



Pillar 3 - Capital Adequacy & Risk Disclosures September 2023

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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.

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

The following information is presented in accordance with the APRA Prudential Standard APS 330, ‘Public Disclosure’.

Effective 1 April 2018, the Group was accredited by APRA to determine its regulatory capital requirements using an internal market risk model and internal credit risk models for selected portfolios: the Group 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 Bank & other financial institutions portfolio for regulatory capital purposes.

Effective 1 April 2020, the Group 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 located within Australia.

All credit exposures are managed in Sydney, Australia.

All amounts are stated in AUD.



Quantitative disclosures

Capital

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

	September 2023	June 2023
Amounts in millions of dollars		
Subject to AIRB approach		
Residential mortgages ¹	12,127	12,120
Total RWA subject to AIRB approach	12,127	12,120
Subject to FIRB approach		
Financial Institution	722	344
Corporate	2,145	1,857
Total RWA subject to FIRB approach	2,867	2,201
Subject to supervisory slotting approach		
Property finance	5,329	5,425
Project finance	2,505	2,483
Total RWA subject to supervisory slotting approach	7,834	7,908
Subject to standardised approach		
Residential mortgages	682	346
Property finance	82	92
Sovereign	-	-
Corporate	1,158	1,301
Other retail	446	425
Other assets	77	78
Total RWA subject to standardised approach	2,445	2,242
Securitisation	128	128
Credit valuation adjustment	-	-
Central counterparties	10	11
Total credit risk RWA	25,411	24,610
Interest rate risk in the banking book ²	4,425	3,977
Operational risk	1,916	1,916
Total RWA	31,752	30,503

APS 330 Table 3f - Capital ratios

	September 2023	June 2023
Common equity tier 1 capital ratio	16.7%	17.0%
Tier 1 capital ratio	16.7%	17.0%
Total capital ratio	17.5%	17.9%

¹ The Residential Mortgages Risk Weighted Assets includes an overlay of \$806 million

² IRRBB RWA increased quarter-on-quarter mainly due to an overlay of \$625 million



Credit risk³

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

September 2023					
Amounts in millions of dollars	On-Balance sheet	Off-Balance sheet		Total	3-month average
		Market related	Non-market related		
Residential mortgages	56,848	-	7,548	64,396	64,371
Property finance	5,812	-	343	6,155	6,284
Project finance	3,253	-	193	3,446	3,454
Corporate	4,628	-	1,237	5,865	5,720
Financial institution	2,750	-	535	3,285	2,140
Sovereign	9,859	414	-	10,273	9,696
Other retail	396	-	107	503	492
Other assets	77	-	-	77	78
Central counterparties	-	502	-	502	475
Total credit exposures	83,623	916	9,963	94,502	92,706

June 2023					
Amounts in millions of dollars	On-Balance sheet	Off-Balance sheet		Total	6-month average
		Market related	Non-market related		
Residential mortgages	57,030	-	7,315	64,345	63,465
Property finance	5,959	-	453	6,412	6,506
Project finance	3,265	-	196	3,461	3,420
Corporate	4,370	-	1,204	5,574	5,478
Financial institution	942	-	500	1,442	1,648
Sovereign	8,793	325	-	9,118	9,400
Other retail	377	-	103	480	473
Other assets	78	-	-	78	80
Central counterparties	-	527	-	527	487
Total credit exposures	80,814	852	9,771	91,437	90,955

³ Excluding Securitisation



APS 330 Table 4b - Non-performing by portfolio type

September 2023				
Amounts in millions of dollars	Non-performing facilities	Specific provisions	Quarterly movement	
			Charge to specific provisions	Write offs
Residential mortgages	583	37	(2)	-
Property finance	28	-	-	-
Project finance	-	-	-	-
Corporate	37	3	-	-
Financial institution	-	-	-	-
Sovereign	-	-	-	-
Other retail	12	11	-	2
Other assets	-	-	-	-
Central counterparties	-	-	-	-
Total	660	51	(2)	2

June 2023				
Amounts in millions of dollars	Non-performing facilities ⁴	Specific provisions	Quarterly movement	
			Charge to specific provisions	Write offs
Residential mortgages	554	39	2	-
Property finance	2	-	-	-
Project finance	-	-	-	-
Corporate	50	3	1	-
Financial institution	-	-	-	-
Sovereign	-	-	-	-
Other retail	12	11	3	1
Other assets	-	-	-	-
Central counterparties	-	-	-	-
Total	618	53	6	1

⁴ Restated to reflect gross exposure of non-performing loans



APS 330 Table 4c - Reconciliation between APS 220 provisions and Australian accounting standards

September 2023			
Amounts in millions of dollars	General provisions	Specific provisions	Total
Collective provision	102	51	153
Individual provision	-	-	-
Total provisions	102	51	153

June 2023			
Amounts in millions of dollars	General provisions	Specific provisions	Total
Collective provision	103	53	156
Individual provision	-	-	-
Total provisions	103	53	156



Securitisation

APS 330 Table 5a - Banking book activity for the reporting period

		September 2023
Amounts in millions of dollars	Total exposures securitised	Recognised gain or loss on sale
Underlying asset		
Residential mortgages	1,917	-
Total	1,917	-

		June 2023
Amounts in millions of dollars	Total exposures securitised	Recognised gain or loss on sale
Underlying asset		
Residential mortgages	-	-
Total	-	-

APS 330 Table 5b - Banking book securitisation exposures retained or purchased

			September 2023
Amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
Securitisation facility type			
Liquidity support facilities	-	351	351
Credit enhancements	-	23	23
Redraw facilities	-	56	56
Derivative facilities	19	-	19
Holding of securities	13,635	-	13,635
Total securitisation exposures	13,654	430	14,084

			June 2023
Amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
Securitisation facility type			
Liquidity support facilities	-	324	324
Credit enhancements	-	21	21
Redraw facilities	-	18	18
Derivative facilities	14	-	14
Holding of securities	13,488	-	13,488
Total securitisation exposures	13,502	363	13,865



Liquidity risk

Liquidity coverage ratio

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 refers to High Quality Liquid Assets (HQLA), made up of cash balances held with the RBA as well as Australian Semi Government and Commonwealth Government securities. The average HQLA for the quarter was AUD 8.9bn. The RBA's Committed Liquidity Facility was reduced to zero effective from 1 January 2023.

The main funding sources for IBAL are deposits from retail and small business customers. Funding is also sourced from within the global ING Group in the form of deposits, and IBAL 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 Treasury department, which is also responsible for managing the funding gap between retail and commercial assets and liabilities on IBAL'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 IBAL's funding sources.

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

IBAL's average LCR for the quarter ended 30 September 2023 was 163%, which is an increase of 19% from 144% reported for the quarter ended 30 June 2023. The increase was mainly attributable to additional HQLA bonds purchased during the period following an AUD1.8bn issuance of RMBS (at which point IBAL's LCR reached a high of 208%). The lowest LCR recorded during the quarter was 140% following the repayment of intra-group funding.

IBAL's AUD-only LCR was 17% higher than all-currency LCR as at the end of the quarter, driven mainly by IBAL's USD collateral account being funded short term (<30 days).

APS 330 Table 20 - Liquidity coverage ratio

		September 2023	
Amounts in millions of dollars		Total unweighted value (daily average)	Total weighted value (daily average)
Liquid assets			
1	High-quality liquid assets (HQLA)		8,901
2	Alternative liquid assets (ALA)		0
3	Reserve Bank of New Zealand (RBNZ) securities		n/a
Cash outflows			
4	Retail deposits and deposits from small business customers, of which:	45,037	4,762
5	<i>stable deposits</i>	31,224	1,561
6	<i>less stable deposits</i>	13,813	3,201
7	Unsecured wholesale funding, of which:	1,510	1,367
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>	1,476	1,333
10	<i>unsecured debt</i>	34	34
11	Secured wholesale funding	409	110
12	Additional requirements, of which	10,350	1,543
13	<i>outflows related to derivatives exposures and other collateral requirements</i>	722	722
14	<i>outflows related to loss of funding on debt products</i>	222	222
15	<i>credit and liquidity facilities</i>	9,406	599
16	Other contractual funding obligations	763	1
17	Other contingent funding obligations	1,278	182
18	Total cash outflows		7,965
Cash inflows			
19	Secured lending (e.g. reverse repos)		-
20	Inflows from fully performing exposures	3,623	2,476
21	Other cash inflows	40	40
22	Total cash inflows	3,663	2,516
23	Total liquid assets		8,901
24	Total net cash outflows		5,449
25	Liquidity Coverage Ratio (%)		163%

(No of observations: 65)



APS 330 Table 20 - Liquidity coverage ratio (continued)

June 2023		
Amounts in millions of dollars	Total unweighted value (daily average)	Total weighted value (daily average)
Liquid assets		
1 High-quality liquid assets (HQLA)		8,807
2 Alternative liquid assets (ALA)		0
3 Reserve Bank of New Zealand (RBNZ) securities		n/a
Cash outflows		
4 Retail deposits and deposits from small business customers, of which:	44,911	4,742
5 <i>stable deposits</i>	31,190	1,560
6 <i>less stable deposits</i>	13,720	3,183
7 Unsecured wholesale funding, of which:	1,293	1,085
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>	1,219	1,012
10 <i>unsecured debt</i>	73	73
11 Secured wholesale funding		359
12 Additional requirements, of which	10,170	1,334
13 <i>outflows related to derivatives exposures and other collateral requirements</i>	711	711
14 <i>outflows related to loss of funding on debt products</i>	20	20
15 <i>credit and liquidity facilities</i>	9,439	603
16 Other contractual funding obligations	1,193	304
17 Other contingent funding obligations	1,241	226
18 Total cash outflows		8,050
Cash inflows		
19 Secured lending (e.g. reverse repos)		-
20 Inflows from fully performing exposures	2,805	1,916
21 Other cash inflows	36	36
22 Total cash inflows	2,841	1,952
23 Total liquid assets		8,807
24 Total net cash outflows		6,098
25 Liquidity Coverage Ratio (%)		144%

(No of observations: 61)



Leverage ratio

	September 2023	June 2023	March 2023	December 2022
Amounts in millions of dollars				
Tier 1 capital	5,300	5,197	5,063	5,448
Total exposures	94,980	92,020	91,056	89,156
Leverage ratio	5.6%	5.7%	5.6%	6.1%

