ING GROEP NV
Form 6-K
November 05, 2004

Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For June 30, 2004

ING Groep N.V.

Amstelveenseweg 500
1081 KL Amsterdam
The Netherlands

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

FORM 20-F [X] **FORM 40-F [ ]**

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to rule 12g3-2(b) under the Securities Exchange Act of 1934.

YES [ ] **NO [X]**

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b).

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-84226) OF ING GROEP N.V. AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

TABLE OF CONTENTS

Table of Contents

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Introduction

PRESENTATION OF INFORMATION

In this Report on Form 6-K (Form 6-K), ING Groep N.V. refers to the ING holding company incorporated under the laws of the Netherlands, and references to ING , ING Group , the Company and the Group refer to ING Groep N.V. and its consolidated subsidiaries. ING Groep N.V. s primary insurance and banking subholdings are ING Verzekeringen N.V. (together with its consolidated subsidiaries, ING Insurance) and ING Bank N.V. (together with its consolidated subsidiaries, ING Bank), respectively.

Unless otherwise specified or the context otherwise requires, references to $, US$, Dollars , USD and U.S. Dollars to United States dollars and references to EUR are to euros.

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Certain of the statements contained in this Form 6-K that are not historical facts are statements of future expectations and other forward-looking statements that are based on management s current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation,

Changes in general economic conditions, including in particular economic conditions in ING s core markets,

Changes in performance of financial markets, including emerging markets,

The frequency and severity of insured loss events,

Changes affecting mortality and morbidity levels and trends,

Changes affecting persistency levels,

Changes affecting interest rate levels,

Changes affecting currency exchange rates, including the euro - U.S. dollar exchange rate,

Increasing levels of competition in the Netherlands and emerging markets,

Changes in laws and regulations, including monetary convergence and the Economic and Monetary Union,

Regulatory changes relating to banking or insurance industries,

Changes in the policies of central banks and/or foreign governments, and

General competitive factors, in each case on a global, regional and/or national basis.

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

RECENT DEVELOPMENTS

The net profit presented in accordance with Dutch GAAP for the six months ended June 30, 2004, as announced on August 5, 2004, has been reduced by EUR 164 million to reflect the impact of the study of the mortality experience of ING s individual reinsurance business in the United States confirmed after finalization of the Dutch GAAP six months 2004 interim financial statements. For purposes of this Form 6-K, ING has recognized this charge in the second quarter of 2004, rather than the third quarter as previously announced. Net profit for the six months ended June 30, 2004 as orginally reported was EUR 2,843 million. The net profit including the effect of the event after balance sheet date is EUR 2,679 million, discussed below in more detail.

ING Group announced it has decided to exit the individual life reinsurance business in the United States as part of its ongoing strategy to focus on core businesses. As a result, ING has signed a co-insurance agreement with Scottish Re. The transaction with Scottish Re is structured such that Scottish Re will reinsure the individual life reinsurance business of ING Re, ING s individual life reinsurance company based in Denver, Colorado and Fort Wayne, Indiana. ING will transfer all assets and reinsure the liabilities of the business through Scottish Re. ING will also pay Scottish Re a ceding commission of EUR 450 million (USD 560 million). Assets will be held in trust for the benefit of ING Re reinsureds and Scottish Re will manage the assets within agreed investment guidelines. Scottish Re will assume the

Table of Contents

obligations of the business, including client service, administration and claims payments. All future business after the closing of the transaction will be written by Scottish Re. The decision completes the strategic review of the individual life reinsurance business and the study of the mortality assumptions at the unit announced earlier this year. The agreement with Scottish Re, which is expected to be completed in the fourth quarter, will lead to a loss for ING of approximately EUR 500 million after tax, including the ceding commission mentioned above. Of that EUR 500 million, ING has taken a charge of EUR 164 million after tax in the second quarter of 2004 for purposes of this 6-K, instead of the third quarter as recently announced, to reduce deferred acquisition costs because of mortality experience in the business. Of the remaining EUR 336 million after tax, EUR 100 million will be taken as a charge in the fourth quarter primarily to write off a tax asset that will not be realisable as a result of the transaction. The remaining EUR 236 million will be amortised over the life of the business, resulting in a charge to the profit & loss account of EUR 25 million in 2005 and gradually decreasing in subsequent years as the business runs off. The transaction is expected to reduce the capital requirements of ING s U.S. insurance business by EUR 700 million, improve ING Group s debt/equity ratio by 20 basis points and increase the capital coverage ratio of ING Insurance by 19 percentage-points. The transaction is subject to regulatory approvals and is expected to close by year-end. ING s Minneapolis-based group reinsurance business is not affected by the transaction.

On October 29, 2004, ING Canada Inc. announced that it has filed a Preliminary Prospectus with the Canadian securities regulatory authorities in connection with an initial public offering by ING Canada of its Common Shares in Canada. ING Bank of Canada, known of ING Direct, is not part of the proposed initial public offering. Proceeds of the offering will be used to fund the on October 8, 2004, announced proposed acquisition of Allianz Canada, to repay certain amounts to ING Groep N.V. and for general corporate purposes. After giving effect to the completion of the offering, it is expected that ING Groep N.V. will hold a significant controlling interest of ING Canada. This release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the common shares of ING Canada Inc. in any jurisdiction in which such offer, solicitation or sale would be unlawful. Such shares have not been and will not be registered under the U.S. Securities Act of 1933, and may not be offered or sold in the United States except pursuant to an exception from the registration requirements of such Securities Act.

On October 8, 2004, ING Group and Allianz Group (Germany) announced that ING Canada has concluded a definitive share purchase agreement for the acquisition of Allianz s property and casualty (P&C) insurance operations in Canada. Under the terms of the agreement, ING will acquire Allianz of Canada and its subsidiaries. This transaction will be subject to regulatory approvals. As a result of the transaction, ING s gross written premiums in Canada will increase by approximately EUR 380 million to reach more than EUR 2.5 billion. More than 800 employees from Allianz Canada will transfer to ING.

On September 30, 2004, ING Group announced that it reached an agreement in principal with Sal. Oppenheim (Germany) about the sale of parts of ING BHF-Bank. Closing of the transaction is expected at year-end 2004.

On September 1, 2004, ING Group and Beijing Capital Group Company Ltd. announced that their joint venture, ING Capital Life Insurance Company, received approval from the China Insurance Regulatory Committee to establish a branch office in Beijing.

On June 16, 2004, ING Group issued EUR 1 billion euro-denominated perpetual subordinated bonds, called ING Perpetuals III, for private banking clients in the Netherlands and Belgium. ING Group used $500 million to redeem the 7.70% Non-cumulative Guaranteed Trust Preferred Securities issued by ING Capital Funding Trust I (issued in 1999), the remainder is being used to strengthen ING Bank s Tier-1 capital and for regular financing of ING s banking activities.

As from June 1, 2004, ING Group introduced a new management structure that will simplify the organization to improve transparency and accountability throughout the Company. The new structure will be organized along six business lines. The key executives will report directly to the responsible member of the Executive Board. The regional Executive Committees for Europe, the Americas and Asia/Pacific and the local Management Committees were eliminated, shortening reporting lines, improving flexibility for fast-decision making and increasing accountability for performance. The six business lines are:

Insurance Europe: includes the insurance activities in the Netherlands and Central Europe and includes ING Investment Management Europe;

Table of Contents

Insurance Americas: includes the insurance activities in the U.S., Canada, Mexico, Latin America and ING Investment Management Americas;

Insurance Asia/Pacific: includes the insurance activities in China, Taiwan, Hong Kong, India, Japan, Korea, Malaysia, Thailand, Australia and New Zealand and includes ING Investment Management Asia/Pacific;

Wholesale Banking: includes wholesale banking activities worldwide, including financial markets;

Retail Banking: includes retail banking activities in the Netherlands, Belgium, Poland and India and the private banking activities worldwide; and

ING Direct: includes ING Direct s banking activities worldwide.

CHANGES IN COMPOSITION OF THE GROUP

On July 20, 2004, ING announced it intends to enter into an agreement with Bank Van Lanschot (the Netherlands) on the sale of CenE Bankiers. The divestment is a result of ING s active management and alignment of its portfolio of businesses. On October 1, 2004 ING announced it had finalised the sale.

On May 13, 2004, ING announced that it had entered into a letter of intent regarding the sale of its Australian non-life interests to QBE Insurance Group Ltd. (Australia) of Mercantile Mutual Insurance (Australia) Ltd., Mercantile Mutual Insurance (Workers Compensation) Ltd. and its 50% stake in the QBE Mercantile mutual joint venture for Australian $ 740 million. An additional Australian $ 25 million is payable by QBE in February 2007 subject to the run off of pre-joint venture net insurance liabilities. The sale was completed on June 30, 2004.

On March 5, 2004, ING Real Estate made a public offer of EUR 18.00 per share in cash for all issued and outstanding shares of Rodamco Asia N.V (Rodamco Asia). At the end of May 2004, ING Real Estate owned 95.3% of the shares of Rodamco Asia and is currently in the process of delisting the company. As a result of this acquisition, assets under management of ING Group increased approximately by EUR 800 million.

CHANGES IN PRESENTATION

As from January 1, 2004, premiums received on Guaranteed Investment Contracts (GICs) are no longer included in premium income and underwriting expenses. This change is in line with international practice and has no effect on net result. The comparative figures have been adjusted accordingly.

EXCHANGE RATES

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 in New York City for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate).

	U.S. dollars per euro			
Calendar Period	**Period End**	**Average Rate(1)**	**High**	**Low**
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	1.2597	1.2074	1.2597	1.0361
2004 through August 31, 2004	1.2183	1.2221	1.2853	1.1801

(1) The average of the Noon Buying Rates on the last business day of each full calendar month during the period. The Noon Buying Rate at such dates differed from the rates used in the preparation of ING s Consolidated Financial Statements. The rate used by ING Group in translating U.S. dollar denominated assets and liabilities as at June 30, 2004 was EUR 1.00 = US$ 1.2148 (December 31, 2003: EUR 1.00 = US$ 1.2616). The average rate used by ING Group in translating U.S. dollar denominated income and expenses for the six months ending June 30, 2004 was EUR 1.00 = US$ 1.2277 (six months ending June 30, 2003: EUR 1.00 = US$ 1.1053).

Table of Contents

CONSOLIDATED RESULTS OF OPERATIONS

The following table sets forth the consolidated results of operations of ING Group for the six months ended June 30, 2004 and 2003:

	Six months ended June 30,	
	2004	**2003**
	(EUR millions)	
Total income	33,930	32,355
Total expenditure	30,106	29,492
Profit before tax:		
Insurance operations	1,846	1,676
Banking operations	1,980	1,187
Profit before tax	**3,826**	**2,863**
Taxation	1,005	673
Third-party interests	142	160
Net profit	**2,679**	**2,030**

The following table sets forth the profit before tax of the Group s consolidated operations by business line for the six months ended June 30, 2004 and 2003:

	Six months ended June 30,	
	2004	**2003**
	(EUR millions)	
Insurance Europe	774	798
Insurance Americas	548	634
Insurance Asia/Pacific	527	176
Wholesale Banking	1,170	752
Retail Banking	678	493
ING Direct	203	31
Other [(1)]	(74)	(21)
Profit before tax	**3,826**	**2,863**

(1) Other is comprised of: result from the dollar hedge, interest on core debt, a one-off gain from old reinsurance business, non-allocated interest expenses of the banking operations and (un)realised capital gains/losses on shares

Total income. Total income of ING Group for the six months ended June 30, 2004 increased by EUR 1,575 million, or 4.9% to EUR 33,930 million, from EUR 32,355 million for the six months ended June 30, 2003, reflecting an increase in income from the Group s insurance and banking operations of 3.6% and 11.3%, respectively.

Total expenditure. Total expenditure for the six months ended June 30, 2004 increased by EUR 614 million, or 2.1%, to EUR 30,106 million, from EUR 29,492 million for the six months ended June 30, 2003, reflecting an increase in expenditure for the Group s insurance operations of 3.2% and a decrease in the banking operations of 3.1%.

Profit before tax. The profit before tax of the Group for the six months ended June 30, 2004 increased by EUR 963 million, or 33.6%, to EUR 3,826 million, from EUR 2,863 million for the six months ended June 30, 2003, reflecting an increase of 10.1% and 66.8%, respectively, for the Group s insurance and banking operations. The three banking business lines increased strongly, driven by a sharp decline in risk costs and higher income. The insurance business in the Americas decreased, on balance driven by exceptionally strong results from non-life insurance in Canada, higher life insurance sales, which was partially offset by the charge on the decision to exit the individual life reinsurance business in the United States. Asia/Pacific posted a higher profit, due to higher life insurance sales in Asia and a gain on the sale of ING s non-life joint venture in Australia. Profit from insurance operations in Europe declined due to lower results in the Netherlands.

Table of Contents

Taxation. The Group s taxes for the six months ended June 30, 2004 increased to EUR 1,005 million from EUR 673 million for the six months ended June 30, 2003. This represents an increase in the overall effective tax rate to 26.3% for the six months ended June 30, 2004, from 23.5% for the six months ended June 30, 2003, mainly due to the impact of a sizeable deferred tax benefit of the insurance operations in the Netherlands in the first six months of 2003.

Net profit. Net profit for the six months ended June 30, 2004 increased by EUR 649 million, or 32.0%, to EUR 2,679 million from EUR 2,030 million for the six months ended June 30, 2003. The effect of exchange rate movements between the euro and certain of the Group s other primary operating currencies had a negative effect on Group net profit in the first six months of 2004 of EUR 46 million. That was partially offset by a gain of EUR 87 million after tax on the U.S. dollar hedge, compared with a gain of EUR 54 million on the hedge in the first six months ended June 30, 2003. ING has hedged the expected profits in U.S. dollar and dollar-linked currencies for the remainder of 2004.

Capital base. As of June 30, 2004, the capital base of ING Insurance amounted to EUR 17.1 billion, which is 182% of the legally required level of EUR 9.4 billion (year-end 2003: 180%). The tier-1 ratio of ING Bank N.V. was 7.65% at the end of June 2004 (year-end 2003: 7.59%) well above the regulatory required minimum level of 4%.

Operating results. ING Group evaluates the results of its insurance operations and banking operations using non-GAAP financial performance measures called operating profit before tax and operating net profit and operating income and operating expenses, which are components of operating net profit and operating profit before tax. Operating net profit and operating profit before tax are defined as profit before tax and net profit, excluding:

- capital gains and losses on equity securities,

- the impact of the negative revaluation reserve on equity securities, and

- realized gains on divestments that are made with the purpose of using the proceeds to finance acquisitions (none occurred in the first six months of 2003 or 2004).

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

A reconciliation of (net) profit to operating profit before tax and operating (net) profit, by segment for the consolidated Group, for the six months ended June 30, 2004 and 2003 is provided on the next page:

(EUR millions)	Insurance operations Six months ended June 30, 2004	2003	Banking operations Six months ended June 30, 2004	2003	Total Six months ended June 30, 2004	2003
Net profit	**1,352**	**1,250**	**1,327**	**780**	**2,679**	**2,030**
Taxation	443	378	562	295	1,005	673
Third parties	51	48	91	112	142	160
Profit before tax	**1,846**	**1,676**	**1,980**	**1,187**	**3,826**	**2,863**
Realised capital gains (losses)	40	(20)			40	(20)
Negative value adjustment on equity securities				(23)		(23)
Operating profit before tax	**1,806**	**1,696**	**1,980**	**1,210**	**3,786**	**2,906**
Taxation	450	383	562	295	1,012	678
Third-party interests	51	48	91	112	142	160
Operating net profit	**1,305**	**1,265**	**1,327**	**803**	**2,632**	**2,068**

As from January 1, 2003, ING s policy is to realise capital gains on equities depending on market opportunities, compared to its previous policy of realising such gains at a fixed and predetermined pace. The negative value adjustment on equity securities, which is charged to the profit and loss account, reflects unrealised losses (market value below cost price) on equity securities, due to overall market conditions.

CONSOLIDATED ASSETS AND LIABILITIES

The following table sets forth ING Group s consolidated assets and liabilities at June 30, 2004 and December 31, 2003:

(amounts in EUR billion, except for amounts per share)	June 30, 2004	Dec. 31, 2003
Investments	382.9	335.0
Bank lending	314.4	292.6
Total assets	**871.6**	**778.8**
Insurance provisions	211.0	198.0
Funds entrusted to and debt securities of the banking operations [1]	423.3	377.8
Due to banks	131.5	102.1
Total liabilities	**847.5**	**757.5**
Shareholders equity	23.9	21.3

Shareholders equity per ordinary share	11.07	10.08

(1) Funds entrusted to and debt securities of the banking operations consists of savings accounts, deposits, other bank funds and debt securities privately issued by the banking operations of ING.

Total assets. Total assets increased by EUR 92.8 billion, or 11.9%, in the first six months of 2004 to EUR 871.6 billion from EUR 778.8 billion at December 31, 2003, reflecting, amongst others, increased lending of EUR 21.8 billion and increased investments of EUR 47.9 billion.

Bank lending. Bank lending increased by EUR 21.8 billion, or 7.5%, to EUR 314.4 billion at June 30, 2004. Of this amount EUR 186.4 billion is related to corporate lending and EUR 132.7 billion to personal lending.

Shareholders equity. Group shareholders equity increased by EUR 2.6 billion, or 12.2%, to EUR 23.9 billion at June 30, 2004 compared to EUR 21.3 billion at December 31, 2003. This increase was mainly due to retained net profit of EUR 2.6 billion.

Table of Contents

Results of operations by business segments

As noted above, in analysing the results of the Group s insurance and banking operations, ING Group uses non-GAAP financial performance measures called operating profit before tax, operating net profit, total operating income and total operating expenditure. These measures exclude a number of items and the Group believes they provide a better understanding of the ongoing profitability of its operating business. See Consolidated Results of Operations for a description of operating results and a reconciliation for the segments of net profit to operating net profit. See page 28, for a reconciliation of the operating net profit of the Group s insurance and banking operations to the Group s consolidated net profit.

INSURANCE OPERATIONS

The Group s insurance operations contributed EUR 1,806 million and EUR 1,696 million, respectively to the Group s operating profit before tax for the six months ended June 30, 2004 and 2003, and EUR 1,305 million and EUR 1,265 million, respectively to the Group s operating net profits in these periods. The decision to exit the individual life reinsurance business in the United States affected the operating profit before tax and the operating net profit for the six months 2004 by EUR 252 million and EUR 164 million, respectively. A gain on the sale of ING s non-life joint venture in Australia affected the operating profit before tax for the six months ended June 30, 2004 by EUR 219 million (after tax by EUR 146 million). In addition, a few smaller acquisitions and divestments affected changes in income and profit. Furthermore, one-off gains from old reinsurance activities affected income and profit substantially: in six months 2004 profit before tax of EUR 96 million (after tax EUR 92 million) and in six months 2003 profit before tax of EUR 303 million (after tax EUR 247 million). The following table sets forth selected financial information for the Group s consolidated insurance operations for the six months ended June 30, 2004 and 2003:

	Six months ended June 30, 2004	**2003**
	(EUR millions)	
Income from insurance operations		
Gross premiums written:		
Life	18,139	16,804
Non-life	3,755	4,048
Total	21,894	20,852
Investment income for own risk	4,716	4,536
Commission and other income	942	1,256
Total operating income (1)	**27,552**	**26,644**
Net premiums written:		
Life	17,656	16,390
Non-life	3,329	3,501
Total	20,985	19,891

Expenditure from insurance operations		
Underwriting expenditure	22,864	21,900
Other interest expenses	540	534
Operating expenses	2,318	2,377
Investment losses	24	137
Total operating expenditure	**25,746**	**24,948**
Operating profit from insurance operations before tax:		
Life	973	1,147
Non-life	833	549
Total	**1,806**	**1,696**
Taxation	450	383
Third-party interests	51	48
Operating net profit	**1,305**	**1,265**
Capital gains	47	(15)
Net profit	**1,352**	**1,250**

1) In the earnings releases for the first six months of 2003 and 2004 of ING Group, part of a one-off gain from old reinsurance activities in six months 2003 (EUR 268 million) was reported for in the line Investment income for own risk . In the above table, this gain is reported in the line Commission and other income , this change better reflects the nature of this gain.

Starting from the first quarter of 2004, Guaranteed Investment Contracts (GICs) are no longer included in premium income and underwriting expenditure, to bring reporting into line with practice at other insurers. Figures in the corresponding periods have been adjusted accordingly. In the first six months 2004, EUR 1,554 million in GICs were received, compared with EUR 2,953 million in the first six months of 2003.

The following table sets forth the breakdown of gross premiums written and operating profit before tax by line of business / geographical area for the Group s consolidated insurance operations for the six months ended June 30, 2004 and 2003:

	Gross premiums written		Operating profit before tax	
	Six months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
	(EUR millions)		(EUR millions)	
The Netherlands	4,182	4,294	621	669
Belgium	1,193	1,373	64	49
Rest of Europe	672	684	89	80
Insurance Europe	*6,047*	*6,351*	*774*	*798*
North America	10,444	9,744	435	505
Latin America	1,086	1,315	113	129
Insurance Americas	*11,530*	*11,059*	*548*	*634*
Asia	3,554	2,826	190	113
Australia	749	690	337	63
Insurance Asia/Pacific	*4,303*	*3,516*	*527*	*176*
Other	92	169	(43)	88
Premiums between geographic areas(1)	(78)	(243)		
Total	**21,894**	**20,852**	**1,806**	**1,696**

(1) Represents reinsurance premiums ceded between Group companies in various geographical areas.

Total income. Total operating income from insurance operations for the six months ended June 30, 2004 increased by EUR 908 million, or 3.4% to EUR 27,552 million from EUR 26,644 million for the six months ended June 30, 2003, reflecting increases in gross premiums written and investment income, partly offset by lower *Commission and other income*. Excluding the impact of changes in exchange rates and in-/divestments, operating income increased by 10.9%.

Gross premiums written in the Group s life operations increased by 7.9% but gross premiums written in non-life operations decreased by 7.2%. Total gross premiums written increased by 5.0%. Excluding the effect of exchange rate movements, which negatively affected growth in gross premium income by EUR (1,140) million (mainly due to the strengthening of the euro) and the effect of acquisitions and divestments, which negatively affected growth in gross premium income by EUR (273) million, gross premium income for the Group increased by EUR 2,455 million, or

12.6%, over the first six months of 2003 (life operations 14.9% and non-life operations 3.0%), led by the U.S. and Asia.

Investment income for own risk increased by EUR 180 million or 4.0% to EUR 4,716 million in the first six months of 2004 as compared to the first six months of 2003. The increase was mainly caused by the gain on the sale of ING s non-life joint venture in Australia, higher asset levels in U.S. and Asia, partly offset by exchange rate movements, especially in the U.S. Realised capital gains on real estate amounted to EUR 153 million, slightly higher than in six months 2003 (EUR 146 million).

Commission and other income decreased by EUR 314 million, or 25.0%, mainly due to EUR 207 million lower one-off gains from old reinsurance activities. The weakening of most currencies against the euro had a negative impact of EUR 50 million on the 2004 first-half year profit before tax. However, that was compensated by a EUR 74 million higher gain on the U.S. dollar hedges, reported as other income.

Operating expenses. Operating expenses for the Group s insurance operations over the first six months of 2004 decreased by EUR 59 million, or 2.5%, to EUR 2,318 million, from EUR 2,377 million

Table of Contents

for the first six months 2003, while gross premiums written increased by 5.0%. However, excluding investments/divestments and exchange rate differences, operating expenses increased by 5.2%, mainly due to a restructuring provision of EUR 21 million and costs related to clearing backlogs and improving service levels in the Netherlands. Almost all other operations world-wide showed either a modest increase or a decrease in operating expenses.

Investment losses dropped to EUR 24 million, or 4 basis points of total fixed-interest securities, which is far below the normalised level of about 20 basis points. In the first six months of 2003, investment losses amounted to EUR 137 million, or 20 basis points of total fixed-income securities.

Operating profit before tax. The operating profit before tax from the Group s insurance activities for the six months ended June 30, 2004 increased by EUR 110 million, or 6.5%, to EUR 1,806 million, from EUR 1,696 million for the six months ended June 30, 2003, reflecting a decrease in profits of the life operations by 15.2% and an increase of the non-life operations by 51.7% (excluding the gain on the sale of ING s non-life joint venture in Australia and the one-off gains from old reinsurance activities non-life profits rose by 66.0%). Excluding investments/divestments and exchange rate differences, the increase was EUR 119 million or 7.8%. The decrease in profit of the life operations was due to the decision to exit the individual life reinsurance business in the United States and lower results in the Netherlands, mainly due to higher expenses and a lower one-off gain from the old reinsurance business. The profit growth of the non-life operations was mainly driven by exceptionally favorable claims experience, particularly in Canada and Australia.

Taxation. The effective tax rate for the Group s insurance operations for the six months ended June 30, 2004 was 24.9%, 2.3% higher than the 22.6% rate for the six months ended June 30, 2003. The increase was mainly due to a deferred tax benefit in the Netherlands in the first six months of 2003.

Operating net profit. The operating net profit for the Group s insurance operations for the six months ended June 30, 2004 increased by EUR 40 million, or 3.2%, to EUR 1,305 million, from EUR 1,265 million for the six months ended June 30, 2003.

Life insurance operations

The following table sets forth the breakdown of gross premiums written and operating profit before tax by line of business/geographical area for the Group s consolidated life insurance operations for the six months ended June 30, 2004 and 2003:

	Gross premiums written		**Operating profit before tax**	
	Six months ended June 30,		**Six months ended June 30,**	
	2004	**2003**	**2004**	**2003**
	(EUR millions)		**(EUR millions)**	
The Netherlands	3,070	3,044	503	566
Belgium	1,013	1,205	47	39
Rest of Europe	647	662	84	74
Insurance Europe	*4,730*	*4,911*	*634*	*679*

North America	9,082	8,307	188	412
Latin America	242	251	44	44
Insurance Americas	*9,324*	*8,558*	*232*	*456*
Asia	3,534	2,801	188	114
Australia	546	530	64	48
Insurance Asia/Pacific	*4,080*	*3,331*	*252*	*162*
Other	6	5	(145)	(150)
Premiums between geographic areas[1]	(1)	(1)		
Total	**18,139**	**16,804**	**973**	**1,147**

[1] Represents reinsurance premiums ceded between Group companies in various geographical areas.

Table of Contents

Premium income. Gross premium income of the Group s life operations for the six months ended June 30, 2004 increased by EUR 1,335 million, or 7.9%, to EUR 18,139 million, from EUR 16,804 million for the six months ended June 30, 2003. Disregarding the effect of exchange rate movements, which negatively affected the growth of gross premium income by EUR (960) million and the effect of acquisitions and divestments, which negatively affected the growth of gross premium income by EUR (51) million, the gross premium income for the Group increased organically by EUR 2,346 million, or 14.9%, over the first six months of 2003, mainly due to U.S. (21.4%, especially Fixed and Variable Annuities and Defined Contribution) and Asia (33.2%, all countries but especially Japan and Korea). Belgium and Australia showed negative growth, at constant exchange rates.

Operating profit before tax. The operating profit before tax from life insurance operations for the six months ended June 30, 2004 decreased by EUR 174 million, or 15.2%, to EUR 973 million, from EUR 1,147 million for the six months ended June 30, 2003. Of all regions only the Netherlands and North America, due to the decision to exit individual life reinsurance business in the United States, showed a decrease. Excluding investments/divestments and exchange rate differences, the decrease was EUR 178 million or 15.5%.

Insurance Europe

In *the Netherlands*, profit before tax for the six months ended June 30, 2004 decreased by EUR 63 million, or 11.1%, to EUR 503 million, from EUR 566 million for the six months ended June 30, 2003, mainly due to EUR 27 million lower gains from old reinsurance activities and higher costs, which were only partially offset by an improved morbidity result and higher investment income. Life premiums showed a moderate increase of 0.9% to EUR 3,070 million. However, the internal rate of return on new life business increased significantly to 11.0% from 8.0% in 2003 as a result of price adjustments, whereas the value of new business improved from EUR 5 million to EUR 30 million.

In *Belgium*, profit before tax rose by EUR 8 million to EUR 47 million, despite a 15.9% drop in premium income compared with the first half last year, when sales of individual single premium products were exceptionally high. The profit increase was mainly due to the positive impact of last year s portfolio growth.

In *Rest of Europe,* profit before tax for the six months ended June 30, 2004 increased by EUR 10 million to EUR 84 million mainly due to higher profits in Poland and Hungary. Lower expenses and higher investment and fee income were the main drivers for this development.

Insurance Americas

In *North America*, profit before tax for the six months ended June 30, 2004 decreased by EUR 224 million to EUR 188 million, from EUR 412 million for the six months ended June 30, 2003, primarily due to the decision to exit the individual life reinsurance business, which was partly offset by the effects of currency movements. Excluding currency effects, the decrease was EUR 184 million, reflecting the decision to exit the individual life reinsurance business in the United States, which was partially offset by improved profits in the U.S. due to strong asset growth, supported by increased sales, good persistency, higher equity market levels and lower investment losses. Enhanced product designs in annuities and life insurance, combined with expanded distribution capacity, helped increase market share. Premium income rose by 21.4%, at constant currency rates. Individual life sales in U.S. dollars increased by 48.6% driven by new universal life products introduced in the fourth quarter of 2003. Annuity sales increased by 51.2%, at constant exchange rates, driven by higher sales of equity-indexed fixed annuities, by enhanced variable annuity product features and by expanded distribution. The internal rate of return in U.S. dollars rose to 10.2% for the first half year, compared with 9.9% for the full year 2003, as a result of pricing discipline.

In *Latin America,* profit before tax of EUR 44 million for the six months ended June 30, 2004 was equal to the same period in 2003. Higher results in Mexico are due to a higher investment income that was offset by a negative currency impact and lower results in Chile mainly due to an unfavorable underwriting experience in Group Life.

Table of Contents

Insurance Asia/Pacific

In *Asia,* profit before tax for the six months ended June 30, 2004 rose by EUR 74 million to EUR 188 million, from EUR 114 million for the six months ended June 30, 2003. Higher profits in Japan (EUR 30 million) led by higher sales of corporate-owned life insurance and single-premium variable annuities, and in South Korea (EUR 18 million) driven by higher sales and higher renewal premiums as well as continued low claim levels. In addition, EUR 14 million higher results were reported in Taiwan, driven by a 21.0% drop in operating expenses, due in part to a reduction in the premium tax rate as well as strict cost control. Taiwan doubled its programme to strengthen reserves due to the continued low interest environment, resulting in a charge of EUR 50 million, up from EUR 25 million in the first six months of 2003. The favorable settlement of a wage tax assessment resulted in the release of a EUR 30 million provision in the second quarter of 2004.

The profit before tax in *Australia* increased by EUR 16 million to EUR 64 million mainly due to improved capital investment earnings.

Other

The profit before tax of the region comprising *Other* increased on balance by EUR 5 million: higher hedge profits and lower paid interest on core debt were partly offset by lower profit from old reinsurance business and a result of the buy-out of the yearly preferred fixed dividend contract paid by ING Bank to ING Insurance in first half 2003.

Non-life insurance operations

The following table sets forth the breakdown of gross premiums written and operating profit before tax by line of business / geographical area for the Group s consolidated non-life insurance operations for the six months ended June 30, 2004 and 2003:

	Gross premiums written		**Operating profit before tax**	
	Six months ended June 30,		**Six months ended June 30,**	
	2004	**2003**	**2004**	**2003**
	(EUR millions)		**(EUR millions)**	
The Netherlands	1,112	1,250	118	103
Belgium	180	168	17	10
Rest of Europe	25	22	5	6
Insurance Europe	*1,317*	*1,440*		