

A background image of a study desk with various items: a laptop, several books, a spiral notebook with glasses on it, a smartphone on a green book, and a hand pointing at a document. An orange semi-transparent box is overlaid on the right side of the image.

# Pillar 3 Capital Adequacy & Risk Disclosures

March 2020

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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 2020	December 2019
Amounts in millions of dollars		
<b>Subject to AIRB approach</b>		
Residential mortgages	16,118	16,187
<b>Total RWA subject to AIRB approach</b>	<b>16,118</b>	<b>16,187</b>
<b>Subject to FIRB approach</b>		
Banks & other financial institutions	400	378
Sovereign	525	513
<b>Total RWA subject to FIRB approach</b>	<b>925</b>	<b>891</b>
<b>Subject to standardised approach</b>		
Residential mortgages	78	80
Property finance	6,532	6,447
Corporate	6,787	6,889
Other retail	352	302
Other assets	132	149
<b>Total RWA subject to standardised approach</b>	<b>13,881</b>	<b>13,867</b>
Securitisation	-	-
Credit valuation adjustment	7	5
Central counterparties	-	-
<b>Total credit risk RWA</b>	<b>30,930</b>	<b>30,950</b>
Interest rate risk in the banking book	125	125
Operational risk	3,449	3,449
<b>Total RWA</b>	<b>34,504</b>	<b>34,524</b>

APS 330 Table 3f - Capital ratios

	March 2020	December 2019
Common equity tier 1 capital ratio	13.5%	13.2%
Tier 1 capital ratio	13.5%	13.2%
<b>Total capital ratio</b>	<b>13.9%</b>	<b>13.6%</b>

## Credit risk

APS 330 Table 4a - Credit risk exposure by portfolio

March 2020					
Amounts in millions of dollars	On-balance sheet	Off-balance sheet		Total	3-month average
		Market related	Non-market related		
Residential mortgages	52,097	-	7,600	59,697	59,468
Property finance	5,963	-	591	6,554	6,512
Corporate	5,451	-	1,689	7,140	6,915
Banks & other financial institutions	2,005	62	-	2,067	2,152
Sovereign	4,438	-	-	4,438	3,969
Securitisation	-	-	-	-	-
Other retail	352	-	154	506	473
Other assets	132	-	-	132	138
<b>Total credit exposures</b>	<b>70,438</b>	<b>62</b>	<b>10,034</b>	<b>80,534</b>	<b>79,627</b>

December 2019					
Amounts in millions of dollars	On-balance sheet	Off-balance sheet		Total	3-month average
		Market related	Non-market related		
Residential mortgages	51,826	-	7,594	59,420	58,938
Property finance	5,696	-	775	6,471	8,048
Corporate	4,975	-	1,985	6,960	5,041
Banks & other financial institutions	1,731	864	-	2,595	2,203
Sovereign	3,772	-	-	3,772	3,762
Securitisation	-	-	-	-	-
Other retail	302	-	134	436	403
Other assets	149	-	-	149	173
<b>Total credit exposures</b>	<b>68,451</b>	<b>864</b>	<b>10,488</b>	<b>79,803</b>	<b>78,567</b>

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

March 2020					
Amounts in millions of dollars	Past due facilities	Impaired facilities	Specific provisions	Quarterly-year movement	
				Charge to specific provisions	Write offs
Residential mortgages	187	212	28	(1)	-
Property finance	2	-	-	-	-
Corporate	16	33	7	2	-
Banks & other financial institutions	-	-	-	-	-
Sovereign	-	-	-	-	-
Securitisation	-	-	-	-	-
Other retail	-	2	2	1	1
Other assets	-	-	-	-	-
<b>Total</b>	<b>205</b>	<b>247</b>	<b>37</b>	<b>2</b>	<b>1</b>

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

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

March 2020			
Amounts in millions of dollars	General reserve for credit losses	Specific provisions	Total
Collective provision	57	32	89
Individual provision	-	5	5
<b>Total provisions</b>	<b>57</b>	<b>37</b>	<b>94</b>
Additional GRCL requirement	77	-	77
<b>Total regulatory provisions</b>	<b>134</b>	<b>37</b>	<b>171</b>

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

## Securitisation

Table 5a - Securitisation activity

		March 2020
Amounts in millions of dollars	Total exposures securitised	Recognised gain or loss on sale
<b>Underlying asset</b>		
Residential mortgages	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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

Table 5b – Banking book securitisation exposures retained or purchased

March 2020			
Amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
<b>Securitisation facility type</b>			
Liquidity support facilities	-	228	228
Credit enhancements	-	11	11
Derivative facilities	40	16	56
Holding of securities	7,574	-	7,574
<b>Total securitisation exposures</b>	<b>7,614</b>	<b>255</b>	<b>7,869</b>

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



## Liquidity

### 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 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 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%.

# Liquidity

## Liquidity coverage ratio

		March 2020	
Amounts in millions of dollars		Total unweighted value (daily average)	Total weighted value (daily average)
<b>Liquid assets</b>			
1	High-quality liquid assets (HQLA)		4,531
2	Alternative liquid assets (ALA)		3,632
3	Reserve Bank of New Zealand (RBNZ) securities		n.a.
<b>Cash outflows</b>			
4	Retail deposits and deposits from small business customers, of which:	33,410	4,437
5	<i>stable deposits</i>	18,635	932
6	<i>less stable deposits</i>	14,775	3,505
7	Unsecured wholesale funding, of which:	2,268	1,900
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>	2,195	1,827
10	<i>unsecured debt</i>	73	73
11	<i>Secured wholesale funding</i>		-
12	<i>Additional requirements, of which:</i>	7,852	968
13	<i>outflows related to derivatives exposures and other collateral requirements</i>	427	427
14	<i>outflows related to loss of funding on debt products</i>	94	94
15	<i>credit and liquidity facilities</i>	7,331	448
16	Other contractual funding obligations	770	93
17	Other contingent funding obligations	860	151
18	<b>Total cash outflows</b>		<b>7,549</b>
<b>Cash inflows</b>			
19	Secured lending (e.g. reverse repos)		-
20	Inflows from fully performing exposures	1,908	1,219
21	Other cash inflows	43	43
22	<b>Total cash inflows</b>		<b>1,262</b>
23	<b>Total liquid assets</b>		<b>8,163</b>
24	<b>Total net cash outflows</b>		<b>6,288</b>
25	<b>Liquidity Coverage Ratio (%)</b>		<b>130%</b>

(No of observations: 63)

# Liquidity

## Liquidity coverage ratio

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

(No of observations: 63)

## Leverage ratio

	March 2020	December 2019
Amounts in millions of dollars		
Tier 1 capital	4,641	4,562
Total exposures	79,033	74,377
<b>Leverage ratio</b>	<b>5.9%</b>	<b>6.1%</b>