



Pillar 3 Capital Adequacy & Risk Disclosures

March 2019

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

The following information is presented in accordance with the APRA Prudential Standard APS 330, 'Public Disclosure'. Effective April 2018, ING was granted approval by APRA to begin determining its capital requirements using internal credit and market risk models, across certain portfolios.

All credit exposures are managed from ING's head office in Sydney, Australia.

All amounts are stated in AUD.

Capital adequacy

APS 330 Table 3a to 3e - Capital requirements in terms of risk-weighted assets

	March 2019	December 2018
Amounts in millions of dollars		
Subject to AIRB approach		
Residential mortgages	15,582	15,636
Total RWA subject to AIRB approach	15,582	15,636
Subject to FIRB approach		
Banks & other financial institutions	681	588
Sovereign	484	517
Total RWA subject to FIRB approach	1,165	1,105
Subject to standardised approach		
Residential mortgages	86	89
Property finance	7,593	7,486
Corporate	4,081	3,891
Other retail	161	105
Other assets	137	125
Total RWA subject to standardised approach	12,058	11,696
Securitisation	-	-
Credit valuation adjustment	40	39
Central counterparties	-	-
Total credit risk RWA	28,845	28,476
Interest rate risk in the banking book ¹	237	1,638
Operational risk	3,150	3,150
Total RWA	32,232	33,263

APS 330 Table 3f - Capital ratios

	March 2019	December 2018
Common equity tier 1 capital ratio	13.3%	12.6%
Tier 1 capital ratio	13.3%	12.6%
Total capital ratio	13.6%	12.9%

1. Interest rate risk in the banking book RWA reduced due to several factors, including the global financial crisis falling off the look-back time series data and a decrease in market rates over the period.

Credit risk

APS 330 Table 4a - Credit risk exposure by portfolio

March 2019					
Amounts in millions of dollars	On-balance sheet	Off-balance sheet		Total	3 month average
		Market related	Non-market related		
Residential mortgages	49,828	-	6,931	56,759	56,663
Property finance	6,532	-	1,153	7,685	7,685
Corporate	3,257	-	823	4,080	4,039
Banks & other financial institutions	2,971	160	-	3,131	2,770
Sovereign	3,154	-	-	3,154	3,222
Securitisation	-	-	-	-	-
Other retail	161	-	89	250	224
Other assets	135	-	2	137	133
Total credit exposures	66,038	160	8,998	75,196	74,736

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

APS 330 Table 4b - Impaired and past due by portfolio type

March 2019					
Amounts in millions of dollars	Past due facilities	Impaired facilities	Specific provisions	Quarterly movement	
				Charge to specific provisions	Write offs
Residential mortgages	162	195	18	(1)	2
Property finance	6	3	2	1	-
Corporate	-	27	5	-	-
Banks & other financial institutions	-	-	-	-	-
Sovereign	-	-	-	-	-
Securitisation	-	-	-	-	-
Other retail	-	-	-	-	1
Other assets	-	-	-	-	-
Total	168	225	25	-	3

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

Table 4c - Reconciliation between APS 220 provisions and Australian accounting standards

March 2019			
Amounts in millions of dollars	General reserve for credit losses	Specific provisions	Total
Collective provision	28	20	49
Individual provision	-	5	5
Total provisions	28	25	54
Additional GRCL requirement	105	-	105
Total regulatory provisions	134	25	159

December 2019			
Amounts in millions of dollars	General reserve for credit losses	Specific provisions	Total
Collective provision	24	19	43
Individual provision	-	5	5
Total provisions	24	24	48
Additional GRCL requirement	110	-	110
Total regulatory provisions	134	24	158

Securitisation

Table 5a – Securitisation activity

March 2019		
Amounts in millions of dollars	Total exposures securitised	Recognised gain or loss on sale
Underlying asset		
Residential mortgages	-	-
Total	-	-

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

Table 5b – Banking book securitisation exposures retained or purchased

March 2019			
Amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
Securitisation exposure type			
Liquidity support facilities	-	217	217
Credit enhancements	-	10	10
Derivative facilities	23	14	37
Holding of securities	7,513	-	7,513
Total securitisation exposures	7,536	241	7,777

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

Liquidity coverage ratio

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

IBAL's LCR for the quarter ending 31 March 2019 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 RBA, Australian Semi Government and Commonwealth Government securities.

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

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

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

March 2019		
Amounts in millions of dollars	Total unweighted value (daily average)	Total weighted value (daily average)
Liquid assets		
1 High-quality liquid assets (HQLA)		3,539
2 Alternative liquid assets (ALA)		4,287
3 Reserve Bank of New Zealand (RBNZ) securities		n.a.
Cash outflows		
4 Retail deposits and deposits from small business customers, of which:	30,863	4,028
5 <i>stable deposits</i>	17,492	875
6 <i>less stable deposits</i>	13,371	3,154
7 Unsecured wholesale funding, of which:	2,140	1,765
8 <i>operational deposits (all counterparties) and deposits in networks for cooperative banks</i>	n.a.	n.a.
9 <i>non-operational deposits (all counterparties)</i>	2,040	1,665
10 <i>unsecured debt</i>	100	100
11 <i>Secured wholesale funding</i>		-
12 Additional requirements, of which:	6,505	794
13 <i>outflows related to derivatives exposures and other collateral requirements</i>	300	300
14 <i>outflows related to loss of funding on debt products</i>	160	160
15 <i>credit and liquidity facilities</i>	6,045	334
16 Other contractual funding obligations	740	295
17 Other contingent funding obligations	764	96
18 Total cash outflows		6,978
Cash inflows		
19 Secured lending (e.g. reverse repos)	-	-
20 Inflows from fully performing exposures	1,229	783
21 Other cash inflows	81	81
22 Total cash inflows		864
23 Total liquid assets		7,826
24 Total net cash outflows		6,114
25 Liquidity Coverage Ratio (%)		128

Leverage ratio

	March 2019	December 2018
Amounts in millions of dollars		
Tier 1 capital	4,271	4,174
Total exposures	70,399	68,651
Leverage ratio	6.1%	6.1%

