Pillar 3—Capital Adequacy & Risk Disclosures December 2023

ING Bank (Australia) Limited | ABN 24 000 893 292
Level 28, 60 Margaret St, Sydney, NSW,2000
GPO Box 4094, Sydney, NSW, 2001
ing.com.au

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.

In the Pillar 3 Report, "The Group" refers to IBAL and its controlled entities and "The Bank" refers to IBAL standalone.

The following information is presented in accordance with the APRA Prudential Standard APS 330, 'Public Disclosure'.

Effective 1 April 2018, the Group was accredited by APRA to determine its regulatory capital requirements using internal market risk models and internal credit risk models for selected portfolios. The Group 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 Financial Institutions portfolio for regulatory capital purposes.

Effective 1 April 2020, the Group 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.

Most credit exposures are located within Australia with some non-significant exposures in other countries.

All credit exposures are managed or decisioned in Australia.

All amounts are stated in AUD.

Qualitative disclosures

Capital disclosures

The Group's capital management strategy aims to ensure adequate capital levels to protect deposit holders and to maximise shareholder returns. The Group'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. The Group has been in compliance with the minimum capital requirements imposed by APRA throughout the year.

The Group 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 the Group's Capital Management Policy which defines the framework for defining, measuring, management, monitoring and governance of the Group's capital position. Further the Group applies a risk appetite framework with annually reviewed trigger and tolerance levels.

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 (future) 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 plan, which includes forecast growth in assets and earnings taking into account the Group'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 trigger and tolerance levels on top of the prudential requirements to manage the capital ratio. The calibration of the targets and risk appetite trigger and tolerance levels 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 Financial Institutions and Corporate Lending, Supervisory slotting for the Real Estate related wholesale and commercial property portfolios and the project finance activities. The Supervisory Formula Approach is applied to the relevant securitisation exposures while Credit Cards, Priority Commercial Mortgages, Personal Loans, Sovereigns and niche portfolios in Wholesale Banking apply the Standardised Approach.

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 risks associated with the interest rate risk in the banking book.

Based on this modelled output the Group holds sufficient capital to cover interest rate risk in the banking book. The Group 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.

Operational risk capital

Risk-weighted assets for operational risk are calculated under the Standardised Measurement Approach to Operational Risk based on business indicators, which is a financial-statement-based proxy of the Groups operational risk exposure.

Total capital position

In the determination of the total Risk Weighted Assets (RWAs) the Group does apply the output floor of 72.5% of the RWAs determined when applying the standardised approach. The IRB risk weighted assets exceed the output floor.

Non-financial risks

As an ADI, the Group is subject to a range of non-financial risks. Examples are operational risk, business risk, cyber-risk, compliance risk, conduct risk, reputation risk, and risk arising from workplace, 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. Other than operational risk, non-financial risks are not subject to specific capital requirements.

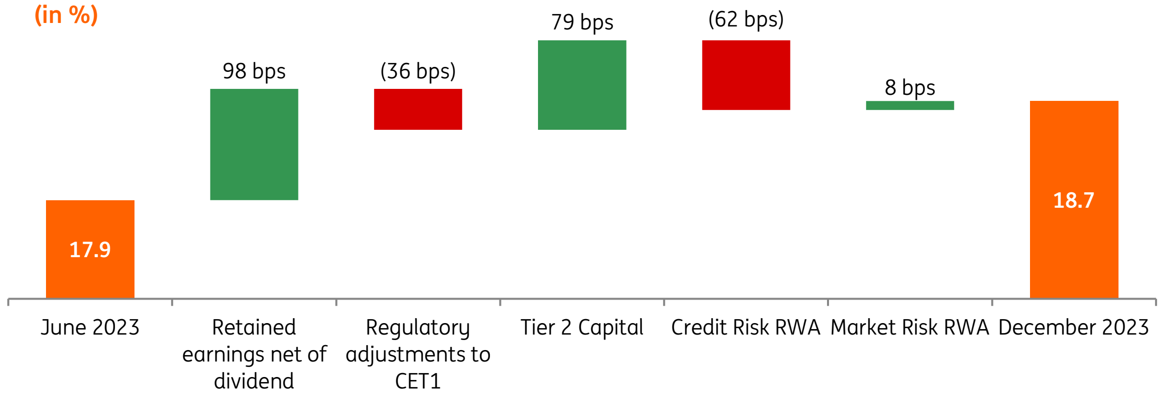
[1] APRA capital framework builds on the pillars Prudential Capital Requirement (PCR), Capital Conservation Buffer (CCB) and Counter Cyclical Buffer (CCyB). The CCyB relates to exposure to counterparties in jurisdictions where a CCyB applies, including 1% for Australia. ING Australia has limited exposures in non-Australian jurisdictions, resulting in a ~0.99% CCyB. Given the small difference, ING Australia decided to apply a 1% CCyB.

Capital summary

The Group's total capital ratio was 18.7% at 31 December 2023, increasing by 87 basis points from 30 June 2023. Capital movements are attributable to the following:

- An increase in earnings of $318m (98 bps);
- An increase in regulatory adjustments is mainly attributed to an increase in intangible assets and in net deferred tax asset (-36 bps);
- An increase in Tier 2 Capital of $250m (79 bps);
- An increase of Credit Risk RWA to $25,768m due to growth (-62 bps); and
- A decrease in Market Risk RWA of $140m (8 bps), mainly due to an increase in the embedded gain in the banking book, offset by the introduction of a capital overlay.

Figure 1: Total Capital movement (in %)

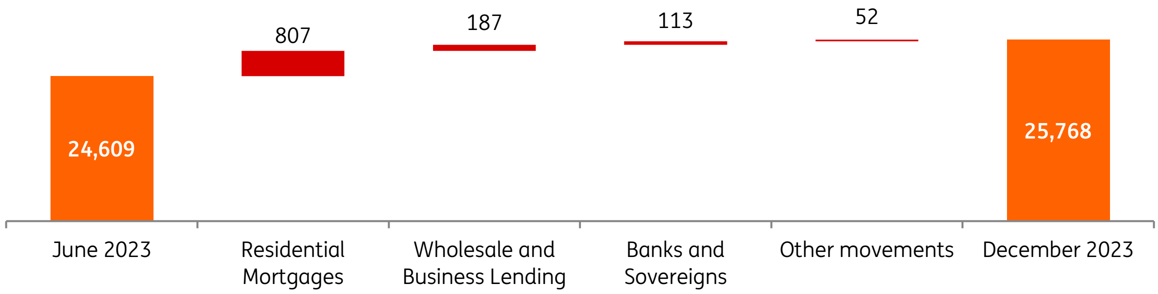


Credit Risk-Weighted Assets (CRWA)

The increase in CRWA is explained by the following:

- Growth in the Residential Mortgages portfolio;
- Growth in the Wholesale and Business Lending portfolios; and
- Growth in the Banks and Sovereigns portfolios.

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



Risk disclosures

Risk types

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

Risk	Exposure arising from	Measurement	Key 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 Approach ▪ Risk Strategy ▪ Risk Appetite Statement ▪ Credit Risk Framework Policy ▪ Retail Credit Risk (RCR) Policy ▪ Wholesale Banking and Group Treasury Credit Policy ▪ General Professional Real Estate Credit Policy ▪ Secured Professional Real Estate Credit Policy ▪ Unsecured Professional Real Estate Credit Policy ▪ Large Exposure and Related Entity (LEREP) Policy ▪ Small and Medium Enterprise Credit (SME) Policy ▪ Definition of Default (DoD) Policy (Retail) ▪ Loan Loss Provisioning (LLP) Policy ▪ Problem Loan Management (PLM) (Non-Retail)
Market Risk – Interest Rate Risk	▪ Cash and cash equivalents ▪ Loans and advances ▪ Deposits and other borrowings ▪ Financial assets at FVOCI ▪ Securities at amortised cost ▪ Debt issues	▪ Historical Value-at-Risk (HVaR) ▪ Net Present Value and Net Interest Income at Risk (NPVaR; NIIaR) ▪ Interest Rate Risk in the Banking Book (IRRBB) stress testing ▪ Basis Point Value sensitivity	▪ Risk Management Approach ▪ Risk Strategy ▪ Risk Appetite Statement ▪ IRRBB Stress Testing Methodology ▪ IRRBB Minimum Standards ▪ Asset and Liability Management Policy ▪ Funds Transfer Pricing Policy
Market Risk – Foreign Exchange Risk	▪ Financial assets and liabilities not denominated in Australian dollars	▪ Sensitivity analysis	▪ Risk Management Approach ▪ Risk Strategy ▪ Risk Appetite Statement ▪ Asset and Liability Management Policy
Integrated Risk	▪ Overarching risks in the balance sheet not specific to one risk type.	▪ Solvency risk ▪ Model risk	▪ Risk Management Approach ▪ Risk Strategy ▪ Risk Appetite Statement ▪ Internal Capital Adequacy Assessment Process Policy ▪ Stress Testing Policy ▪ ING Groep Model Risk Management Policy with Local Annex

Risk types (continued)

Risk	Exposure arising from	Measurement	Key Governance
Liquidity and funding risk	▪ Deposits and other borrowings ▪ Debt issues ▪ Undrawn loan commitments	▪ Scenario analysis and stress testing ▪ Liquidity Coverage Ratio (LCR) ▪ Net Stable Funding Ratio (NSFR) ▪ Behavioural models	▪ Risk Management Approach ▪ Risk Strategy ▪ Risk Appetite Statement ▪ Asset and Liability Management Policy ▪ Securitisation Policy ▪ Contingency Capital and Funding Plan ▪ Retail Deposit Run Plan ▪ IBAL Group Treasury Policy ▪ Covered Bond Policy ▪ Funding and Liquidity Risk Minimum Standards ▪ 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 Approach ▪ Risk Strategy ▪ Risk Appetite Statement ▪ ING Groep Non-Financial Risk Framework with Local Annex ▪ ING Groep Risk Mitigation and Issue Tracking Procedure ▪ ING Groep Product Approval and Review (PARP) Policy & Minimum Standard with Local Annex ▪ ING Groep Risk Identification and Assessment Procedure ▪ ING Groep Information and Technology Risk Policy with Local Annex ▪ ING Groep Outsourcing Policy with Local Annex ▪ ING Groep Fraud Management Policy and Minimum Standard ▪ ING Groep Internal and External Event Management Procedure with Local Annex ▪ ING Groep Data Management Policy ▪ AML/CTF Program Part A and B ▪ Anti-Bribery and Corruption Policy ▪ Compliance Framework and Chart ▪ Conflict of Interest and Market Abuse Policy ▪ Customer Best Interest Policy ▪ FATCA and CRS Policy ▪ Fit and Proper Policy ▪ Obligation Management Policy ▪ Whistleblower Protection and Reporting Policy

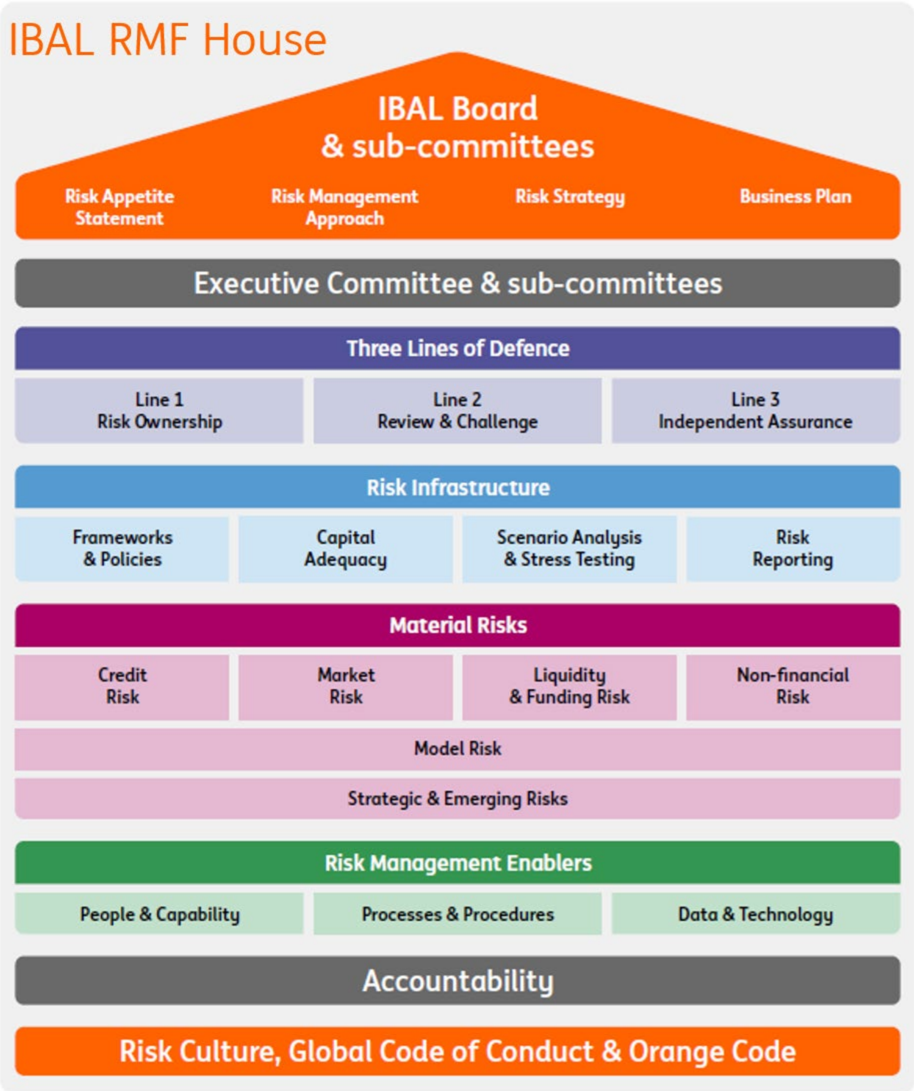
Risk Management Framework

Taking risk is inherent in the Group's business activities. To ensure prudent risk-taking across the organisation, the Group operates through a comprehensive Risk Management Framework (RMF) to ensure risks are identified, well understood, accurately measured, controlled and proactively managed at all levels of the organisation ensuring that the Group's financial strength is safeguarded. The Group's RMF incorporates the requirements of APRA's prudential standard CPS 220 Risk Management.

The key objectives of the Group's RMF are to ensure:

- the risk management objectives are linked to the Group's business strategy, ING Orange Code, Customer Golden Rules[2] and operations;
- all key risks are identified and appropriately managed by the risk owner;
- an appropriate risk culture and accountability framework are embedded across the organisation;
- 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 the Group is compliant with all relevant legal and regulatory obligations, together with internal policy.

The key components that make up the Risk Management Framework are summarised in the diagram below, known as the "IBAL RMF House".



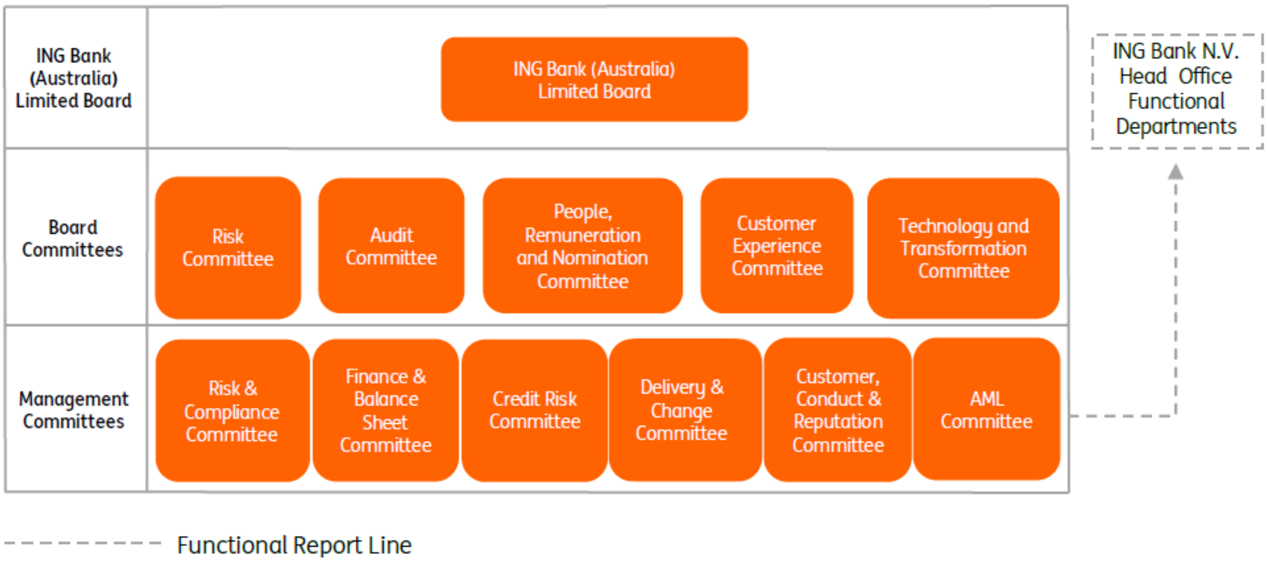
[2] Customer Golden Rules depict the principles of interaction between ING and customers throughout the customer life cycle.

Risk Governance Framework

The Group regards risk management as a fundamental activity, performed at all levels of the organisation. Accountability in the risk management framework is based on the “three lines of defence” governance model. This approach reflects our belief that all employees have a role in identifying and managing risk and operating within the approved risk appetite. Each line of defence undertakes risk management activities that contribute to the effectiveness of the framework. The three lines of defence model is summarised as follows:

- Line 1 – Encompasses business line and support function employees and management. Line 1 is responsible for identifying and managing the risks that arise as a result of them carrying out their business activities.
- Line 2 - Risk Management provides oversight, advice, review and challenge of risk activities, ensuring Line 1 are managing risk in accordance with risk appetite and strategy.
- Line 3 – Corporate Audit Services (CAS) – Forms the 3rd Line and provides independent and objective assurance.

The Group’s risk governance framework contains clear charters and mandates for the management of risk. Risk management in the Group is effected through a governance structure comprised of Management, Board and Head Office committees. The governance structure is independent of the day to day management of the Group’s business activities.



Role of the Board

The Board is responsible for the Group’s RMF and oversight of its operation. This includes setting the risk appetite for management to operate within and approving key RMF documents including the Risk Appetite Statement, Risk Management Approach and Risk Strategy. As a subsidiary of ING Groep N.V., the Group 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 the Group’s risk management framework. A key purpose of the Risk Committee is to help formulate the Group’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 the Group’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.
- *People, Remuneration and Nomination Committee* – the People, Remuneration and Nomination Committee is responsible for reviewing and making recommendations to the Board on the Group’s Remuneration Policy, and making recommendations in relation to remuneration of the Chief Executive Officer (“CEO”), the direct reports of the CEO, other personnel who may affect the financial soundness of the Group and those persons covered by the Remuneration Policy.
- *Customer Experience Committee* – the Customer Experience Committee is responsible for reviewing and monitoring customer experience with the Group, including customer complaints, resolution and closure of customer outcomes.
- *Technology and Transformation Committee* – the Technology and Transformation Committee is responsible for reviewing the Group’s technology strategy and planning, including priorities, budgets, deliverables and operational plans. In addition, it oversees and monitors the Group’s strategic transformation initiatives, including technology, data and business transformation.

Management Risk Committees

The Executive Committee ("ExCo") is the peak Management Committee, ensuring management reporting is appropriate and fulsome to enable effective Board and Management oversight and decision-making. 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:

Risk and Compliance Committee	The Risk and Compliance Committee (RACC) provides assurance to ExCo that risk and compliance matters that impact IBAL's operations and activities are managed through an appropriate framework which meet the Board's and regulatory expectations. This includes oversight of enterprise risk management, non-financial risk, compliance and responsible managers, health, safety and well-being, product development and management, information security and data management, privacy and data ethics, as well as those risks impacting IBAL's daily operations from an aggregate oversight perspective and emerging risks. The RACC also maintains an open dialogue with other Management Committees to ensure any risk appetite tolerances recommended by those Committees, is considered as part of the Risk Appetite Statement (RAS) development.
Credit Risk Committee	The Credit Risk Committee (CRC) provides assurance to ExCo that credit risk and related risk matters that impact IBAL's operations and activities are managed through an appropriate framework which meet the Board's and regulatory expectations. The CRC also maintains an open dialogue with the RACC to ensure risk appetite tolerances and other relevant matters recommended by the Committee are communicated to the RACC.
Finance and Balance Sheet Committee	The Finance and Balance Sheet Committee (FBSC) provides assurance to ExCo that finance, balance sheet, funding and pricing matters impacting IBAL's operations and activities are managed through an appropriate framework which meet the Board's and regulatory expectations. The FBSC also maintains an open dialogue with the RACC to ensure risk appetite tolerances and other relevant matters recommended by the Committee are communicated to the RACC.
Anti-Money Laundering Committee	The Anti-Money Laundering Committee (AMLC) provides assurance to ExCo that anti-money laundering and counter-terrorism financing matters impacting IBAL's operations and activities are managed through an appropriate framework which meet the Board's and regulatory expectations. The AMLC also maintains an open dialogue with the RACC to ensure risk appetite tolerances and other relevant matters recommended by the Committee are communicated to the RACC.
Delivery and Change Committee	The Delivery and Change Committee (DCC) provides assurance to ExCo that the activities associated with delivery, change and transformation initiatives which impact IBAL's operations are managed through an appropriate framework which meet the Board's and regulatory expectations. The DCC also maintains an open dialogue with the RACC to ensure risk appetite tolerances and other relevant matters recommended by the Committee are communicated to the RACC.
Customer, Conduct and Reputation Committee	The Customer, Conduct and Reputation Committee (CCRC) provides assurance to ExCo that customer, conduct and reputational matters (including sustainability) impacting IBAL's operations and activities are managed through an appropriate framework which meet the Board's and regulatory expectations. The CCRC also maintains an open dialogue with the RACC and ExCo to ensure risk appetite tolerances or key performance indicators and other relevant matters recommended by the Committee are communicated to the RACC.

Risk Management infrastructure and enablers

The RMF is operationalised through key risk infrastructure such as frameworks and policies, capital adequacy assessments, stress testing and scenario analysis and risk reporting. This infrastructure supports the Group in identifying, managing and reporting our risks in a consistent way across throughout the organisation and define requirements that are binding on all business units.

The operationalisation of the RMF is supported by enablers that support our staff in executing risk management activities. These enablers include the use of risk data and technology to support the execution of activities, standardised processes and procedures aligned to risk policies, and the ongoing development of our people and their risk management capabilities.

Definition of default

The Group uses the definition of default for internal risk management purposes and has aligned the definition of non-performing (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 the Group, and/or the Group considers the borrower unlikely to meet its credit obligations in full due to financial difficulties. An exposure is past-due when (i) any amount of principal, interest or fee has not been paid at the date it was due or (ii) an advised limit has been breached.

Material deviations from the applicable definition of default are not permitted.

Non-performing financial assets (Stage 3)

Financial assets are assessed for non-performance at each reporting date and more frequently when circumstances warrant further assessment. Evidence of non-performance 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 non-performing. 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 non-performing, 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 non-performing 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 non-performing, 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 non-performing loans in Stage 3 are established at the borrower level, where losses related to non-performing 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)

The Group estimates individual impairment provisions for individually significant non-performing 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 re-organisation);
- 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
- the Group 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.

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 Financial Institution 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 that is not expected to be recovered in the event of default.
- **Exposure at Default (EAD)**: estimates of the gross exposure 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 determined by mapping a score to a risk class with an assigned LGD value. The score is computed using two statistical scorecards that assess the cure and recovery rates, using product, collateral, and behavioural attributes at a facility level.

EAD is estimated using balance and limit of an account and a fixed Credit Conversion Factor (CCF) of 100%.

Foundation Internal Ratings-Based approach for Financial Institution and Corporate exposures

Each Financial Institution 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*.

Internal Rating system

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:

Risk category	Risk Rating	S&P Global Rating	Moody's Rating	Fitch Rating
Lower risk	1 to 10	AAA to BBB-	Aaa to Baa3	AAA to BBB-
Medium risk	11 to 17	BB+ to CCC-	Ba1 to Caa3	BB+ to CCC
High risk	18 to 19	CC to C	Ca to C	CC to C
Non-performing	20 to 22	D	C	D

IBAL's IRB models are subject to annual monitoring and validation, and full review on a 3 year cycle under the 'Monitoring and Testing Standards for credit risk IRB models'. The standard provides a model acceptance framework which defines the properties of a good performing model and allows for the independent testing and validation of the IRB models and rating system.

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

Exposures subject to the standardised approach include:

- All exposures in the IBAL Priority Commercial Mortgage (PCM) portfolio.
- Sovereign exposures in the IBAL Treasury 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 the Group takes as credit risk mitigation on its market related exposures.

Collateral

The Group has entered into various collateralisation arrangements (documented via the Credit Support Annexes (CSAs)) with all individual Bank counterparties which allow the Group to issue margin (collateral) calls in support of any adverse mark-to-market adjustments on the aggregate value of outstanding derivative positions between the Group and the individual Bank counterparties. CSAs require individual counterparties to post collateral when mark-to-market positions exceed agreed thresholds. The Group 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.

The Group has formal processes in place to ensure that calls for collateral top-up or exposure reductions are made promptly.

Netting

The Group 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. The Group recognises the netting benefits included in the CSAs when calculating replacement costs of netting sets, and exposure after credit risk mitigation for regulatory reporting purposes.

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

Guarantor Creditworthiness

The Group 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

The Group manages counterparty (or groups of related counterparties) credit risk concentrations in accordance with its Large Exposure Policy. The Group applies exposure limits within both the counterparty type and related counterparty group and reviews these limits annually.

Counterparty Credit Risk

Counterparty credit risk arises in respect of the Group's derivatives and liquidity portfolios. The Group'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).

Collateral - Derivatives

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

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. The Group's Wrong Way Risk (WWR) Policy provides a framework of regulatory and internal 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 the Group's credit rating

Downgrades in the Group's credit rating may, due to its CSA obligations, trigger a requirement for the Group to post additional collateral to its derivatives counterparties. The impact of a downgrade of the Group credit rating has been calculated at $121m of additional collateral to be provided. This is the same across a 1, 2 or 3 notches downgrade due to the fact that the collateral amount does not vary once the minimum rating requirement is triggered.

Interest rate risk in the banking book

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

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

Managing and monitoring interest rate risk

The Bank's Treasury department is responsible for managing IRRBB, while the Market Risk unit (reporting into the Chief Risk Officer) 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 Group Annual Report 2023 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.

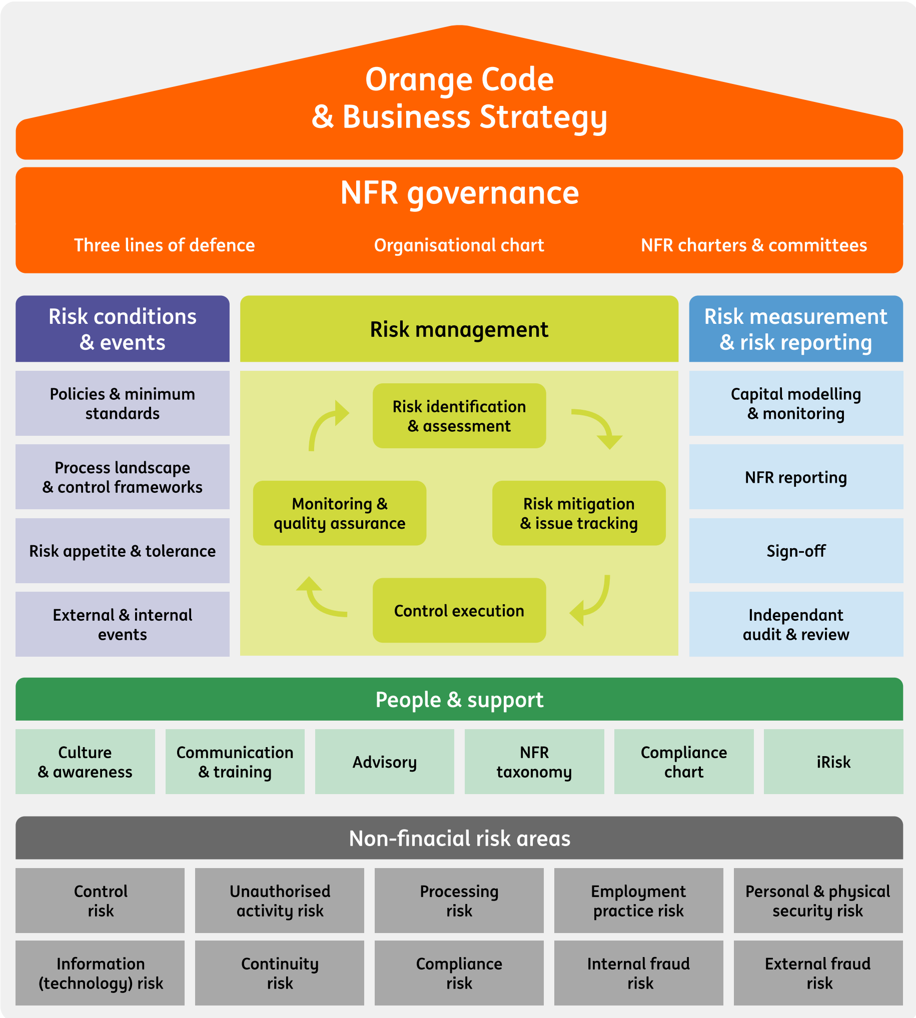
The Bank also measures and manages the structural interest rate mismatch associated with the transfer priced balance sheet. This is done by measuring the net interest income (NII) and net present value (NPV) sensitivity of the balance sheet to changes in interest rates, which is reported to and overseen by FBSC. 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 FBSC, 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.

Managing and monitoring non-financial risk

The Banks manages non-financial risk (NFR) via the Non-Financial Risk Framework, which consists of the following components:



- **NFR Governance -** details the main principles and key organisational structures of the Group, governing the management practices that apply to all operations of the bank relevant for managing and measuring non-financial risk.
- **Risk Conditions & Events –** takes into account the external and internal constraints and events for managing nonfinancial risk.
- **Risk Management -** involves Identifying risks to the bank, measuring exposures to those risks, ensuring effective monitoring of risk exposures and corresponding capital needs on an ongoing basis, taking steps to control or mitigate risk and reporting to management.
- **Risk Measurement & Risk Reporting -** relates periodic reporting containing material non-financial risk related information (NFRD) in order to measure and monitor risk exposure against the risk appetite and tolerance. Metrics used are preferably generated/calculated automatically based on iRisk (a GRC system) data and translated in clear messages for the relevant target audience and decision-makers, allowing for a timely response.
- **People & Support -** further supports the risk management processes by:
  - Embracing the Group Values and behaviours;
  - Developing skills and expertise of employees through training and communication within all lines of defence;
  - Providing challenge, advice & support to the Business and the Functional Line on significant NFR matters and the interpretation and application of NFR Policies, Minimum Standards and regulatory requirements.

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

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

The IDS Trust 2008-1 is the Group's internal securitisation transaction. The ING Direct Originated Loans (IDOL) program is the Group's external securitisation program. The Group 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, the Group commenced activities including the provision of facilities and funding to securitisation special purpose vehicles (SPVs) funding third party originated assets.

Risk Assessment

When providing various facilities to the IDOL Trusts and IDS Trust 2008-1, the Group 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.

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

When the Group 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.

The Group 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, the Group 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 the Group 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 the Group has continuous access to funds in accordance with policies established and monitored by the Board Risk Committee and FBSC. The primary objective is to maintain sufficient liquidity in order to ensure safe and sound operations.

The key objectives of the Group'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.

The Group'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 the Group 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 the Group'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 the Group specific event. These plans ensure that all roles and responsibilities are clearly defined and all necessary management information is in place.

The main objective of the Group's contingency funding plan and early warning liquidity triggers is to enable senior management to act effectively and efficiently in times of crisis. The ING contingency funding plan is regularly tested using crisis simulation, the most recent simulation having been carried out in October 2023.

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 refers to High Quality Liquid Assets (HQLA), made up of cash balances held with the RBA as well as Australian Semi Government and Commonwealth Government securities. The average HQLA for the quarter was AUD 9.25bn. The RBA's Committed Liquidity Facility was reduced to zero effective from 1 January 2023.

The main funding sources for the Bank are deposits from retail and small business customers. Funding is also sourced from within the global ING Group in the form of deposits, and the Bank also raises funds from the wholesale market in the form of corporate and bank deposits and by issuing Residential Mortgage-backed Securities (RMBS) and covered bonds. All wholesale funding activity is managed centrally by the Treasury department, which is also responsible for managing the funding gap between retail and commercial assets and liabilities on the Bank's balance sheet.

Derivatives exposures, potential collateral calls and any contingent funding requirements are taken into account in the daily calculation of LCR as per the requirements in the APRA Prudential Standard, APS 210. The weightings and run-off factors prescribed in APS 210 are also used to determine outflows from each of the Bank's funding sources.

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

The Bank's average LCR for the quarter ended 31 December 2023 was 162.7%, which is a slight decrease of 0.6% from 163.3% reported for the quarter ended 30 September 2023. The lowest LCR recorded during the quarter was 140% with the decrease on that day being mainly due to movements in IBAL's exchange settlement account.

The Bank's AUD-only LCR was 7% higher than all-currency LCR as at the end of the quarter, driven mainly by the Bank's USD collateral account being funded short term (<30 days).

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.

The Bank's NSFR for the quarter ended 31 December 2023 was 136%, little changed from 30 September 2023.

Quantitative disclosures

Capital

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

	December 2023	September 2023	June 2023
Amounts in millions of dollars			
Subject to AIRB approach			
Residential mortgages[3]	12,445	12,127	12,120
Total RWA subject to AIRB approach	**12,445**	**12,127**	**12,120**
Subject to FIRB approach			
Financial institution	460	722	344
Corporate	2,228	2,145	1,857
Total RWA subject to FIRB approach	**2,688**	**2,867**	**2,201**
Subject to supervisory slotting approach			
Property finance	5,297	5,329	5,425
Project finance	2,480	2,505	2,483
Total RWA subject to supervisory slotting approach	**7,777**	**7,834**	**7,908**
Subject to standardised approach			
Residential mortgages	828	682	346
Property finance	68	82	92
Sovereign	-	-	-
Corporate	1,272	1,158	1,301
Other retail	480	446	425
Other assets	73	77	78
Total RWA subject to standardised approach	**2,721**	**2,445**	**2,242**
Securitisation	128	128	128
Credit valuation adjustment	-	-	-
Central counterparties	8	10	11
Total credit risk RWA	**25,767**	**25,411**	**24,610**
Interest rate risk in the banking book[4]	3,837	4,425	3,977
Operational risk	1,916	1,916	1,916
Total RWA	**31,520**	**31,752**	**30,503**

APS 330 Table 6g - Capital ratios

	December 2023	September 2023	June 2023
Common equity tier 1 capital ratio	17.1%	16.7%	17.0%
Tier 1 capital ratio	17.1%	16.7%	17.0%
Total capital ratio	**18.7%**	**17.5%**	**17.9%**

[3] The Residential Mortgages Risk Weighted Assets includes an overlay of $608 million.

[4] The Interest Rate Risk in the Banking Book Risk Weighted Assets includes an overlay of $625 million.

APS 330 Table 6i - Capital floor[5]

	December 2023	June 2023
Risk weighted assets under the standardised approach		
Credit risk	36,741	35,664
Interest rate risk in the banking book	n/a	n/a
Operational risk	1,916	1,916
Total	**38,657**	**37,580**
Risk weighted assets prior to application of floor		
Credit risk	25,767	24,610
Interest rate risk in the banking book	3,837	3,977
Operational risk	1,916	1,916
Total	**31,520**	**30,503**
Capital floor at 72.5%	**28,026**	**27,246**
Capital floor adjustment	**-**	**-**

[5] RWA for residential mortgages measured under the IRB approach is $20,758 million when calculated under the standardised approach.

Credit risk[6]

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

December 2023					
		Off-Balance sheet			
Amounts in millions of dollars	On-Balance sheet	Market related	Non-market related	Total	6-month average
Residential mortgages	58,548	-	7,524	**66,072**	64,938
Property finance	5,716	-	428	**6,144**	6,237
Project finance	3,077	-	324	**3,401**	3,436
Corporate	4,369	-	1,535	**5,904**	5,781
Financial institution	1,339	-	619	**1,958**	2,228
Sovereign	10,590	310	-	**10,900**	10,097
Other retail	434	-	108	**542**	508
Other assets	73	-	-	**73**	76
Central counterparties	-	420	-	**420**	483
Total credit exposures	**84,146**	**730**	**10,538**	**95,414**	**93,784**

September 2023					
		Off-Balance sheet			
Amounts in millions of dollars	On-Balance sheet	Market related	Non-market related	Total	3-month average
Residential mortgages	56,848	-	7,548	**64,396**	64,371
Property finance	5,812	-	343	**6,155**	6,284
Project finance	3,253	-	193	**3,446**	3,454
Corporate	4,628	-	1,237	**5,865**	5,720
Financial institution	2,750	-	535	**3,285**	2,140
Sovereign	9,859	414	-	**10,273**	9,696
Other retail	396	-	107	**503**	492
Other assets	77	-	-	**77**	78
Central counterparties	-	502	-	**502**	475
Total credit exposures	**83,623**	**916**	**9,963**	**94,502**	**92,706**

June 2023					
		Off-Balance sheet			
Amounts in millions of dollars	On-Balance sheet	Market related	Non-market related	Total	6-month average
Residential mortgages	57,030	-	7,315	**64,345**	63,465
Property finance	5,959	-	453	**6,412**	6,506
Project finance	3,265	-	196	**3,461**	3,420
Corporate	4,370	-	1,204	**5,574**	5,478
Financial institution	942	-	500	**1,442**	1,648
Sovereign	8,793	325	-	**9,118**	9,400
Other retail	377	-	103	**480**	473
Other assets	78	-	-	**78**	80
Central counterparties	-	527	-	**527**	487
Total credit exposures	**80,814**	**852**	**9,771**	**91,437**	**90,955**

[6] Excluding Securitisation

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

December 2023								
	Counterparty type							
Amounts in millions of dollars	Retail	Financial institution	Sovereign	Property finance	Infra-structure	Utility & Power	Other	Total
Residential mortgages	66,072	-	-	-	-	-	-	**66,072**
Property finance	-	-	-	6,144	-	-	-	**6,144**
Project finance	-	-	-	-	1,031	1,806	564	**3,401**
Corporate	-	-	-	-	257	1,492	4,155	**5,904**
Financial institution	-	1,958	-	-	-	-	-	**1,958**
Sovereign	-	-	10,900	-	-	-	-	**10,900**
Other retail	542	-	-	-	-	-	-	**542**
Other assets	-	-	-	-	-	-	73	**73**
Central counterparties	-	420	-	-	-	-	-	**420**
Total credit exposures	**66,614**	**2,378**	**10,900**	**6,144**	**1,288**	**3,298**	**4,792**	**95,414**

June 2023								
	Counterparty type							
Amounts in millions of dollars	Retail	Financial institution	Sovereign	Property finance	Infra-structure	Utility & Power	Other	Total
Residential mortgages	64,345	-	-	-	-	-	-	**64,345**
Property finance	-	-	-	6,412	-	-	-	**6,412**
Project finance	-	-	-	-	1,186	1,714	561	**3,461**
Corporate	-	-	-	-	199	1,522	3,853	**5,574**
Financial institution	-	1,442	-	-	-	-	-	**1,442**
Sovereign	-	-	9,118	-	-	-	-	**9,118**
Other retail	480	-	-	-	-	-	-	**480**
Other assets	-	-	-	-	-	-	78	**78**
Central counterparties	-	527	-	-	-	-	-	**527**
Total credit exposures	**64,825**	**1,969**	**9,118**	**6,412**	**1,385**	**3,236**	**4,492**	**91,437**

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

						December 2023
Amounts in millions of dollars	<=3 months	>3 months <=1 year	>1 year <=5 years	>5 years	No maturity specified	**Total**
Residential mortgages	-	381	40	65,651	-	**66,072**
Property finance	1,585	1,218	3,210	131	-	**6,144**
Project finance	73	270	2,675	383	-	**3,401**
Corporate	1,409	615	2,658	1,222	-	**5,904**
Financial institution	1,129	429	399	1	-	**1,958**
Sovereign	2,872	568	3,291	4,169	-	**10,900**
Other retail	-	8	484	49	1	**542**
Other assets	-	-	-	-	73	**73**
Central counterparties	-	-	420	-	-	**420**
Total credit exposures	**7,068**	**3,489**	**13,177**	**71,606**	**74**	**95,414**

						June 2023
Amounts in millions of dollars	<=3 months	>3 months <=1 year	>1 year <=5 years	>5 years	No maturity specified	**Total**
Residential mortgages	-	402	39	63,904	-	**64,345**
Property finance	1,555	1,355	3,060	442	-	**6,412**
Project finance	97	191	2,721	452	-	**3,461**
Corporate	1,190	374	2,764	1,246	-	**5,574**
Financial institution	970	352	118	2	-	**1,442**
Sovereign	1,061	703	2,946	4,408	-	**9,118**
Other retail	-	8	431	40	1	**480**
Other assets	-	-	-	-	78	**78**
Central counterparties	-	-	527	-	-	**527**
Total credit exposures	**4,873**	**3,385**	**12,606**	**70,494**	**79**	**91,437**

[7] Market related exposures are reported as the notional amount weighted average maturity

APS 330 Table 7f - Non-performing by portfolio type

			December 2023	
			Quarterly movement	
Amounts in millions of dollars	Non-performing facilities	Specific provisions	Charge to specific provisions	Write offs
Residential mortgages	611	58	21	1
Property finance	24	3	3	-
Project finance	-	-	-	-
Corporate	20	3	-	-
Financial institution	-	-	-	-
Sovereign	-	-	-	-
Other retail	12	11	-	1
Other assets	-	-	-	-
Central counterparties	-	-	-	-
Total	**667**	**75**	**24**	**2**

			September 2023	
			Quarterly movement	
Amounts in millions of dollars	Non-performing facilities	Specific provisions	Charge to specific provisions	Write offs
Residential mortgages	583	37	(2)	-
Property finance	28	-	-	-
Project finance	-	-	-	-
Corporate	37	3	-	-
Financial institution	-	-	-	-
Sovereign	-	-	-	-
Other retail	12	11	-	2
Other assets	-	-	-	-
Central counterparties	-	-	-	-
Total	**660**	**51**	**(2)**	**2**

			June 2023	
			Quarterly movement	
Amounts in millions of dollars	Non-performing facilities	Specific provisions	Charge to specific provisions	Write offs
Residential mortgages	554	39	2	-
Property finance	2	-	-	-
Project finance	-	-	-	-
Corporate	50	3	1	-
Financial institution	-	-	-	-
Sovereign	-	-	-	-
Other retail	12	11	3	1
Other assets	-	-	-	-
Central counterparties	-	-	-	-
Total	**618**	**53**	**6**	**1**

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

Movement in collective provisions	December 2023	June 2023
Amounts in millions of dollars		
Opening balance	156	121
Net charge against profit and loss	5	38
Recoveries	-	-
Write-offs	(4)	(2)
Less collective provisions transferred to specific provisions	-	-
Total collective provisions	**157**	**156**
Less collective provisions treated as specific provisions for regulatory purposes	(72)	(53)
General provisions	**85**	**103**

Movement in individual provisions	December 2023	June 2023
Amounts in millions of dollars		
Opening balance	-	-
New and increase provisioning	3	-
Write back of provisions no longer required	-	-
Write-offs	-	-
Discount unwind to interest income	-	-
Add collective provisions transferred to specific provisions	-	-
Total individual provisions	**3**	**-**

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

					December 2023
Amounts in millions of dollars	AIRB	FIRB	Slotting	Standardised	Total
Portfolio type					
Residential mortgages	65,175	-	-	897	**66,072**
Property finance	-	-	6,060	84	**6,144**
Project finance	-	-	3,401	-	**3,401**
Corporate	-	4,244	-	1,660	**5,904**
Financial institution	-	1,958	-	-	**1,958**
Sovereign	-	-	-	10,900	**10,900**
Other retail	-	-	-	542	**542**
Other assets	-	-	-	73	**73**
Central counterparties	-	-	-	420	**420**
Total credit exposures	**65,175**	**6,202**	**9,461**	**14,576**	**95,414**

					June 2023
Amounts in millions of dollars	AIRB	FIRB	Slotting	Standardised	Total
Portfolio type					
Residential mortgages	63,918	-	-	427	**64,345**
Property finance	-	-	6,298	114	**6,412**
Project finance	-	-	3,461	-	**3,461**
Corporate	-	3,891	-	1,683	**5,574**
Financial institution	-	1,442	-	-	**1,442**
Sovereign	-	-	-	9,118	**9,118**
Other retail	-	-	-	480	**480**
Other assets	-	-	-	78	**78**
Central counterparties	-	-	-	527	**527**
Total credit exposures	**63,918**	**5,333**	**9,759**	**12,427**	**91,437**

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

			December 2023
Amounts in millions of dollars	General provisions	Specific provisions	Total
Collective provision	85	72	157
Individual provision	-	3	3
Total provisions	**85**	**75**	**160**

			September 2023
Amounts in millions of dollars	General provisions	Specific provisions	Total
Collective provision	102	51	153
Individual provision	-	-	-
Total provisions	**102**	**51**	**153**

			June 2023
Amounts in millions of dollars	General provisions	Specific provisions	Total
Collective provision	103	53	156
Individual provision	-	-	-
Total provisions	**103**	**53**	**156**

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 2023	June 2023
Amounts in millions of dollars		
Risk weight		
0%	10,901	9,119
2%	420	527
25%	50	56
30%	26	28
40%	38	48
45%	57	60
50%	204	205
60%	325	363
65%	3	7
70%	48	66
75%	652	625
85%	230	152
90%	33	43
95%	-	-
100%	1,529	1,041
105%	8	7
110%	1	2
120%	5	8
150%	46	70
>150%	-	-
Capital deductions	-	-
Total	**14,576**	**12,427**

Supervisory Slotting

Exposure after credit risk mitigation	December 2023	June 2023
Amounts in millions of dollars		
Supervisory category		
Strong (70%)	5,904	6,537
Good (90%)	2,757	2,674
Satisfactory (115%)	578	330
Weak (250%)	199	218
Default (0%)	23	-
Total	**9,461**	**9,759**

APS 330 Table 9d – Exposures by portfolio type and PD band (Portfolios subject to IRB approach)[8]

	December 2023													
	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	-	24,006	8,581	6,661	6,096	12,918	-	4,415	430	748	347	-	378	595	**65,175**
Financial institution	-	1,958	-	-	-	-	-	-	-	-	-	-	-	-	**1,958**
Corporate	-	376	1,923	857	906	-	154	-	28	-	-	-	-	-	**4,244**
Total credit risk exposures	**-**	**26,340**	**10,504**	**7,518**	**7,002**	**12,918**	**154**	**4,415**	**458**	**748**	**347**	**-**	**378**	**595**	**71,377**
Undrawn commitments															
Residential mortgages	-	4,699	1,060	226	180	1,212	-	42	1	2	1	-	1	-	**7,424**
Financial institution	-	619	-	-	-	-	-	-	-	-	-	-	-	-	**619**
Corporate	-	309	354	295	365	-	38	-	-	-	-	-	-	-	**1,361**
Total undrawn commitments	**-**	**5,627**	**1,414**	**521**	**545**	**1,212**	**38**	**42**	**1**	**2**	**1**	**-**	**1**	**-**	**9,404**
Exposure - weighted average EAD															
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Financial institution	-	37	-	-	-	-	-	-	-	-	-	-	-	-	**37**
Corporate	-	47	42	11	11	-	7	-	14	-	-	-	-	-	**18**
Exposure - weighted average LGD (%)															
Residential mortgages	-	15	15	16	16	17	-	17	16	17	17	-	16	31	**16**
Exposure - weighted average risk weight (%)															
Residential mortgages	-	6	9	13	19	25	-	42	60	75	104	-	146	247	**19**
Financial institution	-	23	-	-	-	-	-	-	-	-	-	-	-	-	**23**
Corporate	-	32	34	55	84	-	126	-	141	-	-	-	-	-	**53**

[8] 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)[9] (continued)

														June 2023
	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	-	24,250	8,614	6,226	5,671	12,601	-	4,140	412	743	369	-	362	530	**63,918**
Financial institution	-	1,442	-	-	-	-	-	-	-	-	-	-	-	-	**1,442**
Corporate	-	382	1,887	956	517	-	120	29	-	-	-	-	-	-	**3,891**
Total credit risk exposures	**-**	**26,074**	**10,501**	**7,182**	**6,188**	**12,601**	**120**	**4,169**	**412**	**743**	**369**	**-**	**362**	**530**	**69,251**
Undrawn commitments															
Residential mortgages	-	4,575	1,071	219	196	1,155	-	43	1	3	1	-	1	-	**7,265**
Financial institution	-	500	-	-	-	-	-	-	-	-	-	-	-	-	**500**
Corporate	-	314	253	317	179	-	37	-	-	-	-	-	-	-	**1,100**
Total undrawn commitments	**-**	**5,389**	**1,324**	**536**	**375**	**1,155**	**37**	**43**	**1**	**3**	**1**	**-**	**1**	**-**	**8,865**
Exposure - weighted average EAD															
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Financial institution	-	38	-	-	-	-	-	-	-	-	-	-	-	-	**38**
Corporate	-	64	46	25	10	-	7	14	-	-	-	-	-	-	**25**
Exposure - weighted average LGD (%)															
Residential mortgages	-	15	16	16	16	17	-	17	17	17	17	-	17	32	**16**
Exposure - weighted average risk weight (%)															
Residential mortgages	-	6	9	13	19	25	-	43	61	76	104	-	152	254	**19**
Financial institution	-	24	-	-	-	-	-	-	-	-	-	-	-	-	**24**
Corporate	-	36	33	50	84	-	130	125	-	-	-	-	-	-	**48**

[9] 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 in reporting period by portfolio type

Portfolios subject to IRB approach	December 2023		June 2023	
Amounts in millions of dollars	Charge to specific provisions	Write-offs	Charge to specific provisions	Write-offs
Residential mortgages	21	1	-	-
Financial institution	-	-	-	-
Corporate	-	-	-	-
Total	**21**	**1**	**-**	**-**

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

Portfolios subject to IRB approach		December 2023
Amounts in millions of dollars	Half year actual loss	Regulatory 1 year expected loss estimate
Residential mortgages	1	137
Financial institution	-	1
Corporate	-	5
Total	**1**	**142**

Portfolios subject to IRB approach		June 2023
Amounts in millions of dollars	Half year actual loss	Regulatory 1 year expected loss estimate
Residential mortgages	-	129
Financial institution	-	0
Corporate	-	4
Total	**-**	**133**

APS 330 Table 9f (ii) – Accuracy of risk estimates by portfolio type

					December 202
	PD		LGD		EAD
Amounts in millions of dollars	Average estimate	Average actual	Average estimate	Average actual	Estimate to actual ratio
Residential mortgages	0.65%	0.69%	19.91%	1.11%	101%
Financial institution	0.28%	0.00%	N/A	N/A	N/A
Corporate	0.31%	0.00%	N/A	N/A	N/A

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

Amounts in millions of dollars	Gross exposure	Eligible collateral	Net exposure
			December 2023
Subject to AIRB and FIRB approach			
Residential mortgages	65,175	-	65,175
Financial institution	1,958	-	1,958
Corporate	4,244	-	4,244
Total advanced approach	**71,377**	**-**	**71,377**
Subject to supervisory slotting approach			
Property finance	6,060	-	6,060
Project finance	3,401	-	3,401
Total supervisory slotting approach	**9,461**	**-**	**9,461**
Subject to standardised approach			
Residential mortgages	897	-	897
Property finance	84	-	84
Sovereign	10,900	-	10,900
Corporate	1,660	-	1,660
Other retail	542	-	542
Other assets	73	-	73
Total standardised approach	**14,156**	**-**	**14,156**
Securitisation	851	-	851
Central counterparties	420	-	420
Total exposures	**96,265**	**-**	**96,265**

Amounts in millions of dollars	Gross exposure	Eligible collateral	Net exposure
			June 2023
Subject to AIRB and FIRB approach			
Residential mortgages	63,918	-	63,918
Financial institution	1,442	-	1,442
Corporate	3,891	-	3,891
Total advanced approach	**69,251**	**-**	**69,251**
Subject to supervisory slotting approach			
Property finance	6,298	-	6,298
Project finance	3,461	-	3,461
Total supervisory slotting approach	**9,759**	**-**	**9,759**
Subject to standardised approach			
Residential mortgages	427	-	427
Property finance	114	-	114
Sovereign	9,118	-	9,118
Corporate	1,683	-	1,683
Other retail	480	-	480
Other assets	78	-	78
Total standardised approach	**11,900**	**-**	**11,900**
Securitisation	852	-	852
Central counterparties	527	-	527
Total exposures	**92,289**	**-**	**92,289**

[10] Exposures for derivatives and securities financing transactions are after netting and financial collateral

APS 330 Table 11b - Counterparty credit risk derivative exposure

Effects of netting on the balance sheet	December 2023	June 2023
Amounts in millions of dollars		
Gross positive fair value	903	1,256
Netting benefits	(221)	(341)
Netted current credit exposure	**682**	**915**
Net collateral benefit, of which:		
From cash collateral held	(422)	(594)
Replacement cost	**260**	**321**
Potential future exposure (PFE) and impact of 1.4 scaling factor	160	206
Exposure at default	**420**	**527**

Exposure at default	December 2023	June 2023
Amounts in millions of dollars		
Interest Rate Contracts		
Standardised Approach to Counterparty Credit Risk	420	527
Total	**420**	**527**

Securitisation

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

		December 2023
Amounts in millions of dollars	Originated by the ADI	Third party originated
Underlying asset		
Residential mortgages	14,809	-
Total	**14,809**	**-**

		June 2023
Amounts in millions of dollars	Originated by the ADI	Third party originated
Underlying asset		
Residential mortgages	13,055	-
Total	**13,055**	**-**

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

				December 2023
Amounts in millions of dollars	Outstanding exposure	Non-performing		Losses recognised
Underlying asset				
Residential mortgages	14,809	18	-	-
Total	**14,809**	**18**	**-**	**-**

				June 2023
Amounts in millions of dollars	Outstanding exposure	Impaired	Past due	Losses recognised
Underlying asset				
Residential mortgages	13,055	18	-	-
Total	**13,055**	**18**	**-**	**-**

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

Amounts in millions of dollars	December 2023	June 2023
Underlying asset		
Residential mortgages	-	2,000
Total	**-**	**2,000**

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

	December 2023	
Amounts in millions of dollars	Total exposures securitised	Recognised gain or loss on sale
Underlying asset		
Residential mortgages	-	-
Total	**-**	**-**

	September 2023	
Amounts in millions of dollars	Total exposures securitised	Recognised gain or loss on sale
Underlying asset		
Residential mortgages	1,917	-
Total	**1,917**	**-**

	June 2023	
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 2023
Amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
Securitisation facility type			
Liquidity support facilities	-	348	**348**
Credit enhancements	-	23	**23**
Redraw facilities	-	52	**52**
Derivative facilities	18	-	**18**
Holding of securities	13,624	-	**13,624**
Total securitisation exposures	**13,642**	**423**	**14,065**

			September 2023
Amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
Securitisation facility type			
Liquidity support facilities	-	351	**351**
Credit enhancements	-	23	**23**
Redraw facilities	-	56	**56**
Derivative facilities	19	-	**19**
Holding of securities	13,635	-	**13,635**
Total securitisation exposures	**13,654**	**430**	**14,084**

			June 2023
Amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
Securitisation facility type			
Liquidity support facilities	-	324	**324**
Credit enhancements	-	21	**21**
Redraw facilities	-	18	**18**
Derivative facilities	14	-	**14**
Holding of securities	13,488	-	**13,488**
Total securitisation exposures	**13,502**	**363**	**13,865**

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

	December 2023		June 2023	
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%	851	128	852	128
>20%–50%	-	-	-	-
>50%–100%	-	-	-	-
>100%–150%	-	-	-	-
>150%–650%	-	-	-	-
>650%–<1250%	-	-	-	-
Total	**851**	**128**	**852**	**128**

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

	December 2023	June 2023
Amounts in millions of dollars		
Underlying asset		
Credit enhancements	17	7
Total	**17**	**7**

Market risk

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

Change in economic value	December 2023	June 2023
Amounts in millions of dollars		
+200 basis point shock	272	96
-200 basis point shock	(272)	(96)

Regulatory RWA	December 2023	June 2023
Amounts in millions of dollars		
Interest rate risk in the banking book	3,837	3,977

Liquidity risk

APS 330 Table 20 - Liquidity coverage ratio

		December 2023	
Amounts in millions of dollars		Total unweighted value (daily average)	Total weighted value (daily average)
Liquid assets			
1	High-quality liquid assets (HQLA)		9,246
2	Alternative liquid assets (ALA)		-
3	Reserve Bank of New Zealand (RBNZ) securities		n/a
Cash outflows			
4	Retail deposits and deposits from small business customers, of which:	45,096	4,790
5	*stable deposits*	31,123	1,556
6	*less stable deposits*	13,973	3,234
7	Unsecured wholesale funding, of which:	1,389	1,273
8	*operational deposits (all counterparties) and deposits in networks for cooperative banks*	n/a	n/a
9	*non-operational deposits (all counterparties)*	1,321	1,205
10	*unsecured debt*	68	68
11	Secured wholesale funding		207
12	Additional requirements, of which	10,692	1,478
13	*outflows related to derivatives exposures and other collateral requirements*	766	766
14	*outflows related to loss of funding on debt products*	70	70
15	*credit and liquidity facilities*	9,856	643
16	Other contractual funding obligations	1,219	258
17	Other contingent funding obligations	1,513	212
18	**Total cash outflows**		**8,218**
Cash inflows			
19	Secured lending (e.g. reverse repos)		-
20	Inflows from fully performing exposures	3,375	2,378
21	Other cash inflows	156	156
22	**Total cash inflows**	**3,531**	**2,534**
23	**Total liquid assets**		**9,246**
24	**Total net cash outflows**		**5,684**
25	**Liquidity Coverage Ratio (%)**		**163%**

(No of observations: 63)

APS 330 Table 20 - Liquidity coverage ratio (continued)

		September 2023	
	Amounts in millions of dollars	Total unweighted value (daily average)	Total weighted value (daily average)
Liquid assets			
1	High-quality liquid assets (HQLA)		8,901
2	Alternative liquid assets (ALA)		-
3	Reserve Bank of New Zealand (RBNZ) securities		n/a
Cash outflows			
4	Retail deposits and deposits from small business customers, of which:	45,037	4,762
5	*stable deposits*	31,224	1,561
6	*less stable deposits*	13,813	3,201
7	Unsecured wholesale funding, of which:	1,510	1,367
8	*operational deposits (all counterparties) and deposits in networks for cooperative banks*	n/a	n/a
9	*non-operational deposits (all counterparties)*	1,476	1,333
10	*unsecured debt*	34	34
11	Secured wholesale funding		110
12	Additional requirements, of which	10,350	1,543
13	*outflows related to derivatives exposures and other collateral requirements*	722	722
14	*outflows related to loss of funding on debt products*	222	222
15	*credit and liquidity facilities*	9,406	599
16	Other contractual funding obligations	763	1
17	Other contingent funding obligations	1,278	182
18	**Total cash outflows**		**7,965**
Cash inflows			
19	Secured lending (e.g. reverse repos)		-
20	Inflows from fully performing exposures	3,623	2,476
21	Other cash inflows	40	40
22	**Total cash inflows**	**3,663**	**2,516**
23	**Total liquid assets**		**8,901**
24	**Total net cash outflows**		**5,449**
25	**Liquidity Coverage Ratio (%)**		**163%**

(No of observations: 65)

APS 330 Table 21 - Net stable funding ratio

The Group 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 the Group's board-approved risk appetite.

		December 2023				
		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**	**6,465**	**-**	**-**	**-**	**6,465**
2	*Regulatory capital*	6,465	-	-	-	6,465
3	*Other capital instruments*	-	-	-	-	-
4	**Retail deposits and deposits from small business customers**	**-**	**47,116**	**2,348**	**236**	**46,304**
5	*Stable deposits*	-	31,014	-	-	29,463
6	*Less stable deposits*	-	16,102	2,348	236	16,841
7	**Wholesale funding**	**-**	**8,178**	**2,823**	**17,336**	**19,410**
8	*Operational deposits*	-	-	-	-	-
9	*Other wholesale funding*	-	8,178	2,823	17,336	19,410
10	**Liabilities with matching interdependent assets**	**-**	**-**	**-**	**-**	**-**
11	**Other liabilities**	**-**	**238**	**-**	**220**	**220**
12	*NSFR derivative liabilities*	-	-	-	-	
13	*All other liabilities and equity not included in the above categories*	-	238	-	220	220
14	**Total ASF**	**6,465**	**55,532**	**5,171**	**17,792**	**72,398**
	Required Stable Funding (RSF) Item					
15a	**Total NSFR (HQLA)**	**-**	**2,954**	**177**	**7,406**	**386**
15b	**ALA**	**-**	**-**	**-**	**3,055**	**305**
15c	**RBNZ securities**	**-**	**-**	**-**	**-**	**-**
16	**Deposits held at other financial institutions for operational purposes**	**-**	**-**	**-**	**-**	**-**
17	**Performing loans and securities**	**-**	**4,791**	**932**	**64,648**	**49,717**
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*	-	1,278	-	115	307
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:*	-	3,390	932	9,815	10,524
21	*With a risk weight of less than or equal to 35% under APS 112*	-	-	-	-	-
22	*Performing residential mortgages, of which:*	-	123	-	54,718	38,886
23	*With a risk weight equal to 35% under APS 112*	-	99	-	52,616	37,088
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:**	**-**	**-**	**-**	**2,340**	**2,340**
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*	-	-	-	962	962
30	*NSFR derivative liabilities before deduction of variation margin posted*	-	-	-	38	38
31	*All other assets not included in the above categories*	-	-	-	1,341	1,341
32	**Off-balance sheet items**	**-**	**-**	**-**	**-**	**559**
33	**Total RSF**	**-**	**7,745**	**1,109**	**77,449**	**53,308**
34	**Net Stable Funding Ratio (%)**					**136%**

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

		September 2023				
		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**	**6,096**	**-**	**-**	**-**	**6,096**
2	*Regulatory capital*	6,096	-	-	-	6,096
3	*Other capital instruments*	-	-	-	-	-
4	**Retail deposits and deposits from small business customers**	**-**	**47,044**	**1,924**	**234**	**45,873**
5	*Stable deposits*	-	31,364	-	-	29,796
6	*Less stable deposits*	-	15,680	1,924	234	16,077
7	**Wholesale funding**	**-**	**6,091**	**4,904**	**17,586**	**20,565**
8	*Operational deposits*	-	-	-	-	-
9	*Other wholesale funding*	-	6,091	4,904	17,586	20,565
10	**Liabilities with matching interdependent assets**	**-**	**-**	**-**	**-**	**-**
11	**Other liabilities**	**-**	**558**	**-**	**289**	**289**
12	*NSFR derivative liabilities*	-	-	-	-	
13	*All other liabilities and equity not included in the above categories*	-	558	-	289	289
14	**Total ASF**	**6,096**	**53,693**	**6,828**	**18,109**	**72,823**
Required Stable Funding (RSF) Item						
15a	**Total NSFR (HQLA)**	**-**	**2,320**	**158**	**7,269**	**386**
15b	**ALA**	**-**	**-**	**-**	**3,555**	**355**
15c	**RBNZ securities**	**-**	**-**	**-**	**-**	**-**
16	**Deposits held at other financial institutions for operational purposes**	**-**	**-**	**-**	**-**	**-**
17	**Performing loans and securities**	**-**	**5,839**	**828**	**63,682**	**49,605**
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*	-	1,571	-	88	324
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:*	-	4,135	827	9,925	10,941
21	*With a risk weight of less than or equal to 35% under APS 112*	-	-	-	-	-
22	*Performing residential mortgages, of which:*	-	133	-	53,668	38,340
23	*With a risk weight equal to 35% under APS 112*	-	107	-	51,779	36,721
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:**	**-**	**-**	**-**	**2,519**	**2,519**
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*	-	-	-	1,217	1,217
30	*NSFR derivative liabilities before deduction of variation margin posted*	-	-	-	49	49
31	*All other assets not included in the above categories*	-	-	-	1,253	1,253
32	**Off-balance sheet items**	**-**	**-**	**-**	**-**	**517**
33	**Total RSF**	**-**	**8,159**	**986**	**77,024**	**53,382**
34	**Net Stable Funding Ratio (%)**					**136%**

Leverage ratio

	December 2023	September 2023	June 2023	March 2023
Amounts in millions of dollars				
Tier 1 capital	5,397	5,300	5,197	5,063
Total exposures	95,981	94,980	92,020	91,056
Leverage ratio	**5.6%**	**5.6%**	**5.7%**	**5.6%**

Attachment A Reconciliations

Table 1A Capital disclosure

		December 2023	
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	4,607	3A-1
3	Accumulated other comprehensive income (and other reserves)	88	3A-8
6	**Common Equity Tier 1 capital before regulatory adjustments**	**6,029**	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)	148	3A-7
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	112	3A-1
12	Shortfall of provisions to expected losses	122	
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)**	**249**	
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*	26	3A-2
26f	*of which: capitalised expenses*	206	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*	17	
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**	**632**	
29	**Common Equity Tier 1 Capital (CET1)**	**5,397**	
45	**Tier 1 Capital (T1=CET1+AT1)**	**5,397**	

Table 1A Capital disclosure (continued)

	Amounts in millions of dollars	December 2023	Ref
	Tier 2 Capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments	477	3A-6
50	Provisions	34	3A-6
58	**Tier 2 capital (T2)**	**511**	
59	**Total capital (TC=T1+T2)**	**5,908**	
60	**Total risk-weighted assets based on APRA standards**	**31,520**	
	Capital ratios and buffers		
61	**Common Equity Tier 1** (as a percentage of risk-weighted assets)	**17.1%**	
62	**Tier 1** (as a percentage of risk-weighted assets)	**17.1%**	
63	**Total capital** (as a percentage of risk-weighted assets)	**18.7%**	
64	**Buffer requirement** (minimum CET1 requirement of 4.5% plus capital conservation buffer of 3.75% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets)	**9.25%**	
65	*of which: capital conservation buffer requirement*	3.75%	
66	*of which: ADI-specific countercyclical buffer requirements*	1.00%	
68	**Common Equity Tier 1 available to meet buffers** (as a percentage of risk-weighted assets)	**7.9%**	
	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)	26	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)	34	3A-6
77	Cap on inclusion of provisions in Tier 2 under standardised approach	34	
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
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	51	

Table 2A Regulatory Balance Sheet

						December 2023
		less				
Amounts in millions of dollars	Statutory Balance Sheet	Accrued interest	Other	Regulatory Balance Sheet	Ref	Footnote
Assets						
Cash	3,733	10	642	3,081		C
Due from other financial institutions	250	2	-	248		
Investment securities	7,943	57	(12,769)	20,655		C
Loans and advances	73,744	106	(5,982)	79,620	3A-3	B,C
Derivative assets	900	-	(4)	904		
Other receivables	52	(175)	(383)	610	3A-4	C
Property, plant and equipment	73	-	-	73		
Intangible assets	148	-	-	148	3A-7 Row 9	
Deferred tax asset	138	-	(90)	228	3A-2	D
Total Assets	**86,981**	**-**	**(18,586)**	**105,567**		
Liabilities						
Deposits and other borrowings	72,992	236	639	72,117		C
Debt issues	6,900	19	1,365	5,516		B,C
Derivative liabilities	221	-	(10)	231		C
Creditors and other liabilities	671	(255)	(20,433)	21,359		C
Deferred tax liability	112	-	(107)	219	3A-2	D
Provisions	31	-	(41)	72		
Total Liabilities	**80,927**	**-**	**(18,587)**	**99,514**		
Net Assets	**6,054**	**-**	**1**	**6,053**		
Equity						
Contributed equity	1,334	-	-	1,334	3A-1 Row 1	
Reserves	113	-	-	113	3A-1 3A-8	
Retained profits	4,607	-	1	4,606		
Total Equity	**6,054**	**-**	**1**	**6,053**	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: 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.

C: Adjustment for controlled entities that are consolidated for accounting purposes, but excluded from the scope of regulatory consolidation. Refer to Table 4A.

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

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

Table 3A Capital reconciliations

3A-1 Share Capital		**December 2023**
Amounts in millions of dollars		Ref
Contributed equity	1,334	Row 1
Retained profits	4,607	Row 2
Reserves:	-	
Cash-flow hedge reserve	112	Row 3
Fair value reserve	(24)	Row 3
Common Equity Tier 1 Capital per Common Disclosure Template	**6,029**	**Row 6**
Share-based payments reserve	25	3A-8
Retained profits for entities excluded from the regulatory consolidation	(1)	
Total Equity per Regulatory Balance Sheet	**6,053**	**2A**

3A-2 Deferred Tax Assets		**December 2023**
Amounts in millions of dollars		Ref
Deferred Tax Assets per Regulatory Balance Sheet	**228**	
Deferred Tax Liabilities per Regulatory Balance Sheet	(219)	**2A**
Net deferred tax assets excluded from the regulatory consolidation	17	
Net Deferred Tax Assets	26	
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)	(26)	Row 26e, 75
Deferred Tax Asset – amount exceed 10%/15% threshold per Common Disclosure Template	-	Row 21, 25

3A-3 Loans and Advances		**December 2023**
Amounts in millions of dollars		Ref
Loans and Advances per Regulatory Balance Sheet	**79,620**	**2A**
of which:		
Housing Loans	58,364	
Loans to non-financial corporations	13,361	
Loans to financial corporations	7,629	
Personal loans	470	
Provisions	(160)	
Deferred Fee Income	(44)	3A-5

3A-4 Other Receivables		**December 2023**
Amounts in millions of dollars		Ref
Other Receivables per Regulatory Balance Sheet	**610**	**2A**
of which:	-	
Interest Receivable	175	
Capitalised Debt Raising	-	
Capitalised Securitisation Start-up costs	9	3A-5
Capitalised Loan Origination Costs	241	
Items in Suspense	28	
Other	157	

Table 3A Capital reconciliations (continued)

3A-5 Capitalised expenses	December 2023	
Amounts in millions of dollars		Ref
Deferred Fee Income	(44)	3A-3
Capitalised Debt Raising	-	
Capitalised Securitisation Start-up costs	9	3A-4
Capitalised Loan Origination Costs	241	
Capitalised expenses per Common Disclosure Template	**206**	**Row 26f**

3A-6 Tier 2 Capital	December 2023	
Amounts in millions of dollars		Ref
Tier 2 Capital per Regulatory Balance Sheet	**477**	**Row 46**
Amortisation of Tier 2 Capital Instruments	-	
Provisions	34	Row 50, 76
Tier 2 Capital Instruments per Common Disclosure Template	**511**	**Row 51**

3A-7 Goodwill and Intangible assets	December 2023	
Amounts in millions of dollars		Ref
Intangible Assets per Regulatory Balance Sheet	**148**	
Capitalised software and other intangibles	(148)	Row 9
Goodwill per Common Disclosure Template	**-**	**Row 8**

3A-8 Accumulated Other Comprehensive Income (and other reserves)	December 2023	
Amounts in millions of dollars		Ref
Total reserves per Level 2 Regulatory Balance Sheet	**113**	**2A**
Share Based Payment Reserve not included within capital	(25)	3A-1
Accumulated Other Comprehensive Income (and other reserves) per Capital Disclosure Template	**88**	**Row 3**

Table 4A Excluded entities

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

	December 2023	
Amounts in millions of dollars	Total assets	Total liabilities
IDS Trust 2008-1	12,572	12,563
IDOL Trust Series 2015-1	78	78
IDOL Trust Series 2016-1	96	96
IDOL Trust Series 2017-1	161	161
IDOL Trust Series 2019-1	438	438
IDOL Trust Series 2023-1	1,864	1,855
IBAL Covered Bond Trust	6,291	6,286

Attachment B

APS 330 Table 18 - Composition of the Leverage Ratio

		December 2023
Amounts in millions of dollars		
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and securities financing transactions (SFTs), but including collateral)	85,785
2	(Asset amounts deducted in determining Tier 1 capital)	(398)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)**	**85,387**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	-
5	Add-on amounts for potential future credit exposure (PFCE) associated with all derivatives transactions	55
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the Australian Accounting Standards	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted central counterparty (CCP) leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivative exposures (sum of rows 4 to 10)**	**55**
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	CCR exposure for SFT assets	-
15	Agent transaction exposures	-
16	**Total SFT exposures (sum of rows 12 to 15)**	**-**
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	13,508
18	(Adjustments for conversion to credit equivalent amounts)	(2,969)
19	**Other off-balance sheet exposures (sum of rows 17 and 18)**	**10,539**
Capital and total exposures		
20	**Tier 1 Capital**	**5,397**
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	**95,981**
Leverage ratio		
22	**Leverage ratio**	**5.6%**

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

Amounts in millions of dollars		December 2023
1	Total consolidated assets as per published financial statements	86,981
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	(845)
5	Adjustment for SFTs (i.e. repos and similar secured lending)	(296)
6	Adjustment for off-balance sheet exposures (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	10,539
7	Other adjustments	(398)
8	**Leverage ratio exposure**	**95,981**