ING

Pillar 3 - Capital Adequacy & Risk Disclosures December 2020

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do your thing

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 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: IBAL is approved to use the Advanced Internal Ratings-Based (AIRB) approach for the Residential Mortgages portfolio and the Foundation Internal Ratings-Based (FIRB) approach for the Sovereign and Bank portfolios for regulatory capital purposes.

Effective 1 April 2020, IBAL was accredited to apply the FIRB approach to its Corporate Lending portfolio, and the Supervisory Slotting approaches to calculate its capital requirements for its Project Finance portfolio and the majority of its Commercial Real Estate portfolio.

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 maximise shareholder returns. IBAL's capital is measured and managed in line with Prudential Standards and minimum regulatory capital requirements for banks established by APRA which are consistent with capital requirements legislation. APRA has set minimum ratios that compare the regulatory capital with risk weighted on and off-Balance Sheet assets for credit and operational risks as well as mandating a charge for other risks that may or may not be easily measured. IBAL has been in compliance with the capital requirements imposed by APRA throughout the year.

IBAL chooses to hold capital in addition to prudential minimum levels by maintaining capital buffers that are sufficient to absorb potential losses and increased regulatory capital under extreme but plausible stress scenarios. The Internal Capital Adequacy Assessment Process ("ICAAP") supports IBAL's Capital Management Policy, which defines the framework for defining, measuring, management, monitoring and governance of 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 payouts. The integral parts of capital planning comprise business operating plans, stress testing, ICAAP along with considerations of regulatory capital requirements, accounting changes, taxation rules and 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 forecast growth in assets and earnings taking into account IBAL's business strategies, projected market and economic environment and peer positioning. All the components of the capital plan are monitored throughout the year and are revised as appropriate.

The Board has set additional internal limits on top of the prudential requirements to manage the capital ratio.

Credit risk capital

In accordance with APRA's methodology, measuring credit risk requires one of a number of risk weights to be applied to each asset on the Balance Sheet and to Off-balance Sheet obligations. The risk weights are applied based on APRA's Internal Ratings-Based Approach for the residential mortgage book, supervisory slotting for the specialised lending portfolios and Foundation Internal Ratings-Based Approach for remaining wholesale lending, the treasury portfolio and the majority of the business lending portfolio, while the remaining business lending, credit cards and personal loans apply the Standardised Approach.

Operational risk capital

Risk-weighted assets for operational risk are calculated under the Standardised Approach based on the semi-annual changes in the Balance Sheet and Income Statement as well as potentially requiring IBAL to hold additional capital for other risks it may deem significant.

Market risk capital

Under the Advanced Approach, risk-weighted assets for Market Risk are calculated using a set of approved models (Embedded Mark-to-Market loss or gain, Optionality & Historical Value-at-Risk) to quantify the potential risks associated with the interest rate risk in the banking book.

Based on this modelled output, IBAL holds sufficient capital to cover interest rate risk in the banking book. IBAL measures this risk by ascribing a portion of the capital adequacy limit to cover the calculated change in economic value from adverse movements in interest rates. IBAL has implemented buffer and trigger limit structures to ensure that sufficient capital is maintained to meet unexpected changes in the risk profile of IBAL resulting from short-term movements in market interest rates.

Non-financial risks

Other than operational risk, IBAL is subject to non-financial risks for which no specific prudential capital requirements apply. Examples are business risk, compliance risk, conduct risk, reputation risk, and risk arising from work place, health, and safety. Such risks are managed under a "Non-Financial Risk Governance" framework and have dedicated training and culture programs tailored to appropriate (risk) behaviour throughout the company. The implementation of the Banking Executive Accountability Regime (BEAR) ensures that the preventive and remedial behaviours directed by the (executive) risk owners are associated with the day-to-day working of the business. Long term thinking and behaviour is rewarded via the remuneration structure.

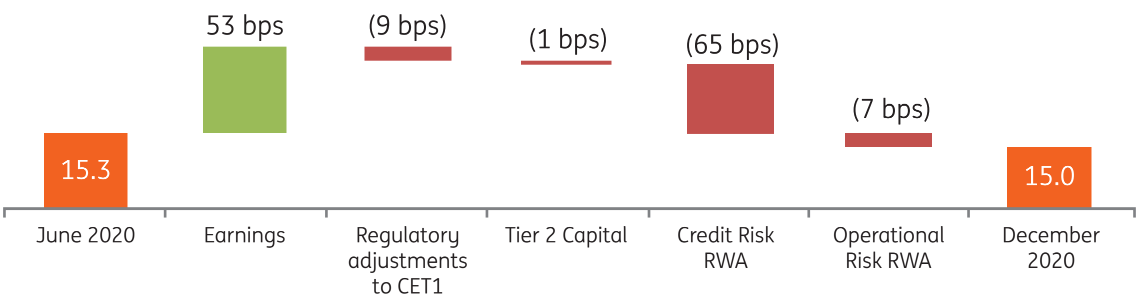
[1]APRA capital framework builds on the pillars Prudential Capital Requirement, Capital Conservation Buffer and Counter Cyclical Buffer (CCyB). The CCyB relates to exposure to non-Australian counterparties in jurisdictions where a CCyB applies. ING Australia has limited exposures in these jurisdictions, resulting in a 0.0025% CCyB. Given the small amount, ING Australia decided to apply a 0% CCyB.

Capital summary

IBAL's total capital ratio was 15.0% at 31 December 2020, a decrease of 30 basis points from 30 June 2020. This is due to:

- An increase in earnings of $209m driven by profit growth, partially offset by declared dividends of $100m, resulting in a net increase of $109m (+53 bps);
- A 9 bps decrease in Regulatory adjustments to Tier 1 capital attributed to a decrease in provision shortfall for credit losses.
- An increase of Credit Risk RWA to $28,815 million (-65 bps) largely triggered by Covid-19; and
- An increase of Operational Risk RWA to $3,745 million (-7bps) largely driven by profit growth from Corporate Banking of $900 million.

Figure 1: Total capitol movement (in %)

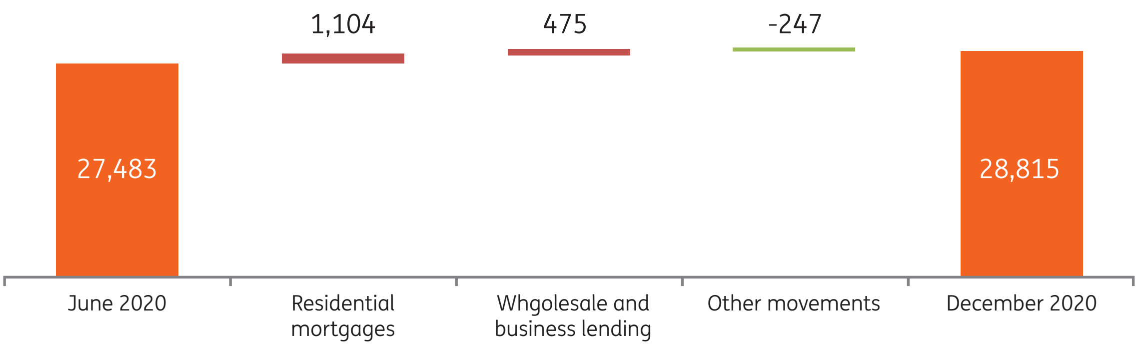


Credit Risk Weighted Assets (CRWA)

In order to measure the underlying risks and understand the impact of COVID, a decision tree based approach with latest customer information was implemented in October 2020 to perform UTP (Unlikely-to-Pay) assessment. Exposures are subsequently defaulted as determined by the UTP assessment. The increase of mortgage CRWA is largely related to the UTP assessment defaults (+517 million) and an additional add-on (+$488 million) to reflect the expected worsening for the portfolio impacted by COVID.

The increase CRWA in Wholesale and business lending is mainly driven by portfolio growth.

Figure 2: Credit risk-weighted assets movement (in $m)



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.

Risk	Exposure arising from	Measurement	Governance
Credit Risk	• Cash and cash equivalents • Due from other financial institutions • 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") • Net Present Value and Net Interest Income at Risk ("NPVaR";"NIIaR") • Interest Rate Risk in the Banking Book ("IRRBB") stress testing • Basis Point Value sensitivity	• Risk Management Strategy • Risk Appetite Statement • Asset and Liability Management Sub-Policy • IRRBB Stress Testing Methodology • IRRBB Policy and Minimum Standards for Measurement
Market Risk – Foreign Exchange Risk	• Financial assets and liabilities not denominated in Australian dollars	• Sensitivity analysis	• Risk Management Strategy • Risk Appetite Statement • Asset and 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") • Behavioral models	• Risk Management Strategy • Risk Appetite Statement • Asset and Liability Management Sub-Policy • Treasury – Securitisation Sub-Policy • Contingency Funding Plan • Funding and Liquidity Risk Policy • Liquidity Stress Testing Framework
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 to ensure risks are identified, well understood, accurately measured, controlled and proactively managed at all levels of the organisation ensuring that IBAL's financial strength is safeguarded. IBAL's risk management framework incorporates the requirements of APRA's prudential standard *CPS 220 Risk Management*.

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

- the risk management objectives are linked to IBAL's business strategy, ING Orange Code, Customer Golden Rules[2] and operations;
- all key risks are identified and appropriately managed by the risk owner;
- systems, processes and tools are established to identify, 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, together with internal policy.

IBAL believes this ensures the proper identification, measurement and management of risks in all levels of the organisation so that financial strength is safeguarded.

Risk Governance Framework

IBAL's risk governance framework contains clear charters and mandates for the management of risk. Risk management in IBAL is effected through a governance structure comprised 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 independent but 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 five 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 and 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.
- **Customer Experience Committee** – the Customer Experience Committee is responsible for reviewing and monitoring customer experience with IBAL, including customer complaints, resolution and closure of customer outcomes.
- **Technology and Transformation Committee** – the Technology and Transformation Committee is responsible for reviewing IBAL's technology strategy and planning, including priorities, budgets, deliverables and operational plans. In addition, it oversees and monitors IBAL's strategic transformation initiatives, including technology, data and business transformation.

[2] The customer golden rules depict the principles on the interaction between ING and its customers throughout the customer life cycle.

Risk Management Organisation

IBAL regards risk management as a fundamental activity, performed at all levels of the organisation. Accountability for the risk management framework is based on the "three lines of defence" model, whereby the first line of defence assumes ownership for risk. The governance framework reflects the Bank's belief that "risk is everyone's business" and all 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 function 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:

- 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. The NFRC is chaired by the Chief Risk Officer ("CRO").
- 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 weighted assets and the individual and collective loan loss provisioning for IBAL. The CRC is chaired by the CRO.
- 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 is commensurate with IBAL's overall risk appetite and risk policy framework. Its responsibilities include setting limits for and monitoring solvency of the balance sheet, deciding on transfer pricing methods, and monitoring developments on the balance sheet that fall within its scope. The ALCO is chaired by the CRO.
- 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 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 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. The FRC is chaired by the CRO and CFO.

Definition of default

IBAL uses the definition of default for internal risk management purposes and has aligned the definition of credit impaired (Stage 3) under accounting standard AASB 9 *Financial Instruments* with the definition of default for prudential purposes.

The definition of default may differ across products and considers both quantitative and qualitative factors, such as the terms of financial covenants and days past due. For retail and wholesale borrowers default occurs when the borrower is more than 90 days past due on any material obligation to IBAL, and/or IBAL considers the borrower unlikely to make its payments in full without recourse action on IBAL's part, such as taking formal possession of any collateral held.

Credit impaired financial assets (Stage 3)

Financial assets are assessed for credit-impairment at each reporting date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, a breach of contract, probability of bankruptcy or other financial reorganisation, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payment status of the borrower or economic conditions that correlate with defaults.

An asset that is in stage 3 will move back to stage 2 when, as at the reporting date, it is no longer considered to be credit-impaired. The asset will migrate back to stage 1 when its credit risk at the reporting date is no longer considered to have increased significantly from initial recognition.

When a financial asset has been identified as credit-impaired, expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate. For impaired financial assets with drawn and undrawn components, expected credit losses also reflect any credit losses related to the portion of the loan commitment that is expected to be drawn down over the remaining life of the instrument. When a financial asset is credit-impaired, interest ceases to be recognised on the regular accrual basis, which accrues income based on the gross carrying amount of the asset. Rather, interest income is calculated by applying the original effective interest rate to the amortised cost of the asset, which is the gross carrying amount less the related loan loss allowance.

The loan loss allowance for credit-impaired loans in Stage 3 are established at the borrower level, where losses related to impaired loans are identified on individually significant loans, or collectively assessed and determined through the use of portfolio-based rates, without reference to particular loans.

Individually assessed loans (Stage 3)

IBAL estimates individual impairment provisions for individually significant credit impaired financial assets within Stage 3. Individual provisions are calculated using the discounted expected future cash flow method. To determine expected future cash flows, one or more scenarios are used. Each scenario is analysed based on the probability of occurrence and including forward looking information.

The best estimate of loan loss is calculated as the weighted average of the shortfall (gross carrying amount minus discounted expected future cash flow using the original effective interest rate) per scenario. The expected future cash flows are based on the restructuring officers' best estimate when recoveries are likely to occur. Recoveries can be from different sources including repayment of the loan, additional drawing, collateral recovery, asset sale. Cash flows from collateral and other credit enhancements are included in the measurement of the expected credit losses of the related financial asset when it is part of or integral to the contractual terms of the financial asset and the credit enhancement is not recognised separately. The estimation of future cash flows are subject to significant estimation uncertainty and assumptions.

Collectively assessed loans (Stages 1 to 3)

Loans that are collectively assessed are grouped on the basis of similar risk characteristics, taking into account loan type, industry, geographic location, collateral type, past due status and other relevant factors. The collectively-assessed loan loss allowance reflects: (i) the expected amount of principal and interest calculated under the terms of the original loan agreement that will not be recovered, and (ii) the impact of time delays in collecting principal and/or interest (time value of money).

Write-off and debt forgiveness

Loans and the related ECL are written off, either partially or in full, when there is no realistic prospect of recovery. Write-offs are made:

- after a restructuring has been completed and there is a high improbability of recovery of part of the remaining loan exposure (including partial debt waivers);
- in a bankruptcy liquidation scenario (not as a result of a reorganisation);
- when there is a high improbability of recovery of the remaining loan exposure or certainty that no recovery can be realised;
- after divestment or sale of a credit facility at a discount;
- upon conversion of a credit facility into equity; or
- IBAL releases a legal (monetary) claim it has on its customer.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognised in other comprehensive income, instead of deducting the carrying amount of the asset. Impairment losses on debt securities measured at amortised cost is presented in the profit or loss in addition to loan loss allowance

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 as specific provisions or GRCL.

Eligible GRCL is included in Tier 2 capital.

Portfolios subject to Internal Ratings-Based approach

Effective from 1 April 2018, IBAL was accredited to use the Internal Ratings-Based (IRB) 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 Advanced Internal Ratings-Based (AIRB) approach for the Residential mortgages portfolio, and the Foundation Internal Ratings-Based (FIRB) approach for the Sovereign and Bank portfolios for regulatory capital purposes. As per 1 April 2020 IBAL was accredited to apply the FIRB approach to its corporate lending portfolio.

There are different elements that drive the determination of risk-weighted assets under the IRB approach. These include:

- **Probability of Default (PD):** an estimate of a 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 using 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 costs, 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 rates.

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

Foundation Internal Ratings-Based approach for Sovereign, Bank and Corporate exposures

Each Sovereign, Bank and Corporate 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 the FIRB approach which is set out in 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).

Portfolios subject to Supervisory Slotting approach

Effective 1 April 2020, IBAL was accredited to use the Supervisory Slotting approaches to calculate its capital requirements for its Project Finance portfolio and the majority of its Commercial Real Estate portfolio, under APRA Prudential Standard *APS 113 Capital Adequacy: Internal Ratings-based Approach to Credit Risk*.

The entirety of IBAL's Project Finance book is treated using this approach, as are eligible commercial real estate exposures (defined per requirements under APRA Reporting Form 230) in IBAL's Real Estate Finance and Commercial Property Finance portfolios. Certain exposures in the IBAL Commercial Property Finance book do not meet all of the commercial real estate eligibility criteria per APRA Reporting Form 230 and these continue to be subject of the Standardised Approach.

For the Project Finance portfolio, IBAL uses a 'single dimension' slotting approach, which maps the Probability of Default (PD) of a borrower to a pre-determined risk weight for capital calculation purposes.

For the eligible parts of its Commercial Real Estate portfolio, IBAL uses a 'dual dimension' slotting approach, which utilises a combination of the Probability of Default (PD) of a borrower and the attendant Loan-to-Value ratio for the various exposures, to map to a pre-determined risk weight for capital calculation purposes.

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

1. The **risk weight** is determined using the following input:
   - **Probability of Default (PD):** an estimate of a counterparty or facility's likelihood to go into default within the next 12 months.
   - **Loan to Value Ratio:** measures the degree of collateral value coverage relative to the size of the borrower exposure.
2. **Exposure at Default (EAD):** estimates of the outstanding amount at the moment of default. For a defaulted exposure, it is the exposure at observation. EAD estimates are determined 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*.

Portfolios subject to Standardised Approach

As at 31 December 2020, exposures subject to the standardised approach include:

- All exposures in the IBAL Priority Commercial Mortgage (PCM) portfolio.
- Certain exposures in the Commercial Property Finance book not meeting all of the eligibility criteria for the Supervisory Slotting Approach.
- Certain Corporate exposures in IBAL's Wholesale Banking portfolio remain subject of the Standardised Approach, as they do not meet all of the eligibility criteria for the Supervisory Slotting Approach or for the Foundation Internal Ratings Based Approach. These are small portfolios in niche markets for ING Australia.
- Legacy Residential mortgages, such as the loans to Self-Managed Superannuation Funds.
- Other Retail exposures, including the Credit Card and Personal Loan products.

Risk weights and exposure determination are applied in accordance with *APS 112 Capital Adequacy: Standardised Approach to Credit Risk*.

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 policies and procedures in place for the 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 Standardised Approach to Counterparty Credit Risk. 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 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 a 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 (WWR) Policy provides a framework of regulatory and IBAL-specific minimum standards for identifying, monitoring and managing WWR for Financial Markets transactions.

The policy identifies two sources of WWR:

- Over-the counter (OTC) derivatives, both cleared and centrally cleared, where there is a correlation between exposures – driving risk factors and the counterparty default probability.
- Financial Collateral: Variation margin, initial margin, OTC margin collateral and Securities financing transactions (SFT) collateral – where there is a correlation between the counterparty default and the liquidation value of collateral. Tri-Party SFTs are also in scope of this policy.

Where WWR 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 its CSA obligations. The impact of a downgrade of the IBAL credit rating has been calculated at $116m. 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 assets and liabilities. 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 also arises from repricing mismatches between assets and liabilities, so, for most purposes these are grouped together.
- **Basis risk -** 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 measures its sensitivity to the above types of interest rate risk, and supplements this with regular stress testing of the underlying variables, triggers and early warning indicators are in place to ensure that potential limit breaches are identified and acted upon early. Risk mitigation is also further explained in Note 9 of the IBAL Annual Report 2020 in relation to hedging using derivatives to mitigate exposure to interest, market and foreign exchange risk. 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 10 years 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

The Bank conducts a loan securitisation program whereby the equitable rights to selected mortgage loans are packaged and sold as securities issued by the special purpose trusts.

The investors in the securities issued by the Trusts have full recourse to the assets transferred to the Trusts. The Bank receives the residual income distributed by the Trusts after all payments due to investors and associated costs of the program have been met. In addition to this, the Bank retains the junior notes issued by the Trusts and interest rate risk from the Trusts is transferred back to the Bank by way of interest rate swaps. Hence, the Bank is considered to retain the risks and rewards of these cash flows. Accordingly, the original sale of the mortgages from the Bank to the Trusts does not meet the derecognition criteria set out in AASB 9.

The Bank continues to reflect the securitised loans in their entirety due to retaining substantially all the risks and rewards associated with the loans. The obligation to repay this amount to the Trusts is recognised as a financial liability of the Bank and included within amounts due to controlled entities. In addition, the Bank discloses securitisation income, which represents income received from the Trusts which includes the residual spread income, trust manager fees, servicer fees and liquidity facility fees. All transactions between the Bank and the Trusts are eliminated on consolidation.

Liquidity disclosures

Liquidity coverage ratio

The Liquidity Coverage Ratio (LCR), as defined in APRA Prudential Standard 210 Liquidity (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 2020 is calculated as a simple daily average, 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) and Term Funding Facility (TFF) 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, Residential Mortgage-Backed Securities (RMBS), Covered Bonds and bond issuances, as well as from the RBA's term funding facility. The weighted outflows from each of these funding sources were 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 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 meet 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 as maturing on 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 is reported in the appropriate time bucket to reflect the effective tenor of the funding.

Capital

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

	December 2020	September 2020	June 2020
Amounts in millions of dollars			
Subject to AIRB approach			
Residential mortgages	16,527	15,051	15,417
Total RWA subject to AIRB approach	**16,527**	**15,051**	**15,417**
Subject to FIRB approach			
Banks & other financial institutions	420	577	492
Sovereign	579	578	546
Corporate	1,298	1,150	1,085
Total RWA subject to FIRB approach	**2,297**	**2,305**	**2,123**
Subject to supervisory slotting approach			
Property finance	5,025	5,147	5,126
Project finance	2,215	1,953	1,907
Total RWA subject to supervisory slotting approach	**7,240**	**7,100**	**7,033**
Subject to standardised approach			
Residential mortgages	70	73	76
Property finance	342	356	334
Corporate	1,910	2,077	2,023
Other retail	316	319	340
Other assets	105	129	127
Total RWA subject to standardised approach	**2,743**	**2,954**	**2,900**
Securitisation	-	-	-
Credit valuation adjustment	8	8	10
Central counterparties	-	-	-
Total credit risk RWA	**28,815**	**27,418**	**27,483**
Interest rate risk in the banking book	125	125	125
Operational risk	3,745	3,600	3,600
Total RWA	**32,685**	**31,143**	**31,208**

APS 330 Table 6g - Capital ratios

	December 2020	September 2020	June 2020
Common equity tier 1 capital ratio	14.6%	15.4%	14.9%
Tier 1 capital ratio	14.6%	15.4%	14.9%
Total capital ratio	**15.0%**	**15.8%**	**15.3%**

Credit risk

APS 330 Table 7b - Credit risk exposure by portfolio type

December 2020					
		Off-balance sheet			
Amounts in millions of dollars	On-balance sheet	Market related	Non-market related	Total	6-month average
Residential mortgages	52,278	-	8,195	**60,473**	60,189
Property finance	6,208	-	321	**6,529**	6,639
Project finance	2,479	-	276	**2,755**	2,575
Corporate	3,878	-	658	**4,536**	4,311
Banks & other financial institutions	1,856	178	-	**2,034**	2,532
Sovereign	5,434	-	-	**5,434**	4,889
Securitisation	-	-	-	**-**	-
Other retail	315	-	-	**315**	323
Other assets	105	-	-	**105**	119
Total credit exposures	**72,553**	**178**	**9,450**	**82,181**	**81,577**

September 2020					
		Off-balance sheet			
Amounts in millions of dollars	On-balance sheet	Market related	Non-market related	Total	6-month average
Residential mortgages	52,047	-	8,014	**60,061**	60,109
Property finance	6,354	-	290	**6,644**	6,656
Project finance	2,338	-	185	**2,523**	2,507
Corporate	3,753	-	708	**4,461**	4,167
Banks & other financial institutions	2,858	149	-	**3,007**	2,768
Sovereign	4,861	-	-	**4,861**	4,654
Securitisation	-	-	-	**-**	-
Other retail	319	-	-	**319**	327
Other assets	129	-	-	**129**	129
Total credit exposures	**72,659**	**149**	**9,197**	**82,005**	**81,317**

June 2020					
		Off-balance sheet			
Amounts in millions of dollars	On-balance sheet	Market related	Non-market related	Total	6-month average
Residential mortgages	52,232	-	7,816	**60,048**	59,687
Property finance	6,200	-	398	**6,598**	6,530
Project finance	2,227	-	230	**2,457**	1,049
Corporate	3,204	-	1,051	**4,255**	5,697
Banks & other financial institutions	2,266	90	-	**2,356**	2,271
Sovereign	4,606	-	-	**4,606**	4,295
Securitisation	-	-	-	**-**	-
Other retail	340	-	-	**340**	353
Other assets	127	-	-	**127**	135
Total credit exposures	**71,202**	**90**	**9,495**	**80,787**	**80,017**

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

December 2020

	Counterparty type							
Amounts in millions of dollars	Retail	Bank	Sovereign	Property finance	Infra-structure	Utility & Power	Other	**Total**
Residential mortgages	60,473	-	-	-	-	-	-	60,473
Property finance	-	-	-	6,529	-	-	-	6,529
Project finance	-	-	-	-	1,354	1,290	111	2,755
Corporate	-	-	-	3	356	735	3,442	4,536
Banks & other financial institutions	-	2,034	-	-	-	-	-	2,034
Sovereign	-	-	5,434	-	-	-	-	5,434
Securitisation	-	-	-	-	-	-	-	-
Other retail	315	-	-	-	-	-	-	315
Other assets	-	-	-	-	-	-	105	105
Total credit exposures	**60,788**	**2,034**	**5,434**	**6,532**	**1,710**	**2,025**	**3,658**	**82,181**

June 2020

	Counterparty type							
Amounts in millions of dollars	Retail	Bank	Sovereign	Property finance	Infra-structure	Utility & Power	Other	**Total**
Residential mortgages	60,048	-	-	-	-	-	-	60,048
Property finance	-	-	-	6,598	-	-	-	6,598
Project finance	-	-	-	-	1,327	1,018	112	2,457
Corporate	-	-	-	2	267	343	3,643	4,255
Banks & other financial institutions	-	2,356	-	-	-	-	-	2,356
Sovereign	-	-	4,606	-	-	-	-	4,606
Securitisation	-	-	-	-	-	-	-	-
Other retail	340	-	-	-	-	-	-	340
Other assets	-	-	-	-	-	-	127	127
Total credit exposures	**60,388**	**2,356**	**4,606**	**6,600**	**1,594**	**1,361**	**3,882**	**80,787**

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

						December 2020
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	38	59,812	621	**60,473**
Property finance	264	1,604	4,151	509	1	**6,529**
Project finance	-	290	2,109	356	-	**2,755**
Corporate	27	412	2,503	1,593	1	**4,536**
Banks & other financial institutions	807	118	1,051	58	-	**2,034**
Sovereign	1,630	429	1,573	1,802	-	**5,434**
Securitisation	-	-	-	-	-	**-**
Other retail	-	7	245	-	63	**315**
Other assets	-	-	-	-	105	**105**
Total credit exposures	**2,729**	**2,861**	**11,670**	**64,130**	**791**	**82,181**

						June 2020
Amounts in millions of dollars	<=3 months	>3 months <=1 year	>1 year <=5 years	>5 years	No maturity specified	**Total**
Residential mortgages	1	-	38	59,356	653	**60,048**
Property finance	349	1,085	4,633	530	1	**6,598**
Project finance	-	166	1,821	470	-	**2,457**
Corporate	69	290	2,131	1,763	2	**4,255**
Banks & other financial institutions	1,181	183	869	123	-	**2,356**
Sovereign	1,032	358	1,613	1,603	-	**4,606**
Securitisation	-	-	-	-	-	**-**
Other retail	-	5	281	-	54	**340**
Other assets	-	-	-	-	127	**127**
Total credit exposures	**2,632**	**2,087**	**11,386**	**63,845**	**837**	**80,787**

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

				December 2020	
				Half-year movement	
Amounts in millions of dollars	Past due facilities	Impaired facilities	Specific provisions	Charge to specific provisions	Write offs
Residential mortgages	280	902	64	34	1
Property finance	5	12	2	2	-
Project finance	-	-	-	-	-
Corporate	19	63	11	2	-
Banks & other financial institutions	-	-	-	-	-
Sovereign	-	-	-	-	-
Securitisation	-	-	-	-	-
Other retail	-	12	10	6	-
Other assets	-	-	-	-	-
Total	**304**	**989**	**87**	**44**	**1**

				September 2020	
				Half-year movement	
Amounts in millions of dollars	Past due facilities	Impaired facilities	Specific provisions	Charge to specific provisions	Write offs
Residential mortgages	201	338	34	4	-
Property finance	-	1	-	-	-
Project finance	-	-	-	-	-
Corporate	13	40	7	(2)	-
Banks & other financial institutions	-	-	-	-	-
Sovereign	-	-	-	-	-
Securitisation	-	-	-	-	-
Other retail	-	7	6	2	-
Other assets	-	-	-	-	-
Total	**214**	**386**	**47**	**4**	**-**

				June 2020	
				Half-year movement	
Amounts in millions of dollars	Past due facilities	Impaired facilities	Specific provisions	Charge to specific provisions	Write offs
Residential mortgages	217	293	30	1	1
Property finance	1	1	-	-	-
Project finance	-	-	-	-	-
Corporate	13	37	9	-	-
Banks & other financial institutions	-	-	-	-	-
Sovereign	-	-	-	-	-
Securitisation	-	-	-	-	-
Other retail	-	5	4	3	1
Other assets	-	-	-	-	-
Total	**231**	**336**	**43**	**4**	**2**

APS 330 Table 7h - Movement in collective and individual provisions

Movement in collective provisions	December 2020	June 2020
Amounts in millions of dollars		
Opening balance	145	70
Net charge against profit and loss	45	77
Recoveries	-	-
Write-offs	(1)	(2)
Less collective provisions transferred to specific provisions	-	-
Total collective provisions	**189**	**145**
Less collective provisions treated as specific provisions for regulatory purposes	(82)	(38)
Additional GRCL requirement	55	60
General reserve for credit losses	**162**	**167**

Movement in individual provisions	December 2020	June 2020
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**

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

					December 2020
Amounts in millions of dollars	AIRB	FIRB	Slotting	Standardised	**Total**
Portfolio type					
Residential mortgages	60,373	-	-	100	**60,473**
Property finance	-	-	6,187	342	**6,529**
Project finance	-	-	2,755	-	**2,755**
Corporate	-	2,626	-	1,910	**4,536**
Banks & other financial institutions	-	2,034	-	-	**2,034**
Sovereign	-	5,434	-	-	**5,434**
Securitisation	-	-	-	-	**-**
Other retail	-	-	-	315	**315**
Other assets	-	-	-	105	**105**
Total credit exposures	**60,373**	**10,094**	**8,942**	**2,772**	**82,181**

					June 2020
Amounts in millions of dollars	AIRB	FIRB	Slotting	Standardised	**Total**
Portfolio type					
Residential mortgages	59,941	-	-	107	**60,048**
Property finance	-	-	6,264	334	**6,598**
Project finance	-	-	2,457	-	**2,457**
Corporate	-	2,231	-	2,024	**4,255**
Banks & other financial institutions	-	2,356	-	-	**2,356**
Sovereign	-	4,606	-	-	**4,606**
Securitisation	-	-	-	-	**-**
Other retail	-	-	-	340	**340**
Other assets	-	-	-	127	**127**
Total credit exposures	**59,941**	**9,193**	**8,721**	**2,932**	**80,787**

APS 330 Table 7j - Reconciliation between APS 220 provisions and Australian accounting standards

			December 2020
Amounts in millions of dollars	General reserve for credit losses	Specific provisions	Total
Collective provision	107	82	189
Individual provision	-	5	5
Total provisions	**107**	**87**	**194**
Additional GRCL requirement	55	-	55
Total regulatory provisions	**162**	**87**	**249**

			September 2020
Amounts in millions of dollars	General reserve for credit losses	Specific provisions	Total
Collective provision	169	42	211
Individual provision	-	5	5
Total provisions	**169**	**47**	**216**
Additional GRCL requirement	60	-	60
Total regulatory provisions	**229**	**47**	**276**

			June 2020
Amounts in millions of dollars	General reserve for credit losses	Specific provisions	Total
Collective provision	107	38	145
Individual provision	-	5	5
Total provisions	**107**	**43**	**150**
Additional GRCL requirement	60	-	60
Total regulatory provisions	**167**	**43**	**210**

APS 330 Table 8b - Exposures subject to the standardised approach and supervisory risk-weights in the IRB approaches

Standardised approach

Exposure after credit risk mitigation		
Amounts in millions of dollars	December 2020	June 2020
Risk weight		
0%	-	-
20%	-	-
35%	-	-
50%	22	22
75%	76	84
100%	2,671	2,825
150%	3	1
>150%	-	-
Capital deductions	-	-
Total	**2,772**	**2,932**

Supervisory slotting

Exposure after credit risk mitigation		
Amounts in millions of dollars	December 2020	June 2020
Supervisor category		
Strong	6,144	5,720
Good	2,268	2,548
Satisfactory	316	284
Weak	214	164
Default	-	5
Total	**8,942**	**8,721**

APS 330 Table 9d – Exposures by portfolio type and PD band (Portfolios subject to IRB approach)

Portfolios subject to IRB approach															December 2020
	PD band														
Amounts in millions of dollars	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	**Total**
Credit risk exposures															
Residential mortgages	-	31,254	-	8,295	3,426	6,902	3,803	3,340	416	773	-	476	491	1,197	**60,373**
Banks & other financial institutions	-	2,033	1	-	-	-	-	-	-	-	-	-	-	-	**2,034**
Sovereign	5,241	193	-	-	-	-	-	-	-	-	-	-	-	-	**5,434**
Corporate	-	660	655	776	480	-	30	-	-	-	-	-	-	25	**2,626**
Total credit risk exposures	**5,241**	**34,140**	**656**	**9,071**	**3,906**	**6,902**	**3,833**	**3,340**	**416**	**773**		**476**	**491**	**1,222**	**70,467**
Undrawn commitments															
Residential mortgages	-	5,627	-	537	189	304	176	1,283	11	21	-	12	12	17	**8,189**
Banks & other financial institutions	-	177	1	-	-	-	-	-	-	-	-	-	-	-	**178**
Sovereign	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Corporate	-	229	-	220	126	-	-	-	-	-	-	-	-	-	**575**
Total undrawn commitments	**-**	**6,033**	**1**	**757**	**315**	**304**	**176**	**1,283**	**11**	**21**	**-**	**12**	**12**	**17**	**8,942**
Exposure - weighted average EAD[3]															
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Banks & other financial institutions	-	43	-	-	-	-	-	-	-	-	-	-	-	-	**43**
Sovereign	83	24	-	-	-	-	-	-	-	-	-	-	-	-	**77**
Corporate	-	73	93	48	19	-	15	-	-	-	-	-	-	12	**43**
Exposure - weighted average LGD (%)															
Residential mortgages	-	21	21	21	21	21	21	21	21	21	-	21	22	25	**21**
Exposure - weighted average risk weight (%)															
Residential mortgages	-	6	-	18	29	37	47	65	81	104	-	140	164	251	**27**
Banks & ovther financial institutions	-	21	4	-	-	-	-	-	-	-	-	-	-	-	**21**
Sovereign	10	22	-	-	-	-	-	-	-	-	-	-	-	-	**11**
Corporate	-	34	54	45	70	-	116	-	-	-	-	-	-	-	**49**

[3]This table is rounded to the nearest million and, as a result, where individual deals in each PD category are, on average, less than $0.5m this will appear as 'nil' in this disclosure.

APS 330 Table 9d – Exposures by portfolio type and PD band (Portfolios subject to IRB approach)

Portfolios subject to IRB approach														June 2020
	PD band													
Amounts in millions of dollars	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	**Total**
Credit risk exposures															
Residential mortgages	-	28,057	-	9,292	3,943	6,946	4,678	3,857	572	1,072	-	501	485	538	**59,941**
Banks & other financial institutions	-	2,356	-	-	-	-	-	-	-	-	-	-	-	-	**2,356**
Sovereign	4,413	193	-	-	-	-	-	-	-	-	-	-	-	-	**4,606**
Corporate	-	588	300	770	495	-	25	-	24	-	-	-	-	29	**2,231**
Total credit risk exposures	**4,413**	**31,194**	**300**	**10,062**	**4,438**	**6,946**	**4,703**	**3,857**	**596**	**1,072**	**-**	**501**	**485**	**567**	**69,134**
Undrawn commitments															
Residential mortgages	-	5,105	-	649	215	311	215	1,239	15	30	-	13	11	5	**7,808**
Banks & other financial institutions	-	90	-	-	-	-	-	-	-	-	-	-	-	-	**90**
Sovereign	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Corporate	-	275	300	253	91	-	25	-	16	-	-	-	-	-	**960**
Total undrawn commitments	**-**	**5,470**	**300**	**902**	**306**	**311**	**240**	**1,239**	**31**	**30**	**-**	**13**	**11**	**5**	**8,858**
Exposure - weighted average EAD[4]															
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Banks & other financial institutions	-	46	-	-	-	-	-	-	-	-	-	-	-	-	**41**
Sovereign	72	24	-	-	-	-	-	-	-	-	-	-	-	-	**67**
Corporate	-	58	150	45	23	-	25	-	12	-	-	-	-	14	**41**
Exposure - weighted average LGD (%)															
Residential mortgages	-	21	-	21	21	21	21	21	21	21	-	21	21	24	**21**
Exposure - weighted average risk weight (%)															
Residential mortgages[5]	-	5	-	15	24	31	40	55	70	91	-	123	149	243	**23**
Banks & ovther financial institutions	5	21	-	-	-	-	-	-	-	-	-	-	-	-	**21**
Sovereign	11	24	-	-	-	-	-	-	-	-	-	-	-	-	**12**
Corporate	-	38	57	44	61	-	85	-	127	-	-	-	-	-	**49**

[4] This table is rounded to the nearest million and, as a result, where individual deals in each PD category are, on average, less than $0.5m this will appear as 'nil' in this disclosure.
[5] The risk weights reflect the calculated risk weights. A portfolio level CRWA is in place and is not reflected in the calculated weighted averages. The total weighted-average risk weight including the CRWA add-on is 26% in June 2020.

APS 330 Table 9e - Actual losses by portfolio type

Half year losses in reporting period (Portfolios subject to IRB approach)	December 2020	June 2020
Amounts in millions of dollars	Write-offs	Write-offs
Residential mortgages	1	1
Banks & other financial institutions	-	-
Sovereign	-	-
Corporate	-	
Total	**1**	**1**

APS 330 Table 9f - Historical loss analysis by portfolio type

Portfolios subject to IRB approach		December 2020
Amounts in millions of dollars	Half year actual loss	Regulatory 1 year expected loss estimate
Residential mortgages	1	156
Banks & other financial institutions	-	1
Sovereign	-	-
Corporate	-	13
Total	**1**	**170**

Portfolios subject to IRB approach		June 2020
Amounts in millions of dollars	Half year actual loss	Regulatory 1 year expected loss estimate
Residential mortgages	1	123
Banks & other financial institutions	-	1
Sovereign	-	-
Corporate	-	15
Total	**1**	**139**

APS 330 Table 10b and 10c - Credit risk mitigation

			December 2020
Amounts in millions of dollars	Total exposure	Eligible financial collateral	Other eligible collateral
Subject to AIRB and FIRB approach			
Residential mortgages	60,373	-	-
Banks & other financial institutions	2,034	-	-
Sovereign	5,434	-	-
Corporate	2,626	-	-
Total advanced approach	**70,467**	**-**	**-**
Subject to supervisory slotting approach			
Property finance	6,187	-	-
Project finance	2,755	-	-
Total supervisory slotting approach	**8,942**	**-**	**-**
Subject to standardised approach			
Residential mortgages	100	-	-
Property finance	342	-	-
Corporate	1,910	-	-
Other retail	315	-	-
Other assets	105	-	-
Total standardised approach	**2,772**	**-**	**-**
Securitisation	-	-	-
Total exposures	**82,181**	**-**	**-**

			June 2020
Amounts in millions of dollars	Total exposure	Eligible financial collateral	Other eligible collateral
Subject to AIRB and FIRB approach			
Residential mortgages	59,941	-	-
Banks & other financial institutions	2,356	-	-
Sovereign	4,606	-	-
Corporate	2,231	-	-
Total advanced approach	**69,134**	**-**	**-**
Subject to supervisory slotting approach			
Property finance	6,264	-	-
Project finance	2,457	-	-
Total supervisory slotting approach	**8,721**	**-**	**-**
Subject to standardised approach			
Residential mortgages	108	-	-
Property finance	334	-	-
Corporate	2,023	-	-
Other retail	340	-	-
Other assets	127	-	-
Total standardised approach	**2,932**	**-**	**-**
Securitisation	-	-	-
Total exposures	**80,787**	**-**	**-**

APS 330 Table 11b - Counterparty credit risk derivative exposure

Effects of netting on the balance sheet		
Amounts in millions of dollars	December 2020	June 2020
Gross positive fair value	64	73
Netting benefits	(62)	(71)
Netted current credit exposure	**2**	**2**
Collateral held, of which:		
Cash	121	62
Net derivatives credit exposure	**123**	**64**
Derivatives CCR exposure	50	26
Exposure at default	**173**	**90**

Exposure at default		
Amounts in millions of dollars	December 2020	June 2020
Interest Rate Contracts		
Standardised Approach to Counterparty Credit Risk	173	90
Total	**173**	**90**

Securitisation

APS 330 Table 12g - Banking book exposures securitised - traditional securitisation

		December 2020
Amounts in millions of dollars	Originated by the ADI	Third party originated
Underlying asset		
Residential mortgages	14,597	-
Total	**14,597**	**-**

		June 2020
Amounts in millions of dollars	Originated by the ADI	Third party originated
Underlying asset		
Residential mortgages	13,970	-
Total	**13,970**	**-**

APS 330 Table 12h - Past due and impaired banking book exposures by asset type

				December 2020
Amounts in millions of dollars	Outstanding exposure	Impaired	Past due	Losses recognised
Underlying asset				
Residential mortgages	14,597	121	47	-
Total	**14,597**	**121**	**47**	**-**

				June 2020
Amounts in millions of dollars	Outstanding exposure	Impaired	Past due	Losses recognised
Underlying asset				
Residential mortgages	13,970	67	48	-
Total	**13,970**	**67**	**48**	**-**

APS 330 Table 12i-j - Banking book securitisation activity for the reporting period

		December 2020
Amounts in millions of dollars	Total exposures securitised	Recognised gain or loss on sale
Underlying asset		
Residential mortgages	-	-
Total	**-**	**-**

		September 2020
Amounts in millions of dollars	Total exposures securitised	Recognised gain or loss on sale
Underlying asset		
Residential mortgages	-	-
Total	**-**	**-**

		June 2020
Amounts in millions of dollars	Total exposures securitised	Recognised gain or loss on sale
Underlying asset		
Residential mortgages	-	-
Total	**-**	**-**

APS 330 Table 12k - Banking book securitisation exposures retained or purchased

			December 2020
Amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
Securitisation facility type			
Liquidity support facilities	-	346	**346**
Credit enhancements	-	14	**14**
Redraw facilities	-	42	**42**
Derivative facilities	56	-	**56**
Holding of securities	12,788	-	**12,788**
Total securitisation exposures	**12,844**	**402**	**13,246**

			September 2020
Amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
Securitisation facility type			
Liquidity support facilities	-	351	**351**
Credit enhancements	-	14	**14**
Redraw facilities	-	45	**45**
Derivative facilities	62	-	**62**
Holding of securities	12,828	-	**12,828**
Total securitisation exposures	**12,890**	**410**	**13,300**

			June 2020
Amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
Securitisation facility type			
Liquidity support facilities	-	325	**325**
Credit enhancements	-	14	**14**
Redraw facilities	-	50	**50**
Derivative facilities	65	-	**65**
Holding of securities	11,646	-	**11,646**
Total securitisation exposures	**11,711**	**389**	**12,100**

Comparative information has been restated to conform with changes in presentation in the current period.

APS 330 Table 12l - Banking book securitisation exposure deducted from common equity Tier 1 capital

Common equity Tier 1 capital	December 2020	June 2020
Amounts in millions of dollars		
Underlying asset		
Credit enhancements	8	9
Total	**8**	**9**

Market risk

APS 330 Table 17b - Interest rate risk in the banking book

Change in economic value[6]	December 2020	June 2020
Amounts in millions of dollars		
+200 basis point shock	222	161
-200 basis point shock	(222)	(161)

Regulatory RWA	December 2020	June 2020
Amounts in millions of dollars		
Interest rate risk in the banking book	125	125

[6] Change in economic value has been measured as the impact to theoretical present value of IBAL's balance sheet from a 200bp change in interest rates.

Liquidity

Liquidity coverage ratio

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

	Amounts in millions of dollars	December 2020 Total unweighted value (daily average)	Total weighted value (daily average)
	Liquid assets		
1	High-quality liquid assets (HQLA)		5,210
2	Alternative liquid assets (ALA)		6,025
3	Reserve Bank of New Zealand (RBNZ) securities		n/a
	Cash outflows		
4	Retail deposits and deposits from small business customers, of which:	38,879	4,857
5	*stable deposits*	23,259	1,163
6	*less stable deposits*	15,620	3,694
7	Unsecured wholesale funding, of which:	2,147	1,798
8	*operational deposits (all counterparties) and deposits in networks for cooperative banks*	n/a	n/a
9	*non-operational deposits (all counterparties)*	2,030	1,681
10	*unsecured debt*	117	117
11	Secured wholesale funding		-
12	Additional requirements, of which:	8,546	1,212
13	*outflows related to derivatives exposures and other collateral requirements*	622	622
14	*outflows related to loss of funding on debt products*	108	108
15	*credit and liquidity facilities*	7,816	482
16	Other contractual funding obligations	673	221
17	Other contingent funding obligations	679	105
18	**Total cash outflows**		**8,193**
	Cash inflows		
19	Secured lending (e.g. reverse repos)		-
20	Inflows from fully performing exposures	1,499	804
21	Other cash inflows	134	134
22	**Total cash inflows**		**938**
23	**Total liquid assets**		**11,235**
24	**Total net cash outflows**		**7,255**
25	**Liquidity Coverage Ratio (%)**		**155%**

(No of observations: 63)

Liquidity coverage ratio (continued)

			September 2020
	Amounts in millions of dollars	Total unweighted value (daily average)	Total weighted value (daily average)
Liquid assets			
1	High-quality liquid assets (HQLA)		5,598
2	Alternative liquid assets (ALA)		4,537
3	Reserve Bank of New Zealand (RBNZ) securities		n/a
Cash outflows			
4	Retail deposits and deposits from small business customers, of which:	37,035	4,715
5	*stable deposits*	21,741	1,087
6	*less stable deposits*	15,294	3,628
7	Unsecured wholesale funding, of which:	2,562	2,180
8	*operational deposits (all counterparties) and deposits in networks for cooperative banks*	n/a	n/a
9	*non-operational deposits (all counterparties)*	2,511	2,129
10	*unsecured debt*	51	51
11	Secured wholesale funding		-
12	Additional requirements, of which:	8,242	1,015
13	*outflows related to derivatives exposures and other collateral requirements*	483	483
14	*outflows related to loss of funding on debt products*	63	63
15	*credit and liquidity facilities*	7,696	469
16	Other contractual funding obligations	908	240
17	Other contingent funding obligations	967	157
18	**Total cash outflows**		**8,307**
Cash inflows			
19	Secured lending (e.g. reverse repos)		-
20	Inflows from fully performing exposures	1,626	958
21	Other cash inflows	75	75
22	**Total cash inflows**		**1,033**
23	**Total liquid assets**		**10,135**
24	**Total net cash outflows**		**7,274**
25	**Liquidity Coverage Ratio (%)**		**139%**

(No of observations: 65)

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 2020				
		Unweighted value by residual maturity				Weighted value
Amounts in millions of dollars		No maturity	< 6mths	6mths to < 1yr	≥ 1yr	
Available Stable Funding (ASF) Item						
1	**Capital**	**4,782**	**-**	**-**	**109**	**4,891**
2	*Regulatory capital*	4,782	-	-	109	4,891
3	*Other capital instruments*	-	-	-	-	-
4	**Retail deposits and deposits from small business customers**	**-**	**43,481**	**1,683**	**344**	**42,186**
5	*Stable deposits*	-	23,883	-	-	22,689
6	*Less stable deposits*	-	19,598	1,683	344	19,497
7	**Wholesale funding**	**-**	**6,752**	**1,474**	**12,436**	**13,770**
8	*Operational deposits*	-	-	-	-	-
9	*Other wholesale funding*	-	6,752	1,474	12,436	13,770
10	**Liabilities with matching interdependent assets**	**-**	**-**	**-**	**-**	**-**
11	**Other liabilities**	**-**	**1,012**	**-**	**146**	**146**
12	*NSFR derivative liabilities*	-	-	-	-	-
13	*All other liabilities and equity not included in the above categories*	-	1,012	-	146	146
14	**Total ASF**	**4,782**	**51,245**	**3,157**	**13,035**	**60,993**
Required Stable Funding (RSF) Item						
15a	**Total NSFR (HQLA)**	**-**	**1,979**	**80**	**3,374**	**200**
15b	**ALA**	**-**	**894**	**-**	**7,845**	**3,003**
15c	**RBNZ securities**	**-**	**-**	**-**	**-**	**-**
16	**Deposits held at other financial institutions for operational purposes**	**-**	**-**	**-**	**-**	**-**
17	**Performing loans and securities**	**-**	**3,094**	**1,139**	**52,817**	**40,872**
18	*Performing loans to financial institutions secured by Level 1 HQLA*	-	-	-	-	-
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	956	14	89	239
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:*	-	1,894	1,125	9,868	9,935
21	*With a risk weight of less than or equal to 35% under APS 112*	-	-	-	-	-
22	*Performing residential mortgages, of which:*	-	244	-	42,860	30,698
23	*With a risk weight equal to 35% under APS 112*	-	186	-	39,352	27,687
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:**	**-**	**526**	**-**	**1,753**	**2,279**
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*	-	-	-	51	51
30	*NSFR derivative liabilities before deduction of variation margin posted*	-	-	-	122	122
31	*All other assets not included in the above categories*	-	526	-	1,579	2,105
32	**Off-balance sheet items**	**-**	**-**	**-**	**-**	**445**
33	**Total RSF**	**-**	**6,493**	**1,219**	**65,789**	**46,799**
34	**Net Stable Funding Ratio (%)**					**130%**

Net stable funding ratio (continued)

		September 2020				
		Unweighted value by residual maturity				Weighted value
	Amounts in millions of dollars	No maturity	< 6mths	6mths to < 1yr	≥ 1yr	
	Available Stable Funding (ASF) Item					
1	**Capital**	**4,799**	**-**	**-**	**119**	**4,918**
2	*Regulatory capital*	4,799	-	-	119	4,918
3	*Other capital instruments*	-	-	-	-	-
4	**Retail deposits and deposits from small business customers**	**-**	**42,703**	**2,562**	**464**	**42,338**
5	*Stable deposits*	-	22,718	-	-	21,582
6	*Less stable deposits*	-	19,985	2,562	464	20,757
7	**Wholesale funding**	**-**	**6,711**	**2,202**	**12,020**	**13,825**
8	*Operational deposits*	-	-	-	-	-
9	*Other wholesale funding*	-	6,711	2,202	12,020	13,825
10	**Liabilities with matching interdependent assets**	**-**	**-**	**-**	**-**	**-**
11	**Other liabilities**	**-**	**1**	**-**	**153**	**153**
12	*NSFR derivative liabilities*	-	-	-	-	-
13	*All other liabilities and equity not included in the above categories*	-	1	-	153	153
14	**Total ASF**	**4,799**	**49,415**	**4,764**	**12,756**	**61,234**
	Required Stable Funding (RSF) Item					
15a	**Total NSFR (HQLA)**	**-**	**1,010**	**439**	**3,411**	**203**
15b	**ALA**	**-**	**974**	**-**	**5,670**	**2,344**
15c	**RBNZ securities**	**-**	**-**	**-**	**-**	**-**
16	**Deposits held at other financial institutions for operational purposes**	**-**	**-**	**-**	**-**	**-**
17	**Performing loans and securities**	**-**	**3,504**	**1,229**	**54,635**	**41,882**
18	*Performing loans to financial institutions secured by Level 1 HQLA*	-	100	-	-	10
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	1,197	-	14	193
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:*	-	1,954	1,229	9,544	9,732
21	*With a risk weight of less than or equal to 35% under APS 112*	-	-	-	-	-
22	*Performing residential mortgages, of which:*	-	253	-	45,078	31,947
23	*With a risk weight equal to 35% under APS 112*	-	191	-	41,602	28,961
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:**	**-**	**439**	**-**	**981**	**1,420**
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*	-	-	-	31	31
30	*NSFR derivative liabilities before deduction of variation margin posted*	-	-	-	141	141
31	*All other assets not included in the above categories*	-	439	-	809	1,248
32	**Off-balance sheet items**	**-**	**-**	**-**	**-**	**424**
33	**Total RSF**	**-**	**5,927**	**1,668**	**64,698**	**46,272**
34	**Net Stable Funding Ratio (%)**					**132%**

Leverage ratio

Amounts in millions of dollars	December 2020	September 2020	June 2020	March 2020
Tier 1 capital	4,784	4,799	4,651	4,641
Total exposures	77,482	76,840	76,156	79,033
Leverage ratio	**6.2%**	**6.2%**	**6.1%**	**5.9%**

Attachment A Reconciliations

Table 1A Capital disclosure template

		December 2020	
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	3,822	
3	Accumulated other comprehensive income (and other reserves)	(78)	
6	**Common Equity Tier 1 capital before regulatory adjustments**	**5,078**	3A-1
Common Equity Tier 1 Capital: regulatory adjustments			
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	94	2A
11	Cash flow hedge reserve	(86)	3A-1
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related liability)	88	3A-2
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)		
26f	of which: capitalised expenses	133	3A-5
26j	of which: other national specific regulatory adjustments not reported in rows 26a to 26i	65	
28	**Total regulatory adjustments to Common Equity Tier 1**	**294**	
29	**Common Equity Tier 1 Capital (CET1)**	**4,784**	
45	**Tier 1 Capital (T1=CET1+AT1)**	**4,784**	
Tier 2 Capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments	75	3A-7
50	Provisions	33	3A-6
58	**Tier 2 capital (T2)**	**108**	
59	**Total capital (TC=T1+T2)**	**4,892**	
60	**Total risk-weighted assets based on APRA standards**	**32,685**	
Capital ratios and buffers			
61	**Common Equity Tier 1** (as a percentage of risk-weighted assets)	**14.6%**	
62	**Tier 1** (as a percentage of risk-weighted assets)	**14.6%**	
63	**Total capital** (as a percentage of risk-weighted assets)	**15.0%**	
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)	**7.6%**	

Table 2A Regulatory Balance Sheet

	December 2020					
Amounts in millions of dollars	Statutory Balance Sheet	less: Accrued interest	less: Other	Regulatory Balance Sheet	Ref	Footnote
Assets						
Cash	1,755	-	271	1,484		D
Due from other financial institutions	682	-	-	682		
Investment securities	5,083	33	(12,788)	17,838		D
Loans and advances	65,007	27	(3,156)	68,136	3A-3	B,C,D
Derivative assets	64	16	(4)	52		D
Other receivables	117	(76)	(148)	341	3A-4	D
Property, plant and equipment	105	-	-	105		
Intangible assets	94	-	-	94	Row 9	
Deferred tax asset	138	-	(83)	221	3A-2	E
Total Assets	**73,045**	**-**	**(15,908)**	**88,953**		
Liabilities						
Deposits and other borrowings	62,815	84	(17,396)	80,127		D
Debt issues	3,987	9	1,447	2,531	3A-7	C,D
Derivative liabilities	612	42	(10)	580		D
Creditors and other liabilities	302	(135)	21	416		D
Deferred tax liability	50	-	(8)	58	3A-2	E
Provisions	124	-	**(19)**	143		
Total Liabilities	**67,890**	**-**	**(15,965)**	**83,855**		
Net Assets	**5,155**	**-**	**57**	**5,098**		
Equity						
Contributed equity	1,334	-	-	1,334		
Reserves	(1)	-	56	(57)		B
Retained profits	3,822	-	1	3,821		
Total Equity	**5,155**	**-**	**57**	**5,098**	3A-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: Adjustment for controlled entities that are consolidated for accounting purposes, but excluded from the scope of regulatory consolidation. Refer to Table 4A.

E: Different netting methodology within DTA and DTL in Regulatory Balance Sheet and Statutory Balance Sheet.

F: Regulatory balance sheet reports IBAL on standalone basis and does not include securitised or covered bond special purpose vehicles.

Table 3A Capital reconciliations

3A-1 Share Capital		December 2020
Amounts in millions of dollars		Ref
Contributed equity	1,334	
Retained profits	3,822	
Reserves:		
Cash-flow hedge reserve	(86)	Row 11
Fair value reserve	8	
Common Equity Tier 1 Capital per Common Disclosure Template	**5,078**	**Row 6**
Share-based payments reserve	20	
Retained profits for entities excluded from the regulatory consolidation	(0)	
Total Equity per Regulatory Balance Sheet	**5,098**	**2A**

3A-2 Deferred Tax		December 2020
Amounts in millions of dollars		Ref
Deferred tax assets	221	2A
Deferred tax liabilities	(58)	2A
Net deferred tax assets excluded from the regulatory consolidation	(75)	
Net deferred tax assets	**88**	**Row 21**
Net deferred tax liabilities	**-**	

3A-3 Loans and Advances		December 2020
Amounts in millions of dollars		Ref
Loans and Advances per Regulatory Balance Sheet	**68,136**	**2A**
of which:		
Housing Loans	51,933	
Loans to non-financial corporations	12,277	
Loans to financial corporations	3,900	
Personal loans	308	
Specific Provisions	(87)	
General Reserve for Credit Losses	(162)	3A-6
Deferred Fee Income	(33)	3A-5

3A-4 Other Receivables		December 2020
Amounts in millions of dollars		Ref
Other Receivables per Regulatory Balance Sheet	**341**	**2A**
of which:		
Interest Receivable Loans	76	
Capitalised Debt Raising	-	
Capitalised Securitisation Start-up costs	6	3A-5
Capitalised Loan Origination Costs	160	
Items in Suspense	22	
Other	77	

Table 3A Capital reconciliations (continued)

3A-5 Capitalised expenses	December 2020	
Amounts in millions of dollars		Ref
Deferred Fee Income	(33)	3A-3
Capitalised Debt Raising	-	
Capitalised Securitisation Start-up costs	6	3A-4
Capitalised Loan Origination Costs	160	
Capitalised expenses per Common Disclosure Template	**133**	**Row 26f**

3A-6 General reserve for credit losses	December 2020	
Amounts in millions of dollars		Ref
GRCL: Portfolios under the standardised-approach (eligible for capital)	33	
of which: eligible for capital	33	Row 50
GRCL: Portfolios under the IRB ratings-based approach	129	
of which: eligible for capital	-	
Total GRCL	**162**	**3A-3**

3A-7 Debt issues	December 2020	
Amounts in millions of dollars		Ref
Debt Issues per Regulatory Balance Sheet	**2,531**	**2A**
of which:		
Other debt issues	2,456	
Subordinated debt	75	Row 46

Table 4A Excluded entities

The following entities controlled by IBAL are excluded from the regulatory scope of consolidation. IBAL uses these entities as part of its securitisation activities.

	December 2020	
Amounts in millions of dollars	Total assets	Total liabilities
IDS Trust 2008-1	12,516	12,543
IDOL Trust Series 2013-2	136	136
IDOL Trust Series 2014-1	201	201
IDOL Trust Series 2015-1	200	200
IDOL Trust Series 2016-1	240	241
IDOL Trust Series 2017-1	443	443
IDOL Trust Series 2019-1	1,263	1,266
IBAL Covered Bond Trust	3,430	3,391

* During the year, IDOL Trust Series 2011-1, IDOL Trust Series 2011-2, IDOL Trust Series 2012-1, IDOL Trust Series 2012-2 and IDOL Trust Series 2013-1 were wound up.

Attachment B Composition of the Leverage Ratio

		December 2020
Amounts in millions of dollars		
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and securities financing transactions (SFTs), but including collateral)	72,980
2	(Asset amounts deducted in determining Tier 1 capital)	(323)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)**	**72,657**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	172
5	Add-on amounts for potential future credit exposure (PFCE) associated with *all* derivatives transactions	-
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)**	**172**
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	9,437
18	(Adjustments for conversion to credit equivalent amounts)	(4,784)
19	**Other off-balance sheet exposures (sum of rows 17 and 18)**	**4,653**
Capital and total exposures		
20	**Tier 1 Capital**	**4,784**
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	**77,482**
Leverage ratio		
22	**Leverage ratio**	**6.2%**