Pillar 3 Capital Adequacy & Risk Disclosure

December 2018

ING
How banking can be

Contents

Qualitative disclosures:

Quantitative disclosures:

ING Bank Australia Limited (IBAL), trading as ING, is an Authorised Deposit-taking Institution subject to regulation by the Australian Prudential Regulation Authority (APRA) and is a part of the ING Groep N.V.

The following information is presented in accordance with the APRA Prudential Standard APS 330, 'Public Disclosure'. Effective 1 April 2018, IBAL was accredited by APRA to determine its regulatory capital requirements using an internal market risk model and internal credit risk models for selected portfolios. The initial disclosures herein reflect reporting requirements applicable to banks utilising the internal ratings-based approach (IRB) to capital measurement.

All credit exposures are managed in Sydney, Australia.

All amounts are stated in AUD.

Qualitative disclosures:

Capital disclosures

IBAL's capital management strategy aims to ensure adequate capital levels to protect deposit holders and to optimise shareholder returns. IBAL's capital is measured and managed in line with Prudential Standards and minimum regulatory capital requirements for banks.

The Internal Capital Adequacy Assessment Process ("ICAAP") is supported by IBAL's Capital Management Policy which outlines the framework for defining, measuring, managing, monitoring and governing IBAL's capital position. Capital planning is a dynamic process which involves various teams and covers internal capital target ratios, potential capital transactions, as well as projected dividend pay-outs. The integral parts of capital planning comprise business operating plans, stress testing, and ICAAP, along with consideration of regulatory capital requirements, accounting changes, taxation rules and the expectations of rating agencies.

The capital plan is established on an annual basis and is aligned with management actions included in the 3 year business plans, which includes forecasted growth in assets and earnings taking into account IBAL's business strategy, projected market and economic environment. All the components of the capital plan are monitored throughout the year and are revised as appropriate.

The Board has set a total capital target range in excess of the regulatory minimum requirement. IBAL maintains capital buffers that are sufficient to absorb potential losses and increased regulatory capital requirements under extreme but plausible stress scenarios.

Credit risk capital

In accordance with APRA's methodology, measuring credit risk requires determination of risk weight per asset on the Balance Sheet and off-Balance Sheet obligations. The risk weights for Residential mortgages are determined according to APRA's Internal Ratings-Based approach. The Treasury portfolio uses the Foundation Internal Ratings-Based approach and the remaining portfolios are on the Standardised approach.

Operational risk capital

Risk weighted assets for operational risk is calculated under the Basel III Standardised Approach based on the semi-annual changes in the Balance Sheet and Income Statement.

Market risk

IBAL's Interest Rate Risk in the Banking Book (IRRBB) uses the internal model approach (Advanced) to determine regulatory capital to cover the calculated change in economic value from adverse movements in interest rates.

Risk disclosures

Risk type

The following table explains the nature and extent of risks arising from financial instruments and how these risks could affect IBAL's financial performance. IBAL's major risk categories are detailed below.

Liquid assets	Exposure arising from	Measurement	Governance
Credit Risk	• Cash and cash equivalents • Loans and advances • Derivative financial instruments • Financial Assets at FVOCI • Securities at amortised cost • Undrawn loan commitments • Bank accepted guarantees	• Aging analysis • Credit ratings • Arrears analysis • Internal ratings models • Stress testing • Financial analysis • Covenant measures • Loan to Value • Loan to Income serviceability	• Risk Management Strategy • Risk Appetite Statement • Retail Credit Policy • Wholesale Banking and Bank Treasury Credit Policy • Commercial Real Estate Credit Policy • Large Exposures Policy • Enterprise Wide Stress Testing Framework Sub-Policy
Market Risk – Interest Rate Risk	• Loans and advances • Deposits and other borrowings • Financial assets at FVOCI • Securities at amortised cost • Debt issues	• Historical Value-at-Risk ("HVaR") • Earnings at Risk ("EaR") • Interest Rate Risk in the Banking Book ("IRRBB") stress testing • Basis Point Valuation	• Risk Management Strategy • Risk Appetite Statement • Asset & Liability Management Sub-Policy • Enterprise Wide Stress Testing • IRRBB Policy
Market Risk – Foreign Exchange Risk	• Financial assets and liabilities not denominated in Australian dollars	• Repricing analysis	• Risk Management Strategy • Risk Appetite Statement • Asset & Liability Management Sub-Policy
Liquidity and funding risk	• Deposits and other borrowings • Debt issues • Undrawn loan commitments	• Scenario analysis and stress testing • Liquidity Coverage Ratio ("LCR") • Net Stable Funding Ratio ("NSFR") • Additional liquidity triggers and risk limits • Behavioural models	• Risk Management Strategy • Risk Appetite Statement • Asset & Liability Management Sub-Policy • Treasury – Securitisation Sub-Policy • Contingency Funding Plan • Funding & Liquidity Risk Policy
Non-Financial Risk (i.e. operational, compliance and legal risk)	• Inadequate or failed internal processes, people and systems • Failure or perceived failure to comply with relevant laws, regulations, the Group's policies	• Risk and Control self-Assessment • Non-Financial Risk Score • Incident reporting • Scenario analysis • Business Environment Analysis	• Risk Management Strategy • Risk Appetite Statement • Operational Risk Management Framework • Financial Crimes Policy • Compliance Framework • Conflicts of Interest Policy • Anti-Bribery and Corruption Policy • AML/CTF Compliance Program Policy • Enterprise Wide Stress Testing Framework

Risk Management Framework

Taking risk is inherent in IBAL's business activities. To ensure prudent risk-taking across the organisation, IBAL operates through a comprehensive risk management framework that requires risks to be identified, well understood, accurately measured, controlled and proactively managed at all levels of the organisation.

The key objectives of IBAL's risk management framework are to ensure:

- the risk management objectives are linked to IBAL's business strategy, Orange Code, Customer Golden Rules and operations;
- all key risks are identified and appropriately managed;
- systems, processes and tools are established to monitor, manage and report on the key risks;
- the documentation for the risk management framework and supporting policies, procedures, tools and systems are kept accurate and current; and
- that IBAL is compliant with all relevant legal and regulatory obligations.

Risk Governance Framework

IBAL's risk governance framework contains clear charters and mandates for the management of risk. Risk management in IBAL is affected through a governance structure involving a series of local, Board and Head Office committees. The governance structure is independent of the day to day management of IBAL's business activities.

Risk Management Strategy

Ultimate control over the strategy and risk appetite statement and policy settings of IBAL rests with the Board. The Risk Management strategy requires risk management to be fully embedded into IBAL's business processes. As a subsidiary of ING Groep N.V., IBAL is also subject to the governance and control of the parent company. The Board utilises three committees to discharge its responsibilities:

- **Risk Committee** – the Board Risk Committee provides objective non-executive oversight of the implementation and operation of IBAL's risk management framework. A key purpose of the Risk Committee is to help formulate IBAL's risk strategy and appetite for consideration and approval by the Board.
- **Audit Committee** – the Board Audit Committee assists the Board by providing an objective non-executive review of the effectiveness of IBAL's financial reporting and risk management framework. This includes internal controls to deal with both the design and effectiveness and efficiency of significant business processes, which involve safeguarding of assets, the maintenance of proper accounting records.
- **Remuneration and Nomination Committee** – the Remuneration and Nomination Committee is responsible for reviewing and making recommendations to the Board on IBAL's Remuneration Policy and making recommendations in relation to remuneration of the CEO, direct reports of the CEO, other persons whose activities may affect the financial soundness of IBAL and those persons covered by the Remuneration Policy.

Risk Management Organisation

IBAL regards risk taking as a fundamental activity, performed at all levels of the organisation. The risk management framework is based on the "three lines of defence" model, whereby ownership for risk is taken at three levels in the organisation. All IBAL employees are responsible for identifying and managing risk and operating within the approved risk appetite. The "three lines of defence" model is summarised as follows:

- **Line 1** – Business Lines (including management control activities) are primarily responsible for risk identification and management.
- **Line 2** - Risk Management provides independent risk management expertise and oversight for business departments' risk-taking activities.
- **Line 3** – Corporate Audit Services provides independent assurance regarding the adequacy and effectiveness of IBAL's system of internal controls, risk management procedures and governance processes.

Risk Management Function

The Risk management functions within IBAL, as the second line of defence, is responsible for the measurement, monitoring and control of risk.

Risk Committees

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

- **The Board Risk Committee** ("BRC") – provides an objective non-executive oversight of the implementation and operation of IBAL's risk management framework. The BRC ensures a holistic approach to risk management within IBAL besides formulating the Bank's risk strategy and risk appetite.The BRC also makes recommendations on key policies relating to capital, liquidity and funding while ensuring effective and informed risk management reporting to the Board as necessary.
- **Non-Financial Risk Committee** ("NFRC") – the overall responsibility of the NFRC is to identify, measure and monitor the operational and compliance risk profile of IBAL with appropriate quality of coverage and to ensure these risks are managed in accordance with the Risk Management Framework and Risk Appetite. The NFRC acts as an escalation point for issues which impact IBAL's operational and compliance risk profile and ensures that the appropriate management action is taken.
- **Credit Risk Committee** ("CRC") – oversees the credit risk management framework, key policies, IBAL's credit profile and performance against credit risk appetite and metrics, and identifies emerging credit risks and appropriate actions to address these. The CRC reviews and monitors the on-going level of credit risk capital and the individual and collective loan loss provisioning for IBAL.
- **Asset and Liability Committee** ("ALCO") – oversees and defines the policies regarding balance sheet risks such as funding, liquidity, interest rate risk and solvency of IBAL. ALCO provides governance to ensure that IBAL's risk profile complies with IBAL's overall risk appetite and risk policy framework. Some activities include, setting limits for and monitoring solvency of the balance sheet, deciding on local transfer price methods, and monitoring developments in balance sheet under its scope.
- **Customer Integrity Risk Committee** ("CIRC") – acts as the approval vehicle that serves to ensure that clients with a higher degree of integrity risk are adequately discussed and evaluated. The CIRC decides and approves on the actions to be taken with regards to client integrity related elements/ processes and impact for client relationship.
- **The Finance and Risk Committee** ("FRC") is a platform for the Chief Risk Officer ("CRO") and the Chief Financial Officer ("CFO"), to discuss and decide on issues that relate to both the finance and risk domains. The primary responsibility of the FRC is to co-ordinate the finance and risk decisions that have an impact on internal and/or external reporting. The FRC meets on a quarterly basis while the other risk committees meet monthly.

Provisioning

IBAL uses the definition of defaulted financial assets which is used for internal risk management purposes and has aligned the definition of credit impaired under AASB 9 (Stage 3) with the definition of default for prudential purposes. The definition of default considers both quantitative and qualitative factors, such as days past due, unlikely to pay triggers and terms of financial covenants.

For the purposes of Table 7f, Past Due is defined as those that are 90 days or more past due. The facilities where there is doubt on the full collection of Principal and interest based on an assessment of the customer's outlook, cash flow and the net realisation of value of assets to which recourse is held are classified as Impaired including those that are formally restructured.

Financial assets are assessed for credit-impairment at each reporting date and more frequently when circumstances warrant further assessment. The loan loss provision for loans in Stage 3 are established at the borrower or facility level, where losses related to impaired or past due loans are identified on individually significant loans, or collectively assessed.

General Reserve for Credit Losses (GRCL)

APS 220 Credit Quality requires that IBAL report specific provisions and a General Reserve for Credit Loss (GRCL). All individually assessed provisions raised under AASB 9 are classified as specific provisions. All collectively assessed provisions raised under AASB 9 are either classified into specific provisions or a GRCL.

For capital adequacy purposes the GRCL adjustment is deducted from CET1 capital. Eligible GRCL is included in Tier 2 capital.

Portfolios subject to Standardised Approach

As at 31 December 2018, exposures subject to the standardised approach are:

- Other Retail exposures including the recently launched Credit Card and Personal Loan products.
- Property Finance consists of three businesses being Commercial Property Finance (CPF), Priority Commercial Mortgages (PCM) and Real Estate Finance (REF). All three businesses provide financing solutions for clients engaged in differing segments of the Australian commercial real estate market.
- Wholesale Banking activities include financing activities for Institutional Clients in respect of the following sectors - Infrastructure Finance, Energy, Technology Media & Telecommunications, Commodities, Diversified Corporates and Structured Acquisition Finance. Exposures generally comprise secured exposures or where unsecured, have benefit of corporate guarantees and negative pledges.
- Legacy Residential mortgages like the loans to Self-Managed Superannuation Funds.

Risk weights have been applied in accordance with APRA Prudential Standard APS 112 'Capital Adequacy: Standardised Approach to Credit Risk'.

The Wholesale Banking portfolio and the Commercial Property Finance portfolio are in scope for the plan to be moved to Advanced. The Diversified Corporates portfolio is planned for treatment under the Advanced Internal Rating Based (AIRB) approach, the others for adoption of the slotting approach.

Portfolios subject to Internal Ratings-Based approach

Effective from 1 April 2018, IBAL is accredited to use AIRB approaches to calculate its capital requirements under APRA Prudential Standard APS 113 'Capital Adequacy: Internal Ratings-based Approach to Credit Risk'. IBAL is approved to use the Internal Ratings-Based (IRB) approach for the Residential mortgages portfolio, and the Foundation Internal Ratings-Based (FIRB) approach for the Sovereign and Bank portfolios for regulatory capital purposes.

There are different elements that drive the determination of risk-weighted assets under the advanced approach.

Probability of Default (PD): estimates of counterparty or facility's likelihood to go into default within the next 12 months.

Loss Given Default (LGD): measures the portion of the exposure expected to be lost in the event of default.

Exposure at Default (EAD): estimates of the outstanding amount at the moment of default. For a defaulted exposure, it is the exposure at observation.

The following paragraphs explain how these are derived for IBAL's portfolios.

Internal Ratings-Based approach for Residential Mortgages

PD is derived by mapping a score to a risk class with an assigned PD. The score is calculated with a statistical scorecard with static (origination) and dynamic (behavioural) attributes at a facility level.

LGD is estimated as the net present value of the post default loss, including an allowance for direct and indirect cost, expressed as a percentage of the EAD. Adjustments based on external and internal data are made to the LGD of a facility for a downturn in the economic cycle. This is applied by varying the cure and recovery rate.

EAD is based on the limit and the estimated credit limit excess (CLE).

Foundation Internal Ratings-Based approach for Sovereign and Bank exposures

Each Sovereign and Bank counterparty is assigned a PD derived from a risk rating that is based on a variety of qualitative and quantitative risk drivers. Each facility is assigned an LGD per FIRB approach which is set out in APRA Prudential Standard APS 113 'Capital Adequacy: Internal Ratings-based Approach to Credit Risk'. EAD is calculated in accordance with the supervisory estimates for on balance sheet components and off balance sheet exposures (which are converted to on balance sheet equivalents using the FIRB conversion factors detailed in APS 112 'Capital Adequacy: Standardised Approach to Credit Risk'.

The outcomes of the different PD models are mapped to a 'Master scale' of 22 risk ratings (1=highest rating; 22=lowest rating). The 22 grades are composed of the following categories:

- Lower risk (Risk Rating 1-10);
- Medium risk (Risk Rating 11-17);
- High risk (Risk Rating 18-19); and
- Non-performing (Risk Rating 20-22).

Credit Risk Mitigation

The following section describes the approach that IBAL takes in relation to Bank exposures and credit risk mitigation.

Collateral - Derivatives

IBAL documents and manages its counterparty credit risk exposure in respect of its hedging activities via standalone Credit Support Annexes (CSAs) and clearing of eligible trades via Central Counterparties (CCPs). IBAL re-values the mark to market of derivatives positions and the resultant net exposure position against the various Bank counterparties, on a daily basis. IBAL collateralises the derivative portfolio with Cash only.

Collateral

IBAL has entered into various collateralisation arrangements (documented via the CSAs) with all individual Bank counterparties which allow IBAL to issue margin (collateral) calls in support of any adverse mark-to-market adjustments on the aggregate value of outstanding derivative positions between IBAL and the individual Bank counterparties. CSAs require individual counterparties to post collateral when mark-to-market positions exceed agreed thresholds. IBAL has policy and procedures in place for acceptance of collateral for the purposes of mitigating credit risk, and only accepts cash collateral in respect of obligations under the CSAs and bonds in respect of any repurchase agreements.

IBAL has formal processes in place to ensure that calls for collateral top up or exposure reductions are made promptly. However, the collateral is not recognised as credit risk mitigation for regulatory reporting purposes.

Netting

IBAL does not use Master Netting Arrangements and instead relies on the specific CSAs appended to the global market product specific ISDA (International Swaps and Derivatives Association) Master Agreement.

Close-out netting is not used by IBAL for the off-balance sheet financial market transactions when calculating credit risk exposure.

Guarantor Creditworthiness

IBAL does not accept any other forms of credit risk mitigation (apart from cash) and the purchase of credit derivatives and / or guarantees from eligible counterparties is not accepted as an eligible credit risk mitigant for the purposes of regulatory reporting.

Concentrations

IBAL manages counterparty (or groups of related counterparties) credit risk concentrations in accordance with its Large Exposure Policy. The Large Exposure Policy is reviewed annually.

Counterparty Credit Risk

Counterparty credit risk arises in respect of IBAL's derivatives and liquidity portfolios. IBAL's exposure to individual counterparties is measured using the Current Exposure Method. This method is the sum of current credit exposure and potential future credit exposure (the add-on) of these contracts. Current credit exposure is defined as the sum of the positive mark-to-market value (or replacement cost) of these contracts.

The credit approval process for counterparty credit risk limits is completed with the involvement of IBAL and limits are approved on an uncommitted and unadvised basis following a bespoke assessment of the creditworthiness of each counterparty / group of related counterparties. Capital (and if required, credit provisions) is allocated in respect of individual counterparties in accordance with their Risk Rating, Exposure and Collateral (if any).

Wrong Way Risk

Wrong way risk is a description of the positive correlation between the level of exposure and the default probability of counterparty. In respect of collateral, wrong way risk describes the negative correlation between the value of the collateral that is held and the default probability of the counterparty that the collateral is held in respect of. IBAL's Wrong Way Risk Policy provides a framework of regulatory and IBAL specific minimum standards for identifying, monitoring and managing Wrong Way Risk (WWR) in Financial Markets transactions. In scope of the WWR policy are all non-cleared and cleared OTC derivatives, collateral accepted for variation and initial margin purposes, independent amounts, and securities financing transactions. Structured products are also in scope of this policy.

The policy identifies two sources of WWR:

- **Derivatives** - where there is a correlation between exposure – driving risk factors and the counterparty default.
- **Financial Collateral** – (Variation Margin, Initial Margin, Securities Financing Trade and Margin Collateral) – where there is a correlation between the counterparty default and the liquidation value of collateral. Tri-Party securities financing transactions are also in scope of this policy.

Where wrong way risk exposure is identified, available avenues of remediation include (but are not limited to) reduction in limits, acceptance of substitute collateral or purchase of credit insurance.

Consequence of a Downgrade in IBAL's credit rating

Downgrades in IBAL's credit rating may trigger a requirement for IBAL to post additional collateral in respect of a range of obligations under various Credit Support Annex requirements with a variety of counterparties. The impact of a downgrade of the IBAL credit rating has been calculated at $24.5m. This is the same across a 1, 2 or 3 notches downgrade due to the fact that the collateral amount does not vary once the minimum rating requirement is triggered.

Interest rate risk in the banking book

Broadly defined, interest rate risk is the risk of, or potential for, a change in income or economic value of IBAL as a result of movements in market interest rates. The term "interest rate risk" can be classified into four main categories:

- **Repricing risk** - the risk of loss in earnings or economic value caused by a change in the overall level of interest rates. This risk arises from mismatches in the repricing dates of banking book items. The repricing date of an asset, liability or other banking book item is the date on which the principal of that item is repaid (in whole or part) to, or by the Bank or on which the interest rate on that principal is reset, if earlier.
- **Yield curve risk** - the risk of loss in earnings or economic value caused by a change in the relative levels of interest rates for different tenors (that is, a change in the slope or shape of the yield curve). Yield curve risk arises from repricing mismatches between assets and liabilities. For most purposes, repricing risk and yield curve risk are grouped together.
- **Basis risk** - is the risk of loss in earnings or economic value of the banking book arising from imperfect correlation in the adjustment of the interest rates earned and paid on different instruments with otherwise similar repricing characteristics.
- **Optionality risk** - the risk of loss in earnings or economic value due to the existence of stand-alone or embedded options to the extent that the potential for those losses is not included in the measurement of repricing, yield curve or basis risks. An option provides the holder the right but not the obligation to buy, sell or in some manner alter the cash flow of an instrument or financial contract. In the case of options embedded in customer products, losses from optionality risk will arise from customers exercising choices that cause the actual repricing dates to deviate from those specified by the repricing assumptions.

Managing and monitoring interest rate risk

IBAL performs stress testing with the existence of triggers to ensure that potential limit breaches are identified and acted upon early.

The type and level of mismatch interest rate risk of IBAL is managed and monitored from two perspectives, Historical Value-at-Risk ("HVaR") and Earnings at Risk ("EaR").

- HVaR is a measure of potential profit or loss to IBAL resulting from changes in interest rates. The process of calculating HVaR involves simulating the potential profit or loss in different interest rate environments based on historical movements in the market.
- EaR estimates the amount of change in future earnings of IBAL that may result from a change in market interest rates. This measure is to ensure that the amount of potential diminution of future earnings resulting from changes in market rates is within the risk appetite determined by the Board. The EaR perspective considers how changes in interest rates will affect IBAL's reported earnings due to the current and forecast mismatch interest rate positions. IBAL undertakes a number of scenarios to measure the potential change in earnings.

Securitisation disclosures

Securitisation is the process of transferring assets into a Special Purpose Vehicle ("SPV") and then using those assets as collateral for the issuance of debt securities. The cash flow from the pool of assets is used to make payments of interest and principal to the holders of the debt securities. There are generally at least two classes of securities issued by an SPV, with each class being exposed to a different degree of credit risk.

Securitisation Activities

IBAL uses securitisation for the management of its funding and liquidity requirements. IBAL equitably assigns residential mortgages that it has originated to SPVs which in turn issue notes.

The IDS Trust 2008-1 is IBAL's internal securitisation transaction. The IDOL program is IBALs external securitisation program. IBAL provides interest rate swaps, basis swaps, redraw facilities, liquidity facilities and bank accounts to the various IDOL trusts as well as IDS 2008-1. IBAL does not sponsor any SPVs which are used to securitise loans originated by other lenders. Nor does IBAL provide facilities which are sponsored by other ADIs. IBAL does not invest in Residential Mortgage-Backed or Asset-Backed Securities issued by other entities.

Risk Assessment

When providing various facilities to the IDOL trusts and IDS Trust 2008-1, IBAL does take on some market risk and liquidity risks. The relevant risks are considered at the inception of each trust and the transactions are recorded in the relevant systems against approved limits. Exposures are monitored on an ongoing basis.

IBAL does not employ credit risk mitigation techniques such as guarantees and credit derivatives.

When calculating Regulatory Capital applicable to IBAL's securitised loans, IBAL takes a look-through approach. Due to the retention of junior notes, IBAL does not achieve capital relief when it securitises its loans.

When a new securitisation trust is established, IBAL conducts a full self-assessment against APS 120 to ensure that it is in compliance with the standard.

Accounting Policies

IBAL's securitisation arrangements have resulted in continued recognition of the securitised residential mortgages on the Balance Sheet of IBAL, as the sale has not resulted in transferring substantially all the risk and rewards of ownership. A liability is recognised on IBAL's standalone Balance Sheet which represents the obligation to repay the securitised entity on the equitable assignment of loans. This is known as the imputed loan approach.

Liquidity disclosures

Liquidity coverage ratio

The Liquidity Coverage Ratio (LCR) as defined in APS 210 measures the Bank's ability to sustain a 30-day pre-defined liquidity stress scenario.

IBAL's LCR for the quarter ended 31 December 2018 was calculated as simple daily averages, excluding weekends and public holidays.

Liquid assets comprise High Quality Liquid Assets (HQLA) and Alternative Liquid Assets (ALA). ALA comprises qualifying assets held in the Committed Liquidity Facility (CLF) as approved by the Reserve Bank of Australia (RBA). The average HQLA for the quarter consists of Level 1 assets including balances held with the RBA, Australian Semi Government and Commonwealth Government securities.

The main funding sources for IBAL were deposits from retail and small business customers. Funding was also sourced from the wholesale market in the form of corporate and bank deposits, Retail Mortgage backed Securities (RMBS), Covered Bonds and bond issuances. The weighted outflows from each of these funding sources are based on APRA determined run-off factors.

Derivatives exposures, potential collateral calls and any contingent funding requirements are taken into account in the daily calculation of LCR as per the requirements in the APRA Prudential Standard, APS 210.

Net stable funding ratio (NSFR)

The net stable funding ratio (NSFR) aims to ensure that the types (and diversity) of liabilities providing funding and their maturity profile adequately meets the funding needs arising from assets (and off-balance sheet commitments), their respective maturity profiles and liquidity (under both normal and stress conditions).

The NSFR is calculated by dividing available stable funding (ASF) which represents all own funds and liabilities reported on the balance sheet by required stable funding (RSF) which represents all assets reported on the balance sheet and selected off-balance sheet commitments.

Short-term assets are assumed to require less stable funding than long-term assets because banks would be able to allow some proportion of those assets to mature instead of rolling them over.
All items are presented the closer of their maturity date and the earliest date at which they can contractually be called. In case repayments occur in instalments, each instalment should be reported in the appropriate time bucket to reflect the effective tenor of the funding.

Quantitative disclosures:

Capital

APS 330 Table 6b to 6f Capital requirements in terms of risk-weighted assets

Asset category	December 2018	June 2018
amounts in millions of dollars		
Subject to AIRB approach		
Residential mortgages	15,636	15,317
Total RWA subject to AIRB approach	**15,636**	**15,317**
Subject to FIRB approach		
Banks & other financial institutions	588	478
Sovereign	517	525
Total RWA subject to FIRB approach	**1,105**	**1,003**
Subject to standardised approach		
Residential mortgages	89	96
Property finance	7,486	6,838
Corporate	3,891	3,607
Other retail	105	18
Other assets	125	136
Total RWA subject to standardised approach	**11,696**	**10,695**
Securitisation	-	-
Credit valuation adjustment	39	39
Central counterparties	-	-
Total credit risk RWA	**28,476**	**27,054**
Interest rate risk in the banking book	1,638	2,154
Operational risk	3,149	3,011
Total RWA	**33,263**	**32,219**

APS 330 Table 6g Capital ratios

	December 2018	June 2018
Common equity tier 1 capital ratio	12.6%	12.4%
Tier 1 capital ratio	12.6%	12.4%
Total capital ratio	**12.9%**	**12.5%**

Credit risk

APS 330 Table 7b Credit risk exposure by portfolio type

December 2018					
amounts in millions of dollars	On-Balance sheet	Off-balance sheet		Total	6 month average
		Market related	Non-market related		
Residential mortgages	48,768	-	7,537	56,305	54,817
Property finance	6,498	-	1,072	7,570	7,196
Corporate	2,925	-	965	3,890	3,773
Banks & other financial institutions	2,376	151	-	2,527	2,409
Sovereign	3,286	-	-	3,286	3,220
Securitisation	-	-	-	-	-
Other retail	105	-	73	178	173
Other assets	124	-	1	125	154
Total credit exposures	**64,082**	**151**	**9,648**	**73,881**	**71,742**

June 2018					
amounts in millions of dollars	On-Balance sheet	Off-balance sheet		Total	6 month average
		Market related	Non-market related		
Residential mortgages	45,934	-	7,033	52,967	52,131
Property finance	5,879	-	1,037	6,916	6,423
Corporate	2,845	-	763	3,608	3,385
Banks & other financial institutions	1,773	159	-	1,932	1,903
Sovereign	3,259	-	-	3,259	2,862
Securitisation	-	-	-	-	-
Other retail	18	-	267	285	257
Other assets	134	-	1	135	137
Total credit exposures	**59,842**	**159**	**9,101**	**69,102**	**67,098**

APS 330 Table 7d Credit risk exposure by portfolio type and industry sector

December 2018								
	Industry sector							
amounts in millions of dollars	Retail	Bank	Sovereign	Property finance	Infra-structure	Utility & Power	Other	Total
Residential mortgages	56,305	-	-	-	-	-	-	**56,305**
Property finance	-	-	-	7,570	-	-	-	**7,570**
Corporate	-	-	-	-	1,421	1,026	1,443	**3,890**
Banks & other financial institutions	-	2,527	-	-	-	-	-	**2,527**
Sovereign	-	-	3,286	-	-	-	-	**3,286**
Securitisation	-	-	-	-	-	-	-	**-**
Other retail	178	-	-	-	-	-	-	**178**
Other assets	-	-	-	-	-	-	125	**125**
Total credit exposures	**56,483**	**2,527**	**3,286**	**7,570**	**1,421**	**1,026**	**1,568**	**73,881**

June 2018								
	Industry sector							
amounts in millions of dollars	Retail	Bank	Sovereign	Property finance	Infra-structure	Utility & Power	Other	Total
Residential mortgages	52,967	-	-	-	-	-	-	**52,967**
Property finance	-	-	-	6,916	-	-	-	**6,916**
Corporate	-	-	-	-	1,620	766	1,222	**3,608**
Banks & other financial institutions	-	1,932	-	-	-	-	-	**1,932**
Sovereign	-	-	3,259	-	-	-	-	**3,259**
Securitisation	-	-	-	-	-	-	-	**-**
Other retail	285	-	-	-	-	-	-	**285**
Other assets	-	-	-	-	-	-	135	**135**
Total credit exposures	**53,252**	**1,932**	**3,259**	**6,916**	**1,620**	**766**	**1,357**	**69,102**

APS 330 Table 7e Credit risk exposure by portfolio type and residual contractual maturity

						December 2018
amounts in millions of dollars	<=3 months	>3 months <=1 year	>1 year <=5 years	>5 years	No maturity specified	**Total**
Residential mortgages	1	1	30	55,503	770	**56,305**
Property finance	430	877	4,371	1,884	8	**7,570**
Corporate	-	173	2,842	875	-	**3,890**
Banks & other financial institutions	1,298	105	1,044	80	-	**2,527**
Sovereign	366	41	1,120	1,759	-	**3,286**
Securitisation	-	-	-	-	-	**-**
Other retail	-	-	75	-	103	**178**
Other assets	-	-	-	-	125	**125**
Total credit exposures	**2,095**	**1,197**	**9,482**	**60,101**	**1,006**	**73,881**

						June 2018
amounts in millions of dollars	<=3 months	>3 months <=1 year	>1 year <=5 years	>5 years	No maturity specified	**Total**
Residential mortgages	1	1	27	52,126	812	**52,967**
Property finance	588	1,384	3,352	1,575	17	**6,916**
Corporate	-	537	2,438	633	-	**3,608**
Banks & other financial institutions	896	71	819	146	-	**1,932**
Sovereign	382	-	897	1,980	-	**3,259**
Securitisation	-	-	-	-	-	**-**
Other retail	-	-	-	-	285	**285**
Other assets	-	-	-	-	135	**135**
Total credit exposures	**1,867**	**1,993**	**7,533**	**56,460**	**1,249**	**69,102**

APS 330 Table 7f Impaired and past due by portfolio type

December 2018					
				Half year movement	
amounts in millions of dollars	Past due facilities	Impaired facilities	Specific provisions	Charge to specific provisions	Write offs
Residential mortgages	138	191	18	(1)	2
Property finance	7	-	1	-	-
Corporate	-	27	5	-	-
Banks & other financial institutions	-	-	-	-	-
Sovereign	-	-	-	-	-
Securitisation	-	-	-	-	-
Other retail	-	-	-	-	-
Other assets	-	-	-	-	-
Total	**145**	**218**	**24**	**(1)**	**2**

June 2018					
				Half year movement	
amounts in millions of dollars	Past due facilities	Impaired facilities	Specific provisions	Charge to specific provisions	Write offs
Residential mortgages	137	203	19	5	2
Property finance	14	-	1	1	-
Corporate	-	28	5	-	-
Banks & other financial institutions	-	-	-	-	-
Sovereign	-	-	-	-	-
Securitisation	-	-	-	-	-
Other retail	-	-	-	-	-
Other assets	-	-	-	-	-
Total	**151**	**231**	**25**	**6**	**2**

APS 330 Table 7h Movement in collective and individual provisions

Movement in collective provisions	December 2018	June 2018
amounts in millions of dollars		
Opening balance	39	34
Net charge against profit and loss	6	7
Recoveries	-	-
Write-offs	(2)	(2)
Less collective provisions transferred to specific provisions	-	-
Total collective provisions	**43**	**39**
Less collective provision treated as specific provision for regulatory purposes	(19)	(20)
Additiona GRCL requirement	110	115
General reserve for credit losses	**134**	**134**

Movement in individual provisions	December 2018	June 2018
amounts in millions of dollars		
Opening balance	5	5
New and increase provisioning	-	-
Write back of provisions no longer required	-	-
Write-offs	-	-
Discount unwind to interest income	-	-
Add collective provisions transferred to specific provisions	-	-
Total individual provisions	**5**	**5**

The following tables detail credit risk exposures subject to IRB and Standardised approaches.

APS 330 Table 7i Credit risk exposures by portfolio type and modelling approach

				December 2018
amounts in millions of dollars	AIRB	FIRB	Standardised	**Total**
Portfolio type				
Residential mortgages	56,173	-	132	**56,305**
Property finance	-	-	7,570	**7,570**
Corporate	-	-	3,890	**3,890**
Banks & other financial institutions	-	2,527	-	**2,527**
Sovereign	-	3,286	-	**3,286**
Other retail	-	-	178	**178**
Other assets	-	-	125	**125**
Total credit exposures	**56,173**	**5,813**	**11,895**	**73,881**

				June 2018
amounts in millions of dollars	AIRB	FIRB	Standardised	**Total**
Portfolio type				
Residential mortgages	52,826	-	141	**52,967**
Property finance	-	-	6,916	**6,916**
Corporate	-	-	3,608	**3,608**
Banks & other financial institutions	-	1,932	-	**1,932**
Sovereign	-	3,259	-	**3,259**
Other retail	-	-	285	**285**
Other assets	-	-	135	**135**
Total credit exposures	**52,826**	**5,191**	**11,085**	**69,102**

Table 7j Reconciliation between APS 220 provisions and Australian accounting standards

			December 2018
amounts in millions of dollars	General reserve for credit losses	Specific provisions	Total
Collectively assessed provisions	24	19	43
Individually assessed provisions	-	5	5
Total provisions	**24**	**24**	**48**
Additional GRCL requirement	110	-	110
Total regulatory provisions	**134**	**24**	**158**

			June 2018
amounts in millions of dollars	General reserve for credit losses	Specific provisions	Total
Collectively assessed provisions	19	20	39
Individually assessed provisions	-	5	5
Total provisions	**19**	**25**	**44**
Additional GRCL requirement	115	-	115
Total regulatory provisions	**134**	**25**	**159**

Table 8b Exposures subject a standardised approach by risk weight

Exposure after credit risk mitigation	December 2018	June 2018
amounts in millions of dollars		
Risk weight		
0%	-	-
20%	-	-
35%	-	-
50%	24	23
75%	108	117
100%	11,763	10,945
150%	-	-
>150%	-	-
Capital deductions	-	-
Total	**11,895**	**11,085**

Table 9d Exposures by portfolio type and PD band (Portfolios subject to IRB approach)

															December 2018
amounts in millions of dollars	PD band														Total
	0.0% to < 0.03%	0.03% to < 0.1%	0.1% to < 0.2%	0.2% to < 0.3%	0.3% to < 0.5%	0.5% to < 0.7%	0.7% to < 1.0%	1.0% to < 2.0%	2.0% to < 3.0%	3.0% to < 5.0%	5.0% to < 7.0%	7.0% to < 10.0%	10.0% to < 100%	Default	
Credit risk exposures															
Residential mortgages	-	22,749	9,388	2,812	8,639	2,928	1,750	4,210	750	1,520	-	578	479	370	**56,173**
Banks & other financial institutions	-	2,527	-	-	-	-	-	-	-	-	-	-	-	-	**2,527**
Sovereign	3,101	185	-	-	-	-	-	-	-	-	-	-	-	-	**3,286**
Total credit risk exposures	**3,101**	**25,461**	**9,388**	**2,812**	**8,639**	**2,928**	**1,750**	**4,210**	**750**	**1,520**	**-**	**578**	**479**	**370**	**61,986**
Undrawn commitments															
Residential mortgages	-	4,355	749	135	468	121	128	1,475	23	41	-	15	10	2	**7,522**
Banks & other financial institutions	-	151	-	-	-	-	-	-	-	-	-	-	-	-	**151**
Sovereign	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Total undrawn commitments	**-**	**4,506**	**749**	**135**	**468**	**121**	**128**	**1,475**	**23**	**41**	**-**	**15**	**10**	**2**	**7,673**
Exposure - weighted average EAD															
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Banks & other financial institutions	-	9	-	-	-	-	-	-	-	-	-	-	-	-	**9**
Sovereign	56	23	-	-	-	-	-	-	-	-	-	-	-	-	**52**
Exposure - weighted average LGD (%)															
Residential mortgages	-	21	21	21	21	22	22	22	22	22	-	21	21	24	**21**
Exposure - weighted average risk weight (%)															
Residential mortgages	-	5	15	25	31	43	44	66	83	116	-	154	161	237	**28**
Banks & other financial institutions	-	23	-	-	-	-	-	-	-	-	-	-	-	-	**23**
Sovereign	15	26	-	-	-	-	-	-	-	-	-	-	-	-	**16**

															June 2018
amounts in millions of dollars	PD band														Total
	0.0% to < 0.03%	0.03% to < 0.1%	0.1% to < 0.2%	0.2% to < 0.3%	0.3% to < 0.5%	0.5% to < 0.7%	0.7% to < 1.0%	1.0% to < 2.0%	2.0% to < 3.0%	3.0% to < 5.0%	5.0% to < 7.0%	7.0% to < 10.0%	10.0% to < 100%	Default	
Credit risk exposures															
Residential mortgages	-	20,778	8,942	2,588	8,639	2,709	1,673	3,813	794	1,471	-	569	470	379	**52,825**
Banks & other financial institutions	-	1,932	-	-	-	-	-	-	-	-	-	-	-	-	**1,932**
Sovereign	3,099	160	-	-	-	-	-	-	-	-	-	-	-	-	**3,259**
Total credit risk exposures	**3,099**	**22,870**	**8,942**	**2,588**	**8,639**	**2,709**	**1,673**	**3,813**	**794**	**1,471**	**-**	**569**	**470**	**379**	**58,016**
Undrawn commitments															
Residential mortgages	-	4,113	749	127	487	125	125	1,202	26	42	-	14	10	2	**7,022**
Banks & other financial institutions	-	159	-	-	-	-	-	-	-	-	-	-	-	-	**159**
Sovereign	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Total undrawn commitments	**-**	**4,272**	**749**	**127**	**487**	**125**	**125**	**1,202**	**26**	**42**	**-**	**14**	**10**	**2**	**7,181**
Exposure - weighted average EAD															
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Banks & other financial institutions	-	7	-	-	-	-	-	-	-	-	-	-	-	-	**7**
Sovereign	55	20	-	-	-	-	-	-	-	-	-	-	-	-	**51**
Exposure - weighted average LGD (%)															
Residential mortgages	-	21	21	21	21	21	21	21	21	22	-	21	21	24	**21**
Exposure - weighted average risk weight (%)															
Residential mortgages	-	5	15	25	32	44	45	67	85	119	-	155	160	235	**29**
Banks & other financial institutions	-	25	-	-	-	-	-	-	-	-	-	-	-	-	**25**
Sovereign	16	27	-	-	-	-	-	-	-	-	-	-	-	-	**16**

Table 9e Actual losses by portfolio type

Half year losses in reporting period (Portfolios subject to IRB approach)	December 2018	June 2018
amounts in millions of dollars	Write-offs	Write-offs
Residential mortgages	2	2
Banks & other financial institutions	-	-
Sovereign	-	-
Total	**2**	**2**

Table 9f Historical loss analysis by portfolio type

Portfolios subject to IRB approach	December 2018	
amounts in millions of dollars	Half year actual loss	Regulatory 1 year expected loss estimate
Residential mortgages	2	118
Banks & other financial institutions	-	1
Sovereign	-	-
Total	**2**	**119**

Portfolios subject to IRB approach	June 2018	
amounts in millions of dollars	Half year actual loss	Regulatory 1 year expected loss estimate
Residential mortgages	2	116
Banks & other financial institutions	-	-
Sovereign	-	-
Total	**2**	**116**

Table 10b and 10c Credit risk mitigation

			December 2018
amounts in millions of dollars	Total exposure	Eligible financial collateral	Other eligible collateral
Subject to AIRB approach			
Residential mortgages	56,173	-	-
Total exposure subject to AIRB	**56,173**	**-**	**-**
Subject to FIRB approach			
Banks & other financial institutions	2,527	-	-
Sovereign	3,286	-	-
Total exposure subject to FIRB	**5,813**	**-**	**-**
Standardised approach			
Residential mortgages	132	-	-
Property finance	7,570	-	-
Corporate	3,890	-	-
Other retail	178	-	-
Other assets	125	-	-
Total standardised approach	**11,895**	**-**	**-**
Total exposures	**73,881**	**-**	**-**

			June 2018
amounts in millions of dollars	Total exposure	Eligible financial collateral	Other eligible collateral
Subject to AIRB approach			
Residential mortgages	52,826	-	-
Total exposure subject to AIRB	**52,826**	**-**	**-**
Subject to FIRB approach			
Banks & other financial institutions	1,932	-	-
Sovereign	3,259	-	-
Total exposure subject to FIRB	**5,191**	**-**	**-**
Standardised approach			
Residential mortgages	141	-	-
Property finance	6,916	-	-
Corporate	3,608	-	-
Other retail	285	-	-
Other assets	135	-	-
Total standardised approach	**11,085**	**-**	**-**
Total exposures	**69,102**	**-**	**-**

Table 11b Counterparty credit risk derivative exposure

Effects of netting on the balance sheet	December 2018	June 2018
amounts in millions of dollars		
Gross positive fair value	74	80
Netting benefits	(52)	(41)
Netted current credit exposure	**22**	**39**
Collateral held, of which:		
Cash	(24)	(32)
Net derivatives credit exposure	**(2)**	**7**
Potential future exposure under the Current Exposure method	37	41
Exposure at default	**35**	**48**

Exposure at default using the current exposure method	December 2018	June 2018
amounts in millions of dollars		
Advanced approach		
Interest Rate Contracts	148	153
Foreign Currency Contracts	3	6
Total	**151**	**159**

Securitisation

Table 12g Banking book exposures securitised – traditional securitisation

		December 2018
amounts in millions of dollars	Originated by the ADI	Third party originated
Underlying asset		
Residential mortgages	9,880	-
Total	**9,880**	**-**

		June 2018
amounts in millions of dollars	Originated by the ADI	Third party originated
Underlying asset		
Residential mortgages	9,483	-
Total	**9,483**	**-**

Table 12h Past due and impaired banking book exposures by asset type

				December 2018
amounts in millions of dollars	Outstanding exposure	Impaired	Past due	Losses recognised
Underlying asset				
Residential mortgages	9,880	58	47	-
Total	**9,880**	**58**	**47**	**-**

				June 2018
amounts in millions of dollars	Outstanding exposure	Impaired	Past due	Losses recognised
Underlying asset				
Residential mortgages	9,483	65	46	-
Total	**9,483**	**65**	**46**	**-**

Table 12i-j Banking book securitisation activity for the reporting period

		December 2018
amounts in millions of dollars	Total exposures securitised	Recognised gain or loss on sale
Underlying asset		
Residential mortgages	-	-
Total	**-**	**-**

		June 2018
amounts in millions of dollars	Total exposures securitised	Recognised gain or loss on sale
Underlying asset		
Residential mortgages	-	-
Total	**-**	**-**

Table 12l Banking book securitisation exposure deducted from common equity Tier 1 capital

amounts in millions of dollars	December 2018	June 2018
Underlying asset		
Credit enhancements	7	7
Total	**7**	**7**

Table 12k Banking book securitisation exposures retained or purchased

amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
			December 2018
Securitisation facility type			
Liquidity support facilities	-	220	**220**
Credit enhancements	-	10	**10**
Derivative facilities	14	14	**28**
Holding of securities	7,521	-	**7,521**
Total securitisation exposures	**7,535**	**244**	**7,779**

amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
			June 2018
Securitisation facility type			
Liquidity support facilities	-	206	**206**
Credit enhancements	-	10	**10**
Derivative facilities	16	16	**32**
Holding of securities	6,739	-	**6,739**
Total securitisation exposures	**6,755**	**232**	**6,987**

Market risk

Table 17b Interest rate risk in the banking book

Change in economic value	December 2018	June 2018
amounts in millions of dollars		
+200 basis point shock	25	24
-200 basis point shock	(25)	(24)

Regulatory RWA	December 2018	June 2018
amounts in millions of dollars		
Interest rate risk in the banking book	1,638	2,154

Liquidity

Liquidity Coverage Ratio

IBAL manages its LCR position, daily, with a Board approved buffer above the regulatory limit of 100%.

		December 2018	
amounts in millions of dollars		Total unweighted value (daily average)	Total weighted value (daily average)
Liquid assets			
1	High-quality liquid assets (HQLA)		3,686
2	Alternative liquid assets (ALA)		3,886
3	Reserve Bank of New Zealand (RBNZ) securities		n.a.
Cash outflows			
4	Retail deposits and deposits from small business customers, of which:	29,776	3,862
5	*Stable deposits*	17,067	853
6	*Less stable deposits*	12,709	3,009
7	Unsecured wholesale funding, of which:	1,970	1,608
8	*Operational deposits (all counterparties) and deposits in networks for cooperative banks*	n.a.	n.a.
9	*Non-operational deposits (all counterparties)*	1,886	1,524
10	*Unsecured debt*	84	84
11	Secured wholesale funding		n.a.
12	Additional requirements, of which:	6,501	793
13	*Outflows related to derivatives exposures and other collateral requirements*	292	292
14	*Outflows related to loss of funding on debt products*	160	160
15	*Credit and liquidity facilities*	6,049	341
16	Other contractual funding obligations	944	534
17	Other contingent funding obligations	527	66
18	Total cash outflows		6,863
Cash inflows			
19	Secured lending (e.g. reverse repos)	-	-
20	Inflows from fully performing exposures	1,165	754
21	Other cash inflows	72	72
22	Total cash inflows	1,237	826
23	**Total liquid assets**		**7,572**
24	**Total net cash outflows**		**6,037**
25	**Liquidity Coverage Ratio (%)**		**125%**

(No of observations: 64)

Net Stable Funding Ratio

IBAL ensures that its liquidity position remains resilient over the long term by maintaining a net stable funding ratio in excess of the regulatory limit. The additional buffer forms part of IBAL's board-approved risk appetite.

	December 2018				
	Unweighted value by residual maturity				
amounts in millions of dollars	No maturity	< 6mths	6mths to < 1yr	≥ 1yr	Weighted value
Available Stable Funding (ASF) Item					
1 Capital	**4,214**	**-**	**-**	**75**	**4,289**
2 *Regulatory capital*	4,214	-	-	75	4,289
3 *Other capital instruments*	-	-	-	-	-
4 Retail deposits and deposits from small business customers	**-**	**40,801**	**-**	**-**	**37,589**
5 *Stable deposits*	-	17,355	-	-	16,488
6 *Less stable deposits*	-	23,446	-	-	21,101
7 Wholesale funding	**-**	**6,974**	**2,929**	**8,751**	**10,972**
8 *Operational deposits*	-	-	-	-	-
9 *Other wholesale funding*	-	6,974	2,929	8,751	10,972
10 Liabilities with matching interdependent assets	**-**	**-**	**-**	**-**	**-**
11 Other liabilities	**-**	**578**	**1**	**107**	**108**
12 *NSFR derivative liabilities*	-	61	-	-	-
13 *All other liabilities and equity not included in the above categories*	-	517	1	107	108
14 Total ASF	**4,214**	**48,353**	**2,930**	**8,933**	**52,958**
Required Stable Funding (RSF) Item					
15a Total NSFR (HQLA)	**-**	**315**	**41**	**2,878**	**146**
15b ALA	**-**	**187**	**30**	**3,983**	**420**
15c RBNZ securities	**-**	**-**	**-**	**-**	**-**
16 Deposits held at other financial institutions for operational purposes	**-**	**-**	**-**	**-**	**-**
17 Performing loans and securities	**-**	**2,279**	**645**	**53,340**	**39,675**
18 *Performing loans to financial institutions secured by Level 1 HQLA*	-	302	-	-	30
19 *Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	1,428	-	15	230
20 *Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs), of which:*	-	548	645	13,550	12,119
21 *With a risk weight of less than or equal to 35% under APS 112*	-	548	645	13,550	12,119
22 *Performing residential mortgages, of which:*	-	1	-	39,775	27,296
23 *With a risk weight equal to 35% under APS 112*	-	1	-	39,775	27,296
24 *Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	-	-	-	-	-
25 Assets with matching interdependent liabilities	**-**	**-**	**-**	**-**	**-**
26 Other assets:	**-**	**236**	**-**	**597**	**832**
27 *Physical traded commodities, including gold*	-	-	-	-	-
28 *Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)*	-	-	-	-	-
29 *NSFR derivative assets*	-	-	-	74	73
30 *NSFR derivative liabilities before deduction of variation margin posted*	-	-	-	-	-
31 All other assets not included in the above categories	-	236	-	523	759
32 Off-balance sheet items	**7,146**	**-**	**-**	**-**	**357**
33 Total RSF	**7,146**	**3,017**	**716**	**60,798**	**41,430**
34 Net Stable Funding Ratio (%)					**128%**

Leverage ratio

Leverage Ratio summary	December 2018	June 2018
amounts in millions of dollars		
Tier 1 capital	4,174	3,989
Total exposures	68,651	63,837
Leverage ratio	**6.1%**	**6.2%**

Attachment A Reconciliations

Table 1A Capital disclosure template

		December 2018	
amounts in millions of dollars			Ref
Common Equity Tier 1 Capital: instruments and reserves			
1	Directly issued qualifying ordinary share (and equivalent for mutually-owned entities) capital	1,334	
2	Retained Earnings	3,053	
3	Accumulated other comprehensive income (and other reserves)	(43)	
6	**Common Equity Tier 1 capital before regulatory adjustments**	**4,344**	1C-1
Common Equity Tier 1 Capital: regulatory adjustments			
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	39	2A
11	Cash flow hedge reserve	(35)	1C-1
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related liability)	2	
26	National specific regulatory adjustments	164	
26f	of which: capitalised expenses	149	1C-5
26j	of which: other	15	
28	**Total regulatory adjustments to Common Equity Tier 1**	**170**	
29	**Common Equity Tier 1 Capital**	**4,174**	
45	**Tier 1 Capital**	**4,174**	
Tier 2 Capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments	75	1C-7
50	Provisions	40	1C-6
58	**Tier 2 capital**	**115**	
59	**Total capital**	**4,289**	
60	**Total risk-weighted assets based on APRA standards**	**33,263**	
Capital ratios and buffers			
61	**Common Equity Tier 1** (as a percentage of risk-weighted assets)	**12.6%**	
62	**Tier 1** (as a percentage of risk-weighted assets)	**12.6%**	
63	**Total capital** (as a percentage of risk-weighted assets)	**12.9%**	
64	**Buffer requirement** (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets)	**7.0%**	
65	*of which: capital conservation buffer requirement*	2.5%	
68	**Common Equity Tier 1 available to meet buffers** (as a percentage of risk-weighted assets)	**5.6%**	

Table 2A Regulatory Balance Sheet

					December 2018
amounts in millions of dollars	Statutory Balance Sheet	Less: Adjustments		Regulatory Balance Sheet	Ref
		Accrued interest[A]	Other		
Assets					
Cash	1,037	2	-	1,035	
Due from other financial institutions	607	-	-	607	
Investment securities	4,155[D]	37	-	4,118	
Loans and advances	58,558	18	274[B,C]	58,266	1C-3
Derivative assets	73	59	-	14	
Other receivables	36	(122)	(170)[C]	328	1C-4
Property, plant and equipment	85	-	-	85	
Intangible assets	39	-	-	39	Row 9
Deferred tax asset	53	-	-	53	1C-2
Total Assets	**64,643**	**(6)**	**104**	**64,545**	
Liabilities					
Deposits and other borrowings	55,844	190	-	55,654	
Debt issues	3,603	9	(6)[C]	3,600	1C-7
Derivative liabilities	362	20	-	342	
Creditors and other liabilities	293[E]	(223)	-	516	
Deferred tax liability	52	(2)	-	54	1C-2
Provisions	17	-	-	17	
Total Liabilities	**60,171**	**(6)**	**(6)**	**60,183**	
Net Assets	**4,472**	**-**	**110**	**4,362**	
Equity					
Contributed equity	1,334	-	-	1,334	
Reserves	85	-	110[B]	(25)	
Retained profits	3,053	-	-	3,053	
Total Equity	**4,472**	**-**	**110**	**4,362**	1C-1

[A] Financial instruments within the Statutory Balance Sheet are reported inclusive of accrued interest; the Regulatory Balance Sheet segregates these balances into other receivables and other liabilities.
[B] The portion of General Reserve for Credit Losses disclosed as equity for statutory purpose represents additional loan loss provisioning provided for the lifetime of the facilities.
[C] Loan and debt origination expenses are disclosed as other receivables as per APRA instructions and are included as part of the amortised cost of the respective asset and liability balance on the Statutory Balance Sheet.
[D] On the Statutory Balance Sheet, Investment Securities includes Securities at amortised cost and Financial assets at FVOCI.
[E] Creditors and other liabilities include current tax liabilities in the Statutory Balance Sheet.

Table 3A Capital Reconciliations

1C-1 Share Capital	December 2018	
amounts in millions of dollars		Ref
Contributed equity	1,334	
Retained profits	3,053	
Reserves:		
Cash-flow hedge reserve	(35)	Row 11
Available-for-sale reserve	(8)	
Common Equity Tier 1 Capital per Common Disclosure Template	**4,344**	Row 6
Share-based payments reserve	18	
Total Equity per Regulatory Balance Sheet	**4,362**	2A

1C-2 Deferred Tax	December 2018	
amounts in millions of dollars		Ref
Deferred tax assets	53	2A
Deferred tax liabilities	(52)	2A
Net deferred tax assets	**1**	
Net deferred tax liabilities	**-**	

1C-3 Loans and Advances	December 2018	
amounts in millions of dollars		Ref
Loans and Advances per Regulatory Balance Sheet	**58,266**	2A
of which:		
Housing Loans	48,640	
Loans to non-financial corporations	9,465	
Loans to financial corporations	236	
Personal loans	75	
Credit cards	29	
Specific Provisions	(24)	
General Reserve for Credit Losses	(134)	1C-6
Deferred Fee Income	(21)	1C-5

1C-4 Other Receivables	December 2018	
amounts in millions of dollars		Ref
Other Receivables per Regulatory Balance Sheet	**328**	2A
of which:		
Interest Receivable Loans	57	
Capitalised Debt Raising	-	
Capitalised Securitisation Start-up costs	6	1C-5
Capitalised Loan Origination Costs	164	
Items in Suspense	24	
Other	77	

1C-5 Capitalised expenses	**December 2018**	
amounts in millions of dollars		Ref
Deferred Fee Income	(21)	1C-3
Capitalised Debt Raising	-	
Capitalised Securitisation Start-up costs	6	1C-4
Capitalised Loan Origination Costs	164	
Capitalised expenses per Common Disclosure Template	**149**	Row 26f

1C-6 General reserve for credit losses	**December 2018**	
amounts in millions of dollars		Ref
GRCL: Portfolios under the standardised-approach (eligible for capital)	40	
of which: eligible for capital	40	Row 50
GRCL: Portfolios under the IRB ratings-based approach	94	
of which: eligible for capital	-	
Total GRCL	**134**	1C-3

1C-7 Debt issues	**December 2018**	
amounts in millions of dollars		Ref
Debt Issues per Regulatory Balance Sheet	**3,600**	2A
of which:		
Residential mortgage-backed securities	3,525	
Subordinated debt	75	Row 46

Attachment B Composition of the Leverage ratio

		December 2018
amounts in millions of dollars		
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and securities financing transactions (SFTs), but including collateral)	64,544
2	(Asset amounts deducted in determining Tier 1 capital)	(195)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)**	**64,349**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	-
5	Add-on amounts for potential future credit exposure (PFCE) associated with all derivatives transactions	37
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the Australian Accounting Standards	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted central counterparty (CCP) leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivative exposures (sum of rows 4 to 10)**	**37**
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	CCR exposure for SFT assets	-
15	Agent transaction exposures	-
16	**Total SFT exposures (sum of rows 12 to 15)**	-
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	8,587
18	(Adjustments for conversion to credit equivalent amounts)	(4,322)
19	**Other off-balance sheet exposures (sum of rows 17 and 18)**	**4,265**
Capital and total exposures		
20	**Tier 1 Capital**	**4,174**
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	**68,651**
Leverage ratio		
22	**Leverage ratio**	**6.1%**