ING

Pillar 3 - Capital Adequacy & Risk Disclosures

December 2021

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do your thing

Contents

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 located within Australia.

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[1] 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, operational and market 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 management buffers that are sufficient to absorb potential losses under stress scenarios of certain severities, and are forward-looking in the sense that they take into account future regulation changes including increased minimum capital requirements. 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 pay-outs. 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 management buffers and capital plan are established on an annual basis and adjusted when significant events require so. The capital plan 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, upcoming regulation changes and peer positioning. All the components of the capital plan are monitored throughout the year and are revised as appropriate.

The Board has set internal targets and risk appetite limits on top of the prudential requirements to manage the capital ratio. The calibration of the targets and risk appetite limits includes consideration of upholding regulatory requirements and commitments in times of stress.

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, Foundation IRB for Treasury and Corporate Lending, Supervisory slotting for the Real Estate related wholesale and business lending portfolios and the project finance activities, while Credit Cards, Priority Commercial Mortgages, Personal Loans and niche portfolios in Wholesale Banking, apply the Standardised Approach. The Supervisory Formula Approach is applied to the relevant securitisation exposures.

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 Accreditation from APRA, 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.

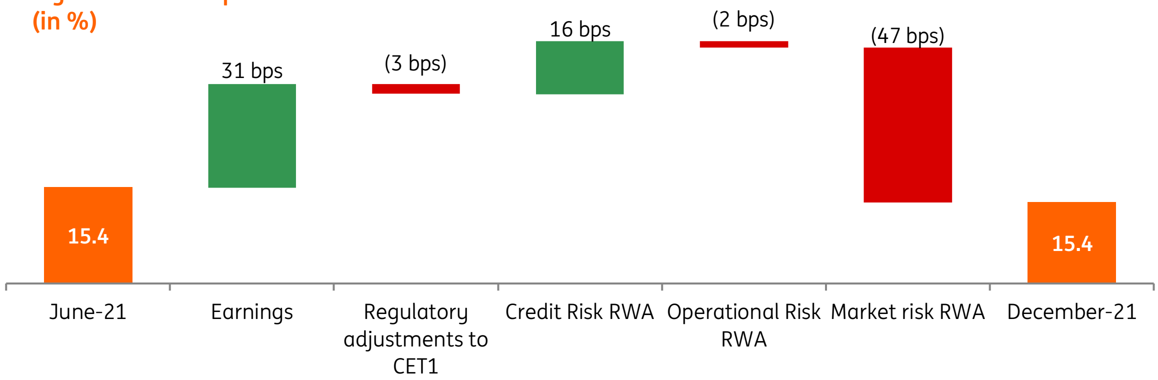
[1] APRA capital framework builds on the pillars Prudential Capital Requirement, Capital Conservation Buffer and Counter Cyclical Buffer (CCyB). The CCyB relates to exposure to non-Australian counterparties in jurisdictions where a CCyB applies. ING Australia has limited exposures in these jurisdictions, 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 15.4% at 31 December 2021, largely in line with 30 June 2021. Capital movements are attributable to the following:

- An increase in retained earnings of $326m driven by profit growth (+31 bps);
- A decrease in regulatory adjustments is mainly attributed by increase in capitalised expenses and shortfall in provisions for credit losses (-3 bps);
- A decrease of Credit Risk RWA to $27,053m (16 bps);
- An increase in operational risk RWA of $130m (-2bps) is driven by profit growth in retail banking activities and commercial banking activities; and
- Market Risk RWA increased from $1,167m at June 2021 to $4,061m at the end of 2021 (-47 bps). This is mainly attributable to an increase in market interest rates that reduced the embedded gain on IBAL's fixed rate balance sheet exposures. This exposure also increased as a result of growth in fixed rate mortgages over the year.

Figure 1: Total Capital movement (in %)

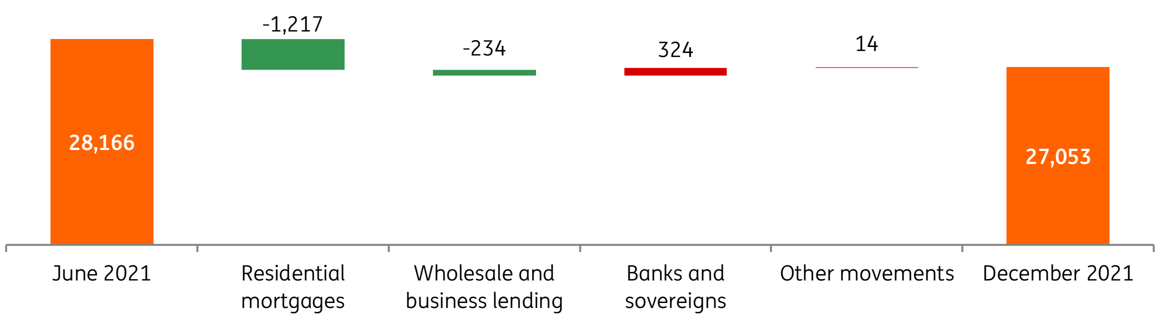


Credit Risk Weighted Assets (CRWA)

The decrease in CRWA for the second half of 2021 is explained by the following:

- Residential Mortgages:
  - Improved credit risk ratings in the performing portfolio;
  - A reduction in management overlay for the expected worsening of the COVID-19 impacted sub-portfolio[2];
  - Increase in residential property prices, largely mitigated by the regulatory floor on IRB Mortgages; and
- Wholesale and business lending improved the credit risk ratings in the performing portfolio.

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



[2] ING uses a decision tree approach (based on the latest available customer information) to conduct Unlikely-to-Pay (UTP) assessments. These assessments determine whether an exposure is in default. As at 31 December 2021, a management overlay remains in place for the expected worsening of the COVID-19 impacted sub-portfolio, having decreased from the 30 June 2021 position, due to attrition and accounts now materialised into default status.

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 ▪ Wholesale Banking and Group Treasury Credit Policy ▪ Commercial Real Estate ("CRE") Credit Risk Policy ▪ Large Exposure and Related Entity ("LEREP") Policy ▪ Retail Credit Risk ("RCR") Policy ▪ Watch List Sub-Committee Charter (Wholesale Banking and Business Lending) ▪ Residential Mortgage Underwriting Guidelines ("RMUG") ▪ Definition of Default ("DoD") Policy (Retail) ▪ Definition of Default ("DoD") Policy (Retail) (Addendum) ▪ Loan Loss Provisioning ("LLP") Policy ▪ Definition of Default ("DoD") Policy (Non-Retail) ▪ Credit Risk Framework Policy ▪ Wholesale Banking Mandate Procedure ▪ Problem Loan Management ("PLM") (Non-Retail) ▪ Commercial Property Finance ("CPF") Mandate Procedure ▪ Consumer Lending Verification Procedure ▪ Retail and PCM Delegated Lending Authority ("DLA") Management Procedure ▪ Priority Commercial Mortgage ("PCM") Underwriting Guidelines ▪ Commercial Property Finance ("CPF") Underwriting Guidelines ▪ PCM Servicing Calculator Procedure and Control Guidelines ▪ Commercial Servicing Calculator
Market Risk – Interest Rate Risk	▪ Loans and advances ▪ Deposits and other borrowings ▪ Financial assets at FVOCI ▪ Securities at amortised cost ▪ Debt issuances	▪ 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 ▪ IRRBB Stress Testing Methodology ▪ IRRBB Policy and Minimum Standards for Measurement ▪ Asset and Liability Management ("ALM") Policy ("IBAL") ▪ Asset and Liability Committee (Terms of Reference) ▪ Funds Transfer Pricing ("FtP") Procedure ▪ Retail Deposit Run Plan ▪ Funds Transfer Pricing ("FtP") Policy ▪ Liquidity Stress Testing Methodology

Risk	Exposure arising from	Measurement	Governance
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 ("ALM") Policy ("IBAL")
Liquidity and funding risk	▪ Deposits and other borrowings ▪ Debt issuances ▪ Undrawn loan commitments	▪ Scenario analysis and stress testing ▪ Liquidity Coverage Ratio ("LCR") ▪ Net Stable Funding Ratio ("NSFR") ▪ Behavioural models	▪ Risk Management Strategy ▪ Risk Appetite Statement ▪ Asset and Liability Management ("ALM") Policy ("IBAL") ▪ Securitisation Policy ("IBAL") ▪ Contingency Funding Plan ("CFP") ▪ Intraday Contingency Funding Plan ("ICFP") ▪ Covered Bond Policy ▪ Funding and Liquidity Risk Policy ▪ Liquidity Stress Testing Methodology
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 ▪ Outsourcing Policy (IBAL and Sydney Branch) ▪ ING Group Fraud Management Policy ▪ ING Group Fraud Management Control Standard ▪ Operational Risk Management ("ORM") Policy ("IBAL") ▪ Risk Mitigation and Issue Tracking Procedure ▪ ING Group Product Approval and Review ("PARP") Policy & Minimum Standard ▪ Product Approval Review Process ("PARP") Local Annex ▪ Acceptable Use and Information Guidelines ▪ Operational Event Management Procedure (Event Management Process) ▪ Anti-Money Laundering ("AML") Counter Terrorism Financing ("CTF") Compliance Program (Part A and B) ▪ FATCA and CRS Policy ▪ Compliance Risk Management Framework Policy ▪ Anti-Bribery and Corruption ("ABC") Policy ▪ Conflict of Interest and Market Abuse ("COI-MA") Policy ▪ Fit and Proper Policy ▪ Whistleblower Protection and Reporting Policy ▪ Customer Best Interest ("CBI") Policy ▪ Advice Procedure ▪ Compliance Training and Awareness Procedure ▪ Competition Law ▪ Complaints Policy (Public) ▪ Personal Account Dealing ("PAD") Procedure

Risk	Exposure arising from	Measurement	Governance
Non-Financial Risk (i.e. operational, compliance and legal risk) (Continued)			▪ Compliance Assessment and Regulatory Reporting Procedure ▪ Record Retention Procedure ▪ CPS 220 Risk Management Attestation Procedure ▪ Benchmark Regulation - Robust Written Plan ▪ Customer Complaints and Disputes Handling Procedure ▪ Whistleblower Procedure ▪ Consumer Data Right ("CDR") Policy ▪ Privacy Policy ▪ Privacy Risk Management Framework ▪ ING Group Fraud Management Policy and Minimum Standard ▪ Stress Testing Policy ▪ ING Group IT Security Policy ▪ ING Group Information Processing Policy ▪ ING Group Information and Continuity Risk Management Procedure ▪ IBAL Mandatory Data Breach Reporting Procedure ▪ ING Group Cybercrime Resilience Minimum Standard ▪ ING Group Data Management Minimum Standard ▪ ING Group Data Protection Minimum Standard ▪ ING Group Platform Security Minimum Standard ▪ ING Group Security Monitoring Minimum Standard

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[3] 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.

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

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.

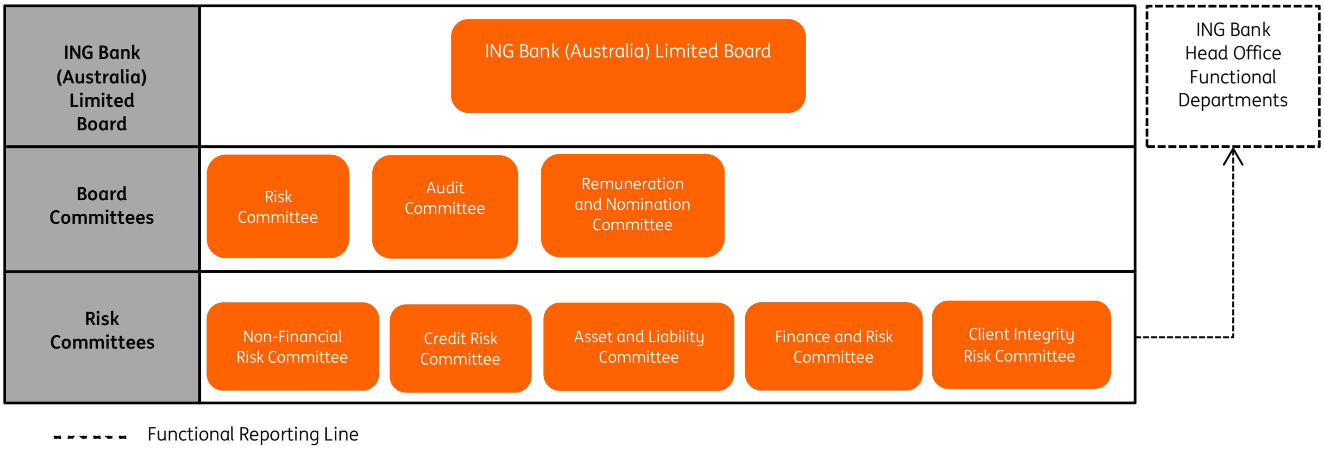
Risk Management Organisation

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 over 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.
- 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.
- Client 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 CIRC is chaired by the CRO.

The FRC meets on a quarterly basis while the other risk committees meet monthly.

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 2021, 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

Interest rate risk in the banking book (IRRBB) 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. It arises from a mismatch between the duration of assets and liabilities that arises in the normal course of banking activities. These activities include lending, balance sheet funding and capital management. IRRBB 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

The Bank's Treasury department is responsible for managing IRRBB, while the Market Risk unit (reporting into the Chief Risk Officer and ALCO) provides independent oversight of this management. Treasury hedges residual market risk exposures using derivatives.

The Bank 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 further explained in Note 9 of the IBAL Annual Report 2021 in relation to hedging using derivatives to mitigate exposure to interest, market and foreign exchange risk. The Bank also has APRA model accreditation to determine IRRBB regulatory capital. Under the model, regulatory capital is determined using a Historical Value-at-Risk (HVaR) model based on 10 years of historical data with a scaled 1 year, 99th percentile, one-tailed confidence interval. The calculated HVaR exposure is measured relative to a Board-approved risk appetite limit.

The Market Risk unit also measures and manages the structural interest rate mismatch associated with the transfer priced balance sheet. This is done by measuring the net interest income (NII) and net present value (NPV) sensitivity of the balance sheet to changes in interest rates, which is reported to and overseen by ALCO. Another key metric used to manage IRRBB is the sensitivity of NII, which is measured using NII-at-Risk (NIIaR). NIIaR is calculated by measuring projected earnings over a 1, 2 and 3 year time horizon using a number of predefined scenarios specifying changes in the level and term structure of interest rates. Measurement of NIIaR incorporates forecasts of runoff in existing business, as well as new business over the projected time horizon. Both NIIaR and NPVaR take into account behavioural assumptions relating to the Bank's mortgage products and those without contractual maturity (such as savings and current accounts). They are subject to Board approved risk appetite limits.

The Bank's operations are primarily carried out in Australian dollars, therefore appetite for foreign exchange risk is low and monitored on a daily basis by the Market Risk unit.

Daily monitoring of market risk exposures is carried out independently by the Market Risk unit. The exposures are reported to senior management across a number of stakeholder groups (Treasury, Finance and Risk). Monthly reports are produced for the ALCO, while quarterly reports are also prepared for Board Risk Committee to fully and transparently disclose all material market risk exposures and any issues that might have arisen during the reporting period.

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 IBAL's external securitisation program. IBAL provides a range of facilities to the various IDOL trusts as well as IDS 2008-1, including interest rate swaps, basis swaps, redraw facilities, liquidity facilities and bank accounts. In 2021, as part of the wholesale banking activities, IBAL commenced activities including the provision of facilities and funding to securitisation special purpose vehicles (SPVs) funding third party originated assets.

There were no new IDOL Trusts established in 2021 and no IDOL trusts were terminated. The size of the IDS 2008-1 Trust was unchanged in size during 2021.

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 IBAL undertakes a securitisation under the IDOL program it uses S&P Global Ratings and Moody's Investors Service to provide ratings on the securities issued by the trust. Securities issued by the IDS 2008-1 Trust are rated by S&P Global Ratings.

IBAL only undertakes funding-only securitisations and therefore includes the underlying exposures in the pool in the calculation of its regulatory capital under APS 113.

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

Accounting Policies

The Bank conducts loan securitisation programs whereby the equitable rights to selected mortgage loans are sold to a Trust. The Trust then uses those assets as collateral for the issuance of debt securities.

The investors in the securities issued by a Trust have full recourse to the assets transferred to that Trust. The Bank receives the residual income distributed by each Trust 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 each Trust and interest rate risk from each Trust 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 each Trust 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. Each trust has an obligation to repay all notes that it has issued and these amounts are recognised as financial liabilities of the Controlled Entities of the Bank.

In addition, the Bank discloses securitisation income, which represents income received from the Trusts including 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 and Funding Risk

Liquidity risk is the risk that IBAL cannot meet its financial liabilities as and when they become due, at reasonable cost and in a timely manner. Treasury is responsible for ensuring that IBAL has continuous access to funds in accordance with policies established and monitored by the Board, Risk Committee and ALCO. The primary objective is to maintain sufficient liquidity in order to ensure safe and sound operations.

The key objectives of IBAL's liquidity management policy are to measure, monitor and report expected liquidity flows and maintain a level of liquidity in excess of regulatory and internal defined limits and also to provide early warning signals of potential adverse developments, so that preventative actions may be taken before any liquidity strain is experienced.

IBAL's Liquidity policy has been developed in accordance with the liquidity management policies of ING Groep N.V. and APRA prudential standards. APRA Prudential Standard APS 210 Liquidity includes the liquidity coverage ratio (LCR) that measures the Bank's ability to sustain a 30-day pre-defined liquidity stress scenario. The current internal policy requires IBAL to maintain a buffer of marketable liquid assets throughout the year.

The net stable funding ratio (NSFR) establishes a minimum stable funding requirement based on the liquidity profile of the Bank's assets and off balance sheet activity over a one-year horizon.

Part of IBAL's liquidity strategy is to have adequate and up to date contingency funding plans and early warning liquidity triggers in place. The contingency funding plans were established to address temporary and long-term liquidity disruptions caused by a general event in the market or an IBAL specific event. These plans ensure that all roles and responsibilities are clearly defined and all necessary management information is in place.

The main objective of IBAL's contingency funding plan and early warning liquidity triggers is to enable senior management to act effectively and efficiently in times of crisis. The contingency funding plan is regularly tested using crisis simulation, the most recent simulation having been carried out in June 2021.

RBA Term Funding Facility

During 2021, IBAL continued to use the RBA term funding facility (TFF). The TFF is a three-year secured funding facility to ADIs at an original fixed rate of 0.25%, which APRA allowed the undrawn amounts under this facility to be included in the LCR and NSFR calculations. However, the TFF closed to new drawings on 30 June 2021 and these allowances are therefore zero from that date.

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.

The LCR 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 are based on APRA determined run-off factors. At 31 December 2021, approximately 70% of IBAL's funding was provided by residential and businesses sources and 30% was provided by wholesale and other sources. This funding mix is regularly monitored in relation to an optimal funding mix, which forms part of the Bank's risk appetite statement.

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.

IBAL's average LCR for the quarter ended 31 December 2021 was 146%, which is an increase of 15% from 131% reported for the quarter ended 30 September 2021. This movement was predominantly driven by an increase in borrowings from head office to fund the growth in loans as well as an increase liquid asset holdings at year-end.

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, taking into account their respective maturity profiles.

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.

IBAL's NSFR for the quarter ended 31 December 2021 was 132%. An increase in long-term borrowings from head office was predominantly offset by an increase in long-term assets (mainly residential mortgages), resulting in a marginal increase of 1% from 131% reported for the quarter ended 30 September 2021.

Capital

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

Amounts in millions of dollars	December 2021	September 2021	June 2021
Subject to AIRB approach			
Residential mortgages	14,583	15,228	15,793
Total RWA subject to AIRB approach	**14,583**	**15,228**	**15,793**
Subject to FIRB approach			
Banks & other financial institutions	506	449	317
Sovereign	812	795	678
Corporate	1,380	1,522	1,315
Total RWA subject to FIRB approach	**2,698**	**2,766**	**2,310**
Subject to supervisory slotting approach			
Property finance	5,156	4,866	5,203
Project finance	2,309	2,442	2,351
Total RWA subject to supervisory slotting approach	**7,465**	**7,308**	**7,554**
Subject to standardised approach			
Residential mortgages	56	60	63
Property finance	229	262	277
Corporate	1,597	1,607	1,759
Other retail	309	297	314
Other assets	101	98	89
Total RWA subject to standardised approach	**2,292**	**2,324**	**2,502**
Securitisation	6	-	-
Credit valuation adjustment	9	7	7
Central counterparties	-	-	-
Total credit risk RWA	**27,053**	**27,633**	**28,166**
Interest rate risk in the banking book	4,061	1,766	1,167
Operational risk	4,012	3,882	3,882
Total RWA	**35,127**	**33,281**	**33,215**

APS 330 Table 6g - Capital ratios

	December 2021	September 2021	June 2021
Common equity tier 1 capital ratio	15.2%	15.6%	15.1%
Tier 1 capital ratio	15.2%	15.6%	15.1%
Total capital ratio	**15.4%**	**15.9%**	**15.4%**

Credit risk

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

December 2021					
		Off-Balance sheet			
Amounts in millions of dollars	On-Balance sheet	Market related	Non-market related	Total	6-month average
Residential mortgages	54,164	-	8,939	**63,103**	62,107
Property finance	5,954	-	469	**6,423**	6,416
Project finance	2,882	-	255	**3,137**	3,007
Corporate	3,646	-	772	**4,418**	4,544
Banks & other financial institutions	2,641	353	9	**3,003**	2,347
Sovereign	7,137	-	-	**7,137**	6,705
Other retail	308	-	-	**308**	304
Other assets	101	-	-	**101**	96
Total credit exposures	**76,833**	**353**	**10,444**	**87,630**	**85,526**

September 2021					
		Off-Balance sheet			
Amounts in millions of dollars	On-Balance sheet	Market related	Non-market related	Total	3-month average
Residential mortgages	53,377	-	8,765	**62,142**	61,679
Property finance	5,993	-	380	**6,373**	6,357
Project finance	2,727	-	293	**3,020**	2,953
Corporate	3,754	-	833	**4,587**	4,510
Banks & other financial institutions	2,322	180	6	**2,508**	2,372
Sovereign	6,497	-	-	**6,497**	6,723
Other retail	296	-	-	**296**	303
Other assets	98	-	-	**98**	93
Total credit exposures	**75,064**	**180**	**10,277**	**85,521**	**84,990**

June 2021					
		Off-Balance sheet			
Amounts in millions of dollars	On-Balance sheet	Market related	Non-market related	Total	6-month average
Residential mortgages	52,796	-	8,392	**61,188**	60,733
Property finance	6,048	-	356	**6,404**	6,383
Project finance	2,669	-	260	**2,929**	2,792
Corporate	3,676	-	754	**4,430**	4,671
Banks & other financial institutions	1,429	176	6	**1,611**	1,665
Sovereign	6,869	-	-	**6,869**	5,563
Other retail	314	-	-	**314**	313
Other assets	89	-	-	**89**	96
Total credit exposures	**73,890**	**176**	**9,768**	**83,834**	**82,216**

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

	December 2021							
	Counterparty type							
Amounts in millions of dollars	Retail	Bank	Sovereign	Property finance	Infra-structure	Utility & Power	Other	**Total**
Residential mortgages	63,103	-	-	-	-	-	-	**63,103**
Property finance	-	-	-	6,423	-	-	-	**6,423**
Project finance	-	-	-	-	1,431	1,646	60	**3,137**
Corporate	-	-	-	4	560	690	3,164	**4,418**
Banks & other financial institutions	-	3,003	-	-	-	-	-	**3,003**
Sovereign	-	-	6,938	-	199	-	-	**7,137**
Other retail	308	-	-	-	-	-	-	**308**
Other assets	-	-	-	-	-	-	101	**101**
Total credit exposures	**63,411**	**3,003**	**6,938**	**6,427**	**2,190**	**2,336**	**3,325**	**87,630**

	June 2021							
	Counterparty type							
Amounts in millions of dollars	Retail	Bank	Sovereign	Property finance	Infra-structure	Utility & Power	Other	**Total**
Residential mortgages	61,188	-	-	-	-	-	-	**61,188**
Property finance	-	-	-	6,404	-	-	-	**6,404**
Project finance	-	-	-	94	1,336	1,439	60	**2,929**
Corporate	-	-	-	4	537	788	3,101	**4,430**
Banks & other financial institutions	-	1,611	-	-	-	-	-	**1,611**
Sovereign	-	-	6,670	-	199	-	-	**6,869**
Other retail	314	-	-	-	-	-	-	**314**
Other assets	-	-	-	-	-	-	89	**89**
Total credit exposures	**61,502**	**1,611**	**6,670**	**6,502**	**2,072**	**2,227**	**3,250**	**83,834**

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

						December 2021
Amounts in millions of dollars	<=3 months	>3 months <=1 year	>1 year <=5 years	>5 years	No maturity specified	**Total**
Residential mortgages	-	1	45	62,516	541	**63,103**
Property finance	280	1,369	4,282	491	1	**6,423**
Project finance	75	351	2,362	349	-	**3,137**
Corporate	11	564	2,579	1,263	1	**4,418**
Banks & other financial institutions	1,528	445	1,027	3	-	**3,003**
Sovereign	3,133	488	2,139	1,377	-	**7,137**
Other retail	1	7	208	13	79	**308**
Other assets	-	-	-	-	101	**101**
Total credit exposures	**5,028**	**3,225**	**12,642**	**66,012**	**723**	**87,630**

						June 2021
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	42	60,558	586	**61,188**
Property finance	542	1,433	3,968	460	1	**6,404**
Project finance	300	260	2,136	233	-	**2,929**
Corporate	20	175	2,789	1,445	1	**4,430**
Banks & other financial institutions	293	310	1,005	3	-	**1,611**
Sovereign	2,906	364	1,969	1,630	-	**6,869**
Other retail	1	8	232	4	69	**314**
Other assets	-	-	-	-	89	**89**
Total credit exposures	**4,063**	**2,551**	**12,141**	**64,333**	**746**	**83,834**

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

December 2021					
				Quarterly movement	
Amounts in millions of dollars	Past due facilities	Impaired facilities	Specific provisions	Charge to specific provisions	Write offs
Residential mortgages	254	948	70	6	-
Property finance	6	8	1	-	-
Project finance	-	-	-	-	-
Corporate	18	113	10	6	-
Banks & other financial institutions	-	-	-	-	-
Sovereign	-	-	-	-	-
Other retail	-	9	10	(2)	1
Other assets	-	-	-	-	-
Total	**278**	**1,078**	**91**	**10**	**1**

September 2021					
				Quarterly movement	
Amounts in millions of dollars	Past due facilities	Impaired facilities	Specific provisions	Charge to specific provisions	Write offs
Residential mortgages	232	1,075	64	-	-
Property finance	5	11	1	-	-
Project finance	-	-	-	-	-
Corporate	16	67	4	(3)	-
Banks & other financial institutions	-	-	-	-	-
Sovereign	-	-	-	-	-
Other retail	-	10	12	(2)	2
Other assets	-	-	-	-	-
Total	**253**	**1,163**	**81**	**(5)**	**2**

June 2021					
				Quarterly movement	
Amounts in millions of dollars	Past due facilities	Impaired facilities	Specific provisions	Charge to specific provisions	Write offs
Residential mortgages	246	1,075	64	(11)	-
Property finance	21	10	1	-	-
Project finance	-	-	-	-	-
Corporate	21	69	7	(1)	-
Banks & other financial institutions	-	-	-	-	-
Sovereign	-	-	-	-	-
Other retail	-	13	14	(1)	-
Other assets	-	-	-	-	-
Total	**288**	**1,167**	**86**	**(13)**	**-**

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

Movement in collective provisions	December 2021	June 2021
Amounts in millions of dollars		
Opening balance	147	189
Net charge against profit and loss	(24)	(41)
Recoveries	-	-
Write-offs	(3)	-
Less collective provisions transferred to specific provisions	-	-
Total collective provisions	**121**	**147**
Less collective provisions treated as specific provisions for regulatory purposes	(84)	(86)
Additional GRCL requirement	67	54
General reserve for credit losses	**104**	**115**

Movement in individual provisions	December 2021	June 2021
Amounts in millions of dollars		
Opening balance	-	3
New and increase provisioning	7	-
Write back of provisions no longer required	-	(3)
Write-offs	-	-
Discount unwind to interest income	-	-
Add collective provisions transferred to specific provisions	-	-
Total individual provisions	**7**	**-**

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

					December 2021
Amounts in millions of dollars	AIRB	FIRB	Slotting	Standardised	Total
Portfolio type					
Residential mortgages	63,020	-	-	83	**63,103**
Property finance	-	-	6,194	229	**6,423**
Project finance	-	-	3,137	-	**3,137**
Corporate	-	2,821	-	1,597	**4,418**
Banks & other financial institutions	-	3,003	-	-	**3,003**
Sovereign	-	7,137	-	-	**7,137**
Other Retail	-	-	-	308	**308**
Other Assets	-	-	-	101	**101**
Total credit exposures	**63,020**	**12,961**	**9,331**	**2,318**	**87,630**

					June 2021
Amounts in millions of dollars	AIRB	FIRB	Slotting	Standardised	Total
Portfolio type					
Residential mortgages	61,097	-	-	91	**61,188**
Property finance	-	-	6,127	277	**6,404**
Project finance	-	-	2,929	-	**2,929**
Corporate	-	2,672	-	1,758	**4,430**
Banks & other financial institutions	-	1,611	-	-	**1,611**
Sovereign	-	6,869	-	-	**6,869**
Other Retail	-	-	-	314	**314**
Other Assets	-	-	-	89	**89**
Total credit exposures	**61,097**	**11,152**	**9,056**	**2,529**	**83,834**

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

			December 2021
Amounts in millions of dollars	General reserve for credit losses	Specific provisions	Total
Collective provision	37	84	121
Individual provision	-	7	7
Total provisions	**37**	**91**	**128**
Additional GRCL requirement	67	-	67
Total regulatory provisions	**104**	**91**	**195**

			September 2021
Amounts in millions of dollars	General reserve for credit losses	Specific provisions	Total
Collective provision	54	81	135
Individual provision	-	-	-
Total provisions	**54**	**81**	**135**
Additional GRCL requirement	62	-	62
Total regulatory provisions	**116**	**81**	**197**

			June 2021
Amounts in millions of dollars	General reserve for credit losses	Specific provisions	Total
Collective provision	61	86	147
Individual provision	-	-	-
Total provisions	**61**	**86**	**147**
Additional GRCL requirement	54	-	54
Total regulatory provisions	**115**	**86**	**201**

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	December 2021	June 2021
Amounts in millions of dollars		
Risk weight		
0%	-	-
20%	-	-
35%	-	-
50%	26	25
75%	54	63
100%	2,236	2,441
150%	2	-
>150%	-	-
Capital deductions	-	-
Total	**2,318**	**2,529**

Supervisory Slotting

Exposure after credit risk mitigation	December 2021	June 2021
Amounts in millions of dollars		
Supervisory category		
Strong (70%)	6,495	6,368
Good (90%)	2,285	2,023
Satisfactory (115%)	237	258
Weak (250%)	236	391
Default (0%)	78	16
Total	**9,331**	**9,056**

APS 330 Table 9d – Exposures by portfolio type and PD band (Portfolios subject to IRB approach)[4]

															December 2021
	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	-	34,743	-	8,127	3,113	7,632	3,521	3,278	295	509	-	305	277	1,220	**63,020**
Banks & other financial institutions	-	2,993	10	-	-	-	-	-	-	-	-	-	-	-	**3,003**
Sovereign	5,869	1,268	-	-	-	-	-	-	-	-	-	-	-	-	**7,137**
Corporate	-	475	1,036	446	798	-	66	-	-	-	-	-	-	-	**2,821**
Total credit risk exposures	**5,869**	**39,479**	**1,046**	**8,573**	**3,911**	**7,632**	**3,587**	**3,278**	**295**	**509**	**-**	**305**	**277**	**1,220**	**75,981**
Undrawn commitments															
Residential mortgages	-	5,979	-	473	165	317	166	1,776	8	14	-	8	6	19	**8,931**
Banks & other financial institutions	-	362	-	-	-	-	-	-	-	-	-	-	-	-	**362**
Sovereign	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Corporate	-	75	152	182	262	-	20	-	-	-	-	-	-	-	**691**
Total undrawn commitments	**-**	**6,416**	**152**	**655**	**427**	**317**	**186**	**1,776**	**8**	**14**	**-**	**8**	**6**	**19**	**9,984**
Exposure - weighted average EAD															
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Banks & other financial institutions	-	66	10	-	-	-	-	-	-	-	-	-	-	-	**65**
Sovereign	107	51	-	-	-	-	-	-	-	-	-	-	-	-	**89**
Corporate	-	119	65	37	23	-	16	-	-	-	-	-	-	-	**40**
Exposure - weighted average LGD (%)															
Residential mortgages	-	20	-	20	20	21	21	21	20	21	-	20	20	23	**20**
Exposure - weighted average risk weight (%)															
Residential mortgages	-	6	-	16	26	34	44	61	73	96	-	129	152	233	**23**
Banks & other financial institutions	-	17	51	-	-	-	-	-	-	-	-	-	-	-	**17**
Sovereign	9	21	-	-	-	-	-	-	-	-	-	-	-	-	**11**
Corporate	-	24	49	49	59	-	100	-	-	-	-	-	-	-	**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.

APS 330 Table 9d – Exposures by portfolio type and PD band (Portfolios subject to IRB approach)[5] (continued)

															June 2021
	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	-	31,734	-	8,511	3,485	7,569	3,531	3,277	354	602	-	359	337	1,338	**61,097**
Banks & other financial institutions	-	1,610	1	-	-	-	-	-	-	-	-	-	-	-	**1,611**
Sovereign	6,433	436	-	-	-	-	-	-	-	-	-	-	-	-	**6,869**
Corporate	-	709	722	647	539	-	30	-	-	-	-	-	-	24	**2,671**
Total credit risk exposures	**6,433**	**34,489**	**723**	**9,158**	**4,024**	**7,569**	**3,561**	**3,277**	**354**	**602**	**-**	**359**	**337**	**1,362**	**72,248**
Undrawn commitments															
Residential mortgages	-	5,615	-	533	182	311	163	1,520	10	17	-	9	7	19	**8,386**
Banks & other financial institutions	-	181	1	-	-	-	-	-	-	-	-	-	-	-	**182**
Sovereign	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Corporate	-	221	27	299	137	-	-	-	-	-	-	-	-	-	**684**
Total undrawn commitments	**-**	**6,017**	**28**	**832**	**319**	**311**	**163**	**1,520**	**10**	**17**	**-**	**9**	**7**	**19**	**9,252**
Exposure - weighted average EAD															
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Banks & other financial institutions	-	42	-	-	-	-	-	-	-	-	-	-	-	-	**42**
Sovereign	103	33	-	-	-	-	-	-	-	-	-	-	-	-	**92**
Corporate	-	70	90	43	18	-	15	-	-	-	-	-	-	12	**40**
Exposure - weighted average LGD (%)															
Residential mortgages	-	20	-	20	20	21	21	21	20	21	-	21	21	24	**20**
Exposure - weighted average risk weight (%)															
Residential mortgages	-	6	-	17	28	36	46	64	76	100	-	135	157	241	**26**
Banks & other financial institutions	-	20	4	-	-	-	-	-	-	-	-	-	-	-	**20**
Sovereign	9	26	-	-	-	-	-	-	-	-	-	-	-	-	**10**
Corporate	-	32	55	48	65	-	108	-	-	-	-	-	-	-	**49**

[5] 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 9e - Actual losses by portfolio type

Losses in reporting period (Portfolios subject to IRB approach)	December 2021	June 2021
Amounts in millions of dollars	Write-offs	Write-offs
Residential mortgages	-	-
Banks & other financial institutions	-	-
Sovereign	-	-
Corporate	-	-
Total	**-**	**-**

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

Portfolios subject to IRB approach		December 2021
Amounts in millions of dollars	Half year actual loss	Regulatory 1 year expected loss estimate
Residential mortgages	-	129
Banks & other financial institutions	-	1
Sovereign	-	-
Corporate	-	3
Total	**-**	**133**

Portfolios subject to IRB approach		June 2021
Amounts in millions of dollars	Half year actual loss	Regulatory 1 year expected loss estimate
Residential mortgages	-	151
Banks & other financial institutions	-	1
Sovereign	-	-
Corporate	-	13
Total	**-**	**165**

APS 330 Table 10b and 10c - Credit risk mitigation[6]

			December 2021
Amounts in millions of dollars	Gross exposure	Eligible collateral	Net exposure
Subject to AIRB and FIRB approach			
Residential mortgages	63,020	-	63,020
Banks & other financial institutions	3,176	(173)	3,003
Sovereign	7,137	-	7,137
Corporate	2,821	-	2,821
Total advanced approach	**76,154**	**(173)**	**75,981**
Subject to supervisory slotting approach			
Property finance	6,194	-	6,194
Project finance	3,137	-	3,137
Total supervisory slotting approach	**9,331**	**-**	**9,331**
Subject to standardised approach			
Residential mortgages	83	-	83
Property finance	229	-	229
Corporate	1,597	-	1,597
Other retail	308	-	308
Other assets	101	-	101
Total standardised approach	**2,318**	**-**	**2,318**
Securitisation	42	-	42
Total exposures	**87,845**	**(173)**	**87,672**

			June 2021
Amounts in millions of dollars	Gross exposure	Eligible collateral	Net exposure
Subject to AIRB and FIRB approach			
Residential mortgages	61,097	-	61,097
Banks & other financial institutions	1,664	(53)	1,611
Sovereign	6,869	-	6,869
Corporate	2,671	-	2,671
Total advanced approach	**72,248**	**(53)**	**72,248**
Subject to supervisory slotting approach			
Property finance	6,127	-	6,127
Project finance	2,929	-	2,929
Total supervisory slotting approach	**9,056**	**-**	**9,056**
Subject to standardised approach			
Residential mortgages	91	-	91
Property finance	277	-	277
Corporate	1,759	-	1,759
Other retail	314	-	314
Other assets	89	-	89
Total standardised approach	**2,530**	**-**	**2,530**
Securitisation	-	-	-
Total exposures	**83,834**	**(53)**	**83,834**

[6] The June 2021 comparative has been restated to align with the new format.

APS 330 Table 11b - Counterparty credit risk derivative exposure

Effects of netting on the balance sheet	December 2021	June 2021
Amounts in millions of dollars		
Gross positive fair value	174	55
Netting benefits	(173)	(53)
Netted current credit exposure	**1**	**2**
Collateral held, of which:		
Cash	241	124
Replacement cost	**242**	**126**
Potential future exposure (PFE) and impact of 1.4 scaling factor	96	50
Exposure at default	**338**	**176**

Exposure at default	December 2021	June 2021
Amounts in millions of dollars		
Interest Rate Contracts		
Standardised Approach to Counterparty Credit Risk	338	176
Total	**338**	**176**

Securitisation

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

		December 2021
Amounts in millions of dollars	Originated by the ADI	Third party originated
Underlying asset		
Residential mortgages	13,775	-
Total	**13,775**	**-**

		June 2021
Amounts in millions of dollars	Originated by the ADI	Third party originated
Underlying asset		
Residential mortgages	14,147	-
Total	**14,147**	**-**

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

				December 2021
Amounts in millions of dollars	Outstanding exposure	Impaired	Past due	Losses recognised
Underlying asset				
Residential mortgages	13,775	65	30	-
Total	**13,775**	**65**	**30**	**-**

				June 2021
Amounts in millions of dollars	Outstanding exposure	Impaired	Past due	Losses recognised
Underlying asset				
Residential mortgages	14,147	92	42	-
Total	**14,147**	**92**	**42**	**-**

APS 330 Table 12i - Banking book exposures intended to be securitised

Amounts in millions of dollars	December 2021	June 2021
Underlying asset		
Residential mortgages	-	-
Total	**-**	**-**

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

	December 2021	
Amounts in millions of dollars	Total exposures securitised	Recognised gain or loss on sale
Underlying asset		
Residential mortgages	-	-
Total	**-**	**-**

	September 2021	
Amounts in millions of dollars	Total exposures securitised	Recognised gain or loss on sale
Underlying asset		
Residential mortgages	-	-
Total	**-**	**-**

	June 2021	
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 2021
Amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
Securitisation facility type			
Liquidity support facilities	-	335	**335**
Credit enhancements	-	14	**14**
Redraw facilities	-	29	**29**
Derivative facilities	24	-	**24**
Holding of securities	12,776	-	**12,776**
Total securitisation exposures	**12,800**	**378**	**13,178**

			September 2021
Amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
Securitisation facility type			
Liquidity support facilities	-	338	**338**
Credit enhancements	-	14	**14**
Redraw facilities	-	32	**32**
Derivative facilities	39	-	**39**
Holding of securities	12,747	-	**12,747**
Total securitisation exposures	**12,786**	**384**	**13,170**

			June 2021
Amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
Securitisation facility type			
Liquidity support facilities	-	341	**341**
Credit enhancements	-	14	**14**
Redraw facilities	-	36	**36**
Derivative facilities	42	-	**42**
Holding of securities	12,763	-	**12,763**
Total securitisation exposures	**12,805**	**391**	**13,196**

APS 330 Table 12l (i) - Banking book exposure by risk weight band

	December 2021		June 2021	
Amounts in millions of dollars	Securitisation exposures subject to SFA			
Risk weight band	Gross Credit Exposure	Risk Weighted Assets	Gross Credit Exposure	Risk Weighted Assets
=<20%	42	6	-	-
>20%–50%	-	-	-	-
>50%–100%	-	-	-	-
>100%–150%	-	-	-	-
>150%–650%	-	-	-	-
>650%–<1250%	-	-	-	-
Total	**42**	**6**	**-**	**-**

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

	December 2021	June 2021
Amounts in millions of dollars		
Underlying asset		
Credit enhancements	8	8
Total	**8**	**8**

Market risk

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

Change in economic value	December 2021	June 2021
Amounts in millions of dollars		
+200 basis point shock	404	356
-200 basis point shock	(404)	(356)

Regulatory RWA	December 2021	June 2021
Amounts in millions of dollars		
Interest rate risk in the banking book	4,061	1,167

Change in economic value is measured as the impact a parallel shock would have to the NPV of the Bank's balance sheet, while regulatory RWA is measured as the sum of the Bank's HVaR exposure, any optionality risk implicit in customer products, as well as the embedded gain (or loss) of the banking book.

Liquidity risk

APS 330 Table 20 - Liquidity coverage ratio

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

		December 2021	
Amounts in millions of dollars		Total unweighted value (daily average)	Total weighted value (daily average)
Liquid assets			
1	High-quality liquid assets (HQLA)		6,720
2	Alternative liquid assets (ALA)		3,332
3	Reserve Bank of New Zealand (RBNZ) securities		n/a
Cash outflows			
4	Retail deposits and deposits from small business customers, of which:	43,441	4,949
5	*stable deposits*	28,301	1,415
6	*less stable deposits*	15,140	3,534
7	Unsecured wholesale funding, of which:	1,239	988
8	*operational deposits (all counterparties) and deposits in networks for cooperative banks*	n/a	n/a
9	*non-operational deposits (all counterparties)*	1,159	908
10	*unsecured debt*	80	80
11	Secured wholesale funding		-
12	Additional requirements, of which	8,897	1,152
13	*outflows related to derivatives exposures and other collateral requirements*	577	577
14	*outflows related to loss of funding on debt products*	66	66
15	*credit and liquidity facilities*	8,255	510
16	Other contractual funding obligations	1,015	627
17	Other contingent funding obligations	1,088	177
18	**Total cash outflows**		**7,893**
Cash inflows			
19	Secured lending (e.g. reverse repos)		-
20	Inflows from fully performing exposures	1,125	738
21	Other cash inflows	280	280
22	**Total cash inflows**	**1,405**	**1,018**
23	**Total liquid assets**		**10,052**
24	**Total net cash outflows**		**6,875**
25	**Liquidity Coverage Ratio (%)**		**146%**

(No of observations: 63)

APS 330 Table 20 - Liquidity coverage ratio (continued)

	Amounts in millions of dollars	September 2021 Total unweighted value (daily average)	September 2021 Total weighted value (daily average)
Liquid assets			
1	High-quality liquid assets (HQLA)		7,044
2	Alternative liquid assets (ALA)		2,999
3	Reserve Bank of New Zealand (RBNZ) securities		n/a
Cash outflows			
4	Retail deposits and deposits from small business customers, of which:	41,821	4,871
5	*stable deposits*	26,719	1,336
6	*less stable deposits*	15,103	3,535
7	Unsecured wholesale funding, of which:	1,648	1,370
8	*operational deposits (all counterparties) and deposits in networks for cooperative banks*	n/a	n/a
9	*non-operational deposits (all counterparties)*	1,596	1,318
10	*unsecured debt*	52	52
11	Secured wholesale funding		-
12	Additional requirements, of which	8,759	1,279
13	*outflows related to derivatives exposures and other collateral requirements*	620	620
14	*outflows related to loss of funding on debt products*	173	173
15	*credit and liquidity facilities*	7,966	486
16	Other contractual funding obligations	1,126	742
17	Other contingent funding obligations	898	153
18	**Total cash outflows**		**8,414**
Cash inflows			
19	Secured lending (e.g. reverse repos)		-
20	Inflows from fully performing exposures	939	554
21	Other cash inflows	221	221
22	**Total cash inflows**	**1,160**	**775**
23	**Total liquid assets**		**10,043**
24	**Total net cash outflows**		**7,639**
25	**Liquidity Coverage Ratio (%)**		**131%**

(No of observations: 65)

APS 330 Table 21 - 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 2021				
		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**	**5,322**	**-**	**-**	**103**	**5,425**
2	*Regulatory capital*	5,322	-	-	103	5,425
3	*Other capital instruments*	-	-	-	-	-
4	**Retail deposits and deposits from small business customers**	**-**	**45,046**	**847**	**124**	**42,860**
5	*Stable deposits*	-	28,646	-	-	27,214
6	*Less stable deposits*	-	16,400	847	124	15,646
7	**Wholesale funding**	**-**	**5,400**	**2,608**	**16,253**	**18,149**
8	*Operational deposits*	-	-	-	-	-
9	*Other wholesale funding*	-	5,400	2,608	16,253	18,149
10	**Liabilities with matching interdependent assets**	**-**	**-**	**-**	**-**	**-**
11	**Other liabilities**	**-**	**110**	**-**	**132**	**132**
12	*NSFR derivative liabilities*	-	-	-	-	
13	*All other liabilities and equity not included in the above categories*	-	110	-	132	132
14	**Total ASF**	**5,322**	**50,556**	**3,455**	**16,612**	**66,566**
	Required Stable Funding (RSF) Item					
15a	**Total NSFR (HQLA)**	**-**	**3,332**	**288**	**3,443**	**217**
15b	**ALA**	**-**	**900**	**141**	**7,711**	**5,754**
15c	**RBNZ securities**	**-**	**-**	**-**	**-**	**-**
16	**Deposits held at other financial institutions for operational purposes**	**-**	**-**	**-**	**-**	**-**
17	**Performing loans and securities**	**-**	**3,578**	**1,177**	**55,270**	**42,148**
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*	-	1,167	-	79	254
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:*	-	2,220	1,176	9,550	9,845
21	*With a risk weight of less than or equal to 35% under APS 112*	-	-	-	-	-
22	*Performing residential mortgages, of which:*	-	191	-	45,641	32,048
23	*With a risk weight equal to 35% under APS 112*	-	153	-	42,726	29,551
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:**	**-**		**-**	**1,965**	**1,908**
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*	-	-	-	140	140
30	*NSFR derivative liabilities before deduction of variation margin posted*	-	-	-	69	69
31	*All other assets not included in the above categories*	-		-	1,756	1,699
32	**Off-balance sheet items**	**-**	**-**	**-**	**-**	**468**
33	**Total RSF**	**-**	**7,752**	**1,606**	**68,390**	**50,494**
34	**Net Stable Funding Ratio (%)**					**132%**

APS 330 Table 21 - Net stable funding ratio (continued)

		September 2021				
		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**	**5,194**	**-**	**-**	**103**	**5,298**
2	*Regulatory capital*	5,194	-	-	103	5,298
3	*Other capital instruments*	-	-	-	-	-
4	**Retail deposits and deposits from small business customers**	**-**	**44,655**	**1,101**	**133**	**42,713**
5	*Stable deposits*	-	27,992	-	-	26,592
6	*Less stable deposits*	-	16,663	1,101	133	16,121
7	**Wholesale funding**	**-**	**5,275**	**1,063**	**16,228**	**17,215**
8	*Operational deposits*	-	-	-	-	-
9	*Other wholesale funding*	-	5,275	1,063	16,228	17,215
10	**Liabilities with matching interdependent assets**	**-**	**-**	**-**	**-**	**-**
11	**Other liabilities**	**-**	**56**	**-**	**104**	**104**
12	*NSFR derivative liabilities*	-	-	-	-	
13	*All other liabilities and equity not included in the above categories*	-	56	-	104	104
14	**Total ASF**	**5,194**	**49,986**	**2,164**	**16,567**	**65,329**
	Required Stable Funding (RSF) Item					
15a	**Total NSFR (HQLA)**	**-**	**2,629**	**153**	**3,515**	**209**
15b	**ALA**	**-**	**551**	**91**	**8,111**	**5,754**
15c	**RBNZ securities**	**-**	**-**	**-**	**-**	**-**
16	**Deposits held at other financial institutions for operational purposes**	**-**	**-**	**-**	**-**	**-**
17	**Performing loans and securities**	**-**	**3,326**	**1,274**	**54,293**	**41,589**
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*	-	1,230	-	79	264
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:*	-	1,892	1,274	9,751	9,905
21	*With a risk weight of less than or equal to 35% under APS 112*	-	-	-	-	-
22	*Performing residential mortgages, of which:*	-	203	-	44,463	31,420
23	*With a risk weight equal to 35% under APS 112*	-	161	-	41,123	28,560
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:**	**-**		**-**	**1,937**	**1,714**
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*	-	-	-	88	88
30	*NSFR derivative liabilities before deduction of variation margin posted*	-	-	-	88	88
31	*All other assets not included in the above categories*	-		-	1,761	1,538
32	**Off-balance sheet items**	**-**	**-**	**-**	**-**	**456**
33	**Total RSF**	**-**	**6,283**	**1,518**	**67,856**	**49,722**
34	**Net Stable Funding Ratio (%)**					**131%**

Leverage ratio[7]

	December 2021	September 2021	June 2021	March 2021
Amounts in millions of dollars				
Tier 1 capital	5,322	5,194	5,026	4,912
Total exposures	82,951	80,739	79,175	76,631
Leverage ratio	**6.4%**	**6.4%**	**6.3%**	**6.4%**

[7] The June and September 2021 comparatives have been restated to adjust for changes made to the derivatives exposure component methodology. These restatements are only reflected in this December 2021 report, as the change did not result in a material impact.

Attachment A Reconciliations

Table 1A Capital disclosure

		December 2021	
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	3A-1
2	Retained Earnings	4,359	3A-1
3	Accumulated other comprehensive income (and other reserves)	42	
6	**Common Equity Tier 1 capital before regulatory adjustments**	**5,735**	3A-1
Common Equity Tier 1 Capital: regulatory adjustments			
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	98	3A-8
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	3A-2
11	Cash flow hedge reserve	26	3A-1
12	Shortfall of provisions to expected losses	105	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related liability)	-	3A-2
22	Amount exceeding the 15% threshold	-	3A-2
23	*of which: significant investments in the ordinary shares of financial entities*	-	
24	*of which: mortgage servicing rights*	-	
25	*of which: deferred tax assets arising from temporary differences*	-	3A-2
26	**National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)**	**184**	
26a	*of which: treasury shares*	-	
26b	*of which: offset to dividends declared under a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI*	-	
26c	*of which: deferred fee income*	-	
26d	*of which: equity investments in financial institutions not reported in rows 18, 19 and 23*	-	
26e	*of which: deferred tax assets not reported in rows 10, 21 and 25*	22	3A-2
26f	*of which: capitalised expenses*	154	3A-5
26g	*of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements*	-	
26h	*of which: covered bonds in excess of asset cover in pools*	-	
26i	*of which: undercapitalisation of a non-consolidated subsidiary*	-	
26j	*of which: other national specific regulatory adjustments not reported in rows 26a to 26i*	8	
27	*Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions*	-	
28	**Total regulatory adjustments to Common Equity Tier 1**	**413**	
29	**Common Equity Tier 1 Capital (CET1)**	**5,322**	
45	**Tier 1 Capital (T1=CET1+AT1)**	**5,322**	

Table 1A Capital disclosure (continued)

Amounts in millions of dollars		December 2021	Ref
Tier 2 Capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments	75	3A-7
50	Provisions	28	3A-6 3A-7
58	**Tier 2 capital (T2)**	**103**	
59	**Total capital (TC=T1+T2)**	**5,425**	
60	**Total risk-weighted assets based on APRA standards**	**35,127**	
Capital ratios and buffers			
61	**Common Equity Tier 1** (as a percentage of risk-weighted assets)	**15.2%**	
62	**Tier 1** (as a percentage of risk-weighted assets)	**15.2%**	
63	**Total capital** (as a percentage of risk-weighted assets)	**15.4%**	
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)	**8.2%**	
Amount below thresholds for deductions (not risk-weighted)			
72	Non-significant investments in the capital of other financial entities	-	
73	Significant investments in the ordinary shares of financial entities	-	
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	22	3A-2
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	28	3A-6 3A-7
77	Cap on inclusion of provisions in Tier 2 under standardised approach	28	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	3A-6 3A-7
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	76	

Table 2A Regulatory Balance Sheet

						December 2021
		less				
Amounts in millions of dollars	Statutory Balance Sheet	Accrued interest	Other	Regulatory Balance Sheet	Ref	Footnote
Assets						
Cash	3,970	-	202	3,768		D
Due from other financial institutions	406	-	-	406		
Investment securities	5,812	31	(12,734)	18,515		D
Loans and advances	67,039	25	(3,145)	70,159	3A-3	B,C,D
Derivative assets	153	-	(3)	156		D
Other receivables	77	(56)	(206)	339	3A-4	D
Property, plant and equipment	101	-	-	101		
Intangible assets	98	-	-	98	3A-8 Row 9	
Deferred tax asset	93	-	(98)	191	3A-2	E
Total Assets	**77,749**	**-**	**(15,984)**	**93,733**		
Liabilities						
Deposits and other borrowings	67,100	31	(16,680)	83,749		D
Debt issues	3,861	10	707	3,144		C,D
Derivative liabilities	352	-	(10)	362		D
Creditors and other liabilities	516	(41)	13	544		D
Deferred tax liability	71	-	(60)	131	3A-2	E
Provisions	24	-	(23)	47		
Total Liabilities	**71,924**	**-**	**(16,053)**	**87,977**		
Net Assets	**5,825**	**-**	**69**	**5,756**		
Equity						
Contributed equity	1,334	-	-	1,334	3A-1 Row 1	
Reserves	132	-	68	64	3A-1 3A-9	B
Retained profits	4,359	-	1	4,358		
Total Equity	**5,825**	**-**	**69**	**5,756**	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 2021	
Amounts in millions of dollars		Ref
Contributed equity	1,334	Row 1
Retained profits	4,359	Row 2
Reserves:	-	
Cash-flow hedge reserve	26	Row 3
Fair value reserve	16	Row 3
Common Equity Tier 1 Capital per Common Disclosure Template	**5,735**	**Row 6**
Share-based payments reserve	22	3A-9
Retained profits for entities excluded from the regulatory consolidation	(1)	
Total Equity per Regulatory Balance Sheet	**5,756**	**2A**

3A-2 Deferred Tax Assets	December 2021	
Amounts in millions of dollars		Ref
Deferred Tax Assets per Regulatory Balance Sheet	**191**	
Deferred Tax Liabilities per Regulatory Balance Sheet	(131)	**2A**
Net deferred tax assets excluded from the regulatory consolidation	(38)	
Net Deferred Tax Assets	22	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	Row 10
Deferred tax assets arising from temporary differences (net of related liability)	(22)	Row 26e, 75
Deferred Tax Asset – amount exceed 10%/15% threshold per Common Disclosure Template	-	Row 21, 25

3A-3 Loans and Advances	December 2021	
Amounts in millions of dollars		Ref
Loans and Advances per Regulatory Balance Sheet	**70,159**	**2A**
of which:		
Housing Loans	53,876	
Loans to non-financial corporations	12,369	
Loans to financial corporations	3,827	
Personal loans	316	
Specific Provisions	(91)	
General Reserve for Credit Losses	(104)	3A-6
Deferred Fee Income	(34)	3A-5

3A-4 Other Receivables	December 2021	
Amounts in millions of dollars		Ref
Other Receivables per Regulatory Balance Sheet	**339**	**2A**
of which:	-	
Interest Receivable	56	
Capitalised Debt Raising	-	
Capitalised Securitisation Start-up costs	6	3A-5
Capitalised Loan Origination Costs	182	
Items in Suspense	16	
Other	79	

Table 3A Capital reconciliations (continued)

3A-5 Capitalised expenses	December 2021	
Amounts in millions of dollars		Ref
Deferred Fee Income	(34)	3A-3
Capitalised Debt Raising	-	
Capitalised Securitisation Start-up costs	6	3A-4
Capitalised Loan Origination Costs	182	
Capitalised expenses per Common Disclosure Template	**154**	**Row 26f**

3A-6 General reserve for credit losses	December 2021	
Amounts in millions of dollars		Ref
GRCL: Portfolios under the standardised-approach (eligible for capital)	28	
of which: eligible for capital	28	Row 50, 76
GRCL: Portfolios under the IRB ratings-based approach	76	
of which: eligible for capital	-	Row 50, 76
GRCL per Common Disclosure Template	**104**	**3A-3**

3A-7 Tier 2 Capital	December 2021	
Amounts in millions of dollars		Ref
Tier 2 Capital per Regulatory Balance Sheet	**75**	**Row 46**
Amortisation of Tier 2 Capital Instruments	-	
Provisions	28	Row 50, 76
Tier 2 Capital Instruments per Common Disclosure Template	**103**	**Row 51**

3A-8 Goodwill and Intangible assets	December 2021	
Amounts in millions of dollars		Ref
Intangible Assets per Regulatory Balance Sheet	**98**	
Capitalised software and other intangibles	(98)	Row 9
Goodwill per Common Disclosure Template	**-**	**Row 8**

3A-9 Accumulated Other Comprehensive Income (and other reserves)	December 2021	
Amounts in millions of dollars		Ref
Total reserves per Level 2 Regulatory Balance Sheet	**64**	**2A**
Share Based Payment Reserve not included within capital	(22)	3A-1
Accumulated Other Comprehensive Income (and other reserves) per Capital Disclosure Template	**42**	**Row 3**

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 2021	
Amounts in millions of dollars	Total assets	Total liabilities
IDS Trust 2008-1	12,514	12,521
IDOL Trust Series 2013-2	102	102
IDOL Trust Series 2014-1	150	150
IDOL Trust Series 2015-1	141	141
IDOL Trust Series 2016-1	175	175
IDOL Trust Series 2017-1	293	293
IDOL Trust Series 2019-1	847	847
IBAL Covered Bond Trust	3,392	3,386

Attachment B

APS 330 Table 18 - Composition of the Leverage Ratio

		December 2021
Amounts in millions of dollars		
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and securities financing transactions (SFTs), but including collateral)	77,486
2	(Asset amounts deducted in determining Tier 1 capital)	(282)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)**	**77,204**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	1
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	**406**
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	**(213)**
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)**	**194**
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	**102**
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	CCR exposure for SFT assets	**10**
15	Agent transaction exposures	-
16	**Total SFT exposures (sum of rows 12 to 15)**	**112**
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	10,815
18	(Adjustments for conversion to credit equivalent amounts)	(5,374)
19	**Other off-balance sheet exposures (sum of rows 17 and 18)**	**5,441**
Capital and total exposures		
20	**Tier 1 Capital**	**5,322**
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	**82,951**
Leverage ratio		
22	**Leverage ratio**	**6.4%**

APS 330 Table 19 - Summary comparison of accounting assets vs leverage ratio exposure measure

		December 2021
	Amounts in millions of dollars	
1	Total consolidated assets as per published financial statements	77,749
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for assets held on the balance sheet in a fiduciary capacity pursuant to the Australian Accounting Standards but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	33
5	Adjustment for SFTs (i.e. repos and similar secured lending)	10
6	Adjustment for off-balance sheet exposures (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	5,441
7	Other adjustments	(282)
8	**Leverage ratio exposure**	**82,951**