ING GROUP

Shareholders' bulletin

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Michel Tilmant explains new management structure

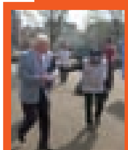
"Close to the business and a **hands-on approach**"

Tens of thousands of ING employees in 47 countries watched the live broadcast during which the new EB chairman Michel Tilmant gave his vision on ING's future and presented the new Executive Board. It was the first time ever that an ING chairman addressed employees worldwide in this way.

ING has a new management structure. It took effect on June 1st. "This new structure is simple, clear and transparent. The business managers will report directly to the responsible member in the Executive Board, thus strengthening personal accountability for the performance of our businesses," says Executive Board chairman Michel Tilmant, explaining the reasons behind this new approach.

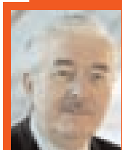
(continue on page 2)

Shareholders' meeting 2004



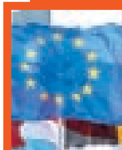
Alleged investments in companies that manufacture arms systems, the remuneration of the Executive Board, corporate governance and the Tabaksblat code were the discussion topics at the AGM 2004. Large institutional and private investors expressed their opinions about the Group's policy and asked critical questions. See pages 4, 5 and 6.

Farewell to Herman Geuze



In June 1992, Herman Geuze was appointed Director Investor Relations & Credit Rating at ING. Now, twelve years later, he is retiring. In those years, ING was put on the map among analysts and investors worldwide with the help of roadshows and IR symposiums. Herman Geuze looks back, in an interview starting on page 12.

ING in Central and Eastern Europe



The expansion of the European Union with ten new countries offers many opportunities. Growth expectations for the new member states are higher compared to the existing members. What does this huge expansion mean for ING's activities in those countries? See pages 16, 17 and 18.

MICHEL TILMANT ABOUT THE NEW STRUCTURE

"ING's new organisation brings the Executive Board closer to the business. It aims for a hands-on approach: short reporting lines and fast decision-making. It also means we will run this business through people, not committees. And this is very important, because it implies personal empowerment and personal accountability. This is the best guarantee for good execution and that is what I want ING to be, a good executor. Collective responsibility is good when you talk about big long-term strategic decisions. But on long-term plans alone our business cannot survive. Too many companies with brilliant views and plans have failed because they were bad in executing, in implementing their plans. So you must also be a good executor. Personal responsibility and accountability guarantee good execution. It is a win-win situation. Not only is it the best guarantee for good results, it also motivates people, it challenges them, it brings out the best in them".

How different will the new management model be from the former one?

"In the past years, we managed ING foremost from a regional perspective. Each board member was responsible for a region: Asia, Europe or the Americas. This made sense. ING had expanded at a fast pace in the past decade. After the initial mergers in the Netherlands a number of big acquisitions in the Americas and Asia, Belgium, Germany and Poland followed. It was a challenge to make all these businesses work together smoothly. Under the guidance of Ewald Kist, the former management structure helped in achieving this.
In the new structure, the defining criterium no longer is the region, but the type of activity, banking or insurance. The exception will be our asset management activities. The regional structure for ING Investment Management remains in place, as well as the global co-ordination for the other asset management business. "But other than that, it is the type of activity that is the most defining characteristic of each division. Within the insurance business, we have made a further geographical distinction of our activities. So the three divisions we have created for the insurance activities will respectively deal with the Americas, Europe and Asia. For the banking activities, a distinction between business lines made the most sense, which is why we have created a division for wholesale banking, for retail banking and for ING Direct."

The new structure creates a clear distinction between the Group's insurance and banking activities. Does this mean ING no longer believes in the concept of integrated financial services (IFS) or bancassurance?

"To me IFS is a concept. I deal with reality. In reality, some of our Dutch insurance brokers also offer mortgages. In Belgium, our bank branches offer insurance products. So we already cross-sell our diversified product range through our many banking and insurance distribution channels and it works. It adds value to this company. But our cross-selling skills go much further than that. Our asset management business works together with our retail banking network for their mutual funds. We service our wholesale clients via our branch network. Call that 'integrated financial services' if you like. We have a business-like, pragmatic approach. What we try to do is to build bridges there where it makes sense, between banking, insurance and asset management and we will continue to do that. Selling insurance products through banks for example, remains a growing trend in Europe and Asia. ING is well positioned to take advantage of this, so why shouldn't we?"

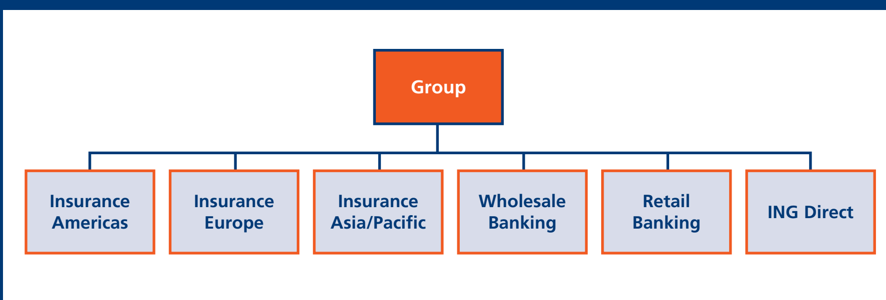
What is the added value of the Group in a structure focusing on business lines?

"One straightforward answer: our different businesses are much stronger together than they would be on a stand-alone basis. ING Group is more than the simple sum of its banking, insurance and asset management parts. Think of the financial benefits of the Group. The Group has a solid funding capacity. The Group has leverage capacity. We are able to invest in new activities like our insurance businesses in developing markets and ING Direct in mature markets, which are now yielding a lot of benefits. None of the individual business units had the capacity to do this on their own.
The Group also allows us for a more efficient asset and liability-management, and a better control of the risks we face. Because we are present across the globe, we are less harmed in times of a downturn of the economy in one part of the world. Or take the example of our wide product portfolio. In general, our banking business benefits from the current favourable interest rate margin and this can make up for the decreased revenues of the insurance business due to low interest rates. The Group also benefits from scale. We lower costs and increase efficiency by concentrating similar business processes – as with shared service centers and procurement. Our scale also enables us to take full advantage of business opportunities in areas such as asset management and pensions."

What makes ING stand out for you?

"This is a company that stands out for several reasons. First, we are a well-established banking and insurance business in the Netherlands and Belgium. We are the number one bank, insurer and asset manager of the Benelux, this is our core business, our base. It is a position we need to treasure and defend because if you want to be a leading company worldwide, a strong home market is indispensable in my view.
Second, we have an important life insur-

New organisation structure ING



ance presence in the United States, which remains the largest savings market in the world and has further growth potential. ING also stands out because of its entrepreneurial spirit. We have a unique skill to build up successful businesses from scratch, such as ING Direct in mature retail banking markets and our insurance operations in developing markets. Moreover, we now have a strong common ING brand, which is increasingly recognised across the globe. All this puts ING in the top league of global financial services companies.

It is our responsibility to maximise ING's opportunities

Together this represents a very good portfolio of mature businesses and businesses with inherent growth potential. Nationale-Nederlanden, ING Belgium, Postbank and ING Bank form part of our mature businesses. We will focus on creating value in these businesses via increased efficiency and customer focus. This also holds for our insurance business in the US. ING Direct and our insurance operations in the developing markets form part of our growth business. In the new structure, we want to give these businesses the right place and attention to make sure they can achieve their long-term potential."

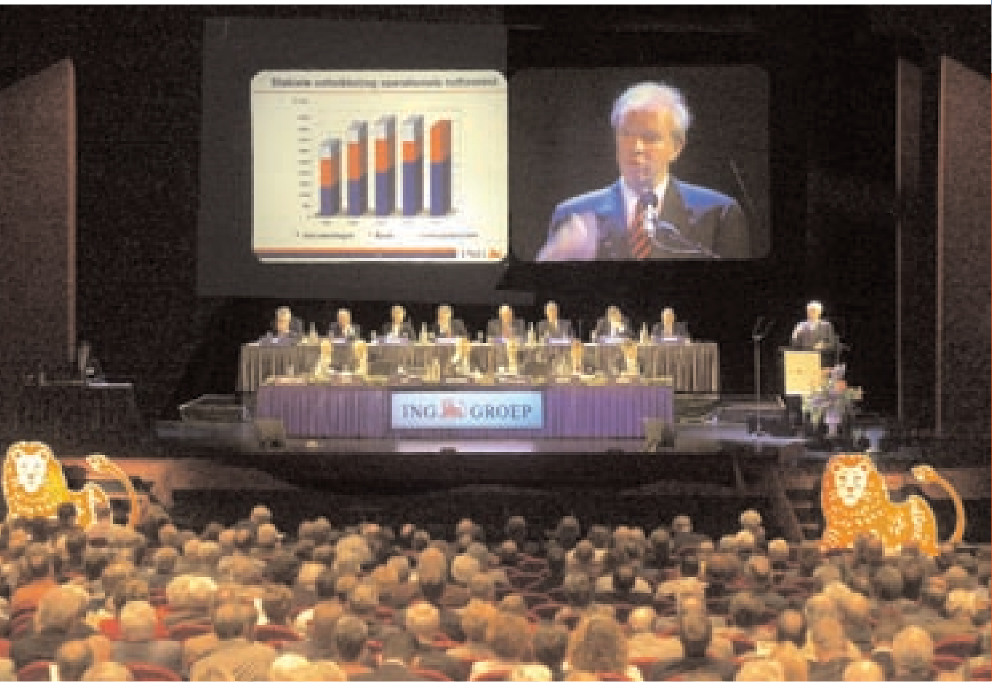
You have three divisions focusing on the banking activities and three focusing on the insurance activities. Is this also how you see the balance between ING's banking and insurance activities, how you intend to manage it?

"No. We are in banking, insurance and asset management. The organisation reflects our identity and the business logic from which we operate. We are a company that wants to create value for its shareholders. That is the everyday challenge of the Board. It is our responsibility to maximise ING's opportunities around the world to ensure real, sustainable value-creation for many years. We will do that by allocating our capital where we expect the best returns, whether that is in banking, asset management or insurance."

Will ING be reporting according to the new structure?

"Yes, we have implemented the new structure on June 1st and for the sake of disclosure and transparency we will publish our results according to the new structure as from this quarter". ■

Michel Tilmant presents the new Executive Board during the live broadcast. Fltr: Messrs Eli Leenaars, Alexander Rinnooy Kan, Fred Hubbell, Michel Tilmant, Cees Maas, Eric Boyer de la Giroday, Hans Verkoren.



There was considerable commitment from shareholders and depositary-receipt holders during ING's Annual General Meeting of Shareholders (AGM) on 27 April 2004. Due to proxy voting, shareholder participation showed a record high of 27.5%. Shareholders were satisfied with ING's 2003 financial results and the prospects for the future. On the other hand, there was some commotion about the remuneration policy and there was intense discussion about alleged investments in the weapons industry.

2004 Shareholders' meeting

Proxy voting successful

Results, outlook and dividend

Many shareholders and holders of depositary receipts took part in the meeting through proxy voting. Proxy voting was introduced last year in the Netherlands and this year in the United States and the United Kingdom as a measure to increase shareholder participation.

Ewald Kist, retiring Executive Board chairman, started off by discussing the 2003 results. Despite the unstable international political situation and the weak economy, ING achieved a strong and stable performance. This resulted in an increase in operating net profit to over EUR 4 billion.
ING's strategy paid off. "The good thing about the bad years is that it makes you face the facts and forces you to lower costs", said Ewald Kist. The capital base has been strengthened and banking and insurance ratios are well above target. ING has succeeded in optimising the existing portfolio, which is reflected in the balanced distribution of net profit between activities and regions. Moreover, ING has developed a number of successful specialities. The insurance result in developing markets amounted to EUR 600 million (13% organic growth). ING Direct's accomplishments are also encouraging; meanwhile funds entrusted amount to more than EUR 100 billion.

ING is cautiously optimistic about 2004, but a profit forecast was not given. Michel Tilmant, the successor to Mr. Kist, underlined the good starting position. "The conditions for ING's businesses are improving and I think we can capture this growth".

CFO and Vice-Chairman Cees Maas explained the dividend policy and the proposed dividend for 2003. The policy depends on the dividend expectations of ING's capital providers as well as internal financing requirements. Maas emphasised that the current dividend policy – whereby the dividend is payable at the option of shareholders either in cash or in new shares – is temporary. The financing of the cash part of the dividend still takes place by issuing shares in the market. Now that the capital base of the insurance operations has improved, the debt position of the holding company (ING Groep N.V.) has to strengthen. Once the debt/equity ratio, which was a little more than 14% at end 2003, moves in the direction of 10%, ING will no longer finance the cash part of the dividend by issuing shares.
The AGM declared the 2003 dividend per share at EUR 0.97. Given the interim dividend of EUR 0.48, the final dividend will amount to EUR 0.49.

Maas also answered questions about the currency hedges and the costs involved. He explained that the expected profit in US dollars has been hedged in 2003 and 2004 by 24-month forward contracts. The costs for these contracts amounted to approximately 1 dollar cent per dollar. The hedge took place against a favourable rate, resulting in a yield of approximately 25 to 30 dollar cents per dollar. All in all, the dollar hedge turned out favourably. Maas emphasised that it is ING's policy to hedge exchange rate movements when the company has a clear view on the development in the euro/dollar rate. Shortly after the AGM, ING decided to unwind the hedged positions for 2005, since there is uncertainty about the development of the euro/dollar rate.

The present situation at Nationale-Nederlanden (NN) was also discussed. Shareholders asked what the concrete targets were to get NN back on track. Michel Tilmant explained that the situation is improving. A considerable amount of money was invested to increase the service level (EUR 30 million). In 2003, backlogs decreased by 40% and NN made a positive contribution to the profit. This development should continue in 2004. Improving the relationship with intermediaries is key. The new management team will have to fulfil this task by meeting concrete performance criteria.

ING in Society

Much attention was paid to the 'ING in Society' report. This report was published shortly before the AGM. There was much praise for ING's efforts in the field of corporate social responsibility, but also criticism about ING's alleged involvement in companies that produce weapons. Ewald Kist said he was not aware of any direct involvement of ING Group in the arms industry. He stated that, on the basis of the Business Principles, ING only engages in activities which are acceptable to NATO principles and consistent with international treaties. He could not rule out that ING was indirectly involved in the weapons industry via investment funds and stated that if it were true, it was certainly not intended. ING will investigate this issue internally and, if necessary, correct it accordingly.

Corporate governance

Ewald Kist introduced ING's corporate-governance structure, which is already largely in line with the Dutch Code on Corporate Governance (the so-called Tabaksblat Code). Kist drew attention to the introduction of ING's global voting policy as an institutional investor. Mrs. Van Waveren, representing the pension funds ABP and PGGM, pointed out that ING had gone from being a slow starter to a frontrunner. However, she mentioned a few deviations from the Tabaksblat Code. Together with Peter Paul de Vries, Chairman of the Dutch Association of Securities Holders (VEB), she insisted that the number of supervisory board memberships of Messrs. Vuursteen and Jacobs should be reduced more quickly than was currently planned. They also argued for a different exit clause for Executive Board members in

ING to adopt more active role as institutional investor

ING has introduced a global voting policy to govern the exercise of voting rights for all of its client and proprietary assets worldwide.

In the past, ING kept a low profile in exercising its voting rights during the shareholders' meetings of companies in which it owns a stake. The reason is that the Group often has other relationships with these companies, such as that of banker or consultant. Both the market and the supervisory authorities have urged the institutional investors to play a more active role, which is why the Group will, from now on, exert more influence in its role as shareholder. One way is to exercise its voting right.
In the Netherlands, ING will make more active use of its voting rights. Starting 1 January 2005, ING will begin reporting quarterly on its voting behaviour for both proprietary and client assets in line with the best practices outlined in the Dutch Corporate-Governance Code.
The worldwide voting policy provides a framework for ING's individual asset-management units to draw up more detailed voting procedures that conform with the regulations and standards of the countries in which they operate.

Clear distinction

In order to avoid potential conflicts of interest, the voting policy draws a clear distinction between proprietary assets (assets held for ING's own account) and assets held on behalf of clients. ING maintains Chinese Walls between the management of proprietary assets and client assets, as well as between the various business lines within ING to avoid any potential conflict of interest.
ING will exercise its voting rights in such a way that the interests of the 'actual owner' of the assets are served. When exercising the voting right on behalf of clients, the exclusive interest of that client will be kept in mind, without taking into consideration any relationship ING may have with the company involved. For ING's proprietary assets, votes will be exercised in the interest of ING and all of the different business relationships ING's units may have with the company will be taken into consideration. This implies that ING's asset management companies may cast different votes for client assets and proprietary assets, respectively.

case of dismissal (not the proposed 3 times base annual salary).

As in previous years, shareholders engaged in a lengthy discussion on the role of the Trust Office ING Shares (previously known as the Administratie-kantoor ING Groep) and the ongoing practice of issuing depositary receipts. Ewald Kist confirmed his promise of last year that abolishing the issue of depositary receipts will again be discussed once 35 to 40% of the votes are represented structurally. Mr. Risseeuw, deputy chairman of the Trust Office ING Shares, emphasised that depositary-receipt holders, if they so wish, have the opportunity to participate in the meetings of the Trust Office. He also pointed out that Mr. Frentrop, a renowned supporter of shareholder participation, will become a member of the board of the Trust Office as from 1 July 2004.

Finally, Ewald Kist concluded this item by mentioning that the corporate governance proposals presented to the AGM and the discussion in the AGM will be the basis for the corporate governance charter, which will be presented to the AGM next year.

Remuneration of the Executive Board

There were many critical questions about the new Executive Board's remuneration. Supervisory Board chairman Herkströter explained that the pay rise was considered necessary to close the gap in senior management pay between ING and the international competition. He stated that it was part of a new remuneration system for all ING staff, which aims to instil a more result-oriented business culture. Wim Kok, Supervisory Board member and former Dutch Prime Minister, called the issue a dilemma. Finally, after heated debate, the remuneration policy was adopted by the AGM with a clear majority.

Farewell to Ewald Kist and appointment new Executive Board members

Cor Herkströter and Michel Tilmant expressed their gratitude towards Ewald Kist for his contribution to modernising the Group. After years of many acquisitions, he successfully completed the integration of the new companies. Tilmant thanked his predecessor for his commitment and leadership as head of a solid and transparent company that communicates openly with all its stakeholders. The audience also expressed words of gratitude. One of the shareholders paraphrased on his last name by calling him Keen, Inventive, Spirited and dedicaTed. Finally, Michel Tilmant introduced the newly appointed Executive Board members: Eric Boyer de la Giroday, Eli Leenaars and Hans Verkoren.

New bank for **Afghanistan** under ING management

At the end of March, the Afghanistan International Bank (AIB) started operations in the Afghan capital of Kabul. The management of the bank was put into the hands of ING Institutional and Government Advisory Group (ING-IGA) by its owners, a consortium of Afghan and US investors. The bank received a licence on 22 March 2004 and is the first commercial bank to be established in Afghanistan in 23 years.

AIB now offers a limited number of services, like inward and outward funds transfer, cashier services, current account and checking facilities. Within a few months, it wants to offer trade finance and short-term and medium term loans to corporate clients. In the second half of this year, clients will be able to access their accounts through cash dispensers and enjoy e-banking facilities.

The bank does not only want to establish a relationship with the local small and medium-sized businesses and the multilateral and international organisations that are active in Afghanistan. CEO John Haye:

"We're also focusing on Afghans who live abroad and wish to repatriate money from around the world."

ING has a mandate to manage the bank, initially capitalised at USD 10 million, for the next three years.

We can never have enough **shareholder participation**

John Simons,
Chairman Trust Office ING Shares
June 2004

For any questions or remarks, please contact Rob Fischmann, secretary to the Trust Office, at telephone number 31 20 541 8711 or by e-mail: rob.fischmann@ing.com

Last year in this column, I called on the shareholders and depositary-receipt holders of ING to let themselves be heard and to our great pleasure, you have answered that call. At the Annual General Meeting of Shareholders (AGM) of 27 April 2004, which I was unfortunately unable to attend because of health reasons, your big involvement was apparent. Many (foreign) ING shareholders and holders of depositary receipts exercised their voting rights by means of proxy voting. Proxy voting increased from 8% (2003) to 21% this year. Last year, proxy voting was introduced in the Netherlands and this year it was expanded to the United States and the United Kingdom, two countries where a considerable part of ING's share capital is located.

One of the duties of the Trust Office ING Shares is to promote proxy voting via the Communicatiekanaal Aandeelhouders (Shareholders Communication Channel). That is why it is with much satisfaction that the Trust Office has noted that the number of proxy votes increased so significantly. Proxy voting is one of the measures ING has implemented to give the shareholder a greater say. So we are on the right track, but things can always be better. For the larger the participation, the more influence depositary-receipt holders can exercise on the company's policy.

It is important that as many depositary-receipt holders as possible cast their votes, since this can influence the voting behaviour of the Trust Office. The Trust Office votes for the 'silent' holders of depositary receipts who neither attend the Shareholders' meeting nor make use of the possibility of proxy voting. A large turnout allows the Trust Office to assess what depositary-receipt holders are thinking. Regarding the majority of the agenda items of the AGM 2004, such as the remuneration of the Executive Board and the dividend policy, the Trust Offices voted in favour of the proposals, in line with the voting instructions. When casting our vote on the shares for which we do not receive voting instructions, the interests of the depositary-receipt holders are top priority. As indicated before, however, the interests of ING and all stakeholders involved are also considered. A practical example of this occurred during the 2004 AGM, when the meeting had to vote on the authorisation to issue shares and to restrict or exclude preferential rights (agenda item 11). The Trust Office represented 1.8 billion votes of depositary-receipt holders who were not present, more than half a billion of which had given a voting instruction. A little more than 50% of these voting instructions opposed this proposal. As said before, the Trust Office also votes for those depositary-receipt holders that neither attend the meeting nor have given a voting instruction. Based on its own responsibility to act in the interest of the depositary-receipt holders as well as the company, the board of the Trust Office decided to vote in favour of the proposal. The Trust Office agreed with the desire of the Executive Board to have a degree of flexibility to issue shares under certain conditions, subject to Supervisory Board approval. The Trust Office is of the opinion that both boards demonstrated in the past that they handle their responsibilities very carefully.

The board of the Trust Office decided not to convene a meeting of depositary-receipt holders prior to the AGM. As the depositary-receipt holders are already involved in the decision-making process in the AGM, there is no reason to give them a bigger influence than the depositary-receipt holders who do not attend the AGM meetings. One of the objectives of the Trust Office is, after all, to act in the interests of all depositary-receipts holders.

Finally, I would like to address the composition of the board of the Trust Office. The changes in ING's corporate-governance structure in 2003 have increased our responsibilities. We will therefore consider whether the board might require a more international character in the future. The board handles the vacancies in the board openly and these vacancies are therefore published in time. Your suggestions for appointments are always welcome. By means of an advertisement we informed you that two board members are up for reappointment this year, Messrs. Ton Risseeuw and Jan Veraart. We also informed you that our board would be expanded with a sixth board member, Mr. Paul Frentrop, as from 1 July 2004. In our opinion, he is extremely well qualified because of his knowledge of corporate governance and the role of the shareholder in this process, and his ideas about shareholder participation.

Shareholder participation. I have said it before: we can never have enough of that. ■

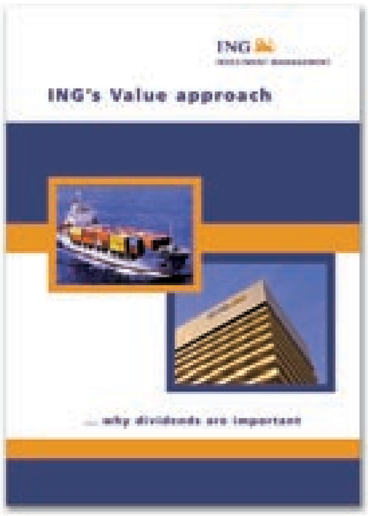
Mr. Paul Frentrop will be a member of the board of the Trust Office ING Shares as from 1 July 2004. Paul Frentrop (The Hague, 1954) is general manager of Deminor Nederland B.V., part of an international consultancy agency for (minority) shareholders.
Prior to that, he was company secretary at MeesPierson and before that a financial journalist at NRC Handelsblad and Het Financieele Dagblad (two leading newspapers in the Netherlands).
After receiving his bachelor's degree in psychology at Leiden University in 1976, Paul Frentrop obtained a master's degree in business administration at the IIB of Delft.
In 2002, he obtained his doctorate at the University of Tilburg with a thesis on the history of corporate governance, titled *'Ondernemingen en hun Aandeelhouders sinds de VOC'.* Corporate governance 1602-2002'. [Companies and their Shareholders since the Dutch East-India Company. Corporate governance 1602-2002, published by Prometheus, Amsterdam.]
Paul Frentrop publishes regularly on subjects related to corporate governance.

ING Investment Management achieves global synergies with local orientation

Angelien Kemna: "We need to use our people and resources in the most efficient way to stay ahead."

A global approach to product development and manufacturing is supporting the client proposition of ING Investment Management (ING IM) and helping ING IM to compete in the top league of international asset managers. "Optimally supporting our investment professionals while at the same time achieving efficiency and scalability by concentrating product manufacturing resources in global centres of excellence is the essence of this strategy," says ING IM's Angelien Kemna.

In the asset management business, performance against the benchmark and compared to competitors is of the utmost importance. Foremost in creating the proper conditions to achieve this performance is the ability of an asset management organisation to attract, motivate and retain top investment talent.
But an efficient and focused organisation is also a prerequisite if an asset manager is to deliver on his promise, particularly when faced with the uncertain investment climate of recent years.
"From early 2000 to early 2003 we had three extremely bad years for stock



markets and declining margins," says Kemna, outgoing ING IM Global Chief Investment Officer, and current ING IM Europe CEO. "All asset managers have had to rethink their strategies. Here at ING IM, we've had to learn to work more efficiently and to increase our focus on the client. I am happy to say we have made real progress in these areas."

Focused engine

When Kemna took over the Global CIO function at ING IM three years ago, she came with a vision to transform a decentralised and frequently inefficient product manufacturing effort into a focused engine that would take maximum advantage of ING's global scale and the considerable asset management talent within the organisation.

"Instead of having single teams of experts in various areas, we had talent spread all over the world, with insufficient focus and coordination. With a very few exceptions, we've now brought these teams together so they are in or as close as possible to the markets where the particular equities and fixed-income products are being managed. This allows teams to operate better because they can share expertise more easily and also because they can really stay on top of market developments."

Where previously – following the acquisition of Aetna's US and international life insurance businesses – US equity funds were managed by a multi-site team in The Hague/Atlanta and another team in Hartford, Connecticut, there is now a single team in Hartford. Global equity and fixed income funds are now virtually all packaged in The Hague. Japanese equity products, which were being manufactured in no less than four places – Tokyo, Singapore, Hong Kong and Sydney – are now all managed from Tokyo.

"These changes are essential if we are to compete against the top global asset managers," says Kemna. "With competition as stiff as it is, we need to use our people and resources in the most efficient way to stay ahead. In addition to concentrating teams, we've also achieved additional efficiencies by in some cases consolidating assets, such as in the areas of US equities, where we transferred USD 1.5 billion in assets to the US.

We are now also better able to exploit our size and reach to offer a variety of investment styles: growth, value and 'growth at a reasonable price' (GARP). It sounds like a simple concept, concentrating US product manufacture in the US, European manufacture in Europe and Asian manufacture in Asia, but this is something few of our rivals have yet succeeded in accomplishing."

Global successes

While ING IM has a strong regional and local orientation since its integration into the Europe, Americas and Asia/Pacific ECs in late 2002, a Global Board, Global Investment Board and Global Marketing and Distribution Committee ensure it continues to be able to deploy global strategies successfully.

Among these are successes with its leading investment strategies within and outside of ING. ING Korea has successfully introduced a 'protected mix' strategy (which guarantees investors' initial principal, Ed.) originally developed and marketed by ING IM in the Netherlands, ING IM's Global brands equity strategy developed in Europe has been successfully marketed by ING Antai in Taiwan, and ING Funds in the US has recently introduced the Global Equity Dividend Fund based on the European-based ING Global High Dividend Fund, which has been awarded a top, five-star rating by fund tracker Morningstar and has scored second among all global investment funds in its category over a three-year period.

"We have an increasingly high profile as an asset manager in the outside world and are recognized as being competitive in continental Europe in terms of performance and risk management. The size and scope of ING and the increasing brand awareness in particular is really helping us to boost sales through third-party retail channels," says Kemna. "Our Luxembourg range of investment funds are distributed through many leading European financial institutions, and this is growing. These include UBS, Société Générale, Schroeder, distributors in the Nordic countries, and in Italy, UniCreditor and Intesa." Last year ING IM Europe attracted some EUR 2.5 billion in third-party assets despite the poor investment climate.

> "Important opportunity for ING to fully exploit ING IM as a profit driver"

On the institutional side, where ING IM provides investment services to clients such as pension funds and insurance companies, successes have been booked with its global and US high-yield bond, US private equity, global emerging markets debt and global high dividend strategies.

Changing mindset

These successes reflect an organisation that is thinking more globally, says Kemna. "Especially on the sales and

marketing side, we have been able to move away from a situation where people think 'if I don't make it, I don't sell it'. The sales forces in the regions are now well aware of the potential to sell products and strategies developed in other regions and are actively pursuing opportunities."

And the transition to this new mindset has gone remarkably smoothly. "That's because we did this at the right time. Feedback from clients and pressure from market developments came together to make the people in the organisation open to this change. Otherwise, we would not have achieved as much as we have."

Potential for ING

"There is an important opportunity for ING going forward to fully exploit ING IM as a profit driver within the Group," says Kemna "We deliver our products to ING's own distribution channels at cost, which makes selling funds made by ING IM a high margin business for ING. And with our investment expertise organised into centres of excellence, we are positioned to handle a substantial growth in assets under management through ING's global distribution network while only incurring a minimal rise in manufacturing costs. The challenge now is to realise this potential." ■

ING introduces Whistleblower Procedure

A whistleblower must be able to report on irregularities without fear of repercussions. To stimulate this, management must guarantee confidentiality with procedures allowing staff to report anonymously. The Executive Board guarantees that the legal labour position of the whistleblower, who acts according to the procedure, is not jeopardised.

The Whistleblower Procedure became effective at ING Group in April 2004. The Whistleblower Procedure provides the opportunity for every ING employee to make his or her complaint to a designated reporting officer in order for the responsible management to take appropriate and adequate action in case of alleged breaches of internal or external regulations or other irregularities.

Legal requirements

Over the past years, several cases of large-scale fraud at corporations in the US and in Europe have demonstrated the need to develop reliable procedures for reporting irregularities. These cases led legislators in the US to adopt the Sarbanes-Oxley Act, which requires every listed company in the US to have a whistleblower procedure in place for the entire organisation. The ING Whistleblower Procedure applies to all ING entities. In the Netherlands, a similar requirement is included in the Tablaksblat Code, the Dutch corporate-governance code for listed companies.

The answer to these legal requirements at ING is the ING Whistleblower Procedure, which provides clear reporting rules which apply to all ING business units worldwide.

The management of ING entities shall ensure that the ING Whistleblower Procedure is available and known to all its employees.

Complaints may be related to any possible breach by an ING employee of internal or external rules, as stated in the ING Business Principles, accounting rules or regulation for internal controls. It covers all possible irregularities of a general, operational or financial nature.

Simple and clear procedures

The procedures for employees will be simple and clear. A complaint can be reported to the reporting officer of the ING entity the whistleblower is working for, confidentially and anonymously. The reporting officer will not reveal the name of the whistleblower, unless required to do so by law. Procedures are also in place for reporting irregularities at Executive and Supervisory Board level. ■

Ewald Kist receives royal decoration on retirement

Ewald Kist, retiring chairman of the Executive Board, was appointed Officer in the Order of Orange-Nassau by her Majesty Queen Beatrix. The Minister of Finance of the Netherlands, Mr. Gerrit Zalm, presented the decoration to Ewald Kist in The Hague on 26 May on the occasion of his retirement.

Kist was awarded this royal decoration for his substantial merits to the financial industry, both in the Netherlands and abroad, and for contributing to ING's international expansion as well as his strong commitment to corporate governance, corporate social responsibility and diversity. ■

ING climbs to 12th place on Forbes 2000 Leading Companies list

Forbes Global 2000

2004	2003
1. Citigroup	1. Citigroup
2. General Electric	2. General Electric
3. American International Group	3. American International Group
4. ExxonMobil	4. ExxonMobil
5. BP	5. Bank of America
6. Bank of America	6. Royal Dutch Shell
7. HSBC Group	7. BP
8. Toyota Motor	8. Fannie Mae
9. Fannie Mae	9. HSBC Group
10.Wal-Mart Stores	10. Toyota Motor
11. UBS	11. Verizon Communications
12. ING Group	12. Wal-Mart Stores
13. Royal Dutch Shell	13. ING Group
14. Berkshire Hathaway	14. Royal Bank of Scotland
15. JPMorgan Chase	15. Berkshire Hathaway

ING Group has climbed a notch to 12th place in the 2004 World's 2000 Leading Companies list published by the business magazine Forbes. In addition, ING Group has this year overtaken Royal Dutch/Shell Group to become the top Dutch company on the prestigious list.

The Forbes 2000 list of the world's leading companies ranks enterprises based on four criteria: sales, assets, profits and market value. ING Group's achieved a 12th place in terms of assets, 16th place in sales, 38th in profits and 78th in market cap.

In terms of the overall ranking, ING trails a number of financials, such as Citigroup (number one on the list), AIG (3), Bank of America (6), HSBC (7), Fannie Mae (9), and UBS (11), while finishing ahead of other major financials, such as JPMorgan Chase (15), Royal Bank of Scotland (19), Deutsche Bank Group (34) and ABN Amro Holding (48).

In the category of global 'Diversified Financials' to which Forbes assigns ING, ING ranks third, behind Fannie Mae and UBS.

For more information on the Forbes 2000 of the world's leading companies, go to www.forbes.com. ■

He experienced everything in the field of securities at ING. From investment banking to deputy general manager Securities. And from the two large mergers (between NMB Bank and Postbank and subsequently with Nationale-Nederlanden) to the global financial crises. After spending the past twelve years in the financial heart of the company, he is now retiring with a feeling of satisfaction. "Don't forget that ING in its present form has only existed for thirteen years. It's a young company, which, moreover, has seen constant changes during the years of its existence. During those years we put the Group on the map among analysts and investors worldwide. And there's more potential."

Retiring Director Investor Relations & Credit Rating Herman Geuze:

"**Good investor relations** is two-way traffic: you must inform, but you must also **read the signals**"

After fulfilling his military duty and graduating with a degree in business economics, Geuze started working for Bank Mees & Hope in 1973, which merged into Fortis. In 1980, NMB Bank's general manager of Securities, Leo Grégoire, invited him to join the bank's Issues & Syndicates department. In a still rather strongly regulated capital market – at the time, De Nederlandsche Bank (Dutch central bank) used an annual issues calendar – he was responsible for the issue of proprietary and third-party debt paper as well as for the initial public offering (IPO) of companies like Content, Ordina and Pie Medical. In 1988, he joined the working group which had to prepare the merger between NMB Bank and the then recently privatised Postbank. This resulted in the signing of the merger agreement by executive chairmen Wim Scherpenhuijsen Rom (NMB Bank) and Godfried van der Lugt (Postbank), Wim Kok (Minister of Finance) and Herman Geuze on behalf of the underwriting syndicate. "I still have the gold pen we used at the signing ceremony," he admits.

Financial communicator

His experience and network made it logical for him to take an active role in preparing the next merger, between Nationale-Nederlanden and NMB Postbank Group. The merger of NMB Postbank Group and Nationale-Nederlanden was made possible by the abolition of the Dutch legal large company regime. This meant that banks and insurance companies could now merge. Jaap van Rijn was the first chairman of the Board of the new company, which started under the name Internationale Nederlanden Groep (ING). His successor, Wim Scherpenhuijsen Rom, had to resign soon after his appointment due to issues from the far past. Geuze still remembers his forced resignation vividly. "Perhaps inevitable, but still unjust," is Geuze's opinion even today. "It was one of the toughest moments in my career, also from a professional point of view, since I belonged to the group of people which had to explain to the outside world what it was all about. There are no special tricks for such a crisis. You mustn't panic, you need to send out consistent messages and, above all, be there. And the company should perform financially. But I'm very glad Scherpenhuijsen Rom was rehabilitated afterwards, because his actions never violated the law and were consistent with the norms at the time." Investor-insurer Aad Jacobs succeeded Scherpenhuijsen Rom. It took Jacobs a while before he had gotten used to banker Geuze. It worked out wonderfully well though. Geuze: "Jacobs is a tremendous financial communicator. He can explain very complicated issues in three sentences. He also has a great sense of humour." Geuze experienced this when a large American asset manager mistook him for the chairman: "Ha, Geuze! For a moment you thought you were quite a hot shot, didn't you?"

Crisis of confidence

With the management crisis as a dark cloud hanging above the young company and the initial opposition by shareholders who felt infringed in their rights because of the share exchange ratio, Geuze had to go on the road, together with Jacobs, to analysts and investors worldwide to introduce them to ING. And with success, because ING received much appreciation. A low point in Geuze's career was the sharp fall in interest rates and stockmarkets in 2002 and early 2003. "This created a worldwide feeling that insurance companies could also become insolvent. With my hand on my heart, I can assure you that we've never been in that position. ING did a lot in that period to maintain shareholders' trust: it paid out stock dividend, sold a part of its equity portfolio and hedged part of the equity portfolio. But despite all communication efforts, many insurers lost much of their appeal in those days. And they haven't regained it yet."

30 slide analyst presentations

Partly due to the merger, the necessity of enhancing ING's profile in analyst and investor circles increased. This resulted in the appointment of Geuze as Director Investor Relations. "In 1992, 80% of the share ownership was in Dutch hands and 20% abroad. In the year 2004 it's the other way round. But in those days, large institutional investors like ABP and PGGM [Dutch pension funds] were still very dominant. Due to legal restrictions and currency risks they mainly invested in the Dutch stock market. This has changed considerably with the introduction of the euro."
Investor relations as a profession had already started blossoming in the Anglo-Saxon world, but in the Netherlands it was still in its infancy. Geuze shows an analyst presentation from those days: "Such a presentation covered some 30 to 35 simple slides. These days they easily number 150 pages, and press releases – including appendices – cover some 25 pages. All due to the increased complexity and requirements for more transparency."
Geuze is chairman of NEVIR, the Netherlands Society for Investor Relations. "A separate society for investor relations underlines the increasingly recognised importance of investor relations in the Netherlands."

> "Private shareholders are the icing on the cake"

'Ivory tower syndrome'

In Geuze's view, investor relations are always two-way traffic. "Equally important is that we pass on messages and signals from analysts and investors to the Executive Board." That doesn't always mean a positive reaction necessarily follows. Geuze gives an example from the time of the dotcom bubble. "Analysts advised us to float ING Direct separately, which at the time was only active in Canada. They had calculated a value per customer and had reached an astronomical outcome. We've always said we didn't think that was the right valuation and that we didn't want to float ING Direct. A very just decision."
Messages from outside do not always get through properly. Geuze: "If you manage at such a high level, you may suffer from the 'ivory tower syndrome'. You then don't always sense the impact of certain issues on the man in the street."

Limits of transparency

Transparency, that is what it is all about. "If there are problems somewhere, like now at Nationale-Nederlanden, and you pick up signals about it from the market, for example from the intermediaries, it will turn against you if you act like nothing is the matter towards analysts. Admit there are problems, show what you're doing about them and prepare yourself for concerns in the outside world, if any. I've been an advocate of sharing our problems with the outside world, but I did feel there are limits." Yet, this approach is – in his opinion – the only chance to maintain trust among analysts and investors. Geuze: "You have to know of course how far you can go and you should always make sure that you don't cross the line of insider information. For 2004 we haven't issued a tangible profit forecast. If you then, in your capacity as Director Investor Relations, in a meeting with an analyst were to indicate that you feel rather positive, you can be overstepping the mark. Because it would indicate that the results are improving. The same goes if you talk about specific business units. If you say that we consider them as non-strategic, you almost put them up for sale and that's also going too far. Analysts always try to pump you for information – that's their job – and you have to be extremely alert to it. The only proper method to make price-sensitive information public is to send a press release to the stock exchanges where you're listed."

Access to Asia and Latin America

When Geuze joined the company, ING was not listed on that many international stock exchanges. It only had listings on the stock exchanges of Amsterdam and Brussels, and – through Nationale-Nederlanden – in Paris. Listings in Frankfurt and Zurich followed. In 1997, Geuze enjoyed one of his finest hours with the listing on the New York Stock Exchange. Including a herring stand (a Dutch specialty), a dinner in the Metropolitan Museum of Art and a waggonload of stuffed lions. But the costs paled compared with the revenues ING earned, since it sold ING shares from its own portfolio that it had purchased at a

The listing on the NYSE was one of the highlights in the career of Herman Geuze.

much lower price. Other highlights for Geuze were the takeover of BBL and the acquisitions in the US, especially Aetna. "A fine company, which also gave us access to the emerging markets of Asia and Latin America. And with the takeover of Equitable of Iowa, Fred Hubbell became an executive board member and with BBL's takeover, we got Tilmant, the present chairman."

The takeover of Barings was both a highlight and an all-time low for Geuze. It provided fun in the form of the shock the Dutch caused with their crepe-soled shoes and facial hair (a moustache!) in London's City. And, of course, it provided global name awareness at one go. "But I feel it's almost tragic to see what's left of the once renowned Barings." Yet he thinks the Board made a good decision to no longer invest any money into Barings and to integrate its healthy parts into the Wholesale division. "As regards investment banking, I only see a future for the strong American players. Contrary to the European investment banks, they have the large home market of investors and companies you need in order to be successful."

Financial function well organised

Although the position of CFO did not exist yet in 1992, Geuze – in his capacity as Director Investor Relations – has always worked for the same boss, Cees Maas. "He has organised the financial function well. One central CFO staff combines Market Risk, Credit Risk, Insurance Risk, Corporate Control & Finance and Investor Relations. Coporate Legal and Tax Affairs are also represented in this body. So IR has a key role, because everything about figures and risks is discussed in this platform. I also have the freedom to draw up my own programme. And I have a team, own staff and colleagues from Corporate Control & Finance, who travel with me for presentations around the globe. IR is greatly supported by the top management and the rest of the organisation."

And the results show. Thanks to the efforts in the field of investor relations, ING is on the map among analysts and investors. Meanwhile, more than 80% of the shares are owned by non-Dutch investors; professional and private ones. "Private shareholders are the icing on the cake. They remain very important to ING." He clearly regards them as a target group. They are approached individually, through the Dutch Association of Investment Research Study Clubs and through the Shareholders' bulletin ("it's very nice to see how professional investors have increasingly been reading this bulletin"). Yet he expects private shareholders in the future to invest more through investments funds than they currently do. "I'd like to advise them to invest only a small part of their money in individual shares, so that they can really track their performance and be able to take the right decision. From experience, I know how much effort that takes. And I know ING from the inside. Investing and actively tracking companies has its nice sides, certainly if you can make money by doing it. But you can lose that money too."

Further professionalise AGM

Another way of communicating with shareholders is of course the annual general meeting of shareholders. "I'd like to see the AGM professionalise further. To enhance the discussion, the professional parties should make themselves more heard. I've also respect for the social function of VEB, the Dutch Association of Securities Holders, and the role of its chair, Peter Paul de Vries."

Despite the high level of professionalism Geuze and his staff aim for, he realises very well that communication is not decisive for the trust of investors. "What it's all about is that we – in the long term – deliver a solid performance. In good and not so good times. And be able to do this without pulling out all the stops, or through surprises. ING is on the right track, but we could still be more transparent. In this respect, the streamlining of the business portfolio is a good development."

Despite ING's high global profile, he sees much more potential for the ING share, particularly in Asia. "We have investors in fixed-income securities over there, but when I see how the market is developing, there are huge opportunities. ING should be part of it."

And it will. But no longer under Herman's management. It is the responsibility of his successor, Jonathan Atack, to professionalise the business further and to provide IR's target groups with the right information about ING and the ING share. Geuze: "Being part of it as Director Investor Relations is a fantastic job with a fantastic company." ■

DiBa focuses on Austria

DiBa, ING's successful direct banking subsidiary in Germany, has now set its sights on further expansion in Austria. A TV ad campaign launched earlier this month is promoting direct banking in Austria, using the new name ING (lion) DiBa Austria. The Austrian branch anticipates the upcoming name change for the whole of DiBa. DiBa's acquisition of the other German direct bank Entrium last year included Entrium's branch in Linz, Austria, currently comprising 55 employees servicing some 50,000 customers.

The concept of direct banking is fairly new to the Austrian market and ING DiBa Austria is practically the only stand-alone direct bank. The dimension 'direct' plays a central part in the TV ad campaign. ING DiBa claims to be 'the bank with the direct (immediate) advantage'. Its savings account is called 'Direct Saving'. Being direct is also reflected in a number of characteristics that set ING DiBa Austria apart from the competition, like plain language, a fair, simple and fast approach and no haggling. Another important differentiating element is the color orange, which is not used by any other Austrian bank.

The well-known Austrian actor and comedian Christoph Fälbl gives a face to the campaign's strong local flavor. The campaign portrays the bank as approachable, friendly and 'one of us'. In the TV ads Fälbl represents himself as successful, smart and entertaining. He tells a friend about a bet he has won over who offers the highest interest rate on savings. And naturally no other bank is able to match the 2.5% he is receiving from ING DiBa. ING DiBa Austria foresees great opportunities in the Austrian market. According to a market survey, commissioned by ING DiBa, the number of Austrian consumers that will turn to direct banking in the coming three years will grow considerably, from the present 170,000 to about 550,000. In the year 2012 that number could rise to 1.4 million. ■

'ING in Society 2003'

Recently, ING published the 'ING in Society' report for the ninth consecutive time. In this report, ING gives an overview of its activities in the field of corporate social responsibility and sustainability. This year, the report was published nearly two months earlier than usual to coincide with the annual report. Shareholders therefore had the opportunity to discuss this report during the AGM on 27 April. With the publication date brought forward, ING also wants to emphasise that it regards CSR as an integral part of its business operations.

The report covers, among other things, the further integration of CSR into ING's business operations. ING signed the Equator Principles, which deal with the financing of large projects in emerging markets. ING also introduced CSR guidelines for the evaluation of environmental and social risks of lending. The report is structured around ING's four main stakeholders: customers, shareholders, employees and society at large.

Because of its efforts in the area of CSR and sustainability ING was again included in the leading sustainability indexes in 2003, including the Dow Jones Sustainability Index and FTSE4Good. ING was also named 'Corporate Social Responsibility Bank of the Year 2003' by financial journal The Banker.
The full report is available at www.ing.com. ■

ING well-positioned in a larger Europe

On 1 May 2004, ten countries joined the European Union (EU): Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Slovenia, Cyprus and Malta. It is the fifth and largest expansion of the EU. With the ten new member states, the EU now has 25 countries and the number of EU inhabitants has increased by 74 million to 456 million. This makes the EU the largest global economic block. The growth expectations of the new member states are above average and ING is already well represented in the biggest economies among the newcomers: Poland, Czech Republic, Hungary and Slovakia. In Romania and Bulgaria, which are expected to join the EU in 2007, ING also has a number of successful business operations.

Compared with the rest of Europe, the newcomers represent 4% of the gross domestic product of Europe (by comparison: the Netherlands represents 5%). Poland is by far the biggest economy of the new countries. ING is well represented in a number of these countries. The most important to ING – Poland, Hungary, Czech Republic and Slovakia – represent 84% of the newcomers' GDP. Spain and Portugal have shown that their accession to the EU, which took place in 1986, can result in a huge rise of economic growth. Portugal's GDP per capita rose from EUR 2,400 in 1985 to EUR 10,600 in 2001. The EU itself will invest EUR 52 billion in

(continue on page 18)

ING in the EU countries that joined the EU on 1 May 2004

Market share %	Poland	Hungary	Czech Republic	Slovakia
Life	8	28	15	14
Pensions	22	12	9	-
Retail banking	6	2	<2	<1
Wholesale banking	5	<1	<2	2
Mutual funds	10	1	4	
Customers x 1,000	3,825	765	575	150

Poland

Poland is a core market for ING in Central Europe. In Poland, ING has 3.8 million customers in banking, life insurance, pensions and mutual funds. In 1995, Bank Slaski was a regional corporate bank in central and southern Poland with 86 branch offices and 75,000 account holders. Now it is a bank with 383 branch offices throughout the country, a full-fledged click-call-face service and 1.1 million current accounts. Its retail network was fully rebuilt. After having improved the distribution channels for both retail and wholesale banking, ING Bank Slaski is now well positioned to benefit from the recovering economy, also in the field of bancassurance.

Hungary

ING started in Hungary in September 1991. It was the country's first foreign-owned bank. Meanwhile, ING Bank has a leading position in corporate and investment banking, it is market leader in foreign exchange transactions and successful in trading government bonds. As a stockbroker, ING played a key role in the Hungarian investment market and it acquired a major position in foreign equity trading. For five consecutive years (1999-2003) ING was awarded 'Best Cash Management Bank in Eastern Europe'. ING Bank Hungary aims to become one of the best financial-services providers of the country and to develop new business services for corporate customers.

In the field of insurance, ING (Nationale-Nederlanden) established a greenfield in Hungary in 1989. In addition to life products, it sells health insurance and mortgages. In 1997, ING became market leader in life insurance, a position it has been able to maintain until today. Furthermore, ING is one of the major pension providers in the Hungarian market.

Czech Republic

Since the early 1990s, ING has been active in the Czech Republic in various areas of financial services: banking, insurance, pensions, management services, asset management, ING Investment Management, ING Real Estate and ING Lease.

In 1992, ING received a licence to sell insurance. Since 1998, ING has also been selling health insurance and it is now the second largest life insurer in the country. In 1995, ING started to sell pension products in the Czech market. In 2003, the fund had 290,000 customers. ING also offers an integrated employee-benefits programme.

Slovakia

In 1991, ING Bank established a representative office in Slovakia. In 1993, ING received a full licence from the Slovakian central bank, making ING Bank the only fully operational bank from a holding company outside Central Europe which is registered in Slovakia. The Bratislava office of ING Bank offers corporate, investment and private-banking services.

ING has been active in the life-insurance market since 1996, when it set up a greenfield. Early 2004, ING launched its complementary pension company, ING DDP.

It is expected that in 2007 a second group of Central European countries will join the EU. This group includes Romania and Bulgaria, where ING is also established.

Romania

Romania is one of ING's core markets in Central Europe. ING set up its business in Romania in 1994. Today, it has a large number of activities: wholesale and retail financial services, life insurance, employee benefits and investment-banking services. ING is one of the key players in the Romanian life-insurance market. With its fourteen retail life-insurance products and nine corporate life products, ING has a good market share in life insurance. In 2004, ING will celebrate its tenth anniversary in Romania as a commercial bank.

Bulgaria

ING has been active in Bulgaria ever since it opened a branch office in Sofia in 1994. In 1998, a second office was opened in Varna and since then ING's corporate and institutional customer base has been increasing. In 2000, ING started attracting private customer by means of offering various savings and loan products and mortgages. Several times, the bank was awarded 'Best Foreign Bank' in Bulgaria by Euromoney and Business Central Europe.

Right after the introduction of new pension legislation, ING started offering services in pension-fund management in Bulgaria in April 2001. Meanwhile, it has more than 178,000 customers.

ING Bank Slaski's head office in Poland

the new member states, providing an extra growth stimulus. Additional investments from the business community are expected as well.

'First come...'

Since the early 1990s, ING has established a good market position in Central Europe. In Poland, ING acquired a majority interest in Bank Slaski. In life insurance and pensions, ING also benefited from being a first mover in these growth markets. Today, ING is one of the leading players in the region's financial sector, with nearly six million clients, about 8,000 agents and 11,000 employees. Activities vary from retail to wholesale banking and from insurance to asset management. Furthermore, there are ample opportunities for organic growth. The addition of ten new countries to the EU means 65 million potential new clients for ING.

Life insurance

ING has a good position in life insurance in the emerging markets in Central Europe, Latin America and Asia/Pacific. In the ten years following the fall of the Berlin Wall, the number of insurance companies in Central Europe increased, but it is still relatively low compared to other EU countries.
ING's results for the first quarter of 2004 showed that the activities in Central Europe made a favourable contribution to Group results. Profit before taxation of the life operations rose by 15.4% to EUR 45 million, while life premium income in local currencies increased by 3.8% to EUR 310 million, especially as a result of the strong expansion of the pension activities in the Czech Republic. Although the markets are not ready yet for fully integrated financial services, the first elementary insurance products are already being marketed via the banks in these countries and it is expected that the market share of insurance products sold through banks will increase. There are also opportunities for investment funds, and the sale of mortgages and other lending products is developing favourably for the ING companies.

Pensions

In the field of pensions, Central Europe is a large market with many new opportunities. ING is already a leading provider of pension and life-insurance products. In many countries in this region, there is a shift from a pay-as-you-go system to a fully funded pension scheme. ING plays a role in advising governments in this area and aims, moreover, to expand its offering of pension products. The pension and insurance markets are still relatively underdeveloped, which means that there are ample opportunities for further growth.

Banking activities

Regarding banking, ING is primarily active in the field of wholesale banking. ING's major banking activities are located in Poland, where ING is active through ING Bank Slaski, a wholesale and retail bank. ING Bank Slaski is one of the larger players in the Polish market. In other countries in this region, ING is primarily active as a wholesale banker.

ING's banking strategy in these countries will primarily focus on marketing products in the field of Financial Markets and Cash Management, products in which ING is already market leader.

Conclusion

ING is well positioned in Central Europe. It is expected that the entry of ten new countries into the EU will lead to an increase in GDP of those countries. In the countries that are key to ING, this will result in a considerable expansion of financial services. In the field of wholesale banking, ING will continue to concentrate on companies that are globally active as well as on local listed companies. It will also continue to focus on structured finance and payment and cash management. In the field of retail banking , the focus at ING Bank Slaski will be on organic growth and further improving efficiency.
In life insurance, the focus in Central Europe will be on maintaining ING's leading market position through accelerated organic growth. ING is well positioned in those product areas where the strongest growth is expected. ■

Ewald Kist welcomes analysts for the last time in his capacity as ING's Executive Board chairman.

Turnout was high at the 7th ING Investor Relations Symposium on Friday, April 2. Over 120 financial analysts and institutional investors from around Europe gathered in Amsterdam to hear top managers talk about the businesses under their responsibility.

High turnout at Investor Relations Symposium

While analysts at last year's IR symposium focused on concerns about ING's capital base, the focus this time was on the strategic turnaround programme in the Dutch insurance business, risk management at ING Direct, wholesale banking business and profitability of the US insurance business. The entire event was webcast, in line with new corporate governance requirements.

Good fundamentals in tough environment

In his introductory remarks, CFO Cees Maas said ING was still operating in a tough economic environment. Nevertheless, the Group had responded well and had solid fundamentals to show for it. These include a stronger capital base and a healthy insurance capital coverage ratio of 180% at the end of 2003.

High growth in Asia/Pacific

In his presentation on Asia/Pacific, Alexander Rinnooy Kan told the audience that ING's operations continued to show high growth and were important creators of value. In 2003, the region as a whole contributed 57% to ING Group's value of new business. The operations in the developing markets in Asia alone generate the highest internal rate of return (IRR).

The main challenge in Asia is to translate ING's high growth into a higher profit contribution (8% in 2003). Another challenge is low interest rates. In Taiwan, low interest rates have forced ING to set aside EUR 100 million in extra reserves in 2004.

Bancassurance

Bancassurance is beginning to make inroads in Asia but "there is still not a single winning model." ING is nevertheless well positioned with its various strategic alliances. These include a joint venture with Kookmin Bank in Korea, an exclusive distribution agreement with ANZ Bank in Australia and joint ventures in Japan, India, China and Taiwan.

In China, ING's operations are still small-scale, but Rinnooy Kan said that was normal given the current state of the economy. "Many people have high hopes for China, but in the coming years the country will not be profitable for any player. We just want to make sure that we are visible and actively involved."

Nationale-Nederlanden Life

Ludo Wijngaarden, the new CEO of the Intermediary Division of Nationale-Nederlanden (NN) Life, spoke in no-nonsense terms about his plans to shape up performance at the Dutch insurance division. Nationale-Nederlanden is still the largest insurer in the Netherlands and the life division contributes about 75% to NN's profit. However, performance has slackened in recent years. Backlogs accumulated and satisfaction among intermediaries – NN's main customer group - dropped rapidly. A strategic turnaround programme is now unfolding to correct past mistakes. Wijngaarden reported that backlogs were meanwhile under control but that plenty of work was still ahead to restore leadership in customer service.

First service, then costs

The turnaround plan calls for increasing intermediary satisfaction in 2004 from the lowest level in the industry to the average level. In 2005, costs should be reduced to the average level of competition; in 2006, costs and intermediary satisfaction should be best-in-class. Asked why NN Life was not more aggressive in cost-cutting, Wijngaarden said customer service was more important at the moment. "It's tempting to start cutting costs immediately, but it shouldn't be done too quickly. Our first priority is to increase customer satisfaction, and then cut the costs. Without new IT systems, it is not realistic to expect significant cost savings in 2005."

Hedging strategy is working

With today's low interest rates, analysts are asking more questions about how life insurance companies like NN Life are able to meet their guarantees to policyholders. Johan van der Ende, CFO for the Intermediary Division, took the stage from Wijngaarden and explained how NN Life is coping with this issue. Most of NN's contracts are still guaranteed at 4%. In a detailed description of NN Life's hedging strategy, he showed how the interest rate sensitivity of NN Life's portfolio had been significantly reduced thanks to proper duration matching.

New Executive Board member Hans Verkoren in discussion with a few participants.

Value of new business

Properly matching the assets and liabilities in the investment portfolio is one thing. But is NN able to make money on its new business in the Netherlands? The answer is yes. After a steady decline in the value of new business, the value became positive in the first quarter of 2004. Two measures that contributed to this were a reduction in the crediting rate to policyholders and a step-by-step increase in pricing.

US insurance: focus on ROEC

Fred Hubbell, CEO of ING Americas, dealt with the US insurance business during his presentation. After integrating Aetna Financial Services, ReliaStar and the former ING business, ING now enjoys strong brand awareness, over 200,000 points of distribution and more than 14 million customers.

After an improvement in performance in 2003, the focus now is to improve the return on economic capital (ROEC). ROEC is an important performance indicator because it takes into account all the risks ING assumes in its business, including capital usage. Unlike some of its competitors, ING's ROEC calculation includes all costs. "Our ROEC calculation excludes debt leverage, but we put all other costs in the ROEC calculation, including overhead and defaults."

The ROEC of the US insurance business was 5.8% in 2003. Asked why ROEC was so low, Hubbell said ING's best estimate assumptions regarding the value of its acquired business (VOBA) in 2000 did not materialise. Accounting requires revaluing certain balance sheet items (e.g. capitalised acquisition cost) based on best estimate future assumptions at the time of the acquisition. However since 2000, both stock markets and interest rates have declined substantially, not in line with ING's projections. As a consequence, both profits and ROEC were unfavourably affected.

In order to improve ROEC, the focus will be on improving or selling underperforming businesses, managing capital more efficiently, and growing profitable market share in the three core product lines (annuities, life and retirement services). Hubbell said all new business in the US had been priced to meet an internal rate of return (IRR) hurdle rate of 10%.

Well-positioned in Central Europe

Eli Leenaars, member of the Executive Board since 28 April, talked about the expected impact of EU enlargement on ING's business in Central Europe. ING started to do business in Central Europe in the early 1990s. In the meantime, ING has reaped all first mover advantages to become a major insurer and pension fund provider in the region. ING's core markets in the region are Poland, the Czech Republic, Hungary and Slovakia. Together, these four countries account for 84% of the GDP of the new member states. EU membership is expected to increase overall economic growth in these countries and stimulate the growth of financial services.

ING's overall strategy in Central Europe is to offer multiple products through multiple distribution channels. The strategy of the insurance business is long-term asset gathering and organic growth. In banking, the focus is to serve international companies and local blue chips with financial markets and cash management services. These are products in which ING already enjoys market leadership. (See article on page 16 and further.)

ING Wholesale: from volume to value

In the penultimate presentation, Eric Boyer de la Giroday, also member of the Executive Board since 28 April, said the level of profitability in wholesale banking was not yet at the desired level. Profitability was restored in 2003 thanks to the volume-to-value strategy (which has instilled a new risk/reward discipline in the wholesale organisation), revenue growth in the Benelux, ongoing restructuring in Germany and the trimming of the international network. These measures also contributed to a better cost/income ratio.

Boyer said ING Wholesale in the past used to be all things to all people. In the Benelux, ING enjoys the scale to continue

this approach, but elsewhere in the world, ING will only sell high value-added products and services in specifically defined countries and for specifically defined customers. In the meantime, "the biggest challenge for ING Wholesale is to manage the balance between the need to improve risk adjusted return on capital (RAROC) while protecting the cash flow development."

ING Direct

Brunon Bartkiewicz, General Manager ING Direct, ended the day by describing ING Direct's risk management structure. ING Direct has experienced rapid growth in recent years, attracting over 3 million new clients in 2003 alone (+70%) and an 80% increase in new money. Total funds entrusted at the end of 2003 were EUR 100 billion. ING Direct also continues to show leadership in terms of costs. Operational costs to assets have dropped to 49 basis points, compared to 250 basis points for a typical bank branch. ING Direct has proven to be a cheap way to establish a strong retail banking presence and brand awareness in mature markets.

Risk management

But doesn't such rapid growth pose risks to ING Direct's business model? What happens if stock markets go up and people withdraw their money? Bartkiewicz provided the following answers.

ING Direct's risk management programme focuses on credit and market risk, operational risk and reputation risk. Most of the money entrusted to ING Direct comes from checking and savings accounts at other financial institutions. According to ING Direct's own surveys, the percentage of customers that mentions "money from sale of stocks" as the source of deposits lies between 7% in the US to 13% in France.

ING Direct closely monitors expected client behaviour and links the predictability of savings balances with assets modelling. In managing credit risk, for example, the investment portfolio has an AA rating and does not include equities. In managing market risk, there is no foreign currency risk exposure.
"Reputation risk is the biggest risk for us. We regularly test various scenarios to ensure that if the systems break down, we can be up and running within two hours."

All presentations during the 7th Investor Relations symposium are available at www.ing.com under Investor Relations (analyst presentations). The next Investor Relations Symposium will take place in New York in September. ■

Cooperation between ING and OECD

ING recently joined the so-called Global Pension Statistics Project. On 10 March 2004, ING signed an agreement with the Paris-based Organisation for Economic Co-operation and Development (OECD). ING is the first European private partner to join the project.

The project is expected to fill the gap in internationally comparable pension statistics and provide up-to-date information on the state of private pension systems. This data will support policy makers in their decision-making and performance assessment, and will underpin research into policy issues such as pension reform and regulation.

Under the agreement, ING will make an annual contribution to support the statistics project for three years. The partnership will give ING access to research into new private pension initiatives and will foster contacts with governments, regulators and academic experts in the global pension industry.

"The partnership illustrates ING's commitment to find innovative solutions to provide sustainable pensions for an ageing population," said Jan Nijssen, Head Global Pensions at ING Group. "Adequate data are essential for sound policy-making. ING's participation also underlines that corporate social responsibility goes hand-in-hand with building long-term sustainable business."

"The OECD welcomes this ING initiative to join a project which is key for the development of adequate policy analysis and decisions," said André Laboul, Head of the OECD Financial Affairs Division. "This clearly reflects the organisation's goal to promote public-private partnerships in fields where the expertise of both is essential." ■

ING to sell Australian non-life insurance interests

ING has signed a letter of intent regarding the sale of its Australian non-life operations Mercantile Mutual Insurance to QBE Insurance Group Limited.

The sale includes Mercantile Mutual Insurance Australia, Mercantile Mutual Insurance Workers Compensation and a 50% stake in the QBE Mercantile Mutual joint venture for AUD 740 million (about EUR 429 million). ING and QBE established the QBE Mercantile Mutual joint venture in 1999 to manage most of the Australian general insurance operations of both companies. This joint venture has generated increasingly attractive returns with minimal capital investment.
QBE has also agreed to purchase Mercantile Equities Pty, a small subsidiary of MMIA. The price of this purchase is not material and has not been included in the above amount.
The transactions are expected to be completed by the end of June 2004 and are subject to regulatory approvals.

"This decision is a result of ING's policy of active management and alignment of its global portfolio of businesses," said Alexander Rinnooy Kan, member of the ING Group Executive Board and responsible for the activities in this region. "Our focus in Australia is on enhancing our core wealth management business, including life insurance, funds management and advice, expanding our direct banking business, building our wholesale banking capabilities, and growing our already substantial real estate businesses."
ING is currently Australia's fourth largest retail fund manager, the third largest life insurer in terms of new business premiums, and – through ING Direct – Australia's leading direct bank. ING is also one of the largest real estate managers and property developers in Australia.
QBE has stated that the move will have no impact on staff, intermediaries and customers. ■

Issue of ING Perpetuals for Dutch and Belgian private investors

Under the name ING Perpetuals III, ING Group has issued perpetual subordinated bonds, for private banking clients in the Netherlands and Belgium for an amount of EUR 1 billion. It is the third time ING has issued such securities since 2001.

ING Perpetuals have no fixed redemption date. As stated in the conditions, the securities may be fully redeemed as from ten years after the date of issue.
The ING Perpetuals III will pay investors a variable coupon, that will be adjusted each quarter based on the yield of 10-year Dutch government bonds with a maximum of 9% a year, plus an additional spread of 0.1%. The issue of ING Perpetuals III will close on 16 June. The securities will be traded on Euronext Amsterdam and Euronext Brussels.
ING Group raised EUR 750 million from a similar issue (ING Perpetuals II) in May 2003, and it raised EUR 600 million from the sale of the first ING Perpetuals in September 2001. The proceeds from the current sale will be used for the regular financing of ING's banking activities.
Investors could subscribe for the issue from 24 May until 11 June, but the issue had to be closed after four days as supply was largely exceeded by demand. ING Perpetuals III were only offered to retail investors in the Netherlands and Belgium and will be distributed through ING Bank and CenE Bankiers in the Netherlands as well as through ING Belgium. (These securities are not intended to be sold on the USA market). ING Financial Markets is lead manager of the sale. The prospectus, which was approved by Euronext Amsterdam and Euronext Brussels, provides detailed information on the issue. As from 16 June, the final prospectus will be permanently available on www.ing.com under 'Investor Relations'. ■

ING launches new generation of credit cards

ING Card is the name of a new ING business unit that started operations in March 2004. It will focus on issuing credit cards and managing the current credit card portfolio of ING's business units in the Netherlands and Belgium.
The activities of ING Card fit into ING's strategy to further develop into a global retail brand that offers innovative and transparent banking, insurance and investment products via the telephone, direct mail and the internet.
ING Card operates as an independent business unit within the ING organisation, enabling it to respond swiftly and efficiently to market developments. Its strategy is to sell credit cards in countries where ING already has a notable presence in retail banking. ING Card can therefore profit from ING's name awareness and its present customer databases.

A new generation credit card

'More choice, more credit card'. This was the motto of a big advertising campaign launched in the Netherlands to introduce ING Card. The card is a new type of credit card, allowing the users to decide themselves how much they want to pay each month. Moreover, cardholders can access their expense overview at all times and track debt via a personal internet page.

Koen Beentjes, general manager of ING Card, is responsible for this new business unit and, consequently, for all present and new credit card activities of ING in the Netherlands and Belgium. "By specialising in credit cards and managing the activities from one business unit, we want to strengthen our market position in the Netherlands and Belgium, for example by introducing new products and credit card concepts. In the future, we will expand our positions in Germany and other European countries. We started in the Netherlands, because that's where we already have a considerable cardholder portfolio with the Postbank and ING Bank cards."

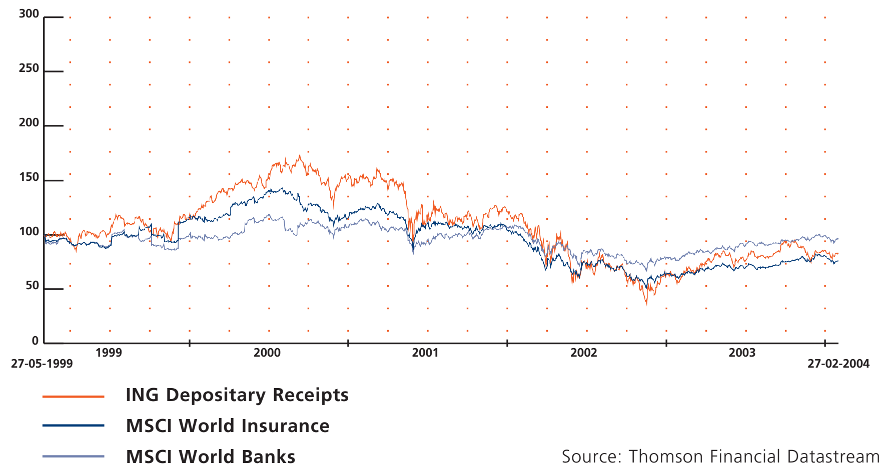
Modern

The new ING Card is a modern credit card. ING Card refers to it as a new generation of credit cards. Beentjes: "Recent survey showed that consumers want to be in control, they want 100% certainty about bank and transaction costs and to a large extent they want to manage their own income and expense flows. In the Netherlands we don't like to take out a loan or debt and if we do, we want to repay quickly. With the ING Card you always have money available and you can pay it back as soon as you like. The transaction data can be viewed online 24/7 on the cardholder's personal internet page. Customers who do not have access to the internet, can use the telephone to find out the latest details about their expenses and spending limit. Customers can also determine their own spending limit and the way of repayment. We are the first to offer cardholders full flexibility and give them control over their expenses."

Competitive

Given its specific product characteristics, the ING Card will be offered in addition to the current credit cards issued by other ING companies. ING Card charges a competitive interest rate of 1% per month (12.68% effectively per year) and during the introduction period, the card is being offered free of charge during the first year. After that, the annual fee will be EUR 34. PIN transactions with the ING Card will cost EUR 3 per transaction, regardless of how much money is withdrawn. Customers do not need a giro or bank account with an ING business unit in order to use the ING Card. Since the launch in March 2004, ING Card has already issued over 15,000 ING Cards and 40% of the clients have actually used their cards. ■

Price chart



Source: Thomson Financial Datastream

This graph shows the movements of an investment in ING Group depositary receipts during the sixty months between 27 May 1999 and 26 May 2004. The historical development is compared with investments included in the MSCI World Banks index and the MSCI World Insurance index. These MSCI indices include 80 banks and 45 insurance companies. The weighting of the shares in both indices is also based on the stock market valuation of all outstanding shares. For each of the three series it is assumed that the dividend payout is reinvested. At the beginning of the period, the three series have been set at 100.
At this moment, the three banks with the largest market capitalisation in the MSCI World Banks index are Bank of America, HSBC Holdings and Wells Fargo & Co.
The three insurance companies with the largest market capitalisation in the MSCI World Insurance Index at present are American International Group, Allianz and AXA.
The reinvestment result of the ING Group depositary receipts for the period mentioned above was –16.5%. The increases in the MSCI World Banks index and the MSCI World Insurance index were –3.3% and –23.8%, respectively.

The absolute figures are as follows:
Price of ING Group DRs
27/05/99: EUR 26.1
(adjusted for share splits)
26/05/04: EUR 18.2
Reinvestment index ING Group DRs
27/05/99: 852.1, 26/05/04: 711.9
MSCI World Banks index
27/05/99: 108.1, 26/05/04: 104.5
MSCI World Insurance index
27/05/99: 92.4, 26/05/04: 70.4

Top 20 European financial institutions by market capitalisation

	Name	Market value in EUR billion on 3 June 2004
1	HSBC	134,0
2	UBS	73,9
3	Royal Bank of Scotland	72,9
4	Barclays	47,2
5	BNP Paribas	45,3
6	Halifax Bank of Scotland	41,0
7	SCH	40,0
8	Deutsche Bank	37,7
9	BBVA	36,5
10	ING	36,0
11	Lloyds TSB Group	35,7
12	Credit Suisse Group	33,4
13	Allianz	32,1
14	Societe Generale	30,4
15	Credit Agricole	29,7
16	AXA	29,5
17	ABN AMRO	28,1
18	Generali	26,9
19	Unicredito	24,0
20	Fortis	22,6

Source: Bloomberg

Key dates in 2004/2005*

- **5 August 2004:** publication results first six months 2004
- **4 November 2004:** publication results first nine months 2004
- **17 February 2005:** publication annual results 2004
- **26 April 2005:** Annual General Meeting of Shareholders

* all dates are subject to change

Colophon

This bulletin is a regular publication by ING Group for private shareholders.

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