ING DIRECT
Annual Report 2007

It's your money

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The Directors of ING Bank (Australia) Limited ("the Bank") submit their report, together with the financial report of the Bank, for the year ended 31 December 2007.

The names and details of the Directors of the Bank holding office during the financial year and until the date of this report are set out below together with details of their qualifications and special responsibilities.

DIRECTORS' QUALIFICATIONS AND SPECIAL RESPONSIBILITIES

P R Shirriff, BA, FCPA, FCIS, FCIM, AAII, AICD
Chairman
Mr Shirriff was appointed Director of the Bank in July 1985 and Chairman in May 2004. He is a member of the Audit, the Conduct Review and the Credit and Investment Committees.

E Drok, MEc, LLM, Chief Executive Officer
Mr Drok was appointed Director in November 2005 and Chief Executive Officer with effect from 1 February 2006. He is a member of the Audit, the Conduct Review and the Credit and Investment Committees.

D H Harryvan, MEc
Mr Harryvan was appointed Director in July 2006. He is the Chief Executive Officer of ING Direct NV and a member of the Executive Board of ING Groep NV.

I Y L Lee, BA, Barrister-at-Law
Ms Lee was appointed Director in December 2005. She is the Chairman of the Credit and Investment Committee and is a member of the Audit and the Conduct Review Committees.

H D Harley, LLB (Hons), BEc (Hons), M.Phil, SF (Fin)
Mr Harley was appointed Director in July 2007. He is Chairman of the Audit Committee and a member of the Conduct Review and the Credit and Investment Committees.

S M H Tellings
Mr Tellings was appointed Director in March 2007. He is Chairman of the Conduct Review Committee and a member of the Audit and the Credit and Investment Committees.

A R Berg, BEc (Hons), MBA, resigned 24 July 2007
Appointed Director in April 2000 and was Chairman from July 2000 to May 2002. Mr Berg was Chairman of the Audit Committee and a member of the Conduct Review and the Credit and Investment Committees until his resignation from the Board.

E H Robles, MEc, resigned 20 March 2007
Mr Robles was appointed Director in May 2004. He was Chairman of the Conduct Review Committee and a member of the Audit and the Credit and Investment Committees up until his resignation from the Board.

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the year to 31 December 2007 and the number of meetings attended by each Director was as follows:

MEETINGS OF DIRECTORS

Director	Number Held (*)	Number Attended (**)
E Drok	9	9
D H Harryvan	9	2
I Y L Lee	9	7
E H Robles	2	1
P R Shirriff	9	9
A R Berg	5	4
H D Harley	5	5
S M H Tellings	8	4

COMMITTEE MEETINGS

Director	Number Held (*)	Number Attended (**)		
		Audit	Conduct Review	Credit & Investment
E Drok	11	3	4	4
D H Harryvan	11	0	1	1
I Y L Lee	11	2	2	4
E H Robles	3	1	1	1
P R Shirriff	11	3	4	4
A R Berg	8	2	3	3
H D Harley	5	1	2	2
S M H Tellings	11	2	3	3

* Number of meetings held during the time that the director was eligible to attend.

**Mr Berg resigned on 24 July 2007. Mr Harley was appointed on 24 July 2007.
Mr Robles resigned on 20 March 2007.
Mr Tellings was appointed 9 March 2007.

CORPORATE STRUCTURE

ING Bank (Australia) Limited ("the Bank") is a company incorporated and domiciled in Australia. The registered office and principal place of business of the Bank is Level 14, 140 Sussex Street, Sydney NSW 2000. Its ultimate parent entity is ING Groep NV. ING Bank (Australia) Limited is the legal entity and has three operating divisions: Direct Business, Commercial Property Finance and Intermediary Mortgages (trading as "ING Direct").

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activity of the Bank during the year was the provision of banking and related services. There have been no significant changes in the nature of those activities during the year.

EMPLOYEES

The Bank employed 843 employees as at 31 December 2007 (2006: 739 employees).

OPERATING AND FINANCIAL REVIEW

The 2007 year has been a challenging but successful year. Despite the increased volatility in global markets and rising interest rates in the Australian market, the Bank has still delivered a strong financial result. The Bank achieved a profit after tax of $171.2 million for the year ended 31 December 2007. This is an increase of 18% on the 2006 profit after tax of $145.3 million.

The Bank continued to make an impact on the Australian banking scene during 2007, increasing our customer base by more than 100,000 accounts in 2007.

Despite increased competitive pressures the Bank continued to experience strong retail deposit growth. During the reporting period total deposits for the savings products grew by 7.6% from $18.8 billion to $20.2 billion. There are now more than 1.2 million Australians benefiting from ING Direct's highly popular Savings Maximiser.

The Bank's retail mortgages business performed strongly with retail loans and advances increasing by 19% from $26.4 billion to $31.4 billion during 2007. The broker channel exceeded $20 billion during May 2007, ending the year at $23.0 billion. The Mortgage Management Funding and Direct portfolios ($6.8 billion and $1.5 billion respectively) also contributed to the success of the retail mortgages business.

The Commercial Property Finance division performed strongly with an increase in loans from $2.1 billion to $2.6 billion.

RECOGNITION AND AWARDS FROM THIRD PARTIES FURTHER HIGHLIGHTED THE BANK'S STRENGTH

Over the course of the year the Bank received numerous awards and accolades. The Business Optimiser product was awarded a Cannex Five Star Rating; ING Bank was ranked in the top two lenders in the Brokers on Banks Survey; ING Direct was recognised as having the Best Website at the Australian Banking and Finance Awards; the Global Reviews survey of call centre customer experience showed ING Direct to be number one; and the ING Foundation received a Prime Minister's Award for Excellence in community business partnerships for our association with the Spastic Centre.

Importantly, the Nielsen Financial Institution Customer Monitor showed the Bank to be a strong performer in customer satisfaction in 2007. The December quarter survey revealed that 74% of customers who consider ING Direct to be their main financial institution are very or quite satisfied, significantly above results gained by other major Australian banks. Among home loan customers, the Bank cemented its position as the market leader with 95% of customers quite or very satisfied.

The Bank also remains among the leaders when it comes to customer advocacy. Indeed, the December quarter survey showed that 76% of customers are willing to recommend us to others.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Total equity increased to $1,940 million from $1,693 million, an increase of $247 million. The movement was a result of increased profits, plus a capital injection of $100 million from ING Groep NV for the issue of ordinary voting shares.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No events or transactions have occurred since 31 December 2007 or are pending that would have a material effect on the financial statements at that date or for the period then ended or that are of such significance in relation to the Bank's affairs except as identified below, in order to make such financial statements not misleading regarding the Bank's financial position, results of operations or cash flows.

As part of the Bank's normal funding plan a medium term floating rate debt issue of $1.2 billion was undertaken on 28 February 2008.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In the opinion of the Directors, disclosure of any further information on likely developments in operations would be unreasonably prejudicial to the interests of the Bank.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Bank under ASIC Class Order No. 98/0100. The Bank is an entity to which the Class Order applies.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Articles of the Bank require it to indemnify all current and former officers of the Bank against:

- Any liability for costs and expenses which may be incurred by that person in defending civil or criminal proceedings in which judgement is given in that person's favour, or in which the person is acquitted, or in connection with an application in relation to any such proceedings in which the court grants relief to the person under the Corporations Act 2001; and
- A liability incurred by the person, as an officer of the Bank or a related body corporate, to another person (other than the Bank or a related body corporate) unless the liability arises out of conduct involving a lack of good faith.

During the reporting period, the Bank paid an insurance premium in respect of a contract insuring each of the Directors of the Bank named earlier in this report and each full time executive officer, director and secretary. The amount of the premium is, under the terms of the insurance contract, confidential. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Bank or a related body corporate.

Signed in accordance with a resolution of the Directors.

Phillip R Shirriff
Chairman

Eric Drok
Director

Sydney
Date: 26 March 2008

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Auditor's Independence Declaration to the Directors of ING Bank (Australia) Limited

In relation to our audit of the financial report of ING Bank (Australia) Limited for the financial year ended 31 December 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

A K Harmer

Partner

Sydney

Date: 26 March 2008

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BOARD RESPONSIBILITIES

The Board of Directors of the Bank is responsible for corporate governance.

Composition of the Board
The Board comprises five Non-Executive Directors (two of which are representatives of ING Groep NV) and one Executive Director. The Chairman is a Non-Executive Director. The Board met nine times this year with a minimum meeting requirement of at least three times a year. All Directors were also members of the Audit, Conduct Review and Credit and Investment Committees of the Board to ensure a regular and consistent flow of information between business units and all Directors.

Board Responsibilities
The Board acts on behalf of and is accountable to shareholders. Board members have the experience and qualifications to discharge this duty as set out in the Directors' Report. The Board is subject to the prudential requirements of the Australian Prudential Regulation Authority (APRA) and indeed seeks to identify and ensure compliance with all regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to manage those risks. The Board also reviews the corporate governance policies and procedures of the Bank at least once every year and has external experts address it on best practice and developments in corporate governance, risk management and other issues of interest and concern to the Board.

To maintain Director independence and objectivity a majority of Directors are not executives of the Bank. External Directors are appointed for an initial term of four years.

The responsibility for the operation and administration of the Bank is delegated by the Board to the Chief Executive Officer, who is responsible for the Executive Team being appropriately qualified and experienced to discharge their responsibilities. The Board has in place procedures to assess the performance of the Chief Executive Officer and reviews the Chief Executive Officer's performance and remuneration annually.

The Chief Executive Officer regularly attends Board meetings and provides information, analysis and commentary to the Board. The Chief Executive Officer is entitled to one vote at Directors' meetings and participates at Board meetings in all matters other than where he has a conflict, for example where his performance or remuneration is being reviewed.

ING Groep NV global succession planning procedures identify candidates to fill the position of Chief Executive Officer (if it becomes vacant) and provides other alternative candidates so there is continuity of leadership regardless of the circumstances.

The Board seeks to align management's objectives and activities with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to achieve this. In addition to the establishment of the Committees referred to below, the mechanisms include the following:

(i) Board monitoring of performance against a strategic plan which encompasses the Bank's vision, mission and strategy statements which are designed to meet shareholders' needs, regulatory requirements and manage business risks. The strategic plan is a dynamic document and the Board is actively involved in developing and approving initiatives and strategies designed to foster the growth and success of the Bank.

(ii) Development and implementation of operating plans and budgets by management and the Board monitoring progress against budget.

(iii) Remuneration incentives aligned with the Medium Term Plan of the Bank.

To assist in the fulfilment of its responsibilities the Board has instituted a number of committees that operate under charters approved by the Board. In particular there is an Audit Committee, a Conduct Review Committee and a Credit and Investment Committee. To ensure that all relevant issues are addressed between meetings of the Board and its committees there are also various committees at a business unit level. These include a Credit Committee, an Asset and Liability Committee, an Operational Risk Committee and a Prioritisation Review Committee. These business unit level committees are run by senior executives who report to the Chief Executive Officer.

Audit Committee
This committee, chaired by H D Harley, assists the Board with regard to its responsibility for overseeing that an effective internal control framework exists within the Bank. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes which involve safeguarding of assets, the maintenance of proper accounting records as well as non-financial considerations such as the benchmarking of operational key performance indicators. The committee assists the Board in the establishment and maintenance of a framework of internal control and ethical standards for the management of the Bank. This committee generally meets 3 times a year in the first, second and fourth quarters of the calendar year.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial report and is responsible for directing and monitoring the internal audit function and reviewing the adequacy of the scope of the external audit. Further, this committee monitors that management effectively deals with issues raised by both internal and external audit and that the external auditors are satisfactorily discharging their duties.

BOARD RESPONSIBILITIES (CONTINUED)

Conduct Review Committee

This committee, chaired by S M H Tellings, meets at least 3 times a year on the same day as the meeting of the Board. It is responsible for appropriate programs being in place to maintain compliance with legal and regulatory requirements and accepted codes of practice.

Further responsibilities of this committee include a broad range of corporate governance and performance, remuneration, education and succession issues in relation to the Board, management and staff. With this broad responsibility this committee can assist the Board in a holistic approach to corporate governance issues. This approach integrates and aligns the organisation's culture, the compliance philosophy, training and remuneration so that optimal long-term outcomes are achieved for all stakeholders in the Bank.

Credit and Investment Committee

This committee, chaired by I Y L Lee, was established to assist the Board with issues relating to credit and market risk, liquidity, the investment and return on capital and the funding and investment strategy. This committee generally meets five times a year on the same day as the meeting of the Board.

Specifically the committee's mandate encompasses the approval, review and monitoring of all policies and guidelines for the investment and management of the Bank's funds. In addition to this, the committee also considers new products and instruments that are recommended from time to time by the Asset and Liability Committee of the Bank. Further with respect to credit risk, the committee monitors the development of the retail and commercial portfolios in general and in relation to any possible adverse macro-economic scenarios. With these responsibilities this committee provides the Board with an oversight of the use, sourcing and protection of the Bank's funds.

All committees also perform such additional functions as the Board of Directors may from time to time require and such other functions as are required of the committee by applicable legislation or by any relevant regulatory authority and seek expert advice, when appropriate, including when material contentious items arise. With these three committees in place the Board can more effectively ensure the compliance, monitoring and review of all aspects of the Bank's business.

Income Statement for the year ended 31 December 2007

amounts in thousands of dollars	Note	2007	2006
Interest income		**2,671,555**	2,099,400
Interest expense		**(2,296,044)**	(1,761,749)
Net interest income		**375,511**	337,651
Net non-interest income		**21,296**	16,094
Total operating income	4	**396,807**	353,745
Employment expenses		**(76,319)**	(63,630)
Advertising expenses		**(28,465)**	(27,254)
Depreciation and amortisation expenses		**(6,972)**	(7,107)
Occupancy expenses		**(10,783)**	(9,446)
Technology expenses		**(7,101)**	(6,796)
Other expenses		**(27,123)**	(22,605)
Total operating expenses	4	**(156,763)**	(136,838)
Loan loss provisions	24	**3,326**	(8,727)
Operating profit before tax		**243,370**	208,180
Income tax expense	6	**(72,219)**	(62,886)
Profit for the year		**171,151**	145,294

Balance Sheet as at 31 December 2007

amounts in thousands of dollars	Note	**2007**	2006
ASSETS			
Cash		**431,074**	135,053
Derivative assets	12 a)	**80,131**	47,188
Available for sale financial assets	10	**7,137,440**	6,905,368
Loans and advances	11	**34,254,362**	28,672,638
Property, plant and equipment	13	**17,597**	14,324
Other receivables	14	**106,060**	79,485
Deferred tax asset	6	**76,427**	45,232
Total assets		**42,103,091**	35,899,288
LIABILITIES			
Deposits	15	**20,202,132**	18,778,527
Deposits payable to other financial institutions	16	**11,451,235**	6,696,102
Derivative liabilities	12 b)	**177,218**	101,890
Deferred tax liability	6	**94,536**	65,877
Debt issues	17	**8,091,055**	8,413,160
Creditors and other liabilities	18	**141,461**	145,718
Provisions	19	**5,648**	4,950
Total liabilities		**40,163,285**	34,206,224
Net assets		**1,939,806**	1,693,064
EQUITY			
Contributed equity	21	**1,334,000**	1,234,000
Reserves	22	**(13,602)**	10,807
Retained profits	23	**619,408**	448,257
Total equity		**1,939,806**	1,693,064

Statement of Changes in Equity for the year ended 31 December 2007

amounts in thousands of dollars	**2007**	2006
Total equity at the beginning of the year	**1,693,064**	1,174,582
Available for sale investments net of tax	**(6,455)**	(1,026)
Cash flow hedges net of tax	**(18,538)**	(11,304)
Share-based payment plan	**584**	518
Total income and expense for the year recognised directly in equity	**(24,409)**	(11,812)
Profit for the year	**171,151**	145,294
Capital issued	**100,000**	385,000
Total equity at the end of the year	**1,939,806**	1,693,064

Cash Flow Statement for the year ended 31 December 2007

amounts in thousands of dollars	**2007**	2006
Operating profit before tax	**243,370**	208,180
Adjustments for:		
- depreciation	**6,972**	7,107
- increase/decrease to loan loss provision	**(3,326)**	8,727
- other	**1,423**	41,665
Taxation paid	**(69,624)**	(85,684)
Changes in:		
- loans and advances	**(5,581,724)**	(5,789,774)
- derivatives	**42,384**	72,268
- other receivables and deferred tax	**(57,770)**	(77,191)
- deposits	**1,423,604**	2,037,567
Net cash flow from operating activities	**(3,994,691)**	(3,577,135)
Investment and advances:		
- available for sale investments	**(232,072)**	(1,866,474)
- property and equipment	**(10,245)**	(7,051)
Net cash flow from investing	**(242,317)**	(1,873,525)
Deposits payable to other financial institutions	**4,755,133**	2,151,900
Debt issues	**(322,104)**	3,014,774
Share issue	**100,000**	385,000
Net cash flow from financing	**4,533,029**	5,551,674
Net cash flow	**296,021**	101,014
Cash and cash equivalents at beginning of year	**135,053**	34,039
Cash and cash equivalents at end of year	**431,074**	135,053

1. CORPORATE INFORMATION

The financial report of the Bank for the year ended 31 December 2007 was authorised for issue in accordance with a resolution of the Directors on 17 March 2008.

The Bank is a company limited by shares incorporated in Australia. The ultimate parent entity of the Bank is ING Groep NV which owns 100% of the ordinary shares.

The nature of the operations and principal activities of the Bank are described in the Directors' Report.

2. SIGNIFICANT ACCOUNTING POLICIES

Presented below are the principal accounting policies adopted in preparing the accounts of the Bank.

Basis of preparation
The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report is presented in Australian Dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

Compliance with IFRS
The financial report complies with Australian Accounting Standards and the Australian equivalent to International Financial Reporting Standards (AIFRS). The basis of the AIFRS standards are the International Financial Reporting Standards (IFRS) and as a result of complying with AIFRS, the financial report also complies with IFRS.

New accounting standards and interpretations
AASB 7 'Financial Instruments: Disclosures' became effective as of 1 January 2007. The recent standard has no effect on the financial results of the Bank.

The following standards, interpretations and amendments will be applied by the Bank from the financial year commencing 1 January 2008:

- AASB Interpretation 11 AASB 2 Group and Treasury Share Transactions and AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11, are applicable to annual reporting periods beginning on or after 1 March 2007**,** and
- AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 are applicable to annual reporting periods beginning on or after 1 July 2007.

The Bank expects to adopt the following amendment from the financial year commencing 1 January 2009:

- AASB 2007-8 Amending standard issued as a consequence of revisions to AASB 101 Presentation of Financial Statements. This standard broadly introduces the concept of complete set of financial statements and is operative for financial years ending after 1 January 2009. The initial assessment of AASB 101 is that it is not expected to impact on the financial results of the Bank.

Foreign currencies
Functional and presentation currency
Both the functional and presentation currency of the Bank is Australian Dollars.

Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Foreign currency swaps are valued at fair value using the appropriate market rates at balance date. Unrealised profit and losses arising from these revaluations are recognised in the income statement.

Cash
For the purposes of the cash flow statement, cash includes cash on hand and in banks, net of outstanding bank overdrafts and 11am Call Deposits.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments
Financial instruments within the scope of AASB 139 *Financial Instruments: Recognition and Measurements ("AASB 139")* are classified into one of the following categories which determines their measurement basis:

- Available for sale
- Loans and advances and other receivables
- Liabilities at amortised cost
- Derivatives

All purchases and sales of financial assets classified as available for sale that require delivery within the time frame established by regulation or market convention are recognised at trade date, that is the date that the Bank commits to purchase or sell the asset and are measured at fair value. Loans and receivables are recognised at settlement date, which is the date that the Bank receives or delivers the asset.

Available for sale financial assets
Available for sale financial assets are those that are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held to maturity or loans and advances. Such securities are available for sale and may be sold should the need arise, including capital and liquidity needs or changes in market conditions.

After initial measurement, available for sale securities are subsequently measured at fair value. The fair value of available for sale investments is initially recognised at fair value plus transaction costs. Fair values of quoted investments in active markets are based on current bid prices.

Unrealised gains and losses arising from changes in the fair value are recognised directly in the available for sale reserve in equity until the asset is derecognised or impaired, at which time the cumulative gain or loss will be recognised in the income statement.

Loans and advances and other receivables
Loans, advances and other receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They include all secured loans made to retail and commercial borrowers, inter bank loans and leverage leases. After initial measurement, loans and advances and other receivables are held at amortised cost less any impairment losses.

Liabilities at amortised cost

- *Deposits and deposits payable to other financial institutions*
  Deposits include term deposits and at call deposits. They are brought to account at the value of the outstanding balance. Interest is taken to account as accrued. Deposits payable to other financial institutions are brought to account at the gross value of the outstanding balance. Interest is taken to account when incurred.

- *Debt issues*
  Debt issues are short and long term debt issues of the Bank including subordinated debt and medium term notes.

Derivatives and hedge accounting
The Bank uses derivative financial instruments such as interest rate swaps and cross currency swaps as part of its risk management activities to manage exposures to interest rate and foreign currency risks.

Derivatives are recognised at fair value. Fair values are obtained from quoted market prices in active markets including recent market transactions and valuation techniques including discounted cash flow models. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Bank designates certain derivatives as hedges of the fair value of recognised assets or liabilities (fair value hedges) or hedges of highly probable cash flows attributable to a recognised asset or liability (cash flow hedges). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of a hedge relationship, the Bank formally designates and documents the hedge relationship to which the Bank wishes to apply hedge accounting and the risk management objectives and strategies for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Bank will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting period for which they were designated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash flow hedges
For a derivative designated as hedging a highly probable cash flow exposure arising from a recognised asset or liability, the gain or loss on the derivative associated with the effective portion of the hedge is initially recognised in equity in the cash flow hedge reserve and reclassified into the income statement when the hedge item is brought to account. The gain or loss relating to the ineffective portion of the hedge is recognised immediately in the income statement.

Fair value hedges
For a derivative designated as hedging a fair value exposure arising from a recognised asset or liability, the gain or loss on the derivative is recognised in the income statement together with any changes in the fair value of the hedged asset or liability that are attributed to the hedged risk.

Leases
Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership. Leverage lease receivables are recorded as loans and advances which reflect the equity participation in the lease.

Loan loss provision
The Bank assesses periodically and at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset but before the balance sheet date (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The following circumstances, among others, are considered objective evidence that a financial asset or group of assets is impaired:
- The borrower has sought or has been placed in bankruptcy or similar protection and this leads to the avoidance or delays in repayment of the financial asset;
- The borrower has failed in the repayment of principal, interest or fees and the payment failure has remained unsolved for a certain period;
- The borrower has demonstrated significant financial difficulty, to the extent that it will have a negative impact on the expected future cash flows of the financial asset; and
- Historical experience, updated for current events where necessary, provides evidence that a proportion of a group of assets is impaired although the related events that represent impairment triggers are not yet captured by the Bank's credit risk systems.

The Bank does not consider events that may be expected to occur in the future as objective evidence and consequently, they are not used as a basis for concluding that a financial asset or group of assets is impaired.

In determining the impairment, expected future cash flows are estimated on the basis of the contractual cash flows of the assets in the portfolio and historical loss experience for assets with credit risk characteristics similar to those in the portfolio. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Losses expected as a result of future events, no matter how likely, are not recognised.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and then individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on an asset carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account ('provision for impairment') and the amount of the loss is recognised in the profit and loss account as a 'bad and doubtful debt' expense.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. The collective evaluation of impairment includes the application of a 'loss confirmation period' to default probabilities. The loss confirmation period is a concept which recognises that there is a period of time between the emergence of impairment triggers and the point-in-time at which those events are captured by the Bank's credit risk systems. Accordingly, the application of the loss confirmation period ensures that impairments that are incurred but not yet identified are adequately reflected in the Bank's provision for impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When a loan is uncollectible, it is written off against the related provision for impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for impairment and are recognised in the profit and loss account.

Recoverable amount of assets
At each reporting date the Bank assesses whether there is any indication that an asset may be impaired. Where an indication of impairment exists, the Bank makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Property, plant and equipment
Property, plant and equipment is measured at historical cost and depreciated on a straight-line basis. Depreciation rates used have been calculated to allocate the cost over the useful life of the assets.

Major depreciation periods	2007	2006
• Computer Software	3 years	3 years
• Computer Hardware	3 years	3 years
• Leasehold Improvements	10 years	5 years
• Personal Computers	3 years	3 years

The carrying value of plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Impairment losses are recognised in the income statement.

Disposal
An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposable proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Taxation
Deferred income tax is provided on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the balance sheet date.

Deferred income tax liabilities are recognised for all taxable temporary differences except when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised except when the deferred income tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed periodically and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Tax consolidation

For income tax purposes, effective 1 January 2004, the Bank and other 100% owned subsidiaries of ING Groep NV in Australia implemented the tax consolidation regime. Tax consolidation results in the subsidiary members being treated as part of the Head Company as a single entity rather than as separate taxpayers. The Head Company of the tax consolidated group is ING Australia Holdings Limited and the other eligible members are ING Real Estate Development Australia Pty Limited, BBL Australia Limited, ING REDA Holdings Pty Limited and ING Real Estate Investment Management Australia Pty Limited.

Members of the tax-consolidated group have entered into a tax sharing deed in order to allocate income tax payable to group members. The Bank recognises amounts receivable or payable under a tax sharing deed with group members separately as tax-related amounts receivable or payable.

Employee entitlements

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. In respect of long service leave, the Bank's policy is to recognise a liability once an employee attains 5 years of service or more. Employee benefits are discounted where the difference between the carrying value and the present value is material. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Share-based payment transactions

The Bank provides benefits to key personnel in the form of equity-settled share-based payments (share options and performance units). The settlement amount is determined by reference to movements in the exercisable price of the shares of the ultimate parent company ING Groep NV and the price on the date the options are exercised.

Equity settled transactions

The Bank provides benefits to its employees including key management personnel (Note 7 and 8), in the form of equity-settled share-based payments, whereby employees render services in exchange for shares (performance units) or options over shares.

The cost of these equity-settled transactions with employees is measured at the fair value of the equity instruments granted. The grant date is the date on which the Bank and the employee agree to a share-based payment arrangement.

The measurement of equity-settled transactions granted is determined by ING Groep NV and is based on their fair value using a generally accepted valuation methodology. Share-based payments do not vest until the employee completes a specified period of service being 3 years from the date of grant (the vesting period). Vesting conditions, other than market conditions, are not taken into account when estimating the fair value of the equity-settled transactions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the vesting period. Equity-settled transactions are re-measured at each balance sheet date up to and including the vesting date with changes in the fair value recognised in the income statement (as part of employment expenses). The charge to the income statement is the fair value of the equity-settled transactions less the amounts already charged in previous periods.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

Contributed equity
Issued and paid up capital represents the consideration received by the Bank. Transaction costs (if any) arising on issue of ordinary shares are recognised in the value of share capital.

Income recognition
Interest income arising from loans is brought to account in line with the effective interest rate method.

Fees earned from the origination of loans are taken to the income statement immediately and recognised as interest income. Quarterly testing is performed to demonstrate that the immediate recognition of these fees in the income statement is not materially different to the effective interest rate method. Credit related fees are deferred and recognized as an adjustment to the effective interest rate on the loan.

Transaction costs associated with the origination of loans are capitalised and recognised as interest income on a straight line basis over the average life of the loan. Quarterly testing is performed to demonstrate that the straight line amortisation is not materially different to the effective interest method.

All fee income other than that derived from the origination of a loan is recognised in non-interest income.

Cash flow statement
The cash flow statement has been drawn up in accordance with the indirect method, classifying cash flows as cash flows from operating, investing and financing activities. In the net cash flow from operating activities, the profit before tax is adjusted for those items in the profit and loss account and changes in balance sheet items, which do not result in actual cash flows during the year.

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with central banks and amounts due from other banks.

The net cash flow shown in respect of loans and advances to customers only relates to transactions involving actual payments or receipts. The addition to loan loss provision which is deducted from the item loans and advances to customers in the balance sheet has been adjusted accordingly from the operating profit before tax and is shown separately in the cash flow statement.

3. ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Bank's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Bank. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

SIGNIFICANT ACCOUNTING JUDGEMENTS

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

3. ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Share-based payment transactions
The Bank measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The grant date is the date on which the Bank and the employee agree to a share-based payment arrangement.

The measurement of equity-settled transactions granted is determined by ING Groep NV and is based on their fair value using a generally accepted valuation methodology. The accounting estimates and assumptions relating to equity-settled share based payments would have no impact on the carrying amounts of liabilities within the next reporting period but may impact expenses and equity.

Long service leave provision
A liability for long service leave is recognised once an employee attains five years of service or more. An assessment has been made as to the impact of applying the current accounting policy compared to the present value of the long service leave liability. Where the impact is material the present value of the long service leave liability is used. In determining the present value of the long service leave liability, employee termination rates, future salary levels and additional costs have been taken into account.

Provisions for loan losses
Provisions for loan losses are recognised based on an incurred loss model. Considerable judgement is exercised in determining the extent of the loan loss provision (impairment) and is based on management’s evaluation of the risk in the portfolio, current economic conditions, loss experience in recent years and credit and industry and geographical concentration trends. Changes in such judgements and analysis may lead to changes in the provisions for loan losses over time. The identification of impairment and the determination of the recoverable amount are an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices. Following redevelopment of credit risk factor models during 2007 and the availability of local loss experience, the Loss Given Default floor was removed and the revised estimate of Loss Given Default was adopted.

Future cash flows in a portfolio of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the portfolio and historical loss experience for assets with credit risk characteristics similar to those in the portfolio. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Current observable data may include changes in unemployment rates, property prices and commodity prices. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Average life of a loan
The Bank’s current accounting policy is to defer transaction costs associated with the origination of loans and to amortise to the income statement on a straight line basis over four years. The Bank has currently determined that the average life of the loan is less than six years.

The Bank performs quarterly testing to validate this accounting estimate and to demonstrate that this method is not materially different to the effective interest rate method.

Income recognition
Fees earned from the origination of loans are taken to the income statement immediately and recognised as interest income. Quarterly testing is performed to demonstrate that the immediate recognition of these fees in the income statement is not materially different to the effective interest rate method. Credit related fees are deferred and recognised as an adjustment to the effective interest rate on the loan.

The Bank performs quarterly testing to validate this accounting estimate and to demonstrate that this method is not materially different to the effective interest rate method.

4. PROFIT FROM ORDINARY ACTIVITIES

	2007	2006
Profit from ordinary activities before income tax has been determined as follows:		
Income from ordinary activities		
Interest income		
Cash	**19,311**	6,251
Available for sale securities	**415,471**	361,333
Loans and advances		
- Related parties	**9,055**	8,155
- Mortgage loans	**2,216,328**	1,710,665
Interest income non-trade derivatives	**11,390**	12,996
Total interest income	**2,671,555**	2,099,400
Interest expense		
Deposits		
- Other persons/corporations	**1,151,863**	1,023,443
Deposits payable to other financial institutions		
- Other parties	**574,037**	339,981
Debt issues		
- Related bodies corporate	**40,466**	33,324
- Other persons/corporations	**473,341**	357,607
Interest expense non-trade derivatives	**56,337**	7,394
Total interest expense	**2,296,044**	1,761,749
Net interest income	**375,511**	337,651
Non-interest income		
Account fees	**12,144**	6,487
Management and service fee	**-**	(3)
Discharge fees and penalties	**3,005**	4,052
Proceeds from sale of available for sale securities	**(3,558)**	-
Proceeds from repurchase of debt securities	**1,257**	944
Other	**9,198**	4,560
Cash flow hedge ineffectiveness	**(750)**	54
Net non-interest income	**21,296**	16,094
Total income from ordinary activities	**396,807**	353,746
Other expenses from ordinary activities		
Bad and doubtful debts expense		
- Collective provisions	**(5,307)**	4,038
- Specific provisions	**1,981**	4,689
Total bad and doubtful debts expense	**(3,326)**	8,727

4. PROFIT FROM ORDINARY ACTIVITIES (CONTINUED)

	2007	2006
Other expenses from ordinary activities		
Fees and commissions	**6,016**	6,590
Employee benefits expense		
- Wages and salaries	**67,911**	58,278
- Workers compensation costs	**573**	212
- Superannuation costs	**5,675**	3,928
- Share-based payment plan	**583**	518
- Other employee costs	**1,577**	693
Advertising	**28,465**	27,254
Depreciation		
- Computer hardware	**3,634**	2,420
- Computer software	**1,673**	3,028
- Leasehold improvements	**1,633**	1,637
- Motor vehicles	**32**	22
Occupancy expenses	**10,783**	9,446
Professional services expenses	**4,053**	2,637
Technology expenses	**7,101**	6,796
Stationary and printing	**431**	456
Management costs		
- Parent company	**7,459**	5,677
- Related entities	**176**	149
Telephone and communication	**3,083**	2,919
Other	**5,905**	4,178
Total other expenses from ordinary activities	**156,763**	136,838

5. AVERAGE BALANCE AND RELATED INTEREST

The following table shows the average balance for each of the major categories of interest bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate. Average balances are calculated from monthly balances unless otherwise disclosed.

	Average balance for 2007	**Interest**	**Average rate for 2007**	Average balance for 2006	Interest	Average rate for 2006
Interest Income						
Cash	**302,319**	**19,311**	**6.39%**	107,590	6,251	5.81%
Available for sale securities	**6,327,560**	**415,471**	**6.57%**	6,070,589	353,846	5.83%
Loans and advances	**31,103,128**	**2,225,383**	**7.15%**	25,738,173	1,735,655	6.74%
Interest expense						
Deposits	**18,737,179**	**1,151,863**	**6.15%**	17,996,802	1,023,443	5.69%
Deposits payable due to financial institutions	**8,730,446**	**574,037**	**6.58%**	5,750,208	339,987	5.91%
Debt issues	**8,422,319**	**513,807**	**6.10%**	6,513,129	390,143	5.99%

6. INCOME TAX EXPENSE

	2007	2006
Major components of income tax are		
- Current income tax	**65,503**	58,445
- Deferred income tax	**6,716**	4,441
Income tax expense reported income statement	**72,219**	62,886
Statement of changes in equity		
Current income tax		
- Current income tax on interest rate swap	**(1,459)**	(2,043)
Deferred income tax		
- Revaluation of cash-flow hedge	**(6,486)**	(2,802)
- Revaluation of available for sale securities	**(2,767)**	(256)
Income tax expense reported in equity	**(10,712)**	(5,101)

Accounting profit before tax from continuing operations	**243,370**	208,180
Prima facie tax on operating profit at 30% (2006.30%)	**73,011**	62,454
Adjustments in respect of current income tax previous year	**(247)**	111
Expenditure not allowable for income tax purposes	**(545)**	321
Income tax expense reported in income statement	**72,219**	62,886

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate and the effective income tax rate for the year ended 31 December 2007 and 2006 is as follows:

	Balance Sheet 2007	Balance Sheet 2006	Income Statement 2007	Income Statement 2006
Deferred Tax Liability				
Deferred income tax at 31 December relates to the following:				
Amortisation of discount securities	**(9,304)**	(4,434)	**4,869**	2,505
Deferred lending expenses	**(34,210)**	(31,177)	**3,033**	5,697
Revaluation of available for sale securities	**(24,378)**	(13,367)	**11,349**	(2,418)
Revaluation of cash flow hedge	**(21,862)**	(12,759)	**(225)**	16
Revaluation of fair value hedge	**(1,184)**	(1,077)	**107**	85
Leveraged leases	**(2,156)**	(2,245)	**(89)**	(2,476)
Others	**(1,442)**	(818)	**582**	116
Gross deferred income tax liabilities	**(94,536)**	(65,877)		
Deferred Tax Asset				
Depreciation	**2,214**	1,710	**(102)**	(50)
Provisions for impairment	**4,304**	6,719	**2,416**	(2,016)
Deferred lending income	**9,647**	2,618	**(7,029)**	1,525
Revaluation of debt issues	**818**	490	**-**	14,056
Revaluation of cash flow hedge	**27,042**	11,227	**-**	-
Revaluation of fair value hedge	**24,395**	11,740	**(12,655)**	(11,700)
Others	**8,007**	10,728	**4,460**	(899)
Gross deferred income tax asset	**76,427**	45,232		
Deferred income tax charge			**6,716**	4,441

Deferred tax assets will only be obtained if:

a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised; and

b) the conditions for deductibility imposed by tax legislation continue to be complied with.

Tax consolidation

For the purpose of income tax, the Bank is part of a tax consolidated group. Members of the group have entered into a tax sharing and tax funding agreement in order to allocate income tax payable to group members. This allocation is calculated on a stand-alone taxpayer approach. The Head Company of the tax consolidated group is ING Australia Holdings Limited and the other eligible members are ING Real Estate Development Australia Pty Limited, BBL Australia Limited, ING REDA Holdings Pty Limited and ING Real Estate Investment Management Australia Pty Limited.

Dividend franking account

As the Bank has entered tax consolidation, all of the Bank's franking credits are held by the Head Company in the consolidated group, ING Australia Holdings Limited. As a result and in accordance with an agreement between the Bank and the Head Company, it is anticipated that franking credits generated by past and future tax payments by the Bank, will be used by the Head Company at its discretion to pay franked dividends to its parent. The effective date of the tax consolidation is 1 January 2004.

7. SHARE-BASED PAYMENT PLAN

Employee Share Option Plan
Share options were granted to key personnel by the ultimate parent company ING Groep NV during the year. These options are exercisable 3 years from the issue date. All options must be exercised by no later than 10 years from the issue date.

Employee Performance Share Plan
During the year key personnel were issued with performance units. These performance units vest after 3 years, provided that the employee remains in the Bank's employment. The awarded shares will be multiplied by a certain factor that is dependent upon ING Groep NV's total shareholders return compared to a peer group of 19 other financial institutions.

The following tables illustrate the number (No) and weighted average exercise prices (WAEP) in Euro of and movements in share options issued during the year. The expenses related to share based payments are recognised in Note 4 as part of employee benefit expenses.

Share Options	**2007 - No**	**2007 - WAEP**	2006 - No	2006 - WAEP
Outstanding at the beginning of the year	**115,093**	**€24.19**	97,712	€21.58
Granted during the year	**46,799**	**€32.13**	36,334	€32.77
Lapsed during the year	**(6,947)**	**€15.30**	(8,300)	€22.57
Exercised during the year	**(7,500)**	**€19.62**	(35,693)	€12.65
Transfers during the year	**(464)**	**€21.46**	25,040	€24.29
Outstanding at the end of the year	**146,981**	**€27.38**	115,093	€24.19
Exercisable at the end of the year	**15,585**	**€18.71**	12,861	€12.65

Performance Shares				
Outstanding at the beginning of the year	**23,987**	**€24.20**	17,998	€20.90
Granted during the year	**9,835**	**€32.13**	6,633	€32.77
Lapsed during the year	**(11,787)**	**€21.08**	(1,017)	€20.40
Exercised during the year	**-**	**-**	-	-
Transfers during the year	**189**	**€32.26**	373	€20.62
Outstanding at the end of the year	**22,224**	**€29.43**	23,987	€24.20
Exercisable at the end of the year	**-**	**-**	**-**	**-**

The outstanding balances as at 31 December 2007 are:

Year of Grant	Number of Options	Exercise Price
2003	7,700	€12.65
2004	15,585	€18.71
2005	40,913	€23.28
2006	35,984	€32.77
2007	46,799	€32.13
Total	146,981	€27.38

All options are granted in the ultimate parent entity, ING Groep NV and are exercisable 3 years from the issue date at the exercise price noted above.

Year of Grant	Number of Performance units	Exercise Price
2005	7,205	€23.28
2006	5,896	€32.77
2007	9,123	€32.13
Total	22,224	€29.43

All performance shares are granted in the ultimate parent entity, ING Groep NV and vest 3 years from the issue date at the exercise price noted above.

8. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The key management personnel of the Bank during the year were:

Specified Executives:

Glenn Lawrence Baker	Head of Treasury
Lisa Dominique Claes	Executive Director Direct Business
John Keith Horn	Chief Operating Officer – Resigned December 2007
Alex Lowy	Chief Financial Officer – Resigned December 2007
John Philip Moore	Executive Director Commercial Property Finance
Brett Alexander Morgan	Executive Director Intermediary Mortgages
Mark Frederick Mullington	Chief Financial Officer
Patricia Anne Myers	Chief Operating Officer
Sharyn Lyn Schultz	Executive Director Human Resource Management
Victor Charles Joseph Wolff	Executive Director Marketing and Communications

Specified Directors:

Anthony Richard Berg	Director (Non-Executive) – Resigned 24 July 2007
Eric Drok	Chief Executive Officer
Dirk Herman Harryvan	Director (Non-Executive)
Irene Yun Lien Lee	Director (Non-Executive)
Eric Henry Robles	Director (Non-Executive) – Resigned 20 March 2007
Phillip Robert Shirriff	Director (Non-Executive)
Hugh Douglas Harley	Director (Non-Executive) – Appointed 24 July 2007
Simonis Maria Hubertus Tellings	Director (Non-Executive) – Appointed 9 March 2007

The compensation paid to key management personnel of the Bank for the year:	2007	2006
Short-term employee benefits	**6,066**	5,449
Post-employment benefits	**-**	-
Other long-term benefits	**421**	345
Termination benefits	**698**	-
Share based payments	**223**	288
Total Compensation	**7,408**	6,082

Employees received no other payments or benefits other than the ones disclosed in Notes 7, 8 and 27

9. AUDITORS' REMUNERATION

	2007	2006
Amounts paid or due and payable for audit and review of the financial report by:		
Ernst & Young	**494**	554
Amounts paid or due and payable for other services to Ernst & Young:		
Accounting and reporting services	**114**	138
Regulatory services	**265**	9
Taxation services	**72**	11
Total	**945**	712

10. AVAILABLE FOR SALE FINANCIAL ASSETS

	2007	2006
Discount securities	**4,940,960**	3,949,757
Mortgage backed securities	**1,011,340**	1,556,516
Corporate bonds	**132,438**	133,671
Government bonds	**99,017**	355,632
Other securities	**953,685**	909,792
Total available for sale financial assets	**7,137,440**	6,905,368
Maturity Analysis of available for sale financial assets		
Not longer than 3 months	**4,532,691**	4,135,667
Longer than 3 months and not longer than 12 months	**1,412,009**	221,018
Longer than 1 year and not longer than 5 years	**1,191,761**	2,548,050
Longer than 5 years	**-**	-
No maturity specified	**979**	633
Total	**7,137,440**	6,905,368

With the exception of mortgage backed securities where cash flows are determined by reference to the weighted average life, available for sale securities are payable at maturity and have no significant terms and conditions that may affect the amount, timing or certainty of future cash flows.

11. LOANS AND ADVANCES

Retail loans	**31,481,545**	26,410,237
Commercial loans	**2,637,162**	2,134,799
Other loans – parent entity	**150,000**	150,000
Gross loans and advances	**34,268,707**	28,695,036
Specific provision for impairment	**(7,508)**	(9,750)
	34,261,200	28,685,286
Collective provision for impairment	**(6,838)**	(12,648)
Total loans and advances	**34,254,362**	28,672,638

Maturity Analysis of Loans and Advances		
Not longer than 3 months	**206,960**	153,096
Longer than 3 months and not longer than 12 months	**591,504**	362,036
Longer than 1 year and not longer than 5 years	**1,984,719**	1,842,101
Longer than 5 years	**28,909,133**	23,338,508
No maturity specified	**2,576,391**	2,999,295
Total	**34,268,707**	28,695,036

While retail loans and advances principally have a contractual term of 30 years, the average life of a loan is less than 6 years.

12. A) DERIVATIVE ASSETS

	2007	2006
Fair value hedge	**3,233**	4,394
Cash flow hedge	**72,875**	42,794
Other non-trading derivative	**4,023**	-
Total derivative assets	**80,131**	47,188
Maturity Analysis of Derivative Assets		
Not longer than 3 months	**131**	95
Longer than 3 months and not longer than 12 months	**10,864**	1,286
Longer than 1 year and not longer than 5 years	**67,384**	45,807
Longer than 5 years	**1,752**	-
Total	**80,131**	47,188

12. B) DERIVATIVE LIABILITIES

Fair value hedge	**87,077**	50,166
Cash flow hedge	**90,141**	37,689
Other non-trading derivatives	**-**	14,035
Total derivative liabilities	**177,218**	101,890
Maturity Analysis of Derivative Liabilities		
Not longer than 3 months	**1,178**	131
Longer than 3 months and not longer than 12 months	**8,270**	7,128
Longer than 1 year and not longer than 5 years	**167,770**	69,993
Longer than 5 years	**-**	24,638
Total	**177,218**	101,890
Amounts recognised in equity (pre tax)	**23,122**	(9,339)
Amounts recognised in profit and loss (pre tax)	**(41,641)**	(48,418)

13. PROPERTY, PLANT AND EQUIPMENT

	2007	2006
Property, plant and equipment at cost	**81,159**	70,914
Accumulated depreciation	**(63,562)**	(56,590)
Total property, plant and equipment	**17,597**	14,324
Mainframe Computers & Computer Equipment		
Carrying amount at the beginning	**4,450**	1,914
Additions	**4,305**	4,475
Depreciation	**(3,154)**	(1,939)
Closing balance	**5,601**	4,450
Personal Computers		
Carrying amount at the beginning	**1,734**	1,604
Additions	**738**	611
Depreciation	**(481)**	(481)
Closing balance	**1,991**	1,734
Computer Software		
Carrying amount at the beginning	**2,601**	4,272
Additions	**3,207**	1,357
Depreciation	**(1,673)**	(3,028)
Closing balance	**4,134**	2,601
Leasehold Improvements		
Carrying amount at the beginning	**5,411**	6,455
Additions	**1,906**	593
Depreciation	**(1,633)**	(1,637)
Closing balance	**5,684**	5,411
Motor Vehicles		
Carrying amount at the beginning	**128**	135
Additions	**90**	84
Disposals	**0**	(69)
Depreciation	**(31)**	(22)
Closing balance	**187**	128

14. RECEIVABLES

Sundry debtors	**121**	266
Accrued interest receivable	**88,199**	66,865
Income tax receivable	**13,027**	7,441
Other	**4,713**	4,913
Total other receivables	**106,060**	79,485

15. DEPOSITS

	2007	2006
Total deposits on demand and short term deposits	**20,202,132**	18,778,527
Maturity Analysis of Deposits		
On demand	**18,540,145**	17,800,202
Due in less than 3 months	**900,826**	558,840
Due after 3 months through to 1 year	**739,673**	413,334
Due after 1 year through to 5 years	**21,488**	6,151
Total	**20,202,132**	18,778,527

16. DEPOSITS PAYABLE TO OTHER FINANCIAL INSTITUTIONS

Certificate of deposits		
- Related bodies corporate	**58,575**	173,573
- Other persons/corporations	**10,988,744**	6,286,993
	11,047,319	6,460,566
Deposits – due to other financial institutions		
- Related bodies corporate	**276,500**	77,257
- Other persons/corporations	**127,416**	158,279
	403,916	235,536
Total deposits payable to other financial institutions	**11,451,235**	6,696,102
Maturity Analysis of Deposits Payable		
At call	**52,738**	98,643
Due in less than 3 months	**9,965,725**	6,157,256
Due after 3 months through to 1 year	**1,364,621**	498,519
Due after 1 year through to 5 years	**276,296**	720
Total	**11,659,380**	6,755,138

17. DEBT ISSUES

	2007	2006
Short Term – with less than 1 year to maturity		
Floating rate notes	**556,000**	671,417
Corporate bonds	**148,193**	812,500
Total short term debt issues	**704,193**	1,483,917
Long Term		
Corporate bonds	**1,544,788**	1,533,236
Subordinated debt		
- Related bodies corporate	**726,000**	526,000
Floating rate notes	**3,440,109**	3,211,163
Euro floating rate notes	**1,675,965**	1,658,844
Total long term debt issues	**7,386,862**	6,929,243
Total debt issues	**8,091,055**	8,413,160
Maturity Analysis of debt issues		
At call	**-**	-
Due in less than 3 months	**136,230**	182,045
Due after 3 months through to 1 year	**1,027,380**	1,827,096
Due after 1 year through to 5 years	**7,683,230**	7,028,463
Due after 5 years	**879,874**	1,470,691
Total	**9,726,714**	10,508,295

18. CREDITORS AND OTHER LIABILITIES

Accrued interest payable		
- Related bodies corporate	**6,832**	4,234
- Other persons/corporations	**103,686**	110,527
Total accrued interest payable	**110,518**	114,761
Other		
- Other persons/corporations		
Accrued expenses	**20,231**	18,407
Prepaid interest	**4,756**	3,353
Commitment fees	**538**	1,396
Other	**5,418**	7,801
Total other	**30,943**	30,957
Total creditors and other liabilities	**141,461**	145,718

19. PROVISIONS

Annual leave	**3,480**	3,232
Long service leave	**2,168**	1,718
Total provisions	**5,648**	4,950
Provisions expected to be paid in next 12 months	**3,480**	3,232

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

Set out below is a comparison by category of the carrying amounts and fair values of the Bank's financial instruments. The methodology and assumptions used in determining fair values are as below:

Cash at bank
The carrying amount of cash at bank is an approximation of fair value as they are short term in nature or are receivable on demand.

Accrued interest receivable
The carrying amount of accrued interest receivable is an approximation of fair value as they are short term in nature.

Available for sale investments
The fair value of available for sale investments is initially recognised at fair value plus transaction costs. Fair values of quoted investments in active markets are based on current bid prices.

Loans and advances
The carrying value of loans and advances is net of collective and specific provisions for impairment. For variable loans the carrying amount is an approximation of fair value. For fixed rate loans the fair value is calculated by utilising discounted cash flow models, based on the maturity of the loans.

Derivative assets
The fair value of swaps is calculated by utilising discounted cash flow models, based on the estimated future cash flows.

Deposits
For at call deposits, the carrying amount is an approximation of fair value as they are short term in nature or are receivable on demand. For term deposits the fair value is calculated by utilising discounted cash flow models, based on the maturity of the deposits.

Deposits payable to other financial institutions
The fair value of payables due to other financial institutions is calculated by utilising discounted cash flow models, based on the estimated future cash flows.

Debt issues
The fair value of debt issues is calculated by utilising discounted cash flow models, based on the estimated future cash flows.

Derivative liabilities
The fair value of swaps is calculated by utilising discounted cash flow models, based on the estimated future cash flows.

Creditors and other liabilities
The carrying amount of creditors and other liabilities is an approximation of fair value.

Summary

The following table provides comparison of carrying and fair values for each item discussed above, where applicable:

	Carrying amount 2007	**Fair value 2007**	Carrying amount 2006	Fair value 2006
Recognised Financial Assets				
Cash	**431,074**	**431,074**	135,053	135,053
Available for sale financial assets	**7,137,440**	**7,137,440**	6,905,368	6,905,368
Loans and advances	**34,254,362**	**34,051,949**	28,672,638	28,589,600
Derivative assets	**80,131**	**80,131**	47,118	47,118
Other receivables	**200,083**	**200,083**	139,041	139,041
Recognised Financial Liabilities				
Deposits	**20,202,132**	**20,201,081**	18,778,527	18,781,173
Deposits payable to other financial institutions	**11,451,235**	**11,451,366**	6,696,102	6,695,404
Debt issues	**8,091,055**	**8,029,570**	8,413,159	8,475,353
Derivative liabilities	**177,218**	**177,218**	101,891	101,891
Other liabilities	**241,645**	**241,645**	216,545	216,545

21. CONTRIBUTED EQUITY

	2007	2006
Issued and paid up capital		
Ordinary voting shares	**1,284,000**	1,184,000
Ordinary non-voting shares	**50,000**	50,000
Total contributed capital	**1,334,000**	1,234,000

Effective 1 July 1998, the Corporations legislation abolished the concept of authorised capital and par value shares. Accordingly the Bank does not have authorised capital nor par value in respect of its issued capital.

	2007		2006	
Shares issued during the year	**# of Shares**	**$ 000**	# of Shares	$ 000
Beginning of the financial year	**1,234,000,004**	**1,234,000**	849,000,004	849,000
Issue of ordinary voting shares*	**100,000,000**	**100,000**	220,000,000	220,000
	-	**-**	165,000,000	165,000
End of financial year	**1,334,000,004**	**1,334,000**	1,234,000,004	1,234,000

* The Bank issued 100,000,000 ordinary voting shares in February 2007 (2006: March 220,000,000 and June 165,000,000).

Terms and Conditions of Equity

Ordinary Voting Shares and Ordinary Non-Voting Shares have the right to receive dividends as declared and in the event of winding up of the Bank, to participate in the proceeds of sale of all surplus assets in proportion to the number and amounts paid up on shares held. Ordinary Voting Shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Bank. Ordinary Non-Voting Shares have no right to vote.

Transaction Cost

No transaction costs were incurred when issuing the shares.

22. RESERVES

	2007	2006
Available for sale reserve		
Opening balance	**1,651**	2,677
Revaluation movement for the year, net of tax	**(6,455)**	(1,026)
Total available for sale reserve	**(4,804)**	1,651

Gains and losses arising from subsequent changes in fair value are recognised directly in the available for sale reserve in equity until the asset is derecognised or impaired, at which time the cumulative gain or loss will be recognised in the income statement. Fair values of quoted investments in active markets are based on current bid prices.

Cash flow hedge reserve		
Opening balance	**8,212**	19,516
Revaluation movement for the year, net of tax	**(18,538)**	(11,304)
Total cash flow hedge reserve	**(10,326)**	8,212

For a derivative designated as hedging a cash flow exposure arising from a recognised asset or liability, the gain or loss on the derivative associated with the effective portion of the hedge is initially recognised in equity in the cash flow hedge reserve and reclassified into the income statement when the hedge item is brought to account. The gain or loss relating to the ineffective portion of the hedge is recognised immediately in the income statement.

For the year ended 31 December 2007, the Bank recognised ($18.5) million (2006: ($11.3) million) in equity as effective fair value changes on derivatives under cash flow hedge accounting. The balance of the cash flow hedge reserve in equity at 31 December 2007 was ($14.7) million (2006: $11.7 million) gross and $10.3 million (2006: $8.2 million) after deferred tax. This cash flow hedge reserve will fluctuate with the fair value changes on the underlying derivatives and will be reflected in the profit and loss account under interest income / expense over the remaining term of the underlying hedged items. The cash flow hedge reserve relates to a large number of derivatives with varying maturities up to 7 years, with the largest concentration in the range of 1 year to 3 years. Accounting ineffectiveness on derivatives designated under cash flow hedge accounting of $0.8 million (2006: $0.04 million) was recognised in the profit and loss account.

General reserve		
Opening balance	**944**	426
Revaluation movement for the year, net of tax	**584**	518
Transfer to net profit	**-**	-
Total general reserve	**1,528**	944
Total reserves	**(13,604)**	10,807

23. RETAINED PROFITS

Opening balance	**448,257**	302,963
Profit for the year	**171,151**	145,294
Closing balance	**619,408**	448,257

24. RISK MANAGEMENT

Introduction
The objective of the Bank's risk management function is to build a sustainable competitive advantage by fully integrating risk management into daily business activities and strategic planning.

The following principles support this objective:

1. Products and portfolios are structured, priced, approved and managed appropriately and internal and external rules and guidelines are complied with.
2. The Bank's risk profile is transparent, 'no surprises' and consistent with delegated authorities.
3. Delegated authorities are consistent with the overall Bank's strategy and risk appetite.
4. Transparent communication to internal and external stakeholders on risk management and value creation.

Taking risk is inherent in the Bank's business activities. To ensure prudent risk taking across the organisation, the Bank operates through a comprehensive risk governance framework. The Bank believes this ensures the proper identification, measurement and control of risks in all levels of the organisation so that financial strength is safeguarded.

Risk Governance
The Bank's risk governance framework provides clear charters and mandates for the management of risk. Risk management in the Bank is effected through a governance structure involving a series of local, Board and head office committees.

The governance structure sits outside the day to day management of the Bank's business activities. Separation and segregation from the management structure is essential to the effective governance of the Bank's market and balance sheet management activities. The governance structure is described below.

Board Risk Oversight
Ultimate control over the strategy and policy settings of the Bank rests with the Board. As a subsidiary of ING Groep NV, the Bank is also subject to the governance and control of the parent company. The Board utilises a number of risk committees to discharge its responsibilities.

Credit & Investment Committee (CIC) – advises on approval, review and monitoring of all policies and guidelines for the investment and management of the Bank's funds. It also assists the Board with issues relating to credit and market risk, liquidity, the investment and return on capital and the funding and investment strategy. The mandate of this committee is to provide the Board with an oversight of the use, sourcing and protection of the Bank's funds.

Conduct Review Committee (CRC) – advises on approval, review and monitoring of all programs in place to maintain compliance with legal and regulatory requirements and accepted codes of practice. It is also responsible for a broad range of corporate governance and performance, remuneration and succession issues in relation to the Board, management and staff.

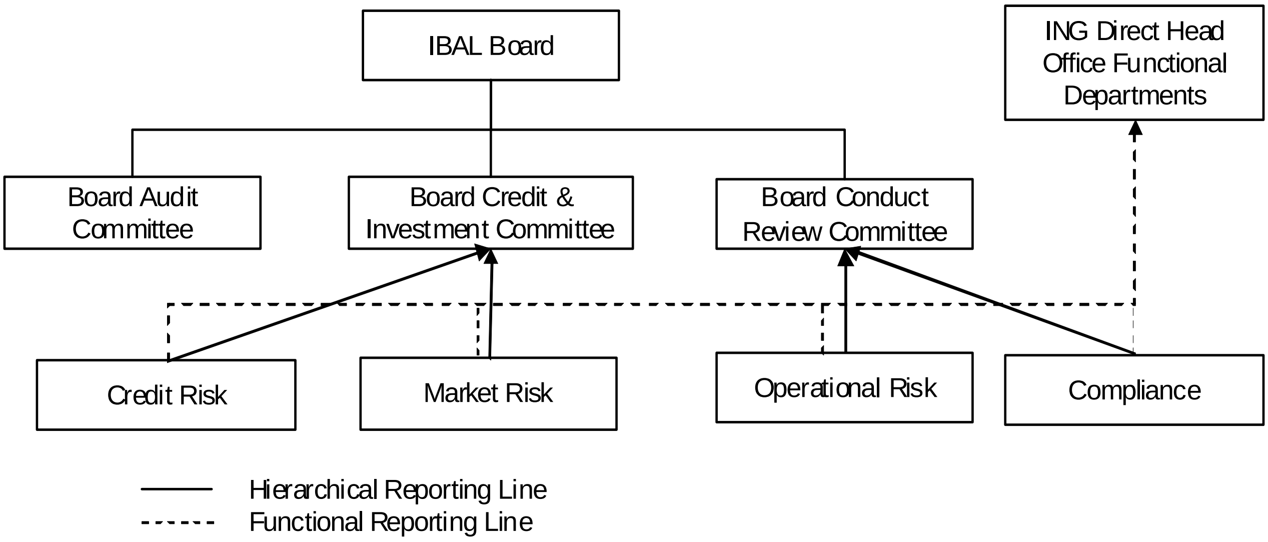
Audit Committee - assists the Board with regard to its responsibility for overseeing that an effective internal control framework exists within the Bank. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, which involve safeguarding of assets, the maintenance of proper accounting records as well as non-financial considerations such as the benchmarking of operational key performance indicators. The committee assists the Board in the establishment and maintenance of a framework of internal control and ethical standards for the management of the Bank.

Risk Management Organisation
To ensure that the risk framework is effective and clear on responsibilities, the Bank adopts a 'three lines of defence' concept. This concept provides a clear allocation of responsibilities for the ownership and management of risk, to avoid overlaps and/or gaps in risk governance. Management has primary responsibility for the day to day management of risk and belongs to the first line of defence. The Risk Management function belongs to the second line of defence. The Internal Audit function provides independent and objective assurance on the effectiveness of the overall system of internal control, including financial, operational, compliance and risk management and forms the third line of defence.

Risk Management Function
The Risk Management function within the Bank, as the second line of defence, is responsible for the identification, measurement, monitoring and control of the following risk categories:

1. Credit risk
2. Market risk
3. Operational risk

The management chart below illustrates the functional reporting lines within the Bank's risk organisation.



Local Risk Committees
The local risk committees described below act within the overall risk policy and delegated authorities granted by the Board. The committees have an advisory role and ensure a close link between the business lines and the risk management function through joint representation on each committee:

Asset and Liability Committee (ALCO) – ALCO defines the policy regarding funding, liquidity, interest rate mismatch and solvency of the Bank and advises on the overall risk profile of the Bank's activities. ALCO meets on a monthly basis.

Local Credit Committee (LCC) – Advises on the transactions involving the taking of credit risk and advises on specific and collective loan loss provisioning for the Bank. The LCC is responsible for the oversight and monitoring of the credit infrastructure (incorporating systems, models, people and policies) and credit portfolios (quality and arrears) and meets on a monthly basis.

Operational Risk Committee (ORC) – The overall responsibility of the ORC is to identify, measure and monitor the operational and compliance risks of each unit of the Bank and to ensure that appropriate action is taken to control and mitigate the level of operational risk. The ORC facilitates the accountability of operational risk management practices to managers within the business. The ORC meets on a monthly basis.

Risk Policies
The various risk management functions have each designed and issued a framework of risk management policies and procedures providing local guidance on how to manage risk. Policies and procedures are regularly reviewed and updated via the relevant risk committees with annual Board approval.

Risk Measurement
The major risk categories associated with the volume and variety of financial instruments that the Bank uses are credit, market, liquidity, operational (including information and security risk) and compliance risk. In the following sections below the Bank's risk management activities are described with respect to these risk categories. Each risk category describes the types of risk managed and the applicable risk measurement method that the Bank practices, including quantification of the risks.

CREDIT RISK

General
The Bank's credit policy is to maintain a well diversified loan and investment portfolio while avoiding large risk concentrations.

Credit Risk
Credit risk is the risk of loss from default by debtors or counterparties. Credit risks arise in the Bank's lending, pre-settlement and investment activities. Credit risk management is supported by dedicated credit risk information systems and internal rating methodologies for debtors and counterparties.

The Bank's credit exposure mainly relates to traditional secured lending to individuals (retail banking) and businesses (commercial banking) followed by investment in short and long term wholesale loans and securities. Loans to individuals are mainly mortgage loans secured by residential property. Wholesale loans and securities are unsecured. Securitised assets such as Mortgage Backed Securities (MBS) are secured by the pro rata portion of the underlying pool of assets held by the issuer of the securitised bond.

Risk classes are defined based upon the quality of the exposures in terms of creditworthiness, varying from investment grade to problem grade expressed in S&P equivalents.

RISK CLASSES: ING BANK PORTFOLIO, AS % OF TOTAL OUTSTANDINGS

		Weighted Total Bank	
S&P Equivalent Rating	Risk Gradings	**2007**	2006
AAA	1	**3.6**	7.5
AA	2-4	**12.5**	10.1
A	5-7	**2.5**	2.5
BBB	8-10	**47.8**	51.4
BB	11-13	**32.5**	27.0
B	14-17	**0.6**	1.2
Problem Grade	18-20	**0.5**	0.3
		100.0	100.0

The distribution of asset exposures by risk grading include retail, commercial and wholesale investments. The Bank maintains a portfolio of wholesale assets rated by S&P of at least an A rating. The majority of these investments are rated at least AA by S&P. The highest risk grading for retail loans is a risk grade of 5 with the majority rated between risk grade 8 and risk grade 11. The highest risk grade for commercial loans is a risk grade of 10 with the majority rated between risk grade 11 and risk grade 12.

Settlement Risk
Settlement risk arises when there is an exchange of value (funds and or instruments) for the same or different value dates and receipt is not verified or expected until the Bank has paid or delivered its side of the trade. The risk is that the Bank delivers, but does not receive delivery from the counterparty. Settlement risk can most commonly be contained and reduced by entering into transactions with delivery-versus-payment (DVP) settlement methods, as is common with most clearing houses, or settlement netting agreements. Risk is further mitigated by operational procedures requiring trade confirmations to counterparties with all transaction details, and entering internationally accepted documentation, such as International Swaps and Derivatives Association (ISDA) Master Agreements for derivative transactions.

Collateral policies
As with all financial institutions and banks in particular, the Bank is in the business of taking credit risks. As such, the creditworthiness of customers, trading partners and investments is continually evaluated for their ability to meet their financial obligations to the Bank. During the process of creating new loans or investments as well as reviewing existing loans and investments, the Bank determines the amount and type of collateral, if any, that a customer may be required to pledge to the Bank. Generally, the lower the perceived credit worthiness of a borrower or financial counterparty, the more collateral the customer or counterparty will have to provide.

Collateral held as security for treasury assets is determined by the nature of the instrument. Loans, debt securities, treasury and other eligible bills are generally unsecured with the exception of asset backed securities and similar instruments, which are secured by pools of financial assets.

Problem Loans

Past-due obligations

The Bank continually measures its portfolio in terms of payment arrears. The impairment levels on the commercial loans are monitored on an individual basis. The impairment levels on the retail portfolios are monitored each month on a portfolio basis to determine if there are any significant changes in the level of arrears. Generally, an obligation is considered 'past-due' if a payment of interest or principal is more than one day late. In practice, the first 5-7 days after an obligation becomes past due is considered to constitute operational risk.

After this period, letters will be sent to the obligor reminding the obligor of its (past due) payment obligations. Once the account is in arrears, the obligation is usually transferred to the collections business unit. In order to reduce the number of arrears, the Bank encourages obligors to set up automatic debits from their accounts to ensure timely payments.

There is no significant concentration of a particular type of loan structure in the watch-list, past due or the impaired loan portfolio.

Generally, all loans with past due financial obligations of more than 90 days are automatically reclassified as impaired. However, there can also be other reasons for declaring a loan impaired prior to being 90 days past due. These include, but are not limited to, the Bank's assessment of a customer's perceived inability to meet its financial obligation, or the customer filing for bankruptcy or bankruptcy protection. In some cases a material breach of financial covenants will also trigger a reclassification of a loan to the impaired category.

LOANS BY CREDIT QUALITY

	2007	2006
Neither past due nor impaired	**33,560,724**	27,988,536
Past due but not impaired (1-90 days)	**330,858**	325,875
Impaired	**102,269**	91,516
	33,993,851	28,405,927

AGEING ANALYSIS (PAST DUE BUT NOT IMPAIRED)

Past due for 1-30 days	**227,584**	223,719
Past due for 31-60 days	**71,838**	68,462
Past due for 61-90 days	**31,436**	33,694
	330,858	325,875

IMPAIRED LOANS BY ECONOMIC SECTOR

Private individuals	**100,157**	78,517
Construction & Commercial Real Estate	**2,112**	12,999
Financial Institutions	**-**	-
	102,269	91,516

RISK CONCENTRATION: ING BANK PORTFOLIO, BY ECONOMIC SECTOR

in percentages

Construction & commercial real estate	**6.3**	6.0
Financial institutions	**17.8**	17.7
Private individuals	**75.2**	73.9
Public administration	**0.7**	2.4
	100.0	100.0

PROVISION FOR IMPAIRMENT

	2007	2006
Specific provisions		
Opening balance	**9,750**	7,058
Charges against profit	**6,736**	5,616
Provision release *	**(3,199)**	-
Write-back of provisions no longer required	**(1,053)**	(992)
Sub-total	**12,234**	11,682
Bad debts written off	**(4,726)**	(1,932)
Closing balance	**7,508**	9,750

The Bank recognises loan impairment where objective evidence is available that a loss event has occurred. Specific provision is made for loans which are individually assessed for impairment. The impairment is recognised when there is reasonable doubt over the collectability of principal and interest in accordance with the loan agreement.

Collective provisions		
Opening balance	**12,648**	8,621
New and increased provisioning	**1,252**	4,027
Provision release *	**(7,062)**	-
Closing balance	**6,838**	12,648
Total provision for impairment	**14,346**	22,398

* Following redevelopment of credit risk factor models during 2007 and the availability of local loss experience, the Loss Given Default floor was removed and the revised estimate of Loss Given Default was adopted.

The estimated fair value of collateral on impaired loans was $96 million as at 31st December 2007.

MAXIMUM CREDIT RISK EXPOSURE

Financial assets		
Accrued interest receivable	**88,199**	66,865
Available for sale securities	**7,137,440**	6,905,365
Loans and advances	**34,254,362**	28,672,638
Derivative assets	**80,131**	47,188
Total	**41,560,132**	35,692,059
Off Balance Sheet		
Undrawn loan commitments and bank guarantees	**4,616,904**	2,822,418
Total maximum credit risk exposure	**46,177,036**	38,514,477

The maximum credit exposure for relevant items on the balance sheet is the balance sheet carrying value for the relevant financial assets. For the off-balance sheet items the maximum credit exposure is the maximum amount that could be required to be paid.

MARKET RISK

The Bank operates a banking book with the underlying assumption that banking book positions are intended to be held in the long term (or until maturity) or for the purpose of hedging other banking book positions.

Market risk can be defined as the unexpected adverse movement in value due to changes in interest rates, spreads, currencies and related correlations. This covers:

- Interest rate risk
- Liquidity risk
- Foreign exchange risk

Interest Rate Risk in the Banking Books

Broadly defined, interest rate risk is the risk of, or potential for, a change in income or economic value of the Bank as a result of movements in market interest rates.

In the normal course of its business the Bank minimises the mismatches between the duration of interest rate sensitive assets and liabilities.

The term ‘interest rate risk’ can be classified into three main categories:

- Trading risk – The risk that arises from dealing in interest rate instruments with the express purpose of generating income from their purchase and sale. Trading will typically involve multiple purchases and sales over a short time frame. Trading activities will normally be accounted for on a mark-to-market basis. The Bank does not trade and therefore this risk is not present within the Bank.

- Model risk – The business activities of the Bank give rise to assets and liabilities, both on and off-balance sheet, each of which has a re-pricing profile. Most of these assets and liabilities have a contractual re-pricing profile. However, for certain assets and liabilities, the re-pricing profile may need to be determined through modeling and analysis (for example, non-maturity deposits, capital, non-performing loans and embedded interest rate options). The Bank actively manages the potential model risk through a regular review process and frequent analysis.

- Mismatch risk – The contractual (or modeled) repricing profile of the Bank’s interest rate sensitive assets and liabilities gives rise to a net mismatch. One of the objectives of ALCO is to monitor, manage and minimise the net mismatch position of the Bank. When the repricing profiles of all assets and liabilities are perfectly matched, the Bank has no net exposure to movements in market interest rates. A perfect match of all interest rate sensitive assets and liabilities is nearly impossible therefore a residual mismatch position is managed and capital is allocated for the mismatched position.

Managing and Monitoring Interest Rate Risk

The type and level of mismatch interest rate risk of the Bank is managed and monitored from two perspectives, being an economic value perspective and an earnings perspective. The most important of these measures are Economic Value at Risk (EVaR) and Earnings at Risk (EaR).

Economic Value at Risk (EVaR) - EVaR is a measure of the increase or decrease in the net economic value of the Bank resulting from a change in market interest rates. The process of calculating EVaR involves adjusting the current value of all assets and liabilities to the values that would apply in an assumed different interest rate environment.

Earnings at Risk (EaR) - EaR estimates the amount of change in future earnings of the Bank that may result from a change in market interest rates. An objective of this policy is to ensure that the amount of potential diminution of future earnings resulting from changes in market rates is within the risk appetite determined by the Board.

The EaR perspective considers how changes in interest rates will affect the Bank's reported earnings through the potential loss of earnings due to the current and forecast mismatch interest rate positions.

INTEREST RATE RISK ANALYSIS

Risk Monitor	Limit	2007	2006
EVaR	<($125,000)		
+ 200 bp increase		**44,793**	77,841
(-) 200 bp increase		**(43,218)**	(46,001)
EaR	<=30% of Base Earnings		
+ 200bp lagged increase	Year 1	**+13%**	-3%
+ 200bp immediate increase	Year 1	**-7%**	-11%

Assumptions Underlying EVaR and EaR
The major assumption used at December 2007 for EVaR is a ± 200bp immediate parallel rate shock. The net present value (NPV) of the balance sheet is calculated based on this rate shock and compared to the NPV using the actual rates at 31 December 2007. The difference between these two NPVs is the EVaR measure.

The major assumptions that relate to the EaR measures for 31 December 2007 are:

- 200bp parallel rate shock ramped over 12 months;
- The change in interest rate applied to the savings accounts for the Immediate Increase Scenario is in line with the change in market rates; and
- The change in interest rate applied to the savings accounts for the Lagged Increase Scenario is based on an internally approved model for lagging the rate.

Other key assumptions used to measure EVaR and EaR are:

- Forecast growth in each product based on the approved product budget growth;
- Forecast market rates and margins applied to each product;
- Contractual maturity and repricing characteristics applied to each transaction; and
- Forecast maturity of new business volumes.

Based on the assumptions outlined above, the EVaR and EaR improved at 31 December 2007 compared to December 2006. This reflects an increase in product granularity and more accurate calculations as well as a closer matching of interest rate sensitive assets and liabilities.

Foreign Exchange Risk
Foreign exchange (FX) exposure is the risk of loss due to adverse movements in exchange rates. Bank policy requires that all currency risks are removed through hedging.

Liquidity Risk
Liquidity risk is the risk that the Bank cannot meet its financial liabilities or take advantage of investment opportunities at reasonable cost and in a timely manner. Treasury is responsible for ensuring that the Bank has continuous access to funds in accordance with policies established and monitored by the Board, CIC and ALCO. The primary objective is to maintain sufficient liquidity in order to ensure safe and sound operations.

The key objectives of the Bank's liquidity management policy are to measure, monitor and report expected liquidity flows, and also to provide early warning signals of potential adverse developments, so that preventative steps may be triggered.

The liquidity strategy of the Bank has four primary components:

- The first component is management of day to day funding. The objective is to ensure day to day funding requirements are adequately spread to avoid concentrations. The Treasury Department monitors all maturing cash flows and expected changes in core business funding requirements. This includes replenishment of existing funds as they mature, expected withdrawals from retail savings accounts and additional borrowings. Furthermore, access to the wholesale and capital markets is actively managed by regular debt issues and investor relations maintenance.

- The second component is the maintenance of an appropriate mix of funding sources. The Bank aims for a well diversified funding mix in terms of instrument types and fund providers. The Bank has a broad base of retail funding, which mainly consists of personal savings accounts. Although individuals may withdrawn their funds at any time, in aggregate they form a stable source of long term funding.

- The third component of the Bank's liquidity strategy is to maintain a broad portfolio of highly marketable assets that can be readily converted into cash to meet unexpected cash flows. The Bank holds a diversified portfolio of government, bank and other securities . These marketable assets can provide liquidity through repurchase agreements or through sale.

- The fourth component of the Bank's liquidity strategy is to have adequate and up to date contingency funding plans in place throughout the Bank. The contingency funding plans are established for addressing temporary and long term liquidity disruptions caused by a general event in the market or a Bank specific event. These plans ensure that all roles and responsibilities are clearly defined and all necessary management information is in place. The main objective of the Bank's contingency funding plan is to enable senior management to act effectively and efficiently at times of crisis.

The Bank's liquidity policy has been developed in accordance with the liquidity management policies of ING Group and the Australian Prudential Regulatory Authority's (APRA) Prudential Standards.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from failed or inadequate processes, people or systems or from external events. Key areas of operational risk for the Bank include fraud risk, information security risk, physical security risk and process breakdown. The Bank has implemented a framework that facilitates the identification, assessment, measurement and control of operational risk across the business.

The Board and Conduct Review Committee are responsible for establishing policy in this area and for the ongoing management of operational risk. This process is supported by the Operational Risk Committee.

The aim of the Operational Risk Management (ORM) department is to support management of the business lines (first line of defence) which is responsible for managing the Bank's operational, information and security risks. This is done by raising operational risk awareness and insight, increasing operational risk and loss transparency, improving early warning information and allocating risk ownership and responsibilities. This contributes to more stable business processes and lower operational risk costs.

Furthermore, implementing an operational risk management function has led to more effective risk management and has prepared the Bank for Basel II regulations, applicable for the ING Group from 1 January 2008.

Management
A comprehensive Operational Risk framework is in place and operating across the Bank. The framework is split into four main activities and processes:

Risk management processes	Examples of risk management tools
Risk Identification	Risk and Control Self Assessments Risk Awareness Programs Fraud detection
Risk Measurement	Incidents Reporting and Analysis Risk Adjusted Return On Capital Quality of Control Scorecards
Risk Monitoring	Operational Risk Committee Audit Findings Action Tracking Key Risk Indicator Reporting Operational Risk Dashboard
Risk Mitigation	New Product Approval Process (Information) Security plans & implementation Crisis Management & Business Continuity Planning

The Bank is promoting effective management of operational risk by demonstrating that the appropriate steps have been taken to control operational risk. The Bank applies scorecards for this purpose. The purpose of the semi-annual scorecards is to measure the quality of ORM processes within a business. Scoring is based on the ability to demonstrate that the required risk management processes (risk governance, identification, measurement, monitoring and mitigation) are in place within the Bank. The scorecards indicate the level of control within the Bank. The scoring results in a decrease or increase of required risk capital, depending on both the maturity of implemented ORM and the control measures taken.

The scorecard consists of five modules that supplement each other:

Risk Management Process	Focus
Risk Governance	Clear allocation of responsibilities
Risk Identification	Early identification of key risks and mitigation
Risk Measurement	Risk cost transparency and risk awareness
Risk Monitoring	Ongoing steering information
Risk Mitigation	Management responsiveness

The Bank's operational risk framework has been developed based on ING Group and APRA regulatory requirements.

25. CAPITAL MANAGEMENT

The Bank is an Authorised Deposit-taking Institution ("ADI") and is subject to regulation by the Australian Prudential Regulation Authority ("APRA") under the authority of the Banking Act 1959. APRA has set minimum regulatory capital requirements for banks that are consistent with the Basel Accord issued by the Basel Committee on Banking Supervision ("The Basel Committee"). These requirements define what is acceptable as capital and provide for standard methods of measuring the risks incurred by the Bank. APRA has set minimum ratios that compare the regulatory capital with risk weighted on and off-balance sheet assets.

Regulatory capital is divided into Tier One and Tier Two capital. Certain deductions are made from the sum of Tier One and Tier Two capital to arrive at the Capital Base. Tier One capital primarily consists of shareholders' equity plus retained earnings, less capitalised expenses. Tier Two capital primarily consists of subordinated debt loans and the collective provision for impairment losses.

In accordance with APRA's methodology, measuring risk requires one of a number of risk weights to be applied to each asset on the balance sheet and to off-balance sheet obligations. The risk weights are 100%, 50%, 20% and 0%.

The Bank actively manages its capital to balance the requirements of various stakeholders (regulators, rating agencies and shareholders). This is achieved by optimising the mix of capital while maintaining adequate capital ratios at all times.

Active Capital Management
Some of the factors that affect the level of required capital during the normal course of business are:

- The volume of risk weighted assets;
- The extent of the mismatch between the asset and liability duration;
- The expected change in interest rates in the near term; and
- The changes in investment strategy.

To support these business activities and market effects, the Bank actively manages its capital. The main focus of this policy is to ensure the Bank maintains an adequate supply of capital for its existing and near term goals through anticipating when additional capital is required and ensuring an adequate buffer above regulatory requirements is always maintained.

Market Risk Capital
APRA has mandated that the Bank hold sufficient capital to cover the potential risks associated with interest rate risk in the banking book. The Bank has agreed with APRA to measure this risk by ascribing a portion of the capital adequacy limit to cover the calculated change in economic value. The Bank has implemented buffer and trigger limit structures to ensure that sufficient capital is maintained to meet unexpected changes in the risk profile of the Bank resulting from movements in market interest rates.

Forecasting Regulatory Capital Requirements
The Bank's capital management policy requires regular re-forecasts of the effect on the Bank's capital position of potential changes in market conditions; of expected changes in asset and liability volumes; and of any changes to the duration of the balance sheet.

- Risk Weighted Assets. One of the major factors affecting the future capital requirement is asset growth as reflected through measured risk weighted assets. The projection of Risk Weighted Assets is based on budgeted growth rates for retail assets and the strategic mix of wholesale assets that may be prescribed at different times under the direction of ALCO.

- Market Interest Rates. Volatility in market interest rates plays an important role in the interest rate risk inherent in the balance sheet. The greater the volatility, the higher the potential move in rates over the future months, and therefore the greater the potential change in market value of the assets and liabilities. Risk Management maintains a history of market interest rates and the implied volatilities in order to monitor when rates have the potential for larger moves.

- Net Duration of Assets and Liabilities. The longer the asset duration, the greater the change in market value for any given movement in market rates. The net duration of the Bank's assets and liabilities will change as a result of both growth over time, and also through the change in duration profile. Capital re-forecasting addresses the impact of both the expected net duration outcome and also an ALCO approved maximum net duration position.

Surplus Capital
The Bank holds an amount of surplus capital to ensure that neither the Capital Adequacy Limit nor the market risk capital trigger are breached in the event of unanticipated movements in market interest rates.

The required amount of surplus capital contemplates the impact of potential changes in market interest rates assuming the maximum ALCO approved net duration. Additionally, the amount of surplus capital must be sufficient to accommodate a suitable period of time before additional capital can be delivered.

KEY CAPITAL INDICATORS

	2007	2006
Qualifying capital		
Tier 1		
Total equity	**1,954,935**	1,683,201
Deductions	**(87,785)**	(103,899)
Total tier 1 qualifying capital	**1,867,150**	1,579,302
Tier 2		
Asset revaluation reserve	**(2,162)**	743
Collective provision for doubtful debts (net of tax)	**4,787**	8,854
Term subordinated debt	**726,000**	526,000
Total tier 2 qualifying capital	**728,625**	535,597
Total qualifying capital	**2,595,775**	2,114,899
Total risk adjusted assets and off balance sheet exposure	**24,559,175**	19,844,006
Risk Weighted Capital Ratio	**10.6%**	10.7%

On January 1, 2008 the Bank adopted the Standardised Approach to Capital Adequacy in accordance with the new Basel II Capital Requirements and APRA prudential standards. The effect of implementing the Basel II Standardised Approach was a reduction in the level of Risk Weighted Assets and an increase in the Capital Adequacy ratio. APRA is still to advise of any amendment to the required level of capital as a consequence of transitioning to the Basel II regime.

26. ULTIMATE HOLDING ENTITY

ING Bank (Australia) Limited is the ultimate Australian holding company and its ultimate controlling entity is ING Groep NV which is incorporated in The Netherlands.

27. RELATED PARTY DISCLOSURES

Loans to entities in the wholly owned group

Aggregate amounts receivable comprise term loans, at call loans, accrued interest and inter-company balances. Interest received was charged on normal commercial terms throughout the year. No security or guarantee has been provided and no bad and doubtful debt provisions were raised during the year.

Aggregate amounts receivable from the ultimate controlling entity	**151,609**	151,601
Aggregate amounts receivable from related parties in the wholly owned group	**150,627**	7,630
Total	**302,236**	159,231

Loans from entities in the wholly owned group

Aggregate amounts payable comprise subordinated debt, certificates of deposit, accrued interest and inter-company balances. Interest was charged on subordinated debt and certificates of deposits on normal commercial terms throughout the year. No security or guarantee has been provided and no bad and doubtful debt provisions were raised during the year.

Aggregate amounts payable to the ultimate controlling entity	**855**	1,203
Aggregate amounts payable to related parties in the wholly owned group	**1,069,562**	781,143
Total	**1,070,417**	782,346

Other transactions with entities in the wholly owned group

Aggregate amounts payable comprise accrued interest and currency revaluation on cross currency swap. Interest was charged on normal commercial terms throughout the year. No security or guarantee has been provided and no bad and doubtful debt provisions were raised during the year.

	2007	2006
Amounts payable from related parties in the wholly owned group	**(1,903)**	(18,775)

The Bank paid fees for expenses incurred for services rendered on behalf of the Bank.

Amounts paid / payable to the ultimate controlling entity	**7,634**	5,826
Amounts paid / payable to related parties in the wholly owned group	**-**	19
Total amounts paid to entities in the wholly owned group	**7,634**	5,845

Loans to key management personnel and related entities

Loans have been provided to key management personnel and these loans were conducted in the normal course of business and on terms applicable to the Bank's personnel as a whole.

Other transactions with key management personnel and related entities

Key management personnel and / or their related entities have entered into transactions of a domestic nature with the Bank. These transactions include entering into insurance contracts and placing money market deposits and are on normal commercial terms.

Key management personnel remuneration is disclosed in Note 8.

28. CONTINGENCIES AND COMMITMENTS

Irrevocable commitments to extend credit include all obligations on the part of the Bank to provide credit facilities and bank accepted guarantees represent unconditional undertakings by the Bank to support the obligations of its customers to third parties.

Commitments to Extend Credit		
- irrevocable commitments to extend credit	**4,572,864**	2,777,090
- bank accepted guarantees	**44,040**	45,328
Total commitments to extend credit	**4,616,904**	2,822,418

Operating Leases - Land & Buildings *		
Lease payments due:		
- not later than 1 year	**7,992**	5,871
- later than 1 year and less than 5 years	**45,120**	34,386
- later than 5 years	**30,228**	34,903
Total minimum lease payments	**83,340**	75,160

*Operating leases are the leases of the premises the Bank occupies at 140 Sussex Street Sydney, Lot 121 Reliance Drive Tuggerah, 570 Bourke Street Melbourne, 6-12 Hurtle Parade Mawson (Adelaide), 100 Edward Street Brisbane and 28B Railway Parade Subiaco (Perth).

	2007	2007	2006	2006
	Unused	Available	Available	Unused
Standby Facilities to Related entities	350,000	350,000	350,000	350,000

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of ING Bank (Australia) Limited, we state that -

1) In the opinion of the Directors:

   a) the financial statements and notes of the Bank are in accordance with the Corporations Act 2001, including

      i) giving a true and fair view of the Bank's financial position as at 31 December 2007 and of its performance for the year ended on that date; and

      ii) complying with Accounting Standards and Corporations Regulations 2001; and

   b) There are reasonable grounds to believe that the Bank will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Phillip R Shirriff Chairman	Eric Drok Director

Sydney
Date: 26 March 2008

ERNST & YOUNG

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Independent audit report to members of ING Bank (Australia) Limited

We have audited the accompanying financial report of ING Bank (Australia) Limited (The "Bank"), which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Bank are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ERNST & YOUNG 2

Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the Bank a written Auditor's Independence Declaration, a copy of which is attached to the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of ING Bank (Australia) Limited is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the financial position of ING Bank (Australia) Limited at 31 December 2007 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Ernst & Young

Ernst & Young

A K Harmer

Partner

Sydney

Date: 26 MARCH 2008