

A close-up photograph of a person's hands. One hand holds a black pen, and the other holds a silver smartphone. The hands are positioned over a silver laptop keyboard. The background is blurred, showing an outdoor setting with greenery and a building.

Pillar 3 Capital Adequacy & Risk Disclosures

September 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

	September 2019	June 2019
Amounts in millions of dollars		
Subject to AIRB approach		
Residential mortgages	15,929	15,680
Total RWA subject to AIRB approach	15,929	15,680
Subject to FIRB approach		
Banks & other financial institutions ¹	353	589
Sovereign	525	493
Total RWA subject to FIRB approach	878	1,082
Subject to standardised approach		
Residential mortgages	83	84
Property finance	8,274	8,125
Corporate	4,243	4,028
Other retail	246	206
Other assets	153	126
Total RWA subject to standardised approach	12,999	12,569
Securitisation	-	-
Credit valuation adjustment	9	49
Central counterparties	-	-
Total credit risk RWA	29,814	29,380
Interest rate risk in the banking book ²	125	-
Operational risk	3,293	3,293
Total RWA	33,232	32,673

APS 330 Table 3f - Capital ratios

	September 2019	June 2019
Common equity tier 1 capital ratio	13.4%	13.3%
Tier 1 capital ratio	13.4%	13.3%
Total capital ratio	13.8%	13.7%

¹ Banks & other financial institutions reduced due to the implementation of new requirements under APS 180 Capital Adequacy: Counterparty Credit Risk.

² Interest rate risk in the banking book increased by \$125m due to the implementation of a regulatory capital floor. Prior to the floor being approved by APRA, regulatory capital for market risk remained at zero as a result of the banking book embedded gain exceeding the sum of interest rate and optionality risk.

Credit risk

APS 330 Table 4a - Credit risk exposure by portfolio

September 2019					
Amounts in millions of dollars	On-balance sheet	Off-balance sheet		Total	3 month average
		Market related	Non-market related		
Residential mortgages	50,562	-	7,742	58,304	57,747
Property finance	7,129	-	1,241	8,370	8,355
Corporate	3,080	-	1,162	4,242	4,121
Banks & other financial institutions	1,849	113	-	1,962	2,501
Sovereign	3,756	-	-	3,756	3,620
Securitisation	-	-	-	-	-
Other retail	246	-	121	367	346
Other assets	153	-	-	153	172
Total credit exposures	66,775	113	10,266	77,154	76,862

June 2019					
Amounts in millions of dollars	On-balance sheet	Off-balance sheet		Total	3 month average
		Market related	Non-market related		
Residential mortgages	49,569	-	7,054	56,623	56,612
Property finance	7,019	-	1,198	8,217	7,798
Corporate	3,063	-	965	4,028	4,053
Banks & other financial institutions	2,344	206	-	2,550	2,880
Sovereign	3,342	-	-	3,342	3,216
Securitisation	-	-	-	-	-
Other retail	206	-	103	309	258
Other assets	126	-	-	126	132
Total credit exposures	65,669	206	9,320	75,195	74,949

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

September 2019					
Amounts in millions of dollars	Past due facilities	Impaired facilities	Specific provisions	Quarterly movement	
				Charge to specific provisions	Write offs
Residential mortgages	207	197	29	3	-
Property finance	18	-	1	(1)	-
Corporate	-	29	5	-	-
Banks & other financial institutions	-	-	-	-	-
Sovereign	-	-	-	-	-
Securitisation	-	-	-	-	-
Other retail	-	-	1	-	1
Other assets	-	-	-	-	-
Total	225	226	36	2	1

June 2019					
Amounts in millions of dollars	Past due facilities	Impaired facilities	Specific provisions	Quarterly movement	
				Charge to specific provisions	Write offs
Residential mortgages	204	199	25	8	1
Property finance	15	-	2	-	-
Corporate	-	28	5	-	-
Banks & other financial institutions	-	-	-	-	-
Sovereign	-	-	-	-	-
Securitisation	-	-	-	-	-
Other retail	-	1	1	-	2
Other assets	-	-	-	-	-
Total	219	228	33	8	3

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

September 2019			
Amounts in millions of dollars	General reserve for credit losses	Specific provisions	Total
Collective provision	38	31	69
Individual provision	-	5	5
Total provisions	38	36	74
Additional GRCL requirement	96	-	96
Total regulatory provisions	134	36	170

June 2019			
Amounts in millions of dollars	General reserve for credit losses	Specific provisions	Total
Collective provision	36	28	64
Individual provision	-	5	5
Total provisions	36	33	69
Additional GRCL requirement	98	-	98
Total regulatory provisions	134	33	167

Securitisation

Table 5a - Securitisation activity

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

June 2019		
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

September 2019			
Amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
Securitisation exposure type			
Liquidity support facilities	-	211	211
Credit enhancements	-	10	10
Derivative facilities	15	-	15
Holding of securities	7,480	-	7,480
Total securitisation exposures	7,495	221	7,716

June 2019			
Amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
Securitisation exposure type			
Liquidity support facilities	-	215	215
Credit enhancements	-	10	10
Derivative facilities	27	14	41
Holding of securities	7,501	-	7,501
Total securitisation exposures	7,528	239	7,767

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 30 September 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%.

		September 2019	
Amounts in millions of dollars		Total unweighted value (daily average)	Total weighted value (daily average)
Liquid assets			
1	High-quality liquid assets (HQLA)		4,025
2	Alternative liquid assets (ALA)		4,284
3	Reserve Bank of New Zealand (RBNZ) securities		n.a.
Cash outflows			
4	Retail deposits and deposits from small business customers, of which:	32,464	4,309
5	<i>stable deposits</i>	18,045	874
6	<i>less stable deposits</i>	14,419	3,435
7	Unsecured wholesale funding, of which:	1,755	1,391
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>	1,729	1,366
10	<i>unsecured debt</i>	26	26
11	<i>Secured wholesale funding</i>		-
12	Additional requirements, of which:	6,314	828
13	<i>outflows related to derivatives exposures and other collateral requirements</i>	388	388
14	<i>outflows related to loss of funding on debt products</i>	132	132
15	<i>credit and liquidity facilities</i>	5,794	308
16	Other contractual funding obligations	939	455
17	Other contingent funding obligations	738	94
18	Total cash outflows		7,077
Cash inflows			
19	Secured lending (e.g. reverse repos)	-	-
20	Inflows from fully performing exposures	1,232	747
21	Other cash inflows	204	138
22	Total cash inflows		885
23	Total liquid assets		8,309
24	Total net cash outflows		6,192
25	Liquidity Coverage Ratio (%)		134

(No of observations: 62)

		June 2019	
Amounts in millions of dollars		Total unweighted value (daily average)	Total weighted value (daily average)
Liquid assets			
1	High-quality liquid assets (HQLA)		3,388
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 which:	31,631	4,169
5	<i>stable deposits</i>	17,770	857
6	<i>less stable deposits</i>	13,861	3,311
7	Unsecured wholesale funding, of which:	1,967	1,605
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>	1,871	1,509
10	<i>unsecured debt</i>	96	96
11	<i>Secured wholesale funding</i>		-
12	<i>Additional requirements, of which</i>	6,502	831
13	<i>outflows related to derivatives exposures and other collateral requirements</i>	340	340
14	<i>outflows related to loss of funding on debt products</i>	160	160
15	<i>credit and liquidity facilities</i>	6,002	331
16	Other contractual funding obligations	573	81
17	Other contingent funding obligations	660	84
18	Total cash outflows		6,770
Cash inflows			
19	Secured lending (e.g. reverse repos)	-	-
20	Inflows from fully performing exposures	1,247	753
21	Other cash inflows	82	82
22	Total cash inflows		835
23	Total liquid assets		7,673
24	Total net cash outflows		5,934
25	Liquidity Coverage Ratio (%)		129%

(No of observations: 62)

Leverage ratio

	September 2019	June 2019
Amounts in millions of dollars		
Tier 1 capital	4,452	4,353
Total exposures	70,844	70,184
Leverage ratio	6.3%	6.2%

