased 47.4%.

Premium income increased 2.0% to EUR 22,760 million, as strong production, particularly in the U.S. was largely offset by currency effects. Life premium income rose 5.3% to EUR 18,428 million, boosted by the introduction of new products as well as enhanced distribution, particularly through independent agents and broker dealers. Non-life premiums declined 10.0% mainly due to lower premium income from motor and property insurance in Mexico as well as currency effects. Excluding currency impacts, total premium income from Insurance Americas increased 11.4%. In addition, total fund inflows into the pension fund businesses in Chile, Mexico and Peru increased 33.5% to EUR 1,542 million.

Operating expenses declined 1.5%, mainly as a result of currency effects. Excluding currency effects, operating expenses increased 7.2% primarily as the result of the transfer of certain investment management activities from banking to insurance at the beginning of 2004, as well as additional expenses related to exiting the U.S. individual life reinsurance business and the pending sale of Life of Georgia. Excluding those costs, operating expenses rose 2.6%, due to higher sales and benefit costs.

The average number of staff at Insurance Americas declined 3.4% to 25,326, mainly as a result of staff reductions in Argentina and outsourcing of IT functions in the U.S., partially offset by the purchase of Allianz in Canada.

In the coming year Insurance Americas will focus on value creation through a combination of above-average top-line growth and improving operational execution. It will also complete the portfolio restructuring it started in 2004. In the United States, we are optimistic about long-term prospects in retirement related businesses. In Canada, the focus will be on translating our increased scale from the Allianz acquisition into a higher market share. In Latin America, we plan to expand distribution capacity, improve our non-life performance and deepen our presence in core wealth management lines of business. At ING Investment Management we will improve our equity management performance and strengthen third-party results.

Insurance Asia/Pacific

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

Premium income rose 24.7% to EUR 9,469 million, driven by higher life insurance sales. Premium income from life insurance increased 28.3% to EUR 9,232 million, led by Korea and Japan, while nonlife premium income fell 40.9%, reflecting the sale of the Australian non-life business in the second quarter of 2004. Excluding the impact of currencies and divestments, total life premiums increased 32.9%. Double-digit growth rates in local currencies were recorded in Japan (81.8%), South Korea (49.6%), Malaysia (17.1%), Hong Kong (16.2%), Thailand (37.6%), India (211.3%) and China (10.5%).
In addition, fund inflows into ING's pension fund businesses in Hong Kong and Japan increased to EUR 31 million from EUR 16 million in 2003.

Operating expenses fell 7.5% to EUR 726 million, due to divestments and other one-off items as well as the decline of many currencies against the euro. In 2004, expenses benefited from the release of a EUR 30 million reserve for a wage tax assessment in the second quarter which had been provisioned for in the fourth quarter of 2003. In Taiwan, premium tax rates fell from 5% to 2% resulting in a EUR 12 million reduction in expenses. Excluding those items and the divestment in Australia, operating expenses increased 9.5%, reflecting the growth of business in Japan and Korea as well as additional costs in Australia to improve quality and integrate IT systems. The average number of full-time staff declined 1.2% to 8,230 in 2004, as a reduction from the sale of the Australian joint venture was partially offset by increases in Korea and India.

Based on its current strong position in Asia/Pacific, ING strives to outperform its competitors, continuously improve the performance of its existing businesses and to deepen its presence in its core markets. We want to continue to gain market share in selected markets by building new partnerships and strengthening existing alliances. We will focus on expanding profitable product offerings while closing down product offerings which are high risk or offer only a low level of profitability.

TRANSITION TO IFRS

As of 2005, the European Union requires all listed companies in its member states to prepare consolidated financial statements under International Financial Reporting Standards ("IFRS"). ING Insurance will adopt IFRS as of 1 January 2005.

IFRS differs significantly from the current accounting principles (as applied in the 2004 annual accounts) in several areas. Therefore, shareholders' equity and net profit under IFRS may differ significantly from those under current accounting principles. The transition impact of implementing IFRS will be reported in shareholders' equity.

Restated 2004 comparatives under IFRS will be presented together with the publication of the IFRS financial information for 2005. However, in line with the IFRS transitional provisions, ING Insurance will not restate the 2004 comparatives for IAS 32 and 39 (Financial instruments) and IFRS 4 (Insurance contracts).

On 11 March 2005 ING Group presented the most significant impacts of the transition to IFRS. This presentation, which is available on the ING web site (www.ing.com), includes the following preliminary unaudited information:
- the impact on shareholders' equity at transition;
- the impact on 2004 net profit;
- the impact on ratios;
- an explanation of differences between current accounting principles and IFRS.

PROFIT APPROPRIATION
The net profit of EUR 3,580 million is at the disposal of the Shareholders' Meeting. An interim dividend of EUR 600 million has already been paid. It is proposed to pay no additional dividend and to add the remaining amount of EUR 2,980 million to Other reserves.

Amsterdam, 7 March 2005

THE EXECUTIVE BOARD

Fred Hubbell, *chairman*
Cees Maas, *chief financial officer*
Eric Boyer de la Giroday
Eli Leenaars
Alexander Rinnooy Kan
Michel Tilmant
Hans Verkoren

CONSOLIDATED BALANCE SHEET OF ING INSURANCE AS AT 31 DECEMBER

before profit appropriation

amounts in millions of euros	2004	2003
ASSETS		
Investments		
Land and buildings 1	**5,976**	6,019
Investments in group companies and participating interests 2	**2,444**	2,587
Other financial investments 3	**147,303**	138,575
Deposits with insurers 4	**72**	85
	155,795	147,266
Investments for the risk of policyholders 5	**77,662**	70,552
Debtors 6		
Receivables on account of direct insurance	**2,625**	2,908
Reinsurance receivables	**388**	567
Other receivables	**3,228**	3,710
	6,241	7,185
Other assets		
Tangible fixed assets 7	**293**	315
Cash 8	**1,967**	1,848
Other assets 9	**840**	750
	3,100	2,913
Accrued assets 10		
Accrued interest and rents	**2,505**	2,806
Deferred acquisition costs of insurance business	**10,350**	9,760
Other accrued assets	**1,118**	637
	13,973	13,203
Total	**256,771**	241,119

The numbers against the items refer to the notes starting on page 26.

amounts in millions of euros	2004	2003
EQUITY AND LIABILITIES		
Shareholders' equity 11	**13,934**	12,011
Third-party interests	**1,722**	1,187
Group equity	**15,656**	13,198
Subordinated loans 12	**2,616**	2,647
Insurance provisions		
Provision for unearned premiums and unexpired non-life insurance risks		
Gross	**2,862**	3,174
Reinsurance element	**353**	687
	2,509	2,487
Provision for life policy liabilities 13		
Gross	**125,805**	119,831
Reinsurance element	**4,106**	2,948
	121,699	116,883
Claims provision 14		
Gross	**8,511**	7,911
Reinsurance element	**1,134**	614
	7,377	7,297
Provision for profit sharing and rebates	**849**	795
Other insurance provisions	**17**	21
	132,451	127,483
Insurance provisions for policies for which policyholders bear the investment risk		
Gross	**78,807**	71,687
Reinsurance element	**1,151**	1,135
	77,656	70,552
General provisions 15		
Deferred tax liabilities	**1,377**	1,299
Other	**351**	366
	1,728	1,665
Deposits from reinsurers	**549**	239
Creditors 16		
Liabilities relating to direct insurance	**1,532**	1,982
Liabilities relating to reinsurance	**173**	298
Other debentures and private loans 17	**8,843**	9,757
Loans from credit institutions 18	**7,223**	5,096
Other liabilities 19	**6,771**	6,601
	24,542	23,734
Accrued liabilities 20	**1,573**	1,601
Total	**256,771**	241,119

The numbers against the items refer to the notes starting on page 26.

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

amounts in millions of euros	2004	2003	2002
I NON-LIFE UNDERWRITING ACCOUNT 21			
Premiums written for own account			
Gross premiums	**6,642**	7,288	7,917
Outward reinsurance premiums	**756**	930	1,275
	5,886	6,358	6,642
Changes in provision for unearned premiums and unexpired non-life insurance risks			
Gross	**-100**	-209	-420
Reinsurers' share	**-27**	21	-75
	-73	-230	-345
Premiums earned for own account	**5,813**	6,128	6,297
Allocated income and expenses 22	**1,232**	920	732
Other underwriting income for own account	**27**	9	62
Claims for own account			
Gross	**3,930**	4,505	4,708
Reinsurers' share	**326**	458	611
	3,604	4,047	4,097
Changes in claims provision			
Gross	**16**	76	665
Reinsurers' share	**-42**	-131	40
	58	207	625
Total claims incurred	**3,662**	4,254	4,722
Operating expenses 23	**1,801**	1,796	1,757
Other underwriting expenditure for own account		-1	45
Result from non-life underwriting account	**1,609**	1,008	567
II LIFE UNDERWRITING ACCOUNT 24			
Premiums for own account			
Gross premiums	**36,975**	33,904	38,899
Outward reinsurance premiums	**1,619**	1,102	1,093
	35,356	32,802	37,806
Allocated income and expenses 22	**10,538**	18,269	-1,864
Other underwriting income for own account	**33**	93	223
Benefits for own account			
Gross	**25,784**	24,294	29,322
Reinsurers' share	**930**	1,010	995
	24,854	23,284	28,327
Changes in other insurance provisions for own account			
Provision for life policy liabilities			
Gross	**14,421**	19,954	1,449
Reinsurers' share	**1,511**	-351	251
	12,910	20,305	1,198
Profit sharing and rebates	**1,180**	1,294	-831
Operating expenses 23	**4,559**	3,785	4,362
Other underwriting expenditure for own account		8	16
Result from life underwriting account	**2,424**	2,488	3,093

The numbers against the items refer to the notes starting on page 45.

amounts in millions of euros	2004	2003	2002
III NON-TECHNICAL ACCOUNT			
Result from insurance operations:			
Result non-life underwriting account	**1,609**	1,008	567
Result life underwriting account	**2,424**	2,488	3,093
Income from investments 25	**12,986**	19,745	919
Investment expenses 26	**2,195**	2,540	2,673
Allocated income and expenses transferred to underwriting accounts 22	**-11,770**	-19,189	1,132
Other income 27	**1,570**	2,006	1,652
Other expenses	**1**	2	27
Profit before tax	**4,623**	3,516	4,663
Taxation 28	**919**	896	759
Profit after tax	**3,704**	2,620	3,904
Third-party interests	**124**	119	96
Net profit for the period	**3,580**	2,501	3,808

The numbers against the items refer to the notes starting on page 45.

As from 2003, realised capital gains and losses on equity securities and the impact of the negative revaluation reserve on equity securities are not allocated from the non-technical account to the non-life and life underwriting account anymore. The comparative figures have been adjusted accordingly.

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

amounts in millions of euros	**2004**	2003	2002
Net profit for the period	**3,580**	2,501	3,808
Other components of comprehensive net profit:			
– unrealised revaluations[1]	**902**	516	-2,988
– exchange differences[2]	**-819**	-1,000	-971
Net profit not recognised in the consolidated profit and loss account	**83**	-484	-3,959
Realised revaluations released to the profit and loss account	**-932**	-258	-1,278
Comprehensive net profit for the period	**2,731**	1,759	-1,429

[1] In 2004, deferred taxes with regard to unrealised revaluations amounted to EUR -14 million (2003: EUR -9 million; 2002: EUR -83 million).
[2] In 2004, deferred taxes with regard to exchange differences amounted to EUR 288 million (2003: EUR -73 million; 2002: EUR -12 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 INSURANCE FOR THE YEARS ENDED 31 DECEMBER

amounts in millions of euros		2004	2003	2002
Profit before tax		**4,623**	3,516	4,663
Adjusted for:	— depreciation	**192**	194	211
	— movements in deferred acquisition costs of insurance business	**-858**	-783	-914
	— increase in insurance provisions	**13,244**	24,563	7,444
	— other	**2,192**	-660	-184
Trading portfolio purchases/sales (incl. securities and property)		**-30**	35	126
Net investment in tangible fixed assets		**-216**	-132	-109
Taxation		**-496**	-890	-485
Movements in:	— other receivables, prepayments and accrued assets	**1,228**	754	252
	— other liabilities and accruals	**-240**	-1,565	-437
Net cash flow from operating activities		**19,639**	25,032	10,567
Investments and advances:	— participating interests	**-709**	-237	-1,443
	— investments in shares and property	**-5,895**	-6,084	-7,203
	— investments in fixed-interest securities	**-246,157**	-247,862	-230,791
	— other investments	**-11**	-10	-24
Disposals and redemptions:	— participating interests	**667**	506	804
	— investments in shares and property	**6,420**	7,526	8,487
	— investments in fixed-interest securities	**231,419**	233,940	214,773
	— other investments	**24**	12	1
Net investment for risk of policyholders		**-7,291**	-14,571	6,813
Net cash flow from investing activities 29		**-21,533**	-26,780	-8,583
Subordinated loans of group companies				1,504
Bonds, loans contracted and deposits by reinsurers		**2,137**	1,025	748
Private placements of ordinary shares		**554**	44	439
Repayment of capital to ING Groep N.V.				-1,453
Cash dividends		**-630**	-548	-1,299
Net cash flow from financing activities		**2,061**	521	-61
Net cash flow		**167**	-1,227	1,923
Cash at beginning of year		**1,848**	3,221	1,534
Exchange differences		**-48**	-146	-236
Cash at year-end		**1,967**	1,848	3,221
Cash comprises the following items:				
Cash and bank balances and call money		**1,967**	1,848	3,221
Cash at year-end		**1,967**	1,848	3,221

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

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

INTRODUCTION

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

CONSOLIDATION PRINCIPLES

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

The financial data of joint ventures are included in proportion to the group's interest where it is relevant to the understanding of ING Insurance's shareholders' equity and results. Intercompany financial relationships between business units of ING Insurance are eliminated.

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

CHANGES IN PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

Starting 1 January 2004, ING adopted the US GAAP accounting standard "Statement of Position 03-1: Accounting and Reporting by Insurance Enterprises for Certain Non-Traditional Long-Duration Contracts and for Separate Accounts" for both its Dutch and US accounting. SOP 03-1 requires the establishment of benefit reserves for annuity contracts, such as guaranteed minimum death benefits, and affects the timing of profit recognition of universal life contracts.

ING already held adequate reserves for guaranteed minimum death benefits with variable annuities, so the impact for ING mainly relates to the timing of the profit recognition in universal life contracts in the US.

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

CHANGES IN PRESENTATION

Guaranteed Investment Contracts

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

CHANGES IN THE COMPOSITION OF THE GROUP

IMPACT MOST SIGNIFICANT CHANGES IN COMPOSITION OF THE GROUP

amounts in millions of euros	**Before acquisition/ disposal**	**After acquisition/ disposal**	**Impact 2004**	Before acquisition/ disposal	After acquisition/ disposal	Impact 2003
Assets	**255,896**	**256,771**	**875**	242,205	241,119	-1,086
Liabilities	**242,151**	**242,837**	**686**	230,312	229,108	-1,204
Shareholders' equity	**13,745**	**13,934**	**189**	11,893	12,011	118
Net profit for the period	**3,382**	**3,580**	**198**	2,402	2,501	99

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

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

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

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

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

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

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

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

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

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

Insurance provisions and DAC

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

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

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

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

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

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

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

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

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

Fair value of financial assets and liabilities

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

Impairments

The carrying value of all assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The identification of impairment and the determination of the recoverable amount are an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices. The determination of impairment is specifically relevant to the investments in equity securities and fixed interest securities.

In order to determine whether negative revaluations on equity securities represent impairment, all equity securities for which the market value has been significantly below cost price for a considerable period of time are individually reviewed. A distinction is made between negative revaluations due to general market fluctuations and due to issuer-specific developments. The impairment review focuses on issuer specific developments regarding financial condition and future prospects, taking into account the intent and ability to hold the securities under the Group's long term investment strategy.

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

Although all individual securities are reviewed to ensure that no material impairments are required to be charged to the profit and loss account, the identification of impairment and the determination of the recoverable amount are an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices. Further developments after the balance sheet date may indicate that certain unrealised losses that existed as of the balance sheet date will result in impairment in future periods, resulting in a negative impact on the profit and loss account for future periods.

GENERAL PRINCIPLES

Recognition

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

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

Valuation

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

Use of estimates

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

Foreign currencies

General The euro is the reporting currency of ING Insurance. Assets and liabilities in foreign currencies are translated at the spot mid-rates (Amsterdam exchange rates) prevailing on the balance sheet date. Non-monetary items which are expressed in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Income and expenses arising from foreign currency transactions are translated at the rates prevailing on the transaction date.

The following exchange differences are credited or debited, net of any related taxes, to *Shareholders' equity*:
- exchange differences on participating interests, investments and liabilities assumed in connection with their financing;
- exchange differences on insurance provisions and on investments serving to cover these liabilities;
- exchange differences on loans serving to hedge exchange rate risks on foreign interests and
- investments.

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

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

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

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

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

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

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

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

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

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

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

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

Impairments
The carrying value of *Investments* and *Tangible fixed assets* is reviewed to ascertain whether there has been a permanent diminution in value. These impairments are assessed on an individual basis and are taken to the profit and loss account immediately. However, impairments of assets carried at revalued amounts are first charged directly to any revaluation reserve for these assets.

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

Receivables
Receivables are carried at the face value less any diminution in value (impairment) deemed necessary to cover the risk of uncollectibility. Receivables are impaired if it is probable that the principal and interest contractually due will not be collected. In general, to determine the amount of this impairment (provision for loan losses), the degree of risk of uncollectibility is assessed on a static basis:
- per individual loan, taking into account among other things amounts outstanding at year-end, the financial position, results and cash-flow information of the debtor, the payment history and the value of the collateral;
- per group of loans subdivided by the degree of risk of uncollectibility (risk classification), determined on the basis of a wide range of aspects with regard to creditworthiness and taking into account empirically determined risk percentages for each risk category.

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

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

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

Positions held with trading intent are those held intentionally for short-term resale and/or with the intent of benefiting from actual or expected short-term price movements or to lock in arbitrage profits.

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

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

SPECIFIC PRINCIPLES

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

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

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

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

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

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

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

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

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

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

Other financial investments Shares and other non-fixed interest securities held for the group's own risk are stated at fair value as at balance sheet date. Changes in the carrying amount resulting from revaluations of these investments are credited or debited to Shareholders' equity, allowing for taxation where necessary. On disposal of these investments, the difference between the sale proceeds and cost is recognised in the profit and loss account.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred tax assets Deferred corporate tax assets are stated at face value and are calculated for the carry forward 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 carry forward of unused tax losses are recognised only to the extent that it is probable that future taxable profits will be available for compensation.

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

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

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

The as yet unamortised interest-rate rebates on periodic and single premium contracts are deducted from the Provision for life policy liabilities. Interest-rate rebates granted during the year are capitalised and amortised in conformity with the anticipated recovery pattern and are debited to the profit and loss account.
The adequacy of the Provision for life policy liabilities is evaluated each year. The adequacy test takes into account future developments and allows for remaining unamortised interest-rate rebates and deferred acquisition costs.
For more details, reference is made to the critical accounting principles.

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

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

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

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

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

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

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

Pension liabilities and other staff-related liabilities Provisions for pension liabilities and other staff-related liabilities are calculated using the projected unit credit method of actuarial cost allocation. In accordance with this method, the discounted value of the pension liabilities and other staff-related liabilities is determined on the basis of the active period of service up to the balance sheet date, the projected salary at the expected retirement date and the market yields at the balance sheet date on high quality corporate bonds.
In order to distribute expenses for pensions and other staff-related expenses evenly over the years, these expenses are calculated using the expected rate of return on plan assets. Differences between this expected return and the actual return on these plan assets and actuarial changes are not recognised in the profit and loss account, unless the accumulated differences and changes exceed 10% of the greater of the defined benefit obligation and the fair value of the plan assets. The excess is amortised and charged to the profit and loss account over employees remaining working lives.

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

WEIGHTED AVERAGES OF BASIC ACTUARIAL ASSUMPTIONS IN ANNUAL % AS AT 31 DECEMBER	2004	2003	2002
Discount rates	**5.00**	5.75	5.75
Expected rates of salary increases (excluding promotional increase)	**2.50**	2.50	2.75
Medical cost trend rates	**4.50**	4.00	4.50
Consumer price inflation	**2.00**	1.75	2.00

The expected rate of return for 2004 on plan assets was 7.00% (2003: 7.50%; 2002: 7.50%).

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

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

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

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

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

Taxation
Taxation is calculated on the 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 INSURANCE

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

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

In the net cash flow from operating activities, the 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 granted and repaid only relates to transactions involving actual payments or receipts. The additions to the provision for loan losses which is deducted from the item *Debtors* in the balance sheet has been adjusted accordingly for the profit before tax and is shown separately in the cash flow statement.

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

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

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

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

NOTES TO THE CONSOLIDATED BALANCE SHEET OF ING INSURANCE

amounts in millions of euros, unless stated otherwise

ASSETS

1 LAND AND BUILDINGS

LAND AND BUILDINGS	2004	2003
Land and buildings wholly or partially in use by group companies	**731**	865
Other land and buildings	**5,245**	5,154
	5,976	6,019

MOVEMENTS IN LAND AND BUILDINGS	2004	2003
Opening balance	**6,019**	7,239
Additions	**989**	882
Transfer from other assets	**177**	320
Changes in the composition of the group	**-395**	-1,336
Capitalised interest during construction	**2**	5
Impairments	**-40**	-17
Revaluations	**161**	221
Disposals	**-917**	-1,193
Exchange differences	**-20**	-102
Closing balance	**5,976**	6,019

The balance sheet value as at 31 December 2004 included revaluations of EUR 869 million (2003: EUR 1,191 million). The cost or purchase price amounted to EUR 5,107 million (2003: EUR 4,828 million).

APPRAISAL OF LAND AND BUILDINGS DURING THE LAST FIVE YEARS	
in percentages	
Years of appraisal	
2004	**87**
2003	**6**
2002	**1**
2001	**1**
2000	**5**
	100

2 INVESTMENTS IN GROUP COMPANIES AND PARTICIPATING INTERESTS

PARTICIPATING INTERESTS

	Ownership (%)	Balance sheet value	Estimated fair value 2004	Ownership (%)	Balance sheet value	Estimated fair value 2003
Name of investee						
Investments in associates:						
Vesteda	**25**	**724**	**724**	23	654	654
Property Fund Iberica	**30**	**134**	**134**	30	115	115
Q-Park N.V.	**19**	**97**	**97**	21	84	84
Lionbrook Property Partnership	**26**	**79**	**79**			
ING UK Property income Limited Partnership	**45**	**63**	**63**			
ING Logistic Property C.V.	**25**	**60**	**60**	50	72	72
De Goudse Verzekeringen N.V.	**20**	**40**	**40**	20	37	37
N.V. Levensverzekeringsmaatschappij De Hoop	**33**	**19**	**19**	33	19	19
Airport Real Estate Fonds C.V.	**18**	**17**	**17**			
Other investments in associates[1]		**374**	**374**		229	229
		1,607	**1,607**		1,210	1,210
Investments in other participating interests		**104**	**104**		341	341
Total investments in participating interests		**1,711**	**1,711**		1,551	1,551
Receivables from:						
– group companies of ING Group		**722**	**722**		1,022	1,038
– participating interests		**11**	**11**		14	14
		733	**733**		1,036	1,052
		2,444	**2,444**		2,587	2,603

[1] Among which NRG and SulAmérica.

The balance sheet value of *Investments in group companies and participating interests* as at 31 December 2004 included revaluations of EUR 135 million (2003: EUR 116 million). The cost of these *Investments in group companies and participating interests* amounted to EUR 2,768 million (2003: EUR 1,865 million).

MOVEMENTS IN PARTICIPATING INTERESTS

	Associates 2004	Associates 2003	Other participating interests 2004	Other participating interests 2003	Receivables from participating interests 2004	Receivables from participating interests 2003
Opening balance	**1,210**	813	**341**	293	**14**	12
Additions and advances	**162**	109	**6**	85	**13**	2
Changes in the composition of the group	**174**		**-5**		**-13**	
Transition to and from Group companies and investments	**204**	143	**-237**	-6		
Revaluations	**60**	149	**13**			
Results from participating interests	**108**	267				
Dividends received	**-110**	-77				
Disposals and redemptions	**-199**	-186	**-15**	-8	**-2**	-1
Impairments			**1**	-6		
Exchange differences	**-2**	-8		-17	**-1**	1
Closing balance	**1,607**	1,210	**104**	341	**11**	14

3 OTHER FINANCIAL INVESTMENTS

OTHER FINANCIAL INVESTMENTS	Balance sheet value		Estimated fair value	
	2004	2003	**2004**	2003
Shares and other non-fixed-interest securities	**9,910**	9,922	**9,910**	9,922
Debentures and fixed-interest securities	**99,402**	90,116	**106,609**	95,631
Interests in investment pools	**27**	71	**27**	71
Mortgage loans	**26,932**	25,802	**29,516**	26,421
Other loans	**7,967**	10,014	**8,600**	10,685
Deposits with credit institutions	**636**	535	**636**	538
Other	**2,429**	2,115	**2,426**	2,071
	147,303	138,575	**157,724**	145,339

As at 31 December 2004, the cost of *Other financial investments* except for investments in Shares and other non-fixed-interest securities and Interests in investment pools amounted to EUR 138,178 million (2003: EUR 129,716 million).

MOVEMENTS IN OTHER FINANCIAL INVESTMENTS (EXCEPT FOR INTERESTS IN INVESTMENTS POOLS, DEPOSITS WITH CREDIT INSTITUTIONS AND OTHER)	Shares and other non-fixed-interest securities		Debentures and fixed-interest securities		Mortgage loans		Other loans	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
Opening balance	**9,922**	11,024	**90,116**	90,334	**25,802**	26,993	**10,014**	10,342
Additions and advances	**4,906**	5,567	**148,706**	196,045	**4,788**	5,122	**1,874**	6,676
Changes in the composition of the group	**26**	-32	**26**	-475	**-8**	-78	**-4**	-12
Yield differences			**-860**	-1,288	**71**	85	**22**	-28
Revaluations	**601**	300						
Impairments	**-9**	-56	**-10**	-140				
Disposals and redemptions	**-5,399**	-6,655	**-134,296**	-182,820	**-3,728**	-4,273	**-2,968**	-6,368
Exchange differences	**-84**	-170	**-4,369**	-11,991	**-701**	-1,739	**-171**	-560
Other movements	**-53**	-56	**89**	451	**708**	-308	**-800**	-36
Closing balance	**9,910**	9,922	**99,402**	90,116	**26,932**	25,802	**7,967**	10,014

Non-Income Producing Investments

ING Insurance's investments in debentures and fixed-interest securities, with a combined carrying value of EUR 153 million (2003: EUR 213 million), were non-income-producing for the year ended 31 December 2004.

SHARES AND OTHER NON-FIXED-INTEREST SECURITIES		
	2004	2003
Listed	**8,960**	8,800
Unlisted	**950**	1,122
	9,910	9,922

ANALYSES OF SHARES AND OTHER NON-FIXED-INTEREST SECURITIES		
	2004	2003
Purchase price	**8,917**	8,869
Revaluation: – gross unrealised gains	**1,966**	2,224
– gross unrealised losses	**973**	1,171
	9,910	9,922

DEBENTURES AND FIXED-INTEREST SECURITIES		
	2004	2003
Listed	**83,725**	85,338
Unlisted	**15,677**	4,778
	99,402	90,116

As at 31 December 2004, the cost of investments in Debentures and fixed-interest securities amounted to EUR 100,133 million (2003: EUR 91,238 million).

At 31 December 2004 (and at 31 December 2003) no listed securities issued by ING Group were held.

BALANCE SHEET VALUE INCLUDING DEBENTURES AND FIXED-INTEREST SECURITIES	2004	2003
Lent	**719**	166
Sold in repurchase transactions	**3,751**	3,827
	4,470	3,993

OTHER LOANS	2004	2003
Private loans	**4,768**	6,810
Policy loans	**2,890**	2,894
Professional loans	**309**	310
	7,967	10,014

As at 31 December 2004, an amount of EUR 123,659 million (2003: EUR 120,062 million) was expected to be recovered or settled after more than one year from the balance sheet date for *Other financial investments* except Shares and other non-fixed-interest securities.

4 DEPOSITS WITH INSURERS

Deposits with insurers relates to receivables under a reinsurance contract which are not freely available. As at 31 December 2004, the fair value amounted to EUR 72 million (2003: EUR 85 million).

5 INVESTMENTS FOR RISK OF POLICYHOLDERS

INVESTMENTS FOR RISK OF POLICYHOLDERS	2004	2003
Land and buildings	**18**	23
Other financial investments:		
– shares and convertible debentures	**74,015**	60,772
– fixed-interest securities	**2,673**	8,484
– other	**956**	1,273
	77,662	70,552

MOVEMENTS IN INVESTMENTS FOR RISK OF POLICYHOLDERS	2004	2003
Opening balance	**70,552**	64,281
Additions and advances	**34,468**	30,887
Changes in the composition of the group		-405
Disposals and redemptions	**-29,382**	-25,370
Exchange differences	**-4,212**	-7,754
Other movements	**6,236**	8,913
Closing balance	**77,662**	70,552

As at 31 December 2004, the cost of Investments for risk of policyholders amounted to EUR 77,338 million (2003: EUR 70,723 million).

6 DEBTORS

DEBTORS	2004	2003
Receivables on account of direct insurance from:		
– policyholders	**2,298**	2,497
– intermediaries	**327**	411
Reinsurance receivables	**388**	567
Other receivables:		
– pension assets and other staff related assets	**550**	515
– ING Group	**99**	64
– third parties	**2,579**	3,131
	6,241	7,185

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

As at 31 December 2004, an amount of EUR 671 million (2003: EUR 861 million) was expected to be recovered or settled after more than one year from the balance sheet date.

7 TANGIBLE FIXED ASSETS

TANGIBLE FIXED ASSETS	2004	2003
Data-processing equipment	**59**	78
Other movable fixed assets	**234**	237
	293	315

MOVEMENTS IN TANGIBLE FIXED ASSETS	2004	2003
Opening balance	**315**	382
Additions	**98**	126
Changes in the composition of the group	**9**	-10
Disposals	**-20**	-27
Depreciation	**-99**	-119
Exchange differences	**-10**	-37
Closing balance	**293**	315

CUMULATIVE DEPRECIATION OF TANGIBLE FIXED ASSETS	2004	2003
Gross carrying amount as at 31 December	**616**	744
Accumulated depreciation as at 31 December	**323**	429
	293	315

8 CASH

CASH	2004	2003
Cash and bank balances	**1,773**	1,476
Call money	**194**	372
	1,967	1,848

9 OTHER ASSETS

OTHER ASSETS	2004	2003
Trading portfolio	**42**	135
Equity participations	**373**	314
Property	**51**	65
Deferred tax assets	**172**	80
Other receivables	**202**	156
	840	750

As at 31 December 2004, an amount of EUR 373 million (2003: EUR 418 million) 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	2004	2003
Deferred tax assets relating to:		
– insurance provisions	**83**	1,226
– other provisions	**11**	265
– unused tax losses carried forward	**39**	319
– other	**164**	352
	297	2,162
Deferred tax liabilities (offset by deferred tax assets) relating to:		
– investments	**71**	3
– deferred acquisition costs	**48**	915
– general provisions		1,036
– other	**6**	128
	125	2,082
	172	80

DEFERRED TAX ASSETS IN CONNECTION WITH UNUSED TAX LOSSES CARRIED FORWARD	2004	2003
Total unused tax losses carried forward	**187**	918
Unused tax losses carried forward not recognised as a deferred tax asset	**57**	4
Unused tax losses carried forward recognised as a deferred tax asset	**130**	914
Average tax rate	**29.7%**	34.9%
Deferred tax asset	**39**	319

TOTAL UNUSED TAX LOSSES CARRIED FORWARD AS AT 31 DECEMBER BY EXPIRATION TERMS	2004	2003
– up to five years	**57**	24
– five to ten years	**66**	31
– ten to twenty years	**30**	809
– unlimited	**34**	54
	187	918

10 ACCRUED ASSETS

As at 31 December 2004, an amount of EUR 10,301 million (2003: EUR 8,657 million) was expected to be recovered or settled after more than one year from balance sheet date.

MOVEMENTS IN DEFERRED ACQUISITION COSTS OF INSURANCE BUSINESS

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

EQUITY AND LIABILITIES

11 SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY	2004	2003
Opening balance	**12,011**	10,827
Unrealised revaluations after taxation	**902**	516
Exchange differences	**-819**	-1,000
Net profit not recognised in the profit and loss account	**83**	-484
Realised revaluations released to the profit and loss account	**-932**	-258
Write-off of goodwill	**-179**	-27
Net profit for the period	**3,580**	2,501
Dividend paid	**-629**	-548
Closing balance	**13,934**	12,011

12 SUBORDINATED LOANS

SUBORDINATED LOANS	2004	2003
– 6.250% bonds, issued by ING Verzekeringen N.V. on 21 June 2002, due on 21 June 2021	**1,250**	1,250
– 6.375% bonds, issued by ING Verzekeringen N.V. on 7 May 2003, due on 7 May 2021	**1,000**	1,000
– 7.2% perpetual subordinated loan issued by ING Verzekeringen N.V. on 12 December 2003, due on 12 December 2052	**366**	397
	2,616	2,647

13 PROVISION FOR LIFE POLICY LIABILITIES

PROVISION FOR LIFE POLICY LIABILITIES	2004	2003
Provision for life policy liabilities	**122,629**	117,860
Unamortised interest-rate rebates	**930**	977
	121,699	116,883

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

14 CLAIMS PROVISION

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

The claims provision is of a short-term nature.

15 GENERAL PROVISIONS

GENERAL PROVISIONS	2004	2003
Deferred tax liabilities	**1,377**	1,299
Reorganisations and relocations	**47**	42
Other	**304**	324
	1,728	1,665

As at 31 December 2004, an amount of EUR 1,248 million (2003: EUR 1,259 million) was expected to be settled after more than one year from balance sheet date.

MOVEMENTS IN GENERAL PROVISIONS	Deferred tax liabilities 2004	Deferred tax liabilities 2003	Reorganisations and relocations 2004	Reorganisations and relocations 2003	Other 2004	Other 2003
Opening balance	**1,299**	1,637	**42**	85	**324**	475
Changes in the composition of the group	**-19**	-120			**-1**	-2
Additions	**772**	569	**22**	7	**98**	46
Releases	**-380**	-194	**-5**		**-1**	2
Transfer to deferred tax assets	**92**	-110				
Charges	**-365**	-413	**-12**	-46	**-104**	-142
Exchange differences	**-22**	-70		-4	**-12**	-55
Closing balance	**1,377**	1,299	**47**	**42**	**304**	324

Deferred tax liabilities

PROVISION FOR DEFERRED TAX LIABILITIES BY ORIGIN	2004	2003
Deferred tax assets (offset by deferred tax liabilities) relating to:		
— insurance provisions	**1,531**	571
— other provisions	**1**	39
— unused tax losses carried forward	**336**	109
— equalisation reserve	**33**	718
— other	**510**	116
	2,411	1,553
Deferred tax liabilities relating to:		
— investments	**948**	1,139
— deferred acquisition costs	**2,623**	778
— equalisation reserve		259
— general provisions	**175**	426
— other	**42**	250
	3,788	2,852
	1,377	1,299

DEFERRED TAX ASSET (OFFSET BY DEFERRED TAX LIABILITIES) IN CONNECTION WITH UNUSED TAX LOSSES CARRIED FORWARD	2004	2003
Total unused tax losses carried forward	**1,047**	601
Unused tax losses carried forward not recognised as a deferred tax asset	**64**	81
Unused tax losses carried forward recognised as a deferred tax asset	**983**	520
Average tax rate	**34.1%**	21.0%
Deferred tax asset	**336**	109

TOTAL UNUSED TAX LOSSES CARRIED FORWARD AS AT 31 DECEMBER BY EXPIRATION TERMS	2004	2003
– up to five years	**268**	234
– five to ten years	**44**	15
– ten to twenty years	**657**	
– unlimited	**78**	352
	1,047	601

Pension liabilities and other staff-related liabilities

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

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

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

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

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

SUMMARY OF PENSION LIABILITIES AND OTHER STAFF-RELATED LIABILITIES	Pension liabilities 2004	Pension liabilities 2003	Healthcare 2004	Healthcare 2003	Other 2004	Other 2003	Total 2004	Total 2003
Defined benefit obligation	**4,825**	4,421	**333**	306	**40**	34	**5,198**	4,761
Fair value of plan assets	**4,183**	3,848					**4,183**	3,848
	642	573	**333**	306	**40**	34	**1,015**	913
Unrecognised past service costs	**-1**	-1	**15**	2			**14**	1
Unrecognised gains/(losses)	**-1,507**	-1,383	**-70**	-46	**-2**		**-1,579**	-1,429
	-866	-811	**278**	262	**38**	34	**-550**	-515

MOVEMENTS IN PENSION LIABILITIES AND OTHER STAFF-RELATED LIABILITIES	Pension liabilities 2004	Pension liabilities 2003	Healthcare 2004	Healthcare 2003	Other 2004	Other 2003	Total 2004	Total 2003
Opening balance	**-811**	-815	**262**	267	**34**	50	**-515**	-498
Benefit costs	**186**	187	**31**	19	**3**		**220**	206
Employer's contribution	**-250**	-222	**-7**	-3	**2**	-15	**-255**	-240
Effect of curtailment or settlement	**-1**	5					**-1**	5
Exchange differences	**10**	34	**-8**	-21	**-1**	-1	**1**	12
Closing balance	**-866**	-811	**278**	262	**38**	34	**-550**	-515

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

As at 31 December 2004, the defined benefit obligation consisted of funded plans amounting to EUR 4,565 million (2003: EUR 4,122 million) and unfunded plans amounting to EUR 633 million (2003: EUR 639 million).
The assets of funded plans primarily consist of debt securities, equity and real estate funds, of which as at 31 December 2004 EUR 6 million (2003: EUR 23 million) was invested in securities issued by the employer and related parties, including shares of ING Groep N.V.

16 CREDITORS

CREDITORS ANALYSED BY REMAINING TERM

	Up to 1 year	1 to 5 years	Over 5 years	Up to 1 year	1 to 5 years	Over 5 years
			2004			2003
Liabilities relating to direct insurance	**1,532**			1,982		
Liabilities relating to reinsurance	**173**			298		
Other debentures and private loans	**4,668**	**3,148**	**1,027**	4,714	3,691	1,352
Loans from credit institutions	**6,311**	**554**	**358**	3,207	868	1,021
Other liabilities	**5,979**	**383**	**409**	5,926	254	421
	18,663	**4,085**	**1,794**	16,127	4,813	2,794

As at 31 December 2004, collateral was given with regard to Loans from credit institutions amounting to EUR 4 million (2003: EUR 5 million).

17 OTHER DEBENTURES AND PRIVATE LOANS

OTHER DEBENTURES AND PRIVATE LOANS

	2004	2003
Non-subordinated loans:		
– debenture loans	**4,303**	4,257
– private loans	**4,540**	5,500
	8,843	9,757

Debenture loans have been issued with an average interest rate of 5.4% (2003: 5.6%) and are repayable in the years 2005 through 2036. The loans are denominated in various currencies. Some of the loans have been converted into US dollars by means of currency swaps. Others have been converted into loans with a variable-interest rate by means of interest-rate swaps. As at 31 December 2004, Debenture loans amounting to EUR 3,424 million (2003: EUR 3,106 million) bore an average fixed-interest rate of 5.7% (2003: 6.1%). The remaining EUR 879 million (2003: EUR 1,151 million) bore an average variable-interest rate of 4.1% (2003: 4.0%).

The average interest rate of the private loans, amounting to EUR 1,045 million (2003: EUR 1,087 million), was 6.0% (2003: 6.5%). The remaining EUR 3,495 million (2003: EUR 4,413 million) bore an average variable-interest rate of 1.7% (2003: 1.1%). These loans are repayable in the years 2005 to 2021.

OTHER DEBENTURES AND PRIVATE LOANS ANALYSED BY REMAINING TERM

	Up to 1 year	1 to 5 years	Over 5 years	Up to 1 year	1 to 5 years	Over 5 years
			2004			2003
Non-subordinated loans:						
– debenture loans	**1,177**	**2,261**	**865**	312	2,897	1,048
– private loans	**3,491**	**887**	**162**	4,402	794	304
	4,668	**3,148**	**1,027**	4,714	3,691	1,352

18 LOANS FROM CREDIT INSTITUTIONS

LOANS FROM CREDIT INSTITUTIONS

	2004	2003
Group companies of ING Group	**3,785**	1,424
Third parties	**3,438**	3,672
	7,223	5,096

LOANS FROM CREDIT INSTITUTIONS ANALYSED BY REMAINING TERM

	Up to 1 year	1 to 5 years	Over 5 years	Up to 1 year	1 to 5 years	Over 5 years
			2004			2003
Group companies of ING Group	**3,234**	**211**	**340**	179	243	1,002
Third parties	**3,077**	**343**	**18**	3,028	625	19
	6,311	**554**	**358**	3,207	868	1,021

The average interest rate of Loans from credit institutions with fixed-interest rates, with a remaining principal amounting to EUR 4,481 million (2003: EUR 3,909 million), was 3.5% (2003: 3.6%). The remaining EUR 2,742 million (2003: EUR 1.871 million) bore an average variable-interest rate of 1.0% (2003: 1.3%).

19 OTHER LIABILITIES

OTHER LIABILITIES

	2004	2003
ING Group	**93**	91
Group companies of ING Group	**403**	60
Income tax	**579**	495
Other taxation and social security contributions	**254**	205
Payable to credit institutions	**319**	123
Other deposits	**1,689**	1,891
Other	**3,434**	3,736
	6,771	6,601

OTHER LIABILITIES ANALYSED BY REMAINING TERM

	Up to 1 year	1 to 5 years	Over 5 years	Up to 1 year	1 to 5 years	Over 5 years
			2004			2003
ING Group	**93**			91		
Group companies of ING Group	**403**			60		
Income tax	**540**	**38**	**1**	450	20	25
Other taxation and social security contributions	**239**	**12**	**3**	186	15	4
Payable to credit institutions	**319**			123		
Other deposits	**1,128**	**171**	**390**	1,316	186	389
Other	**3,257**	**162**	**15**	3,699	34	3
	5,979	**383**	**409**	5,925	255	421

20 ACCRUED LIABILITIES

ACCRUED LIABILITIES

	2004	2003
Accrued interest	**803**	958
Costs payable	**770**	643
	1,573	1,601

Because the balance of the provision for yield differences is an asset amounting to EUR 982 million (2003: EUR 535 million), the amount is included in the balance sheet under *Other accrued assets*.

As at 31 December 2004, an amount of EUR 211 million (2003: EUR 120 million) was expected to be settled after more than one year from the balance sheet date.

ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED BALANCE SHEET OF ING INSURANCE

amounts in millions of euros, unless stated otherwise

Assets not freely disposable

The assets not freely disposable relate to guarantees provided for certain liabilities included in the balance sheet as well as off-balance sheet contingent liabilities. As at 31 December 2004, assets not freely disposable included investments amounting to EUR 715 million (2003: EUR 567 million).

CONTINGENT LIABILITIES

	2004	2003
Commitments concerning investments in land and buildings	**507**	652
Commitments concerning fixed-interest securities	**1,424**	1,301
Guarantees	**3,647**	5,281
Other	**546**	605
	6,124	7,839

Guarantees relate both to credit and non-credit substitute guarantees. Credit-substitute guarantees are guarantees given by ING Insurance in respect of credit granted to customers by a third party. Many of them are expected to expire without being drawn on and do not necessarily represent future cash outflows. The guarantees are generally of a short-term nature.

In addition to the items included in contingent liabilities, ING Insurance has issued guarantees as a participant in collective arrangements of national industry bodies and as participant in government required collective guarantee schemes which apply in different countries. 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 Insurance is also jointly and severally liable for liabilities of the ING Personeel VoF in the Netherlands.

Future rental commitments

FUTURE RENTAL COMMITMENTS FOR LEASE CONTRACTS AS AT 31 DECEMBER 2004

2005	**50**
2006	**37**
2007	**31**
2008	**25**
2009	**22**
years after 2009	**64**

Legal proceedings

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

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

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

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

Derivatives

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

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

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

	Notional amount		Positive year-end fair value		Negative year-end fair value	
	2004	2003	**2004**	2003	**2004**	2003
Interest-rate contracts	**32,314**	42,772	**1,276**	724	**831**	1,112
Currency contracts	**16,735**	14,369	**528**	529	**628**	121
Equity contracts	**5,159**	8,981	**132**	106		102
	54,208	66,122	**1,936**	1,359	**1,459**	1,335

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

As at 31 December 2004, the notional amount of derivative financial instruments used for trading purposes amounted to EUR 1,055 million (2003: EUR 517 million).

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

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

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

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

ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED BALANCE SHEET OF ING INSURANCE

amounts in millions of euros, unless stated otherwise

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

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

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

The weighted credit equivalents are the unweighted credit equivalents multiplied by the weighting factors determined in accordance with standards of the international supervisory authorities. Under certain conditions, the credit risk can be reduced by entering into bilateral netting agreements. In the case of non-observance of the obligation by the counterparty, this kind of agreement gives the right to net off receivables and payables in respect of open derivatives contracts. The effect of reducing the risk by means of bilateral netting agreements is shown at the bottom of the table.

OPEN CONTRACTS AS AT YEAR-END

	Notional amount	**Positive fair value**	**Unweighted credit equivalent**	**Weighted credit equivalent 2004**	Notional amount	Positive fair value	Unweighted credit equivalent	Weighted credit equivalent 2003
INTEREST-RATE CONTRACTS								
Over-the-counter:								
– swaps	**31,629**	**1,315**	**1,614**	**365**	40,906	868	1,251	316
– forwards	**48**				303			
– options purchased	**415**	**41**	**47**	**9**	119	7	7	1
– options written	**385**				1,744			
Listed:								
– futures	**206**				43			
CURRENCY CONTRACTS								
Over-the-counter:								
– swaps	**6,192**	**294**	**443**	**94**	7,426	128	372	79
– forwards	**6,266**	**210**	**280**	**55**	2,921	365	396	79
– options purchased	**1,935**	**29**	**48**	**10**	3,120	38	69	14
– options written	**2,088**				1,010			
Listed:								
– futures	**863**							
EQUITY CONTRACTS								
Over-the-counter:								
– options purchased	**4,937**	**132**	**545**	**199**	7,612	106	600	220
– options written					951			
Listed:								
– options purchased					39	3		
– options written					2			
– futures	**299**				443			
	55,263	**2,021**	**2,977**	**732**	66,639	1,515	2,695	709
Effect of contractual netting								
		2,021	**2,977**	**732**		1,515	2,695	709

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

2004	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
INTEREST-RATE CONTRACTS							
Over-the-counter:							
– swaps	**5,855**	**2,731**	**1,705**	**1,977**	**1,574**	**17,787**	**31,629**
– forwards	**48**						**48**
– options purchased						**415**	**415**
– options written	**18**					**367**	**385**
Listed:							
– futures	**206**						**206**
CURRENCY CONTRACTS							
Over-the-counter:							
– swaps	**4,328**	**686**	**522**	**29**	**86**	**541**	**6,192**
– forwards	**6,086**				**180**		**6,266**
– options purchased	**1,935**						**1,935**
– options written	**2,088**						**2,088**
Listed:							
– futures	**863**						**863**
EQUITY CONTRACTS							
Over-the-counter:							
– options purchased	**1,675**	**516**	**53**	**64**	**52**	**2,577**	**4,937**
Listed:							
– futures	**299**						**299**
	23,401	**3,933**	**2,280**	**2,070**	**1,892**	**21,687**	**55,263**

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	3,923	7,694	3,627	2,800	2,472	20,390	40,906
– forwards	303						303
– options purchased	119						119
– options written						1,744	1,744
Listed:							
– futures	43						43
CURRENCY CONTRACTS							
Over-the-counter:							
– swaps	3,560	1,114	907	1,117	135	593	7,426
– forwards	2,868	53					2,921
– options purchased	3,120						3,120
– options written	1,010						1,010
EQUITY CONTRACTS							
Over-the-counter:							
– options purchased	6,143	431	566	54	68	350	7,612
– options written	940	11					951
Listed:							
– options purchased	39						39
– options written	2						2
– futures	443						443
	22,513	9,303	5,100	3,971	2,675	23,077	66,639

OPEN CONTRACTS BY COUNTERPARTY

	Notional amount	Unweighted credit equivalent	Weighted credit equivalent 2004	Notional amount	Unweighted credit equivalent	Weighted credit equivalent 2003
Public sector	**1,375**	**4**		527		
Banks	**43,641**	**2,515**	**503**	52,216	2,128	425
Other	**10,247**	**458**	**229**	13,896	567	284
	55,263	**2,977**	**732**	66,639	2,695	709

Fair value of financial assets and liabilities

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

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

	Estimated fair value	Balance sheet value 2004	Estimated fair value	Balance sheet value 2003
FINANCIAL ASSETS				
Investments				
– group companies and participating interests	**2,444**	**2,444**	2,603	2,587
– other financial investments:				
– shares and other non-fixed-interest securities	**9,910**	**9,910**	9,922	9,922
– debentures and fixed-interest securities	**106,609**	**99,402**	95,631	90,116
– other financial investments	**3,089**	**3,092**	2,680	2,721
– loans	**38,116**	**34,899**	37,106	35,816
– deposits with insurers	**72**	**72**	85	85
Debtors	**6,241**	**6,241**	7,185	7,185
Cash	**1,967**	**1,967**	1,848	1,848
Other assets[1]				
– trading portfolio	**42**	**42**	135	135
– equity participations	**468**	**373**	403	314
– other receivables	**253**	**253**	221	221
Accrued assets[2]	**3,623**	**3,623**	3,443	3,443
Derivatives held for non-trading purposes	**1,936**	**797**	1,359	947
	174,770	**163,115**	162,621	155,340
FINANCIAL LIABILITIES				
Subordinated loans	**3,142**	**2,616**	2,647	2,647
Insurance provisions related to investment-type contracts	**88,575**	**89,683**	84,117	86,076
Deposits from reinsurers	**549**	**549**	239	239
Creditors	**24,740**	**24,542**	23,463	23,734
Accrued liabilities	**1,573**	**1,573**	1,601	1,601
Derivatives held for non-trading purposes	**1,459**	**947**	1,335	358
	120,038	**119,910**	113,402	114,655

[1] Other assets does not include deferred tax assets.
[2] Accrued assets does not include deferred acquisition costs of insurance business.

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

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

Financial assets

Investments The fair values of the shares of associates and other participating interests are based on quoted market prices or, if unquoted, on estimated market values based on quoted prices for similar securities. Fair values of the receivables from group companies and other participating interests are determined using the same methods as described below for Debentures and other fixed-interest securities. The fair values of Shares and other non-fixed-interest securities are based on quoted market prices or, if unquoted, on estimated market values generally based on quoted prices for similar securities. Fair values for Debentures and other fixed-interest securities are based on quoted market prices, where available. For those securities not actively traded, fair values are estimated using values obtained from private pricing services or by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investment. The fair values of Mortgage loans are estimated by discounting future cash flows using interest rates currently being offered for similar loans to borrowers with similar credit ratings. The fair values of fixed-rate policy loans are estimated by discounting cash flows at the interest rates charged on policy loans of similar policies currently being issued. Loans with similar characteristics are aggregated for purposes of the calculations. The fair values of variable-rate policy loans approximate their carrying values.

Debtors The carrying amount of debtors approximates its fair value.

Cash The carrying amount of cash approximates its fair value.

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

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

Financial liabilities

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

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

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

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

Derivatives The fair values of derivatives held for non-trading purposes are based on broker/dealer valuations or on internal discounted cash flow pricing models taking into account current cash flow assumptions and the counterparties' credit standings.

The fair values of derivatives held for non-trading purposes generally reflect the estimated amounts that ING Insurance would receive or pay to terminate the contracts at the balance sheet date.

FAIR VALUE OF OTHER OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

	Estimated fair value	**Contract amount 2004**	Estimated fair value	Contract amount 2003
Commitments concerning investments in land and buildings	**507**	**507**	652	652
Commitments concerning investments in fixed-interest securities	**1,424**	**1,424**	1,301	1,301
Guarantees		**3,647**		5,281
Others		**546**		605
		6,124		7,839

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

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

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amounts in millions of euros, unless stated otherwise

Regulatory requirements

The insurance operations are subject to detailed comprehensive regulations with regard to capital position. European Union directives require insurance companies established in member states of the European Union to maintain minimum capital position.The capital position of ING Insurance has been measured on the basis of this EU requirement.

CAPITAL POSITION OF THE INSURANCE OPERATIONS

	Total ING Verzeke-ringen N.V.	**Non-insurance companies, core debt & other elimina-tions**	**Insurance companies 2004**	Total ING Verzeke-ringen N.V.	Non-insurance companies, core debt & other elimina-tions	Insurance companies 2003
Available capital	**18,272**	**278**	**18,550**	15,845	2,617	18,462
Required capital	**8,697**		**8,697**	8,779		8,779
Surplus capital	**9,575**		**9,853**	7,066		9,683
Ratio of available versus required capital	**210%**		**213%**	180%		210%

Related parties

In the normal course of business, ING Insurance enters into various transactions with related companies. These transactions are not considered material to ING Insurance, either individually or in the aggegrate. 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 operational decisions. Transactions have taken place on an at arm's length basis.

RELATED PARTY TRANSACTIONS

	ING Group companies	**Joint ventures**	**Associates 2004**	ING Group companies	Joint ventures	Associates 2003
Receivables	**1,496**		**11**	1,305		86
Liabilities	**4,308**	**183**		1,972	9	12
Guarantees issued in favour of	**2,577**			4,062		

Income received from and expenses paid to ING Group companies were EUR 165 million respectively EUR 173 million (2003: EUR 219 millions respectively EUR 137 million) and income received from and expenses paid to associates were EUR 1 million respectively nil (2003: EUR 5 millions respectively EUR 2 million).

In addition to the transactions with joint ventures and associates ING Insurance also enters into transactions with ING Bank and its subsidiaries. ING Insurance together with ING Bank 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.

21 NON-LIFE UNDERWRITING ACCOUNT

PREMIUM INCOME ON NON-LIFE INSURANCE POLICIES BY CLASS OF BUSINESS

2004	Gross premiums written	Gross premiums earned[2]	Gross claims expenses	Operating expenses[3]	Net reinsurance income/ expenses	Underwriting result	Allocated income/ expenses	Result
Health	1,097	1,078	795	295	-50	-62	139	77
Accident[1]	872	857	542	236	5	84	187	271
Third-party liability motor	840	839	612	200	-10	17	77	94
Other motor	1,335	1,344	756	364	-5	219	143	362
Marine and aviation	141	142	60	40	-38	4	5	9
Fire and other property losses	1,489	1,495	753	536	-135	71	85	156
General liability	438	430	258	158	-46	-32	52	20
Credit and suretyship	57	54	4	20	-14	16	4	20
Legal assistance	35	35	27	18		-10	2	-8
Miscellaneous financial losses	288	217	115	50	-49	3	505	508
Indirect business	50	51	24	-45	-5	67	33	100
	6,642	6,542	3,946	1,872	-347	377	1,232	1,609

PREMIUM INCOME ON NON-LIFE INSURANCE POLICIES BY CLASS OF BUSINESS

2003	Gross premiums written	Gross premiums earned[2]	Gross claims expenses	Operating expenses[3]	Net reinsurance income/ expenses	Underwriting result	Allocated income/ expenses	Result
Health	1,404	1,321	1,126	276	22	-59	136	77
Accident[1]	840	858	573	206	2	81	164	245
Third-party liability motor	840	802	659	206	-21	-84	98	14
Other motor	1,479	1,412	926	379	-17	90	84	174
Marine and aviation	180	164	73	49	-26	16	7	23
Fire and other property losses	1,648	1,600	819	519	-220	42	78	120
General liability	491	468	258	152	-53	5	58	63
Credit and suretyship	52	45	5	18	-6	16	2	18
Legal assistance	33	33	26	15		-8	2	-6
Miscellaneous financial losses	259	316	108	67	-148	-7	22	15
Indirect business	62	60	8	87	31	-4	269	265
	7,288	7,079	4,581	1,974	-436	88	920	1,008

PREMIUM INCOME ON NON-LIFE INSURANCE POLICIES BY CLASS OF BUSINESS

2002	Gross premiums written	Gross premiums earned[2]	Gross claims expenses	Operating expenses[3]	Net reinsurance income/ expenses	Underwriting result	Allocated income/ expenses	Result
Health	1,596	1,571	1,314	314	-5	-62	187	125
Accident[1]	869	874	691	199	2	-14	170	156
Third-party liability motor	816	781	670	177	-9	-75	103	28
Other motor	1,682	1,580	1,154	367	-19	40	92	132
Marine and aviation	198	192	93	54	-36	9	6	15
Fire and other property losses	1,718	1,580	904	504	-166	6	72	78
General liability	490	438	336	141	4	-35	50	15
Credit and suretyship	49	44	5	18	-4	17	2	19
Legal assistance	28	28	25	12		-9	1	-8
Miscellaneous financial losses	423	342	152	107	-106	-23	18	-5
Indirect business	48	67	29	164	107	-19	31	12
	7,917	7,497	5,373	2,057	-232	-165	732	567

(1) Including disability insurance products.
(2) Excluding reinsurance.
(3) Including other underwriting income.

22 ALLOCATED INCOME AND EXPENSES

Income and expenses that are not directly recorded in result from insurance operations, are allocated to the Result from life underwriting and Result from non-life underwriting on the basis of life insurance provisions and non-life insurance provisions of the insurance companies. Investments for risk of policyholders is allocated to Result from life underwriting.

As from 2003, realised capital gains and losses on equity securities and the impact of the negative revaluation reserve on equity securities are not allocated from the non-technical account to the non-life and life underwriting account anymore. The comparative figures have been adjusted accordingly.

23 OPERATING EXPENSES

OPERATING EXPENSES

	Non-Life underwriting account			Life underwriting account		
	2004	2003	2002	**2004**	2003	2002
Commission paid gross	**1,061**	1,163	1,276	**3,197**	2,552	2,699
Administrative expenses with regard to commission paid	**-66**	-135	-165	**-1,058**	-550	-358
Commission paid net	**995**	1,028	1,111	**2,139**	2,002	2,341
Expenses allocated	**300**	271	281	**797**	760	866
Costs of acquiring new business	**1,295**	1,299	1,392	**2,936**	2,762	3,207
Amortisation of deferred acquisition costs of insurance business	**219**	118	94	**1,808**	1,244	1,454
Capitalised acquisition costs of insurance business	**-262**	-148	-162	**-2,623**	-1,998	-2,273
	1,252	1,269	1,324	**2,121**	2,008	2,388
Administrative and staff costs and depreciation of business equipment allocated	**647**	715	750	**2,783**	2,240	2,079
Commission and profit-sharing amounts received from reinsurers	**98**	188	317	**345**	463	105
	1,801	1,796	1,757	**4,559**	3,785	4,362

TOTAL EXPENSES ALLOCATED AND ADMINISTRATIVE AND STAFF COSTS AND DEPRECIATION OF BUSINESS EQUIPMENT

	2004	2003	2002
Salaries	**1,824**	1,851	1,997
Pension and early-retirement costs	**224**	234	196
Social security costs	**185**	197	227
Other staff costs	**411**	345	274
Salaries, pension and social security costs	**2,644**	2,627	2,694
Depreciation of tangible fixed assets	**99**	119	139
Computer costs	**205**	219	230
Office equipment and accommodation	**630**	669	725
Travel and accommodation expenses	**90**	95	114
Advertising and public relations	**127**	150	165
External advisory fees	**415**	344	369
Commission paid	**1,124**	686	523
Other	**232**	309	304
Total expenses	**5,566**	5,218	5263
Expenses allocated to *Investment expenses*	**-1,039**	-1,232	-1,287
	4,527	3,986	3,976

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 Insurance are invoiced at cost price by ING Personeel VOF to ING Insurance. In substance these costs are staff costs and therefore are reported as such.

PENSION, HEALTHCARE AND EARLY-RETIREMENT COSTS												
			Pension			Healthcare			Other			Total
	2004	2003	2002	**2004**	2003	2002	**2004**	2003	2002	**2004**	2003	2002
Current service cost	**163**	145	134	**12**	9	7	**2**			**177**	154	141
Past service cost	**-2**	3	-2	**-2**	-6				-1	**-4**	-3	-3
Interest expenses	**246**	238	236	**17**	16	18			1	**263**	254	255
Expected return on assets	**-282**	-274	-286							**-282**	-274	-286
Amortisation of unrecognised net (gains)/losses	**62**	75	16	**4**		-2				**66**	75	14
Effect of curtailment or settlement	**-1**	5	-25							**-1**	5	-25
Defined benefit post-employment plans	**186**	192	73	**31**	19	23	**2**			**219**	211	96
Defined contribution plans										**5**	23	100
										224	234	196

Contributions to defined contribution plans are generally determined as a percentage of pay. The actual return on the plan assets amounted to EUR 295 million (2003: EUR 301 million; 2002: EUR -317 million).

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

The members of the Executive Board and Supervisory Board of ING Insurance are also members of the Executive Board and Supervisory Board of ING Group. The remuneration costs of ING Group amounted to EUR 12.6 million (2003: EUR 8.9 million and 2002: EUR 6.9 million) for members and former members of the Executive Board and EUR 0.5 million (2003: EUR 0.5 million and 2002: EUR 0.5 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 Insurance to EUR 6.3 million (2003: EUR 4.5 million and 2002: EUR 3.4 million) for members and former members of the Executive Board and EUR 0.2 million (2003 EUR 0.2 million and 2002: EUR 0.3 million) for members and former members of the Supervisory Board.

The amount outstanding as at 31 December 2004 in respect of loans and advances to members of the Executive Board and Supervisory Board was EUR 1.6 million (2003: EUR 1.6 million) at an average interest rate of 4.7% (2003: 4.7%).

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

ING Group holds direct or indirect its own shares in order to fulfil the obligations with regard to the existing stock option plan and to hedge the position risk of the options concerned (so-called delta hedge). As at 31 December 2004, 29,427,538 (2003: 28,068,191; 2002: 28,437,105) own shares were held in connection to the option plan compared to 81,010,410 options outstanding. As a result the granted option rights were (delta-)hedged, taking into account the following parameters: strike price, opening price, zero coupon interest rate, dividend yield, expected volatility and employee behaviour. The hedge is rebalanced regularly at predetermined points in time.
Exposure arising out of the share plan is not hedged. The obligations with regard to these plans will be funded by issuing own shares.

The option rights are valid for a period of five or ten years. Option rights, that are not exercised within this period, lapse. 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.

The entitlement to the depositary receipts for ING shares is granted conditionally. If the participant remains in the employment for an uninterrupted period of three years from the grant date, the entitlement becomes unconditional.
Each year, the ING Group Executive Board will take a decision as to whether the option and share schemes are to be continued and, if so, to what extent.

24 LIFE UNDERWRITING ACCOUNT

LIFE UNDERWRITING ACCOUNT

	Gross			Reinsurers' share			Own account		
	2004	2003	2002	**2004**	2003	2002	**2004**	2003	2002
Premiums written	**36,975**	33,904	38,899	**1,619**	1,102	1,093	**35,356**	32,802	37,806
Other underwriting income	**33**	93	223				**33**	93	223
Benefits	**25,784**	24,294	29,322	**930**	1,010	995	**24,854**	23,284	28,327
Changes in other insurance provisions	**14,421**	19,954	1,449	**1,511**	-351	251	**12,910**	20,305	1,198
Profit sharing and rebates	**1,209**	1,299	-897	**29**	5	-66	**1,180**	1,294	-831
Operating expenses	**4,905**	4,250	4.468	**346**	465	106	**4,559**	3,785	4,362
Other insurance expenses for own account		8	16					8	16
Allocated income and expenses	**10,538**	18,269	-1,864				**10,538**	18,269	-1,864
Result from life underwriting account	**1,227**	2,461	2,900	**-1,197**	-27	-193	**2,424**	2,488	3,093

PROFIT SHARING AND REBATES

	2004	2003	2002
Distributions on account of interest or underwriting results	**809**	868	-1,330
Bonuses added to policies	**371**	426	499
	1,180	1,294	-831

PREMIUM INCOME ON LIFE INSURANCE POLICIES

	Gross	**Reinsurers' share**	**Own account 2004**	Gross	Reinsurers' share	Own account 2003	Gross	Reinsurers' share	Own account 2002
Policies for which the insurer bears the investment risk	**19,119**	**783**	**18,336**	19,018	663	18,355	20,447	931	19,516
Policies for which the policyholder bears the investment risk	**16,413**	**53**	**16,360**	13,569	70	13,499	17,161	78	17,083
Total direct business	**35,532**	**836**	**34,696**	32,587	733	31,854	37,608	1,009	36,599
Indirect business	**2,090**	**1,430**	**660**	1,320	372	948	1,299	92	1,207
	37,622	**2,266**	**35,356**	33,907	1,105	32,802	38,907	1,101	37,806
Eliminations	**647**	**647**		3	3		8	8	
	36,975	**1,619**	**35,356**	33,904	1,102	32,802	38,899	1,093	37,806

As a result of the transfer of life insurance business to Scottish Re in 2004 by means of a co-insurance contract, ING recorded a loss amounting to EUR 160 million in underwriting expenditure. This loss represents the reduction of the related deferred acquisition costs. In addition, an amount of EUR 240 million will be amortised over the life of the underlying business, starting in 2005 with a charge amounting to EUR 25 million and gradually decreasing in subsequent years as the business runs off.

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

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

PREMIUMS WRITTEN FROM DIRECT LIFE BUSINESS

2004	Policies for which the insurer bears the investment risk			Policies for which the policyholder bears the investment risk		
	Gross	Reinsurers' share	Own account	Gross	Reinsurers' share	Own account
PERIODIC PREMIUMS						
Individual policies:						
– without profit sharing	6,605	632	5,973	3,566	1	3,565
– with profit sharing	4,213	74	4,139			
Total	10,818	706	10,112	3,566	1	3,565
Group policies:						
– without profit sharing	2,223	58	2,165	6,653	37	6,616
– with profit sharing	802	14	788			
Total	3,025	72	2,953	6,653	37	6,616
Total periodic premiums	13,843	778	13,065	10,219	38	10,181
SINGLE PREMIUMS						
Individual policies:						
– without profit sharing	1,476	1	1,475	4,011	1	4,010
– with profit sharing	2,716		2,716			
Total	4,192	1	4,191	4,011	1	4,010
Group policies:						
– without profit sharing	677		677	2,183	14	2,169
– with profit sharing	407	4	403			
Total	1,084	4	1,080	2,183	14	2,169
Total single premiums	5,276	5	5,271	6,194	15	6,179
Total life business premiums	19,119	783	18,336	16,413	53	16,360

The total single premiums includes EUR 457 million in 2004 from profit sharing.

NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING INSURANCE

amounts in millions of euros, unless stated otherwise

PREMIUMS WRITTEN FROM DIRECT LIFE BUSINESS

	Policies for which the insurer bears the investment risk			Policies for which the policyholder bears the investment risk		
2003	Gross	Reinsurers' share	Own account	Gross	Reinsurers' share	Own account
PERIODIC PREMIUMS						
Individual policies:						
– without profit sharing	10,202	548	9,654	2,432	5	2,427
– with profit sharing	2,179	33	2,146			
Total	12,381	581	11,800	2,432	5	2,427
Group policies:						
– without profit sharing	1,692	67	1,625	5,969	36	5,933
– with profit sharing	741	10	731			
Total	2,433	77	2,356	5,969	36	5,933
Total periodic premiums	14,814	658	14,156	8,401	41	8,360
SINGLE PREMIUMS						
Individual policies:						
– without profit sharing	856	1	855	4,529		4,529
– with profit sharing	2,802		2,802			
Total	3,658	1	3,657	4,529		4,529
Group policies:						
– without profit sharing	121		121	639	29	610
– with profit sharing	425	4	421			
Total	546	4	542	639	29	610
Total single premiums	4,204	5	4,199	5,168	29	5,139
Total life business premiums	19,018	663	18,355	13,569	70	13,499

The total single premiums includes EUR 600 million in 2003 from profit sharing.

PREMIUMS WRITTEN FROM DIRECT LIFE BUSINESS

2002	Policies for which the insurer bears the investment risk			Policies for which the policyholder bears the investment risk		
	Gross	Reinsurers' share	Own account	Gross	Reinsurers' share	Own account
PERIODIC PREMIUMS						
Individual policies:						
– without profit sharing	9,698	858	8,840	2,496	6	2,490
– with profit sharing	4,556	115	4,441			
Total	14,254	973	13,281	2,496	6	2,490
Group policies:						
– without profit sharing	1,403	75	1,328	7,646	40	7,606
– with profit sharing	802	17	785			
Total	2,205	92	2,113	7,646	40	7,606
Total periodic premiums	16,459	1,065	15,394	10,142	46	10,096
SINGLE PREMIUMS						
Individual policies:						
– without profit sharing	1,553		1,553	6,280		6,280
– with profit sharing	1,958	2	1,956			
Total	3,511	2	3,509	6,280		6,280
Group policies:						
– without profit sharing	261	-140	401	739	32	707
– with profit sharing	216	4	212			
Total	477	-136	613	739	32	707
Total single premiums	3,988	-134	4,122	7,019	32	6,987
Total life business premiums	20,447	931	19,516	17,161	78	17,083

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

NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING INSURANCE

amounts in millions of euros, unless stated otherwise

25 INCOME FROM INVESTMENTS

INCOME FROM INVESTMENTS	2004	2003	2002
Income from land and buildings	**765**	822	872
Income from investments in group companies and participating interests:			
– income from disposal of group companies	**480**	110	469
– income from investments in associates	**159**	154	137
– income from investments in other participating interests	**20**	18	263
Income from other financial investments in fixed-interest securities:			
– shares and other non-fixed-interest securities	**1,015**	498	1,611
– debentures and other fixed-interest securities	**5,464**	5,345	5,829
– mortgage loans	**1,664**	1,656	1,781
– deposits with credit institutions	**19**	31	49
– other	**1,090**	1,138	550
Income from investments for risk of policyholders	**2,310**	9,973	-10,642
	12,986	19,745	919

Income from land and buildings includes an amount in respect of rental income allocated to business units of ING Insurance (the same amount is included in *Other expenses*) of EUR 52 million (2003: EUR 57 million; 2002: EUR 51 million).

Income from investments in land and buildings and shares and convertibles includes realised results on disposal of EUR 1,030 million (2003: EUR 425 million; 2002: EUR 1,005 million).

INCOME FROM INVESTMENTS BY COUNTERPARTY	2004	2003	2002
Participating interests	**180**	172	172
ING Group	**2**	4	3
Group companies	**163**	226	752
Third parties	**12,641**	19,343	-8
	12,986	19,745	919

26 INVESTMENTS EXPENSES

INVESTMENTS EXPENSES	2004	2003	2002
Interest expenses	**1,168**	1,286	1,304
Expenses allocated	**1,039**	1,232	1,287
Increase in provision for doubtful investments	**-12**	22	82
	2,195	2,540	2,673

27 OTHER INCOME

OTHER INCOME	2004	2003	2002
Commission	**1,200**	1,313	1,345
Income from securities	**37**	83	-1
Results from financial transactions	**236**	212	112
Other results	**97**	398	196
	1,570	2,006	1,652

COMMISSION	2004	2003	2002
Insurance broking	**117**	114	159
Management fees	**470**	551	628
Other	**613**	648	558
	1,200	1,313	1,345

Results from financial transactions

Included in Results from financial transactions is the result from currency hedge contracts amounting to EUR -52 million (2003: EUR 183 million; 2002: EUR 85 million).

28 TAXATION

TAXATION BY TYPE	**Nether-lands**	**Inter-national**	**Total 2004**	Nether-lands	Inter-national	Total 2003	Nether-lands	Inter-national	Total 2002
Current taxation	**226**	**301**	**527**	33	489	522	253	115	368
Deferred taxation	**235**	**157**	**392**	304	70	374	50	341	391
	461	**458**	**919**	337	559	896	303	456	759

RECONCILIATION OF STATUTORY INCOME TAX RATE TO ING GROUP'S EFFECTIVE INCOME TAX RATE	**2004**	2003	2002
Profit before tax	**4,623**	3,516	4,663
Statutory tax rate	**34.5%**	34.5%	34.5%
Statutory tax amount	**1,595**	1,213	1,608
Participating interests exemption	**-287**	-181	-858
Differences caused by different foreign tax rates	**-50**	-35	27
Other	**-339**	-101	-18
Effective tax amount	**919**	896	759
Effective tax rate	**19.9%**	25.5%	16.3%

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

amounts in millions of euros, unless stated otherwise

RESULT FROM INVESTMENTS IN SHARES AND CONVERTIBLE DEBENTURES AND LAND AND BUILDINGS

	Direct investment income	Realised and unrealised revaluations and exchange differences	Operating and management expenses[1]	Before taxation	After taxation	Investment result in %[2]
SHARES AND CONVERTIBLE DEBENTURES						
2004	**425**	**517**		**942**	**758**	**7.9**
2003	478	75		553	464	4.5
2002	608	-4,119	-1	-3,512	-2,143	-13.5
2001	649	-2,858	-1	-2,210	-1,950	-10.2
2000	675	-13	-1	661	629	2.8
1999	657	2,794	-1	3,450	3,051	13.3
1998	487	4,183	-2	4,668	4,470	25.8
1997	465	4,847		5,312	4,956	37.5
Average	**555**	**678**	**-1**	**1,232**	**1,279**	**7.8**
LAND AND BUILDINGS						
2004	**428**	**100**	**-100**	**428**	**282**	**4.7**
2003	536	102	-114	524	353	4.9
2002	684		-155	529	342	4.2
2001	634	356	-123	867	581	7.4
2000	544	927	-106	1,365	903	14.6
1999	485	381	-87	779	511	9.7
1998	459	154	-83	530	350	7.3
1997	427	121	-106	442	294	6.7
Average	**525**	**268**	**-109**	**684**	**452**	**7.2**
TOTAL						
2004	**853**	**617**	**-100**	**1,370**	**1,040**	**6.6**
2003	1,014	177	-114	1,077	817	4.7
2002	1,292	-4,119	-156	-2,983	-1,801	-7.5
2001	1,283	-2,502	-124	-1,343	-1,369	-5.1
2000	1,219	914	-107	2,026	1,532	5.4
1999	1,142	3,175	-88	4,229	3,562	12.6
1998	946	4,337	-85	5,198	4,820	21.8
1997	892	4,968	-106	5,754	5,250	29.8
Average	**1,080**	**946**	**-110**	**1,916**	**1,731**	**7.7**

[1] In the profit and loss account, operating costs relating to investments in land and buildings are netted off against the income from these investments.
[2] Investment Profit after tax as a percentage of the average amount invested.

The result from investments in shares and other non-fixed-interest securities and land and buildings (excluding investments for risk of policyholders) includes all the income and expenses associated with this category of investments except financing charges. In the annual accounts these income and expenses are partly included in the profit and loss account (dividends, interest, rental income, realised revaluations and exchange differences, operating and management expenses) and partly reflected directly as changes in *Shareholders' equity* (unrealised revaluations and exchange differences). Taxation is allocated on the basis of the standard rate, making allowance for tax exemptions.

GEOGRAPHICAL ANALYSIS OF CLAIMS RATIO, COST RATIO AND COMBINED RATIO FOR NON-LIFE INSURANCE POLICIES									
	Claims ratio			Cost ratio			Combined ratio		
	2004	2003	2002	**2004**	2003	2002	**2004**	2003	2002
Netherlands	**60.6**	69.8	77.5	**36.8**	31.0	28.9	**97.4**	100.8	106.4
Belgium	**71.1**	70.6	76.7	**36.7**	35.1	34.7	**107.8**	105.7	111.4
Rest of Europe	**46.1**	40.9	49.8	**35.8**	37.0	41.6	**81.9**	77.9	91.4
North America	**61.0**	73.9	77.7	**27.6**	24.7	25.6	**88.6**	98.6	103.3
Latin America	**71.8**	68.1	68.8	**27.6**	26.9	25.6	**99.4**	95.0	94.4
Asia	**56.6**	55.1	66.6	**40.9**	43.5	51.5	**97.5**	98.6	118.1
Australia	**46.3**	49.9	66.9	**28.0**	28.5	29.5	**74.3**	78.4	96.4
Other	**62.8**	42.4	94.4	**16.4**	51.6	7.8	**79.2**	94.0	102.2
Total	**63.0**	69.4	75.0	**30.6**	28.2	27.1	**93.6**	97.6	102.1

The claims ratio is the claims, including claims handling expenses, expressed as a percentage of net earned premiums. The cost ratio is the costs expressed as a percentage of net premiums written. The claims ratio and the cost ratio together form the combined ratio. A combined ratio of more than 100% does not necessarily mean that there is a loss on non-life insurance policies, because the result also includes the allocated investment income.

Analysis of premium income

Reinsurance ING Insurance is involved in both ceded and assumed reinsurance for the purpose of spreading risk and limiting exposure on large risks.

EFFECT OF REINSURANCE ON PREMIUMS WRITTEN									
	Non-life	**Life**	**Total 2004**	Non-life	Life	Total 2003	Non-life	Life	Total 2002
Direct premiums written, gross	**6,592**	**35,532**	**42,124**	7,226	32,587	39,813	7,869	37,608	45,477
Reinsurance assumed premiums written, gross	**50**	**1,443**	**1,493**	62	1,317	1,379	48	1,291	1,339
Total gross premiums written	**6,642**	**36,975**	**43,617**	7,288	33,904	41,192	7,917	38,899	46,816
Reinsurance ceded	**756**	**1,619**	**2,375**	930	1,102	2,032	1,275	1,093	2,368
	5,886	**35,356**	**41,242**	6,358	32,802	39,160	6,642	37,806	44,448

To the extent that the assuming reinsurers are unable to meet their obligations, ING Group remains liable to its policyholders for the portion reinsured. Consequently, provisions are made for receivables on reinsurance contracts which are deemed uncollectible. To minimise its exposure to significant losses from reinsurer insolvency's, ING Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographical regions, activities or economic characteristics of the reinsurer.

As at 31 December 2004, the receivables from reinsurers amounted to EUR 388 million (2003: EUR 567 million; 2002: EUR 797 million), against which EUR 7 million (2003: EUR 12 million; 2002: EUR 20 million) was provided for as uncollectible reinsurance.

Segment reporting

ING Insurance evaluates the results of its segments using financial performance measures called operating profit before taxes and operating (net) profit. Operating (net) profit is defined as (net) profit excluding:
- capital gains and losses on equity securities;
- the impact of the negative revaluation reserve on equity securities;
- realised gains on divestments that are made with the purpose of using the proceeds to finance acquisitions.

While these excluded items are significant components in understanding and assessing the ING Insurance's consolidated financial performance, ING Insurance believes that the presentation of operating results enhances the understanding and comparability of its performance by highlighting net income attributable to ongoing operations and the underlying profitability of the businesses. Trends in the underlying profitability of ING Insurance's businesses can be more clearly identified without the fluctuating effects of realised capital gains and losses on equity securities and the impact of the negative revaluation reserve on equity securities. These results are largely dependent on market cycles and can vary across periods. The timing of sales that would result in gains or losses is largely at the discretion of the company. The realised gains on divestments that are made with the purpose of using the proceeds related to the divestments to finance acquisitions are excluded because the timing of these gains is largely subject to the company's discretion, influenced by market opportunities and ING Insurance does not believe that they are indicative of future results. Operating profit before tax and operating net profit are not a substitute for profit before taxation and net profit. ING Insurance's definition of operating profit before tax and operating net profit may differ from those used by other companies and may change over time.

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

amounts in millions of euros, unless stated otherwise

RECONCILIATION OF NET PROFIT TO OPERATING NET PROFIT

	2004	2003	2002
Net profit	**3,580**	2,501	3,808
Taxation	**919**	896	759
Third parties	**124**	119	96
Profit before tax	**4,623**	3,516	4,663
Realised capital gains (losses)	**590**	20	1,003
Gain on divestments to finance acquisitions			280
Operating profit before tax	**4,033**	3,496	3,380
Taxation	**908**	867	543
Third parties	**124**	119	96
Operating net profit	**3,001**	2,510	2,741

Analysis by business lines ING Insurance ’s operating segments relate to the internal business segmentation by business lines. The business line structure was introduced in 2004 and includes three business lines for insurance: Insurance Europe, Insurance Americas and Insurance Asia/Pacific. Items not directly attributable to the business lines are included in Other.

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

Each business line is headed by a chairman who is also a member of the Executive Board. In the new structure the Executive Committees and Management Committees no longer exist. The Executive Board sets the performance targets and approves and monitors the budgets prepared by the business lines. The strategic, commercial and financial policy of the business lines are set by key executives at the business line level in conformity with the strategy and performance targets set by the Executive Board.

The accounting policies of the operating segments are the same as those described under Accounting principles for the consolidated balance sheet and profit and loss account (see page 16). Transfer prices for inter-segment transactions are set at arm’s length. Geographical distribution of income is based on the origin of sales. The corporate expenses are allocated to the operating segments and geographical areas based on time spent by head office personnel, the relative number of staff or on the basis of income and/or assets of the operating segment. The comparative figures have been adjusted in accordance with the new structure.

OPERATING SEGMENTS OF ING INSURANCE

2004	Insurance Europe	Insurance Americas	Insurance Asia/ Pacific	Other	Total segments	Recon-ciliation	Total
Total operating income:							
Income –external	**17,433**	**28,114**	**11,496**	**643**	**57,686**		**57,686**
Income -inter-segment	**30**	**4**	**21**	**295**	**350**	**-350**	
	17,463	**28,118**	**11,517**	**938**	**58,036**	**-350**	**57,686**
Segment operating profit before tax	**1,761**	**1,669**	**751**	**-148**	**4,033**		**4,033**
Segment assets	**99,557**	**126,177**	**31,579**	**29,000**	**286,313**	**-29,542**	**256,771**
Segment liabilities	**89,223**	**120,264**	**28,954**	**14,749**	**253,190**	**-12,184**	**241,006**
Average number of employees[1]	**14,380**	**25,326**	**8,230**	**23**	**47,959**		**47,959**

OPERATING SEGMENTS OF ING INSURANCE

2003	Insurance Europe	Insurance Americas	Insurance Asia/ Pacific	Other	Total segments	Recon-ciliation	Total
Total operating income:							
Income -external	17,634	35,718	8,837	979	63,168		63,168
Income -inter-segment	59	70	12	720	861	-861	
	17,693	35,788	8,849	1,699	64,029	-861	63,168
Segment operating profit before tax	1,801	1,309	411	-25	3,496		3,496
Segment assets	91,042	124,836	25,399	27,045	268,322	-27,203	241,119
Segment liabilities	81,306	119,396	23,337	14,634	238,673	-10,753	227,920
Average number of employees[1]	15,246	26,156	8,275	27	49,704		49,704

OPERATING SEGMENTS OF ING INSURANCE

2002	Insurance Europe	Insurance Americas	Insurance Asia/ Pacific	Other	Total segments	Recon-ciliation	Total
Total operating income:							
Income –external	14,129	26,247	8,531	63	48,970		48,970
Income –external	134	39	14	384	571	-571	
	14,263	26,286	8,545	447	49,541	-571	48,970
Segment operating profit before tax	1,559	1,430	574	-183	3,380		3,380
Segment assets	98,198	132,333	22,533	1,266	254,330	-12,520	241,810
Segment liabilities	85,193	127,167	20,675	1,004	234,039	- 4,219	229,820
Average number of employees[1]	15,599	27,308	7,592		50,499		50,499

[1] The average numbers of employees of joint ventures are included proportionally.

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

amounts in millions of euros, unless stated otherwise

Geographical analysis

OPERATING INCOME BY GEOGRAPHICAL AREA

	Non-Life premiums written			Life premiums written			Investment income[1]			Total		
	2004	2003	2002	**2004**	2003	2002	**2004**	2003	2002	**2004**	2003	2002
Netherlands	**1,693**	1,847	1,859	**5,822**	5,583	4,927	**4,945**	5,246	3,156	**12,460**	12,676	9,942
Belgium	**324**	311	282	**2,115**	2,257	2,053	**591**	484	-124	**3,030**	3,052	2,211
Rest of Europe	**48**	44	38	**1,367**	1,360	1,580	**556**	557	417	**1,971**	1,961	2,035
North America	**2,741**	2,944	3,068	**17,923**	17,037	22,162	**4,776**	13,048	-2,556	**25,440**	33,029	22,674
Latin America	**1,591**	1,872	2,547	**506**	466	747	**581**	578	663	**2,678**	2,916	3,957
Asia	**37**	45	66	**8,009**	5,905	5,969	**855**	751	554	**8,901**	6,701	6,589
Australia	**200**	356	296	**1,223**	1,288	1,467	**1,192**	504	199	**2,615**	2,148	1,962
Other	**142**	336	385	**13**	11	3	**933**	1,348	47	**1,088**	1,695	435
	6,776	7,755	8,541	**36,978**	33,907	38,908	**14,429**	22,516	2,356	**58,183**	64,178	49,805
Income between geographical areas[2]	**-134**	-467	-624	**-3**	-3	-9	**-360**	-540	-202	**-497**	-1,010	-835
	6,642	7,288	7,917	**36,975**	33,904	38,899	**14,069**	21,976	2,154	**57,686**	63,168	48,970

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

GROSS PREMIUM WRITTEN BY GEOGRAPHICAL AREA (OUT OF DIRECT INSURANCE OPERATIONS)

	Non-Life premiums written			Life premiums written			Total		
	2004	2003	2002	**2004**	2003	2002	**2004**	2003	2002
Netherlands	**1,644**	1,793	1,803	**5,806**	5,565	4,833	**7,450**	7,358	6,636
Other EU member states	**379**	367	345	**3,236**	2,811	2,882	**3,615**	3,178	3,227
Countries outside EU	**4,569**	5,066	5,721	**26,490**	24,211	29,893	**31,059**	29,277	35,614
	6,592	7,226	7,869	**35,532**	32,587	37,608	**42,124**	39,813	45,477

OPERATING PROFIT BEFORE TAX FROM THE INSURANCE OPERATIONS BY GEOGRAPHICAL AREA

	Non-Life			Life			Total		
	2004	2003	2002	**2004**	2003	2002	**2004**	2003	2002
Netherlands	**284**	259	153	**1,167**	1,202	1,124	**1,451**	1,461	1,277
Belgium	**17**	23	2	**111**	86	72	**128**	109	74
Rest of Europe	**11**	10	6	**171**	221	149	**182**	231	155
North America	**786**	219	178	**652**	789	945	**1,438**	1,008	1,123
Latin America	**123**	165	180	**108**	137	127	**231**	302	307
Asia	**3**	-1	-6	**311**	236	251	**314**	235	245
Australia	**275**	75	39	**162**	101	290	**437**	176	329
Other	**110**	258	15	**-258**	-284	-145	**-148**	-26	-130
	1,609	1,008	567	**2,424**	2,488	2,813	**4,033**	3,496	3,380

OPERATING NET PROFIT FOR THE PERIOD BY GEOGRAPHICAL AREA

	2004	2003	2002
Netherlands	**880**	1,034	1,037
Belgium	**117**	99	48
Rest of Europe	**139**	181	117
North America	**1,022**	675	826
Latin America	**177**	207	202
Asia	**203**	141	147
Australia	**376**	125	304
Other	**87**	48	60
	3,001	2,510	2,741

29 NET CASH FLOW FROM INVESTING ACTIVITIES

MOST SIGNIFICANT COMPANIES ACQUIRED

	Allianz Canada
General	
Year of acquisition	**2004**
Primary line of business	**Non-life insurance**
Purchase price	
Purchase price	**0.2**
Assumed debt in purchase price	**0.1**
Assets	
Investments	**0.6**
Miscellaneous other assets	**0.2**
Liabilities	
Insurance provisions	**0.6**
Miscellaneous other liabilities	**0.1**

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

amounts in millions of euros

PARENT COMPANY BALANCE SHEET

	2004	2003
ASSETS		
Participating interests 1		
Shares	**18,004**	17,216
Amounts receivable	**14,244**	14,101
	32,248	31,317
Other financial investments		3
Other receivables	**174**	26
Other assets	**162**	6
Accrued assets	**234**	185
Total	**32,818**	31,537
EQUITY AND LIABILITIES		
Shareholders' equity 2		
Share capital	**174**	174
Share premium	**4,374**	4,374
Revaluation reserve	**1,737**	1,961
Reserve for participating interests	**2**	2
Exchange differences reserve	**-437**	-308
Other reserves	**4,505**	3,307
Net profit for the period	**3,580**	2,501
	13,935	12,011
Subordinated loans	**2,616**	2,646
	16,551	14,657
General provisions 3	**200**	247
Creditors 4	**15,758**	16,287
Accrued liabilities	**309**	346
Total	**32,818**	31,537

The numbers against the items refer to the notes starting on page 62.

PARENT COMPANY PROFIT AND LOSS ACCOUNT

	2004	2003	2002
Result of group companies after taxation	**3,522**	2,560	3,400
Other results after taxation	**58**	-59	408
Net profit for the period	**3,580**	2,501	3,808

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

The principles of valuation and determination of results stated in connection with the consolidated balance sheet and profit and loss account are also applicable to the valuation of directly held participating interests.

Changes in balance sheet values due to changes in the revaluation reserve of the participating interests are reflected in the Revaluation reserve, which forms part of *Shareholders' equity*. Changes in balance sheet values due to the results of these *Participating interests*, accounted for in accordance with ING Insurance accounting principles, are included in the profit and loss account. Other changes in the balance sheet value of these *Participating interests*, other than those due to changes in share capital, are included in Other reserves, which forms part of *Shareholders' equity*.

A statutory reserve is carried at an amount equal to the share in the results of *Participating interests* since their first inclusion at net asset value less the amount of profit distributions to which rights have accrued in the interim. Profit distributions which can be repatriated to the Netherlands without restriction are likewise deducted from the Reserve for participating interests, which forms part of *Shareholders' equity*.

NOTES TO THE PARENT COMPANY BALANCE SHEET OF ING INSURANCE

amounts in millions of euros, unless stated otherwise

ASSETS

1 PARTICIPATING INTERESTS

PARTICIPATING INTERESTS

	Ownership (%)	Balance sheet value 2004	Ownership (%)	Balance sheet value 2003
Name of investee				
ING Verzekeringen Nederland N.V.	**100**	**7,267**	100	6,890
Nationale-Nederlanden Interfinance B.V.	**100**	**39**	100	604
ING Insurance International B.V.	**100**	**2,844**	100	-401
ING America Insurance Holding Inc.	**100**	**3,874**	100	3,863
Berendaal Beleggingsmaatschappij B.V.			100	2,177
Kievietsdaal Beleggingsmaatschappij B.V.	**100**	**775**	100	762
Aconto B.V.	**100**	**2,205**	100	235
Vitigudino B.V.			100	110
Diagonac B.V.			100	84
N.V. Balmore			100	815
Bancory B.V.			100	486
Anardel B.V.			100	486
ING Vermogensbeheer B.V.			100	35
ING Holdinvest B.V.	**100**	**479**	100	484
ING Continental Europe B.V.	**100**	**443**	100	206
ING Investment Management Holdings N.V.			100	54
ING Vastgoed Management Holding B.V.			100	188
Other		**78**		138
		18,004		17,216

MOVEMENTS IN PARTICIPATING INTERESTS

	Shares	Receivables 2004	Shares	Receivables 2003
Opening balance	**17,216**	**14,101**	14,585	14,672
Advances		**92,692**		39,424
Investments in group companies	**262**			
Write-off of goodwill	**-179**		-27	
Revaluations	**-818**		-100	
Result of group companies	**3,914**		2,559	
Dividend	**-1,757**		-1,038	
Disposal to other group companies	**-325**		1,874	
Redemption		**-92,314**		-39,226
Exchange differences	**-309**	**-235**	-637	-769
Closing balance	**18,004**	**14,244**	17,216	14,101

The balance sheet value of the Shares as at 31 December 2004 included revaluations of EUR -10,937 million (2003: EUR -9,631 million).

EQUITY AND LIABILITIES

2 SHAREHOLDERS' EQUITY

SHARE CAPITAL

	Ordinary shares (par value EUR 1.13)		Preference shares (par value EUR 1.13)
	Number x 1,000	Amount	Number x 1
2004			
Authorised share capital	**680,000**	**768**	**50**
Unissued share capital	**526,116**	**594**	**50**
Issued share capital	**153,884**	**174**	
2003			
Authorised share capital	680,000	768	50
Unissued share capital	526,116	594	49
Issued share capital	153,884	174	1
2002			
Authorised share capital	680,000	768	50
Unissued share capital	526,116	594	49
Issued share capital	153,884	174	1

RESERVES

	Total	Share premium	Preference share premium reserve	Reva-luation reserve	Reserve for partici-pating interests	Exchange differen-ces reserve	Other reserves
Balance as at 31 December 2002	6,845	3,832	542	1,754	2	-263	978
Unrealised revaluations after tax	-697			207			-904
Exchange differences	-45					-45	
Net profit not recognised in the profit and loss account	-742			207		-45	-904
Write-off of goodwill	-27						-27
Profit appropriation previous year	3,808						3,808
2003 final dividend and 2004 interim dividend	-548						-548
Balance as at 31 December 2003	9,336	3,832	542	1,961	2	-308	3,307
Unrealised revaluations after tax	**-719**			**-224**			**-495**
Exchange differences	**-129**					**-129**	
Net profit not recognised in the profit and loss account	**-848**			**-224**		**-129**	**-495**
Write-off of goodwill	**-179**						**-179**
Profit appropriation previous year	**2,501**						**2,501**
2003 final dividend and 2004 interim dividend	**-629**						**-629**
Balance as at 31 December 2004	**10,181**	**3,832**	**542**	**1,737**	**2**	**-437**	**4,505**

3 GENERAL PROVISIONS

GENERAL PROVISIONS

	2004	2003
Deferred tax liabilities	**200**	246
Other		1
	200	247

As at 31 December 2004, an amount of EUR 200 million (2003: EUR 246 million) was expected to be settled after more than one year from the balance sheet date.

4 CREDITORS

CREDITORS	2004	2003
Debenture loans	**3,364**	3,242
Amounts owed to group companies	**11,164**	10,470
Other liabilities	**1,230**	2,575
	15,758	16,287

CREDITORS ANALYSED BY AVERAGE RATE INTEREST RATE, NOTIONAL AMOUNT AND TERM OF REDEMPTION	Average interest in %	Notional amount	Term of redemption 2004	Average interest in %	Notional amount	Term of redemption 2003
Debenture loans						
– in Swiss francs	**3.3**	**1,231**	**2007**	3.3	1,412	2007
– in US dollars	**6.3**	**952**	**2006**	6.3	1,030	2006
– in Euros	**5.2**	**1,181**	**2009**	6.2	681	2009
– in Norwegian crowns				7.1	119	2004
		3,364			3,242	

Some of the loans have been converted into loans with a variable-interest rate by means of interest-rate swaps. As a result, at 31 December 2004, an amount of EUR 2,797 million (2003: EUR 2,788 million) had a variable interest rate of 2.8% (2003: 3.2%).

CREDITORS ANALYSED BY REMAINING TERM	Up to 1 year	1 year to 5 years	Over 5 years	Total 2004	Up to 1 year	1 year to 5 years	Over 5 years	Total 2003
Debenture loans	**1,103**	**2,261**		**3,364**	312	2,816	114	3,242
Amounts owed to group companies	**9,061**	**2,103**		**11,164**	6,061	3,251	1,158	10,470
Other liabilities	**1,002**	**214**	**14**	**1,230**	2,018	478	79	2,575
	11,166	**4,578**	**14**	**15,758**	8,391	6,545	1,351	16,287

Amsterdam, 7 March 2005

THE SUPERVISORY BOARD

Cor Herkströter, *chairman*
Eric Bourdais de Charbonnière
Luella Gross Goldberg
Paul van der Heijden
Claus Dieter Hoffmann
Aad Jacobs
Wim Kok
Godfried van der Lugt
Paul Baron de Meester
Jan Timmer
Karel Vuursteen

THE EXECUTIVE BOARD

Fred Hubbell, *chairman*
Cees Maas, *chief financial officer*
Eric Boyer de la Giroday
Eli Leenaars
Alexander Rinnooy Kan
Michel Tilmant
Hans Verkoren

AUDITORS' REPORT

Introduction

We have audited the annual accounts of ING Verzekeringen N.V., Amsterdam, for the year 2004. These annual accounts are the responsibility of the company's management. Our responsibility is to express an opinion on these annual accounts based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of the company as at 31 December 2004 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2, of the Netherlands Civil Code.

Amsterdam, 7 March 2005

for Ernst & Young Accountants

Rob Lelieveld Jan Nooitgedagt

PROFIT APPROPRIATION

The profit is appropriated pursuant to Article 36 of the Articles of Association of ING Verzekeringen N.V., the relevant stipulations of which state that the part of the profit remaining after 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 at the disposal of the General Meeting of Shareholders	**3,580**
Add to other reserves	**2,980**
Dividend	**600**

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's core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels,(vi) interest rate levels, (vii) currency exchange rates, (viii) general competitive factors, (ix) changes in laws and regulations, and (x) changes in the policies of governments and/or regulatory authorities. ING Insurance assumes no obligation to update any forward-looking information contained in this document.

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