

Basel III Pillar 3 Risk Disclosure

As at 31 December 2014

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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 a part of the ING Group.

The following information is presented in accordance with the APRA Prudential Standard APS 330, 'Public Disclosure'. The bank utilises the Basel III Standardised Approach to Capital Adequacy.

All amounts are presented in Australian dollars, and rounded to the nearest million.

Capital Adequacy Ratios

Ratio	As at 31 December 2014	As at 30 September 2014
Common Equity Tier 1 Capital Ratio	13.5%	14.0%
Tier 1 Capital Ratio	13.5%	14.0%
Total Capital Ratio	14.0%	14.6%

Capital Position

Level 1 Capital	As at 31 December 2014	As at 30 September 2014
Paid-up ordinary share capital	1,334.0	1,334.0
Retained Earnings ¹	2,085.2	2,274.2
Other Comprehensive Income	(41.3)	(7.2)
Less: Regulatory Adjustments	(38.1)	(66.0)
Common Equity Tier 1 Capital	3,339.8	3,535.0
Tier 1 Capital	3,339.8	3,535.0
Tier 2 Capital	134.2	134.2
Total Capital	3,474.0	3,669.2

Risk Weighted Assets²

Subject to Standardised Approach	As at 31 December 2014	As at 30 September 2014
Residential Mortgages ³	17,017.4	17,566.0
Commercial Property	3,081.6	3,064.7
Corporate	1,313.4	1,202.7
Wholesale - Financial Institutions	508.0	547.2
Securitisation	5.8	8.5
Other	70.7	63.8
Total Credit Risk	21,996.9	22,452.9
Operational Risk	2,758.3	2,720.9
Total Risk Weighted Assets	24,755.2	25,173.8

¹ A dividend of \$275m, payable to ING Groep N.V. was declared in December 2014.

² IBAL does not have a trading book and therefore Market Risk RWA under standardised approach is \$0.

³ The sale of a \$1.4b mortgage portfolio occurred in October 2014, resulting in an overall reduction in risk weighted assets.

Credit Risk Exposure⁴

Portfolio Type	On balance sheet	Non-market related off-balance sheet	Market related off-balance sheet	Total as at 31 December 2014	Total as at 30 September 2014	4th Quarter Average
Residential Mortgages	37,732.8	5,039.8	0.0	42,772.6	43,952.9	42,638.1
Commercial Property	2,823.9	318.1	0.0	3,142.0	3,120.8	3,133.7
Corporate	1,058.0	255.4	0.0	1,313.4	1,202.7	1,275.3
Wholesale	7,501.8	57.0	92.9	7,651.7	7,306.2	7,493.9
Other	479.0	0.0	0.0	479.0	398.6	419.3
Total	49,595.5	5,670.3	92.9	55,358.7	55,981.2	54,960.3

General Reserve for Credit Losses

	As at 31 December 2014	As at 30 September 2014
Collective provision	4.4	4.3
Additional GRCL Requirement		
Opening Quarter Balance	129.9	128.9
Transfer from / (to) retained earnings	(0.1)	1.0
Total	129.8	129.9
Total GRCL (after tax basis)	134.2	134.2

Impaired and Past Due Facilities

Portfolio Type	As at 31 December 2014			3 months ended 31 December 2014		3 months ended 30 September 2014	
	Past due facilities	Impaired facilities	Specific provisions	Specific Provisions Movement	Write offs	Specific Provisions Movement	Write offs
Residential Mortgages	207.4	89.6	5.7	1.4	1.2	(1.1)	0.7
Commercial Property	3.4	81.8	30.4	1.5	0.0	1.8	0.0
Corporate	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Wholesale	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	210.8	171.4	36.1	2.9	1.2	0.7	0.7

⁴ This table does not include investments in Residential Mortgage Backed Securities ("RMBS") or any other securitisation type products. Balances noted on balance sheet are net of suspended interest, but not capitalised commitment fees.

Securitisation⁵

Securitisation Type	As at 31 December 2014			
	Residential Mortgages	Commercial Loans	Other	Gains/(losses) recognised
Current Quarter Securitisation	0.0	0.0	0.0	0.0
Total Internally Securitised Assets	7,350.3	0.0	0.0	0.0
Total External Issuance of Securitised Assets ⁶	3,909.0	0.0	0.0	0.0
On-balance Securitisation Investments ⁷	28.8	0.0	0.0	0.0

⁵ All securitised loans remain on the balance sheet of ING Direct.

⁶ This item includes Liquidity Facilities provided to the ING Direct Originated Loan Trust Series ("IDOL Series") for the amount of AUD 57m.

⁷ As at 31 December 2014, Standard & Poor's (S&P) rating on the ING Direct's RMBS investment portfolio is AAA.

Appendices

1A Common Disclosure Template

The following table uses the post 1 January 2018 Common Disclosure Template as ING DIRECT is fully applying the Basel III regulatory adjustments as implemented by APRA. It displays the entries relevant to ING DIRECT.

The table should be read in conjunction with Appendices 1B and 1C.

Description	31 December 2014	Ref	
Common Equity Tier 1 Capital: instruments and reserves			
1	Directly issued qualifying ordinary share (and equivalent for mutually-owned entities) capital	1,334.0	
2	Retained Earnings	2,085.2	
3	Accumulated other comprehensive income (and other reserves)	(41.3)	
6	Common Equity Tier 1 capital before regulatory adjustments	3,377.9	Table 1
Common Equity Tier 1 Capital: regulatory adjustments			
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	0.8	App. 1B
11	Cash flow hedge reserve	(65.4)	Table 1
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related liability)	27.8	Table 2
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)		
26f	of which: capitalised expenses	71.7	Table 5
26j	of which: other national specific regulatory adjustments not reported in rows 26a to 26i	3.2	
28	Total regulatory adjustments to Common Equity Tier 1	38.1	
29	Common Equity Tier 1 Capital (CET1)	3,339.8	
45	Tier 1 Capital (T1=CET1+AT1)	3,339.8	
Tier 2 Capital: instruments and provisions			
50	Provisions	134.2	Table 3
58	Tier 2 capital (T2)	134.2	
59	Total capital (TC=T1+T2)	3,474.0	
60	Total risk-weighted assets based on APRA standards	24,755.2	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	13.5%	
62	Tier 1 (as a percentage of risk-weighted assets)	13.5%	
63	Total capital (as a percentage of risk-weighted assets)	14.0%	
64	Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets)	7.0%	
65	of which: capital conservation buffer requirement	2.5%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	6.5%	

* An extraordinary cash reserve is provided from ING DIRECT to each of the IDOL Series included within its consolidated group. This deduction is reported on a deconsolidated basis for the purposes of calculating Regulatory Capital.

1B Regulatory Balance Sheet

The following table provides details on IBAL's Statutory and Level 1 Regulatory Balance Sheet.

As at 31 December 2014	Statutory Balance Sheet	Adjustment	Regulatory Balance Sheet	Ref
Assets				
Cash	808.3	-	808.3	
Due from other financial institutions	368.3	-	368.3	
Available for sale financial assets	7,346.5	-	7,346.5	
Loans and advances	41,762.0	239.5 ^{A,B}	41,522.5	Table 3
Derivative assets	56.7	-	56.7	
Other receivables	218.5	(109.7) ^B	328.2	Table 4
Property, plant and equipment	46.8	-	46.8	
Intangible assets	0.8	-	0.8	Row 9
Deferred tax asset	27.8	(41.2) ^C	69.0	Table 2
Total Assets	50,635.7	88.6	50,547.1	
Liabilities				
Deposits and other borrowings	41,772.2	-	41,772.2	
Debt issues	4,154.4	-	4,154.4	
Derivative liabilities	460.1	-	460.1	
Creditors and other liabilities	439.6	-	439.6	
Deferred tax liability	-	(41.2) ^C	41.2	Table 2
Provisions	292.0	-	292.0	
Total Liabilities	47,118.3	(41.2)	47,159.5	
Net Assets	3,517.4	129.8	3,387.6	
Equity				
Contributed equity	1,334.0	-	1,334.0	
Reserves	98.2	129.8 ^A	(31.6)	
Retained profits	2,085.2	-	2,085.2	
Total Equity	3,517.4	129.8	3,387.6	Table 1

Adjustments made to the Statutory Balance Sheet for Regulatory Reporting:

- The portion of the General Reserve for Credit Losses disclosed as equity for statutory purposes represents the additional loan loss provisioning provided for the lifetime of the facilities. This balance is added to the loan balance on the Regulatory Balance Sheet.
- Loan Origination Expenses are disclosed under 'Other Receivables' according to specific APRA instructions. Deferred Fee Income is offset against loans and advances similarly to the Statutory Balance Sheet.
- Deferred Tax Assets and Liabilities net off on the Statutory Balance Sheet, whereas the Regulatory instructions require gross disclosure of these balances.

1C Reconciliation of Regulatory Capital and Balance Sheet

The following tables provide information on the differences between the Common Disclosure Template and the Regulatory Balance Sheet per Appendices 1A and 1B respectively.

Table 1

Share Capital	31 December 14	Ref
Contributed equity	1,334.0	
Retained profits	2,085.2	
Reserves:		
Cash-flow hedge reserve	(65.4)	Row 11
Available-for-sale reserve	24.1	
Common Equity Tier 1 Capital per Common Disclosure Template	3,377.9	Row 6
Share-based payments reserve	9.7	
Total Equity per Regulatory Balance Sheet	3,387.6	

Table 2

Deferred Tax Asset	31 December 14	Ref
Deferred tax asset per Regulatory Balance Sheet	69.0	
Deferred tax liability per Regulatory Balance Sheet	(41.2)	
Net Deferred Tax Assets	27.8	
Deferred Tax Assets per Common Disclosure Template	27.8	Row 21

Table 3

Loans and Advances	31 December 14	Ref
Loans and Advances per Regulatory Balance Sheet	41,522.5	
of which:		
Housing Loans	37,560.9	
Loans to non-financial corporations	3,908.4	
Loans to financial corporations	272.6	
Specific Provisions	(36.1)	
General Reserve for Credit Losses	(134.2)	Row 50
Deferred Fee Income	(49.1)	Table 5

1C Reconciliation of Regulatory Capital and Balance Sheet (continued)

Table 4

Other Receivables	31 December 14	Ref
Other Receivables per Regulatory Balance Sheet	328.2	
of which:		
Interest Receivable	147.5	
Capitalised Debt Raising	11.1	Table 5
Capitalised Loan Origination Costs	109.7	
Items in Suspense	51.9	
Other	8.0	

Table 5

Capitalised expenses	31 December 14	Ref
Deferred Fee Income	(49.1)	Table 3
Capitalised Debt Raising	11.1	Table 4
Capitalised Loan Origination Costs	109.7	
Capitalised expenses per Common Disclosure Template	71.7	Row 26f