

## EXCHANGE RATES

Fluctuations in the exchange rate between the euro and the U.S. dollar will affect the U.S. dollar amounts received by owners of shares or ADSs on conversion of dividends, if any, paid in euros on the shares and will affect the U.S. dollar price of the ADSs on the New York Stock Exchange.

The following table sets forth, for the periods and dates indicated, certain information concerning the exchange rate for U.S. dollars into euros based on the Noon Buying Rate. Effective January 1, 1999, the Dutch guilder became a component of the euro. As such, the Noon Buying Rates for 1998 are the Noon Buying Rates for the Dutch guilder, converted into euros at a rate of NLG 2.20371 to EUR 1.00.

Calendar Period	Period End(1)	U.S. dollars per euro		
		Average Rate(2)	High	Low
1998	1.1741	1.1113	1.2147	1.0549
1999	1.0070	1.0666	1.1812	1.0016
2000	0.9388	0.9207	1.0335	0.8270
2001	0.8901	0.8909	0.9535	0.8370
2002	1.0485	0.9495	1.0485	0.8594
2003(through March 5 2003)(2)	1.0967	1.0828	1.0967	1.0361

(1) The Noon Buying Rate at such dates differ from the rates used in the preparation of ING's Consolidated Financial Statements as of such date. See Note 1.5.1.4. of Notes to the Consolidated Financial Statements.

(2) The average of the Noon Buying Rates on the last business day of each full calendar month during the period.

Recent Exchange Rates of US dollars per Euro

The table below shows the high and low exchange rate of U.S. dollars per euro for the last six months

	High	Low
July 2002	1.0156	0.9730
August 2002	0.9882	0.9640
September 2002	0.9959	0.9685
October 2002	0.9881	0.9708
November 2002	1.0139	0.9895
December 2002	1.0485	0.9927
January 2003	1.0861	1.0361
February 2003	1.0875	1.0708

The Noon Buying Rate for euro on December 31, 2002 was EUR 1.00 = \$ 1.0485 and the Noon Buying Rate for euro on March 5, 2003 was EUR 1.00 = \$ 1.0967.

## RISK FACTORS

### Risks Related to the Financial Services Industry

*We operate in highly competitive industries, including in our home market.*

There is substantial competition in the Netherlands and the other countries in which we do business for the types of insurance, commercial banking, investment banking and other products and services we provide. Such competition is most pronounced in our more mature markets of the Netherlands, Belgium, the Rest of Europe, the United States, Canada and Australia. In recent years, however, competition in emerging markets has also increased as large insurance and banking industry participants from more developed countries have sought to establish themselves in markets which are

perceived to offer higher growth potential, and as local institutions have become more sophisticated and competitive and have sought alliances, mergers or strategic relationships with our competitors.

In the Netherlands, which is the largest market for our banking operations and the second largest for our insurance operations, a national policy historically favoring open markets and the presence of large domestic competitors in both the insurance and banking sectors has resulted in intense competition for virtually all of our products and services. In addition, the Dutch market is a mature market and one in which we already have significant market shares in most lines of business. We are currently the second largest bank in The Netherlands, with a 25% market share based upon total assets and a 26% market share based on total deposits. Our main competitors are ABN Amro, with a 34% market share based upon total assets and a 38% market share based on total deposits, and Rabo with a 20% market share based upon total deposits and a 21% market share based on total assets. In The Netherlands, we are also currently the largest insurance company, with a market share of 22% in the life insurance market and 11% in the non-life insurance market, each based on premium income. Our main competitors are Aegon with a 14% and 4% market share in the life and non-life markets respectively and Fortis with a 12% market share in both life and non-life. We also face significant competition in our other major markets. The level of competition in the Netherlands and our significant markets could adversely impact our ability to further increase or even maintain our market share.

In the United States, which is the largest market for our insurance operations, we focus on retail and worksite customers and corporate customers through two core operating units and own the second- largest broker-dealer network in the US with over 10,000 registered representatives. In general, ING Group enjoys top-five positions in most of its US business lines. Lower market shares are found in life insurance, where ING Group is the number seven player, and in mutual funds, where ING is in the top 25 based on assets under management. Our main competitors in the United States are large financial institutions, such as Citigroup, AIG, The Hartford and Aegon N.V..

In Belgium, our market share in the insurance market is 8% and our main competitors are Fortis Utrecht N.V. and Axa. We have a market share of 12% in the banking market and our main competitors are Fortis Utrecht N.V., Dexia S.A. and KBC Bank N.V. Increasing competition in these markets may significantly impact our results if we are unable to match the products and services with our competitors.

***Changes in interest rates and other market factors may adversely affect our insurance, banking and asset management businesses.***

Fluctuations in interest rates affect the returns we earn on fixed interest investments. Interest rate changes also affect the market values of, and the amounts of capital gains or losses we take on, the fixed interest securities we hold.

Our management of interest rate sensitivity affects the results of our banking operations. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest income. The composition of our banking assets and liabilities, and any gap position resulting from that composition, causes the banking operations' net interest income to vary with changes in interest rates. In addition, variations in interest rate sensitivity may exist within the repricing periods or between the different currencies in which we hold interest rate positions. A mismatch of interest-earning assets and interest-bearing liabilities in any given period may, in the event of changes in interest rates, have a material effect on the financial condition or result from operations of our banking businesses. The insurance operations are exposed to interest rate movements with respect to guaranteed interest rates and policyholders reasonable expectations with respect to crediting rates. Asset portfolios backing these liabilities are managed accordingly. The current product portfolio also includes products where interest rate risks are entirely passed on to the policyholder, thereby reducing ING's exposure to interest movements. Changes in interest rates can impact present and future earnings of the insurance operations and can affect the levels of new sales, surrenders or withdrawals.

In addition to interest rates, activity in the securities markets generally also significantly affects our banking, securities trading and brokerage activities, which tends to make those activities more volatile than other parts of our businesses. We also offer a number of insurance and financial products that expose us to risks associated with fluctuations in interest rates, securities prices or the value of real

estate assets. The insurance operations are exposed to movements in equity markets on two levels: 1) those business units which have direct equity holdings in the general accounts; and 2) those products where the revenues to the insurance operations are linked to the value of the equity funds, since this has an impact on the level of charges deducted for unit-linked and variable business. For a more detailed discussion of these products and the risks associated therewith, see "Item 11. Quantitative and qualitative disclosures of market risk".

#### **RISKS RELATED TO THE COMPANY**

##### ***Our results may be affected by regional and emerging market exposures.***

In 2002, we derived approximately 52% of our operational income from the North American market, and as a result, changes in the economy or financial markets of the United States and Canada may have a material adverse effect on our results.

Similarly, we derived approximately 22% of our 2002 operational income from our operations in the Netherlands. Accordingly, changes in the Dutch economy and levels of Dutch consumer spending and downturns in the Dutch real estate, securities and other markets may have a material adverse effect on our operations.

We derived approximately 12% of our operational income from commercial banking, investment banking and insurance operations in the emerging markets of South America, Asia and Central and Eastern Europe and are an active trader of emerging market loans and debt securities. Historically, our capital markets and securities trading activities in emerging markets have been more volatile than those in developed countries and are subject to certain risks, such as political and currency volatility risks, which we do not face in our more mature markets. In the past, we have experienced significant fluctuations in the results of our emerging markets trading operations and no assurance can be given that such fluctuations will not occur in future periods.

##### ***Fluctuations in exchange rates could adversely affect results of our operations outside the European Union.***

We publish our Consolidated Financial Statements in euros. In 2002, we derived approximately 65% of our operational income from operations outside the European Union. Because of this exposure to non-Euro currencies, fluctuations in the exchange rates used to translate foreign currencies, particularly the U.S. dollar, the Australian dollar, the Canadian dollar and the Japanese yen, into euros will impact our reported result from operations and cash flows from year to year. Exchange rate fluctuations will also affect the value (denominated in euros) of our investments in our non-European subsidiaries. Our obligations are primarily denominated in euros and we pay dividends on our Ordinary Shares in euros. The euro value of those dividends in other currencies is also subject to exchange rate fluctuations.

The contribution of North American operations to our results has grown substantially as a consequence of the acquisitions of ReliaStar and Aetna in 2000. As a result, our sensitivity to changes in the U.S. dollar has increased. Based on our expectation that the euro would strengthen with regard to the U.S. dollar in the future, we decided to hedge (at a spot rate of 0.868) the expected contribution of our North American operations to profit before taxation 2002. This means in practice that the impact of a change of the euro against the US dollar in 2002 has had a very limited effect on the net profit of ING Group.

##### ***Our insurance business is subject to losses from catastrophic events.***

In our life and non-life insurance and reinsurance businesses, we are subject to losses from natural and man-made catastrophic events. Such events include weather and other natural catastrophes such as hurricanes, floods and earthquakes, as well as events such as the September 11, 2001 terrorist attacks in the US. The frequency and severity of such events, and the losses associated with them, are inherently unpredictable and may materially impact our results of operations.

***Restrictions on shareholder rights could reduce the accountability of the directors and management to shareholders.***

While holders of bearer receipts are entitled to attend and speak at general meetings of shareholders, they currently have no voting rights, and the Stichting Administratiekantoor ING Groep, the trust which holds our Ordinary shares, exercises the voting rights attached to the ordinary shares for which bearer receipts have been issued. In certain limited circumstances, an individual holder of bearer receipts who is a person may obtain voting rights by proxy from the trust. See “Item 7. Major shareholders and Related Party Transactions – Voting of the Ordinary Shares by holders of Bearer receipts as proxy for the Trust”. The Trust is required to make use of the voting rights attached to the ordinary shares in such a manner that (i) our interests and the interests of our affiliates are served; (ii) our interests and the interests of our affiliates and all parties concerned are safeguarded as well as possible; and (iii) influences which could violate our independence, continuity or identity or which are contrary to our interests or those of our affiliates are barred to the greatest extent possible. The Trust may, but has no obligation to, consult with the holders of bearer receipts or ADSs in exercising its voting rights in respect of ordinary shares.

Under our Articles of Association, approval of our annual accounts by the General Meeting of Shareholders acting as a corporate body discharges the members of the Executive Board and the Supervisory Board from liability in respect of the exercise of their duties during the financial year concerned, unless an explicit reservation is made by the General Meeting, subject to certain provisions of Netherlands law (including provisions relating to liability of members of Supervisory Boards and Executive Boards upon bankruptcy of a company).

These arrangements differ substantially from U.S. practice and significantly affect the power of shareholders to affect the company’s business and operations and the accountability of the company’s directors and management.

See “Item 4. Information on the Company-Corporate Organization.”

***Judgments Against Us May Be Difficult To Enforce.***

Most of the members of ING Group’s Supervisory Board, its Executive Board and some of the experts named in this Annual Report are persons who are not residents of the United States. Most of the assets of the Group and those non-resident persons are located outside the United States. As a result, you may not be able to serve process on those persons within the United States or to enforce judgments against them in United States courts.

You also may not be able to enforce judgments of United States courts under the U.S. federal securities laws in courts outside the United States, including The Netherlands. The United States and The Netherlands do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, you would not be able to enforce in The Netherlands a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, even if the judgment is not based only on the U.S. federal securities laws, unless and to the extent a competent court in The Netherlands gives binding effect to the judgment.

## **Item 4. Information on the Company**

### **GENERAL**

ING was established as a limited company on March 4, 1991 through the merger of Nationale-Nederlanden, the largest insurer in the Netherlands, and NMB Postbank Group, one of the largest banks. ING Groep N.V. is incorporated under the laws of the Netherlands.

The official address of ING Group is:

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The Netherlands  
Telephone +31 20 541 5411

### **Mission**

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

Satisfying the needs of our clients and delivering on the financial promises we make to our shareholders are our primary goals. In view of the increased stakeholder attention, the further internationalisation of ING and the rapid developments in the field of sustainability and corporate social responsibility, we continue to aim for a good balance between the interests of all stakeholders: clients, shareholders, employees and society as a whole.

After several years of rapid expansion through acquisition, the emphasis in the next few years is expected to be on consolidating ING's strengths and achieving synergies, operational excellence and cost control.

### **Profile**

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

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

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

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

In 2002, ING had total gross written premiums of EUR 52,284 million, making it the largest insurer in the Netherlands. For the year ended December 31, 2002, ING Group's total operational income was EUR 76,521 million, and its net operational profit was EUR 4,253 million (both Dutch GAAP).