ING BANK (AUSTRALIA) LIMITED

A.C.N. 000 893 292

FINANCIAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2006

ING BANK (AUSTRALIA) LIMITED

Directors' Report – 2006

The Directors of ING Bank (Australia) Limited ("the Bank") submit their report for the year ended 31 December 2006.

Directors

The names and details of the Directors of the Bank in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names and qualifications, experience and special responsibilities

P R Shirriff, BA, FCPA, FCIS, FCIM, AAII (Chairman)	Appointed Director in July 1985 and Chairman on 19 May 2004. Director of ING Australia Limited and subsidiaries. Formerly member of the ING Group Executive Committee and Chief Executive for the Asia Pacific Region (1995-2003) and Managing Director ING Australia Limited (1985-1995). Director of ING (NZ) Limited and subsidiaries. Member of the Audit, the Conduct Review and the Credit and Investment Committees. Director of Austbrokers Holdings Ltd. Chairman of Globe Administration Board.
A R Berg, BEc (Hons), MBA	Appointed Director in April 2000 and was Chairman from July 2000 to May 2002. Director of ING Australia Limited since 2000. Formerly Managing Director Boral Limited (1994-2000) and Managing Director Macquarie Bank (1985-1993). Chairman of the Audit Committee and a member of the Conduct Review and the Credit and Investment Committees.
E Drok MEc, LLM	Appointed Director in November 2005. Chief Executive Officer ING Bank (Australia) Limited from 1 February 2006. Member of the Conduct Review and the Credit and Investment Committees.
D H Harryvan, MEc	Appointed Director in July 2006. Chief Executive Officer ING Direct NV. Member Executive Board of ING Groep NV.
I Y L Lee, BA, Barrister-at-Law	Appointed Director in December 2005. Director of QBE Insurance Group, Mariner Financial Limited, TEN Network Holdings Limited and Record Investments Limited. Formerly Director of Beyond International Limited, BioTech Capital Limited and Record Realty. Member of the Audit, the Conduct Review and the Credit and Investment Committees.
V N Richtor, BA (Hons), MCT Dip (Corp Fin), FAIBF, CFTP(Snr)	Appointed Director in February 1995. Resigned on 27 May 2006.
E H Robles, MEc	Appointed Director in May 2004. General Manager of ING Direct NV. Chairman of the Conduct Review Committee and a member of the Audit and the Credit and Investment Committees.
H K Verkoren, MEc	Appointed Director in December 1994. Resigned on 31 May 2006.

Corporate Information

Corporate Structure

ING Bank (Australia) Limited 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 Group NV. ING Bank (Australia) Limited is the legal entity and has three operating divisions: Direct Sales and Operations (trading as "ING DIRECT"), Commercial Property Finance (trading as "ING Bank") and Retail Mortgage Group (trading as "ING Bank").

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 739 employees as at 31 December 2006 (2005: 639 employees).

Operating and Financial Review

The Bank continued to make a significant impact on the Australian banking scene during 2006, having achieved a net profit after tax of $145.3 million for the year ended 31 December 2006. This compares with the 2005 net profit after tax of $122.4 million.

Despite an increasingly competitive market, the ING DIRECT customer base grew by more than 100,000 accounts in 2006. There are now more than 1.1 million Australians benefiting from ING DIRECT's highly popular Savings Maximiser, offering a variable interest rate and a written guarantee of no bank fees ever. Savings Maximiser customers have shared in a total of $3 billion in interest over the past seven years.

During the reporting period total deposits for the Savings Products grew by 13% from $16.7 billion to $18.8 billion. Part of this success was attributed to the launch of the Six Month Term Deposit Product in November. Attracting over 5,500 accounts and $366 million in deposits over the two month period of November and December, this product has taken the total term deposit holdings at the end of the reporting period to $978 million.

The Bank's Retail Mortgage Group had another record year with retail loans and advances increasing by 26% from $20.9 billion to $26.4 billion. Strong performance from the Broker Channel and significant milestones in the Mortgage Management Funding and Direct portfolios ($6 billion and $1 billion respectively), all fuelled this success.

The Commercial Property Finance division also had a very strong year with an increase in loans from $1.8 billion to $2.1 billion.

Recognition and awards from third parties further highlighted the Bank's strength:

i) Over the course of the year the Bank was named the 'Mortgage Choice Lender of the Year'; received accolades for best website and best promotion at the Australian Banking and Finance Magazine Awards, was named 'Australia's Most Trusted Bank' by Reader's Digest Magazine and collected product specific awards in the 'Mortgage of the Year' awards from Your Mortgage Magazine and the 'Best of the Best' awards from Money Magazine.

ii) Importantly, the Nielsen Financial Institution Customer Monitor showed The Bank to be an industry leader in customer satisfaction in 2006. The September quarter survey showed that 87.3% of our customers are very or quite satisfied with the level of service we provide, significantly above the results gained by other major Australian banks and second only to HSBC. Among home loan customers, we strengthened our position as the market leader with 94.4% of customers quite or very satisfied.

iii) The Bank also emerged as 'head of the pack' when it comes to customer advocacy. Indeed, the September quarter survey showed that 94.5% of our customers are willing to recommend us to others.

Significant Changes in the State of Affairs

Total equity increased to $1,693 million from $1,175 million, an increase of $518 million. The movement was a result of increased profits, plus a capital injection of $385 million from ING Bank NV for the issue of ordinary voting shares.

Significant Events after the Balance Date

On 19 February 2007, the board of ING Bank (Australia) Limited resolved to issue 100 million ordinary voting shares of $1 each to its parent company ING DIRECT NV. This transaction has increased the Bank's total contributed capital (refer note 21) by $100 million from $1,234 million to $1,334 million.

No adjustment has been made to the financial report as this transaction is indicative of a condition that arose after the reporting date.

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.

Environmental Regulation and Performance

The Bank is not subject to any environmental regulation by the State or Federal governments but can incur environmental liability as a lender.

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:

(a) 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

(b) 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.

Directors' Meetings

The number of meetings of Directors' (including meetings of committees of Directors) held during the year to 31 December 2006 and the number of meetings attended by each Director was as follows:

		Committee Meetings		
	Directors' Meetings	**Audit**	**Conduct Review**	**Credit & Investment**
Number of meetings held:	7	3	3	4
Number of meetings attended:				
Anthony Richard Berg	5	3	2	3
Eric Drok	7	N/A	2	4
Dirk Herman Harryvan (Appointed July 2006)	1	-	-	-
Irene Yun Lien Lee	4	3	3	3
Vaughn Nigel Richtor (Resigned 27 May 2006)	1	2	-	2
Eric Henry Robles	5	3	3	4
Phillip Robert Shirriff	7	3	3	4
Hans Karel Verkoren (Resigned 31 May 2006)	-	-	-	-

ERNST & YOUNG

Auditor's Opinion

In our opinion:

1. the financial report of ING Bank (Australia) Limited is in accordance with:

(a) the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the financial position of ING Bank (Australia) Limited at 31 December 2006 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations); and

(b) other mandatory financial reporting requirements in Australia.

Ernst + Young

Ernst & Young

Andrew Harmer
Partner
Sydney
20 March 2007

ING BANK (AUSTRALIA) LIMITED

Directors' Report – 2006 (continued)

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.

Signed in accordance with a resolution of the Directors.

Phillip R Shirriff
Chairman

Eric Drok
Director

Sydney, 20 March 2007

ING BANK (AUSTRALIA) LIMITED

Corporate Governance Statement - 2006

The Board of Directors of ING Bank (Australia) Limited ("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 Group NV) and one Executive Director. The Chairman is a Non-Executive Director. The Board generally meets five times a year with a minimum meeting requirement of at least three times a year. All Non-Executive 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. The Directors in office at the date of this statement are:

P R Shirriff (Chairman)	D H Harryvan
A R Berg	I Y L Lee
E Drok (Chief Executive Officer)	E H Robles

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 above. 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 ING Bank (Australia) Limited. 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 Group 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:

- Board monitoring performance against a strategic plan which encompasses the Bank's vision, mission and strategy statements, is designed to meet shareholders' needs and 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.

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

- Remuneration incentives aligned with the Medium Term Plan of the Bank.

Board Responsibilities (continued)

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 Management Committee, an Operational Risk Committee and an Information Technology Projects Steering Committee. These business unit level committees are run by senior executives who report to the Chief Executive Officer.

Audit Committee

This committee, chaired by A R Berg, 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.

Conduct Review Committee

This committee, chaired by E H Robles, meets at least 3 times a year on the same day as, but prior to 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 from 25 July 2006 (previously by V N Richtor), 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. The committee generally meets five times a year on the same day as, but immediately prior to, 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 Management Committee of the Bank. Further with respect to credit risk, the committee monitors the development of the retail and commercial property finance 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.

ING BANK (AUSTRALIA) LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	**2006 $ 000**	2005 $ 000
Interest income	4	**2,095,752**	1,623,817
Interest expense	4	**(1,753,567)**	(1,317,104)
Net interest income		**342,185**	306,713
Net non-interest income	4	**11,501**	9,228
Total income from ordinary activities		**353,686**	315,941
Employment expenses		**(63,630)**	(52,267)
Advertising expenses		**(27,254)**	(37,114)
Depreciation expenses		**(7,107)**	(8,315)
Occupancy expenses		**(9,446)**	(7,482)
Technology expenses		**(6,796)**	(6,331)
Other expenses		**(22,556)**	(22,954)
Total expenses from ordinary activities	4	**(136,789)**	(134,463)
Bad and doubtful debt expense	4	**(8,717)**	(5,992)
Operating profit before income tax		**208,180**	175,486
Income tax expense	6	**(62,886)**	(53,070)
Profit from ordinary activities after income tax		**145,294**	122,416

ING BANK (AUSTRALIA) LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2006

	Note	2006 $ 000	2005 $ 000
Assets			
Cash		**135,053**	34,039
Accrued interest receivables		**32,406**	22,740
Available for sale securities	**7**	**6,475,383**	4,592,108
Available for sale securities at fair value through profit and loss	**8**	**429,985**	446,786
Loans and advances	**9**	**28,676,003**	22,868,850
Derivative assets	**11 a)**	**46,118**	26,202
Property, plant and equipment	**12**	**14,324**	14,380
Other assets	**13**	**1,814**	2,414
Income tax receivables	**14**	**7,441**	-
Deferred tax asset	**6**	**45,232**	22,316
Total assets		**35,863,759**	28,029,835
Liabilities			
Deposits	**15**	**18,778,527**	16,740,960
Deposits payable to other financial institutions	**16**	**6,696,102**	4,544,202
Debt issues	**17**	**6,208,507**	3,509,598
Debt issues at fair value through profit and loss	**18**	**2,204,652**	1,888,788
Derivative liabilities	**11 b)**	**86,311**	8,637
Creditors and other liabilities	**19**	**125,768**	95,312
Income tax payable	**20**	**-**	21,840
Deferred tax liability	**6**	**65,878**	41,578
Provisions	**21**	**4,950**	4,338
Total liabilities		**34,170,695**	26,855,253
Net assets		**1,693,064**	1,174,582
Equity			
Contributed equity	**22**	**1,234,000**	849,000
Reserves	**23**	**10,807**	22,619
Retained profits	**24**	**448,257**	302,963
Total equity		**1,693,064**	1,174,582

ING BANK (AUSTRALIA) LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006

	2006 $ 000	2005 $ 000
Total Equity At The Beginning Of The Year	**1,174,582**	**1,042,668**
Adjustment on adoption of AASB 139 net of tax:		
Retained profit	-	(13,121)
Reserves		
- Cash flow hedge reserve	-	41,502
- Available for sale reserve	-	7,282
Total reserves	-	48,784
Total adjustments on adoption of AASB 139 net of tax	**-**	**35,663**
Other movements in equity for the period:		
Available for sale investments, net of tax	(1,026)	(4,180)
Cash flow hedges, net of tax	(11,304)	(21,985)
Share based payment	518	-
Total income and expense for the period recognised directly in equity	(11,812)	(26,165)
Profit for the year	145,294	122,416
Total income and expense for the period	**133,482**	**96,251**
Capital issued	**385,000**	**-**
Total equity at the end of the year	**1,693,064**	**1,174,582**

ING BANK (AUSTRALIA) LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 $ 000	2005 $ 000
Cash Flows From Operating Activities			
Interest received		**2,146,140**	1,688,705
Interest and other cost of finance paid		**(1,761,516)**	(1,359,180)
Fee and other non-interest income received		**20,173**	18,807
Income tax paid		**(85,684)**	(49,684)
Payments to suppliers and employees (inclusive of GST)		**(186,605)**	(168,412)
Net cash flows from operating activities	**26 c)**	**132,508**	130,236
Cash Flows From Investing Activities			
Net increase in other securities and assets available for sale		**(1,875,816)**	(564,167)
Net increase in loans and advances		**(5,794,098)**	(5,006,675)
Purchase of property, plant and equipment		**(7,120)**	(5,423)
Proceeds from sale of property, plant and equipment		**69**	-
Net cash flows used in investing activities		**(7,676,965)**	(5,576,265)
Cash Flows From Financing Activities			
Net movement in debt issue		**2,708,285**	1,765,098
Net movement in debt issue at fair value through profit and loss		**362,719**	677,793
Proceeds from issue of capital		**385,000**	-
Net increases in payables to other financial institutions		**2,151,900**	723,032
Net increases in deposits		**2,037,567**	1,947,026
Net Cash Flows From Financing Activities		**7,645,471**	5,112,949
Net increase / (decrease) in cash		**101,014**	(333,080)
Cash and cash equivalent at the beginning of year		**34,039**	367,119
Cash and cash equivalent at the end of the financial year	**26 a)**	**135,053**	34,039

1. Corporate Information

The financial report of ING Bank (Australia) Limited ("the Bank") for the year ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on 20 March 2007.

The Bank is a company limited by shares incorporated in Australia. The ultimate parent entity of the Bank is ING Group 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. Summary of Significant Accounting Policies

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

(a) Basis of preparation

The financial report complies with the Australian Accounting Standards, which include Australian equivalent to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments and available for sale financial assets which have been measured at fair value. The carrying value of recognised assets and liabilities that are hedged with fair value hedges are adjusted to record changes in the fair value attributable to the risks that are being hedged.

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

(b) Statement of compliance

Except for the amendments to AASB 101 Presentation of Financial Statements, which the Bank has early adopted, Australian Accounting Standards and Accounting Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Bank for the reporting period ending 31 December 2006. These are outlined as follows:

AASB 7 Financial Instruments: Disclosure and AASB 2005 -10

The Bank is required to provide additional disclosures of qualitative and quantitative information about exposure to risks arising from financial instruments, including the specified minimum disclosures about credit, liquidity, market risk and sensitivity analysis to market risk.

AASB 7 is a disclosure standard and will have no direct impact on the amounts included in the financial statement. However, the amendments will result in changes to the financial instrument disclosures included in the financial report.

The application date of the standard is 1 January 2007 and the application date for the Bank is for the financial period beginning 1 January 2007.

UIG 8 (Scope of AASB 2 - Share-Based Payment)

This Accounting Interpretation clarifies the scope of AASB 2 to include transactions in which the Bank cannot identify specifically some or all of the goods and services received as consideration for the equity instruments or other share-based payments. Unless the Bank enters into share-based payments unrelated to employee services in future reporting periods, these amendments are not expected to have any impact on the Bank's financial report.

The application date of the standard is 1 May 2006 and the application for the Bank is for the financial period beginning 1 January 2007.

Accounting standards and interpretations issued but not applicable to the Bank are as follows:

UIG 7 Applying the restatement approach under AASB 129 Financial Reporting in Hyperinflationary Economies
UIG 9 Reassessment of Embedded Derivatives

2. Summary of Significant Accounting Policies (continued)

(c) 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 at 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.

(d) Cash

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

(e) Investments and other financial assets

Financial assets within the scope of AASB 139 *Financial Instruments: Recognition and Measurements ("AASB 139")* are classified as either available for sale securities at fair value through profit and loss, loans and advances, held to maturity investments, or available for sale securities. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs. The classification depends on the purpose for which the investment was acquired, which is determined at initial recognition and except for fair value through profit and loss, is re-evaluated at each reporting date.

Available for sale securities

Available for sale securities consist of securities that are not actively traded and are intended to be held for an indefinite period of time. Such securities are available for sale and may be sold should the need arise, including capital and liquidity needs or changes in market conditions.

Available for sale securities are initially carried at fair value plus transaction costs. 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 investments in active markets are based on quoted market bid prices.

Available for sale securities at fair value through profit and loss

This category includes those available for sale securities which have been designated by management at fair value through profit and loss on initial recognition. The policy of management is to designate a financial asset as such if the asset is hedged with a derivative and forms a fair value hedge relationship.

The hedged portion of the fair value need only be recognised in profit and loss. The Bank has only hedged the interest rate risk on the available for sale securities. Therefore the fair value related to changes in interest rates is recognised in profit and loss and the fair value related to changes in the credit margin (the unhedged portion) is recognised in equity.

Loans and advances

Loan assets which are held at amortised cost in the balance sheet are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans include all secured loans made to retail and commercial borrowers, inter bank loans and leverage leases.

2. Summary of Significant Accounting Policies (continued)

(f) Derivative financial instruments

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 initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to their 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. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Movements in the carrying amount of derivatives are recognised in the income statement unless the derivative qualifies as a cash flow hedge.

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.

Cash flow hedges

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.

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.

(g) 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.

(h) Provision for impairment

Provision for credit losses are maintained at an amount adequate to cover anticipated credit related losses arising from loans and investments.

The Bank is recognising loan impairment when objective evidence is available that a loss event has occurred and as a consequence the Bank is not likely to receive all amounts owed to it.

Collective provision for bad and doubtful debts is maintained at the overall portfolio level to cover non identified losses and risks. Objective evidence of impairment will be based on historical experience for such portfolios, adjusted to reflect the effects of current conditions at each balance date.

Specific provision is made for significant loans and is 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. All bad debts are written off against the specific provision in the periods in which they are classified as irrecoverable.

2. Summary of Significant Accounting Policies (continued)

(i) 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.

(j) Property, plant and equipment

Property, plant and equipment are measured at historical cost and are 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	2006	2005
• Computer Software	2.5 years	2.5 years
• Computer Hardware	4 years	4 years
• Leasehold Improvements	5 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 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 and 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.

(k) Deposits

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.

(l) Deposits payable to other financial institutions

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.

(m) Debt issues

Debt issues are short and long term debt issues of the Bank including subordinated debt and medium term notes. They are classified into the following categories: debt issues and debt issues at fair value through profit and loss. This category includes all medium term debt issues that have not been hedged, such as floating rate note issues, which are measured at amortised cost.

Debt issues at fair value through profit and loss

This category includes all fixed rate medium term debt issues that have been hedged, such as corporate bond issues. These securities have been designated by management at fair value through profit and loss on initial recognition. The policy of management is to designate a financial liability as such if the liability is hedged with a derivative and forms a fair value hedge.

The hedged portion of the fair value need only be recognised on balance sheet. The Bank has only hedged the interest rate risk on the debt issues. Therefore only the fair value related to changes in interest rates is measured and recognised in the income statement. The fair value related to changes in the credit margin (the unhedged portion) is not measured.

2. Summary of Significant Accounting Policies (continued)

(n) 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.

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 Group 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.

2. Summary of Significant Accounting Policies (continued)

(q) 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.

(r) 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.

(s) 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 and the price on the date the options are exercised of the ultimate parent company ING Group NV.

Equity settled transactions

The Bank provides benefits to its employees including key management personnel (Note 30), 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 in which the Bank and the employee agree to a share-based payment arrangement.

The measurement of equity-settled transactions granted is determined by ING Group 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 remeasured 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.

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.

2. Summary of Significant Accounting Policies (continued)

(t) 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.

Transaction costs associated with the origination of loans are capitalised and recognised as interest income on a straight line basis over the 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.

3. Significant Accounting Judgements, Estimates and Assumptions

In applying the Banks 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:

(i) 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.

Classification of investments

The Bank has decided to classify investments in listed and unlisted securities as ‘available for sale’ investments and movements in fair value are recognised directly in equity.

(ii) 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 in which the Bank and the employee agree to a share-based payment arrangement.

The measurement of equity-settled transactions granted is determined by ING Group 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

As discussed in note 2 (q) 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.

3. Significant Accounting Judgements, Estimates and Assumptions (continued)
Significant accounting estimates and assumptions (continued)

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 the management's evaluation of the risk in the portfolio, current economic conditions, loss experience in recent years and credit, 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.

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.

Fair value of financial assets and liabilities
The fair value of listed shares has been determined by references to published price quotations in an active market.

For certain financial assets and liabilities, including Over-The-Counter (OTC) derivative instruments, no quoted market prices are available. For these financial assets and liabilities fair value is determined using valuation techniques. These valuation techniques consider, among other factors, contractual and market prices, correlations, time value of money, credit, yield curve volatility factors and / or prepayment rates of the underlying positions. All valuation techniques used are approved by management. In addition, market data used in these valuation techniques are validated on a daily basis.

Valuation techniques are subjective in nature and significant judgement is involved in establishing fair values for financial assets and liabilities. Valuation techniques involve various assumptions regarding the underlying price, yield curve, correlations and many other factors. The use of different valuation techniques and assumptions could produce materially different estimates of fair value.

Average life of a loan
As discussed in note 2 (t) income recognition, 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
As discussed in note 2 (t) income recognition, the Bank's current accounting policy is to recognise fee income in the origination of loans immediately in the income statement. The Bank has currently determined that this method of recognising income is not materially different from the effective interest rate method.

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

Profit from ordinary activities before income tax has been determined as follows:

	2006 $ 000	2005 $ 000
Income from ordinary activities		
Interest income		
Cash	**6,251**	5,865
Available for sale securities		
- Other persons/corporations	**353,846**	271,521
Loans and advances		
- Related bodies corporate	**8,155**	8,155
- Other persons/corporations	**1,727,500**	1,338,276
Total interest income	**2,095,752**	1,623,817
Interest expense		
Deposits		
- Other persons/corporations	**1,023,443**	846,485
Deposits payable to other financial institutions		
- Other persons/corporations	**339,981**	234,439
Debt issues and debt issues at fair value through profit and loss		
- Related bodies corporate	**33,324**	31,503
- Other persons/corporations	**356,819**	204,677
Total interest expense	**1,753,567**	1,317,104
Net interest income	**342,185**	306,713
Non-interest income		
Account fees	**6,487**	5,072
Management and service fees	**-**	897
Discharge fees and penalties	**4,052**	3,197
Proceeds from repurchase of debt issue	**944**	50
Other	**18**	12
Net non-interest income	**11,501**	9,228
Total income from ordinary activities	**353,686**	315,941
Other expenses from ordinary activities		
Bad and doubtful debts expense		
Collective provisions	**4,027**	2,151
Specific provisions	**2,692**	3,283
Bad debts recognised directly through profit and loss	**1,998**	558
Total bad and doubtful debts expense	**8,717**	5,992

	2006	2005
	$ 000	$ 000
4. Profit from Ordinary Activities (continued)		
Other expenses from ordinary activities		
Fees and commissions	**6,593**	5,874
Employee benefits expense		
- Wages and salaries	**58,278**	48,066
- Workers compensation costs	**213**	238
- Superannuation costs	**3,928**	3,537
- Share-based compensation arrangements	**518**	426
- Other employee costs	**693**	-
Advertising	**27,254**	37,114
Depreciation		
- Computer hardware	**2,420**	2,274
- Computer software	**3,028**	3,954
- Leasehold improvements	**1,637**	2,065
- Motor vehicles	**22**	22
Occupancy expenses	**9,446**	7,482
Professional services expenses	**2,637**	2,622
Technology expenses	**6,796**	6,331
Stationery and printing	**456**	481
Management costs		
- Parent company	**5,677**	4,484
- Related entities	**149**	188
Telephone and communication	**2,919**	3,777
Other	**4,125**	5,528
Total other expenses from ordinary activities	**136,789**	134,463

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 2006	**Interest**	**Average Rate for 2006**	Average Balance 2005	Interest	Average Rate for 2005
	$ 000	**$ 000**	**%**	$ 000	$ 000	%
Interest income						
Cash	**107,590**	**6,251**	**5.81%**	111,714	5,865	5.25%
Available for sale securities	**6,070,589**	**353,846**	**5.83%**	4,752,719	271,521	5.71%
Loans and advances	**25,738,173**	**1,735,655**	**6.74%**	20,218,921	1,346,431	6.66%
Interest expense						
Deposits	**17,996,802**	**1,023,443**	**5.69%**	15,767,699	846,485	5.37%
Deposits payables due to other financial institutions	**5,750,208**	**339,981**	**5.91%**	4,193,568	234,439	5.59%
Debt issues	**6,513,129**	**390,143**	**5.99%**	3,986,174	236,180	5.92%

	2006	2005
	$ 000	$ 000
6. Income Tax Expense		
Major components of income tax expense are:		
Income Statement		
Current income tax		
Current income tax charge	**58,445**	59,648
Deferred income tax		
Relating to origination and reversal of temporary differences	**4,441**	(6,578)
Income tax expense reported in income statement	**62,886**	53,070
Statement of changes in equity		
Current income tax		
Current income tax on interest rate swap	**(2,043)**	(2,043)
Deferred income tax		
Opening adjustments to equity		
Revaluation of cash-flow hedge	**-**	11,702
Realised gain on cash-flow hedge	**-**	6,085
Revaluation of available for sale securities	**-**	3,121
Opening adjustment to retained earnings	**-**	(5,054)
Current year adjustments through equity		
Revaluation of cash-flow hedge	**(2,802)**	(7,380)
Revaluation of available for sale securities	**(256)**	(2,158)
Income tax expense reported in equity	**(5,101)**	4,273

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Bank's effective income tax rate for the year ended 31 December 2005 and 2006 is as follows:

Accounting profit before tax from continuing operations	**208,180**	175,486
Prima facie tax on operating profit at 30% (2005: 30%)	**62,454**	52,646
Adjustments in respect of current income tax of previous years	**111**	-
Expenditure not allowable for income tax purposes	**321**	424
Income tax expense reported in income statement	**62,886**	53,070

6. Income Tax Expense (continued)

	Balance Sheet		Income Statement	
	2006	2005	**2006**	2005
	$ 000	$ 000	**$ 000**	$ 000
Deferred income tax				
Deferred income tax at 31 December relates to the following:				
Deferred income tax liabilities				
Amortisation of discount securities	**(4,434)**	(1,929)	**2,505**	(1,276)
Deferred lending expenses	**(31,177)**	(25,480)	**5,697**	4,320
Revaluation of available for sale securities	**(13,367)**	(947)	**(2,418)**	96
Revaluation of cash flow hedge	**(12,759)**	(6,869)	**16**	(5)
Revaluation of fair value hedge	**(1,077)**	(992)	**85**	992
Leveraged leases	**(2,245)**	(4,721)	**(2,476)**	(7,703)
Others	**(819)**	(640)	**116**	483
Gross deferred income tax liabilities	**(65,878)**	(41,578)		
Deferred income tax assets				
Depreciation	**1,710**	1,660	**(50)**	(792)
Provisions for impairment	**6,719**	4,704	**(2,016)**	(1,954)
Deferred lending income	**2,618**	4,143	**1,525**	2,124
Revaluation of debt issues	**490**	1,027	**14,056**	(1,027)
Revaluation of cash flow hedge	**11,227**	2,551	**-**	-
Revaluation of fair value hedge	**11,740**	40	**(11,700)**	(40)
Others	**10,728**	8,191	**(899)**	(1,796)
Gross deferred income tax asset	**45,232**	22,316		
Deferred income tax charge			**4,441**	(6,578)

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.

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.

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 it's discretion to pay franked dividends to its parent. The effective date of the tax consolidation is 1 January 2004.

	Note	2006 $ 000	2005 $ 000
7. Available for Sale Securities			
Discount securities		**3,949,757**	2,407,328
Mortgage backed securities		**1,556,516**	1,489,572
Government bonds		**59,318**	60,320
Other securities		**909,792**	634,888
Total available for sale securities		**6,475,383**	4,592,108
Maturity Analysis of Available for Sale Securities			
Not longer than 3 months		**4,135,667**	2,410,843
Longer than 3 months and not longer than 12 months		**133,459**	372,648
Longer than 1 year and not longer than 5 years		**2,205,624**	1,808,176
Longer than 5 years		**-**	-
No maturity specified		**633**	441
Total		**6,475,383**	4,592,108

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.

8. Available for Sale Securities at Fair Value through Profit and Loss

		2006	2005
Corporate bonds		**133,671**	138,615
Government bonds		**296,314**	302,052
Other securities		**-**	6,119
Total available for sale securities at fair value through profit and loss		**429,985**	446,786
Maturity Analysis of Available for Sale Securities at Fair Value through Profit and Loss			
Not longer than 3 months		**-**	2,499
Longer than 3 months and not longer than 12 months		**87,559**	-
Longer than 1 year and not longer than 5 years		**342,426**	444,287
Longer than 5 years		**-**	-
Total		**429,985**	446,786

Available for sale securities at fair value through profit and loss are payable at maturity and have no significant terms and conditions that may affect the amount, timing or certainty of future cash flows.

9. Loans and Advances

	Note	2006	2005
Retail loans		**26,413,877**	20,906,662
Commercial loans		**2,134,524**	1,827,867
Other loans – parent entity		**150,000**	150,000
Gross loans and advances		**28,698,401**	22,884,529
Specific provision for impairment	10	**(9,750)**	(7,058)
		28,688,651	22,877,471
Collective provision for impairment	10	**(12,648)**	(8,621)
Total loans and advances		**28,676,003**	22,868,850

	2006	2005
	$ 000	$ 000

9. Loans and Advances (continued)

Maturity Analysis of Loans and Advances		
Not longer than 3 months	**153,096**	107,625
Longer than 3 months and not longer than 12 months	**362,036**	464,929
Longer than 1 year and not longer than 5 years	**1,842,101**	1,652,075
Longer than 5 years	**23,338,508**	17,540,420
No maturity specified	**3,002,660**	3,119,480
Total	**28,698,401**	22,884,529

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

10. Provisions for Impairment

Specific provisions		
Opening balance	**7,058**	2,148
Charges against profit	**5,616**	5,239
Transfer from collective provisions	**-**	614
Write-back of provisions no longer required	**(992)**	(232)
	11,682	7,769
Bad debts written off	**(1,932)**	(711)
Closing balance	**9,750**	7,058

The Bank recognises loan impairment where objective evidence is available that a loss event has occurred. Specific provision is made for significant loans and is 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	**8,621**	7,019
New and increased provisioning	**4,027**	2,216
Transfer to specific provisions	**-**	(614)
Closing balance	**12,648**	8,621
Total provision for impairment	**22,398**	15,679

Collective provision is maintained at the overall portfolio level to cover non identified losses and risks. Objective evidence of impairment is based on historical experience for such portfolios, adjusted to reflect the effects of current conditions at each balance date.

Non accrual loans		
With provisions	**2,692**	3,832
Specific provisions on non accrual loans	**(2,692)**	(3,832)
Total non accrual loans without provisions	**-**	-
Past due loans balance		
Past due loans represent loans which are in arrears over 90 days	**79,515**	63,740

	2006	2005
	$ 000	$ 000
11. a) Derivative Assets		
Fair value hedge	**3,590**	3,306
Cash flow hedge	**42,528**	22,896
Total derivative assets	**46,118**	26,202
Maturity Analysis of Derivative Assets		
Not longer than 3 months	**75**	490
Longer than 3 months and not longer than 12 months	**888**	197
Longer than 1 year and not longer than 5 years	**45,155**	26,990
Longer than 5 years	**-**	(1,475)
Total	**46,118**	26,202
11. b) Derivative Liabilities		
Fair value hedge	**39,134**	132
Cash flow hedge	**37,422**	8,505
Other non-trading derivatives	**9,755**	-
Total derivative liabilities	**86,311**	8,637
Maturity Analysis of Derivative Liabilities		
Not longer than 3 months	**111**	23
Longer than 3 months and not longer than 12 months	**6,165**	952
Longer than 1 year and not longer than 5 years	**57,959**	7,662
Longer than 5 years	**22,076**	-
Total	**86,311**	8,637
Amounts recognised in equity (pre tax)	**(9,339)**	14,408
Amounts recognised in profit and loss (pre tax)	**(48,418)**	3,157
12. Property, Plant and Equipment		
Property, plant and equipment at cost	**70,914**	63,880
Accumulated depreciation	**(56,590)**	(49,500)
Total property, plant and equipment	**14,324**	14,380
Mainframe Computers & Computer Equipment		
Carrying amount at the beginning	**1,914**	1,322
Additions	**4,475**	2,265
Depreciation	**(1,939)**	(1,673)
Closing balance	**4,450**	1,914
Personal Computers		
Carrying amount at the beginning	**1,604**	1,816
Additions	**611**	389
Depreciation	**(481)**	(601)
Closing balance	**1,734**	1,604

	2006 $ 000	2005 $ 000

12. Property, Plant and Equipment (continued)

	2006 $ 000	2005 $ 000
Computer Software		
Carrying amount at the beginning	**4,272**	6,741
Additions	**1,357**	1,486
Depreciation	**(3,028)**	(3,955)
Closing balance	**2,601**	4,272
Leasehold Improvements		
Carrying amount at the beginning	**6,455**	7,251
Additions	**593**	1,269
Depreciation	**(1,637)**	(2,065)
Closing balance	**5,411**	6,455
Motor Vehicles		
Carrying amount at the beginning	**135**	142
Additions	**84**	15
Disposals	**(69)**	-
Depreciation	**(22)**	(22)
Closing balance	**128**	135

13. Other Assets

Sundry debtors	**266**	524
Other	**1,548**	1,890
Total other assets	**1,814**	2,414

14. Income Tax Receivable

Inter-group tax receivable	**7,441**	-
Total tax receivable	**7,441**	-

15. Deposits

Deposits on demand and short term deposits	**18,778,527**	16,740,960
Total deposits	**18,778,527**	16,740,960
Maturity Analysis of Deposits		
On demand	**17,800,202**	16,377,196
Due in less than 3 months	**558,840**	316,524
Due after 3 months through to 1 year	**413,334**	43,983
Due after 1 year through to 5 years	**6,151**	3,257
Total	**18,778,527**	16,740,960

	2006	2005
	$ 000	$ 000
16. Deposits Payable to other Financial Institutions		
Certificate of deposits		
- Related bodies corporate	**173,573**	117,413
- Other persons/corporations	**6,286,993**	4,285,086
	6,460,566	4,402,499
Deposits – due to other financial institutions		
- Related bodies corporate	**77,257**	27,924
- Other persons/corporations	**158,279**	113,779
	235,536	141,703
Total deposits payable to other financial institutions	**6,696,102**	4,544,202
Maturity Analysis of Deposits Payable to other Financial Institutions		
At call	**98,061**	90,452
Due in less than 3 months	**6,116,440**	4,234,647
Due after 3 months through to 1 year	**480,881**	218,383
Due after 1 year through to 5 years	**720**	720
Total	**6,696,102**	4,544,202

17. Debt Issues

	2006	2005
Short Term – with less than 1 year to maturity		
Floating rate notes	**812,500**	845,000
Total short term debt issues	**812,500**	845,000
Long Term		
Subordinated debt		
- Related bodies corporate	**526,000**	526,000
Floating rate notes	**3,211,163**	2,138,598
Euro Floating rate notes	**1,658,844**	**-**
Total long term debt issues	**5,396,007**	2,664,598
Total debt issues	**6,208,507**	3,509,598

Issued to	**Face Value**	**Issue Date**	**Maturity**	**Int. Rate**
Subordinated Debt				
ING Bank NV	AUD 35 million	29 May 2002	30 May 2012	6.99%
ING Bank NV	AUD 51 million	07 January 2003	08 January 2013	6.86%
ING Bank NV	AUD 78 million	26 March 2004	27 March 2014	6.89%
ING Bank NV	AUD 42 million	16 July 2004	17 July 2014	6.70%
ING Bank NV	AUD 20 million	22 December 2004	23 December 2014	6.76%
ING Bank NV	AUD 20 million	23 December 2004	24 December 2014	6.76%
ING Bank NV	AUD 65 million	27 January 2005	28 January 2015	6.68%
ING Bank NV	AUD 65 million	9 February 2005	10 February 2015	6.70%
ING Bank NV	AUD 10 million	26 July 2005	27 July 2015	6.67%
ING Bank NV	AUD 10 million	22 November 2005	23 November 2015	6.64%
ING Bank NV	AUD 40 million	31 January 2006	1 February 2016	6.63%
ING Bank NV	AUD 32.5 million	30 May 2006	31 May 2016	6.62%
ING Bank NV	AUD 32.5 million	31 August 2006	1 September 2016	6.46%
ING Bank NV	AUD 25 million	1 December 2006	02 December 2016	6.65%
Total subordinated debt	**AUD 526 million**			

17. Debt Issues (continued)

Floating Rate Notes

	AUD 400 million	29 August 2006	29 August 2007	6.47%
	AUD 45 million	10 September 2002	10 September 2007	6.59%
	AUD 80 million	17 September 2002	17 September 2007	6.59%
	AUD 225 million	16 November 2004	16 November 2007	6.50%
	AUD 62.5 million	17 December 2004	17 December 2007	6.53%
	AUD 21 million	22 January 2003	22 January 2008	6.53%
	AUD 50 million	24 November 2003	24 November 2008	6.55%
	AUD 500 million	28 May 2004	28 May 2009	6.57%
	AUD 300 million	9 March 2005	15 March 2010	6.57%
	AUD 50 million	6 June 2005	15 March 2010	6.57%
	AUD 80 million	15 September 2005	15 March 2010	6.57%
	AUD 100 million	3 August 2006	15 March 2010	6.57%
	AUD 450 million	6 July 2005	7 July 2010	6.38%
	AUD 275 million	16 December 2005	16 December 2010	6.55%
	AUD 700 million	14 March 2006	14 March 2011	6.53%
	AUD 185 million	28 August 2006	12 July 2011	6.38%
	AUD 400 million	12 July 2006	12 July 2011	6.38%
	AUD 100 million	22 June 2006	27 September 2012	6.57%
Total floating rate notes	**AUD 4,023.5 million**			

Euro Floating Rate Notes

	AUD 1,663.1 million	21 November 2006	23 November 2011	6.42%
Total € floating rate notes	**AUD 1,663.1 million**			

	2006 $ 000	2005 $ 000
18. Debt Issues at Fair Value through Profit and Loss		
Short term – with less than 1 year to maturity		
Corporate bonds	**671,417**	184,413
Total short term debt issues at fair value through profit and loss	**671,417**	184,413
Long term	**-**	-
Corporate bonds	**1,533,235**	1,704,375
Total long term debt issues at fair value through profit and loss	**1,533,235**	1,704,375
Total debt issues at fair value through profit and loss	**2,204,652**	1,888,788

Issued to	Face Value	Issue Date	Maturity	Int. Rate
Corporate Bonds				
	AUD 300 million	02 May 2002	02 May 2007	6.29%
	AUD 375 million	16 November 2004	16 November 2007	5.85%
	AUD 150 million	24 November 2003	24 November 2008	6.30%
	AUD 50 million	22 August 2006	28 May 2009	6.52%
	AUD 180 million	25 May 2004	28 May 2009	6.38%
	AUD 150 million	6 July 2005	7 July 2010	5.75%
	AUD 300 million	7 March 2006	14 March 2011	5.93%
	AUD 200 million	7 July 2006	12 July 2011	6.42%
	AUD 400 million	26 September 2005	27 September 2012	5.78%
	AUD 150 million	16 December 2005	27 September 2012	6.04%
Total corporate bonds	**AUD 2,255 million**			

	2006 $ 000	2005 $ 000
19. Creditors and Other Liabilities		
Accrued Interest Payable		
- Related bodies corporate	**4,234**	3,879
- Other persons/corporations	**90,577**	63,914
	94,811	67,793
Other		
- Other persons/corporations		
Accrued expenses	**18,407**	17,744
Prepaid interest	**3,353**	3,388
Commitment fees	**1,396**	1,877
Other	**7,801**	4,510
	30,957	27,519
Total creditors and other liabilities	**125,768**	95,312

20. Tax Liabilities

Inter-group tax payable	**-**	21,840
Total tax liability	**-**	21,840

21. Provisions

Annual leave	**3,232**	2,570
Long service leave	**1,718**	1,768
Total provisions	**4,950**	4,338
Provisions expected to be paid in next 12 months	**3,232**	2,570

22. Contributed Equity

Issued and Paid Up Capital		
Ordinary Voting Shares	**1,184,000**	799,000
Ordinary Non-Voting Shares	**50,000**	50,000
Total contributed capital	**1,234,000**	849,000

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.

Shares issued during the year	**2006**		2005	
	# of Shares	**$ 000**	# of Shares	$ 000
Beginning of the financial year	**849,000,004**	**849,000**	849,000,004	849,000
30 March 2006 – Issue of ordinary voting shares	**220,000,000**	**220,000**	-	-
29 June 2006 – Issue of ordinary voting shares	**165,000,000**	**165,000**	-	-
End of financial year	**1,234,000,004**	**1,234,000**	849,000,004	849,000

	2006 $ 000	2005 $ 000

22. Contributed Equity (continued)

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 such right to vote.

Transaction Cost

No transaction costs were incurred when issuing the shares.

23. Revaluation Reserves

Available for sale reserve	**2006 $ 000**	**2005 $ 000**
Opening balance	**3,102**	-
Adjustment on adoption of AASB 132 and AASB 139, net of tax	**-**	7,282
Restated opening balance	**3,102**	7,282
Revaluation movement for the year, net of tax	**(508)**	(4,180)
Transfer to net profit	**-**	-
Total available for sale reserve	**2,594**	3,102

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 hedging reserve	**2006 $ 000**	**2005 $ 000**
Opening balance	**19,517**	-
Adjustment on adoption of AASB 132 and AASB 139, net of tax	**-**	41,502
Restated opening balance	**19,517**	41,502
Revaluation movement for the year, net of tax	**(11,304)**	(21,985)
Transfer to net profit	**-**	-
Total cash flow hedging reserve	**8,213**	19,517
Total reserves	**10,807**	22,619

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.

24. Retained Profits

	2006 $ 000	**2005 $ 000**
Opening balance	**302,963**	193,668
Adjustment on adoption of AASB 132 and AASB 139	**-**	(13,121)
Profit for the year	**145,294**	122,416
Closing balance	**448,257**	302,963

25. Capital Adequacy Requirements

Under the Banking Act 1959, as an Authorised Deposit Taking Institution, the Bank is subject to Prudential Standards. Under these standards the Bank must satisfy the Australian Prudential Regulation Authority of its compliance with the Capital Adequacy Standards.

Capital Adequacy Details

	2006 $ 000	2005 $ 000
Qualifying Capital		
Tier 1		
Total Equity	**1,579,302**	1,079,044
Total Tier 1 Qualifying Capital	**1,579,302**	1,079,044
Tier 2		
Asset revaluation reserve	**743**	**-**
Collective provision for doubtful debts	**8,854**	8,621
Term subordinated debt	**526,000**	526,000
Total Tier 2 Qualifying Capital	**535,597**	534,621
Total Qualifying Capital	**2,114,899**	1,613,665
Total Risk Adjusted Assets and Off Balance Sheet Exposure	**19,844,006**	15,927,630
Risk Weighted Capital Ratio	**10.66%**	10.13%

26. Statement of Cash Flows

(a) Reconciliation of cash

	2006 $ 000	2005 $ 000
Cash balance comprises:		
Cash and cash equivalents	**135,053**	34,039
	135,053	34,039

(b) Cash flows presented on a net basis

The following items in the Statement of Cash Flows are presented on a net basis:

(i) Customer deposits to and withdrawals from money market deposit accounts and issues and redemptions of certificates of deposit;
(ii) Sales and purchases of bank bills and deposits and repayments into/from the regulatory deposit; and
(iii) Customer loans and leases advanced and repaid.

26. Statement of Cash Flows (continued)

(c) Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities.

	2006 $ 000	2005 $ 000
Profit from ordinary activities	**145,294**	122,416
Adjustments for non-cash items		
Depreciation	**7,107**	8,315
Provision for doubtful debts	**6,719**	6,512
(Gain) / loss recognised on re-measurement to fair value	**421**	(2,221)
Changes in Assets and Liabilities		
Deferred lending expenses	**(19,773)**	(14,406)
(Increase) / decrease in accrued interest receivable	**(9,666)**	6,512
(Increase) in deferred tax asset	**(22,916)**	(16,807)
(Increase) / decrease in other assets	**600**	(500)
(Decrease) in income tax receivables	**(7,441)**	-
Increase in creditors and other liabilities	**28,585**	3,783
Increase in deferred tax liability	**2,460**	16,140
Increase in provisions – employee entitlements	**1,118**	492
Net Cash Flows From Operating Activities	**132,508**	130,236

(d) Financing facilities available

	2006 $ 000		2005 $ 000	
Credit Facilities provided are as follows:	**Unused**	**Available**	Unused	Available
Related entities	**350,000**	**350,000**	350,000	350,000
Foreign banks	**-**	**-**	50,000	50,000
Total Financing Facilities	**350,000**	**350,000**	400,000	400,000

27. Segmental Information

The Bank operates only within Australia in a single business segment, being the provision of banking and financial services.

28. Auditors' Remuneration

	2006 $	2005 $
Amounts paid or due and payable for audit and review of the financial report by:		
Ernst & Young	**464,200**	**309,000**
Amounts paid or due and payable for other services to Ernst & Young:		
Accounting and reporting services	**137,895**	321,304
Regulatory services	**8,800**	328,821
Taxation services	**11,000**	26,800
	157,695	676,925
	621,895	985,925

29. Share Based Payment Plan

Employee Share Option Plan
Share options were granted to key personnel by the ultimate parent company ING Group NV during the year. These options are exercisable 3 years from the issue date at an exercise price of 23.28 Euro. 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 Group'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 2 as part of Employee benefit expenses.

Share Options	**2006 No**	**2006 WAEP**	2005 No	2005 WAEP
Outstanding at the beginning of the year	**97,712**	**€21.58**	50,862	€18.71
Granted during the year	**36,334**	**€32.77**	48,300	€23.28
Lapsed during the year	**(8,300)**	**€22.57**	(1,450)	€21.15
Exercised during the year	**(35,693)**	**€12.65**	-	-
Transfers during the year	**25,040**	**€24.29**	-	-
Outstanding at the end of the year	**115,093**	**€24.19**	97,712	€21.58
Exercisable at the end of the year	**12,861**	**€12.65**	-	-
Performance Units				
Outstanding at the beginning of the year	**17,998**	**€20.90**	9,584	€18.71
Granted during the year	**6,633**	**€32.77**	8,782	€23.28
Lapsed during the year	**(1,017)**	**€20.40**	(368)	€20.49
Exercised during the year	**-**	**-**	-	-
Transfers during the year	**373**	**€20.62**	-	-
Outstanding at the end of the year	**23,987**	**€24.20**	17,998	€20.90
Exercisable at the end of the year	**-**	**-**	-	-

The prior year opening balance has been amended to comply with AASB 1 to incorporate options granted after 7 November 2002 and not yet vested, exercised or lapsed.

The outstanding balances as at 31 December 2006 are:

Year of Grant	**Number of Options**	**Exercise Price**
2003	**12,861**	**€12.65**
2004	**22,835**	**€18.71**
2005	**42,963**	**€23.28**
2006	**36,434**	**€32.77**
Total	**115,093**	**€24.19**

All options are granted in the ultimate parent entity, ING Group 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**
2004	**8,950**	**€18.71**
2005	**8,404**	**€23.28**
2006	**6,633**	**€32.77**
Total	**23,987**	**€24.20**

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

30. Compensation of Key Management Personnel

(a) The key management personnel of the Bank during the year were:

Specified Executives:

Glenn Lawrence Baker	Chief Investment Officer
Lisa Dominique Claes	Executive Director Sales and Operations
John Blaine Empey	Executive Director Retail Mortgages (Resigned April 2006)
John Keith Horn	Chief Operations Officer
Amanda Jane Houlihan	Executive Director Marketing and Communications (Resigned April 2006)
Alex Lowy	Chief Financial Officer
John Philip Moore	Executive Director Commercial Property Finance
Brett Alexander Morgan	Executive Director Retail Mortgages
Mark Frederick Mullington	Executive Director Credit and Market Risk
Patricia Anne Myers	Executive Director Information Technology
Sharyn Lyn Schultz	Executive Director Human Resources
Gillian Taylor	Executive Director Human Resources (Relocated to ING HO Feb 2006)
Victor Charles Joseph Wolff	Executive Director Marketing and Communications

Specified Directors:

Anthony Richard Berg	Director (Non-Executive)
Eric Drok	Chief Executive Officer
Dirk Herman Harryvan	Director (Non-Executive) – Appointed July 2006
Irene Yun Lien Lee	Director (Non-Executive)
Vaughn Nigel Richtor	Director (Non-Executive) – Resigned 27 May 2006
Eric Henry Robles	Director (Non-Executive)
Phillip Robert Shirriff	Director (Non-Executive)
Hans Karel Verkoren	Director (Non-Executive) – Resigned 31 May 2006

(b) The compensation paid to key management personnel of the Bank for the year:

	2006 $'000	2005 $'000
Short-term employee benefits	**5,449**	4,910
Post-employment benefits	**-**	-
Other long-term benefits	**345**	724
Termination benefits	**-**	-
Share based payments	**288**	215
Total Compensation	**6,082**	5,849

(c) Employee Share Option Plan:
Employees received no other payments or benefits other than the ones disclosed in Notes 29 to 31.

31. Related Party Disclosure

(a) Loans to entities in the wholly owned group:
Aggregate amounts receivable comprise term loans. 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.

	2006	2005
Aggregate amounts receivable from the ultimate controlling entity	**150,000**	150,059
Aggregate amounts receivable from related parties in the wholly owned group	**7,630**	203
Total aggregate amounts receivable from entities in the wholly owned group	**157,630**	150,262

(b) 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.

	2006	2005
Aggregate amounts payable at balance date to the ultimate controlling entity	**1,203**	568
Aggregate amounts payable at balance date to related parties in the wholly owned group	**781,143**	697,099
Total aggregate amounts payable to entities in the wholly owned group	**782,346**	697,667

31. Related Party Disclosure (continued)

(c) Other transactions with entities in the wholly owned group:

- The Bank recognised as income fees for portfolio management of loans for related entities and for the managed investment product.

	2006 $ 000	2005 $ 000
Amounts received / receivable during the year from related parties in the wholly owned group	**-**	897

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

	2006 $ 000	2005 $ 000
Amounts paid / payable during the year to the ultimate controlling entity	**5,826**	4,672
Amounts paid / payable during the year to related parties in the wholly owned group	**19**	286
Total amounts paid to entities in the wholly owned group	**5,845**	4,958

(d) Loans to key management personnel and related entities:

During 2006 no loans were provided to key management personnel and / or their related entities (2005: Nil).

(e) 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 or related bodies corporate. 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 30.

32. Ultimate Holding Entity

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

33. Risk Management

The management of risk is a crucial part of the functioning of any banking or finance business. In order to ensure it maintains an appropriate level of risk within the business, the Bank has invested in building sound governance and management structures, integrated policy structures and broadly based reporting and monitoring systems. The Board has a central role in the setting and monitoring of the Bank's risk profile. The Board Committees, particularly the Credit and Investment Committee and the Conduct Review Committee, play an active part in this process. They are supported by the mandated management committees, which are the Asset and Liability Management Committee, Local Credit Committee and Operational Risk Committee. The Bank's risk management framework is underpinned by a culture of risk awareness and responsibility across the entire business.

The key areas of risk managed within the framework are as follows:

Credit Risk
Credit risk is the risk that monies owed to the Bank by another person/entity will not be paid due to the inability or unwillingness of that party to do so. The Board is responsible for establishing policies for the management of credit risk in the business. Certain authorities are delegated to the Local Credit Committee and then to individuals in the organisation to allow the efficient day to day operation of the business. The governance of credit risk also incorporates approval from head office (ING Direct Market and Credit Risk Committee) whenever exposures outside local authority require approval.

33. Risk Management (continued)

Liquidity Risk
Liquidity risk is the risk that the Bank will be unable to meet all its obligations, or be unable to take advantage of investment opportunities due to the inability to access funds when required. The Funding and Investment Division is responsible for ensuring the Bank has continuous access to funds in accordance with policies established and monitored by the Board, the Credit and Investment Committee and the Asset and Liability Management Committee. Satisfactory liquidity is achieved through a combination of holdings of highly liquid assets, diverse funding sources, and external standby arrangements. The liquidity position of the Bank is monitored constantly against the expected position and crisis scenarios.

Currency Risk
Currency risk is the risk of loss of earnings due to adverse movements in exchange rates. Company policy requires that all currency risks are neutralised through hedging.

Interest Rate Risk
Interest rate risk is the risk of loss of earnings due to unexpected adverse movements in interest rates. The Bank's activities give rise to mismatches in interest rates due to differences in the duration and maturity of various assets, liabilities and commitments. This mismatch position is actively managed to contain any negative impact from adverse movements in interest rates within agreed limits. The Board and the Credit and Investment Committee have responsibility for the management of interest rate risk, which it delegates to the Asset and Liability Management Committee. The level of interest rate risk is monitored using specialised software designed to enable the quantification of risk and also modelling of various interest rate scenarios. Interest rate swaps are the principal instruments by which interest rate risk is managed to agreed limits.

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 the 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.

Capital Management
The Bank carries capital to provide for the risks arising from its business. The broad descriptions of these categories of risks have been outlined above. The Australian Prudential Regulation Authority has set minimum regulatory capital ratios based on the level of on and off balance sheet assets weighted for risk. In addition the Bank complies with certain internal limits set by head office relating to capital allocation.

34. Contingencies and Commitments

(a) Commitments to Extend Credit

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.

	2006	2005
	$ 000	$ 000
- irrevocable commitments to extend credit	**2,777,090**	2,300,957
- bank accepted guarantees	**45,328**	40,370
Total commitments to extend credit	**2,822,418**	2,341,327

	2006	2005
	$ 000	$ 000

34. Contingencies and Commitments (continued)

(b) Operating Leases - Land & Buildings

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

Lease payments due:

	2006 $ 000	2005 $ 000
- not later than 1 year	**5,871**	6,308
- later than 1 year and less than 5 years	**34,386**	15,226
- later than 5 years	**34,903**	1,248
Total minimum lease payments	**75,160**	22,782

(c) Litigation

The Bank is not engaged in any litigation or claim which is likely to have a materially adverse effect on the business, financial condition or operating results of the Bank. Where some loss is probable an appropriate provision has been made.

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

Available for sale securities at fair value through profit and loss
The fair value of available for sale securities at fair value through profit and loss 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.

35. Disclosures about Fair Value of Financial instruments (continued)

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.

Debt issues at fair value through profit and loss
The estimated net fair value of debt issues at fair value through profit and loss 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	**Fair value**	Carrying amount	Fair value
	2006	**2006**	2005	2005
	$ 000	**$ 000**	$ 000	$ 000
Recognised Financial Assets				
Cash	**135,053**	**135,053**	34,039	34,039
Accrued interest receivable	**32,406**	**32,406**	22,740	22,740
Available for sale securities	**6,475,383**	**6,475,383**	4,592,108	4,592,108
Available for sale securities at fair value through profit and loss	**429,985**	**429,985**	446,786	446,786
Loans and advances	**28,676,003**	**28,589,600**	22,868,850	22,883,596
Derivative assets	**46,118**	**46,118**	26,202	26,202
Recognised Financial Liabilities				
Deposits	**18,778,527**	**18,781,173**	16,740,960	16,741,863
Deposits payables to other Financial institutions	**6,696,102**	**6,695,404**	4,544,202	4,544,101
Debt issues	**6,208,507**	**6,227,271**	3,509,598	3,514,186
Debt issues at fair value through profit and loss	**2,204,652**	**2,248,082**	1,888,788	1,892,158
Derivative liabilities	**86,311**	**86,311**	8,637	8,637
Creditors and other liabilities	**125,768**	**125,768**	95,312	95,312

36. Financial Risk Management

(a) Interest Rate Risk

Interest rate risk is defined as the risk of loss to the Bank arising from adverse movements in market interest rates.

Sensitivity to interest rates arises from the structure and characteristics of the Bank's assets, liabilities and equity and in the mismatches in repricing of assets and liabilities. These mismatches are managed within policy guidelines for gap positions and value at risk limits.

The Bank's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the date of the statement of financial position, are as follows. The following mismatches reflect contractual repricing periods. The Bank does not use this contractual repricing information to manage its interest rate risk.

The Interest Rate profile for 2006 is:

Financial Instruments (2006)	Floating Interest rate	Fixed Interest rate maturing in						Non Interest bearing	Total	Weighted Average Rate as at Year-End
		<1yr year $ 000	>1<2 years $ 000	>2<3 years $ 000	>3<4 years $ 000	>4<5 years $ 000	>5 years $ 000			
$ 000										
Assets										
Cash	135,053	-	-	-	-	-	-	-	135,053	6.24%
Available for sale securities	-	6,415,431	39,570	19,748	-	-	-	634	6,475,383	6.35%
Available for sale securities at fair value through profit & loss	-	87,559	34,800	307,626	-	-	-	-	429,985	6.13%
Loans and advances	20,812,496	898,199	1,767,959	2,799,253	1,084,557	1,027,567	186,591	79,381	28,676,003	7.12%
Derivative assets	-	962	12,775	14,961	12,132	5,288	-	-	46,118	
Non interest bearing assets	-	-	-	-	-	-	-	101,217	101,217	
Total Assets	20,947,549	7,402,151	1,875,104	3,141,588	1,096,689	1,032,855	186,591	181,232	35,863,759	6.96%
Liabilities										
Deposits	17,800,203	972,173	4,031	1,342	581	197	-	-	18,778,527	6.00%
Deposits payable to other financial institutions	98,061	6,597,321	180	180	180	180	-	-	6,696,102	6.37%
Debt issues	-	6,208,507	-	-	-	-	-	-	6,208,507	6.35%
Debt issues at fair value through profit and loss	-	671,417	148,547	227,428	145,445	486,488	525,327	-	2,204,652	5.95%
Derivative liabilities	-	6,276	6,243	9,071	14,355	28,291	22,075	-	86,311	
Non interest bearing liabilities	-	-	-	-	-	-	-	196,596	196,596	
Total Liabilities	17,898,264	14,455,694	159,001	238,021	160,561	515,156	547,402	196,596	34,170,695	6.14%

Comparative interest rate profile for 2005 is:

Financial Instruments (2005)	Floating interest rate	Fixed interest rate maturing in						Non interest bearing	Total	Weighted Average Rate as at Year-End
		<1yr year $ 000	>1<2 years $ 000	>2<3 years $ 000	>3<4 years $ 000	>4<5 years $ 000	>5 years $ 000			
$ 000										
Assets										
Cash	34,039								34,039	5.25%
Available for sale securities	-	4,431,227	100,120	40,134	20,186	-	-	441	4,592,108	5.62%
Available for sale securities at fair value through profit & loss	-	8,618	88,514	35,400	314,253	-	-	-	446,786	6.13%
Loans and advances	18,303,814	781,737	713,175	1,596,585	612,439	591,395	150,000	119,705	22,868,850	6.71%
Derivative assets	-	687	4,634	11,395	11,034 -	72 -	1,475	-	26,202	
Non interest bearing assets								61,850	61,850	
Total Assets	18,337,853	5,222,269	906,443	1,683,514	957,912	591,323	148,525	181,996	28,029,835	6.52%
Liabilities										
Deposits	16,157,529	580,174	1,459	351	1,098	349	-	-	16,740,960	5.41%
Deposits payable to other financial institutions	90,452	4,453,030	180	180	180	180	-	-	4,544,202	5.62%
Debt issues	-	3,509,598	-	-	-	-	-	-	3,509,598	5.63%
Debt issues at fair value through profit and loss	-	184,413	675,835	151,498	182,104	149,441	545,497	-	1,888,788	5.88%
Derivative liabilities	-	975	1,864	4,233	517	1,048	-	-	8,637	
Non interest bearing liabilities								163,068	163,068	
Total Liabilities	16,247,981	8,728,190	679,338	156,262	183,899	151,018	545,497	163,068	26,855,253	5.51%

36. Financial Risk Management (continued)

(b) Credit Risk

Credit risk arises from the potential inability of a debtor or counterparty to meet their contractual obligations.
Credit risk is monitored, reviewed and reported to the local, regional and head office credit committees and the Board of Directors on a monthly basis.

Maximum exposure

The maximum credit exposure of the Bank is as follows:

	2006 $ 000	2005 $ 000
Financial Asset		
Accrued interest receivable	**32,406**	22,740
Available for sale securities	**6,475,383**	4,592,108
Available for sale securities at fair value through profit and loss	**429,985**	446,786
Loans and advances	**28,676,003**	22,868,850
Derivative assets	**46,118**	26,202
Off Balance Sheet		
Undrawn loan commitments and bank guarantees	**1,551,582**	1,299,853
Total maximum credit exposure	**37,211,477**	29,256,539

Credit equivalent amount
All Off Balance Sheet exposures which give rise to credit risk are converted into credit equivalent amounts in accordance with APRA capital adequacy guidelines.

Concentration of credit risk
Concentration of credit risk exists if a number of counterparts have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Industry	**2006 $ 000**	2005 $ 000
Finance and Insurance	**8,804,904**	6,645,826
Residential Mortgage (1)	**25,615,756**	20,160,202
Commercial Mortgage (2)	**2,790,817**	2,450,511
Total	**37,211,477**	29,256,539

(1) Secured against residential property
(2) Secured against commercial and residential development property

37. Subsequent Events after Balance Date

On 19 February 2007, the board of ING Bank (Australia) Limited resolved to issue 100 million ordinary voting shares of $1 each to its parent company ING DIRECT NV. This transaction has increased the Bank’s total contributed capital (refer note 21) by $100 million from $1,234 million to $1,334 million.

No adjustment has been made to the financial report as this transaction is indicative of a condition that arose after the reporting date.

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 2006 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, 20 March 2007

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

Tel 61 2 9248 5555
Fax 61 2 9248 5959
DX Sydney Stock
Exchange 10172

Independent auditor's report to members of ING Bank (Australia) Limited

We have audited the accompanying financial report of ING Bank (Australia) Limited (the company), which comprises the balance sheet as at 31 December 2006, 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 company 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 designing, implementing 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.

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.

Independence
In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. The Auditor's Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this auditor's report was signed. 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.

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

Tel 61 2 9248 5555
Fax 61 2 9248 5959
DX Sydney Stock
Exchange 10172

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 2006, 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

Andrew Harmer
Partner
20 March 2007