

# Pillar 3 - Capital Adequacy

## & Risk Disclosures

September 2021



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 selected portfolios: IBAL is approved to use the Advanced Internal Ratings-Based (AIRB) approach for the Residential Mortgages portfolio and the Foundation Internal Ratings-Based (FIRB) approach for the Sovereign and Bank portfolios for regulatory capital purposes.

Effective 1 April 2020, IBAL was accredited to apply the FIRB approach to its Corporate Lending portfolio, and the Supervisory Slotting approaches to calculate its capital requirements for its Project Finance portfolio and the majority of its Commercial Real Estate portfolio.

The initial disclosures herein reflect reporting requirements applicable to banks utilising the Internal Ratings-Based Approach (IRB) to capital measurement.

All credit exposures are managed in Sydney, Australia.

All Amounts are stated in AUD.



## Capital

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

	September 2021	June 2021
<i>Amounts in millions of dollars</i>		
<b>Subject to AIRB approach</b>		
Residential mortgages	15,228	15,793
<b>Total RWA subject to AIRB approach</b>	<b>15,228</b>	<b>15,793</b>
<b>Subject to FIRB approach</b>		
Banks & other financial institutions	449	317
Sovereign	795	678
Corporate	1,522	1,315
<b>Total RWA subject to FIRB approach</b>	<b>2,766</b>	<b>2,310</b>
<b>Subject to supervisory slotting approach</b>		
Property finance	4,866	5,203
Project finance	2,442	2,351
<b>Total RWA subject to supervisory slotting approach</b>	<b>7,308</b>	<b>7,554</b>
<b>Subject to standardised approach</b>		
Residential mortgages	60	63
Property finance	262	277
Corporate	1,607	1,759
Other retail	297	314
Other assets	98	89
<b>Total RWA subject to standardised approach</b>	<b>2,324</b>	<b>2,502</b>
Securitisation	-	-
Credit valuation adjustment	7	7
Central counterparties	-	-
<b>Total credit risk RWA</b>	<b>27,633</b>	<b>28,166</b>
Interest rate risk in the banking book	1,766	1,167
Operational risk	3,882	3,882
<b>Total RWA</b>	<b>33,281</b>	<b>33,215</b>

### APS 330 Table 3f - Capital ratios

	September 2021	June 2021
Common equity tier 1 capital ratio	15.6%	15.1%
Tier 1 capital ratio	15.6%	15.1%
<b>Total capital ratio</b>	<b>15.9%</b>	<b>15.4%</b>



## Credit risk

### APS 330 Table 4a - Credit risk exposure by portfolio

September 2021					
Amounts in millions of dollars	On-balance sheet	Off-balance sheet		Total	3-month average
		Market related	Non-market related		
Residential mortgages	53,377	-	8,765	<b>62,142</b>	61,679
Property finance	5,993	-	380	<b>6,373</b>	6,357
Project finance	2,727	-	293	<b>3,020</b>	2,953
Corporate	3,754	-	833	<b>4,587</b>	4,510
Banks & other financial institutions	2,322	180	6	<b>2,508</b>	2,372
Sovereign	6,497	-	-	<b>6,497</b>	6,723
Securitisation	-	-	-	-	-
Other retail	296	-	-	<b>296</b>	303
Other assets	98	-	-	<b>98</b>	93
<b>Total credit exposures</b>	<b>75,065</b>	<b>180</b>	<b>10,276</b>	<b>85,521</b>	<b>84,990</b>

June 2021					
Amounts in millions of dollars	On-balance sheet	Off-balance sheet		Total	6-month average
		Market related	Non-market related		
Residential mortgages	52,796	-	8,392	<b>61,188</b>	60,733
Property finance	6,048	-	356	<b>6,404</b>	6,383
Project finance	2,669	-	260	<b>2,929</b>	2,792
Corporate	3,676	-	754	<b>4,430</b>	4,671
Banks & other financial institutions	1,429	176	6	<b>1,611</b>	1,665
Sovereign	6,869	-	-	<b>6,869</b>	5,563
Securitisation	-	-	-	-	-
Other retail	314	-	-	<b>314</b>	313
Other assets	89	-	-	<b>89</b>	96
<b>Total credit exposures</b>	<b>73,890</b>	<b>176</b>	<b>9,768</b>	<b>83,834</b>	<b>82,216</b>



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

Amounts in millions of dollars	September 2021				
	Past due facilities	Impaired facilities	Specific provisions	Quarterly movement	
				Charge to specific provisions	Write offs
Residential mortgages	232	1,075	64	-	-
Property finance	5	11	1	-	-
Project finance	-	-	-	-	-
Corporate	16	67	4	(3)	-
Banks & other financial institutions	-	-	-	-	-
Sovereign	-	-	-	-	-
Securitisation	-	-	-	-	-
Other retail	-	10	12	(2)	2
Other assets	-	-	-	-	-
<b>Total</b>	<b>253</b>	<b>1,163</b>	<b>81</b>	<b>(5)</b>	<b>2</b>

Amounts in millions of dollars	June 2021				
	Past due facilities	Impaired facilities	Specific provisions	Half-year movement	
				Charge to specific provisions	Write offs
Residential mortgages	246	1,075	64	(11)	-
Property finance	21	10	1	-	-
Project finance	-	-	-	-	-
Corporate	21	69	7	(1)	-
Banks & other financial institutions	-	-	-	-	-
Sovereign	-	-	-	-	-
Securitisation	-	-	-	-	-
Other retail	-	13	14	(1)	-
Other assets	-	-	-	-	-
<b>Total</b>	<b>288</b>	<b>1,167</b>	<b>86</b>	<b>(13)</b>	<b>-</b>



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

September 2021			
Amounts in millions of dollars	General reserve for credit losses	Specific provisions	Total
Collective provision	54	81	135
Individual provision	-	-	-
<b>Total provisions</b>	<b>54</b>	<b>81</b>	<b>135</b>
Additional GRCL requirement	62	-	62
<b>Total regulatory provisions</b>	<b>116</b>	<b>81</b>	<b>197</b>

June 2021			
Amounts in millions of dollars	General reserve for credit losses	Specific provisions	Total
Collective provision	61	86	147
Individual provision	-	-	-
<b>Total provisions</b>	<b>61</b>	<b>86</b>	<b>147</b>
Additional GRCL requirement	54	-	54
<b>Total regulatory provisions</b>	<b>115</b>	<b>86</b>	<b>201</b>



## Securitisation

Table 5a - Banking book activity for the reporting period

September 2021		
Amounts in millions of dollars	Total exposures securitised	Recognised gain or loss on sale
<b>Underlying asset</b>		
Residential mortgages	-	-
<b>Total</b>	-	-

June 2021		
Amounts in millions of dollars	Total exposures securitised	Recognised gain or loss on sale
<b>Underlying asset</b>		
Residential mortgages	-	-
<b>Total</b>	-	-

Table 5b - Banking book securitisation exposures retained or purchased

September 2021			
Amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
<b>Securitisation facility type</b>			
Liquidity support facilities	-	338	<b>338</b>
Credit enhancements	-	14	<b>14</b>
Redraw facilities	-	32	<b>32</b>
Derivative facilities	39	-	<b>39</b>
Holding of securities	12,747	-	<b>12,747</b>
<b>Total securitisation exposures</b>	<b>12,786</b>	<b>384</b>	<b>13,170</b>

June 2021			
Amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
<b>Securitisation facility type</b>			
Liquidity support facilities	-	341	<b>341</b>
Credit enhancements	-	14	<b>14</b>
Redraw facilities	-	36	<b>36</b>
Derivative facilities	42	-	<b>42</b>
Holding of securities	12,763	-	<b>12,763</b>
<b>Total securitisation exposures</b>	<b>12,805</b>	<b>391</b>	<b>13,196</b>



## Liquidity

### Liquidity coverage ratio

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

IBAL's LCR for the quarter ended 30 September 2021 is calculated as a simple daily average, 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) and Term Funding Facility (TFF) as approved by the Reserve Bank of Australia (RBA). The average HQLA for the quarter consists of Level 1 assets including balances held with the 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, Residential Mortgage-Backed Securities (RMBS), Covered Bonds and bond issuances, as well as from the RBA's term funding facility. The weighted outflows from each of these funding sources were 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 APS 210.



## Liquidity coverage ratio

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

Amounts in millions of dollars	September 2021	
	Total unweighted value (daily average)	Total weighted value (daily average)
<b>Liquid assets</b>		
1 High-quality liquid assets (HQLA)		7,044
2 Alternative liquid assets (ALA)		2,999
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:	41,821	4,871
5 <i>stable deposits</i>	26,719	1,336
6 <i>less stable deposits</i>	15,103	3,535
7 Unsecured wholesale funding, of which:	1,648	1,370
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>	1,596	1,318
10 <i>unsecured debt</i>	52	52
11 Secured wholesale funding		-
12 Additional requirements, of which	8,759	1,279
13 <i>outflows related to derivatives exposures and other collateral requirements</i>	620	620
14 <i>outflows related to loss of funding on debt products</i>	173	173
15 <i>credit and liquidity facilities</i>	7,966	486
16 Other contractual funding obligations	1,126	742
17 Other contingent funding obligations	898	153
<b>18 Total cash outflows</b>		<b>8,414</b>
<b>Cash inflows</b>		
19 Secured lending (e.g. reverse repos)		-
20 Inflows from fully performing exposures	939	554
21 Other cash inflows	221	221
<b>22 Total cash inflows</b>	<b>1,160</b>	<b>775</b>
<b>23 Total liquid assets</b>		<b>10,043</b>
<b>24 Total net cash outflows</b>		<b>7,639</b>
<b>25 Liquidity Coverage Ratio (%)</b>		<b>131%</b>

(No of observations: 65)



## Liquidity coverage ratio (continued)

		June 2021	
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)		5,799
2	Alternative liquid assets (ALA)		3,563
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:	40,206	4,776
5	<i>stable deposits</i>	25,228	1,261
6	<i>less stable deposits</i>	14,978	3,515
7	Unsecured wholesale funding, of which:	1,787	1,495
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>	1,708	1,416
10	<i>unsecured debt</i>	80	80
11	Secured wholesale funding		-
12	Additional requirements, of which	8,297	1,139
13	<i>outflows related to derivatives exposures and other collateral requirements</i>	631	631
14	<i>outflows related to loss of funding on debt products</i>	52	52
15	<i>credit and liquidity facilities</i>	7,614	456
16	Other contractual funding obligations	954	458
17	Other contingent funding obligations	852	143
<b>18</b>	<b>Total cash outflows</b>		<b>8,012</b>
<b>Cash inflows</b>			
19	Secured lending (e.g. reverse repos)		-
20	Inflows from fully performing exposures	1,134	638
21	Other cash inflows	10	10
<b>22</b>	<b>Total cash inflows</b>	<b>1,144</b>	<b>648</b>
<b>23</b>	<b>Total liquid assets</b>		<b>9,362</b>
<b>24</b>	<b>Total net cash outflows</b>		<b>7,364</b>
<b>25</b>	<b>Liquidity Coverage Ratio (%)</b>		<b>127%</b>

(No of observations: 62)



## Leverage ratio

	September 2021	June 2021	March 2021	December 2020
<i>Amounts in millions of dollars</i>				
Tier 1 capital	5,194	5,026	4,912	4,784
Total exposures	80,384	78,447	76,631	77,482
<b>Leverage ratio</b>	<b>6.5%</b>	<b>6.4%</b>	<b>6.4%</b>	<b>6.2%</b>

