



ING Australia

Annual Report 2021



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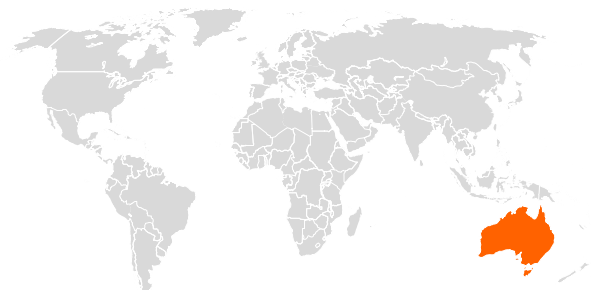
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A snapshot of our business

Who we are

- ING Bank (Australia) Limited trading as ING ("the Bank")¹, a wholly owned subsidiary of ING Bank N.V.² and part of the ING Groep³
- Headquartered in Sydney, with a 24/7 contact centre hub in Wyong and offices across many of Australia's capital cities



2021 highlights

- Strong financial performance
- #1 Net Promoter Score
- More than 47k active new customers
- Primary bank (main financial institution) customer numbers exceeded 974k
- Orange Everyday at 2.01 million accounts



Our customers

- 2.1 million active customers
- #1 Net Promoter Score

Our award highlights

- ING is Australia's most recommended bank according to RFI XPRT Survey when compared to customers of 20 other banks operating in Australia: August 2021 – January 2022 (n = 31,955)
- Roy Morgan #1 for Home Loan customer satisfaction in Australia
- Mozo's Home Lender Bank of the Year 2021
- RFI Australian Lending Awards - Best Customer Experience
- ING's Australian wholesale banking team was awarded the Green Team of the Year in the 2021 Finder Green Awards, in recognition of its ongoing leadership and alignment with the Paris agreement goals



Our people

- 1,705 employees



Our community

- Supported those affected by the COVID-19 pandemic, with a dedicated specialist support team providing help to customers experiencing difficulties with their home loans, personal loans or commercial loans
- Launched a major partnership with R U OK? as part of our investment in making ING a safe place for all, where mental health and wellbeing are supported and valued
- Matched all employee donations through our workplace giving program. In 2021, through our people, we donated to WWF, Dress for Success, UNICEF, Landcare, United Way, OzHarvest and the National Centre of Indigenous Excellence

⁽¹⁾ In the Annual Report, "ING" and "The Group" refers to ING Bank (Australia) Limited and its controlled entities

⁽²⁾ "ING Bank N.V." is a part of ING Groep and is the immediate holding company of the Bank

⁽³⁾ "ING Groep" refers to ING Groep N.V. (a company domiciled in Amsterdam, the Netherlands) and its controlled entities. "ING Groep N.V." is the ultimate holding company of the Bank

Financial highlights



Net profit after tax
\$549m



Cost to income ratio
41.5%



Capital adequacy ratio
15.4%



Loans
\$67,167m



Savings
\$46,506m





CEO's year in review

As we continued to navigate the ongoing challenges of the pandemic, which included periods of isolation and home-schooling for many, there was also much to be thankful and proud of in 2021.

Throughout everything, we demonstrated our commitment to customers, team members, and the communities we serve.

Helping customers do their thing

At the beginning of the year we launched our new brand direction and advertising campaign which encourages customers to 'do their thing'. As a digital bank, it's about removing friction from the banking experience and supporting customers whenever and however they need us.

We continue to invest heavily in listening to customers and designing experiences that help them get on with the things that matter most to them. The ING approach to customer centred design has served us well over the past few years and has been critical in our response to the pandemic, as well as our quest to build a bank of the future.

A good example of 'do your thing' in action is our decision to give customers 1% cashback when they pay their utility bills from their Orange Everyday transaction account. With the cost of running a household on the rise, this is our way of providing a helping hand and rewarding customers who choose ING as their main bank.

This customer-centric approach to designing products and services has helped us maintain our market leading Net Promoter Score, and our position as Australia's most recommended bank.



Caring for our people

As a modern and progressive employer, we continue to look at ways to further remove barriers to inclusion and help team members during important life moments. In 2021 we made significant policy updates which included a new domestic and family violence policy, and removal of the 12 month eligibility period for paid parental leave, so that all new parents can access it. We also recognise that parents who experience early loss need more support through leave and other benefits.

We're extremely proud to be one of the first companies in Australia certified as a Family Friendly Workplace under new national standards launched by [Parents At Work](#) and [UNICEF Australia](#).

In addition, our focus on LGBTQ+ workplace inclusion was acknowledged with ING achieving Bronze Employer status in the Australian Workplace Equality Index. I am incredibly proud of the efforts from our Rainbow Lions community to make sure our LGBTQ+ team members feel respected, valued and included.

Our frontline teams based on the Central Coast continue to provide the human touch for customers when needed. As one of the region's largest employers, I'm excited by the opening of our new state-of-the-art Wyong Hub, and the career opportunities it will create for many more in the surrounding area.

Supporting our communities

ING has a long history of giving back to the communities we serve. Following consultation with our people and customers, we embarked on a partnership with mental health and wellbeing charity R U OK? Through this special partnership we will look to support the wider community, and also provide our team members with training and resources to give them confidence when it comes to mental health conversations. You can read more about our new partnership in the Sustainability section of the annual report.



Delivering on our strategy

In 2021 we opened 231k new Orange Everyday transaction accounts, bringing the total number of active customers to 2.01m.

Continued restrictions due to COVID meant that our customers saved more. In response, we made enhancements to the ING Savings Maximiser to motivate customers to keep their savings up, by rewarding them with a bonus rate of interest.

Through our mortgages business we helped 10,482 Australians realise their dream of owning their own home. Lending to home buyers totalled \$54.3bn by year end. We are pleased that the vast majority of our home loan customers who paused their loans due to the pandemic have been able to resume payments as restrictions start to ease across the country.

Diversification continues to be key to our strategy to ensure we build a sustainable bank for the future. A key outcome of our strategy is that we are able to help more customers with more of their financial needs.

We increased our insurance offering to include Pet and Health Insurance. Both products are designed to keep things simple so customers can have peace of mind for those unexpected life moments.

2021 was a landmark moment for sustainable business, with world leaders pledging to work together to achieve global climate change targets. As a signatory of the Net Zero Banking Alliance, ING globally is committed to steering our portfolio in line with the goals of the Paris Agreement, to keep global warming to well below two degrees.

Sustainable energy financing plays a critical role in this endeavour and I am pleased with the continued focus of our Wholesale Bank team over the last 12 months to help businesses transition to renewable and clean energy solutions. Notable sustainable energy deals include Berrybank, 180MW wind farm located in Victoria and the Dulacca, 180MW green field windfarm in Western Downs region in Queensland. In addition, we announced the launch of a Green Finance Framework, developed for leading energy infrastructure provider Jemena to help the company deliver on its commitment to a low-carbon future and net zero emissions by 2050.



Keeping customers safe

With a rise in cybercrime during the pandemic, we implemented a number of measures to protect customers against online scams. This involved many customer touch points including social media reminders, a new scams microsite, improved processes throughout the payments journey and an ongoing awareness and education marketing campaign.

Staying a step ahead

We continue to invest in technology to reaffirm our position as a digital leader, while ensuring we remain a trusted, friendly bank for customers.

Overall digital interactions are up 6% in the last 12 months, with the mobile app accounting for 84% of total interactions. In fact, 44% of our customer base is exclusively 'mobile only', meaning they don't interact via any other channel.

In response to this continued trend towards 'mobile first', we are redesigning our mobile app experience and leveraging data to deliver more proactive and personalised experiences.

Improvements to digitisation and automation have helped ING maintain a market leader position in terms of consistency and speed of service. Using technology to improve processes, combined with our famous service ethos, we have delivered turnaround times for mortgage brokers that are among the best in the industry. This has helped ING maintain the number one position for home loan customer satisfaction, according to Roy Morgan.

Thank you

2021 was another challenging year, but thanks to the collective response from Australians to the pandemic, we enter 2022 with a renewed optimism, signs of an economic recovery, and most importantly, the opportunity to reconnect in person with colleagues, family and friends.

Our refreshed strategy looks to the future and we're excited by the opportunities to continue delivering differentiated digital experiences for customers, while offering team members more choice and flexibility in how they work.

Sending thanks to customers, people and community partners for your continued support in everything we do.

Melanie Evans
Chief Executive Officer
ING Bank (Australia) Limited



Our approach to sustainability

At ING, empowering people to stay a step ahead in life and in business also means helping customers and society stay a step ahead of the challenges they're facing.

As a global bank, our opportunity – and responsibility – to make a positive impact, involves helping create a healthy planet with prosperous people.

Our sustainability approach focuses on driving positive change in climate action, financial health and creating shared value through our community partnerships.

Climate action

Over the past year we've continued to steer our lending portfolio towards financing for a lower carbon future. By the end of 2021, we surpassed \$2.5bn in lending to green financing and renewable projects in Australia (31% of our wholesale banking lending portfolio). Around 70% of our lending for energy projects was directed towards renewables, reinforcing our position as an industry leader in this area.

Our financing of renewables included entering into a \$330m financing package with other lenders (ING has \$115m on balance sheet loans as at 31 December 2021) for the construction of two solar farms in West Wyalong, New South Wales and Woolooga, Queensland. The West Wyalong solar farm will supply two thirds of the power generated to Snowy Hydro under a 15 year agreement. Snowy Hydro will in turn power all of BP's 88 service stations in NSW. These solar farms will save the equivalent of 188,000 cubic tonnes of carbon emissions being released into the atmosphere.

The financing of this project also reinforces ING's commitment to steering our portfolio in line with the goals of the Paris Agreement, to keep global warming to well below two degrees.

In August, we launched an industry-first Green Finance Framework, developed in conjunction with Jemena to enable the raising of energy project financing using green instruments such as sustainable bonds. As a result of this work, net proceeds of new green instruments issued by Jemena will be used to fund

projects in four major categories: renewable energy, energy efficiency, clean transport, and climate adaptation.

In August we joined the Net Zero Banking alliance, which means we'll now use our Terra approach to steer our loan book towards keeping the rise in global temperatures to a maximum of 1.5 degrees Celsius, rather than well below 2 degrees Celsius. Over the next year, we've been working to determine what steps and intermediate goals are needed to get us on this more ambitious net-zero pathway.

In September, we issued our first [integrated climate report](#), and our third global [Terra progress report](#), which shows the climate impact of our global multi-billion Euro lending book and the progress we have made in aligning our lending with the goals of the Paris Agreement.

ING's Australian Wholesale Banking team was recognised for its ongoing leadership and alignment with the Paris agreement goals and was awarded the Green Team of the Year in the 2021 Finder Green Awards — a first for ING.

Our business model, commitment to fairness and value, and our prudent approach to lending also support our aim to contribute to a financially healthy society.

ING continues to be a leader in financing this change with our innovative sustainable finance solutions. We see this as an opportunity to use our experience and knowledge to support clients with their transition to a net zero world.

COVID-19 support

In 2021, our financial health initiatives continued to focus on supporting customers and communities affected by the COVID-19 pandemic, which had a wide-reaching impact. A dedicated specialist support team provided help to customers experiencing difficulties with their home loans, personal loans or commercial loans.

Our Wholesale Banking team also worked closely with corporate customers impacted by the pandemic and supported them to enable their ongoing operations and ensure their long term viability in their time of greatest need.



Supporting our communities

We're here to champion the value of a life well lived, which is why we were proud to launch a major partnership with R U OK? in September. The three year partnership is part of our investment in making ING a safe place for all, where mental health and wellbeing are supported and valued. We'll benefit from R U OK? programs directly, through resources and training for our people, to help us all support those we interact with daily, from customers and colleagues to family and friends.

Several hundred employees have already participated in R U OK? workshops while tailored training will be rolled out to key teams and leadership throughout 2022.

We continued to match all employee donations through our workplace giving program. In 2021 through our people, we donated to WWF, Dress for Success, UNICEF, Landcare, United Way, OzHarvest and the National Centre of Indigenous Excellence.

Several employees were able to volunteer using their IMPACT day during the first few months of the year, including members of our retail team, who spent a day cooking with Our Big Kitchen in April. Members of the Lioness community also participated in a series of on-site cooks for Two Good, a social enterprise dedicated to assisting domestic violence survivors. We look forward to helping our people share more of their talent and time through this popular program as restrictions are eased.



Our sustainability reporting

Our sustainability reporting is underpinned by our [approach to materiality](#), which helps us prioritise the economic, social and environmental issues most important to our stakeholders and their potential impact on our organisation.

Our performance against our key material issues is listed below.

Financially empower our customers by offering fair and transparent products and services available anywhere, anytime

We empower people by striving to make banking clear and easy, available anytime and anywhere. We make financial empowerment tools available to people so they better understand their financial needs and can make well informed financial decisions. We also recognise the importance of ensuring our customers can trust that their money and their personal information are secure with us.

We believe trust and accessibility are integral to helping our customers improve their personal finance management and enabling them to make better financial decisions, now and in the future.

Confidence and trust earned through fair value for products and services

How we measure: Our target is to have the number one Net Promoter Score (NPS) across the industry.

How we did in 2021: We continued to attract the highest Net Promoter Score of any Australian Bank in 2021 (38 April 21; 43 Sept 21).

*ING is Australia's most recommended bank according to RFI XPRT Survey, August 2021 - January 2022 (n = 31,955) when compared to customers of 20 other banks operating in Australia.



Responsible lending and debt prevention

We are committed to responsible lending practices because we believe this delivers on our purpose of empowering customers to stay a step ahead in life and in business. We have a prudent policy framework to ensure customers have the appropriate type and level of debt.

 [Read more.](#)

How we measure: We aim to have our default rates below industry benchmarks.

How we did in 2021: ING's customer default rates have remained below industry benchmarks in 2021.

We've also improved the support in place for leave, emergency financial support and expert help when a team member encounters domestic and family violence. We're committed to removing barriers to become more inclusive and helping our team members during these important life moments.

 [Read more.](#)

System availability and data security

System availability

As a leading digital bank, it is essential our services are available to our customers anytime, anywhere. To mitigate risks of outages and deliver a high level of service availability to our customers, ING maintains two data centres and can switch operations between the two in case of any issue.


How we measure: Our ambition is 99.99% availability of all data services to customers.

How we did in 2021: We maintained 99.99% average availability in 2021.

How we measure: In 2021 we measured our organisational health through the Organisational Health Index (OHI), conducted mid-year and again at the end of the year.

How we did in 2021: Compared to our 2020 survey, we improved or held all measures across the 2021 mid-year and end of year survey.

Data security

Digital banking security and the continuity of our online services are top priorities. Our specialists continually optimise our systems and processes to ensure their security. However, vulnerabilities can still exist and we place high importance on how we respond.  [Read more.](#)

How we measure: Globally, ING Groep has implemented a [Responsible Disclosure program](#) with the other major banks through the Dutch Banking Association. We actively support this process and disclose the number of reported vulnerabilities remediated by the business.

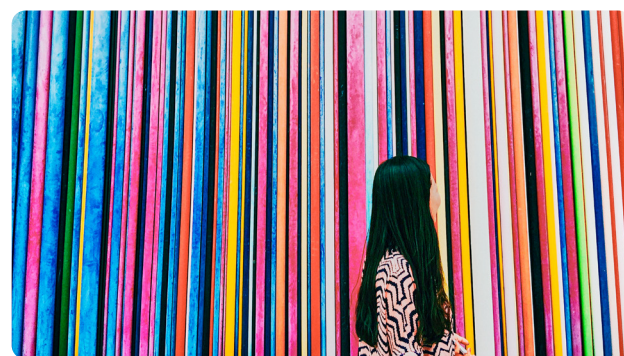
How we did in 2021: 100% of reported vulnerabilities in 2021 were remediated (100% in 2020).

Help our people be their best

Talent attraction and retention

ING is a place where you're free to be your best self. And that's a promise. We strongly believe that having a diverse and inclusive culture isn't just the right thing to do — it's essential for delivering on our business strategy, caring for our people, and reflecting the customers and communities we serve.

It's important we're there for our team members when they need it most. In 2021, we've announced significant improvements to the support we provide. There is no minimum tenure to access any of our parental leave benefits for permanent employees. We have reaffirmed our commitment to all parents that encounter early loss, stillbirth and premature birth irrespective of gender, family structure and surrogacy. The ING team can now access 10 days of leave when they experience early loss in their family and 14 weeks paid parental leave to all parents in the experience of stillbirth or premature birth.




Environmental and social performance


At ING we believe that managing our environmental and social impact is key to achieving our goal of being truly sustainable. It means making sure our operations – our buildings, data centres and how we use transport – are in line with the low-carbon economy of the future, that our employees are treated well and that neither we nor our suppliers infringe on human rights.


Through our [ING Groep Environmental Program](#), we monitor and manage the impact of our operations, including energy, business travel, water, paper use and waste, and sustainable procurement.


The Environmental Program was established to ensure we're not only empowering our clients to make the transition to a more sustainable economy, but that we're making our own transition to become a more resource-efficient and climate-resilient company.

The human rights we consider fundamental and universal for our workforce are also salient in how we do business and who we do business with.

 [Read more](#) about our environmental and social risk ("ESR") policies.

 [Read more](#) about our human rights management approach.

 [Read more](#) about our modern slavery management approach.

 [Read more](#) about our sustainability partnerships, memberships and endorsements.



Tax transparency

We're committed to paying our fair share of taxes and maintaining the highest standards of corporate governance, social responsibility and ethical conduct. This includes a strong commitment to comply with our tax obligations and contribute directly to the economy by paying taxes to support public services and amenities for the benefit of the wider community.

Our tax transparency disclosures conform with the Australian Board of Tax, Voluntary Tax Transparency Code ("TTC") of which the Bank is a signatory. [Read more](#) about the Code.

Please refer to page 27 for additional disclosures. The Bank's tax strategy is to:

- safeguard our tax position in compliance with all applicable tax laws and regulations;
- ensure that our tax position is correctly disclosed in the financial statements; and
- provide high-quality tax support to our businesses and management.

The Bank takes a conservative approach to managing its tax affairs. We pay taxes promptly and in accordance with all applicable laws and regulations, taking account of both the letter and the spirit of the law.

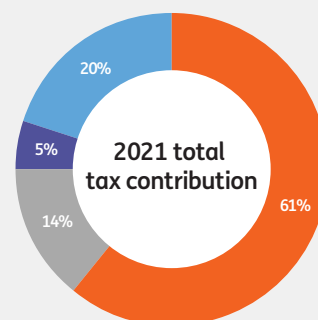
We do not undertake any aggressive tax planning. The commercial requirements of a transaction will dictate its form and no transactions will be entered into where obtaining a tax benefit is the primary purpose.

We aim to maintain transparent and collaborative relationships with the Australian Taxation Office ("ATO") and other tax authorities and are committed to conducting any dealings in an open and transparent manner.

Our tax risk governance underscores a prudent approach to tax management and operates within our broader governance and risk management framework. Tax risk governance is underpinned by the Tax Risk Management ("TRM") policy which is reviewed annually and approved by the Board of Directors. The TRM policy is designed to effectively implement tax strategy, operate within its acceptable level of risk appetite and is aligned with the ATO's tax risk management and governance review guide. Our employees must adhere to the ING Values – to be honest, prudent and responsible, and with integrity above all — when managing tax affairs.

Tax contribution summary for corporate taxes paid

The Bank's total tax contribution (paid and collected) amounted to \$307 million.



- Corporate Income Tax
- GST remitted and non-recoverable
- Employer payroll related taxes
- Employee payroll taxes and customer tax withheld

International related party dealings

The Bank believes in the principle that tax should follow business and consequently profits are allocated to the countries in which business value is created. The Bank's international related party dealings are conducted in accordance with arm's length principles as prescribed by the Australian transfer pricing laws and in accordance with the Organisation of Economic Cooperation and Development ("OECD") guidelines.

We disclose transactions with related parties at Note 24 of our Annual Report. The main related-party transactions are with ING entities in The Netherlands and Singapore. The key business dealings include provision of management and administration services, employment related recharges, support and technology services, long term funding, and money market transactions.



Directors' report

The Directors submit their report, together with the financial report of ING Bank (Australia) Limited ("the Bank") and its controlled entities ("the Group") for the year ended 31 December 2021.

The names and details of the Directors of the Group holding office during the financial year and until the date of this report or otherwise stated are set out below, together with details of their qualifications and special responsibilities.

Directors' qualifications and special responsibilities

Dr John Francis Laker, AO, MSc, PhD, Chairman

Dr Laker was appointed as a Director on 1 January 2019 and appointed Chairman of the Group with effect from 1 January 2020. He is Chair of the Remuneration and Nomination Committee and a member of the Audit and Risk Committees.

Amanda Lacaze, BA

Ms Lacaze was appointed as a Director in May 2011 and ceased as a Director on 31 May 2021 at the end of her maximum tenure. Ms Lacaze was the Chair of the Customer Experience and Technology and Transformation Committees. She was also a member of the Audit and the Remuneration and Nomination Committees.

Nancy Fox, AM, BA, JD (Law), FAICD

Ms Fox was appointed as a Director in May 2018. Ms Fox is the Chair of the Risk Committee and a member of the Audit, Customer Experience and the Remuneration and Nomination Committees. During the year Ms Fox was a member of the Technology and Transformation Committee with effect from 1 June 2021.

Darryl Newton, BCom, CA, GAICD

Mr Newton was appointed as a Director in August 2018. Mr Newton is the Chair of the Audit Committee and a member of the Risk, Customer Experience, the Technology and Transformation and the Remuneration and Nomination Committees.

Aris Bogdaneris, BSc, BA, MA

Mr Bogdaneris was appointed as a Director in August 2015. Mr Bogdaneris is a member of the Remuneration and Nomination Committee.

Lisa Gray, BT&RegPlan (Hons), GradDipMgt, MBA, AMP (INSEAD)

Ms Gray was appointed as a Director in September 2020. During the year she was appointed Chair of the Customer Experience and the Technology and Transformation Committees with effect from 17 November 2021 and a member of the Audit Committee with effect from 1 June 2021. She is also a member of the Risk Committee.

Melanie Evans, BCom, MCom, MPAcc, Chief Executive Officer

Ms Evans was appointed as Chief Executive Officer on 16 November 2020 and as Director on 3 December 2020. She is not a member of any of the Board Committees.

Company Secretary

Martine Forrester, LL.B, GAICD, GIA (Cert)

Ms Forrester was appointed as Company Secretary of the Group on 31 July 2019.

Meetings of Directors

Director	Meetings eligible to attend as a member	Meetings attended as a member
Meetings held during the year	12	
J Laker	12	12
A Lacaze	4	3
N Fox	12	12
D Newton	12	11
A Bogdaneris	12	5
L Gray	12	11
M Evans	12	12

Committee Meetings

	Audit		Risk		R&N		CEC		T&T	
Meetings held	6		9		6		2		2	
Director	E	A	E	A	E	A	E	A	E	A
J Laker	6	6	9	9	6	6	n/a	n/a	n/a	n/a
A Lacaze	2	2	n/a	n/a	3	2	1	1	1	1
N Fox	6	6	9	9	6	6	2	2	1	1
D Newton	6	6	9	9	6	5	2	2	2	2
A Bogdaneris	n/a	n/a	n/a	n/a	6	1	n/a	n/a	n/a	n/a
L Gray	4	4	9	9	n/a	n/a	2	2	2	2

E – Meetings eligible to attend as a member

A – Meetings attended as a member

R&N – Remuneration and Nomination Committee

CEC – Customer Experience Committee

T&T – Technology and Transformation Committee



Corporate structure

The Group is a company incorporated and domiciled in Australia. The registered office and principal place of business is Level 28, 60 Margaret Street, Sydney NSW 2000. Its ultimate parent entity is ING Groep N.V. incorporated in the Netherlands.

Nature of operations and principal activities

The principal activity of the Group during the year was the provision of banking and related services. Further information on the operating activities and financial performance is detailed in the CEO's year in review. There have been no significant changes in the nature of those activities during the year.

Employees

The Group employed 1,454 (2020: 1,486) permanent employees and 251 (2020: 288) contractors as at 31 December 2021.

Significant changes in the state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

Significant events after the balance date

On 15 March 2022, the directors of the Group declared a fully franked dividend. The total amount of the dividend provided was \$475 million (2020: \$100 million) to ING Bank N.V., the immediate parent.

There remains significant uncertainty regarding how the COVID-19 pandemic will evolve. In accordance with AASB 110 Events after the Reporting Period, the Group considered whether events after the reporting period confirmed conditions existing before the reporting date. The Group did not identify any subsequent events relating to the COVID-19 pandemic which would require adjustment to the amounts or disclosures in the financial statements.

The flood events occurring in February and March 2022 in Queensland and New South Wales, resulted in some customers being impacted and property exposures damaged. The Group continues to provide ongoing support to our customers in those affected areas. Given the situation continues to unfold, the Group is unable to estimate the financial impact of the event at this time however does not expect the amount to be material.

Other than the matters mentioned above, no subsequent events have occurred since the year ended 31 December 2021, or are pending, that would have a material effect on the financial statements.

Likely developments and expected results

Further information on our business strategies and prospects for future financial years and likely developments in our operations and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Rounding

In compliance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 all amounts in this report have been rounded to the nearest one million dollars, unless otherwise stated.

Indemnification and insurance of directors and officers

The Constitution of the Group requires it to indemnify all current and former officers of the Group against:

- any liability for costs and expenses which may be incurred by that person in defending civil or criminal proceedings in which judgement is given only when it is in that person's favour or in which the person is acquitted or in connection with an application in relation to any such proceedings in which the court grants relief to the person under the *Corporations Act 2001*; and
- a liability incurred by the person, as an officer of the Group or a related body corporate, to another person (other than the Bank or a related body corporate) unless the liability arises out of conduct involving a lack of good faith.

During the reporting period, ING Groep N.V., on behalf of the Group paid an insurance premium in respect of a contract insuring each of the Directors of the Group named earlier in this report and each director, secretary and officer. The amount of the premium is confidential under the terms of the insurance contract. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the director, secretary or officer in their capacity as officers of the Group or a related body corporate.

The auditor of the Group is in no way indemnified out of the assets of the Group.



Auditor's independence declaration

We have obtained an independence declaration from our auditor KPMG as presented on the following page.

Signed in accordance with a resolution of the Directors.



Dr John Laker
Chairman



Melanie Evans
Chief Executive Officer

15 March 2022
Sydney





Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of ING Bank (Australia) Limited

I declare that, to the best of my knowledge and belief, in relation to the audits of ING Bank (Australia) Limited for the financial year ended 31 December 2021, there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audits; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audits.

KPMG

Brendan Twining
Partner
Sydney
15 March 2022

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Corporate governance statement

Board responsibilities

The Board of Directors of the Group is responsible for corporate governance.

Composition of the Board

At 31 December 2021 the Board comprised five Non-Executive Directors (one of whom is a representative of ING Groep N.V.) and one Executive Director. The Chairman is a Non-Executive Director. The Board met twelve times during the year. It also received regular briefings on the impacts of COVID-19 on the Group's people, its customers and the financial position of the Group.

Board's 2021 governance priorities

The Board's 2021 governance priorities were:

- oversee and advise on management's initiatives to protect the health and safety of the Group's people and support its customers during the COVID-19 pandemic;
- review the strategic direction and risk appetite of the Group in response to COVID-19 and Australia's economic recovery;
- support strengthening the effectiveness and robustness of the Group's technology and operating systems;
- enhance the Group's governance, risk management and culture, with a particular focus on non-financial risk;
- ongoing support and governance to protect the integrity and prudential soundness of the bank; and
- undertake Board renewal.

A summary of the roles and responsibilities of the Board, its Committees and the CEO are also outlined below.

Board Responsibilities

The Board acts on behalf of and is accountable to the shareholder, ING Bank N.V. Board members have the experience and qualifications to discharge this duty as set out in the Directors' Report. The Board is subject to the prudential requirements of the Australian Prudential Regulation Authority ("APRA") and seeks to identify and ensure compliance with all regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to manage those risks. The Board also reviews the corporate governance policies and procedures of the Group at least once every year and has external experts advise it on best practice and developments in corporate governance, risk management and other issues of interest and concern to the Board.

To maintain Director independence and objectivity, a majority of Directors are not Executives of the Group. Non-executive Directors are appointed for an initial term of four years.

The responsibility for the operation and administration of the Group is delegated by the Board to the Chief Executive Officer, who is responsible for the Executive team being appropriately qualified and experienced to discharge their responsibilities. The Board has in place procedures to assess the performance of the Chief Executive Officer and reviews the Chief Executive Officer's performance and remuneration annually.

The Chief Executive Officer attends Board meetings and provides information, analysis and commentary to the Board. The Chief Executive Officer is entitled to one vote at Directors' meetings and participates at Board meetings in all matters other than

where there is a conflict, for example, where their performance or remuneration is being reviewed.

ING Groep N.V. global succession planning procedures identify candidates to fill the position of Chief Executive Officer (if it becomes vacant) and, together with the Board, provide alternative candidates so there is continuity of leadership regardless of the circumstances.

The Board seeks to align management's objectives and activities with the expectations and risks identified by the Board.

The Board has a number of mechanisms in place to achieve this. In addition to the establishment of the Committees referred to below, the mechanisms include the following:

- Board monitoring of performance against a strategic plan which encompasses the Group's purpose, customer promise and strategic priorities which are designed to meet shareholders' needs, regulatory requirements and manage business risks. The strategic plan is a dynamic document and the Board is actively involved in reviewing and approving initiatives and strategies designed to foster the growth and success of the Group;
- Development and implementation of operating plans and budgets (dynamic plan) by management and the Board monitoring progress against those plans and budgets;
- Remuneration incentives aligned with the Dynamic Plan of the Group and Orange Code; and
- Risk appetite framework designed to achieve portfolio outcomes consistent with the Group's risk and return expectations.

To assist in the fulfilment of its responsibilities, the Board has instituted several Committees that operate under charters approved by the Board.

To ensure that all relevant issues are addressed between meetings of the Board and its Committees, there are also various Committees at a business unit level. These Committees are the Executive Committee, Credit Risk Committee, Asset and Liability Committee, Non-Financial Risk Committee, Client Integrity Risk Committee and the Finance and Risk Committee. All business unit level Committees are run by appropriate Senior Executives of the Group.

Board Committees

Up until 1 June 2021, the composition of the Board Committees was as follows:

Director	Audit	Risk	R&N	CEC	T&T
J Laker	Member	Member	Chair		
A Bogdaneris			Member		
N Fox	Member	Chair	Member	Member	
A Lacaze	Member		Member	Chair	Chair
D Newton	Chair	Member	Member	Member	Member
L Gray		Member		Member	Member

R&N - Remuneration and Nomination Committee

CEC - Customer Experience Committee

T&T - Technology and Transformation Committee



On Ms Lacaze ceasing to be a director, from 1 June 2021, Ms Fox was appointed to the Technology and Transformation Committee, Ms Gray was appointed to the Audit Committee and the composition of the Board Committees until 17 November 2021 was as follows:

Director	Audit	Risk	R&N	CEC	T&T
J Laker	Member	Member	Chair		
A Bogdaneris			Member		
N Fox	Member	Chair	Member	Member	Member
L Gray	Member	Member		Member	Member
D Newton	Chair	Member	Member	Member	Member

R&N - Remuneration and Nomination Committee

CEC - Customer Experience Committee

T&T - Technology and Transformation Committee

** There was no permanent Chair of the CEC or the T&T between 1 June 2021 (following the departure of Ms Lacaze) and 17 November 2021 (on the appointment of Ms Gray as Chair). During that time there was only one meeting of the T&T which was chaired by Ms Gray who was appointed Chair for that meeting. There were no meetings of the CEC during that period.

On the appointment of Ms Gray as Chair of the Customer Experience and the Technology and Transformation Committees, from 17 November 2021 the composition of the Board Committees were as follows:

Director	Audit	Risk	R&N	CEC	T&T
J Laker	Member	Member	Chair		
A Bogdaneris			Member		
N Fox	Member	Chair	Member	Member	Member
L Gray	Member	Member		Chair	Chair
D Newton	Chair	Member	Member	Member	Member

R&N - Remuneration and Nomination Committee

CEC - Customer Experience Committee

T&T - Technology and Transformation Committee

Audit Committee

The Audit Committee, chaired by Mr Newton, assists the Board by providing an objective non-executive review of the effectiveness of the Group's financial reporting and risk management framework. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes which involve the safeguarding of assets, the maintenance of proper accounting records, as well as non-financial considerations, such as the benchmarking of operational key performance indicators. The Audit Committee assists the Board in the establishment and maintenance of a framework of internal control and ethical standards for the management of the Group.

The Audit Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the annual report and is responsible for directing and monitoring the internal audit function (i.e. Corporate Audit Services) and reviewing the adequacy of the scope of the external audit.

Furthermore, the Audit Committee monitors that management effectively deals with issues raised by both internal and external audit and that the external auditors are satisfactorily discharging their duties.

Risk Committee

The Risk Committee, chaired by Ms Fox, assists the Board by providing an objective non-executive oversight of the implementation and operation of the Group's risk management framework. The Risk Committee ensures a holistic approach to risk management within the Group. It ensures the Group maintains a risk management strategy and framework that is consistent with the approved risk appetite and complexity of the Bank's business model.

The Risk Committee formulates the Bank's risk appetite for Board consideration and also makes recommendations on key policies relating to capital, liquidity and funding. It ensures effective and informed risk management reporting to the Board as necessary, and is available to meet with regulators such as the Australian Securities and Investment Commission ("ASIC") and Australian Prudential Regulation Authority ("APRA") on behalf of the Group, when requested.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee, chaired by Dr Laker, ensures that the Group's remuneration arrangements support its strategy and enables the recruitment, motivation and retention of Senior Executives. The Committee also ensures compliance with the local and ING Groep N.V. regulatory and governance bodies, satisfying the expectations of shareholders and remaining consistent with the expectations of the wider employee population.

Customer Experience Committee

The Customer Experience Committee, chaired by Ms Gray, assists the Board in reviewing and monitoring customer experience within the Group, including customer complaints, resolution and closure, and improved customer outcomes.


Technology and Transformation Committee

The Technology and Transformation Committee, chaired by Ms Gray, assists the Board in reviewing the Group's technology strategy and planning, including priorities, budgets and deliverables and annual budgets and operational plans. In addition, it oversees and monitors the Group's strategic transformation initiatives, including technology, data and business transformation.

All Committees perform additional functions as the Board of Directors may require from time to time. These other functions are required of the Committees by applicable legislation or by any relevant regulatory authority. The Committees seek expert advice when appropriate, including when material contentious items arise. With these Committees in place the Board can more effectively ensure the compliance, monitoring and review of all aspects of the Group's business.

Pillar 3 Disclosures

The Common Disclosures and Regulatory Capital reconciliation documents required under the 'Pillar 3 Disclosures', per prudential standard APS 330 'Public Disclosure' are provided in the Investor Relations section of the Bank's website.

 [Read More](#)



Financial statements

Income statements

for the year ended 31 December 2021

Amounts in millions of dollars	Note	Consolidated		Bank	
		2021	2020	2021	2020
Interest income using effective interest method		1,695	1,946	2,163	2,397
Other interest income		28	34	28	34
Total interest income		1,723	1,980	2,191	2,431
Interest expense using effective interest method		(377)	(684)	(899)	(1,191)
Other interest expense		(184)	(211)	(184)	(209)
Total interest expense		(561)	(895)	(1,083)	(1,400)
Net interest income		1,162	1,085	1,108	1,031
Net non-interest income		67	75	120	123
Total operating income	3	1,229	1,160	1,228	1,154
Employment expenses		(275)	(266)	(275)	(266)
Advertising expenses		(47)	(51)	(47)	(51)
Depreciation and amortisation expenses		(52)	(47)	(52)	(47)
Depreciation on right of use assets		(12)	(11)	(12)	(11)
Occupancy expenses		(8)	(8)	(8)	(8)
Technology expenses		(31)	(29)	(31)	(29)
Management expenses		(45)	(46)	(45)	(46)
Fee expenses		(15)	(14)	(13)	(12)
Other expenses		(25)	(28)	(26)	(27)
Total operating expenses		(510)	(500)	(509)	(497)
Loan impairment benefit / (expense)	12	67	(122)	67	(122)
Operating profit before tax		786	538	786	535
Income tax expense	4	(237)	(163)	(237)	(162)
Profit for the year		549	375	549	373
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Unrealised revaluations net of tax:					
Financial assets at FVOCI					
Gains / (losses) arising during the year	21	(43)	(18)	(43)	(18)
Gains / (losses) transferred to profit or loss	21	51	35	51	35
Net gains / (losses) on financial assets at FVOCI		8	17	8	17
Cash flow hedges					
Gains / (losses) arising during the year	21	192	105	192	105
Gains / (losses) transferred to profit or loss	21	(80)	(86)	(80)	(86)
Net gains / (losses) on cash flow hedges		112	19	112	19
Total amount recognised directly in equity		120	36	120	36
Total comprehensive income		669	411	669	409

The above income statements should be read in conjunction with the accompanying notes which are an integral part of the financial statements.



Financial statements

Balance sheets

as at 31 December 2021

		Consolidated		Bank	
Amounts in millions of dollars	Note	2021	2020	2021	2020
Assets					
Cash and cash equivalents	6	3,970	1,755	3,754	1,435
Due from other financial institutions	7	406	682	420	730
Financial assets at FVOCI	8	3,830	3,529	3,830	3,529
Derivative assets	9	153	64	153	64
Securities at amortised cost	8	1,982	1,554	1,982	1,554
Amounts due from controlled entities	24	-	-	16,149	16,213
Loans and advances	11	67,039	65,007	67,039	65,007
Property and equipment	10	101	105	101	105
Deferred tax asset	4	93	138	93	139
Intangible assets		98	94	98	94
Other assets		77	117	74	113
Total assets		77,749	73,045	93,693	88,983
Liabilities					
Deposits and other borrowings	14	67,100	62,815	67,459	63,101
Derivative liabilities	9	352	612	352	612
Amounts due to controlled entities	24	-	-	17,010	17,764
Debt issues	15	3,861	3,987	2,435	1,874
Provisions	19	24	124	24	124
Deferred tax liabilities	4	71	50	71	51
Other liabilities	13	516	302	517	302
Total liabilities		71,924	67,890	87,868	83,828
Net assets					
		5,825	5,155	5,825	5,155
Equity					
Contributed equity	20	1,334	1,334	1,334	1,334
Reserves	21	132	(1)	132	(1)
Retained earnings		4,359	3,822	4,359	3,822
Total equity		5,825	5,155	5,825	5,155

The above balance sheets should be read in conjunction with the accompanying notes which are an integral part of the financial statements.



Financial statements

Statements of changes in equity

for the year ended 31 December 2021

Amounts in millions of dollars		Note	Contributed equity	Reserves	Retained earnings	Total equity
Consolidated						
As at 1 January 2021			1,334	(1)	3,822	5,155
Profit for the year			-	-	549	549
Other comprehensive income			-	120	-	120
Total comprehensive income			-	120	549	669
Transactions with owners, recorded directly in equity						
Dividend provided for or paid	17		-	-	-	-
Transfers	21		-	12	(12)	-
Share based payment plan	21		-	1	-	1
As at 31 December 2021			1,334	132	4,359	5,825
As at 1 January 2020			1,334	-	3,509	4,843
Profit for the year			-	-	375	375
Other comprehensive income			-	36	-	36
Total comprehensive income			-	36	375	411
Transactions with owners, recorded directly in equity						
Dividend provided for or paid	17		-	-	(100)	(100)
Transfers	21		-	(38)	38	-
Share based payment plan	21		-	1	-	1
As at 31 December 2020			1,334	(1)	3,822	5,155
Bank						
As at 1 January 2020			1,334	(1)	3,822	5,155
Profit for the year			-	-	549	549
Other comprehensive income			-	120	-	120
Total comprehensive income			-	120	549	669
Transactions with owners, recorded directly in equity						
Dividend provided for or paid	17		-	-	-	-
Transfers	21		-	12	(12)	-
Share based payment plan	21		-	1	-	1
As at 31 December 2021			1,334	132	4,359	5,825
As at 1 January 2020			1,334	-	3,511	4,845
Profit for the year			-	-	373	373
Other comprehensive income			-	36	-	36
Total comprehensive income			-	36	373	409
Transactions with owners, recorded directly in equity						
Dividend provided for or paid	17		-	-	(100)	(100)
Transfers	21		-	(38)	38	-
Share based payment plan	21		-	1	-	1
As at 31 December 2020			1,334	(1)	3,822	5,155

The above statements of changes in equity should be read in conjunction with the accompanying notes which are an integral part of the financial statements.



Financial statements

Statements of cash flows

as at 31 December 2021

Amounts in millions of dollars	Note	Consolidated		Bank	
		2021	2020	2021	2020
Cash flows from operating activities					
Operating profit before tax		786	538	786	535
Adjustments for:					
Depreciation and amortisation expenses		64	58	64	58
Loan impairment expense /(benefit)		(67)	122	(67)	122
Other		150	197	150	196
Taxes paid		(187)	(308)	(187)	(308)
Changes in:					
Loans and advances		(1,965)	(2,246)	(1,965)	(2,246)
Derivatives		(349)	45	(349)	46
Other assets		316	(168)	349	(150)
Other liabilities		179	(44)	180	(44)
Deposits and other borrowings		2,088	3,214	1,471	2,111
Debt issues		-	-	-	-
Net cash flows (used in)/from operating activities⁽¹⁾		1,015	1,408	432	320
Cash flows from investing activities					
Payments for property and equipment		(30)	(12)	(30)	(12)
Payments for securities		(489)	(722)	(489)	(722)
Proceeds from sale of securities		-	250	-	250
Proceeds from redemption of securities		460	370	460	370
Payments for discount securities		(700)	(550)	(700)	(550)
Net cash flows (used in) / from investing activities		(759)	(664)	(759)	(664)
Cash flows from financing activities					
Proceeds from other long term financing		15,379	10,862	15,379	10,862
Proceeds from debt issued		118	-	-	-
Proceeds from covered bond issuance		1,000	-	1,000	-
Repayment of other long term financing		(13,182)	(10,229)	(13,182)	(10,229)
Repayment of debt issued		(1,244)	(1,223)	(439)	22
Principal payments on lease liability		(12)	(11)	(12)	(11)
Dividends paid		(100)	-	(100)	-
Net cash flows (used in) / from financing activities⁽²⁾		1,959	(601)	2,646	644
Net cash flows		2,215	143	2,319	300
Cash and cash equivalents at beginning of year		1,755	1,612	1,435	1,135
Cash and cash equivalents at end of year	6	3,970	1,755	3,754	1,435

⁽¹⁾ Includes \$2m (2020: \$2m) for repayment of interest on lease liabilities disclosed in cash flows from operating activities.

⁽²⁾ Includes \$12m (2020: \$11m) for principal payments on lease liabilities disclosed in cash flows from financing activities.

The above statements of cash flows should be read in conjunction with the accompanying notes which are an integral part of the financial statements.



Notes to the financial statements

1. Basis of preparation

1.1 Corporate information

ING Bank (Australia) Limited ("the Bank") and its controlled entities ("the Group") is a company incorporated and domiciled in Australia. The registered office and principal place of business of the Group is Level 28, 60 Margaret Street, Sydney NSW 2000. The ultimate parent entity of the Group is ING Groep N.V.

The financial statements for the year ended 31 December 2021 is comprised of the Bank and its controlled entities comprising IDS Trust 2008-1, IDOL Trust Series 2013-2, IDOL Trust Series 2014-1, IDOL Trust Series 2015-1, IDOL Trust Series 2016-1, IDOL Trust Series 2017-1, IDOL Trust Series 2019-1 and IBAL Covered Bond Trust. During the prior year, IDOL Trust Series 2011-1, IDOL Trust Series 2011-2, IDOL Trust Series 2012-1, IDOL Trust Series 2012-2, and IDOL Trust Series 2013-1 were wound up. The financial statements were authorised for issue in accordance with a resolution of the Directors on 15 March 2022.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

1.2 Basis of accounting

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards ("AAS") and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial statements and notes thereto also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements are presented in Australian Dollars which is also the functional currency. In compliance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, all values are rounded to the nearest one million dollars, unless otherwise stated.

The financial statements are prepared on a historical cost basis except for the following two items:

- Derivative financial instruments – fair value;
- Debt securities at fair value through other comprehensive income ("FVOCI") – fair value.

1.3 IFRIC agenda decision on Software as a Service arrangements

In April 2021 the IFRS Interpretations Committee ("IFRIC") issued its final agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangement. The decision provides additional guidance on the treatment of costs for configuring or customising a supplier's application software in a Software as a Service ("SaaS") arrangement and requires entities to assess whether any configuration or customisation costs incurred result in the recognition of an intangible asset. If these costs are incurred in an arrangement where the Bank controls the underlying software, they can be capitalised as part of an intangible asset. If no intangible asset can be recognised because the software provider controls the underlying software, then these costs are expensed as the services are received. The implementation of this agenda decision did not have a material effect on the Bank's financial statements.

SaaS arrangements are service contracts providing the Bank with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received. Some of these costs incurred are for the development of software code that enhances, modifies or creates additional capability to existing on premise systems and meets the recognition criteria for an intangible asset.

There were no other new or amended accounting standards or interpretations adopted during the period that have a material impact on the Bank.



2. Significant accounting policies

2.1 Changes to accounting policies

2.1.1 Interest Rate Benchmark Reform

Background

Interbank offered rates ("IBORs"), such as the London Interbank Offered Rate ("LIBOR"), play a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and as parameters in the valuation of financial instruments.

Uncertainty surrounding the integrity of IBOR rates has in recent years, led regulators, central banks and market participants to work towards a transition to alternative risk-free benchmark reference rates ("RFRs") and market-led working groups in respective jurisdictions have recommended alternative risk-free reference rates, which are gradually being adopted. Progress in the transition to these new benchmarks has resulted in significant uncertainty in the future of IBOR benchmarks beyond 1 January 2022.

Impact of IBOR reform

ING Groep has a project underway to ensure all ING entities are prepared for the IBOR transition. The Group has limited exposure to the new risk free rates as it uses Bank Bill Swap Rates ("BBSW") as the interest rate benchmark for financial products and contracts. The Bank has ceased issuing new products referencing these rates. Other USD LIBOR settings will cease by 30 June 2023. The Bank has exposure to IBORs through its wholesale lending portfolio and associated funding contracts.

2.2 Accounting Standards Not Early Adopted

A number of new standards, amendments to standards and interpretations have been published but are not mandatory for the financial statements for the year ended 31 December 2021, and have not been applied by the Group in preparing these financial statements. Further details of these are set out below.

2.2.1 General Hedge Accounting

AASB 9 Financial Instruments (AASB 9) introduces new hedge accounting requirements which more closely align accounting with risk management activities undertaken when hedging both financial and non-financial risks. AASB 9 provides the Group with an accounting policy choice to continue to apply the AASB 139 Financial Instruments:

Recognition and Measurement (AASB 139) hedge accounting requirements until the International Accounting Standards Board's ongoing project on macro hedge accounting is completed. The Group continues to apply the hedge accounting requirements of AASB 139.

2.3 Significant estimates and judgements

In applying the Group's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management even though actual results may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements are described below:

Coronavirus (COVID-19) pandemic

The COVID-19 pandemic and its effect on the global economy has impacted our customers, operations and Group performance. The outbreak necessitated governments to respond at unprecedented levels to protect the health of the population, local economies and livelihoods. It has affected different regions at different times and to varying degrees and there remains a risk of subsequent waves of infection. Thus the pandemic has significantly increased the estimation uncertainty in the preparation of these financial statements including:

The Group has made various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2021 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group.

Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements. The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses and fair value measurement. The impact of the COVID-19 pandemic is discussed further under section 'Impairment of financial assets'. Readers should carefully consider these disclosures in light of the inherent uncertainty described above.



2. Significant accounting policies (continued)

Impairment of financial assets

Considerable judgement is exercised in determining the extent of the loan loss allowance for financial assets assessed for impairment both individually and collectively. The loan loss allowance for financial assets is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forwardlooking estimates at the end of each reporting period. Changes in such judgements and analyses may lead to changes in the loan loss allowance over time. The key judgement areas are the assumptions used to measure expected credit losses, including the use of forward-looking and macro-economic information for individual and collective impairment assessment.

Individually assessed loans (Stage 3): Individual provisions are calculated using the discounted expected future cash flow method. To determine expected future cash flows, one or more scenarios are used. Each scenario is analysed based on the probability of occurrence and including forward looking information. In determining the scenarios, all relevant factors impacting the future cash flows are taken into account. These include expected developments in credit quality, business and economic forecasts, and estimates of if/when recoveries will occur, taking into account the structure of the financial asset and the Group's restructuring/recovery strategy. The macroeconomic forecast is captured, as the expected future macroeconomic situation serves as a basis for the cash flows in the scenarios. For the individual assessment, with granular (company or deal-specific) scenarios, specific factors can have a larger impact on the future cash flows than macroeconomic factors (i.e. for the country as a whole).

Collectively assessed loans (Stages 1 to 3): For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Expected future cash flows in a portfolio of financial assets that are collectively evaluated for impairment, are estimated on the basis of the contractual cash flows of the assets in the portfolio and historical loss experience for assets with credit risk characteristics similar to those in the portfolio. The methodology and assumptions used for estimating future cash flows are reviewed regularly to assess any differences between loss estimates and actual loss experience. The outcome of the models reflects forward looking and macroeconomic information.

The use of different assumptions could produce significantly different estimates of Expected Credit Loss ("ECL"). As the inclusion of forward-looking macroeconomic scenarios requires judgement, ING Groep N.V. has established a quarterly process whereby forward-looking macroeconomic scenarios are developed for ECL calculation purposes. This process is based on using a third party provider – Oxford Economics ("OE") – that delivers the forecast macroeconomic scenarios using key impairment drivers such as Gross Domestic Product ("GDP"), unemployment and house prices.

Two internal groups have been established by ING Groep N.V.; the Macroeconomic Scenarios Team and the Macroeconomic Scenarios Expert Panel, which are responsible for ensuring the scenarios received from OE are in line with ING's view on the macro economy. The Macroeconomics Scenarios Team is responsible for the macroeconomic scenarios used for AASB 9 ECL purposes with a challenge by the Macroeconomic Scenarios Expert Panel. This ensures that the macroeconomic scenarios are sufficiently challenged and that key economic risks, including immediate short term risks, are taken into consideration when developing the macroeconomic scenarios used in the calculation of ECL. The macroeconomic forecasts are consistently applied in the AASB 9 framework; to determine the significant increase in credit risk and the (lifetime) expected credit loss.

The following criteria and definitions are applied for impairment:

- **The criteria for identifying a significant increase in credit risk**

When determining whether the credit risk on a financial asset has increased significantly since origination, the Group considers reasonable and supportable information available to compare the risk of lifetime default occurring at the quarterly reporting date with the risk of a lifetime default occurring at initial recognition of the financial asset. The quantitative approach described above is the main driver for identifying significant increase in credit risk. Next the lifetime credit risk comparison triggers like forbearance and managed by special assets department determine the stage classification. On top of the quantitative measures, ING Group applies a qualitative framework to capture risk not picked up by the models for example watchlist status.

- **Definition of default**

ING Group applies a definition of default in line with the European Banking Authority ("EBA") guidelines where 90+ days past due above a materiality threshold is the main trigger. Next to this objective measure, ING Group applies unlikely to pay framework with various triggers and indicators. The unlikely to pay determination is assessed on a case by case basis whether there is objective evidence that an impairment loss on an asset has been incurred (including COVID impacted customers). Refer to 'Note 12 – Impairment of financial assets' for the group's definition of default.

Financial instruments fair value

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Valuation techniques are subjective in nature and involve various assumptions regarding pricing factors.



3. Operating income

	Consolidated		Bank	
Amounts in millions of dollars	2021	2020	2021	2020
Interest income				
Cash and cash equivalents*	-	3	-	2
Due from other financial institutions*	-	3	-	3
Debt securities at FVOCI*	65	71	65	71
Securities at amortised cost*	29	29	29	29
Loans and advances*	1,601	1,840	1,601	1,839
Amounts due from controlled entities*	-	-	468	453
Derivative assets	28	34	28	34
Total interest income	1,723	1,980	2,191	2,431
Interest expense				
Deposits*	324	610	324	611
Debt issues*	53	74	35	37
Derivative liabilities	182	209	182	207
Lease Liabilities	2	2	2	2
Amounts due to controlled entities*	-	-	540	543
Total interest expense	561	895	1,083	1,400
Net interest income	1,162	1,085	1,108	1,031
Non-interest income / (expense)				
Account fees	20	22	20	22
Net commission income/(expense)	60	66	60	66
Customer transaction costs	(15)	(15)	(15)	(15)
Gain from sale of financial assets	-	1	-	1
Securitisation income	-	-	53	49
Other non-interest income/(expense)	2	1	2	-
Net non-interest income/(expense)	67	75	120	123
Total operating income	1,229	1,160	1,228	1,154

* Calculated using the effective interest rate method

Income and expense recognition – Accounting policy

Interest income and expenses are recognised using a calculated effective interest rate method which is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. Contractual interest on instruments not held at amortised cost are included in interest income and expense.

Fees and commissions that relate to the execution of a significant act is recognised in non-interest income when the significant act has been completed. Fees charged for providing ongoing services are recognised in non-interest income over the period the service is provided.

Fee income earned or expenses incurred which are associated with the origination of loans and advances or financial liabilities are deferred and form part of the amortised cost of the asset or liability and result in an adjustment to the effective interest rate method.



4. Income tax

The Bank is a signatory to the Voluntary Tax Transparency Code. Information provided in this note is also for the purposes of Part A of the Voluntary Tax Transparency Code disclosures.

	Consolidated		Bank	
Amounts in millions of dollars	2021	2020	2021	2020
Income Statement				
Current income tax	224	210	224	210
Deferred income tax	13	(47)	13	(48)
Income tax expense reported in Income Statement	237	163	237	162
Statement of Comprehensive Income				
Deferred income tax				
Revaluation of cash flow hedge	48	8	48	8
Revaluation of financial assets at FVOCI	4	7	4	7
Income tax expense recognised in other comprehensive income	52	15	52	15
Reconciliation of income tax expense				
Operating profit before income tax	786	538	786	535
Prima facie income tax on operating profit at 30%	236	161	236	160
Effects of amounts which are not (assessable)/deductible	1	2	1	2
Income tax expense	237	163	237	162
Effective tax rate	30.2%	30.3%	30.2%	30.3%

	Consolidated		Bank	
Amounts in millions of dollars	2021	2020	2021	2020
Reconciliation of income tax expense to income tax receivable / (payable)				
Opening balance	75	(23)	75	(23)
Current income tax expense for the year	(224)	(210)	(224)	(210)
Income tax paid/(refund)	187	308	187	308
Closing balance	38	75	38	75



4. Income tax (continued)

Deferred income tax	Consolidated Balance Sheet		Consolidated Income Statement		Bank Balance Sheet		Bank Income Statement	
Amounts in millions of dollars	2021	2020	2021	2020	2021	2020	2021	2020
Deferred income tax at 31 December relates to the following:								
Deferred tax liabilities								
Deferred lending expenses	52	47	5	(2)	52	47	5	(1)
Revaluation of derivatives	-	-	-	(2)	-	-	-	-
Revaluation of cash flow hedge	11	-	-	-	11	-	-	-
Revaluation of financial assets at FVOCI	7	3	-	-	7	3	-	-
Other	1	-	-	-	1	1	-	-
Total deferred tax liabilities	71	50			71	51		
Deferred tax assets								
Provisions for impairment	38	58	20	(35)	38	58	20	(35)
Deferred lending income	2	2	-	1	2	2	-	1
Revaluation of derivatives	9	2	(7)	(2)	-	-	-	-
Revaluation of cash flow hedge	-	37	-	-	-	37	-	-
Depreciation and amortisation expenses	19	11	(8)	(3)	19	11	(8)	(3)
Accrued expenses	11	8	(3)	1	11	8	(3)	-
Provisions	7	7	-	(2)	7	7	-	(2)
Other	7	13	6	(3)	16	16	(1)	(8)
Total deferred tax assets before set- off	93	138			93	139		
Net deferred tax assets / (liabilities)	22	88			22	88		
Deferred income tax charge			13	(47)			13	(48)

Income tax – Accounting policy

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss in the Income Statement except to the extent that it relates to items recognised directly in equity, or when it is recognised in other comprehensive income.

Current income tax is the tax payable on the taxable income for the year based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date and any adjustment to tax payable or receivable in respect of previous years.

Deferred tax assets and liabilities are recognised based on temporary differences between the tax base and the accounting carrying amount of an asset or liability in the Balance Sheet, or when a benefit arises due to unused tax losses. They are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences or tax losses.



4. Income tax (continued)

Tax consolidation

ING Bank (Australia) Limited and other wholly owned subsidiaries of ING Groep N.V. in Australia formed a tax consolidated group from 1 January 2004 and are taxed as a single entity from that date. The tax consolidated group does not include ING Bank (Australia) Limited's controlled entities with the exception of IBAL Covered Bond Trust.

Members of the tax consolidated group have entered into a tax sharing deed which sets out the funding obligations and allocation of income tax payable to group members. This allocation is calculated on a stand-alone taxpayer approach. The amounts receivable or payable under the tax sharing deed are due upon receipt of the funding advice from the Head Entity, which is issued as soon as practicable after the end of each financial year. The Head Entity may also require payment of interim funding amounts to assist with its obligations to pay income tax instalments. The Head Entity of the tax consolidated group is ING Australia Holdings Limited. Each member of the tax consolidated group is separately managed and responsible for ensuring it meets its tax obligations.

Income tax paid by members of the tax consolidated group gives rise to a credit in the franking account. The Head Entity maintains one franking account which is available to pay franked dividends.



5. Financial instruments

Financial instruments - Accounting policy

The financial assets of the Group include cash and cash equivalents, due from other financial institutions, financial assets at fair value through other comprehensive income, securities at amortised cost, derivative assets, receivables and other assets, amounts due from controlled entities and loans and advances. The financial liabilities of the Group include derivative liabilities, deposits and other borrowings, creditors and other liabilities, amounts due to controlled entities and debt issues.

Recognition and derecognition of financial instruments

The Group recognises a financial asset or financial liability in its balance sheet when the Group becomes a party to the contractual provisions of the instrument. This is usually on the trade date, being the date the Group commits itself to purchase or sell an asset. Loans and advances, and reverse repurchase agreements are recognised using settlement date accounting, the date at which the asset is delivered by the Group.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or where the Group has transferred substantially all risks and rewards of ownership. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset. The difference between the carrying amount of a financial asset that has been extinguished and the consideration received is recognised in profit or loss.

Financial liabilities are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial instrument that has been extinguished and the consideration paid is recognised in profit or loss.

Financial assets

General classification framework and initial measurement

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost ("AC").

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the income statement.

The classification is dependent upon the Group's business model for managing the financial assets and the contractual terms of the cash flows at initial recognition.

Business models

Business models are classified as either Hold to Collect ("HtC"), Hold to Collect & Sell ("HtC&S") or Other depending on how a portfolio of financial instruments as a whole is managed. The Group's business models are based on the existing management structure of the Bank, and refined based on an analysis of how businesses are evaluated and reported, how their specific business risks are managed and on historic and expected future sales.

Sales are permissible in a HtC business model when these are:

- due to an increase in credit risk;
- take place close to the maturity date;
- are insignificant in value (both individually and in aggregate) or are infrequent;
- a change in the regulatory treatment of a particular type of financial asset may cause an entity to undertake a significant rebalancing of its portfolio in a particular period.

Due to the reduction of the Committed Liquidity Facility ("CLF") down to zero in 2022, the Group expect to sell some bonds out of the HTC portfolio in 2022.



5. Financial instruments (continued)

Contractual cash flow characteristics

The contractual cash flows of a financial asset are assessed to determine whether the instrument gives rise to cash flows that are solely payments of principal and interest ("SPPI"). Principal is defined as the fair value of the financial asset on initial recognition. Interest includes consideration for the time value of money, credit risk and also consideration for liquidity risk and costs associated with holding the financial assets for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending agreement. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instruments. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, terms such as the following are considered:

- Prepayment terms; for example a prepayment of an outstanding principal amount plus a penalty capped to 3 or 6 months of interest;
- Leverage features; which increase the variability of the contractual cash flows with the result that they do not have the economic characteristics of interest. An example is a Libor contract with a multiplier of 1.3;
- Terms that limit the Group's claim to cash flows from specified assets e.g. non-recourse asset arrangements. This could be the case if payments of principal and interest are met solely by the cash flows generated by the underlying asset, for example in real estate, shipping and aviation financing; and
- Features that modify consideration for the time value of money. These are contracts with, for example, an interest rate which is reset every month to a one-year rate. The Group performs either a qualitative or quantitative benchmark test on a financial asset with a modified time value of money element. A qualitative test is performed when it is clear with little or no analysis whether the contractual cash flows solely represent SPPI.

There are three measurement categories into which the Group classifies its financial assets:

- Amortised cost; debt instruments that are held for collection of contractual cash flows under a HtC business model where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the income statement. Impairment losses are presented as a separate line item in the income statement.
- FVOCI; debt instruments that are held for collection of contractual cash flows and for selling the financial assets under a HtC&S business model, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in the income statement. On derecognition, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the income statement. Interest income from these financial assets is included in interest income using the effective interest rate method. Impairment losses are presented as a separate line item in the income statement.
- FVTPL; debt instruments that do not meet the criteria for amortised cost or FVOCI are measured and can be designated at FVTPL. The contractual interest result on a debt instrument that is part of a hedged relationship, but not subject to hedge accounting, is recognised in the income statement and presented within interest income or interest expense in the period in which it arises. The Group may in some cases, on initial recognition, irrevocably designate a financial asset that otherwise meets the requirements to be measured at AC or at FVOCI as at FTVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group reclassifies debt investments when, and only when, its business model for managing those assets changes.



5. Financial instruments (continued)

Financial liabilities

Financial liabilities are classified and subsequently measured at amortised cost unless the Group is required to measure liabilities at FVTPL such as derivative liabilities.

Derivatives and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently measured at fair value. The Group applies valuation techniques (such as discounted cashflow models) based on observable market inputs in the valuation of derivatives. Derivatives are carried as assets when their fair value is positive and as liabilities where their fair value is negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged when the conditions of AASB 139 'Financial Instruments: Recognition and measurement' are met (see Note 9). For those derivatives not designated for hedge accounting purposes, changes in fair value are recorded in the income statement.

The Group decided to continue to apply the hedge accounting guidance of AASB 139 as explicitly permitted by AASB 9.

6. Cash and cash equivalents

	Consolidated		Bank	
Amounts in millions of dollars	2021	2020	2021	2020
Cash and liquid assets	3,031	1,443	3,017	1,435
Cash equivalents held by other financial institutions	939	312	737	-
Total cash and cash equivalents	3,970	1,755	3,754	1,435

Cash and cash equivalents – Accounting policy

Comprises cash on hand, in banks and at-call loans excluding cash collateral. These are readily convertible to known amounts of cash which are subject to insignificant risk of changes in value and are initially measured at fair value and subsequently measured at amortised cost which is an approximation of fair value as they are short term in nature.

7. Due from other financial institutions

	Consolidated		Bank	
Amounts in millions of dollars	2021	2020	2021	2020
Cash collateral	406	682	420	730
Total cash collateral	406	682	420	730

Due from other financial institutions – Accounting policy

Includes cash collateral pledged to counterparties on derivative instruments and are initially measured at fair value and subsequently measured at amortised cost which is an approximation of fair value as they are short term in nature.



8. Financial assets at fair value through other comprehensive income and securities at amortised cost

Consolidated and Bank

Amounts in millions of dollars	Financial assets at FVOCI	Securities at amortised cost	Total 2021	Financial assets at FVOCI	Securities at amortised cost	Total 2020
Discount securities	1,250	-	1,250	550	-	550
Corporate bonds	-	568	568	-	613	613
Covered bonds	10	107	117	10	112	122
Government bonds	2,570	1,307	3,877	2,969	829	3,798
Total debt securities	3,830	1,982	5,812	3,529	1,554	5,083
Maturity analysis of debt securities						
Not longer than 3 months	1,059	100	1,159	550	45	595
Longer than 3 months and not longer than 1 year	535	243	778	429	-	429
Longer than 1 year and not longer than 5 years	1,377	1,103	2,480	1,356	907	2,263
Longer than 5 years	859	536	1,395	1,194	602	1,796
Total securities	3,830	1,982	5,812	3,529	1,554	5,083

Refer to 'Note 5 – Financial Instruments' for accounting policy on debt instruments amortised cost and FVOCI



9. Derivatives

Consolidated	2021			2020		
Amounts in millions of dollars	Notional	Fair value asset	Fair value liability	Notional	Fair value asset	Fair value liability
Derivatives designated as fair value hedges						
Interest rate swaps	4,798	30	(264)	4,506	49	(477)
Total fair value hedges	4,798	30	(264)	4,506	49	(477)
Derivatives designated as cash flow hedges						
Interest rate swaps	25,353	123	(89)	15,255	15	(136)
Total cash flow hedges	25,353	123	(89)	15,255	15	(136)
Other derivatives						
Basis swaps	-	-	1	-	-	-
Interest rate swaps	1	-	-	2	-	1
Total other derivatives	1	-	1	2	-	1
Total recognised derivative assets/(liabilities)	30,152	153	(352)	19,763	64	(612)

Bank	2021			2020		
Amounts in millions of dollars	Notional	Fair value asset	Fair value liability	Notional	Fair value asset	Fair value liability
Derivatives designated as fair value hedges						
Interest rate swaps	4,798	30	(264)	4,506	49	(477)
Total fair value hedges	4,798	30	(264)	4,506	49	(477)
Derivatives designated as cash flow hedges						
Interest rate swaps	25,353	123	(89)	15,255	15	(136)
Total cash flow hedges	25,353	123	(89)	15,255	15	(136)
Other derivatives						
Basis swaps	-	-	1	-	-	-
Interest rate swaps	-	-	-	1	-	1
Total other derivatives	-	-	1	1	-	1
Total recognised derivative assets / (liabilities)	30,151	153	(352)	19,762	64	(612)



9. Derivatives (continued)

	Consolidated		Bank	
Amounts in millions of dollars	2021	2020	2021	2020
Maturity analysis for derivative assets				
Not longer than 3 months	-	6	-	6
Longer than 3 months and not longer than 1 year	2	-	2	-
Longer than 1 year and not longer than 5 years	140	58	140	58
Longer than 5 years	11	-	11	-
Total derivative assets	153	64	153	64

The amounts disclosed in the above table are the fair value, and not the notional amounts.

Derivatives – Accounting policy

The Group uses derivative financial instruments such as interest rate swaps, cross currency swaps and basis swaps as part of its risk management activities to manage exposures to interest rate and foreign currency risks.

The Group designates certain interest rate swaps as hedges of the fair value of recognised assets or liabilities (fair value hedges) or hedges of highly probable cash flows attributable to a recognised asset or liability (cash flow hedges).

Other derivatives are cross currency, interest rate and basis swaps that the Group entered into economically to hedge basis risk and Residential Mortgage-Backed Securities ("RMBS") issued and are not designated for hedge accounting purposes.



9. Derivatives (continued)

Hedging – Accounting policy

Risk Management Strategy

The Group's hedging strategy is to minimise the exposure to interest rate fluctuations. The Group enters into derivative transactions which are designated and qualify as either fair value or cash flow hedges for recognised assets or liabilities. The amounts in this note are exactly the same across the Group and the Bank.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objectives and strategies for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting period for which they were designated.

The following table shows the notional of the hedging derivatives in time bands together with the average fixed interest rates. All the swaps shown in the below table are interest rate swaps.

Consolidated and Bank	2021					2020				
Amounts in millions of dollars	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Fair value hedges										
<i>Pay Fixed</i>										
Notional	155	275	1,938	1,205	3,573	-	415	1,478	1,513	3,406
Average Rate	5.66%	4.82%	4.33%	2.73%	3.89%	-	5.90%	4.70%	3.64%	4.38%
<i>Receive Fixed</i>										
Notional	-	-	1,225	-	1,225	-	-	1,100	-	1,100
Average Rate	-	-	2.17%	-	2.17%	-	-	2.30%	-	2.30%
Cash flow hedges										
<i>Pay Fixed</i>										
Notional	855	6,640	11,300	-	18,795	625	2,350	9,190	75	12,240
Average Rate	1.66%	0.43%	0.67%	-	0.63%	1.84%	1.71%	0.67%	1.44%	0.94%
<i>Receive Fixed</i>										
Notional	77	2,730	3,139	612	6,558	1,500	-	1,515	-	3,015
Average Rate	0.02%	0.05%	0.42%	1.14%	0.33%	0.39%	-	0.34%	-	0.37%



9. Derivatives (continued)

Derivatives designated and accounted for as hedging instruments

Cash flow hedges

The operations of the Group are subject to the risk of interest rate fluctuations to the extent of the repricing profile of the Group's balance sheet. The Group uses interest rate swaps to minimise the variability in cash flows from interest earning assets and interest-bearing liabilities. The Group manages the interest risk exposure on a portfolio basis for the following hedged items:

- Floating rate loans by entering into shorter term pay floating / receive fixed interest rate swaps
- Floating rate deposits by entering into longer term pay fixed / receive floating interest rate swaps

The following table shows the amount of assets / liabilities considered in each pool.

Consolidated		
Amounts in millions of dollars	2021	2020
Floating rate assets	32,742	37,550
Floating rate liabilities	(43,702)	(38,855)

Cash flow hedge accounting involves designating derivatives as hedges of the variability in highly probable forecast future cash flows arising from a recognised asset or liability. The gain or loss on the derivative associated with the effective portion of the hedge is initially recognised in other comprehensive income in the cash flow hedge reserve and reclassified into profit or loss when the hedged item is brought to account.

Cash flow hedges	Consolidated		Bank	
Amounts in millions of dollars	2021	2020	2021	2020
Fair value of hedge instruments	34	(121)	34	(121)
Amount recognised in other comprehensive income during the period (net of tax)	112	19	112	19

The gain or loss relating to the ineffective portion of the hedge is recognised immediately in profit or loss. More specifically, the ineffectiveness on a cash flow hedge is accounted for by adjusting the separate component of equity associated with the hedged item to the lesser of the following (in absolute amounts):

- the cumulative gain or loss on the hedging instrument from inception of the hedge; and
- the cumulative change in fair value (present value) of the expected future cash flows on the hedged item from inception of the hedge.

The Group determines the economic relationship between the hedged item and hedging instrument for the purpose of assessing hedge effectiveness through matched terms of the contracts and also the relationship between the 1 month BBSW reference rate and variable rate products whereby pricing is reviewed monthly.

There was no hedge ineffectiveness arising from the cash flow hedges recognised in the profit or loss for the period and the swaps were fully collateralized (2020: nil).

See Reserves Note 21 for the cash flow hedge reserve movement schedule.



9. Derivatives (continued)

Fair value hedges

The Group's fair value hedges are used to limit exposure to changes in the fair value of fixed rate interest earning assets and interest bearing liabilities. Specific exposures are managed on a one to one basis for:

- Debt securities investments by entering into a pay fixed / receive floating interest rate swap
- Covered bond issuance by entering into pay floating / receive fixed interest rate swap

The following table shows each category of hedged items. Fair value hedge adjustments are applicable to Financial assets at fair value through other comprehensive income, securities at amortised cost and the covered bond issuance.

For a derivative designated as hedging a fair value exposure arising from a recognised asset or liability, the gain or loss on the derivative is recognised in the Income Statement together with any changes in the fair value of the hedged asset or liability that is attributed to the hedged risk.

The Group determines the economic relationship between the hedged item and hedging instrument for the purpose of assessing hedge effectiveness through matched terms of the contracts.

There was no hedge ineffectiveness arising from the fair value hedges recognised in the profit or loss for the period and the swaps were fully collateralized (2020: nil).

Fair value hedges	Consolidated		Bank	
Amounts in millions of dollars	2021	2020	2021	2020
Fair value of hedge instruments	234	427	234	427
Current year gains / (losses) on hedging instruments	156	(8)	156	(8)
Fair value of hedged items - Financial assets at FVOCI	2,570	2,968	2,570	2,968
Fair value of hedged items - Securities at amortised cost	1,274	933	1,274	933
Fair value of hedged items - Debt Issues	(1,249)	(1,165)	(1,249)	(1,165)
Current year gains / (losses) on hedged items attributable to the hedged risk	(156)	8	(156)	8
Net hedge ineffectiveness	-	-	-	-

Offsetting

The Group presents the fair value of its derivative assets and derivative liabilities on a gross basis. However, certain derivative assets and liabilities are subject to netting arrangements. The Group does not use Master Netting Arrangements and instead relies on the specific Credit Support Annex ("CSA") appended to the global market product specific ISDA (International Swaps and Derivatives Association) Master Agreement. The Group does not have any financial assets or liabilities which are offset on the face of the balance sheet in accordance with AASB 132 Financial Instruments: *Presentation*.



9. Derivatives (continued)

Consolidated	Effects of offsetting on the balance sheet			Related amounts not offset		
Amounts in millions of dollars	Gross amount	Amounts set-off in the balance sheet	Amount presented in the balance sheet	Amount subject to CSA	Financial instrument collateral	Net Amount
31 December 2021						
Financial assets						
Derivative financial instruments	153	-	153	(152)	(1)	-
Total	153	-	153	(152)	(1)	-
Financial liabilities						
Derivative financial instruments	(352)	-	(352)	152	406	206
Total	(352)	-	(352)	152	406	206
31 December 2020						
Financial assets						
Derivative financial instruments	64	-	64	(62)	(1)	1
Total	64	-	64	(62)	(1)	1
Financial liabilities						
Derivative financial instruments	(612)	-	(612)	62	682	132
Total	(612)	-	(612)	62	682	132

Bank	Effects of offsetting on the balance sheet			Related amounts not offset		
Amounts in millions of dollars	Gross amount	Amounts set-off in the balance sheet	Amount presented in the balance sheet	Amount subject to master netting arrangements	Financial instrument collateral	Net Amount
31 December 2021						
Financial assets						
Derivative financial instruments	153	-	153	(152)	(1)	-
Total	153	-	153	(152)	(1)	-
Financial liabilities						
Derivative financial instruments	(352)	-	(352)	152	406	206
Total	(352)	-	(352)	152	406	206
31 December 2020						
Financial assets						
Derivative financial instruments	64	-	64	(62)	(1)	1
Total	64	-	64	(62)	(1)	1
Financial liabilities						
Derivative financial instruments	(612)	-	(612)	62	682	132
Total	(612)	-	(612)	62	682	132



10. Property and equipment

Consolidated and Bank

Amounts in millions of dollars	2021	2020
Data processing equipment	19	37
Fixtures and fitting and other equipments	13	4
Right-of-use assets	69	64
Total	101	105

Consolidated and Bank

	Data processing equipment		Fixtures and fitting and other equipment		Right-of-use assets		Total	
Amounts in millions of dollars	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	37	66	4	2	64	72	105	140
Additions	2	5	11	4	17	3	30	12
Depreciation	(20)	(26)	(2)	(2)	(12)	(11)	(34)	(39)
Transfers	-	(8)	-	-	-	-	-	(8)
Closing balance	19	37	13	4	69	64	101	105
Gross carrying amount	205	203	44	33	101	84	350	320
Accumulated depreciation	(186)	(166)	(31)	(29)	(32)	(20)	(249)	(215)
Net carrying value as at 31 December	19	37	13	4	69	64	101	105

Right-of-use assets

Right-of-use assets relate primarily to leased buildings and staff cars under novated lease arrangements.

Property and equipment

Property and equipment is measured at historical cost and depreciated or amortised on a straight-line basis over the estimated useful life of the assets. Leasehold improvements are amortised over the remaining term of the lease.

For an asset that does not generate largely independent cash flows, the recoverable amount is determined based on the cash-generating unit to which the asset belongs. Where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Major depreciation and amortisation periods are:

Category	2021	2020
Data processing equipment	3 - 5 years	3 - 5 years
Fixtures and fitting and other equipment	3 - 5 years	3 - 5 years
Right-of-use assets	1 - 10 years	1 - 10 years

The carrying value of property and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses are recognised in the Income Statement.

Derecognition of fixed assets

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposable proceeds and the carrying amount of the asset) is included in the Income Statement in the year the asset is derecognised.



11. Loans and advances

Amounts in millions of dollars	Note	Consolidated		Bank	
		2021	2020	2021	2020
Retail Banking mortgages		54,323	52,438	54,323	52,438
Business Banking loans		4,403	4,646	4,403	4,646
Wholesale Banking loans		8,134	7,802	8,134	7,802
Consumer Lending		307	315	307	315
Gross loans and advances		67,167	65,201	67,167	65,201
Loan Loss Provision	12	(128)	(194)	(128)	(194)
Total loans and advances		67,039	65,007	67,039	65,007
Maturity analysis of loans and advances					
Less than 1 year		3,552	3,307	3,552	3,307
Greater than 1 year		63,615	61,894	63,615	61,894
Gross loans and advances		67,167	65,201	67,167	65,201

Loans and Advances - Accounting policy

Subsequent to initial recognition, loans and advances are measured at amortised cost using a calculated effective interest method. Loans and advances are presented net of provisions for impairment. Loans and advances are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They include secured loans made to retail borrowers, business borrowers, inter-bank loans, and unsecured consumer lending and wholesale loans.

AASB 9 Financial Instruments requires that if the terms of a loan are amended it must be assessed whether or not the original loan has been substantially modified and extinguished or non-substantially modified.

If it is determined that the loan has been substantially modified and extinguished, the existing loan is derecognised with any capitalised transaction costs or commissions immediately recognised in profit or loss. A new loan asset is then initially recognised at fair value, plus any capitalised transaction costs and less any commissions, and subsequently measured at amortised cost using the effective interest rate on the new loan.

If it is determined that the loan has been non-substantially modified, the difference in net present value on the remaining cash flows of the loan, before and after modification, using the effective interest rate of the original loan, is immediately recognised in profit or loss. The modified loan will be subsequently measured at amortised cost using the effective interest rate of the original loan.

Management has assessed those loans modified during the reporting period and determined that there is no material impact to the financial statements.



12. Impairment of financial assets

The Group applies an Expected Credit Loss ("ECL") model to on-balance sheet financial assets accounted for at amortised cost and FVOCI such as loans and debt securities, as well as off-balance sheet items such as undrawn loan commitments, certain financial guarantees, and undrawn committed revolving credit facilities. Under the ECL model the Group calculates the allowance for credit losses (Loan Loss Allowance, "LLA") by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The LLA applies an unbiased probability-weighted method and the ECL estimates include supportable information about past events, current conditions, and forecasts of future economic conditions. The approach leveraged the existing Advanced Internal Ratings Based ("AIRB") models for regulatory purposes tailored to ensure IFRS 9 compliance. For other portfolios that use the Standardised Approach ("SA") to calculate regulatory capital, the Group uses simplified ECL models applying reasonable and supportive information.

Three stage approach

Financial assets are classified in any of the below three Stages at a quarterly reporting date. A financial asset can move between stages at any point during its lifetime. The stages classification is based on changes in credit quality since initial recognition and defined as follows:

- Stage 1: 12 month ECL
Financial assets that have not had a significant increase in credit risk since initial recognition (i.e. no Stage 2 or 3 triggers apply). Assets are classified as stage 1 upon initial recognition (with the exception of purchased or originated credit impaired ("POCI") assets) and a provision for ECL is based on a 12 month horizon. For those financial assets with a remaining maturity of less than 12 months, a probability of default ("PD") is used that corresponds to the remaining maturity;
- Stage 2: Lifetime ECL not credit impaired
Financial assets showing a significant increase in credit risk since initial recognition. A provision is made for the life time ECL representing losses over the remaining life of the financial instrument ("lifetime ECL"); or
- Stage 3: Lifetime ECL credit impaired
Financial instruments that move into Stage 3 once credit impaired require a provision reflecting the remaining lifetime.

Significant increase in credit risk ("SICR")

A financial asset moves from Stage 1 to Stage 2 when there is a significant increase in credit risk since initial recognition. A framework is established which incorporates quantitative and qualitative information to identify significant increases in credit risk on an asset level applying a relative assessment. Each financial asset is assessed at the reporting date on the triggers for significant deterioration. The Group assesses significant increase in credit risk using:

- delta in the lifetime probability of default;
- forbearance status;
- watch list status. Loans on the watch list are individually assessed for Stage 2 classification;
- intensive care management;
- internal rating;
- arrears; and
- more than 30 days past due backstop for Stage 1 to Stage 2 transfers.

The delta in lifetime probability of default is one of the main triggers for movement between Stage 1 and Stage 2. The trigger compares lifetime probability of default at origination versus lifetime probability of default at reporting date, considering the remaining maturity. Assets can move in both directions, meaning that they will move back to Stage 1 or Stage 2 when the Stage 2 or Stage 3 triggers are not applicable anymore. The stage allocation is implemented in the central credit risk systems.



12. Impairment of financial assets (continued)

COVID-19 initiatives

In response to the business impacts of COVID-19, various support packages, such as repayment deferrals, have been extended in 2020 and into 2021 to retail and business customers requesting assistance. ING Australia does not consider that when a customer is first provided assistance, all other things being equal, that there has been a Significant Increase in Credit Risk (SICR) and a consequential impact on ECL when assessing provisions.

Adjustments are made to the credit risk ECL model output to recognise risks not fully identified by the models. These include the treatment of customers affected by COVID-19 which have been provided regulatory concessions, and where models developed prior to COVID-19 have needed adjustments to reflect current economic outlook.

In addition, customers have been contacted to discuss available options once the assistance reach their end date. This additional information is considered regularly on the customer's prevailing situation, financial position and ability to recommence their loan repayments is used in combination with existing internal information and external credit bureau data (where available) to assist in classification of customers into risk categories. Customers in higher risk categories are considered as being in stage 3 i.e. Lifetime ECL credit impaired.

In relation to COVID-19, judgements and assumptions applied include the extent and duration of the pandemic, the impacts of actions of governments and other authorities, and the responses of businesses and consumers in different industries, along with the associated impact on the global economy. Consequently the ECL estimates are uncertain and actual credit losses may differ.

Macroeconomic scenarios

AASB 9, with its inherent complexities and potential impact on the carrying amounts of the Group's assets and liabilities, represents a key source of estimation uncertainty. In particular, the Group's reportable ECL numbers are most sensitive to the forward-looking macroeconomic forecasts used as model inputs, the probability-weights applied to each of the three scenarios, and the criteria for identifying a significant increase in credit risk. As such, these crucial components require consultation and management judgement, and are subject to extensive governance.

Forward-looking macroeconomics used as model inputs

As a baseline for AASB 9, the Group use the consensus outlook for economic variables. The Group uses data from a leading provider, Oxford Economics' Global Economic Model ("OEGEM"), to complement the consensus with consistent projections for variables for which there are no consensus estimates available (most notably House Price Index ("HPI") and unemployment), and to ensure general consistency of the scenarios. The up and downside scenarios reflect a mix of historical data analyses, applying the OEGEM and expert opinion based on the most economic insights.

Probability weights applied to each of the three scenarios

The alternative scenarios are based on the forecast errors of the OEGEM. To understand the baseline level of uncertainty around any forecast, Oxford Economics keeps track of all its forecast errors of the past 20 years. The distribution of forecast errors for GDP, unemployment, house prices and share prices is applied to the baseline forecast creating a broad range of alternative outcomes.

For the downside scenario, ING Group applies the 90th percentile of that distribution because this corresponds with how within risk management earnings at risk is being defined. The upside scenario is represented by the 10th percentile of the distribution. The distribution of the scenarios for economic growth, taking into account the applicable percentile of the distribution, is resulting in the upside scenario to be weighted at 20%, the downside scenario to be weighted at 20% and consequently, the base case scenario to be weighted at 60%.

Based on the above two sources of estimation uncertainty, analysis on the sensitivity of key forward-looking macroeconomic inputs used in the ECL collective-assessment modelling process and the probability-weights applied to each of the three scenarios is presented below. ING Group also observes that, in general, the Wholesale Banking business is more sensitive to the impact of forward-looking macroeconomic scenarios.

Real GDP, the Unemployment rate and House Price Index ("HPI") are the variables with the largest impact on the ECL. These forward-looking macro-economic factors (amongst others) are used in the calculation of the probability-weighted ECL as disclosed, to arrive at the reportable ECL for collectively-assessed assets. The sensitivity analysis table does give a high-level indication of the sensitivity of the outputs to the different scenarios. However any reliance placed on the sensitivity analysis should consider the complexities due to interdependencies and correlations between different macroeconomic variable inputs and that in addition to forward-looking macroeconomics and there are a number of other model inputs and processes which contribute to the calculation of un-weighted ECLs.



12. Impairment of financial assets (continued)

Impact of COVID-19

Base case economic forecast

As at 31 December 2021, the base case assumptions have been updated to reflect the evolving situation with respect to COVID-19. This includes an assessment of the impact of Central Bank Policies, governments' actions, the response of business, and institution specific responses (such as repayment deferrals). These are considered in determining the length and severity of the forecast economic downturn.

Measurement of ECL

The Group's expected loss models; PD, loss given default ("LGD") and exposure at default ("EAD"), used for regulatory capital, economic capital and collective provisions are adjusted for the removal of embedded prudential conservatism (such as floors), provide forward-looking point in time estimates based on macroeconomic predictions and a 12 month or life time view of credit risk where needed. Lifetime features are default behaviour over a longer horizon, full behaviour after the default moment, repayment schedules and early settlements. For most financial instruments, the expected life is limited to the remaining maturity. For overdrafts and certain revolving credit facilities, such as credit cards, open ended assumptions are taken as these do not have a fixed term or repayment schedule.

The Group applies a PD x EAD x LGD approach incorporating the time value of money to measure ECL. A forward-looking approach on a 12 month horizon is applied for Stage 1 assets. For Stage 2 assets a lifetime view on the credit is applied. The Lifetime Expected Loss ("LEL") is the discounted sum of the portions of lifetime losses related to default events within each time window of 12 months until maturity. For Stage 3 assets the PD equals 100% and the LGD and EAD represent a lifetime view of the losses based on characteristics of defaulted facilities.

Management temporary adjustments

The uncertainty associated with the COVID-19 pandemic, and the extent to which the actions of governments, businesses and consumers mitigate against potentially adverse credit outcomes are not fully incorporated into existing ECL models. Accordingly, management overlays have been applied to ensure credit provisions are appropriate.

Management have applied a number of adjustments to the modelled ECL primarily due to the uncertainty associated with COVID-19 and the effect this has on macro-economic factors. Management overlays (including COVID-19 overlays) which add to the modelled ECL provision have been made for risks particular to retail lending, business banking and wholesale banking where applicable. The Group applied a segmentation approach classifying customers extended with COVID-19 assistance into high, medium and low risk. A provision outside the models is taken for the high and medium risk customers assuming these customers have significantly increased in credit risk since origination and hence lifetime expected credit loss estimation. Additional overlays are held where COVID-19 has impacted models or model inputs used to calculate ECL. These overlays contribute towards ensuring the ECL represents the Bank's forward-looking unbiased expectations of macro-economic risk.



12. Impairment of financial assets (continued)

Base case economic forecast assumption

The uncertain evolution of the COVID-19 pandemic increases the risk to the economic forecast resulting in an understatement or overstatement of the ECL balance due to uncertainties around:

- the extent and duration of measures to stop or reduce the speed of the spread of COVID-19;
- the extent and duration of the economic downturn, along with the time required for economies to recover; and
- the effectiveness of government stimulus measures, in particular their impact on the magnitude of economic downturn and the extent and duration of the recovery.

The economic drivers of the base case economic forecasts at 31 December 2021 are set out below. These reflect the Group's view of the most likely future macro-economic conditions at 31 December 2021. For years beyond the near term forecasts below, the ECL models project future year economic conditions including an assumption to eventual reversion to mid-cycle economic conditions.

Sensitivity Analysis

		2022	2023	2024	Un-weighted ECL (AUS \$m)	Probability weighting	*Credit Provisions
Upside scenario	Real GDP	4.4%	2.7%	2.9%	67	20%	75
	Unemployment	4.3%	4.0%	4.0%			
	HPI	8.9%	3.3%	2.0%			
Base case scenario	Real GDP	3.6%	2.9%	2.8%	72	60%	
	Unemployment	4.7%	4.6%	4.5%			
	HPI	4.3%	2.0%	1.6%			
Downside scenario	Real GDP	1.2%	2.3%	2.2%	93	20%	
	Unemployment	5.8%	6.3%	6.7%			
	HPI	-1.1%	0.6%	1.1%			

Real GDP, % year-on-year change.

Unemployment, % of total labour force (quarterly average).

House price index, % year-on-year change.

*Collective and Individual provisions excluding management overlay of \$53m (2020: \$54m)



12. Impairment of financial assets (continued)

ECL - Sensitivity analysis

The impact of COVID-19 introduces significant estimation uncertainty in relation to the measurement of the Group's allowance for expected credit losses. The rapidly evolving consequences of COVID-19 and government, business and consumer responses could result in significant adjustments to the allowance in future financial years.

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Group should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of collectively and individually assessed provisions to migration of 1% of Stage 1 facilities to Stage 2 and Stage 3. The table also shows the impact under Upside and Downside economic scenarios:

Sensitivity ECL	2021		2020	
	ECL \$m	Impact \$m	ECL \$m	Impact \$m
Amounts in millions of dollars				
If 1% of Stage 1 facilities were included in Stage 2	78	3	148	7
If 1% of Stage 1 facilities were included in Stage 3	96	21	181	40
100% upside scenario	67	(5)	123	(11)
100% base case scenario	72	-	134	-
100% downside scenario	93	21	172	38



12. Impairment of financial assets (continued)

Definition of default

The Group uses the definition of default for internal risk management purposes and has aligned the definition of credit impaired under AASB 9 (Stage 3) with the definition of default for prudential purposes.

The definition of default may differ across products and considers both quantitative and qualitative factors, such as the terms of financial covenants and days past due. For retail and wholesale borrowers default occurs when the borrower is more than 90 days past due on any material obligation to the Group, and/or the Group considers the borrower unlikely to make its payments in full without recourse action on the Group's part, such as taking formal possession of any collateral held.

Credit impaired financial assets (Stage 3)

Financial assets are assessed for credit-impairment at each reporting date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, a breach of contract, probability of bankruptcy or other financial reorganisation, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payment status of the borrower or economic conditions that correlate with defaults.

An asset that is in stage 3 will move back to stage 2 when, as at the reporting date, it is no longer considered to be credit-impaired. The asset will migrate back to stage 1 when its credit risk at the reporting date is no longer considered to have increased significantly from initial recognition.

When a financial asset has been identified as credit-impaired, expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate. For impaired financial assets with drawn and undrawn components, expected credit losses also reflect any credit losses related to the portion of the loan commitment that is expected to be drawn down over the remaining life of the instrument. When a financial asset is credit-impaired, interest ceases to be recognised on the regular accrual basis, which accrues income based on the gross carrying amount of the asset. Rather, interest income is calculated by applying the original effective interest rate to the amortised cost of the asset, which is the gross carrying amount less the related loan loss allowance.

The loan loss allowance for credit-impaired loans in Stage 3 are established at the borrower level, where losses related to impaired loans are identified on individually significant loans, or collectively assessed and determined through the use of portfolio-based rates, without reference to particular loans.

Individually assessed loans (Stage 3)

The Group estimates individual impairment provisions for individually significant credit impaired financial assets within Stage 3. Individual provisions are calculated using the discounted expected future cash flow method. To determine expected future cash flows, one or more scenarios are used. Each scenario is analysed based on the probability of occurrence and including forward looking information.

The best estimate of loan loss is calculated as the weighted average of the shortfall (gross carrying amount minus discounted expected future cash flow using the original effective interest rate) per scenario. The expected future cash flows are based on the restructuring officers' best estimate when recoveries are likely to occur. Recoveries can be from different sources including repayment of the loan, additional drawing, collateral recovery, asset sale. Cash flows from collateral and other credit enhancements are included in the measurement of the expected credit losses of the related financial asset when it is part of or integral to the contractual terms of the financial asset and the credit enhancement is not recognised separately. The estimation of future cash flows are subject to significant estimation uncertainty and assumptions.



12. Impairment of financial assets (continued)

Collectively assessed loans (Stages 1 to 3)

Loans that are collectively assessed are grouped on the basis of similar risk characteristics, taking into account loan type, industry, geographic location, collateral type, past due status and other relevant factors. The collectively-assessed loan loss allowance reflects:

- (i) the expected amount of principal and interest calculated under the terms of the original loan agreement that will not be recovered, and
- (ii) the impact of time delays in collecting principal and/or interest (time value of money).

Write-off and debt forgiveness

Loans and the related ECL are written off, either partially or in full, when there is no realistic prospect of recovery. Write-offs are made:

- after a restructuring has been completed and there is a high improbability of recovery of part of the remaining loan exposure (including partial debt waivers);
- in a bankruptcy liquidation scenario (not as a result of a reorganisation);
- when there is a high improbability of recovery of the remaining loan exposure or certainty that no recovery can be realised;
- after divestment or sale of a credit facility at a discount;
- upon conversion of a credit facility into equity; or
- The Group releases a legal (monetary) claim it has on its customer.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognised in other comprehensive income, instead of deducting the carrying amount of the asset. Impairment losses on debt securities measured at amortised cost is presented in the profit or loss in addition to loan loss allowance.

The following tables present the movement in the allowance for ECL for the year. Allowance for ECL is included in loans and advances.

Consolidated and Bank 2021

	Stage 1	Stage 2	Stage 3		
	12-mth ECL	Lifetime ECL	Lifetime ECL	Lifetime ECL	Total
Amounts in millions of dollars	Collectively assessed			Individually assessed	
As at 1 January 2021	27	80	82	5	194
Changes due to financial assets that have:					
Transferred between ECL stages during the year	-	(32)	20	-	(12)
New and increased loss allowance (net of releases)	(11)	(27)	(19)	2	(55)
Interest adjustment	-	-	5	-	5
Bad debts written-off	-	-	(4)	-	(4)
As at 31 December 2021	16	21	84	7	128

Consolidated and Bank 2020

	Stage 1	Stage 2	Stage 3		
	12-mth ECL	Lifetime ECL	Lifetime ECL	Lifetime ECL	Total
Amounts in millions of dollars	Collectively assessed			Individually assessed	
As at 1 January 2020	23	18	29	5	75
Changes due to financial assets that have:					
Transferred between ECL stages during the year	-	14	51	-	65
New and increased loss allowance (net of releases)	4	48	5	-	57
Interest adjustment	-	-	-	-	-
Bad debts written-off	-	-	(3)	-	(3)
As at 31 December 2020	27	80	82	5	194



12. Impairment of financial assets (continued)

Loan impairment expense	Consolidated		Bank	
Amounts in millions of dollars	2021	2020	2021	2020
Income Statement				
Collectively assessed - stage 1 & 2	70	(67)	70	(67)
Collectively assessed - stage 3	(1)	(55)	(1)	(55)
Individually assessed - stage 3	(2)	-	(2)	-
Total loan loss benefit/(expense)	67	(122)	67	(122)

For the year ended 31 December 2021 the Group recognised \$67 million in loan loss allowance benefit (2020: \$122million in loan loss allowances expense).

COVID-19 loan assistance packages offered to customers

Since March 2020, the Group has offered various forms of assistance to customers to counteract the impact of COVID-19 on the ability of customers to meet their loan obligations. The assistance provided has included arrangements such as temporary deferral of principal and interest repayments, replacing principal and interest with interest only repayments, and extension of loan maturity dates.

Assistance Package Category	Total Covid assistance		Active Covid assistance	
Amounts in millions of dollars	2021	2020	2021	2020
Retail banking mortgages	430	3,968	65	644
Business banking loans	31	411	3	26
Consumer Lending	2	17	1	3
Total	463	4,396	69	673

Total COVID assistance is the total value of loans and finance that has been offered financial assistance due to COVID-19 impact. Active COVID assistance is the total outstanding of loans and finance (as of year-end) is on COVID-19 financial assistance.



13. Other liabilities

Other liabilities by type	Consolidated		Bank	
Amounts in millions of dollars	2021	2020	2021	2020
Employee entitlements	23	19	23	19
Settlement account	362	168	362	168
Lease liabilities	83	76	83	76
Other	48	39	49	39
Total	516	302	517	302

Other Liabilities – Accounting policy

The accounting policy for Other liabilities is outlined in Note 27 – Other Accounting Policies and accounting standard developments.



14. Deposits and other borrowings

	Consolidated		Bank	
Amounts in millions of dollars	2021	2020	2021	2020
Deposits				
Deposits at call	43,755	39,458	44,114	39,744
Term deposits ¹	17,100	19,829	17,100	19,829
Certificates of deposits	715	663	715	663
Securities sold under agreement to repurchase ²	5,530	2,865	5,530	2,865
Deposits and other borrowings	67,100	62,815	67,459	63,101
Concentration of deposits				
Retail deposits	43,088	41,124	43,088	41,124
Business deposits	3,418	5,499	3,418	5,499
Wholesale deposits ¹	20,594	16,192	20,953	16,478
Total deposits	67,100	62,815	67,459	63,101

¹ Term and wholesale deposits include funding from ING Bank N.V. (Sydney Branch) of \$12,651 million (2020: \$10,445 million).

² Includes \$5.427 billion (2020: \$2.366 billion) of funds drawn under the RBA's Term Funding Facility ("TFF"). TFF is initially recognised at fair value and is subsequently measured at amortised cost using the effective interest rate method. Refer to Note 16 Financial Risk Management for more details.

Deposits and other borrowings – Accounting policy

Deposits and other borrowings include term deposits, at call deposits, negotiable certificates of deposits and funding from ING Bank N.V. (Sydney Branch). They are recognised initially at the fair value and are subsequently measured at amortised cost, using the effective interest rate method.



15. Debt issues

	Consolidated		Bank	
Amounts in millions of dollars	2021	2020	2021	2020
Covered Bonds	2,360	1,799	2,360	1,799
Mortgage-backed securities	1,426	2,113	-	-
Subordinated Debt	75	75	75	75
Total debt issues	3,861	3,987	2,435	1,874

Debt issues – Accounting policy

The Group uses a variety of funding programmes to issue senior debt (including covered bonds and securitisations) and subordinated debt. The difference between senior debt and subordinated debt is that holders of senior debt take priority over holders of subordinated debt owed by the relevant issuer. In the winding up of the relevant issuer, the subordinated debt will be repaid by the relevant issuer only after the repayment of claims of depositors, other creditors and the senior debt holders.

Maturity of debt issues	Consolidated		Bank	
Amounts in millions of dollars	2021	2020	2021	2020
Not later than 1 month	-	160	-	-
Later than 1 month and not later than 3 months	89	268	-	-
Later than 3 months and not later than 1 year	1,339	599	-	400
Later than 1 year and not later than 5 years	2,433	2,960	2,435	1,474
Greater than 5 years	-	-	-	-
Total debt issues	3,861	3,987	2,435	1,874



16. Risk management

This note explains the nature and extent of risks arising from financial instruments and how these risks could affect the Group's financial performance. The Group's major risk categories are detailed below.

Risk	Exposure arising from	Measurement	Governance
Credit Risk	<ul style="list-style-type: none"> ▪ Cash and cash equivalents ▪ Due from other financial institutions ▪ Loans and advances ▪ Derivative financial instruments ▪ Financial assets at FVOCI ▪ Securities at amortised cost ▪ Undrawn loan commitments ▪ Bank accepted guarantees 	<ul style="list-style-type: none"> ▪ Aging analysis ▪ Credit ratings ▪ Arrears analysis ▪ Internal ratings models ▪ Stress testing ▪ Financial analysis ▪ Covenant measures ▪ Loan to Value ▪ Loan to Income serviceability 	<ul style="list-style-type: none"> ▪ Risk Management Strategy ▪ Risk Appetite Statement ▪ Wholesale Banking and Group Treasury Credit Policy ▪ Commercial Real Estate ("CRE") Credit Risk Policy ▪ Large Exposure and Related Entity ("LEREP") Policy ▪ Retail Credit Risk ("RCR") Policy ▪ Watch List Sub-Committee Charter (Wholesale Banking and Business Lending) ▪ Residential Mortgage Underwriting Guidelines ("RMUG") ▪ Definition of Default ("DoD") Policy (Retail) ▪ Definition of Default ("DoD") Policy (Retail) (Addendum) ▪ Loan Loss Provisioning ("LLP") Policy ▪ Definition of Default ("DoD") Policy (Non-Retail) ▪ Credit Risk Framework Policy ▪ Wholesale Banking Mandate Procedure ▪ Problem Loan Management ("PLM") (Non-Retail) ▪ Commercial Property Finance ("CPF") Mandate Procedure ▪ Consumer Lending Verification Procedure ▪ Retail and PCM Delegated Lending Authority ("DLA") Management Procedure ▪ Priority Commercial Mortgage ("PCM") Underwriting Guidelines ▪ Commercial Property Finance ("CPF") Underwriting Guidelines ▪ PCM Servicing Calculator Procedure and Control Guidelines ▪ Commercial Servicing Calculator
Market Risk – Interest Rate Risk	<ul style="list-style-type: none"> ▪ Loans and advances ▪ Deposits and other borrowings ▪ Financial assets at FVOCI ▪ Securities at amortised cost ▪ Debt issues 	<ul style="list-style-type: none"> ▪ Historical Value-at-Risk ("HVaR") ▪ Net Present Value and Net Interest Income at Risk ("NPVaR"; "NIIaR") ▪ Interest Rate Risk in the Banking Book ("IRRBB") stress testing ▪ Basis Point Value sensitivity 	<ul style="list-style-type: none"> ▪ Risk Management Strategy ▪ Risk Appetite Statement ▪ IRRBB Stress Testing Methodology ▪ IRRBB Policy and Minimum Standards for Measurement ▪ Asset and Liability Management ("ALM") Policy ("IBAL") ▪ Asset and Liability Committee (Terms of Reference) ▪ Funds Transfer Pricing ("FtP") Procedure ▪ Retail Deposit Run Plan ▪ Funds Transfer Pricing ("FtP") Policy ▪ Liquidity Stress Testing Methodology



16. Risk management (continued)

Risk	Exposure arising from	Measurement	Governance
Market Risk – Foreign Exchange Risk	<ul style="list-style-type: none"> Financial assets and liabilities not denominated in Australian dollars 	<ul style="list-style-type: none"> Sensitivity analysis 	<ul style="list-style-type: none"> Risk Management Strategy Risk Appetite Statement Asset and Liability Management ("ALM") Policy ("IBAL")
Liquidity and funding risk	<ul style="list-style-type: none"> Deposits and other borrowings Debt issuances Undrawn loan commitments 	<ul style="list-style-type: none"> Scenario analysis and stress testing Liquidity Coverage Ratio ("LCR") Net Stable Funding Ratio ("NSFR") Behavioural models 	<ul style="list-style-type: none"> Risk Management Strategy Risk Appetite Statement Asset and Liability Management ("ALM") Policy ("IBAL") Securitisation Policy ("IBAL") Contingency Funding Plan ("CFP") Intraday Contingency Funding Plan ("ICFP") Covered Bond Policy Funding and Liquidity Risk Policy Liquidity Stress Testing Methodology
Non-Financial Risk (i.e. operational, compliance and legal risk)	<ul style="list-style-type: none"> Inadequate or failed internal processes, people and systems Failure or perceived failure to comply with relevant laws, regulations, the Group's policies 	<ul style="list-style-type: none"> Risk and Control Self-Assessment Non-Financial Risk Score Incident reporting Scenario analysis Business Environment Analysis 	<ul style="list-style-type: none"> Risk Management Strategy Risk Appetite Statement Outsourcing Policy (IBAL and Sydney Branch) ING Group Fraud Management Policy ING Group Fraud Management Control Standard Operational Risk Management ("ORM") Policy ("IBAL") Risk Mitigation and Issue Tracking Procedure ING Group Product Approval and Review ("PARP") Policy & Minimum Standard Product Approval Review Process ("PARP") Local Annex Acceptable Use and Information Guidelines Operational Event Management Procedure (Event Management Process) Anti-Money Laundering ("AML") Counter Terrorism Financing ("CTF") Compliance Program (Part A and B) FATCA and CRS Policy Compliance Risk Management Framework Policy Anti-Bribery and Corruption ("ABC") Policy Conflict of Interest and Market Abuse ("COI-MA") Policy Fit and Proper Policy Whistleblower Protection and Reporting Policy Customer Best Interest ("CBI") Policy Advice Procedure Compliance Training and Awareness Procedure Competition Law



16. Risk management (continued)

Risk	Exposure arising from	Measurement	Governance
Non-Financial Risk (i.e. operational, compliance and legal risk) (Continued)			<ul style="list-style-type: none"> Complaints Policy (Public) Personal Account Dealing ("PAD") Procedure Compliance Assessment and Regulatory Reporting Procedure Record Retention Procedure CPS 220 Risk Management Attestation Procedure Benchmark Regulation - Robust Written Plan Customer Complaints and Disputes Handling Procedure Whistleblower Procedure Consumer Data Right ("CDR") Policy Privacy Policy Privacy Risk Management Framework ING Group Fraud Management Policy and Minimum Standard Stress Testing Policy ING Group IT Security Policy ING Group Information Processing Policy ING Group Information and Continuity Risk Management Procedure IBAL Mandatory Data Breach Reporting Procedure ING Group Cybercrime Resilience Minimum Standard ING Group Data Management Minimum Standard ING Group Data Protection Minimum Standard ING Group Platform Security Minimum Standard ING Group Security Monitoring Minimum Standard



16. Risk management (continued)

Risk management framework

Taking risk is inherent in the Group's business activities. To ensure prudent risk-taking across the organisation, the Group operates through a comprehensive risk management framework to ensure risks are identified, well understood, accurately measured, controlled and proactively managed at all levels of the organisation ensuring that the Group's financial strength is safeguarded. The Group's risk management framework incorporates the requirements of APRA's prudential standard CPS 220 *Risk Management*.

The key objectives of the Group's risk management framework are to ensure:

- the risk management objectives are linked to the Group's business strategy, ING Orange Code, Customer Golden Rules¹ and operations;
- all key risks are identified and appropriately managed by the risk owner;
- systems, processes and tools are established to identify, monitor, manage and report on the key risks;
- the documentation for the risk management framework and supporting policies, procedures, tools and systems are kept accurate and current; and
- that the Group is compliant with all relevant legal and regulatory obligations, together with internal policy.

The Group believes this ensures the proper identification, measurement and management of risks in all levels of the organisation so that financial strength is safeguarded.

Risk governance framework

The Group's risk governance framework contains clear charters and mandates for the management of risk. Risk management in the Group is effected through a governance structure comprised of local, Board and Head Office committees. The governance structure is independent of the day to day management of the Group's business activities.

Risk Management Strategy

Ultimate control over the strategy, and risk appetite statement and policy settings of the Group rests with the Board. The Risk Management Strategy requires risk management to be independent but fully embedded into the Group's business processes. As a subsidiary of ING Groep N.V., the Group is also subject to the governance and control of the parent company. The Board utilises five committees to discharge its responsibilities:

- *Risk Committee* – the Board Risk Committee provides objective non-executive oversight of the implementation and operation of the Group's risk management framework. A key purpose of the Risk Committee is to help formulate the Group's risk strategy and appetite for consideration and approval by the Board.
- *Audit Committee* – the Board Audit Committee assists the Board by providing an objective non-executive review of the effectiveness of the Group's financial reporting and risk management framework. This includes internal controls to deal with both the design and effectiveness and efficiency of significant business processes, which involve safeguarding of assets and the maintenance of proper accounting records.
- *Remuneration and Nomination Committee* – the Remuneration and Nomination Committee is responsible for reviewing and making recommendations to the Board on the Group's Remuneration Policy, and making recommendations in relation to remuneration of the Chief Executive Officer ("CEO"), director reports of the CEO, other persons whose activities may affect the financial soundness of the Group and those persons covered by the Remuneration Policy.
- *Customer Experience Committee* – the Customer Experience Committee is responsible for reviewing and monitoring customer experience with the Group, including customer complaints, resolution and closure of customer outcomes.
- *Technology and Transformation Committee* – the Technology and Transformation Committee is responsible for reviewing the Group's technology strategy and planning, including priorities, budgets, deliverables and operational plans. In addition, it oversees and monitors the Group's strategic transformation initiatives, including technology, data and business transformation.

¹Customer Golden Rules depict the principles of interaction between ING and customers throughout the customer life cycle



16. Risk management (continued)

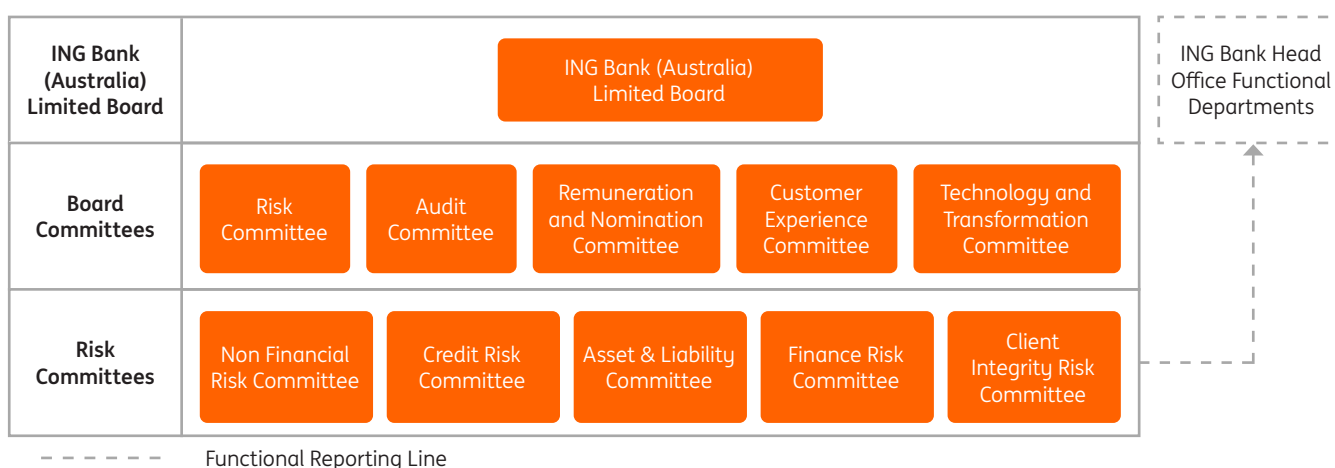
Risk management organisation

The Group regards risk management as a fundamental activity, performed at all levels of the organisation. Accountability for the risk management framework is based on the 'three lines of defence' model, whereby ownership for risk is assumed at three levels in the organisation. The governance framework reflects the Bank's belief that 'risk is everyone's business' and all employees are responsible for identifying and managing risk and operating within the approved risk appetite. The 'three lines of defence' model is summarised as follows:

- Line 1 – Business Lines (including management control activities) are primarily responsible for risk identification and management.
- Line 2 – Risk Management provides independent risk management expertise and oversight over business departments' risk-taking activities.
- Line 3 – Corporate Audit Services provides independent assurance regarding the adequacy and effectiveness of the Group's system of internal controls, risk management procedures and governance processes.

Risk management function

The Risk Management function, as the second line of defence, is responsible for the measurement, monitoring and control of risk.



Risk committees

The risk committees described below act within the overall risk policy and delegated authorities granted by the Board. The committees have a governing role and ensure a close link between the business lines and the Risk Management functions through joint representation on each committee:

- Non-Financial Risk Committee ("NFRC") – the overall responsibility of the NFRC is to identify, measure and monitor the operational and compliance risk profile of the Group with appropriate quality of coverage and to ensure these risks are managed in accordance with the Risk Management Framework and Risk Appetite. The NFRC acts as an escalation point for issues that impact the Group's operational and compliance risk profile and ensures that the appropriate management action is taken. The NFRC is chaired by the Chief Risk Officer ("CRO").
- Credit Risk Committee ("CRC") – oversees the credit risk management framework, key policies, Group's credit profile and performance against credit risk appetite and metrics, and identifies emerging credit risks and appropriate actions to address these. The CRC reviews and monitors the on-going level of credit risk weighted assets and the individual and collective loan loss provisioning for the Group. The CRC is chaired by the CRO.
- Asset and Liability Committee ("ALCO") – oversees and defines the policies regarding balance sheet risks such as funding, liquidity, interest rate risk and solvency of the Group. ALCO provides governance to ensure that the Group's risk profile is commensurate with the Group's overall risk appetite and risk policy framework. Its responsibilities include setting limits for and monitoring solvency of the balance sheet, deciding on transfer pricing methods, and monitoring developments on the balance sheet that fall within its scope. The ALCO is chaired by the CRO.
- The Finance and Risk Committee ("FRC") is a platform for the CRO and the Chief Financial Officer ("CFO"), to discuss and decide on issues that relate to both the finance and risk domains. The primary responsibility of the FRC is to co-ordinate the finance and risk decisions that have an impact on internal and/or external reporting. The FRC meets on a quarterly basis while the other Risk Committee meet monthly. The FRC is chaired by the CRO and CFO.
- Client Integrity Risk Committee ("CIRC") – acts as the approval vehicle that serves to ensure that clients with a higher degree of integrity risk are adequately discussed and evaluated. The CIRC decides and approves the actions to be taken with regards to client integrity related elements/processes and impact for client relationship. The CIRC is chaired by the CRO.

The FRC meets on a quarterly basis while the other risk committees meet monthly.



16. Risk management (continued)

16.1 Credit risk

Credit risk arises from the Group's lending activities, pre-settlement and investment activities. Credit risk is the potential loss arising from customer or counterparty failure to meet contractual obligations as and when they fall due. Credit risk management is supported by dedicated credit risk information systems and internal rating methodologies for debtors and counterparties. The Group's credit exposure mainly relates to:

- Retail Banking loans to individuals which are predominantly mortgage loans secured by residential property. The Group also has a portfolio of unsecured loans via its credit card and personal loan products.
- Business Banking loans consisting of Commercial Property Finance ("CPF") and Priority Commercial Mortgages ("PCM") secured by predominantly commercial properties.
- Wholesale Banking comprises Real Estate Finance, Infrastructure, Utilities, Power and Corporate Lending amongst other segments, which is generally made up of secured exposures or where unsecured, with corporate guarantees and negative pledges.
- Wholesale investments and securities are marketable liquid assets which are mainly unsecured and used for liquidity management.

Pre-settlement risk arises from the Group's derivative activities. To mitigate this risk, the Group uses central clearing counterparties for its derivatives and enters into CSAs with derivative counterparties.

Maximum credit risk exposure

The fair value of collateral is determined by using an acceptable valuation of the property for each borrowing application. The type of valuation required is fundamentally driven by the associated risk of each borrower and is determined by considering a number of different factors such as loan to value ratio, loan amount, security amount, security location, purpose of loan and source documentation supporting the borrowers' estimates. Acceptable valuations include but are not limited to a contract of sale, rates notice, electronic valuations and valuations by registered valuers.



16. Risk management (continued)

The maximum credit risk exposure before taking into consideration collateral or credit enhancements for relevant items on the Balance Sheet is the carrying value for the relevant financial asset. For Off-Balance Sheet items the maximum credit risk exposure is the full amount of the committed facilities including redrawn and undrawn portion.

The maximum exposure to credit risk for the Group and the Bank is managed on a consolidated basis and is detailed below:

Consolidated 2021									
Amounts in millions of dollars	Note	Maximum exposure to credit risk	FV of collateral and credit enhancements held			Total	Surplus collateral ¹	Net collateral ²	Net exposure ³
			Cash	Other ⁴	Property				
Financial assets									
Cash and cash equivalents	6	3,970	-	-	-	-	-	-	3,970
Due from other financial institutions	7	406	-	-	-	-	-	-	406
Receivables and other assets		77	-	-	-	-	-	-	77
Financial assets at FVOCI	8	3,830	-	-	-	-	-	-	3,830
Securities at amortised cost	8	1,982	-	-	-	-	-	-	1,982
Loans and advances	11	67,167	-	1,552	151,243	152,795	(85,628)	61,869	5,298
Derivative assets	9	153	-	-	-	-	(1)	152	1
Total		77,585	-	1,552	151,243	152,795	(85,629)	62,021	15,564
Off-Balance Sheet									
Undrawn loan commitments ⁵	23	10,311	-	-	-	-	-	-	10,311
Bank accepted guarantees and letters of credit ⁶	23	568	-	-	-	-	-	-	568
Total maximum credit risk exposure		88,464	-	1,552	151,243	152,795	(85,629)	62,021	26,443

¹ 'Surplus collateral' represents the fair value of collateral or credit enhancements which exceed the asset balances they secure

² 'Net collateral' therefore reflects the balance of secured financial assets

³ 'Net exposure' represents unsecured financial assets

⁴ 'Other' includes letters of credit, parent guarantees, bank guarantees, negative pledges, verbal support and assignments of floating receivables

⁵ 'Undrawn loan commitments' include all obligations on the part of the Group to provide credit facilities including undrawn amounts eligible for redraw and unconditionally approved loans

⁶ 'Bank accepted guarantees and letters of credit' represent conditional undertakings by the Group to support the obligations of its customers to third parties.



16. Risk management (continued)

Consolidated 2020

Amounts in millions of dollars	Note	Maximum exposure to credit risk	FV of collateral and credit enhancements held				Surplus collateral ¹	Net collateral ²	Net exposure ³	
			Cash	Other ⁴	Property	Total				
Financial assets										
Cash and cash equivalents	6	1,755	-	-	-	-	-	-	-	1,755
Due from other financial institutions	7	682	-	-	-	-	-	-	-	682
Receivables and other assets		117	-	-	-	-	-	-	-	117
Financial assets at FVOCI	8	3,529	-	-	-	-	-	-	-	3,529
Securities at amortised cost	8	1,554	-	-	-	-	-	-	-	1,554
Loans and advances	11	65,201	-	764	126,531	127,295	(62,094)	60,202		4,999
Derivative assets	9	64	1	-	-	1	(1)	62		2
Total		72,902	1	764	126,531	127,296	(62,095)	60,264		12,638
Off-Balance Sheet										
Undrawn loan commitments ⁵	23	9,313	-	-	-	-	-	-		9,313
Bank accepted guarantees and letters of credit ⁶	23	556	-	-	-	-	-	-		556
Total maximum credit risk exposure		82,771	1	764	126,531	127,296	(62,095)	60,264		22,507

¹ 'Surplus collateral' represents the fair value of collateral or credit enhancements which exceed the asset balances they secure

² 'Net collateral' therefore reflects the balance of secured financial assets

³ 'Net exposure' represents unsecured financial assets

⁴ 'Other' includes letters of credit, parent guarantees, bank guarantees, negative pledges, verbal support and assignments of floating receivables

⁵ 'Undrawn loan commitments' include all obligations on the part of the Group to provide credit facilities including undrawn amounts eligible for redraw and unconditionally approved loans

⁶ 'Bank accepted guarantees and letters of credit' represent conditional undertakings by the Group to support the obligations of its customers to third parties.



16. Risk management (continued)

Collateral – Lending activities

The creditworthiness of customers, trading partners and investments is continuously evaluated for their ability to meet their financial obligations to the Group. During the process of creating new loans or investments, as well as reviewing existing loans and investments, the Group determines the amount and type of collateral, if any, that a customer may be required to pledge to the Group. Generally, the lower the perceived creditworthiness of a borrower or financial counterparty, the more collateral the customer or counterparty will have to provide.

Collateral	Consolidated	
Amounts in millions of dollars	2021	2020
Held against past due but not impaired assets	1,333	1,539
Held against impaired assets	1,923	1,572

Exposure not mitigated by collateral as a percentage of total financial assets	Consolidated	
In percentages	2021	2020
Retail Banking mortgages	0.0%	0.1%
Business Banking loans	0.1%	0.1%
Wholesale Banking loans	6.3%	6.3%
Consumer Lending	0.4%	0.4%
Financial assets other than loans and advances	13.2%	10.5%
Total	20.1%	17.4%

Collateral – Derivative contracts

Under Australian Prudential Regulatory Authority ("APRA") Standard *Margining and Risk Mitigation for Non-Centrally Cleared Derivatives* ("CPS 226"), the Group is required to clear eligible over the counter derivatives through an Australian Securities and Investment Commission ("ASIC") approved clearing house. All new derivative transactions completed by the Group are cleared with central counterparties. All eligible derivative transactions entered into prior to the implementation of CPS 226 make use of 'Credit Support Annex' agreements to facilitate bilateral margining. These agreements allow the Group to issue margin calls on the net mark-to-market amount of derivative positions held between the Group and individual wholesale counterparties. These agreements and subsequent collateral calls negate the credit risk with these counterparties as the mark-to-market value increases.

Distribution of financial assets by credit quality

The table below details the distribution of credit quality of financial assets. An asset is considered to be past due when any payment under the contractual terms has been missed. An asset is considered to be impaired when there is doubt on the full collection of the loans based on an assessment of the customer's outlook, cash flow and the net realisable value of collateral held, including those loans that are formally restructured.

	Consolidated		Bank	
Amounts in millions of dollars	2021	2020	2021	2020
Neither past due nor impaired	75,823	70,994	91,767	86,931
- of which: Retail Banking mortgages	52,769	50,569	52,769	50,569
- of which: Business Banking loans	4,297	4,495	4,297	4,495
- of which: Wholesale Banking loans	7,967	7,690	7,967	7,690
- of which: Consumer Lending	292	293	292	293
- Related entities	981	414	16,925	16,351
- Financial assets other than loans and advances	9,516	7,533	9,516	7,533
Past due but not impaired gross loans and advances	669	919	669	919
Impaired loans and advances	1,093	989	1,093	989
Total	77,585	72,902	93,529	88,839



16. Risk management (continued)

Risk classes of financial assets

Risk classes are defined based upon the quality of the exposures in terms of creditworthiness, varying from investment grade to problem grade.

Internal Rating		Consolidated		Bank	
Amounts in millions of dollars	Risk Grading	2021	2020	2021	2020
Lower risk	1-10	57,842	51,688	73,786	67,625
Medium risk	11-17	18,049	19,523	18,049	19,523
High risk	18-19	338	464	338	464
Non-performing	20	1,356	1,227	1,356	1,227
Not rated		-	-	-	-
Total		77,585	72,902	93,529	88,839

The tables below show exposures to credit risk by risk classes for those financial assets for which the expected credit loss model is applied:

Consolidated 2021						
Internal Rating	Risk Grading	Stage 1	Stage 2	Stage 3		Total
		12-mth ECL	Lifetime ECL	Lifetime ECL	Lifetime ECL	
		Collectively assessed			Individually assessed	
		Amounts in millions of dollars				
Lower risk	1-10	57,337	505	-	-	57,842
Medium risk	11-17	17,046	1,003	-	-	18,049
High risk	18-19	-	338	-	-	338
Non-performing	20	-	-	1,281	75	1,356
Not rated		-	-	-	-	-
Total		74,383	1,846	1,281	75	77,585

Consolidated 2020						
Internal Rating	Risk Grading	Stage 1	Stage 2	Stage 3		Total
		12-mth ECL	Lifetime ECL	Lifetime ECL	Lifetime ECL	
		Collectively assessed			Individually assessed	
		Amounts in millions of dollars				
Lower risk	1-10	51,473	215	-	-	51,688
Medium risk	11-17	17,219	2,304	-	-	19,523
High risk	18-19	-	464	-	-	464
Non-performing	20	-	-	1,200	27	1,227
Not rated		-	-	-	-	-
Total		68,692	2,983	1,200	27	72,902



16. Risk management (continued)

Bank 2021

Internal Rating	Risk Grading	Stage 1	Stage 2	Stage 3		Total
		12-mth ECL	Lifetime ECL	Lifetime ECL	Lifetime ECL	
		Collectively assessed			Individually assessed	
Amounts in millions of dollars						
Lower risk	1-10	73,281	505	-	-	73,786
Medium risk	11-17	17,046	1,003	-	-	18,049
High risk	18-19	-	338	-	-	338
Non-performing	20	-	-	1,281	75	1,356
Not rated		-	-	-	-	-
Total		90,327	1,846	1,281	75	93,529

Bank 2020

Internal Rating	Risk Grading	Stage 1	Stage 2	Stage 3		Total
		12-mth ECL	Lifetime ECL	Lifetime ECL	Lifetime ECL	
		Collectively assessed			Individually assessed	
Amounts in millions of dollars						
Lower risk	1-10	67,410	215	-	-	67,625
Medium risk	11-17	17,219	2,304	-	-	19,523
High risk	18-19	-	464	-	-	464
Non-performing	20	-	-	1,200	27	1,227
Not rated		-	-	-	-	-
Total		84,629	2,983	1,200	27	88,839

Impaired loans – Accounting Policy

The Group continually measures its portfolio in terms of payment arrears. The impairment levels on the business and wholesale loans are monitored on an individual basis. The impairment levels on the retail portfolios are monitored each month on a portfolio basis to determine if there are any significant changes in the level of arrears. An obligation is considered 'past-due' if a payment of interest or principal is more than one day late. Letters will be sent to the obligor reminding the obligor of its (past due) payment obligations. Once the account is in arrears, the obligation is transferred to the collections business unit. In order to reduce the number of arrears, the Group requires obligors to set up automatic debits from their accounts to ensure timely payments.

The facilities in respect of which there is doubt on the full collection of principal and interest based on an assessment of the customer's outlook, cash flow, and the net realisation of value of assets to which recourse is held are classified as Impaired including those that are formally restructured.



16. Risk management (continued)

Ageing analysis (past due but not impaired)

Consolidated and Bank		2021		2020	
Amounts in millions of dollars and percentages		Millions	%	Millions	%
Less than 1 payment past due		399	59.6%	563	61.3%
1 payment past due		111	16.6%	182	19.8%
2 or more payments past due		159	23.8%	174	18.9%
Total		669	100.0%	919	100.0%

Impaired loans by economic sector

Consolidated and Bank		2021		2020	
Amounts in millions of dollars and in percentages		Millions	%	Millions	%
Construction & commercial real estate		28	2.6%	12	1.2%
Corporate		75	6.9%	25	2.5%
Retail		990	90.5%	952	96.3%
Total		1,093	100.0%	989	100.0%

Risk concentration: Group portfolio (by economic sector)

Amounts in millions of dollars and in percentages	Consolidated				Bank			
	2021	%	2020	%	2021	%	2020	%
Construction & commercial real estate	5,982	7.7%	6,209	8.5%	5,982	6.4%	6,209	7.0%
Corporate	5,555	7.2%	4,859	6.7%	5,555	5.9%	4,859	5.5%
Financial institutions	3,072	4.0%	2,247	3.1%	19,016	20.3%	18,184	20.5%
Retail	55,628	71.6%	54,146	74.2%	55,628	59.5%	54,146	60.9%
Public administration	7,348	9.5%	5,441	7.5%	7,348	7.9%	5,441	6.1%
Total	77,585	100.0%	72,902	100.0%	93,529	100.0%	88,839	100.0%



16. Risk management (continued)

16.2 Market risk

Market risk is defined as unexpected adverse movements in income or value due to changes in market conditions. For the Group, this covers interest rate risk and foreign exchange risk.

The Group operates a banking book with the underlying assumption that positions are intended to be held for the long term (or until maturity) or for the purpose of hedging other banking book positions.

Interest rate risk in the banking book

Broadly defined, interest rate risk is the risk of, or potential for, a change in income or economic value of the Group as a result of movements in market interest rates. The term 'interest rate risk' can be classified into four main categories:

- **Repricing risk** - the risk of loss in earnings or economic value caused by a change in the overall level of interest rates. This risk arises from mismatches in the repricing dates of banking book assets and liabilities. The repricing date of an asset, liability or other banking book item is the date on which the principal of that item is repaid (in whole or part) to, or by the Bank or on which the interest rate on that principal is reset, if earlier.
- **Yield curve risk** - the risk of loss in earnings or economic value caused by a change in the relative levels of interest rates for different tenors (that is, a change in the slope or shape of the yield curve). Yield curve risk also arises from repricing mismatches between assets and liabilities, so, for most purposes these are grouped together.
- **Basis risk** - the risk of loss in earnings or economic value of the banking book arising from imperfect correlation in the adjustment of the interest rates earned and paid on different instruments with otherwise similar repricing characteristics.
- **Optionality risk** - the risk of loss in earnings or economic value due to the existence of stand-alone or embedded options to the extent that the potential for those losses is not included in the measurement of repricing, yield curve or basis risks. An option provides the holder the right but not the obligation to buy, sell or in some manner alter the cash flow of an instrument or financial contract. In the case of options embedded in customer products, losses from optionality risk will arise from customers exercising choices that cause the actual repricing dates to deviate from those specified by the repricing assumptions.



16. Risk management (continued)

Managing and monitoring interest rate risk

The Group measures its sensitivity to the above types of interest rate risk, and supplements this with regular stress testing of the underlying variables, triggers and early warning indicators are in place to ensure that potential limit breaches are identified and acted upon early. Risk mitigation is also further explained in Note 9 in relation to hedging using derivatives to mitigate exposure to interest rate and foreign exchange risk.

The type and level of mismatch interest rate risk of the Group is managed and monitored from two perspectives, Historical Value-at-Risk ("HVaR") and Earnings at Risk ("EaR").

- HVaR is a measure of potential profit or loss to the Group resulting from changes in interest rates. The process of calculating HVaR involves simulating the potential profit or loss in different interest rate environments based on 10 years historical movements in the market.
- EaR estimates the amount of change in future earnings of the Group that may result from a change in market interest rates. This measure is to ensure that the amount of potential diminution of future earnings resulting from changes in market rates is within the risk appetite determined by the Board. The EaR perspective considers how changes in interest rates will affect the Group's reported earnings due to the current and forecast mismatch interest rate positions. The Group undertakes a number of scenarios to measure the potential change in earnings.

Interest rate risk analysis		
Amounts in millions of dollars	2021	2020
HVaR		
Limit \leq \$350	(183)	(107)
EaR		
- 200bps Shock (Year 1)	(46)	(42)
+ 200bps Shock (Year 1)	44	32
Limit \leq \$87		

Impact of IBOR

Due to the Group using BBSW as the interest rate benchmark for financial products and contracts the proposed IBOR transition will have minimal impact.

Foreign exchange risk

Foreign exchange risk is the risk of loss due to adverse movements in exchange rates. Group policy requires that all currency risks are fully hedged, leaving little residual FX risk.



16. Risk management (continued)

16.3 Liquidity and funding risk

Liquidity risk is the risk that the Group cannot meet its financial liabilities as and when they become due, at reasonable cost and in a timely manner. Treasury is responsible for ensuring that the Group has continuous access to funds in accordance with policies established and monitored by the Board, Risk Committee and ALCO. The primary objective is to maintain sufficient liquidity in order to ensure safe and sound operations.

The key objectives of the Group's liquidity management policy are to measure, monitor and report expected liquidity flows and maintain a level of liquidity in excess of regulatory and internal defined limits and also to provide early warning signals of potential adverse developments, so that preventative actions may be taken before any liquidity strain is experienced.

The Group's liquidity policy has been developed in accordance with the liquidity management policies of ING Groep N.V. and APRA prudential standards. APRA Prudential Standard APS 210 Liquidity includes the liquidity coverage ratio ("LCR") that measures the Bank's ability to sustain a 30-day pre-defined liquidity stress scenario. The current internal policy requires the Group to maintain a buffer of marketable liquid assets throughout the year. The level of cash and debt securities was \$9,782 million at 31 December 2021 (2020: \$6,838 million). The average LCR for the quarter ended 31 December 2021 was 171.0% (2020: 155%), above the regulatory minimum of 100%.

The net stable funding ratio ("NSFR") establishes a minimum stable funding requirement based on the liquidity profile of the Bank's assets and off balance sheet activity over a one year horizon. The Group's NSFR was 131.8% as at 31 December 2021 (2020: 130%), above the regulatory minimum of 100%.

Part of the Group's liquidity strategy is to have adequate and up to date contingency funding plans and early warning liquidity triggers in place. The contingency funding plans were established to address temporary and long term liquidity disruptions caused by a general event in the market or a Group specific event. These plans ensure that all roles and responsibilities are clearly defined and all necessary management information is in place. The main objective of the Group's contingency funding plan and early warning liquidity triggers is to enable senior management to act effectively and efficiently in times of crisis. The contingency funding plan is regularly tested using crisis simulation, the most recent simulation having been carried out in June 2021.

The Group's funding sources include an appropriately diverse mix of residential deposits and wholesale funding. At 31 December 2021, approximately 66% of the Group's funding was provided

RBA Term Funding Facility

During 2021, the Bank continued to use the RBA term funding facility ("TFF"). The TFF is a three-year secured funding facility to ADIs which APRA allowed the undrawn amounts under this facility to be included in the LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio) calculation. However the TFF closed to new drawings on 30 June 2021 and these allowances are therefore zero from that date for inclusion in determining the LCR and NSFR.

As at 31 December 2021, the Group had fully drawn all allocations from the TFF totaling \$5.4bn (\$3.0bn matures in 2023 and \$2.4bn matures in 2024). The facility closed in June 2021 and no further drawings were allowed after this date.



16. Risk management (continued)

Maturity analysis of financial liabilities

Amounts shown below in the tables are based on contractual undiscounted cash flows for the remaining contractual maturities.

Consolidated 2021

Amounts in millions of dollars	Carrying amount	At call	Not later than 1 month	later than 1 month and not later than 3 months	later than 3 months and not later than 1 year	later than 1 year and not later than 5 years	Greater than 5 years	Total contractual cashflows
Financial liabilities								
Deposits and other borrowings	67,100	43,732	1,057	2,494	6,347	13,076	1,004	67,710
Derivative liabilities	352	-	-	6	26	244	75	351
Creditors and other liabilities	433	-	363	43	26	-	-	432
Lease liabilities	83	-	1	3	10	58	16	88
Debt issues	3,861	-	4	102	1,397	2,516	-	4,019
Total	71,829	43,732	1,425	2,648	7,806	15,894	1,095	72,600
Undrawn loan commitments ¹	10,311	-	9,279	1,032	-	-	-	10,311
Bank accepted guarantees and letters of credit ²	568	568	-	-	-	-	-	568
Total	82,708	44,300	10,704	3,680	7,806	15,894	1,095	83,479

Bank 2021

Amounts in millions of dollars	Carrying amount	At call	Not later than 1 month	later than 1 month and not later than 3 months	later than 3 months and not later than 1 year	later than 1 year and not later than 5 years	Greater than 5 years	Total contractual cashflows
Financial liabilities								
Deposits and other borrowings	67,459	44,091	1,057	2,494	6,347	13,076	1,004	68,069
Derivative liabilities	352	-	-	6	26	244	75	351
Creditors and other liabilities	434	-	363	43	26	-	-	432
Lease liabilities	83	-	1	3	10	58	16	88
Debt issues	2,435	-	3	6	26	2,487	-	2,522
Amounts due to controlled entities	17,010	17,010	-	-	-	-	-	17,010
Total	87,773	61,101	1,424	2,552	6,435	15,865	1,095	88,472
Undrawn loan commitments ¹	10,311	-	9,279	1,032	-	-	-	10,311
Bank accepted guarantees and letters of credit ²	568	568	-	-	-	-	-	568
Total	98,652	61,669	10,703	3,584	6,435	15,865	1,095	99,351

¹ 'Undrawn loan commitments' include all obligations on the part of the Group to provide credit facilities including undrawn amounts eligible for redraw and unconditionally approved loans.

² 'Bank accepted guarantees and letters of credit' represent conditional undertakings by the Group to support the obligations of its customers to third parties.



16. Risk management (continued)

Consolidated 2020

Amounts in millions of dollars	Carrying amount	At call	Not later than 1 month	later than 1 month and not later than 3 months	later than 3 months and not later than 1 year	later than 1 year and not later than 5 years	Greater than 5 years	Total contractual cashflows
Financial liabilities								
Deposits and other borrowings	62,815	39,399	2,383	3,885	7,322	9,433	665	63,087
Derivative liabilities	612	-	-	2	41	292	277	612
Creditors and other liabilities	226	-	197	2	25	2	-	226
Lease liabilities	76	-	1	2	9	49	19	80
Debt issues	3,987	-	165	275	635	3,036	-	4,111
Total	67,716	39,399	2,746	4,166	8,032	12,812	961	68,116
Undrawn loan commitments ¹	9,313	-	8,446	867	-	-	-	9,313
Bank accepted guarantees and letters of credit ²	556	556	-	-	-	-	-	556
Total	77,585	39,955	11,192	5,033	8,032	12,812	961	77,985

Bank 2020

Amounts in millions of dollars	Carrying amount	At call	Not later than 1 month	later than 1 month and not later than 3 months	later than 3 months and not later than 1 year	later than 1 year and not later than 5 years	Greater than 5 years	Total contractual cashflows
Financial liabilities								
Deposits and other borrowings	63,101	39,686	2,383	3,885	7,322	9,433	665	63,374
Derivative liabilities	612	-	-	2	41	292	277	612
Creditors and other liabilities	226	-	197	2	25	2	-	226
Lease liabilities	76	-	1	2	9	49	19	80
Debt issues	1,874	-	3	405	23	1,534	-	1,965
Amounts due to controlled entities	17,764	17,764	-	-	-	-	-	17,764
Total	83,653	57,450	2,584	4,296	7,420	11,310	961	84,021
Undrawn loan commitments ¹	9,313	-	8,446	867	-	-	-	9,313
Bank accepted guarantees and letters of credit ²	556	556	-	-	-	-	-	556
Total	93,522	58,006	11,030	5,163	7,420	11,310	961	93,890

¹ 'Undrawn loan commitments' include all obligations on the part of the Group to provide credit facilities including undrawn amounts eligible for redraw and unconditionally approved loans.

² 'Bank accepted guarantees and letters of credit' represent conditional undertakings by the Group to support the obligations of its customers to third parties.

16.4 Non financial risk

As an ADI, the Group is subject to non-financial risks which are not directly capitalised on the prudential standards. Examples are business risk, compliance risk, conduct risk, reputation risk, and risk arising from work place, health, and safety. Such risks are managed under the 'Non-Financial Risk Governance' and have dedicated training and culture programs tailored to appropriate (risk) behaviour throughout the company. The implementation of the banking executive accountability regime ensures that the preventive and remedial behaviours directed by the (executive) risk owners are associated with the day-to-day working of the business. Long term thinking and behaviour is rewarded via the remuneration structure.



17. Capital management

The Group's capital management strategy aims to ensure adequate capital levels to protect deposit holders and to maximise shareholder returns. The Group's capital is measured and managed in line with Prudential Standards and minimum regulatory capital requirements for banks established by APRA which are consistent with capital requirements legislation. APRA has set minimum ratios that compare the regulatory capital with risk weighted on and off-balance sheet assets for credit, operational and market risks as well as mandating a charge for other risks that may or may not be easily measured. The Group has been in compliance with the capital requirements imposed by APRA throughout the year.

The Group chooses to hold capital in addition to prudential minimum levels by maintaining management buffers that are sufficient to absorb potential losses under stress scenarios of certain severities, and are forward-looking in the sense that they take into account future regulation changes including increased minimum capital requirements. The Internal Capital Adequacy Assessment Process ("ICAAP") supports the Group's Capital Management Policy which defines the framework for defining, measuring, management, monitoring and governance of the Group's capital position.

Capital planning is a dynamic process which involves various teams and covers internal capital target ratios, potential capital transactions as well as projected dividend pay-outs. The integral parts of capital planning comprise business operating plans, stress-testing, ICAAP along with considerations of regulatory capital requirements, accounting changes, taxation rules and expectations of rating agencies.

The management buffers and capital plan are established on an annual basis and adjusted when significant events require so. The capital plan is aligned with management actions included in the 3 year business plans, which includes forecast growth in assets and earnings taking into account the Group's business strategies, projected market and economic environment, upcoming regulation changes and peer positioning. All the components of the capital plan are monitored throughout the year and are revised as appropriate.

The Board has set internal targets and risk appetite limits on top of the prudential requirements to manage the capital ratio. The calibration of the targets and risk appetite limits includes consideration of upholding regulatory requirements and commitments in times of stress.

Credit risk capital

In accordance with APRA's methodology, measuring credit risk requires one of a number of risk weights to be applied to each asset on the Balance Sheet and to off-Balance Sheet obligations. The risk weights are applied based on APRA's Internal Ratings-Based Approach for the Residential Mortgage book, Foundation IRB for Treasury and Corporate Lending, Supervisory slotting for the Real Estate related wholesale and business lending portfolios and the project finance activities, while Credit Cards, Priority Commercial Mortgages, Personal Loans and niche portfolios in Wholesale Banking, apply the Standardised Approach. The Supervisory Formula Approach is applied to the relevant securitisation exposures.

Operational risk capital

Risk weighted assets for operational risk are calculated under the Standardised Approach based on the semi-annual changes in the Balance Sheet and Income Statement as well as potentially requiring the Group to hold additional capital for other risks it may deem significant.

Market risk

Under the Advanced Accreditation from APRA, risk weighted assets for Market Risk are calculated using a set of approved models (Embedded Mark-to-Market loss or gain, Optionality & Historical Value-at-Risk) to quantify the potential risks associated with the interest rate risk in the banking book.

Based on this modelled output the Group holds sufficient capital to cover interest rate risk in the banking book. The Group measures this risk by ascribing a portion of the capital adequacy limit to cover the calculated change in economic value from adverse movements in interest rates. The Group has implemented buffer and trigger limit structures to ensure that sufficient capital is maintained to meet unexpected changes in the risk profile of the Group resulting from short term movements in market interest rates.



17. Capital management (continued)

Capital Adequacy	Consolidated	
Amounts in millions of dollars	2021	2020
Qualifying capital		
Tier 1		
Total equity	5,825	5,155
Reserve adjustments	(90)	(77)
Regulatory adjustments	(413)	(294)
Common Equity Tier 1	5,322	4,784
Additional Tier 1 Capital	-	-
Total Tier 1 qualifying capital	5,322	4,784
Tier 2		
Tier 2 subordinated debt	75	75
General reserve for credit losses		
Standardised approach ¹	27	33
Total Tier 2 qualifying capital	102	108
Total regulatory capital	5,424	4,892
Total risk adjusted assets and off-balance sheet exposures	35,126	32,685
Capital adequacy ratio	15.4%	15.0%

¹ Represents the total general reserve for credit losses recognised for those portfolios under the Basel III Standardised approach.

² There were no surplus provisions on non-defaulted exposures for those portfolios under the Basel III Internal ratings-based approach.

Dividends - Accounting policy

A provision is made for the amount of any dividend declared being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

Dividend provided for or paid		
Amounts in millions of dollars	2021	2020
Consolidated and Bank		
Fully franked dividend declared for 2021: nil (2020: \$100m)	-	100



18. Fair value of financial instruments

The financial assets and liabilities listed below are recognised and measured at fair value and therefore the carrying value equates to their fair value:

Financial instrument	Fair value techniques	Assumptions
Financial assets at FVOCI	Financial assets at FVOCI are initially recognised at fair value plus any directly attributable transaction costs. Any changes in fair value are recognised in other comprehensive income up until sale. Interest income received on these assets is recorded in net interest income with any realised gains and losses on sale recognised in non-interest income.	Fair values of quoted investments in active markets are based on current bid prices.
Derivative assets and liabilities	Derivative assets and liabilities are initially recognised at fair value. Any changes in fair value are recorded in non-interest income with interest income and expense associated with the derivative recognised in net interest income.	The fair value of swaps is calculated by utilising discounted cash flow models, based on the estimated future cash flows.

The following table lists the financial assets and liabilities which are not measured at fair value:

Financial asset/liability	Fair value techniques	Assumptions
Cash and cash equivalents	The carrying amount is an approximation of fair value.	Short term in nature or are receivable on demand.
Due from other financial institutions	The carrying amount is an approximation of fair value.	Short term in nature and of high credit rating.
Securities at amortised cost	The fair value is taken from quoted market prices.	Fair values of quoted investments in active markets are based on current bid prices.
Receivables and other assets	The carrying amount of accrued interest receivable is an approximation of fair value.	Short term in nature.
Loans and advances	For variable loans at call the carrying amount is an approximation of fair value. For variable and fixed rate term loans, the fair value is calculated by utilising discounted cash flow models based on the contractual term of the loans.	Short term in nature. For variable and fixed rate term rate loans the discount rate applied reflects the market rate for the maturity of the loan.
Amounts due from controlled entities	The carrying amount is an approximation of fair value.	Short term in nature.
Deposits	The carrying amount is an approximation of fair value. For term deposits, the fair value is calculated by utilising discounted cash flow models, based on the maturity of the deposits.	Short term in nature or are payable on demand. For term deposits the discount rate applied is the current rate offered for deposits of similar remaining maturities.
Debt issues	The fair value is calculated by utilising discounted cash flow models, based on the estimated future cash flows.	The discount rate applied is based on quoted market prices where available for the instrument and the term of the issue.
Creditors and other liabilities	The carrying amount is an approximation of fair value.	Short term in nature.
Amounts due to controlled entities	The carrying amount is an approximation of fair value.	Arises from imputed loan approach and represents the obligation to repay the Trusts on the equitable assignment of loans.



18. Fair value of financial instruments (continued)

Fair value hierarchy

The Group measures fair values using the fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

Level 1 – Reference to quoted unadjusted market prices in active markets for identical instruments.

Level 2 – Inputs other than quoted prices that are observable either directly or indirectly.

Level 3 – Inputs that are unobservable (no observable market data).

The following table presents the fair values of the Group's financial assets and liabilities which are measured at fair value or for which the fair value is disclosed.

31 December 2021					
Amounts in millions of dollars	Carrying value total	Fair value total	Fair value hierarchy		
			Level 1	Level 2	Level 3
Consolidated					
Assets measured at fair value:					
Financial assets at FVOCI	3,830	3,830	2,580	1,250	-
Derivative assets	153	153	-	153	-
Liabilities measured at fair value:					
Derivative liabilities	352	352	-	352	-
Assets for which fair values are disclosed:					
Securities at amortised cost	1,982	2,005	2,005	-	-
Loans and advances - Variable ¹	44,102	44,102	-	-	-
Loans and advances - Fixed	22,937	22,813	-	-	22,813
Liabilities for which fair values are disclosed:					
Deposits and other borrowings - call ¹	43,755	43,755	-	-	-
Deposits and other borrowings - term	23,345	23,363	-	6,245	17,118
Debt issues - Variable ¹	2,636	2,628	-	2,628	-
Debt issues - Fixed	1,225	1,249	-	1,249	-
Bank					
Assets measured at fair value:					
Financial assets at FVOCI	3,830	3,830	2,580	1,250	-
Derivative assets	153	153	-	153	-
Liabilities measured at fair value:					
Derivative liabilities	352	352	-	352	-
Assets for which fair values are disclosed:					
Securities at amortised cost	1,982	2,005	2,005	-	-
Loans and advances - Variable ¹	44,102	44,102	-	-	-
Loans and advances - Fixed	22,937	22,813	-	-	22,813
Liabilities for which fair values are disclosed:					
Deposits and other borrowings - call ¹	44,114	44,114	-	-	-
Deposits and other borrowings - term	23,345	23,363	-	6,245	17,118
Debt issues - Variable	1,210	1,201	-	1,201	-
Debt issues - Fixed	1,225	1,249	-	1,249	-

¹ The carrying amount of call financial assets and liabilities are an approximation of fair value.



18. Fair value of financial instruments (continued)

31 December 2020

Amounts in millions of dollars	Carrying value total	Fair value total	Fair value hierarchy		
			Level 1	Level 2	Level 3
Consolidated					
Assets measured at fair value:					
Financial assets at FVOCI	3,529	3,529	2,979	550	-
Derivative assets	64	64	-	64	-
Liabilities measured at fair value:					
Derivative liabilities	612	612	-	612	-
Assets for which fair values are disclosed:					
Securities at amortised cost	1,554	1,633	1,633	-	-
Loans and advances - Variable ¹	41,406	41,406	-	-	-
Loans and advances - Fixed	23,601	23,788	-	-	23,788
Liabilities for which fair values are disclosed:					
Deposits and other borrowings - call ¹	39,458	39,458	-	-	-
Deposits and other borrowings - term	23,357	23,544	-	3,116	20,428
Debt issues - Variable ¹	2,887	2,852	-	2,852	-
Debt issues - Fixed	1,100	1,165	-	1,165	-
Bank					
Assets measured at fair value:					
Financial assets at FVOCI	3,529	3,529	2,979	550	-
Derivative assets	64	64	-	64	-
Liabilities measured at fair value:					
Derivative liabilities	612	612	-	612	-
Assets for which fair values are disclosed:					
Securities at amortised cost	1,554	1,633	1,633	-	-
Loans and advances - Variable ¹	41,406	41,406	-	-	-
Loans and advances - Fixed	23,601	23,788	-	-	23,788
Liabilities for which fair values are disclosed:					
Deposits and other borrowings - call ¹	39,744	39,744	-	-	-
Deposits and other borrowings - term	23,357	23,544	-	3,116	20,428
Debt issues - Variable	775	734	-	734	-
Debt issues - Fixed	1,100	1,165	-	1,165	-

¹ The carrying amount of call financial assets and liabilities are an approximation of fair value.

Transfers between Level 1 and Level 2

There have been no transfers during the 2021 year (2020: nil).



19. Provisions

Provisions	Consolidated		Bank	
Amounts in millions of dollars	2021	2020	2021	2020
Annual leave	14	12	14	12
Long service leave	10	10	10	10
Other provisions	-	2	-	2
Provision for dividend	-	100	-	100
Total provisions	24	124	24	124
Provisions expected to be paid in the next 12 months	15	115	15	115

Movement in provisions	Consolidated		Bank	
Amounts in millions of dollars	2021	2020	2021	2020
Carrying amount at beginning of the year	124	17	124	17
Additional provision recognised	10	111	10	111
Amounts utilised during the year	(110)	(4)	(110)	(4)
Carrying amount at end of year	24	124	24	124

Provisions – Accounting policy

A provision is recognised on the Balance Sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and is reliably measured. Provisions are measured by discounting the expected future pre-tax cash flows reflecting time value of money and risks specific to the obligation.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

The provision for long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date. The provision is measured using expected future increases in wage and salary rates including related on-costs and is probability weighted based on observed employee turnover and is discounted using the rates attached to high quality corporate bond rates at reporting date of a similar maturity.

20. Contributed equity

	Consolidated		Bank	
Amounts in millions of dollars	2021	2020	2021	2020
Issued and fully paid equity				
Ordinary voting shares	1,284	1,284	1,284	1,284
Ordinary non-voting shares	50	50	50	50
Total contributed equity	1,334	1,334	1,334	1,334

	Consolidated		Bank	
Amounts in millions of dollars	2021	2020	2021	2020
Issued capital	# of Shares	# of Shares	# of Shares	# of Shares
Balance at beginning of financial year	1,334,000,004	1,334,000,004	1,334,000,004	1,334,000,004
Issue of shares	-	-	-	-
Balance at end of financial year	1,334,000,004	1,334,000,004	1,334,000,004	1,334,000,004

Contributed equity – Accounting policy

Issued and paid-up capital represents the consideration received by the Group. Incremental costs directly attributable to the issue of ordinary shares are recognised as a reduction from equity, net of tax.



21. Reserves

2021 Consolidated and Bank

Amounts in millions of dollars	General reserve for credit losses	Share based payments reserve	Cash flow hedge reserve	Fair Value reserve	Total
Opening balance	56	21	(86)	8	(1)
Revaluation movement for the year, net of tax	-	1	192	(43)	150
Transferred to Other Comprehensive Income Statement - net interest income	-	-	(114)	51	(63)
Tax on amounts transferred to Other Comprehensive Income Statement	-	-	34	-	34
Transfer (to)/from retained earnings	12	-	-	-	12
Closing balance	68	22	26	16	132

2020 Consolidated and Bank

Amounts in millions of dollars	General reserve for credit losses	Share based payments reserve	Cash flow hedge reserve	Fair Value reserve	Total
Opening balance	94	20	(105)	(9)	-
Revaluation movement for the year, net of tax	-	1	105	(18)	88
Transferred to Other Comprehensive Income Statement - net interest income	-	-	(123)	35	(88)
Tax on amounts transferred to Other Comprehensive Income Statement	-	-	37	-	37
Transfer (to)/from retained earnings	(38)	-	-	-	(38)
Closing balance	56	21	(86)	8	(1)

Reserves – Accounting policy

General reserve for credit losses

The general reserve for credit losses ("GRCL") is an APRA requirement under prudential standard APS 220 *Credit Risk Management*, which represents life time expected losses. The Group has leveraged AASB 9 models for calculating GRCL.

Share based payments reserve

The share based payments reserve records attribution to equity from the employee share-based payment plan. The fair value of share-based payment transactions is expensed over the vesting period. The charge to the Income Statement is the fair value of the equity-settled transactions less the amounts already charged in previous periods. The fair value is recognised as an employee expense with a corresponding increase in equity.

Cash flow hedge reserve

The cash flow hedge reserve records the fair value revaluation of derivatives designated as cash flow hedging instruments. For a derivative designated as hedging a cash flow exposure arising from a recognised asset or liability, the gain or loss on the derivative associated with the effective portion of the hedge is initially recognised in equity in the cash flow hedge reserve and reclassified into the Income Statement when the associated hedged transaction affects profit or loss.

Fair value reserve

Gains and losses arising from subsequent changes in fair value of financial assets at FVOCI are recognised directly in the fair value reserve in equity until the asset is derecognised or impaired, at which time the cumulative gain or loss will be recognised in the Income Statement.



22. Share based payments

The following table illustrates the number and weighted average exercise prices ("WAEP") in Euro of, and movements in share options issued during the year.

Share options	2021		2020	
	Number	WAEP	Number	WAEP
Outstanding at the beginning of the year	-	€ 0.00	5,303	€ 7.35
Lapsed or forfeited during the year	-	€ 0.00	(3,145)	€ 7.35
Exercised during the year	-	€ 0.00	(1,079)	€ 7.35
Transferred during the year	-	€ 0.00	(1,079)	€ 7.35
Outstanding at the end of the year	-	€ 0.00	-	€ 0.00
Exercisable at the end of the year	-	€ 0.00	-	€ 0.00

The outstanding balances of share options as at 31 December 2021 are:

Year of grant	2021		2020	
	Number of options	Exercise price	Number of options	Exercise price
2010	-	€ 0.00	-	€ 0.00
Total	-	€ 0.00	-	€ 0.00

All options are granted in the ultimate parent entity, ING Groep N.V. and are exercisable 3 years from the issue date at the exercise price noted above.

The following table illustrates the number and weighted average grant prices ("WAGP") in Euro of, and movements in, performance units issued during the year.

Performance units	2021		2020	
	Number	WAEP	Number	WAEP
Outstanding at the beginning of the year	104,708	€ 7.76	121,548	€ 10.87
Forfeited during the year	(3,153)	€ 9.93	(8,431)	€ 10.46
Granted during the year	55,663	€ 9.77	101,574	€ 5.38
Performance effect	-	€ 0.00	-	€ 0.00
Vested during the year	(83,043)	€ 9.33	(109,227)	€ 8.79
Transferred during the year	(14,890)	€ 7.28	(756)	€ 10.50
Outstanding at the end of the year	59,285	€ 7.45	104,708	€ 7.76



22. Share based payments (continued)

The outstanding balances of performance units as at 31 December 2021 are:

Year of grant	2021		2020	
	Number of Performance Units	WAGP	Number of Performance Units	WAGP
2018	-	€ 0.00	22,418	€ 11.33
2019	12,275	€ 9.13	31,257	€ 9.32
2020	23,771	€ 4.84	51,033	€ 5.23
2021	23,239	€ 9.23	-	€ 0.00
Total	59,285	€ 7.45	104,708	€ 8.84

All performance units are granted in the ultimate parent entity, ING Groep N.V. and vest 3 years from the issue date at the exercise price noted above. The actual expense for share based payments for 2021 net of tax is \$1m (2020: \$1m).

The fair value of share awards granted is recognised as an expense under staff expenses and is allocated over the vesting period of the share awards. As of 2015, ING Group no longer has share awards containing a market based performance condition. Previously, the fair values of share awards containing a market based performance condition have been determined using a Monte Carlo simulation based valuation model. The model takes into account the risk free interest rate, the current stock prices, expected volatilities and current dividend yields of the performance peer group used to determine ING's Total Shareholder Return (TSR) ranking. As at 31-12-2021 total unrecognised compensation costs related to share awards amounted to EUR 158,762. These costs are expected to be recognised over a weighted average period of 1.6 years.

Share-based payment transactions – Accounting policy

The Group provides benefits to key personnel including key management personnel in the form of share-based payments (share options and performance units). The settlement amount is determined by reference to movements in the exercisable price of the shares of the ultimate parent company ING Groep N.V. and the price on the date the options are exercised. The cost is measured at the fair value of the equity instruments granted. The grant date is the date on which the Group and the employee agree to a share-based payment arrangement.

The measurement of share-based payment transactions granted is determined by ING Groep N.V. and is based on their fair value using a generally accepted valuation methodology. Share-based payments do not vest until the employee completes a specified period of service being 3 years from the date of grant (the vesting period). Vesting conditions, other than market conditions, are not taken into account when estimating the fair value of the equity-settled transactions.

The fair value of share-based payment transactions is expensed over the vesting period. The charge to the Income Statement is the fair value of the equity-settled transactions less the amounts already charged in previous periods. The fair value is recognised as an employee expense with a corresponding increase in equity. Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

Employee share option plan

Share options were granted to key personnel by the ultimate parent company ING Groep N.V. These options are exercisable 3 years from the issue date. All options must be exercised by no later than 10 years from the issue date.

Employee performance units plan

During the year key personnel were issued with performance units. These performance units vest after 3 years, provided that the employee remains in the Group's employment. The awarded shares will be multiplied by a certain factor that is dependent upon ING Groep N.V.'s total shareholder's return compared to a peer group of 19 other financial institutions.



23. Commitments and contingencies

Irrevocable commitments to extend credit include all obligations on the part of the Group to provide credit facilities including:

- undrawn amounts eligible for redraw and unconditionally approved loans not yet settled; and
- bank accepted guarantees and letters of credit representing unconditional undertakings by the Group to support the obligations of its customers to third parties.

Consolidated and Bank		
Amounts in millions of dollars	2021	2020
Commitments to extend credit		
- undrawn loan commitments	10,311	9,313
- bank accepted guarantees and letters of credit	568	556
Total commitments to extend credit	10,879	9,869

The Bank also provides liquidity facilities to its special purpose vehicles.

Bank	2021	2021	2020	2020
Amounts in millions of dollars	Unused	Available	Unused	Available
Liquidity facilities to related entities	335	335	329	329

Regulatory and customer exposures

In recent years there has been an increase in the number of matters on which the Group engages with its regulators. Industry wide, there have also been significant increases in the nature and scale of regulatory investigations, surveillance and reviews, civil and criminal enforcement actions (whether by court action or otherwise), formal and informal inquiries, regulatory supervisory activities and the quantum of fines issued by regulators, particularly against financial institutions both in Australia and globally. The Group has received various notices and requests for information from its regulators as part of both industry-wide and Group-specific reviews and has also made disclosures to its regulators at its own instigation. The nature of these interactions include a range of matters related to anti-money laundering and counter-terrorism financing obligations. There may be exposures to customers which are additional to any regulatory exposures. These could include class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with such reviews and possible exposures remain uncertain.



24. Related party disclosures

Key management personnel compensation

The key management personnel of the Group during the year were:

Specified Directors:

John Laker	Director (Non-Executive)
Aris Bogdaneris	Director (Non-Executive)
Nancy Fox	Director (Non-Executive)
Amanda Lacaze	Director (Non-Executive) (Until 31 May 2021)
Darryl Newton	Director (Non-Executive)
Lisa Gray	Director (Non-Executive)
Melanie Evans	Director (Executive)

Specified Executives:

Alan Lee	Chief Financial Officer
Patrick Roesink	Chief Risk Officer
Michael Witts	Treasurer
Adriana Sheedy ⁽¹⁾	Executive Director, Operations (until 30th July 2021)
Chris Dyer ⁽²⁾	Interim Executive Director, Operations (from 31th July 2021) and Interim Executive Director, KYC (from 31 December 2021)
Tim Newman ⁽²⁾	Executive Director, KYC (until 31 December 2021)
Linda Da Silva	Chief Information Officer
Glenn Gibson ⁽³⁾	Acting Head of Retail Banking (until 23rd August 2021)
Andras Hamori ⁽³⁾	Head of Retail Banking (from 24th August 2021)
Fiona Monfrooy ⁽⁴⁾	Executive Director, Human Resources (until 26th April 2021)
Nick Gotsis ⁽⁴⁾	Executive Director, Human Resources (from 27th April 2021)
Charles Ho ⁽⁵⁾	Head of Wholesale Banking (until 17th October 2021)
Grietje Rog-Stokkink ⁽⁵⁾	Interim Head of Wholesale Banking (from 18th October 2021)

⁽¹⁾ Adriana Seedy was executive director, operations until 30th July 2021. Chris Dyer was appointed interim executive director, operations from 31th July 2021.

⁽²⁾ Tim Newman was executive director, KYC until 31 December 2021. Chris Dyer was appointed interim executive director, KYC from 31 December 2021.

⁽³⁾ Glenn Gibson was acting head of retail banking until 23rd August 2021. Andras Hamori was appointed head of retail banking from 24th August 2021.

⁽⁴⁾ Fiona Monfrooy was executive director, human resources until 26th April 2021. Nick Gotsis was appointed executive director, human resources from 27th April 2021.

⁽⁵⁾ Charles Ho was head of wholesale banking until 17th October 2021. Grietje Rog-Stokkink was appointed interim head of wholesale banking from 18th October 2021.

The compensation paid or payable to key management personnel of the Group for the year:

Amounts in thousands of dollars	2021	2020
Short-term employee benefits	5,815	6,273
Other short-term employee benefits	588	1,166
Other long-term benefits	382	895
Share-based payments	470	1,144
Total compensation	7,255	9,478

Transactions entered into by key management personnel during the financial year related to personal banking, superannuation, insurance and deposit transactions. These transactions were on normal commercial terms and conditions and in the ordinary course of business.



24. Related party disclosures (continued)

Transactions with entities in the wholly owned group

Aggregate amounts receivable comprise term loans, at-call loans, accrued interest and inter-company balances. Aggregate amounts payable comprise mainly deposits but also comprise subordinated debt, certificates of deposit, accrued interest and inter-company balances. Interest received and charged was on normal commercial terms throughout the year. No security or guarantee has been provided and no bad and doubtful debt provisions were raised during the year.

Other intragroup transactions, which are on commercial terms, include the provision of management and administration services, fees for expenses incurred for services rendered on behalf of entities in the wholly owned ING Groep N.V., ING Bank N.V. (Sydney Branch)'s facilitation of back-to-back interest rate derivatives between the Bank and the Trusts and Wholesale Banking deals entered in conjunction with other ING related entities.

Consolidated				
Amounts in millions of dollars	2021 ¹	For the period ²	2020 ¹	For the period ²
Aggregate amounts receivable from related parties in the wholly owned group	1,021	-	491	5
Aggregate amounts payable to the ultimate controlling entity	(76)	(43)	(175)	(44)
Aggregate amounts payable to related parties in the wholly owned group	(12,669)	(74)	(11,284)	(124)
Total	(11,724)	(117)	(10,968)	(163)

Transactions with controlled entities

Bank				
Amounts in millions of dollars	2021 ¹	For the period ²	2020 ¹	For the period ²
Aggregate amounts receivable from controlled entities	16,149	468	16,213	453
Aggregate amounts due to controlled entities	(17,010)	(540)	(17,764)	(543)
Total	(861)	(72)	(1,551)	(90)

¹ Positions as at the respective reporting date

² Transactions during the year

25. Auditor's remuneration

	Consolidated		Bank	
Amounts in thousands of dollars	2021	2020	2021	2020
Audit and review services				
Auditors of the Group - KPMG Australia				
Audit of financial statements - Group	399	399	-	-
Audit of financial statements - Parent	-	-	399	399
Audit of financial statements - controlled entities	127	126	-	-
Review of interim financial information	92	91	92	91
Total audit and review services	618	616	491	490
Audit and review services				
Auditors of the Group - KPMG Australia				
Regulatory assurance services	219	212	219	212
Total assurance services	219	212	219	212
Other Services				
Auditors of the Group - KPMG Australia				
Agreed upon procedures	151	172	50	70
Total other services	151	172	50	70
Total	988	1,000	760	772

Auditor's remuneration amounts stated above are exclusive of GST.



26. Subsequent events

On 15 March 2022, the directors of the Group declared a dividend on ordinary shares. The total amount of the dividend of \$475 million (2020: \$100 million) to ING Bank N.V., the immediate parent, represents a fully-franked dividend of 35.6 cents per share (2020: 7.5 cents per share).

There remains significant uncertainty regarding how the COVID-19 pandemic will evolve. In accordance with AASB 110 Events after the Reporting Period, the Group considered whether events after the reporting period confirmed conditions existing before the reporting date. The Group did not identify any subsequent events relating to the COVID-19 pandemic which would require adjustment to the amounts or disclosures in the financial statements.

The flood events occurring in February and March 2022 in Queensland and New South Wales, resulted in some customers being impacted and property exposures damaged. The Group continues to provide ongoing support to our customers in those affected areas. Given the situation continues to unfold, the Group is unable to estimate the financial impact of the event at this time however does not expect the amount to be material.

Other than the matters mentioned above, no subsequent events or transactions have occurred since the year ended 31 December 2021 or are pending that would have a material effect on the Financial Statements.

27. Other accounting policies and accounting standard developments

The following Australian Accounting Standards have been issued but are not yet effective, they are available for early adoption but have not been adopted by the Group for the annual reporting period ending 31 December 2021:

AASB has also issued AASB 17 'Insurance Contracts' expected to be effective in 2022 however it is not expected to be applicable for the Group. The original effective date of AASB 17 as proposed in the Standard was 1 January 2021, however in June 2019 the AASB has published an Exposure Draft 'Amendments to AASB 17' in which a 1 January 2022 effective date is proposed.

Consolidation

Subsidiaries

The consolidated Financial Statements comprise the Financial Statements of the Bank and its controlled entities. Control exists when the Bank has the power over the investee, being the ability to direct the relevant activities, exposure or rights to variable returns and ability to use its power over the investee to affect those returns.

The Financial Statements of the controlled entities are included in the consolidated financial report from the date that control commences until the date that control ceases. In the Bank's Financial Statements, investments in controlled entities are carried at cost.

Securitisation

The Bank conducts a loan securitisation program whereby the equitable rights to selected mortgage loans are packaged and sold as securities issued by the special purpose trusts.

The investors in the securities issued by the Trusts have full recourse to the assets transferred to the Trusts. The Bank receives the residual income distributed by the Trusts after all payments due to investors and associated costs of the program have been met. In addition to this, the Bank retains the junior notes issued by the Trusts and interest rate risk from the Trusts is transferred back to the Bank by way of interest rate swaps. Hence, the Bank is considered to retain the risks and rewards of these cash flows. Accordingly, the original sale of the mortgages from the Bank to the Trusts does not meet the derecognition criteria set out in AASB 9.

The Bank continues to reflect the securitised loans in their entirety due to retaining substantially all the risks and rewards associated with the loans. The obligation to repay this amount to the Trusts is recognised as a financial liability of the Bank and included within amounts due to controlled entities. In addition, the Bank discloses securitisation income, which represents income received from the Trusts which includes the residual spread income, trust manager fees, servicer fees and liquidity facility fees. All transactions between the Bank and the Trusts are eliminated on consolidation.

Covered Bonds

The Covered Bonds programme raises and diversifies funding for the Bank in its primary markets. Net loans and advances include residential mortgages assigned to a bankruptcy remote Trust established for the covered bonds program. The mortgages provide security for the obligations payable on the issued covered bonds.

The covered bond holders have dual recourse to the Bank as the issuer and the cover pool of assets. The issuer cannot otherwise pledge or dispose of the transferred assets, however, subject to legal arrangements it may repurchase and substitute assets as long as the required cover is maintained.



The Bank is required to maintain the cover pool at a level sufficient to cover the bond obligations. In addition the Bank is entitled to any residual income of the Covered Bond Trust and enters into derivatives with the Trust. The Bank retains the majority of the risks and rewards of the residential mortgages and continues to recognise the mortgages as financial assets. The obligation to pay this amount to the Trust is recognised as a financial liability of the Bank.

The Bank is exposed to variable returns from its involvement with the Covered Bond Trust and has the ability to affect those returns through its power over the Trust's activities. The Trust is therefore consolidated by the Group. The covered bonds issued externally are included within debt issues.

27. Other accounting policies and accounting standard developments (continued)

Structured entities

The Group's activities involve transactions with various structured entities in the normal course of its business. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. The Group establishes whether these involvements result in no significant influence, significant influence, joint control or control over the structured entity.

The structured entities over which the Group can exercise control are consolidated. The Group may provide support to these consolidated structured entities as and when appropriate, however this is fully reflected in the consolidated Financial Statements of the Group as all assets and liabilities of these entities are included and off-balance sheet commitments are disclosed. All structured entities are consolidated.

As not substantially all risks and rewards of the assets are transferred to the third party investors of the Trusts, the Group continues to recognise these assets in the Bank's stand-alone Financial Statements.

Assets used in securitisation and covered bonds programmes

Amounts in millions of dollars	2021	2020
Residential mortgages	17,012	17,767
Total	17,012	17,767

Facilities used in securitisation programmes

Amounts in millions of dollars	2021	2020
Liquidity facilities	335	329
Total	335	329

Foreign currencies

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates at reporting date.

Foreign currency swaps are valued at fair value using the appropriate market rates at balance date. Unrealised profits and losses arising from these revaluations are recognised in 'net non-interest income' in the Income Statement.

Recoverable amount of assets

At each reporting date the Group assesses whether there is any indication that an asset may be impaired. Where an indication of impairment exists, the Group makes a formal estimate of recoverable amount (higher of value in use or fair value less cost to sell). Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.



27. Other accounting policies and accounting standard developments (continued)

Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. They are recognised only if it is probable that the asset will generate future benefits for the Group. They are recognised at cost and amortised on a straight line basis over the estimated useful life of the assets. Those assets with an indefinite useful life are tested for impairment annually. All intangible assets must be tested for impairment when there is an indication that its carrying amount may be greater than its recoverable amount.

Goods and services tax

Income, expenses and assets are recognised net of the amount of Goods and Services Tax ("GST") except:

- (i) when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- (ii) receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Creditors and other liabilities

Liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Recognised initially at their fair value and subsequently measured at amortised cost, using a methodology that is in line with the effective interest rate method.

Lease liabilities

The Group adopted AASB 16 on 1 January 2019. The standard requires that a lease liability is recorded on the Balance Sheet at the inception of a lease contract. The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method.

Operating expenses

Operating expenses are recognised as the relevant service is rendered or once a liability is incurred. Staff expenses are recognised over the period the employee renders the service to receive the benefit. Information technology expenses are recognised as incurred unless they qualify for capitalisation if the asset generates probable future economic benefits.

Reclassification of comparatives

Certain comparative figures have been reclassified to conform to the current year's presentation and enhance readability.



Directors' declaration

In accordance with a resolution of the Directors of ING Bank (Australia) Limited (the Bank), we state that:

In the opinion of the Directors:

- a) The Financial Statements and notes of the Bank and its controlled entities (the Group) are in accordance with the Corporations Act 2001, including;
 - i) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the year ended on that date; and
 - ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b) The Financial Statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and
- c) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Dr John Laker
Chairman

Melanie Evans
Director

Sydney
15 March 2022





Independent Auditor's Report

To the shareholders of ING Bank (Australia) Limited

Opinions

We have audited the consolidated **Financial Report** of ING Bank (Australia) Limited (the Group Financial Report).

We have also audited the **Financial Report** of ING Bank Australia Limited (the Company Financial Report).

In our opinion, each of the accompanying Group Financial Report and Company Financial Report is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group** and of the **Company's** financial position as at 31 December 2021 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The respective **Financial Reports** of the Group and the Company comprise:

- Balance Sheets as at 31 December 2021;
- Income Statements, Statements of Changes in Equity, and Statements of Cash Flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of ING Bank (Australia) Limited (the **Company**) and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinions

We conducted our audits in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audits of the Financial Reports* section of our report.

We are independent of the Group and Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audits of the Financial Reports in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other Information

Other Information is financial and non-financial information in ING Bank (Australia) Limited's annual reporting which is provided in addition to the Financial Reports and the Auditor's Report. The Directors are responsible for the Other Information.

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Our opinions on the Financial Reports do not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audits of the Financial Reports, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Reports or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Reports

The Directors are responsible for:

- preparing the Financial Reports that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of Financial Reports that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group's and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audits of the Financial Reports

Our objective is:

- to obtain reasonable assurance about whether each of the Financial Reports as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinions.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Reports.

A further description of our responsibilities for the audits of the Financial Reports is located at the *Auditing and Assurance Standards Board* website at:

https://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our Auditor's Report.

KPMG

Brendan Twining

Partner

Sydney

15 March 2022



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