



Pillar 3 Capital Adequacy & Risk Disclosures

September 2020

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 its residential mortgage and treasury portfolios. From 1 April 2020, IRB accreditation was received for a subset of ING's Property finance and Corporate portfolios.

All credit exposures are managed in Sydney, Australia.

All amounts are stated in AUD.

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Capital adequacy

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

	September 2020	June 2020
Amounts in millions of dollars		
Subject to AIRB approach		
Residential mortgages	15,051	15,417
Total RWA subject to AIRB approach	15,051	15,417
Subject to FIRB approach		
Banks & other financial institutions	577	492
Sovereign	578	546
Corporate	1,150	1,085
Total RWA subject to FIRB approach	2,305	2,123
Subject to supervisory slotting approach		
Property finance	5,147	5,126
Project finance	1,953	1,907
Total RWA subject to supervisory slotting approach	7,100	7,033
Subject to standardised approach		
Residential mortgages	73	76
Property finance	356	334
Corporate	2,077	2,023
Other retail	319	340
Other assets	129	127
Total RWA subject to standardised approach	2,954	2,900
Securitisation	-	-
Credit valuation adjustment	8	10
Central counterparties	-	-
Total credit risk RWA	27,418	27,483
Interest rate risk in the banking book	125	125
Operational risk	3,600	3,600
Total RWA	31,143	31,208

APS 330 Table 3f - Capital ratios

	September 2020	June 2020
Common equity tier 1 capital ratio	15.4%	14.9%
Tier 1 capital ratio	15.4%	14.9%
Total capital ratio	15.8%	15.4%

Credit risk

APS 330 Table 4a - Credit risk exposure by portfolio

September 2020					
Amounts in millions of dollars	On-balance sheet	Off-balance sheet		Total	3-month average
		Market related	Non-market related		
Residential mortgages	52,047	-	8,014	60,061	60,109
Property finance	6,354	-	290	6,644	6,656
Project finance	2,338	-	185	2,523	2,507
Corporate	3,753	-	708	4,461	4,167
Banks & other financial institutions	2,858	149	-	3,007	2,768
Sovereign	4,861	-	-	4,861	4,654
Securitisation	-	-	-	-	-
Other retail	319	-	-	319	327
Other assets	129	-	-	129	129
Total credit exposures	72,659	149	9,197	82,005	81,317

June 2020					
Amounts in millions of dollars	On-balance sheet	Off-balance sheet		Total	3-month average
		Market related	Non-market related		
Residential mortgages	52,232	-	7,816	60,048	59,909
Property finance	6,200	-	398	6,598	6,554
Project finance	2,227	-	230	2,457	1,835
Corporate	3,204	-	1,051	4,255	4,770
Banks & other financial institutions	2,266	90	-	2,356	2,339
Sovereign	4,606	-	-	4,606	4,656
Securitisation	-	-	-	-	-
Other retail	340	-	-	340	343
Other assets	127	-	-	127	131
Total credit exposures	71,202	90	9,495	80,787	80,537

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

Amounts in millions of dollars	Past due facilities	Impaired facilities	Specific provisions	September 2020	
				Half-year movement Charge to specific provisions	Write offs
Residential mortgages	201	338	34	4	-
Property finance	-	1	-	-	-
Project finance	-	-	-	-	-
Corporate	13	40	7	(2)	-
Banks & other financial institutions	-	-	-	-	-
Sovereign	-	-	-	-	-
Securitisation	-	-	-	-	-
Other retail	-	7	6	2	-
Other assets	-	-	-	-	-
Total	214	386	47	4	-

Amounts in millions of dollars	Past due facilities	Impaired facilities	Specific provisions	June 2020	
				Half-year movement Charge to specific provisions	Write offs
Residential mortgages	217	293	30	1	1
Property finance	1	1	-	-	-
Project finance	-	-	-	-	-
Corporate	13	37	9	-	-
Banks & other financial institutions	-	-	-	-	-
Sovereign	-	-	-	-	-
Securitisation	-	-	-	-	-
Other retail	-	5	4	3	1
Other assets	-	-	-	-	-
Total	231	336	43	4	2

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

			September 2020
Amounts in millions of dollars	General reserve for credit losses	Specific provisions	Total
Collective provision	169	42	211
Individual provision	-	5	5
Total provisions	169	47	216
Additional GRCL requirement	60	-	60
Total regulatory provisions	229¹	47	276

			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

¹Arrears counting is frozen for those customers who have requested for hardship assistance and meet the conditions set out by APRA communication relating to COVID-19. The increase in GRCL is driven by an expected decrease in credit quality for those customers still in hardship.

Securitisation

Table 5a - Securitisation activity

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

		June 2020	
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 2020
Amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
Securitisation facility type			
Liquidity support facilities	-	351	351
Credit enhancements	-	14	14
Derivative facilities	44	18	62
Holding of securities	12,828	-	12,828
Total securitisation exposures	12,872	383	13,255

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

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 30 September 2020 was calculated as simple daily averages, excluding weekends and public holidays. The comparative figure for June 2020 has been restated to correct for a data quality issue that affected deposit outflows from October 2019. This resulted in the reported average LCR for June 2020 changing from 158% to 152%. The root cause of this error was fully understood, remediated and communicated with APRA, and the affected historical regulatory returns are due to be resubmitted by 18 December 2020. Impacted prior period Pillar 3 disclosures will be restated thereafter. Additional controls have also been put in place to ensure that the data used to compute LCR is complete, accurate and valid.

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%. IBAL remained comfortably above this buffer even after adjusting for the data issue referred to above.

Liquidity

Liquidity coverage ratio

		September 2020	
Amounts in millions of dollars		Total unweighted value (daily average)	Total weighted value (daily average)
Liquid assets			
1	High-quality liquid assets (HQLA)		5,598
2	Alternative liquid assets (ALA)		4,537
3	Reserve Bank of New Zealand (RBNZ) securities		n/a
Cash outflows			
4	Retail deposits and deposits from small business customers, of which:	37,035	4,715
5	<i>stable deposits</i>	21,741	1,087
6	<i>less stable deposits</i>	15,294	3,628
7	Unsecured wholesale funding, of which:	2,562	2,180
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>	2,511	2,129
10	<i>unsecured debt</i>	51	51
11	Secured wholesale funding		-
12	Additional requirements, of which:	8,242	1,015
13	<i>outflows related to derivatives exposures and other collateral requirements</i>	483	483
14	<i>outflows related to loss of funding on debt products</i>	63	63
15	<i>credit and liquidity facilities</i>	7,696	469
16	Other contractual funding obligations	908	240
17	Other contingent funding obligations	967	157
18	Total cash outflows		8,307
Cash inflows			
19	Secured lending (e.g. reverse repos)		-
20	Inflows from fully performing exposures	1,626	958
21	Other cash inflows	75	75
22	Total cash inflows		1,033
23	Total liquid assets		10,135
24	Total net cash outflows		7,274
25	Liquidity Coverage Ratio (%)		139%

(No of observations: 65)

Liquidity

Liquidity coverage ratio

		June 2020	
Amounts in millions of dollars		Total unweighted value (daily average)	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 which:	34,678	4,521
5	<i>stable deposits</i>	19,848	992
6	<i>less stable deposits</i>	14,830	3,529
7	Unsecured wholesale funding, of which:	2,194	1,843
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>	2,145	1,794
10	<i>unsecured debt</i>	49	49
11	Secured wholesale funding		-
12	Additional requirements, of which:	8,108	1,033
13	<i>outflows related to derivatives exposures and other collateral requirements</i>	459	459
14	<i>outflows related to loss of funding on debt products</i>	112	112
15	<i>credit and liquidity facilities</i>	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)

Leverage ratio

	September 2020	June 2020
Amounts in millions of dollars		
Tier 1 capital	4,799	4,651
Total exposures	76,840	76,156
Leverage ratio	6.2%	6.1%