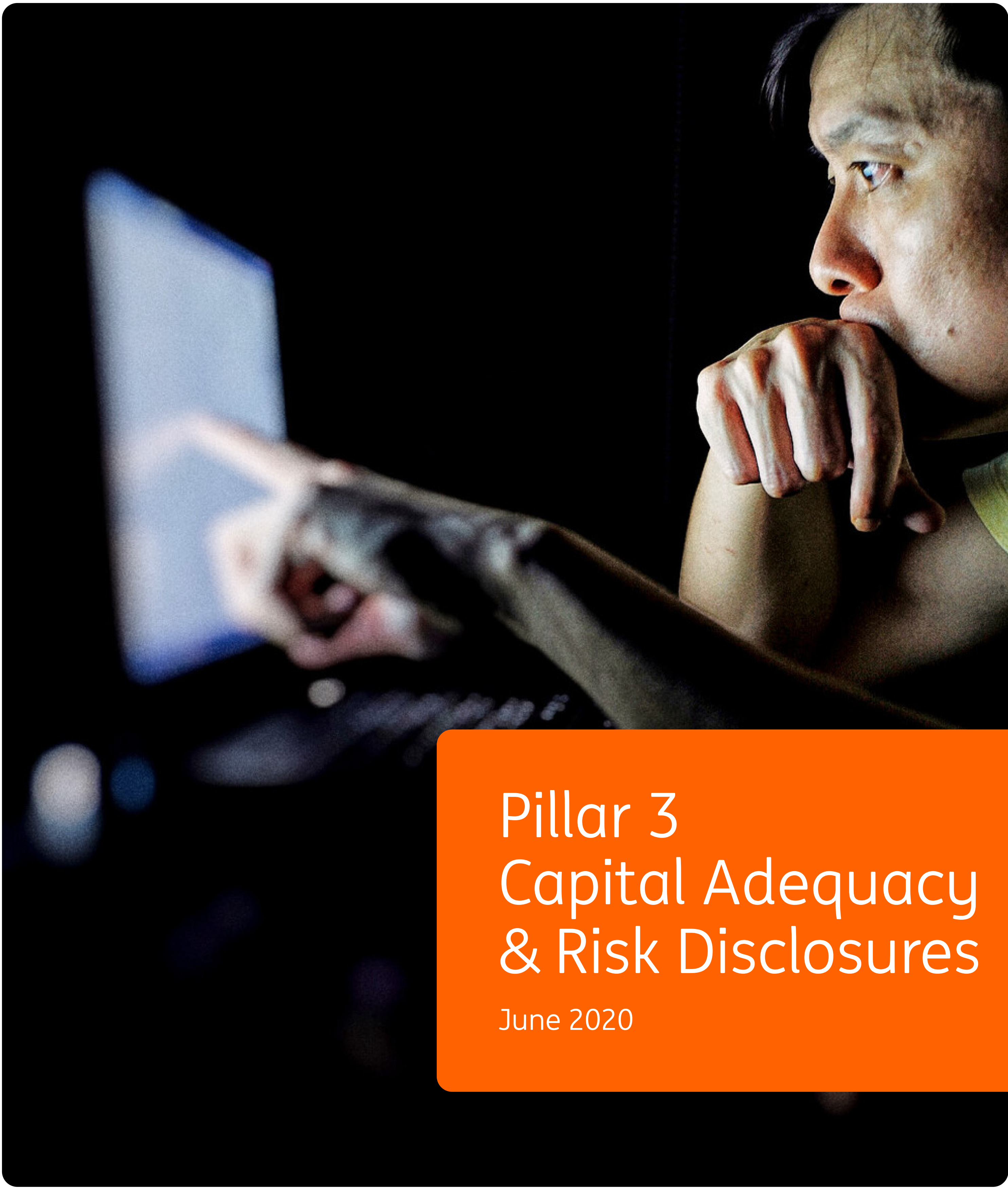


Pillar 3 Capital Adequacy & Risk Disclosures

June 2020

ING

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

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

All credit exposures are managed in Sydney, Australia.

All amounts are stated in AUD.

Qualitative disclosures:

Capital disclosures

IBAL's capital management strategy aims to ensure adequate capital levels to protect deposit holders and to maximise shareholder returns. IBAL's capital is measured and managed in line with Prudential Standards and minimum regulatory capital requirements for banks established by APRA. APRA has set minimum ratios that compare the regulatory capital with risk weighted on and off-Balance Sheet assets for credit and operational risks as well as mandating a charge for other risks that may or may not be easily measured. IBAL has complied with the capital requirements imposed by APRA throughout the year.

IBAL chooses to hold capital in addition to prudential minimum levels by maintaining capital buffers that are sufficient to absorb potential losses and increased regulatory capital under extreme but plausible stress scenarios. The Internal Capital Adequacy Assessment Process ("ICAAP") supports IBAL's Capital Management Policy, which defines the framework for defining, measuring, management, monitoring and governance of IBAL's capital position.

Capital planning is a dynamic process, which involves various teams and covers internal capital target ratios, potential capital transactions as well as projected dividend payouts. The integral parts of capital planning comprise business operating plans, stress testing, ICAAP along with considerations of regulatory capital requirements, accounting changes, taxation rules and expectations of rating agencies.

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

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

Credit risk capital

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

Operational risk capital

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

Market risk

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

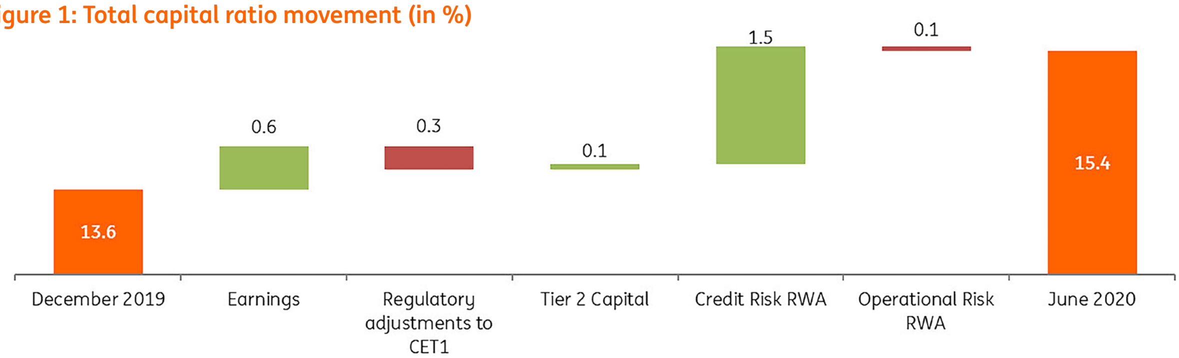
Based on this modelled output, IBAL holds sufficient capital to cover interest rate risk in the banking book. IBAL measures this risk by ascribing a portion of the capital adequacy limit to cover the calculated change in economic value from adverse movements in interest rates. IBAL has implemented buffer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

Capital summary

ING's total capital ratio increased by 1.8% to 15.4% for the 6 months to 30 June 2020:

- Increase in retained earnings of $200m (+58bps) driven by profit growth.
- Increase in regulatory adjustments by $89m (-27bps) is attributed by increase in provision shortfall for credit losses.
- Increase in capital ratio because of a lower Credit Risk RWA, mostly the result of the move to stage 2 in ING's Advanced accreditation (Residential Mortgages +34bps, Wholesale and business lending +121bps), detailed further below.

Figure 1: Total capital ratio movement (in %)

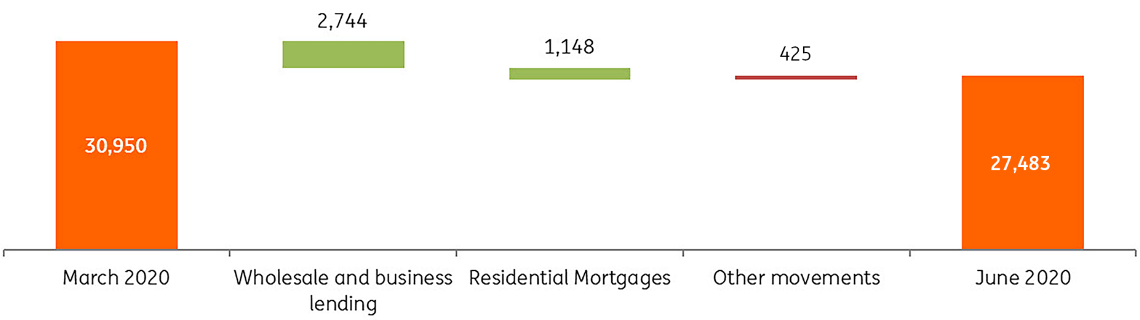


Credit Risk RWA

Effective 1 April 2020, APRA has approved ING's stage 2 Advanced accreditation:

- ING's wholesale lending and a portion of its business lending portfolios are now accredited to determine regulatory capital requirements utilising internal credit risk models; the accreditation consists of Foundation Internal Ratings-Based, Supervisory Slotting and for some smaller niche markets the Standardised approach. This change resulted in a reduction in the credit risk weighted assets of $2,744m.
- ING's residential mortgage portfolio, which is already subject to an Advanced Internal Ratings-Based approach, is now accredited for the use of an adjusted probability of default that incorporates economic pro-cyclicality. This change was expected and agreed as part of the original IRB accreditation on 1 April 2018. The risk weight floor previously applied to account for this has been removed, resulting in a reduction in risk weighted assets of $1,148m.

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



Risk disclosures

Risk type

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

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

Risk Management Framework

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

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

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

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

Risk Governance Framework

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

Risk Management Strategy

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

- **Risk Committee** – the Board Risk Committee provides objective non-executive oversight of the implementation and operation of IBAL's risk management framework. A key purpose of the Risk Committee is to help formulate IBAL's risk strategy and appetite for consideration and approval by the Board.
- **Audit Committee** – the Board Audit Committee assists the Board by providing an objective non-executive review of the effectiveness of IBAL's financial reporting and risk management framework. This includes internal controls to deal with both the design and effectiveness and efficiency of significant business processes, which involve safeguarding of assets and the maintenance of proper accounting records.
- **Remuneration and Nomination Committee** – the Remuneration and Nomination Committee is responsible for reviewing and making recommendations to the Board on IBAL's Remuneration Policy and making recommendations in relation to remuneration of the CEO, direct reports of the CEO, other persons whose activities may affect the financial soundness of IBAL and those persons covered by the Remuneration Policy.
- **Customer Experience Committee** – the Customer Experience Committee is responsible for reviewing and monitoring customer experience with IBAL, including customer complaints, resolution and closure of customer outcomes.
- **Technology and Transformation Committee** – the Technology and Transformation Committee is responsible for reviewing IBAL's technology strategy and planning, including priorities, budgets, deliverables and operational plans. In addition, it oversees and monitors IBAL's strategic transformation initiatives, including technology, data and business transformation.

Risk Management Organisation

IBAL regards risk management as a fundamental activity, performed at all levels of the organisation. Accountability for the risk management framework is based on the "three lines of defence" model, whereby ownership for risk is assumed at three levels in the organisation. The governance framework reflects the Bank's belief that "risk is everyone's business" and all employees are responsible for identifying and managing risk and operating within the approved risk appetite. The "three lines of defence" model is summarised as follows:

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

Risk Management Function

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

Risk Committees

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

- Non-Financial Risk Committee ("NFRC") – the overall responsibility of the NFRC is to identify, measure and monitor the operational and compliance risk profile of IBAL with appropriate quality of coverage and to ensure these risks are managed in accordance with the Risk Management Framework and Risk Appetite. The NFRC acts as an escalation point for issues which impact IBAL's operational and compliance risk profile and ensures that the appropriate management action is taken.
- Credit Risk Committee ("CRC") – oversees the credit risk management framework, key policies, IBAL's credit profile and performance against credit risk appetite and metrics, and identifies emerging credit risks and appropriate actions to address these. The CRC reviews and monitors the on-going level of credit risk capital and the individual and collective loan loss provisioning for IBAL.
- Asset and Liability Committee ("ALCO") – oversees and defines the policies regarding balance sheet risks such as funding, liquidity, interest rate risk and solvency of IBAL. ALCO provides governance to ensure that IBAL's risk profile is commensurate with IBAL's overall risk appetite and risk policy framework. Its responsibilities include setting limits for and monitoring solvency of the balance sheet, deciding on transfer price methods, and monitoring developments on the balance sheet that fall within its scope.
- Customer Integrity Risk Committee ("CIRC") - acts as the approval vehicle that serves to ensure that clients with a higher degree of integrity risk are adequately discussed and evaluated. The CIRC decides and approves the actions to be taken with regards to client integrity related elements/processes and impact for client relationship.
- The Finance and Risk Committee ("FRC") is a platform for the Chief Risk Officer ("CRO") and the Chief Financial Officer ("CFO"), to discuss and decide on issues that relate to both the finance and risk domains. The primary responsibility of the FRC is to co-ordinate the finance and risk decisions that have an impact on internal and/or external reporting.

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

Provisioning

IBAL uses the definition of default for internal risk management purposes and has aligned the definition of credit impaired under AASB 9 (Stage 3) with the definition of default for prudential purposes. The definition of default may differ across products and considers both quantitative and qualitative factors, such as the terms of financial covenants and days past due.

For the purposes of Table 7f, Past Due is defined as those that are 90 days or more past due. Please note that the arrears counting is frozen for the customers who asked for payment pause and meet the conditions set in the respective APRA communication related to COVID-19. The facilities in respect of which there is doubt on the full collection of principal and interest, based on an assessment of the customer's outlook, cash flow and the net realisation of value of assets to which recourse is held, are classified as Impaired, including those that are formally restructured.

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

General Reserve for Credit Losses (GRCL)

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

Eligible GRCL is included in Tier 2 capital.

Portfolios subject to Standardised Approach

As at 30 June 2020, exposures subject to the standardised approach include:

- Certain exposures in the Commercial Property Finance book not meeting all of the eligibility criteria for the Supervisory Slotting Approach.
- All exposures in the IBAL Priority Commercial Mortgage (PCM) portfolio
- 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 of tailored financial products.
- 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 are applied in accordance with *APS 112 Capital Adequacy: Standardised Approach to Credit Risk.*

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 Internal Ratings-Based approach

Effective from 1 April 2018, IBAL was accredited to use the Internal Ratings-Based (IRB) approaches to calculate its capital requirements under APRA Prudential Standard APS 113 'Capital Adequacy: Internal Ratings-based Approach to Credit Risk'. IBAL is approved to use the Advanced Internal Ratings-Based (AIRB) approach for the Residential mortgages portfolio, and the Foundation Internal Ratings-Based (FIRB) approach for the Sovereign and Bank portfolios for regulatory capital purposes. As per 1 April 2020 IBAL was accredited to apply the FIRB approach to its corporate lending portfolio.

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

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

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

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

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

Internal Ratings-Based approach for Residential Mortgages

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

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

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

Foundation Internal Ratings-Based approach for Sovereign and Bank exposures

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

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

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

Credit Risk Mitigation

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

Collateral - Derivatives

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

Collateral

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

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

Netting

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

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

Guarantor Creditworthiness

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

Concentrations

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

Counterparty Credit Risk

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

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

Wrong Way Risk

Wrong way risk is a description of the positive correlation between the level of exposure and the default probability of a counterparty. In respect of collateral, wrong way risk describes the negative correlation between the value of the collateral that is held and the default probability of the counterparty that the collateral is held in respect of. IBAL's Wrong Way Risk (WWR) Policy provides a framework of regulatory and IBAL-specific minimum standards for identifying, monitoring and managing WWR for Financial Markets transactions.

The policy identifies two sources of WWR:

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

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

Consequence of a Downgrade in IBAL's credit rating

Downgrades in IBAL's credit rating may trigger a requirement for IBAL to post additional collateral in respect of a range of obligations under its CSA obligations. The impact of a downgrade of the IBAL credit rating has been calculated at $106m. This is the same across a 1, 2 or 3 notches downgrade due to the fact that the collateral amount does not vary once the minimum rating requirement is triggered.

Interest rate risk in the banking book

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

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

Managing and monitoring interest rate risk

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

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

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

Securitisation disclosures

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

Securitisation Activities

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

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

Risk Assessment

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

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

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

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

Accounting Policies

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

Liquidity disclosures

Liquidity coverage ratio

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

IBAL's LCR for the quarter ended 30 June 2020 was calculated as simple daily averages, excluding weekends and public holidays.

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

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

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

Capital

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

Amounts in millions of dollars	June 2020	December 2019
Subject to AIRB approach		
Residential mortgages	15,417	16,187
Total RWA subject to AIRB approach	**15,417**	**16,187**
Subject to FIRB approach		
Banks & other financial institutions	492	378
Sovereign	546	513
Corporate	1,085	-
Total RWA subject to FIRB approach	**2,123**	**891**
Subject to supervisory slotting approach		
Property finance	5,126	-
Project finance	1,907	-
Total RWA subject to supervisory slotting approach	**7,033**	**-**
Subject to standardised approach		
Residential mortgages	76	80
Property finance	334	6,447
Corporate	2,023	6,889
Other retail	340	302
Other assets	127	149
Total RWA subject to standardised approach	**2,900**	**13,867**
Securitisation	-	-
Credit valuation adjustment	10	5
Central counterparties	-	-
Total credit risk RWA	**27,483**	**30,950**
Interest rate risk in the banking book	125	125
Operational risk	3,600	3,449
Total RWA	**31,208**	**34,524**

APS 330 Table 6g - Capital ratios

	June 2020	December 2019
Common equity tier 1 capital ratio	14.9%	13.2%
Tier 1 capital ratio	14.9%	13.2%
Total capital ratio	**15.4%**	**13.6%**

Credit risk

APS 330 Table 7b - Credit risk exposure by portfolio

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

					December 2019
		Off-balance sheet			
Amounts in millions of dollars	On-balance sheet	Market related	Non-market related	Total	6-month average
Residential mortgages	51,826	-	7,587	**59,413**	58,447
Property finance[2]	5,696	-	751	**6,447**	8,143
Corporate	4,975	-	1,914	**6,889**	4,702
Banks & other financial institutions	1,731	864	-	**2,595**	2,392
Sovereign	3,772	-	-	**3,772**	3,692
Securitisation	-	-	-	**-**	-
Other retail	302	-	-	**302**	258
Other assets	149	-	-	149	176
Total credit exposures	**68,451**	**864**	**10,252**	**79,567**	**77,810**

Comparative information has been restated to conform to presentation of current year figures.

[1] Effective 1 April 2020, ING Australia determines its credit risk weighted assets under supervisory slotting for its property finance and project finance assets. As a result, the June 2020 portfolio snapshots include a new row for project finance. In the December 2019 comparatives, the project finance exposures are included under Corporates.

[2] From December 2019, a different methodology was introduced to identify Commercial Real Estate (CRE) loans, which resulted in a reclassification from Property Finance to Corporate portfolios.

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

June 2020

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

December 2019

	Counterparty type							
Amounts in millions of dollars	Retail	Bank	Sovereign	Property finance	Infra-structure	Utility & Power	Other	**Total**
Residential mortgages	59,413	-	-	-	-	-	-	59,413
Property finance	-	-	-	6,447	-	-	-	6,447
Corporate	-	-	-	124	1,337	1,545	3,883	6,889
Banks & other financial institutions	-	2,595	-	-	-	-	-	2,595
Sovereign	-	-	3,772	-	-	-	-	3,772
Securitisation	-	-	-	-	-	-	-	-
Other retail	302	-	-	-	-	-	-	302
Other assets	-	-	-	-	-	-	149	149
Total credit exposures	**59,715**	**2,595**	**3,772**	**6,571**	**1,337**	**1,545**	**4,032**	**79,567**

[3]Refer to footnote 1 on page 15.

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

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

						December 2019
Amounts in millions of dollars	<=3 months	>3 months <=1 year	>1 year <=5 years	>5 years	No maturity specified	Total
Residential mortgages	1	1	35	58,693	683	**59,413**
Property finance	376	752	4,773	545	1	**6,447**
Corporate	157	571	3,830	2,328	3	**6,889**
Banks & other financial institutions	1,265	512	818	-	-	**2,595**
Sovereign	320	122	1,811	1,519	-	**3,772**
Securitisation	-	-	-	-	-	**-**
Other retail	-	3	242	-	57	**302**
Other assets	-	-	-	-	149	**149**
Total credit exposures	**2,119**	**1,961**	**11,509**	**63,085**	**893**	**79,567**

[4]Refer to footnote 1 on page 15.

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

					June 2020
Amounts in millions of dollars	Past due facilities	Impaired facilities	Specific provisions	Half-year movement	
				Charge to specific provisions	Write offs
Residential mortgages	217	293	30	1	1
Property finance	1	1	-	-	-
Project finance[5]	-	-	-	-	-
Corporate	13	37	5	-	-
Banks & other financial institutions	-	-	-	-	-
Sovereign	-	-	-	-	-
Securitisation	-	-	-	-	-
Other retail	-	5	4	3	1
Other assets	-	-	-	-	-
Total	**231**	**336**	**39**	**4**	**2**

					December 2019
Amounts in millions of dollars	Past due facilities	Impaired facilities	Specific provisions	Half-year movement	
				Charge to specific provisions	Write offs
Residential mortgages	200	211	29	3	1
Property finance	7	-	-	(2)	-
Project finance	-	-	-	-	-
Corporate	7	28	5	-	-
Banks & other financial institutions	-	-	-	-	-
Sovereign	-	-	-	-	-
Securitisation	-	-	-	-	-
Other retail	-	1	1	-	-
Other assets	-	-	-	-	-
Total	**214**	**240**	**35**	**1**	**1**

[5]Refer to footnote 1 on page 15. Please note there are no impaired assets for project finance deals.

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

Movement in collective provisions	June 2020	December 2019
Amounts in millions of dollars		
Opening balance	70	64
Net charge against profit and loss	77	7
Recoveries	-	-
Write-offs	(2)	(1)
Less collective provisions transferred to specific provisions	-	-
Total collective provisions	**145**	**70**
Less collective provisions treated as specific provisions for regulatory purposes	(38)	(30)
Additional GRCL requirement	60	94
General reserve for credit losses	**167**	**134**

Movement in individual provisions	June 2020	December 2019
Amounts in millions of dollars		
Opening balance	5	5
New and increase provisioning	-	-
Write back of provisions no longer required	-	-
Write-offs	-	-
Discount unwind to interest income	-	-
Add collective provisions transferred to specific provisions	-	-
Total individual provisions	**5**	**5**

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

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

					December 2019
Amounts in millions of dollars	AIRB	FIRB	Slotting	Standardised	Total
Portfolio type					
Residential mortgages	59,300	-	-	113	**59,413**
Property finance	-	-	-	6,447	**6,447**
Project finance	-	-	-	-	**-**
Corporate	-	-	-	6,889	**6,889**
Banks & other financial institutions	-	2,595	-	-	**2,595**
Sovereign	-	3,772	-	-	**3,772**
Securitisation	-	-	-	-	**-**
Other retail	-	-	-	302	**302**
Other assets	-	-	-	149	**149**
Total credit exposures	**59,300**	**6,367**	**-**	**13,900**	**79,567**

[6]Refer to footnote 1 on page 15.

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

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

			December 2019
Amounts in millions of dollars	General reserve for credit losses	Specific provisions	Total
Collective provision	40	30	**70**
Individual provision	-	5	**5**
Total provisions	**40**	**35**	**75**
Additional GRCL requirement	94	-	**94**
Total regulatory provisions	**134**	**35**	**169**

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

Standardised approach

Exposure after credit risk mitigation Amounts in millions of dollars	June 2020	December 2019
Risk weight		
0%	-	-
20%	-	-
35%	-	-
50%	22	22
75%	84	90
100%	2,825	13,788
150%	1	-
>150%	-	-
Capital deductions	-	-
Total	**2,932**	**13,900**

Supervisory slotting

Exposure after credit risk mitigation Amounts in millions of dollars	June 2020	December 2019
Supervisor category		
Strong	5,720	-
Good	2,548	-
Satisfactory	284	-
Weak	164	-
Default	5	-
Total	**8,721**	**-**

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

Portfolios subject to IRB approach															June 2020
	PD band														
Amounts in millions of dollars	0.0% to < 0.03%	0.03% to < 0.1%	0.1% to < 0.2%	0.2% to < 0.3%	0.3% to < 0.5%	0.5% to < 0.7%	0.7% to < 1.0%	1.0% to < 2.0%	2.0% to < 3.0%	3.0% to < 5.0%	5.0% to < 7.0%	7.0% to < 10.0%	10.0% to < 100%	Default	**Total**
Credit risk exposures															
Residential mortgages	-	28,057	-	9,292	3,943	6,946	4,678	3,857	572	1,072	-	501	485	538	**59,941**
Banks & other financial institutions	-	2,356	-	-	-	-	-	-	-	-	-	-	-	-	**2,356**
Sovereign	4,413	193	-	-	-	-	-	-	-	-	-	-	-	-	**4,606**
Corporate	-	588	300	770	495	-	25	-	24	-	-	-	-	29	**2,231**
Total credit risk exposures	**4,413**	**31,194**	**300**	**10,062**	**4,438**	**6,946**	**4,703**	**3,857**	**596**	**1,072**	**-**	**501**	**485**	**567**	**69,134**
Undrawn commitments															
Residential mortgages	-	5,105	-	649	215	311	215	1,239	15	30	-	13	11	5	**7,808**
Banks & other financial institutions	-	90	-	-	-	-	-	-	-	-	-	-	-	-	**90**
Sovereign	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Corporate	-	275	300	253	91	-	25	-	16	-	-	-	-	-	**960**
Total undrawn commitments	**-**	**5,470**	**300**	**902**	**306**	**311**	**240**	**1,239**	**31**	**30**	**-**	**13**	**11**	**5**	**8,858**
Exposure - weighted average EAD[7]															
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Banks & other financial institutions	-	46	-	-	-	-	-	-	-	-	-	-	-	-	**41**
Sovereign	72	24	-	-	-	-	-	-	-	-	-	-	-	-	**67**
Corporate	-	58	150	45	23	-	25	-	12	-	-	-	-	14	**41**
Exposure - weighted average LGD (%)[7]															
Residential mortgages	-	21	-	21	21	21	21	21	21	21	-	21	21	24	**21**
Exposure - weighted average risk weight (%)[7]															
Residential mortgages	-	5	-	15	24	31	40	55	70	91	-	123	149	243	**23**
Banks & ovther financial institutions	5	21	-	-	-	-	-	-	-	-	-	-	-	-	**21**
Sovereign	11	24	-	-	-	-	-	-	-	-	-	-	-	-	**12**
Corporate	-	38	57	44	61	-	85	-	127	-	-	-	-	-	**49**

[7] 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. Additionally, totals may not agree to the sum of its components.

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

Portfolios subject to IRB approach															December 2019
	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	-	26,322	9,440	2,797	9,096	3,415	1,455	3,583	616	1,318	-	420	427	411	59,300
Banks & other financial institutions	-	2,591	4	-	-	-	-	-	-	-	-	-	-	-	2,595
Sovereign	3,582	190	-	-	-	-	-	-	-	-	-	-	-	-	3,772
Total credit risk exposures	**3,582**	**29,103**	**9,444**	**2,797**	**9,096**	**3,415**	**1,455**	**3,583**	**616**	**1,318**	**-**	**420**	**427**	**411**	**65,667**
Undrawn commitments															
Residential mortgages	-	4,838	662	122	464	132	99	1,193	16	33	-	10	9	3	7,581
Banks & other financial institutions	-	860	4	-	-	-	-	-	-	-	-	-	-	-	864
Sovereign	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total undrawn commitments	**-**	**5,698**	**666**	**122**	**464**	**132**	**99**	**1,193**	**16**	**33**	**-**	**10**	**9**	**3**	**8,445**
Exposure - weighted average EAD															
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Banks & other financial institutions	-	56	-	-	-	-	-	-	-	-	-	-	-	-	56
Sovereign	62	24	-	-	-	-	-	-	-	-	-	-	-	-	57
Exposure - weighted average LGD (%)															
Residential mortgages	-	21	22	22	22	22	22	22	22	22	-	21	22	26	22
Exposure - weighted average risk weight (%)															
Residential mortgages	-	5	16	27	34	46	48	70	89	123	-	160	169	246	27
Banks & other financial institutions	-	15	5	-	-	-	-	-	-	-	-	-	-	-	15
Sovereign	13	23	-	-	-	-	-	-	-	-	-	-	-	-	14

APS 330 Table 9e - Actual losses by portfolio type

Half year losses in reporting period (Portfolios subject to IRB approach)	June 2020	December 2019
Amounts in millions of dollars	Write-offs	Write-offs
Residential mortgages	1	1
Banks & other financial institutions	-	-
Sovereign	-	-
Corporate	-	-
Total	**1**	**1**

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

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

Portfolios subject to IRB approach		December 2019
Amounts in millions of dollars	Half year actual loss	Regulatory 1 year expected
Residential mortgages	1	116
Banks & other financial institutions	-	-
Sovereign	-	-
Total	**1**	**116**

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

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

			December 2019
Amounts in millions of dollars	Total exposure	Eligible financial collateral	Other eligible collateral
Subject to AIRB and FIRB approach			
Residential mortgages	59,300	-	-
Banks & other financial institutions	2,595	-	-
Sovereign	3,772	-	-
Total advanced approach	**65,667**	-	-
Subject to standardised approach			
Residential mortgages	113	-	-
Property finance	6,447	-	-
Corporate	6,889	-	-
Other retail	302	-	-
Other assets	149	-	-
Total standardised approach	**13,900**	-	-
Securitisation	-	-	-
Total exposures	**79,567**	-	-

APS 330 Table 11b - Counterparty credit risk derivative exposure

Effects of netting on the balance sheet		
Amounts in millions of dollars	June 2020	December 2019
Gross positive fair value	73	92
Netting benefits	(71)	(91)
Netted current credit exposure	**2**	**1**
Collateral held, of which:		
Cash	62	73
Net derivatives credit exposure	**64**	**74**
Derivatives CCR exposure	26	30
Exposure at default	**90**	**104**

Exposure at default		
Amounts in millions of dollars	June 2020	December 2019
Interest Rate Contracts		
Standardised Approach to Counterparty Credit Risk	90	104
Total	**90**	**104**

Securitisation

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

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

		December 2019
Amounts in millions of dollars	Originated by the ADI	Third party originated
Underlying asset		
Residential mortgages	10,758	-
Total	**10,758**	**-**

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

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

				December 2019
Amounts in millions of dollars	Outstanding exposure	Impaired	Past due	Losses recognised
Underlying asset				
Residential mortgages	10,758	62	50	-
Total	**10,758**	**62**	**50**	**-**

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

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

		December 2019
Amounts in millions of dollars	Total exposures securitised	Recognised gain or loss on sale
Underlying asset		
Residential mortgages	1,590	-
Total	**1,590**	**-**

APS 330 Table 12l - Banking book securitisation exposure deducted from capital

Common equity Tier 1 capital	June 2020	December 2019
Amounts in millions of dollars		
Underlying asset		
Credit enhancements	9	9
Total	**9**	**9**

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

			June 2020
Amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
Securitisation facility type			
Liquidity support facilities	-	325	**325**
Warehouse facilities	-	14	**14**
Derivative facilities	46	19	**65**
Holding of securities	11,646	-	**11,646**
Total securitisation exposures	**11,692**	**358**	**12,050**

			December 2019
Amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
Securitisation facility type			
Liquidity support facilities	-	233	**233**
Warehouse facilities	-	11	**11**
Derivative facilities	35	14	**49**
Holding of securities	7,599	-	**7,599**
Total securitisation exposures	**7,634**	**258**	**7,892**

Market risk

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

Change in economic value	June 2020	December 2020
Amounts in millions of dollars		
+200 basis point shock	161	42
-200 basis point shock	(161)	(42)

Regulatory RWA	June 2020	December 2019
Amounts in millions of dollars		
Interest rate risk in the banking book	125	125

Liquidity

Liquidity coverage ratio

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

	Amounts in millions of dollars	Total unweighted value (daily average)	June 2020 Total weighted value (daily average)
Liquid assets			
1	High-quality liquid assets (HQLA)		4,740
2	Alternative liquid assets (ALA)		4,998
3	Reserve Bank of New Zealand (RBNZ) securities		n/a
Cash outflows			
4	Retail deposits and deposits from small business customers, of:	34,678	4,521
5	*stable deposits*	19,848	992
6	*less stable deposits*	14,830	3,529
7	Unsecured wholesale funding, of which:	2,194	1,843
8	*operational deposits (all counterparties) and deposits in networks for cooperative banks*	n/a	n/a
9	*non-operational deposits (all counterparties)*	2,145	1,794
10	*unsecured debt*	49	49
11	*Secured wholesale funding*		-
12	*Additional requirements, of which:*	8,108	1,033
13	*outflows related to derivatives exposures and other collateral requirements*	459	459
14	*outflows related to loss of funding on debt products*	112	112
15	*credit and liquidity facilities*	7,537	462
16	Other contractual funding obligations	854	122
17	Other contingent funding obligations	983	194
18	**Total cash outflows**		**7,713**
Cash inflows			
19	Secured lending (e.g. reverse repos)		-
20	Inflows from fully performing exposures	1,917	1,184
21	Other cash inflows	114	114
22	**Total cash inflows**		**1,298**
23	**Total liquid assets**		**9,738**
24	**Total net cash outflows**		**6,415**
25	**Liquidity Coverage Ratio (%)**		**152%**

(No of observations: 62)

Liquidity coverage ratio (continued)

	Amounts in millions of dollars	Total unweighted value (daily average)	Total weighted value (daily average)
			December 2019
	Liquid assets		
1	High-quality liquid assets (HQLA)		4,368
2	Alternative liquid assets (ALA)		4,285
3	Reserve Bank of New Zealand (RBNZ) securities		n/a
	Cash outflows		
4	Retail deposits and deposits from small business customers, of:	33,451	4,483
5	*stable deposits*	18,413	921
6	*less stable deposits*	15,039	3,562
7	Unsecured wholesale funding, of which:	1,798	1,432
8	*operational deposits (all counterparties) and deposits in networks for cooperative banks*	n/a	n/a
9	*non-operational deposits (all counterparties)*	1,731	1,365
10	*unsecured debt*	67	67
11	*Secured wholesale funding*		-
12	*Additional requirements, of which:*	7,794	1,001
13	*outflows related to derivatives exposures and other collateral requirements*	433	433
14	*outflows related to loss of funding on debt products*	124	124
15	*credit and liquidity facilities*	7,237	444
16	Other contractual funding obligations	1,007	471
17	Other contingent funding obligations	789	106
18	**Total cash outflows**		**7,493**
	Cash inflows		
19	Secured lending (e.g. reverse repos)		-
20	Inflows from fully performing exposures	1,488	952
21	Other cash inflows	32	32
22	**Total cash inflows**		**984**
23	**Total liquid assets**		**8,653**
24	**Total net cash outflows**		**6,508**
25	**Liquidity Coverage Ratio (%)**		**133%**

(No of observations: 63)

Leverage ratio

	June 2020	December 2019
Amounts in millions of dollars		
Tier 1 capital	4,651	4,562
Total exposures	76,156	74,377
Leverage ratio	**6.1%**	**6.1%**