

ING Bank Australia Limited

ABN 24 000 893 292

ACL 229823

Basel II Pillar 3 quarterly disclosure

31 December 2012

ING DIRECT (the trading name of ING Bank (Australia) Limited) is an Authorised Deposit-taking Institution subject to regulation by the Australian Prudential Regulation Authority (APRA) and is wholly owned subsidiary of the ING Group.

The following information is presented to meet the APRA Prudential Standard (APS 330) under Basel II Accord utilising the Standardised Approach to Capital Adequacy. This prudential standard fulfills the Pillar 3 requirements of Public Disclosure of Prudential Information to be published on a quarterly basis.

Capital Ratios

	As at 31 December 2012 %	As at 30 September 2012 %
Tier 1 Capital Ratio	12.0%	11.8%
Total Capital Ratio	12.6%	12.3%

Capital Structure

	As at 31 December 2012 \$m	As at 30 September 2012 \$m
Tier 1 Capital		
Paid-up ordinary share capital	1,334.0	1,334.0
Retained earnings	1,562.9	1,562.9
Current years's earnings net of expected dividends and tax expenses	227.7	192.4
Total Fundamental Tier One Capital	3,124.6	3,089.3
Total deductions from Tier 1 capital	(140.6)	(155.3)
Total Tier One Capital	2,984.0	2,934.0
Tier 2 Capital	147.9	116.9
Total Capital Base	3,131.9	3,050.9

Risk Weighted Assets¹

	As at 31 December 2012 \$m	As at 30 September 2012 \$m
Credit Risk subject to standardised approach		
Residential mortgages	17,224.5	17,221.9
Commercial Property	3,742.6	3,732.9
Wholesale		
- Financial Institutions	1,035.8	1,083.9
Other	112.3	100.3
Securitisation	39.3	41.9
Total RWA for credit exposures	22,154.5	22,180.9
Operational Risk	2,629.8	2,616.3
Total RWA for credit exposures	24,784.3	24,797.2

¹ Please note that IBAL does not have a trading book and therefore Market Risk RWA under standardised approach is \$0.

Credit Risk Exposure ²

Portfolio Type	As at 31 December 2012				As at 30 September 2012 \$m	2 nd Quarter Average \$m
	On balance sheet \$m	Non-market related off-balance sheet \$m	Market related off-balance sheet \$m	Total \$m		
Residential Mortgages	37,708.1	5,170.2	0.0	42,878.3	42,806.0	42,882.2
Commercial Mortgages	3,412.1	387.8	0.0	3,799.9	3,776.7	3,829.6
Wholesale ³	8,273.0	0.0	324.5	8,597.4	7,670.1	8,761.4
Other	106.5	0.0	0.0	106.5	152.0	106.9
Total	49,499.7	5,558.0	324.5	55,382.1	54,404.8	55,580.1

² This table does not include investments in the RMBS or CMBS or any other securitisation type products. Balances noted on balance sheet are gross of deferred fees and default interest.

³ Wholesale market related off-balance sheet exposure is net of credit risk mitigation in the form of financial collateral.

General Reserve for Credit Losses (GRCL)

	GRCL as at 31 December 2012 \$m	GRCL as at 30 September 2012 \$m
Collective provision (after tax basis)	9.0	26.1
Additional GRCL Requirement		
Additional GRCL requirement (opening quarter balance)	81.4	80.4
Transfer from retained earnings ⁴	49.5	1.0
Total	130.9	81.4
Total GRCL (after tax basis) ⁵	139.9	107.5

⁴ Quarterly movement in additional GRCL required.

⁵ GRCL Figure calculation methodology change to inline GRCL with Prudential Regulatory Expected Loss.

Impaired and Past Due Facilities

Exposure Type	As at 31 December 2012			3 months ended 31 December 2012		3 months ended 30 September 2012	
	Past due facilities \$m	Impaired facilities \$m	Specific provisions \$m	Specific Provisions Movement \$m	Write offs \$m	Specific Provisions Movement \$m	Write offs \$m
Retail Mortgages	324.0	164.9	7.8	(4.1)	2.6	(2.2)	2.1
Commercial	27.8	252.2	71.0	8.3	3.3	3.0	0.0
Wholesale	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total:	351.8	417.1	78.8	4.2	5.9	0.8	2.1

Securitisation

Securitisation Type	As at 31 December 2012			
	Residential Mortgage \$m	Commercial Loans \$m	Other \$m	Gains / Losses recognised \$m
Current Quarter Securitisation \$m	0.0	0.0	0.0	0.0
Total Internally Securitised Assets \$m ⁶	7,400.4	0.0	0.0	0.0
Total External Issuance of Securitised Assets \$m ^{6,7}	3,165.8	0.0	0.0	0.0
On-balance Securitisation Investments \$m ⁸	188.2	0.0	0.0	0.0

⁶ The securitised mortgages are not being excluded from the Bank's balance sheet and therefore will continue to be included within the accounts of the Bank. Therefore the risk weights applied to the securitised exposures including off-balance component are consistent with risk weights applied to non-securitised residential mortgages portfolio

⁷ This item includes Liquidity Facility provided to the IDOL trusts for the amount of AUD 46.1m as well as Current Exposure of IDOL derivatives instruments for the amount of AUD 3.4m

⁸ As at 31 December 2012 S&P rating on Bank's RMBS investment portfolio is AAA

All amounts are in Australian dollars. Any discrepancies between totals and sums of components in these tables are due to rounding.