ING

Pillar 3 —Capital Adequacy & Risk Disclosures.

March 2025

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Introduction

ING Bank (Australia) Limited (IBAL) trading as ING, is an authorised deposit-taking Institution (ADI) subject to regulation by the Australian Prudential Regulation Authority (APRA) under the authority of the Banking Act 1959 (Cth). IBAL is a wholly owned subsidiary of ING Bank N.V. and part of the ING Groep.

In the Pillar 3 report, “The Group” refers to IBAL and its controlled entities and “The Bank” refers to IBAL standalone.

The Pillar 3 report is prepared as per the prudential disclosure requirements set out in APRA’s revised Prudential Standard for Public Disclosure (APS 330) and the Standard made by the Basel Committee on Banking Supervision (BCBS Standard) titled “Disclosure requirements’, which came into effect from 1 January 2025.

The Pillar 3 report contains key prudential metrics and information relating to IBAL’s risk profile and financial resilience, including regulatory capital, credit risk, counterparty credit risk, securitisation, market risk, operational risk, interest rate risk in the banking book (IRRBB), leverage ratio and liquidity. In accordance with the BCBS Standard, the specific disclosure items vary with the frequency of disclosures on a quarterly, semi-annual or annual basis.

Capital adequacy approaches

Advanced Internal Ratings-Based (AIRB)	Foundational Internal Ratings-Based (FIRB)	Supervisory Slotting
▪ Residential Mortgages portfolio	▪ Financial Institutions portfolio	▪ Project Finance
	▪ Corporate Lending portfolio	
	▪ Commercial Real Estate portfolio[1]	

(1) Effective 1 September 2024, the Group was accredited to apply FIRB approach for the majority of its Commercial Real Estate portfolio. The transition from the Supervisory Slotting approach to the FIRB approach is in flight with completion expected by 30 June 2025.

The remaining portfolios remain on the standardised approach.

Written Attestation

As the Chief Risk Officer and Accountable Person of ING Bank Australia Limited (BAL), I confirm the prudential disclosures for 31 March 2025 have been prepared in accordance with IBAL’s public disclosure policy. The public disclosure policy meets the requirements of the Prudential Standard APS 330 Public Disclosure.

Praveen Khurana

Chief Risk Officer
29 May 2025

Overview of risk management, key prudential metrics and RWA

KM1: Key metrics

The Group's total capital ratio was 19.1% at March 2025, an increase of 36 basis points from December 2024.

This movement is primarily attributable to the following:

- A decrease in Interest rate risk in the banking book (IRRBB) RWA (-$573m), offset by the increases in Credit risk ($305m), Securitisation RWA ($97m) and Operational risk RWA ($93m) as discussed in OV1;
- An increase in Total capital due to:
    - A Tier 2 capital issuance in March 2025 ($450m);
    - Increases to Common Equity Tier 1 (CET1) capital ($120m) from current year earnings and changes to the CET1 regulatory adjustments; and
    - Offset by reductions in CET1 capital from a declared dividend in March 2025 (-$463m).

The Group's Basel III leverage ratio was 5.1% at March 2025, a decrease of 43 basis points from December 2024. This decrease is primarily attributable to the decrease in CET1 capital due to the declared dividend and the increase in total leverage ratio exposure measure from portfolio growth over the period.

The Group's average Liquidity Coverage Ratio (LCR) for March quarter was 160.7%, a decrease of 450 basis points from December quarter (165.2%). The decrease was driven by a lower average High Quality Liquid Assets (HQLAs) and an increase in Net Cash Outflows (NCOs).

The Group's Net Stable Funding Ratio (NSFR) was 132.8% at March 2025, an increase of 50 basis points from December 2024 (132.3%). The increase in the ratio was largely due to an increase in Available Stable funding (ASF) driven by deposits growth.

Amounts in millions of dollars		a March 2025	b December 2024	c September 2024	d June 2024	e March 2024
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	4,777	5,120	5,038	4,925	4,883
2	Tier 1	5,227	5,575	5,038	4,925	4,883
3	Total capital	6,118	6,018	5,477	5,439	5,395
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	32,044	32,122	31,213	33,348	31,657
4a	Total risk-weighted assets (pre-floor)	32,044	32,122	31,213	33,348	31,657
Risk-based capital ratios as a percentage of RWA						
5	CET1 ratio (%)	14.9 %	15.9 %	16.1 %	14.8 %	15.4 %
5b	CET1 ratio (%) (pre-floor ratio)	14.9 %	15.9 %	16.1 %	14.8 %	15.4 %
6	Tier 1 ratio (%)	16.3 %	17.4 %	16.1 %	14.8 %	15.4 %
6b	Tier 1 ratio (%) (pre-floor ratio)	16.3 %	17.4 %	16.1 %	14.8 %	15.4 %
7	Total capital ratio (%)	19.1 %	18.7 %	17.6 %	16.3 %	17.0 %
7b	Total capital ratio (%) (pre-floor ratio)	19.1 %	18.7 %	17.6 %	16.3 %	17.0 %
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (%)	3.75 %	3.75 %	3.75 %	3.75 %	3.75 %
9	Countercyclical buffer requirement (%)	1.00 %	1.00 %	1.00 %	1.00 %	1.00 %
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	4.75 %	4.75 %	4.75 %	4.75 %	4.75 %
12	CET1 available after meeting the bank's minimum capital requirements (%)[1]	10.3 %	10.7 %	9.6 %	8.3 %	9.0 %
Basel III Leverage ratio						
13	Total Basel III leverage ratio exposure measure	101,656	99,977	98,913	96,666	96,588
14	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves)	5.1 %	5.6 %	5.1 %	5.1 %	5.1 %
14c	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	5.1 %	5.6 %	5.1 %	5.1 %	5.1 %
Liquidity Coverage Ratio (LCR)						
15	Total high-quality liquid assets (HQLA)	9,577	9,739	10,193	9,993	10,080
16	Total net cash outflow	5,958	5,897	6,405	5,989	6,312
17	LCR ratio (%)	160.7 %	165.2 %	159.1 %	166.9 %	159.7 %
Net Stable Funding Ratio (NSFR)						
18	Total available stable funding	78,251	77,631	76,825	75,041	73,325
19	Total required stable funding	58,909	58,671	56,664	56,853	55,077
20	NSFR ratio (%)	132.8 %	132.3 %	135.6 %	132.0 %	133.1 %

[1] Row 12 is calculated as the CET1 capital adequacy ratio of the bank less the ratio of RWA of any common equity used to meet the bank's minimum CET1, Tier 1 and Total capital requirements.

OV1: Overview of risk-weighted assets

The Group's total Risk-Weighted Assets (RWA) was $32,044m at March 2025, a decrease of $78m from December 2024.

This movement is attributable to the following:

- An increase in Credit risk under the standardised approach primarily due to growth in Residential Property and Commercial Property exposures ($135m);
- A decrease in Credit risk under the F-IRB approach (-$209m) primarily due to a reduction in Financial Institution exposures;
- An increase in Credit risk under the supervisory slotting approach ($27m) due to growth in the Project Finance portfolio, offset by the ongoing transition of IPRE exposures from supervisory slotting to F-IRB approach;
- An increase in Credit risk under the A-IRB approach primarily due to growth in the Residential Mortgages portfolio ($352m);
- An increase in Securitisation RWA due to both exposure growth and increased average risk weight ($97m);
- An increase in Operational risk from the increased balance sheet in 2024 ($93m); and
- A decrease in IRRBB RWA (-$573m) due to a decrease in repricing and yield curve risk and improved embedded gain amount.

		a	b	c
		RWA		Minimum capital requirements[2]
	Amounts in millions of dollars	March 2025	December 2024	March 2025
1	Credit risk (excluding counterparty credit risk)	26,690	26,385	2,135
2	Of which: standardised approach (SA)	3,709	3,574	297
3	Of which: foundation internal ratings-based (F-IRB) approach[3]	5,603	5,812	448
4	Of which: supervisory slotting approach	2,150	2,123	172
5	Of which: advanced internal ratings-based (A-IRB) approach[4]	15,228	14,876	1,218
6	Counterparty credit risk (CCR)	5	5	-
7	Of which: standardised approach for counterparty credit risk	5	5	-
10	Credit valuation adjustment (CVA)	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in banking book	192	95	15
19	Of which: securitisation standardised approach (SEC-SA)	192	95	15
	Interest rate risk in the banking book[5]	2,999	3,572	240
24	Operational risk	2,158	2,065	173
26	Output floor applied	72.5%	72.5%	
28	Floor adjustment	-	-	
29	**Total**	**32,044**	**32,122**	**2,564**

[2] The minimum capital requirement is the Pillar 1 capital requirement, calculated as 8% of RWA.

[3] The F-IRB approach RWA includes an overlay of $78 million on the Corporate - Specialised Lending portfolio.

[4] The A-IRB approach RWA includes an overlay of $1,688 million on the Residential Mortgages portfolio.

[5] The Interest Rate Risk in the Banking Book RWA includes an overlay of $625 million.

Comparison of modelled and standardised RWA

CMS1: Comparison of modelled and standardised RWA at risk level

The difference in the Group Total Actual RWA and the RWA calculated using the full standardised approach has two main drivers.

- Regulatory approval for the use of Internal Ratings-Based (IRB) models for calculating Credit risk. The Group has approval to use:
    - The A-IRB approach for the Residential Mortgage portfolio;
    - The F-IRB approach for Financial Institution, Corporate Lending, and Income Producing Real Estate portfolios; and
    - The supervisory slotting approach for the Project Finance portfolio.
- Regulatory approval for the use of an internal model approach for calculating Interest Rate Risk in the Banking Book (IRRBB). As there is no standardised approach equivalent for IRRBB, the modelled approach reduces the total difference in the modelled and full standardised approaches.

		a	b	c	d
	Amounts in millions of dollars	RWA for modelled approaches that banks have supervisory approval to use	RWA for portfolios where standardised approaches are used	Total Actual RWA	RWA calculated using full standardised approach
1	Credit risk (excluding counterparty credit risk)	22,982	3,708	26,690	39,181
2	Counterparty credit risk		5	5	5
3	Credit valuation adjustment		-	-	-
4	Securitisation exposures in the banking book		192	192	192
	Interest rate risk in the banking book	2,999	-	2,999	-
6	Operational risk		2,158	2,158	2,158
7	Residual RWA		-	-	-
8	**Total**	**25,981**	**6,063**	**32,044**	**41,536**

Credit risk

CR8: RWA flow statements of credit risk exposures under IRB

The Group's IRB RWA was $20,832 at March 2025, an increase of $143m from December 2024.

This movement is primarily attributable to the following:

- An increase in asset size from growth in the Residential Mortgage and Corporate portfolio, offset by reductions in the Financial Institutions and Income-Producing Real Estate (IPRE) portfolios;
- Decline in the average asset quality of the IPRE portfolio, offset by improvements in the Corporate portfolio; and
- An increase in the total overlay due to growth of the Residential Mortgage and IPRE portfolios.

		a
	Amounts in millions of dollars	RWA amounts
1	RWA as at end of previous reporting period	20,689
2	Asset size	79
3	Asset quality	25
4	Model updates	–
7	Foreign exchange movements	(1)
	Overlay	40
8	Other	-
9	**RWA as at end of reporting period**	**20,832**

Leverage ratio

LR2: Leverage ratio common disclosure template

The Group's Basel III leverage ratio was 5.1% at March 2025, a decrease of 43 basis points from December 2024.

This movement is primarily attributable to:

- A decrease in CET1 capital due to a declared dividend (-$463m), offset by the current year earnings and changes to the CET1 regulatory adjustments ($120m); and
- An increase in the total on-balance sheet exposures ($1,302m) and off-balance sheet items ($373m) from portfolio growth over the period, predominately in the Residential Mortgage and Sovereign portfolios.

	Amounts in millions of dollars	a March 2025	b December 2024
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	90,692	89,375
6	(Asset amounts deducted in determining Tier 1 capital and regulatory adjustments)	(586)	(571)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**90,106**	**88,804**
Derivative exposures			
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin, with bilateral netting and/or the specific treatment for client cleared derivatives)	-	-
9	Add-on amounts for potential future exposure associated with all derivatives transactions	52	54
13	**Total derivative exposures (sum of rows 8 to 12)**	**52**	**54**
Securities financing transaction exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	6	-
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	**6**	**-**
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	14,392	14,030
20	(Adjustments for conversion to credit equivalent amounts)	(2,900)	(2,911)
22	**Off-balance sheet items (sum of rows 19 to 21)**	**11,492**	**11,119**
Capital and total exposures			
23	**Tier 1 capital**	**5,227**	**5,575**
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**101,656**	**99,977**
Leverage ratio			
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**5.1 %**	**5.6 %**
26	**National minimum leverage ratio requirement**	**3.5 %**	**3.5 %**
Disclosure of mean values			
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
30	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	101,656	99,977
31	Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.1 %	5.6 %

Liquidity

LIQ1: Liquidity Coverage Ratio (LCR)

The Liquidity Coverage Ratio (LCR), as defined in APRA Prudential Standard 210 Liquidity (APS 210), measures IBAL'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 refer to High Quality Liquid Assets (HQLA), made up of cash balances held with the Reserve Bank of Australia, Australian Semi Government and Commonwealth Government securities. The average HQLA for the quarter was $9.6bn.

The main funding sources for the Bank are deposits from retail and business customers. Funding is also sourced from within the 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 Bank's Group Treasury department, which is also responsible for managing the funding gap between retail, business and wholesale 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 March 2025 was 160.7% a decrease of 450 basis points reported for the quarter ended (31 December 2024: 165.2%). This decline was driven by a decrease in High Quality Liquid Assets (HQLA) and an increase in Net Cash Outflows (NCOs) due to higher retail less stable deposits and other contingent funding obligations, partially offset by lower wholesale funding outflows from non-operational deposits. The lowest LCR recorded during the quarter was 147.5%.

The Bank steers and reports LCR above 100% for both all currency and AUD LCR, in line with the Funding & Liquidity Risk Appetite Statement and regulatory requirements. The Bank's AUD-only LCR was 174.1%, 86 basis points lower than all-currency LCR as at the end of the quarter.

	Amounts in millions of dollars	a Total unweighted value (average)	b Total weighted value (average)
High-quality liquid assets			
1	Total HQLA		9,577
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	46,450	5,033
3	Stable deposits	31,223	1,561
4	Less stable deposits	15,226	3,472
5	Unsecured wholesale funding, of which:	1,254	959
7	Non-operational deposits (all counterparties)	1,099	804
8	Unsecured debt	155	155
9	Secured wholesale funding		-
10	Additional requirements, of which:	11,534	1,424
11	Outflows related to derivative exposures and other collateral requirements	613	613
12	Outflows related to loss of funding on debt products	89	89
13	Credit and liquidity facilities	10,832	722
14	Other contractual funding obligations	942	4
15	Other contingent funding obligations	1,382	230
16	**Total cash outflows**		**7,650**
Cash inflows			
17	Secured lending (eg reverse repos)	-	-
18	Inflows from fully performing exposures	2,995	1,653
19	Other cash inflows	39	39
20	**Total cash inflows**	**3,034**	**1,692**
			Total adjusted value
21	**Total HQLA**		**9,577**
22	**Total net cash outflows**		**5,958**
23	**Liquidity Coverage Ratio (%)**		**160.7 %**