

Pillar 3 - Capital Adequacy & Risk Disclosures December 2022



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ING Bank Australia Limited (IBAL), trading as ING, is an Authorised Deposit-taking Institution subject to regulation by the Australian Prudential Regulation Authority (APRA) and is a part of ING Groep N.V.

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

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

Effective 1 April 2018, the Group was accredited by APRA to determine its regulatory capital requirements using an internal market risk model and internal credit risk models for selected portfolios: the Group is approved to use the Advanced Internal Ratings-Based (AIRB) approach for the Residential Mortgages portfolio and the Foundation Internal Ratings-Based (FIRB) approach for the Bank & other financial institutions portfolio for regulatory capital purposes.

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

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

All credit exposures are located within Australia.

All credit exposures are managed in Sydney, Australia.

All amounts are stated in AUD.



Qualitative disclosures

Capital disclosures

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 APRA¹ 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 minimum 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. Further the Group applies a risk appetite framework with annually reviewed trigger and tolerance levels.

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 (future) 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 plan, 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 Bank and Corporate Lending, Supervisory slotting for the Real Estate related wholesale and commercial property portfolios and the project finance activities. The Supervisory Formula Approach is applied to the relevant securitisation exposures while Credit Cards, Priority Commercial Mortgages, Personal Loans, Sovereigns and niche portfolios in Wholesale Banking apply the Standardised Approach.

Market risk capital

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.

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.

Non-financial risks

As an ADI, the Group is subject to a range of non-financial risks. Examples are operational risk, business risk, compliance risk, conduct risk, reputation risk, and risk arising from work place, health, and safety. Such risks are managed under a "Non-Financial Risk Governance Framework" and have dedicated training and culture programs tailored to appropriate (risk) behaviour throughout the company. The implementation of the Banking Executive Accountability Regime (BEAR) 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. Other than operational risk, non-financial risks are not subject to specific capital requirements.

¹ APRA capital framework builds on the pillars Prudential Capital Requirement, Capital Conservation Buffer and Counter Cyclical Buffer (CCyB). The CCyB relates to exposure to non-Australian counterparties in jurisdictions where a CCyB applies. ING Australia has limited exposures in these jurisdictions, resulting in a <0.01% CCyB. Given the small amount, ING Australia decided to apply a 0% CCyB.

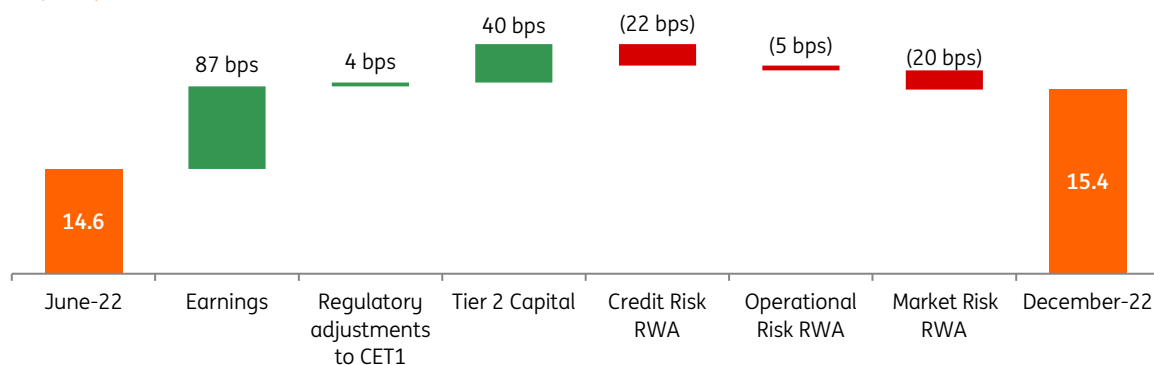


Capital summary

The Group's total capital ratio was 15.4% at 31 December 2022, increasing by 84 basis points from 30 June 2022. Capital movements are attributable to the following:

- An increase in earnings and gains on cash flow hedge of \$325m (87 bps);
- A decrease in regulatory adjustments is mainly attributed to decrease in capitalised expenses and decrease in net deferred tax asset (4 bps);
- An increase in Tier 2 Capital of \$151m (40 bps);
- An increase of Credit Risk RWA to \$28,785m (-22 bps);
- An increase in Operational Risk RWA of \$129m (-5 bps) is driven by profit growth in retail banking activities and commercial banking activities; and
- An increase in Market Risk RWA of \$525m (-20 bps), mainly due to an increase in the embedded loss in the banking book, slightly offset by a reduction in yield curve and repricing risk.

Figure 1: Total Capital movement (in %)

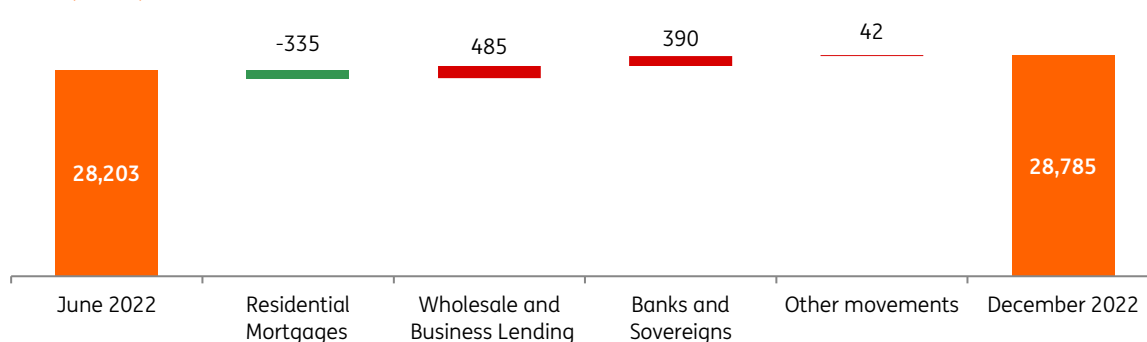


Credit Risk-Weighted Assets (CRWA)

The increase in CRWA is explained by the following:

- Residential Mortgages:
 - A reduction in non-performing loans due to attrition and the cure of a large portion of COVID affected loans exiting their 6-month probationary period.
 - The introduction of a 23% CRWA floor in May 2022 to align with industry and APRA expectations;
- Growth in the Wholesale and Business Lending portfolios.
- Growth in the Banks and Sovereigns portfolios.

Figure 2: Credit Risk-Weighted Assets movement (in \$m)



Risk disclosures

Risk types

The following table 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	Key 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 Approach Risk Strategy Risk Appetite Statement Credit Risk Framework Policy Retail Credit Risk (RCR) Policy Wholesale Banking and Group Treasury Credit Policy Commercial Real Estate (CRE) Credit Policy Large Exposure and Related Entity (LEREP) Policy Small and Medium Enterprise (SME) Credit Policy Watch List Sub-Committee Charter (Wholesale Banking and Business Lending) Definition of Default (DoD) Policy (Retail) Loan Loss Provisioning (LLP) Policy Definition of Default (DoD) Policy (Non-Retail) Problem Loan Management (PLM) (Non-Retail)
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 issuances 	<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 Approach Risk Strategy Risk Appetite Statement IRRBB Stress Testing Methodology IRRBB Minimum Standards Asset and Liability Management (ALM) Policy Funds Transfer Pricing (FtP) Policy
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 Approach Risk Strategy Risk Appetite Statement Asset and Liability Management (ALM) Policy
Integrated Risk	<ul style="list-style-type: none"> Overarching risks in the balance sheet not specific to one risk type. 	<ul style="list-style-type: none"> Solvency risk Model risk 	<ul style="list-style-type: none"> Risk Management Approach Risk Strategy Risk Appetite Statement Internal Capital Adequacy Assessment Process (ICAAP) Policy Stress Testing policy Model risk management policy

Risk	Exposure arising from	Measurement	Key Governance
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 Approach Risk Strategy Risk Appetite Statement Asset and Liability Management (ALM) Policy Securitisation Policy Contingency Capital and Funding Plan Retail Deposit Run Plan IBAL Group Treasury Policy Covered Bond Policy Funding and Liquidity Risk Minimum Standards 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 Approach Risk Strategy Risk Appetite Statement ING Group Non-Financial Risk Framework ING Group Risk Mitigation and Issue Tracking Procedure ING Group Product Approval and Review (PARP) Policy & Minimum Standard with Local Annex ING Group Risk Identification and Assessment Procedure ING Group Key Control Testing Procedure ING Group Information and Technology Risk Policy with Local Annex ING Group Outsourcing Policy with Local Annex ING Group Fraud Management Policy and Minimum Standard Operational Risk Management (ORM) Policy Operational Event Management Procedure (Event Management Process) Anti-Money Laundering (AML) Counter Terrorism Financing (CTF) Compliance Program (Part A and B) Anti-Bribery and Corruption (ABC) Policy Compliance Framework and Chart Conflict of Interest and Market Abuse (COI-MA) Policy Customer Best Interest (CBI) Policy FATCA and CRS Policy Fit and Proper Policy Obligation Management Policy Whistleblower Protection and Reporting Policy



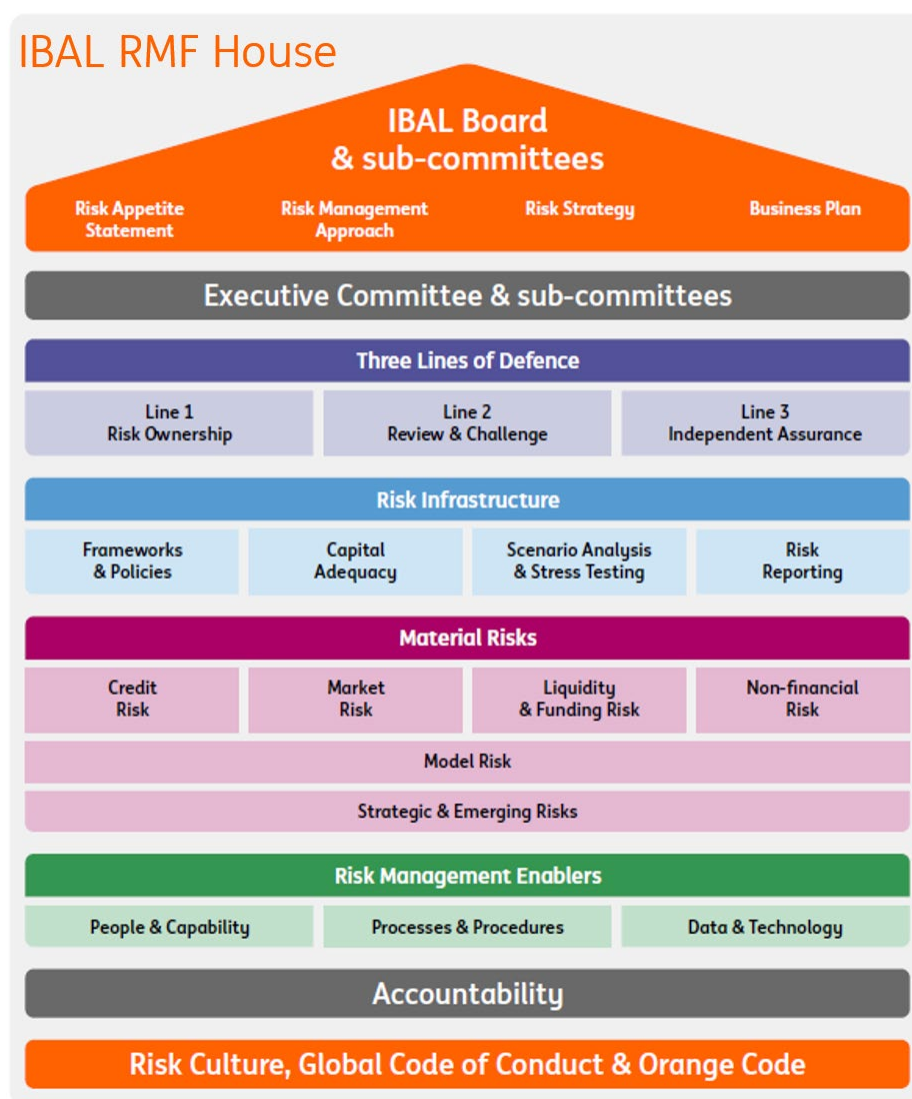
Risk Management Framework

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 (RMF) 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 RMF are to ensure:

- the risk management objectives are linked to the Group's business strategy, ING Orange Code, Customer Golden Rules² and operations;
- all key risks are identified and appropriately managed by the risk owner;
- an appropriate risk culture and accountability framework are embedded across the organisation;
- 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 key components that make up the Risk Management Framework are summarised in the diagram below, known as the "IBAL RMF House".



² The customer golden rules depict the principles on the interaction between ING and its customers throughout the customer life cycle.

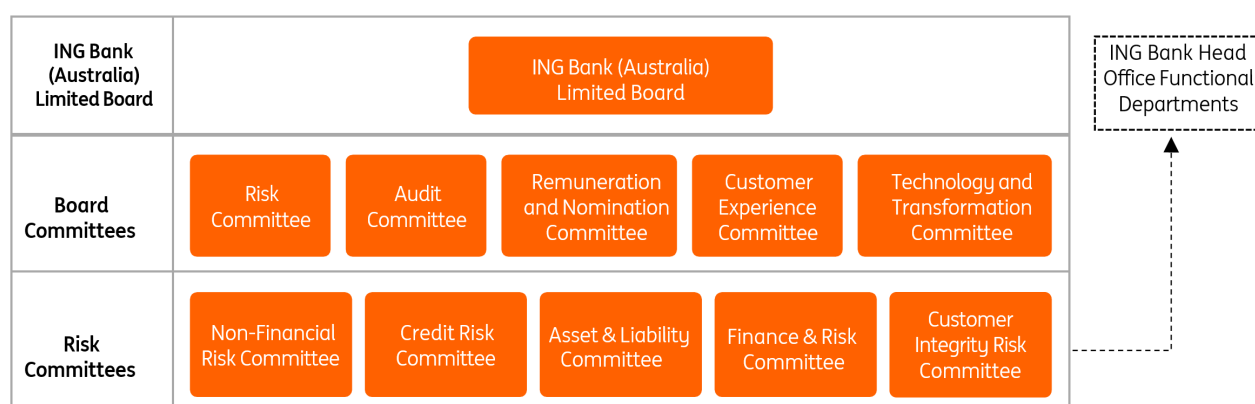


Risk Governance Framework

The Group regards risk management as a fundamental activity, performed at all levels of the organisation. Accountability in the risk management framework is based on the “three lines of defence” governance model. This approach reflects our belief that all employees have a role in identifying and managing risk and operating within the approved risk appetite. Each line of defence undertakes risk management activities that contribute to the effectiveness of the framework. The three lines of defence model is summarised as follows:

- Line 1 – Encompasses business line and support function employees and management. Line 1 is responsible for identifying and managing the risks that arise as a result of them carrying out their business activities.
- Line 2 - Risk Management provides oversight, advice, review and challenge of risk activities, ensuring Line 1 are managing risk in accordance with risk appetite and strategy.
- Line 3 – Corporate Audit Services (CAS) – Forms the 3rd Line and provides independent and objective assurance.

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.



----- Functional Reporting Line

Role of the Board

The Board is responsible for the Group's RMF and oversight of its operation. This includes setting the risk appetite for management to operate within and approving key RMF documents including the Risk Appetite Statement, Risk Management Approach and Risk Strategy. 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.



Management Risk Committees

The Executive Committee (“ExCo”) is the peak Management Committee, ensuring management reporting is appropriate and fulsome to enable effective Board and Management oversight and decision-making. 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”) oversees the non-financial risks such as operational risk and compliance. It monitors the execution of the Non-Financial Risk management framework and monitors and tracks the local Non-Financial Risk appetite. The NFRC acts as the Responsible Managers Committee to oversee and monitor the legal and compliance obligations of IBAL under its Australian Financial Services License (“AFSL”) and Australian Consumer Law (“ACL”) and acts as the product approval committee to oversee the execution of the local product approval and review process. The management of strategic risks and reputational risk is out of scope of the NFRC and belongs to the domain of ExCo.
- Credit Risk Committee (“CRC”) oversees the credit risk such as retail, business, wholesale banking and counterparty credit risk. The CRC monitors the credit risk management infrastructure of IBAL, including systems, processes, people and all IBAL credit risk policy manuals. The CRC monitors and tracks against the credit risk appetite limits. The CRC reviews broad credit issues, portfolio development and performance, arrears and default performance and provisioning.
- Asset and Liability Committee (“ALCO”) oversees the balance sheet risks such as interest rate risk, liquidity risk and foreign currency risk. ALCO is responsible for the asset and liability management of the local balance sheet and monitors local compliance with the ALCO Bank and IBAL Board risk appetite for IRRBB and funding & liquidity risk.
- The Finance and Risk Committee (“FRC”) oversees and monitors finance and risk decisions on internal and external reporting including impairment and loan loss provisioning. It also governs the compliance with Basel Pillar 2 and Pillar 3 reporting requirements. The FRC reviews capital management initiatives to maintain optimal allocation of capital, for making recommendations to the Board. The Committee does not get involved in any other aspect of the transactional approval process of any investment decision.
- The Customer Integrity Risk Committee (“CIRC”) serves as an escalation committee on Know Your Customer (“KYC”) matters such as the on or off-boarding of an individual client or pockets of clients, covers KYC related policy escalations, provides oversight of timeliness of off-boarding and monitors periodic and event driven reviews.

Risk Management Infrastructure and Enablers

The RMF is operationalised through key risk infrastructure such as frameworks and policies, capital adequacy assessments, stress testing and scenario analysis and risk reporting. This infrastructure supports the Group in identifying, managing and reporting our risks in a consistent way across throughout the organisation and define requirements that are binding on all business units.

The operationalisation of the RMF is supported by enablers that support our staff in executing risk management activities. These enablers include the use of risk data and technology to support the execution of activities, standardised processes and procedures aligned to risk policies, and the ongoing development of our people and their risk management capabilities.



Definition of default

The Group uses the definition of default for internal risk management purposes and has aligned the definition of credit impaired (Stage 3) under accounting standard AASB 9 *Financial Instruments* 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 meet its credit obligations in full due to financial difficulties. An exposure is past-due when (i) any amount of principal, interest or fee has not been paid at the date it was due or (ii) an advised limit has been breached.

Material deviations from the applicable definition of default are not permitted.

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.



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 re-organisation);
- 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.

General Reserve for Credit Losses (GRCL)

APS 220 Credit Quality requires that the Group report specific provisions and a General Reserve for Credit Loss (GRCL). All individually assessed provisions raised under AASB 9 are classified as specific provisions. All collectively assessed provisions raised under AASB 9 are either classified as specific provisions or GRCL.

Eligible GRCL is included in Tier 2 capital.



Portfolios subject to Internal Ratings-Based approach

Effective from 1 April 2018, IBAL was accredited to use the Internal Ratings-Based (IRB) approaches to calculate its capital requirements under APRA Prudential Standard APS 113 '*Capital Adequacy: Internal Ratings-based Approach to Credit Risk*'. IBAL is approved to use the Advanced Internal Ratings-Based (AIRB) approach for the Residential mortgages portfolio, and the Foundation Internal Ratings-Based (FIRB) approach for the Bank portfolios for regulatory capital purposes. As per 1 April 2020 IBAL was accredited to apply the FIRB approach to its corporate lending portfolio.

There are different elements that drive the determination of risk-weighted assets under the IRB approach. These include:

- **Probability of Default (PD):** an estimate of a counterparty or facility's likelihood to go into default within the next 12 months.
- **Loss Given Default (LGD):** measures the portion of the exposure expected to be lost in the event of default.
- **Exposure at Default (EAD):** estimates of the outstanding amount at the moment of default. For a defaulted exposure, it is the exposure at observation.

The following paragraphs explain how these are derived for IBAL's portfolios.

Internal Ratings-Based approach for Residential Mortgages

PD is derived by mapping a score to a risk class with an assigned PD. The score is calculated using a statistical scorecard with static (origination) and dynamic (behavioural) attributes at a facility level.

LGD is estimated as the net present value of the post-default loss, including an allowance for direct and indirect costs, expressed as a percentage of the EAD. Adjustments based on external and internal data are made to the LGD of a facility for a downturn in the economic cycle. This is applied by varying the cure and recovery rates.

EAD is based on the limit and the estimated credit limit excess (CLE).

Foundation Internal Ratings-Based approach for Bank and Corporate exposures

Each Bank and Corporate counterparty is assigned a PD derived from a risk rating that is based on a variety of qualitative and quantitative risk drivers. Each facility is assigned an LGD per the FIRB approach which is set out in APS 113 *Capital Adequacy: Internal Ratings-based Approach to Credit Risk*. EAD is calculated in accordance with the supervisory estimates for on-balance sheet components and off-balance sheet exposures, which are converted to on-balance sheet equivalents using the FIRB conversion factors detailed in APS 112 *Capital Adequacy: Standardised Approach to Credit Risk*.

Internal Rating system

The outcomes of the different PD models are mapped to a 'Master scale' of 22 risk ratings (1=highest rating; 22=lowest rating). The 22 grades are composed of the following categories:

Risk category	Risk Rating	S&P Global Rating	Moody's Rating	Fitch Rating
Lower risk	1 to 10	AAA to BBB-	Aaa to Baa3	AAA to BBB-
Medium risk	11 to 17	BB+ to CCC-	Ba1 to Caa3	BB+ to CCC
High risk	18 to 19	CC to C	Ca to C	CC to C
Non-performing	20 to 22	D	C	D

IBAL's IRB models are subject to annual monitoring and full review on a 3 year cycle under the 'Monitoring and Testing Standards for credit risk IRB models'. The standard provides a model acceptance framework which defines the properties of a good performing model and allows for the independent testing and validation of the IRB models and rating system.



Portfolios subject to Supervisory Slotting approach

Effective 1 April 2020, IBAL was accredited to use the Supervisory Slotting approaches to calculate its capital requirements for its Project Finance portfolio and the majority of its Commercial Real Estate portfolio, under APRA Prudential Standard APS 113 *Capital Adequacy: Internal Ratings-based Approach to Credit Risk*.

The entirety of IBAL's Project Finance book is treated using this approach, as are eligible commercial real estate exposures (defined per requirements under APRA Reporting Form 230) in IBAL's Real Estate Finance and Commercial Property Finance portfolios. Certain exposures in the IBAL Commercial Property Finance book do not meet all of the commercial real estate eligibility criteria per APRA Reporting Form 230 and these continue to be subject of the Standardised Approach.

For the Project Finance portfolio, IBAL uses a 'single dimension' slotting approach, which maps the Probability of Default (PD) of a borrower to a pre-determined risk weight for capital calculation purposes.

For the eligible parts of its Commercial Real Estate portfolio, IBAL uses a 'dual dimension' slotting approach, which utilises a combination of the Probability of Default (PD) of a borrower and the attendant Loan-to-Value ratio for the various exposures, to map to a pre-determined risk weight for capital calculation purposes.

There are different elements that drive the determination of risk-weighted assets under the Supervisory Slotting approach.

1. The **risk weight** is determined using the following input:
 - **Probability of Default (PD):** an estimate of a counterparty or facility's likelihood to go into default within the next 12 months.
 - **Loan to Value Ratio:** measures the degree of collateral value coverage relative to the size of the borrower exposure.
2. **Exposure at Default (EAD):** estimates of the outstanding amount at the moment of default. For a defaulted exposure, it is the exposure at observation. EAD estimates are determined in accordance with the supervisory estimates for on-balance sheet components and off-balance sheet exposures, which are converted to on-balance sheet equivalents using the FIRB conversion factors detailed in APS 112 *Capital Adequacy: Standardised Approach to Credit Risk*.

Portfolios subject to Standardised Approach

Exposures subject to the standardised approach include:

- All exposures in the IBAL Priority Commercial Mortgage (PCM) portfolio.
- Sovereign exposures in the IBAL Treasury portfolio.
- Certain exposures in the Commercial Property Finance book not meeting all of the eligibility criteria for the Supervisory Slotting Approach.
- Certain Corporate exposures in IBAL's Wholesale Banking portfolio remain subject of the Standardised Approach, as they do not meet all of the eligibility criteria for the Supervisory Slotting Approach or for the Foundation Internal Ratings Based Approach. These are small portfolios in niche markets for ING Australia.
- Legacy Residential mortgages, such as the loans to Self-Managed Superannuation Funds.
- Other Retail exposures, including the Credit Card and Personal Loan products.

Risk weights and exposure determination are applied in accordance with APS 112 *Capital Adequacy: Standardised Approach to Credit Risk*.



Credit Risk Mitigation

The following section describes the approach that the Group takes as credit risk mitigation on its market related exposures.

Collateral

The Group has entered into various collateralisation arrangements (documented via the CSAs) with all individual Bank counterparties which allow the Group to issue margin (collateral) calls in support of any adverse mark-to-market adjustments on the aggregate value of outstanding derivative positions between the Group and the individual Bank counterparties. CSAs require individual counterparties to post collateral when mark-to-market positions exceed agreed thresholds. The Group has policies and procedures in place for the acceptance of collateral for the purposes of mitigating credit risk, and only accepts cash collateral in respect of obligations under the CSAs and bonds in respect of any repurchase agreements.

The Group has formal processes in place to ensure that calls for collateral top-up or exposure reductions are made promptly.

Netting

The Group does not use Master Netting Arrangements and instead relies on the specific CSAs appended to the global market product specific ISDA (International Swaps and Derivatives Association) Master Agreement. The Group recognises the netting benefits included in the CSAs when calculating replacement costs of netting sets, and exposure after credit risk mitigation for regulatory reporting purposes.

Close-out netting is not used by the Group for the off-balance sheet financial market transactions when calculating credit risk exposure.

Guarantor Creditworthiness

The Group does not accept any other forms of credit risk mitigation (apart from cash) and the purchase of credit derivatives and / or guarantees from eligible counterparties is not accepted as an eligible credit risk mitigant for the purposes of regulatory reporting.

Concentrations

The Group manages counterparty (or groups of related counterparties) credit risk concentrations in accordance with its Large Exposure Policy. The Group applies exposure limits within both the counterparty type and related counterparty group, and reviews these limits annually.

Counterparty Credit Risk

Counterparty credit risk arises in respect of the Group's derivatives and liquidity portfolios. The Group's exposure to individual counterparties is measured using the Standardised Approach to Counterparty Credit Risk. This method is the sum of current credit exposure and potential future credit exposure (the add-on) of these contracts. Current credit exposure is defined as the sum of the positive mark-to-market value (or replacement cost) of these contracts.

The credit approval process for counterparty credit risk limits is completed and limits are approved on an uncommitted and unadvised basis following a bespoke assessment of the creditworthiness of each counterparty / group of related counterparties. Capital (and if required, credit provisions) is allocated in respect of individual counterparties in accordance with their Risk Rating, Exposure and Collateral (if any).

Collateral - Derivatives

The Group documents and manages its counterparty credit risk exposure in respect of its hedging activities via standalone Credit Support Annexes (CSAs) and clearing of eligible trades via Central Counterparties (CCPs). The Group re-values the mark-to-market of derivatives positions and the resultant net exposure position against the various Bank counterparties, on a daily basis. The Group collateralises the derivative portfolio with Cash only.



Wrong Way Risk

Wrong way risk is a description of the positive correlation between the level of exposure and the default probability of a counterparty. In respect of collateral, wrong way risk describes the negative correlation between the value of the collateral that is held and the default probability of the counterparty that the collateral is held in respect of. The Group's Wrong Way Risk (WWR) Policy provides a framework of regulatory and internal minimum standards for identifying, monitoring and managing WWR for Financial Markets transactions.

The policy identifies two sources of WWR:

- Over-the counter (OTC) derivatives, both cleared and centrally cleared, where there is a correlation between exposures – driving risk factors and the counterparty default probability.
- Financial Collateral: Variation margin, initial margin, OTC margin collateral and Securities financing transactions (SFT) collateral – where there is a correlation between the counterparty default and the liquidation value of collateral. Tri-Party SFTs are also in scope of this policy.

Where WWR exposure is identified, available avenues of remediation include (but are not limited to) reduction in limits, acceptance of substitute collateral or purchase of credit insurance.

Consequence of a Downgrade in the Group's credit rating

Downgrades in the Group's credit rating may trigger a requirement for the Group to post additional collateral in respect of a range of obligations under its CSA obligations. The impact of a downgrade of the Group credit rating has been calculated at \$116m. This is the same across a 1, 2 or 3 notches downgrade due to the fact that the collateral amount does not vary once the minimum rating requirement is triggered.

Interest rate risk in the banking book

Broadly defined, interest rate risk is the risk of 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.



Managing and monitoring interest rate risk

The Bank's Treasury department is responsible for managing IRRBB, while the Market Risk unit (reporting into the Chief Risk Officer and ALCO) provides independent oversight of this management. Treasury hedges residual market risk exposures using derivatives.

The Bank 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 further explained in Note 9 of the Group Annual Report 2022 in relation to hedging using derivatives to mitigate exposure to interest, market and foreign exchange risk. The Bank also has APRA model accreditation to determine IRRBB regulatory capital. Under the model, regulatory capital is determined using a Historical Value-at-Risk (HVaR) model based on 10 years of historical data with a scaled 1 year, 99th percentile, one-tailed confidence interval. The calculated HVaR exposure is measured relative to a Board-approved risk appetite limit.

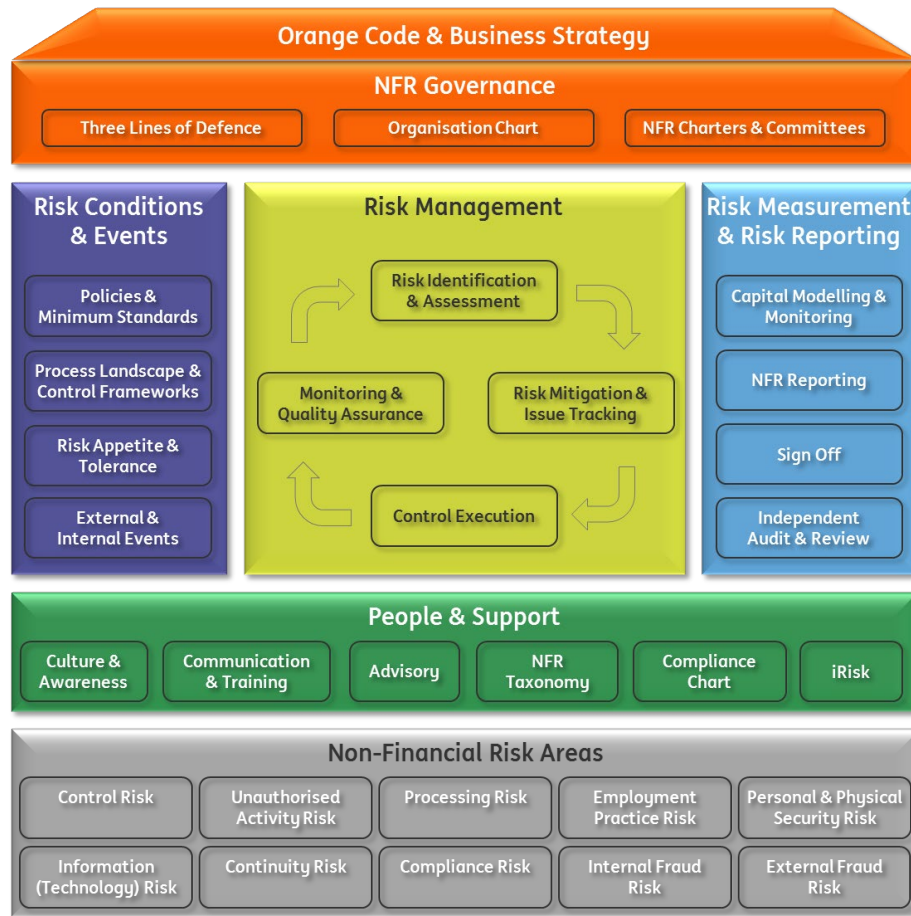
The Bank also measures and manages the structural interest rate mismatch associated with the transfer priced balance sheet. This is done by measuring the net interest income (NII) and net present value (NPV) sensitivity of the balance sheet to changes in interest rates, which is reported to and overseen by ALCO. Another key metric used to manage IRRBB is the sensitivity of NII, which is measured using NII-at-Risk (NIIaR). NIIaR is calculated by measuring projected earnings over a 1, 2 and 3 year time horizon using a number of predefined scenarios specifying changes in the level and term structure of interest rates. Measurement of NIIaR incorporates forecasts of runoff in existing business, as well as new business over the projected time horizon. Both NIIaR and NPVaR take into account behavioural assumptions relating to the Bank's mortgage products and those without contractual maturity (such as savings and current accounts). They are subject to Board approved risk appetite limits.

The Bank's operations are primarily carried out in Australian dollars, therefore appetite for foreign exchange risk is low and monitored on a daily basis by the Market Risk unit.

Daily monitoring of market risk exposures is carried out independently by the Market Risk unit. The exposures are reported to senior management across a number of stakeholder groups (Treasury, Finance and Risk). Monthly reports are produced for the ALCO, while quarterly reports are also prepared for Board Risk Committee to fully and transparently disclose all material market risk exposures and any issues that might have arisen during the reporting period.

Managing and monitoring non-financial risk

The Bank manages non-financial risk (NFR) via the Non-Financial Risk Framework, which consists of the following components:



- **NFR Governance** - details the main principles and key organisational structures of the Group, governing the management practices that apply to all operations of the bank relevant for managing and measuring non-financial risk.
- **Risk Conditions & Events** - takes into account the external and internal constraints and events for managing nonfinancial risk.
- **Risk Management** - involves Identifying risks to the bank, measuring exposures to those risks, ensuring effective monitoring of risk exposures and corresponding capital needs on an ongoing basis, taking steps to control or mitigate risk and reporting to management.
- **Risk Measurement & Risk Reporting** - relates periodic reporting containing material non-financial risk related information (NFRD) in order to measure and monitor risk exposure against the risk appetite and tolerance. Metrics used are preferably generated/calculated automatically based on iRisk (a GRC system) data and translated in clear messages for the relevant target audience and decision-makers, allowing for a timely response.
- **People & Support** - further supports the risk management processes by:
 - Embracing the Group Values and behaviours;
 - Developing skills and expertise of employees through training and communication within all lines of defence;
 - Providing challenge, advice & support to the Business and the Functional Line on significant NFR matters and the interpretation and application of NFR Policies, Minimum Standards and regulatory requirements.



Securitisation disclosures

Securitisation is the process of transferring assets into a Special Purpose Vehicle (“SPV”) and then using those assets as collateral for the issuance of debt securities. The cash flow from the pool of assets is used to make payments of interest and principal to the holders of the debt securities. There are generally at least two classes of securities issued by an SPV, with each class being exposed to a different degree of credit risk.

Securitisation Activities

The Group uses securitisation for the management of its funding and liquidity requirements. The Group equitably assigns residential mortgages that it has originated to SPVs which in turn issue notes.

The IDS Trust 2008-1 is the Group’s internal securitisation transaction. The IDOL program is the Group’s external securitisation program. The Group provides a range of facilities to the various IDOL trusts as well as IDS 2008-1, including interest rate swaps, basis swaps, redraw facilities, liquidity facilities and bank accounts. In 2021, as part of the wholesale banking activities, the Group commenced activities including the provision of facilities and funding to securitisation special purpose vehicles (SPVs) funding third party originated assets.

Risk Assessment

When providing various facilities to the IDOL Trusts and IDS Trust 2008-1, the Group does take on some market risk and liquidity risks. The relevant risks are considered at the inception of each trust and the transactions are recorded in the relevant systems against approved limits. Exposures are monitored on an ongoing basis.

The Group does not employ credit risk mitigation techniques such as guarantees and credit derivatives.

When the Group undertakes a securitisation under the IDOL program it uses S&P Global Ratings and Moody’s Investors Service to provide ratings on the securities issued by the trust. Securities issued by the IDS 2008-1 Trust are rated by S&P Global Ratings.

The Group only undertakes funding-only securitisations and therefore includes the underlying exposures in the pool in the calculation of its regulatory capital under APS 113.

When a new securitisation trust is established, the Group conducts a full self-assessment against APS 120 to ensure that it is compliant with the standard.

Accounting Policies

The Bank conducts loan securitisation programs whereby the equitable rights to selected mortgage loans are sold to a Trust. The Trust then uses those assets as collateral for the issuance of debt securities.

The investors in the securities issued by a Trust have full recourse to the assets transferred to that Trust. The Bank receives the residual income distributed by each Trust 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 each Trust and interest rate risk from each Trust 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 each Trust 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. Each trust has an obligation to repay all notes that it has issued and these amounts are recognised as financial liabilities of the Controlled Entities of the Bank.

In addition, the Bank discloses securitisation income, which represents income received from the Trusts including 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.



Liquidity disclosures

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 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.

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 an the 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 August 2022.

Liquidity coverage ratio

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

The LCR is calculated as a simple daily average, excluding weekends and public holidays, with the exception of 31 December 2022. Liquid assets comprise High Quality Liquid Assets (HQLA) and Alternative Liquid Assets (ALA). ALA comprises qualifying assets held in the Committed Liquidity Facility (CLF) and Term Funding Facility (TFF) as approved by the Reserve Bank of Australia (RBA). The average HQLA for the quarter consists of Level 1 assets including balances held with the RBA, Australian Semi Government and Commonwealth Government securities.

The main funding sources for the Group were deposits from retail and small business customers. Funding was also sourced from the wholesale market in the form of corporate and bank deposits, Residential Mortgage-Backed Securities (RMBS), Covered Bonds and bond issuances, as well as from the RBA's term funding facility. The weighted outflows from each of these funding sources are based on APRA determined run-off factors. The funding mix is regularly monitored in relation to an optimal funding mix, which forms part of the Bank's risk appetite statement.

Derivatives exposures, potential collateral calls and any contingent funding requirements are taken into account in the daily calculation of LCR as per the requirements in APS 210.

The Group's average LCR for the quarter ended 31 December 2022 was 150%, which is an increase of 7% from 143% reported for the quarter ended 30 September 2022.

Net stable funding ratio (NSFR)

The net stable funding ratio (NSFR) aims to ensure that the types (and diversity) of liabilities providing funding, and their maturity profile, adequately meet the funding needs arising from assets and off-balance sheet commitments, taking into account their respective maturity profiles.

The NSFR is calculated by dividing available stable funding (ASF), which represents all own funds and liabilities reported on the balance sheet, by required stable funding (RSF), which represents all assets reported on the balance sheet and selected off-balance sheet commitments.

Short-term assets are assumed to require less stable funding than long-term assets because banks would be able to allow some proportion of those assets to mature instead of rolling them over. All items are presented as maturing on the closer of their maturity date and the earliest date at which they can contractually be called. In case repayments occur in instalments, each instalment is reported in the appropriate time bucket to reflect the effective tenor of the funding.

The Group's NSFR for the quarter ended 31 December 2022 was 144%.

Quantitative disclosures

Capital

APS 330 Table 6b to 6f - Capital requirements in terms of risk-weighted assets

	December 2022	September 2022	June 2022
Amounts in millions of dollars			
Subject to AIRB approach			
Residential mortgages	14,704	14,842	15,032
Total RWA subject to AIRB approach	14,704	14,842	15,032
Subject to FIRB approach			
Banks & other financial institutions	534	475	444
Corporate	1,959	1,849	1,558
Total RWA subject to FIRB approach	2,493	2,324	2,002
Subject to supervisory slotting approach			
Property finance	5,661	5,783	5,489
Project finance	2,514	2,489	2,407
Total RWA subject to supervisory slotting approach	8,175	8,272	7,896
Subject to standardised approach			
Residential mortgages	40	43	47
Property finance	149	166	189
Sovereign	1,200	1,100	900
Corporate	1,481	1,556	1,637
Other retail	372	348	341
Other assets	103	91	117
Total RWA subject to standardised approach	3,345	3,304	3,231
Securitisation	68	45	38
Credit valuation adjustment	-	3	4
Central counterparties	-	-	-
Total credit risk RWA	28,785	28,790	28,203
Interest rate risk in the banking book	3,935	2,659	3,410
Operational risk	4,272	4,143	4,143
Total RWA	36,992	35,592	35,757

APS 330 Table 6g - Capital ratios

	December 2022	September 2022	June 2022
Common equity tier 1 capital ratio	14.7%	14.9%	14.3%
Tier 1 capital ratio	14.7%	14.9%	14.3%
Total capital ratio	15.4%	15.2%	14.6%



Credit risk³**APS 330 Table 7b - Credit risk exposure by portfolio type**

December 2022					
Amounts in millions of dollars	On-Balance sheet	Off-Balance sheet		Total	6-month average
		Market related	Non-market related		
Residential mortgages	55,233	-	8,672	63,905	64,535
Property finance	6,318	-	613	6,931	7,017
Project finance	3,195	-	250	3,445	3,334
Corporate	4,225	-	1,232	5,457	5,165
Banks & other financial institutions	2,916	409	24	3,349	2,536
Sovereign	8,887	-	-	8,887	8,791
Other retail	372	-	-	372	352
Other assets	159	-	-	159	148
Total credit exposures	81,305	409	10,791	92,505	91,878

September 2022					
Amounts in millions of dollars	On-Balance sheet	Off-Balance sheet		Total	3-month average
		Market related	Non-market related		
Residential mortgages	55,780	-	8,734	64,514	64,844
Property finance	6,584	-	548	7,132	6,990
Project finance	3,190	-	219	3,409	3,271
Corporate	4,176	-	977	5,153	5,025
Banks & other financial institutions	2,332	342	22	2,696	2,426
Sovereign	9,391	-	-	9,391	8,727
Other retail	348	-	-	348	344
Other assets	91	-	-	91	157
Total credit exposures	81,892	342	10,500	92,734	91,784

June 2022					
Amounts in millions of dollars	On-Balance sheet	Off-Balance sheet		Total	6-month average
		Market related	Non-market related		
Residential mortgages	56,791	-	8,554	65,345	64,587
Property finance	6,095	-	498	6,593	6,440
Project finance	2,883	-	291	3,174	3,142
Corporate	4,113	-	752	4,865	4,575
Banks & other financial institutions	2,225	345	27	2,597	2,177
Sovereign	8,175	-	-	8,175	8,241
Other retail	341	-	-	341	322
Other assets	204	-	-	204	114
Total credit exposures	80,827	345	10,122	91,294	89,598

³ Excluding Securitisation

APS 330 Table 7d - Credit risk exposure by portfolio type and industry sector

December 2022								
Amounts in millions of dollars	Counterparty type							Total
	Retail	Bank	Sovereign	Property finance	Infra-structure	Utility & Power	Other	
Residential mortgages	63,905	-	-	-	-	-	-	63,905
Property finance	-	-	-	6,931	-	-	-	6,931
Project finance	-	-	-	-	1,190	1,650	605	3,445
Corporate	-	-	-	7	88	1,459	3,903	5,457
Banks & other financial institutions	-	3,349	-	-	-	-	-	3,349
Sovereign	-	-	8,737	-	150	-	-	8,887
Other retail	372	-	-	-	-	-	-	372
Other assets	-	-	-	-	-	-	159	159
Total credit exposures	64,277	3,349	8,737	6,938	1,428	3,109	4,667	92,505

June 2022								
Amounts in millions of dollars	Counterparty type							Total
	Retail	Bank	Sovereign	Property finance	Infra-structure	Utility & Power	Other	
Residential mortgages	65,345	-	-	-	-	-	-	65,345
Property finance	-	-	-	6,593	-	-	-	6,593
Project finance	-	-	-	-	1,190	1,534	450	3,174
Corporate	-	-	-	7	44	974	3,840	4,865
Banks & other financial institutions	-	2,597	-	-	-	-	-	2,597
Sovereign	-	-	8,025	-	150	-	-	8,175
Other retail	341	-	-	-	-	-	-	341
Other assets	-	-	-	-	-	-	204	204
Total credit exposures	65,686	2,597	8,025	6,600	1,384	2,508	4,494	91,294



APS 330 Table 7e - Credit risk exposure by portfolio type and residual contractual maturity

December 2022						
Amounts in millions of dollars	<=3 months	>3 months <=1 year	>1 year <=5 years	>5 years	No maturity specified	Total
Residential mortgages	-	2	42	63,385	476	63,905
Property finance	385	1,146	4,815	584	1	6,931
Project finance	-	275	2,777	393	-	3,445
Corporate	79	188	3,715	1,474	1	5,457
Banks & other financial institutions	1,780	920	648	1	-	3,349
Sovereign	2,250	443	3,748	2,446	-	8,887
Other retail	-	7	221	35	109	372
Other assets	71	-	-	-	88	159
Total credit exposures	4,565	2,981	15,966	68,318	675	92,505

June 2022						
Amounts in millions of dollars	<=3 months	>3 months <=1 year	>1 year <=5 years	>5 years	No maturity specified	Total
Residential mortgages	-	1	46	64,788	510	65,345
Property finance	536	1,173	4,345	538	1	6,593
Project finance	-	60	2,541	573	-	3,174
Corporate	16	623	3,124	1,101	1	4,865
Banks & other financial institutions	1,493	302	802	-	-	2,597
Sovereign	464	434	3,182	4,095	-	8,175
Other retail	-	7	219	25	90	341
Other assets	109	-	-	-	95	204
Total credit exposures	2,618	2,600	14,259	71,120	697	91,294



APS 330 Table 7f - Impaired and past due by portfolio type

December 2022					
Amounts in millions of dollars	Past due facilities	Impaired facilities	Specific provisions	Quarterly movement	
				Charge to specific provisions	Write offs
Residential mortgages	226	341	40	(5)	-
Property finance	7	6	-	(1)	-
Project finance	-	-	-	-	-
Corporate	14	11	3	-	-
Banks & other financial institutions	-	-	-	-	-
Sovereign	-	-	-	-	-
Other retail	-	8	8	-	1
Other assets	-	-	-	-	-
Total	247	366	51	(6)	1

September 2022					
Amounts in millions of dollars	Past due facilities	Impaired facilities	Specific provisions	Quarterly movement	
				Charge to specific provisions	Write offs
Residential mortgages	221	470	45	-	1
Property finance	3	7	1	1	-
Project finance	-	-	-	-	-
Corporate	8	28	3	1	-
Banks & other financial institutions	-	-	-	-	-
Sovereign	-	-	-	-	-
Other retail	-	8	8	(1)	1
Other assets	-	-	-	-	-
Total	232	513	57	1	2

June 2022					
Amounts in millions of dollars	Past due facilities	Impaired facilities	Specific provisions	Quarterly movement	
				Charge to specific provisions	Write offs
Residential mortgages	232	540	45	(22)	-
Property finance	2	7	-	(1)	-
Project finance	-	-	-	-	-
Corporate	5	35	2	(1)	-
Banks & other financial institutions	-	-	-	-	-
Sovereign	-	-	-	-	-
Other retail	-	8	9	(1)	1
Other assets	-	-	-	-	-
Total	239	590	56	(25)	1



APS 330 Table 7h - Movement in collective and individual provisions

Movement in collective provisions	December 2022	June 2022
Amounts in millions of dollars		
Opening balance	97	121
Net charge against profit and loss	26	(22)
Recoveries	-	-
Write-offs	(2)	(1)
Less collective provisions transferred to specific provisions	-	-
Total collective provisions	121	97
Less collective provisions treated as specific provisions for regulatory purposes	(51)	(56)
Additional GRCL requirement	94	94
General reserve for credit losses	164	135

Movement in individual provisions	December 2022	June 2022
Amounts in millions of dollars		
Opening balance	-	1
New and increase provisioning	-	-
Write back of provisions no longer required	-	(1)
Write-offs	-	-
Discount unwind to interest income	-	-
Add collective provisions transferred to specific provisions	-	-
Total individual provisions	-	-



APS 330 Table 7i - Credit risk exposures by portfolio type and modelling approach

December 2022					
Amounts in millions of dollars	AIRB	FIRB	Slotting	Standardised	Total
Portfolio type					
Residential mortgages	63,844	-	-	61	63,905
Property finance	-	-	6,782	149	6,931
Project finance	-	-	3,445	-	3,445
Corporate	-	3,976	-	1,481	5,457
Banks & other financial institutions	-	3,349	-	-	3,349
Sovereign	-	-	-	8,887	8,887
Other Retail	-	-	-	372	372
Other Assets	-	-	-	159	159
Total credit exposures	63,844	7,325	10,227	11,109	92,505

June 2022					
Amounts in millions of dollars	AIRB	FIRB	Slotting	Standardised	Total
Portfolio type					
Residential mortgages	65,273	-	-	72	65,345
Property finance	-	-	6,404	189	6,593
Project finance	-	-	3,174	-	3,174
Corporate	-	3,229	-	1,636	4,865
Banks & other financial institutions	-	2,597	-	-	2,597
Sovereign	-	-	-	8,175	8,175
Other Retail	-	-	-	341	341
Other Assets	-	-	-	204	204
Total credit exposures	65,273	5,826	9,578	10,617	91,294



APS 330 Table 7j – Reconciliation between APS 220 provisions and Australian accounting standards

December 2022			
Amounts in millions of dollars	General reserve for credit losses	Specific provisions	Total
Collective provision	70	51	121
Individual provision	-	-	-
Total provisions	70	51	121
Additional GRCL requirement	94	-	94
Total regulatory provisions	164	51	215

September 2022			
Amounts in millions of dollars	General reserve for credit losses	Specific provisions	Total
Collective provision	59	57	116
Individual provision	-	-	-
Total provisions	59	57	116
Additional GRCL requirement	91	-	91
Total regulatory provisions	150	57	207

June 2022			
Amounts in millions of dollars	General reserve for credit losses	Specific provisions	Total
Collective provision	41	56	97
Individual provision	-	-	-
Total provisions	41	56	97
Additional GRCL requirement	94	-	94
Total regulatory provisions	135	56	191



APS 330 Table 8b - Exposures subject to the standardised approach and supervisory risk-weights in the IRB approaches

Standardised approach

Exposure after credit risk mitigation	December 2022	June 2022
Amounts in millions of dollars		
Risk weight		
0%	7,687	7,275
20%	71	109
35%	-	-
50%	26	28
75%	33	42
100%	3,291	3,162
150%	1	1
>150%	-	-
Capital deductions	-	-
Total	11,109	10,617

Supervisory Slotting

Exposure after credit risk mitigation	December 2022	June 2022
Amounts in millions of dollars		
Supervisory category		
Strong (70%)	6,901	6,613
Good (90%)	2,662	2,420
Satisfactory (115%)	527	203
Weak (250%)	137	342
Default (0%)	-	-
Total	10,227	9,578



APS 330 Table 9d – Exposures by portfolio type and PD band (Portfolios subject to IRB approach)⁴

December 2022															
Amounts in millions of dollars	PD band														Total
	0.0% to < 0.03%	0.03% to < 0.1%	0.1% to < 0.2%	0.2% to < 0.3%	0.3% to < 0.5%	0.5% to < 0.7%	0.7% to < 1.0%	1.0% to < 2.0%	2.0% to < 3.0%	3.0% to < 5.0%	5.0% to < 7.0%	7.0% to < 10.0%	10.0% to < 100%	Default	
Credit risk exposures															
Residential mortgages	-	33,897	-	8,370	3,305	7,678	4,844	3,066	528	807	-	454	320	575	63,844
Banks & other financial institutions	-	3,349	-	-	-	-	-	-	-	-	-	-	-	-	3,349
Corporate	-	845	1,338	1,000	602	-	191	-	-	-	-	-	-	-	3,976
Total credit risk exposures	-	38,091	1,338	9,370	3,907	7,678	5,035	3,066	528	807	-	454	320	575	71,169
Undrawn commitments															
Residential mortgages	-	6,362	-	512	186	330	207	1,015	12	19	-	11	7	8	8,669
Banks & other financial institutions	-	433	-	-	-	-	-	-	-	-	-	-	-	-	433
Corporate	-	156	66	452	205	-	55	-	-	-	-	-	-	-	934
Total undrawn commitments	-	6,951	66	964	391	330	262	1,015	12	19	-	11	7	8	10,036
Exposure - weighted average EAD															
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Banks & other financial institutions	-	70	-	-	-	-	-	-	-	-	-	-	-	-	70
Corporate	-	94	61	36	24	-	21	-	-	-	-	-	-	-	43
Exposure - weighted average LGD (%)															
Residential mortgages	-	20	-	21	21	21	21	21	21	20	-	20	21	23	21
Exposure - weighted average risk weight (%)															
Residential mortgages	-	6	-	17	27	35	45	62	76	98	-	131	155	231	23
Banks & other financial institutions	-	16	-	-	-	-	-	-	-	-	-	-	-	-	16
Corporate	-	29	50	46	64	-	106	-	-	-	-	-	-	-	49

⁴ This table is rounded to the nearest million and, as a result, where individual deals in each PD category are, on average, less than \$0.5m this will appear as 'nil' in this disclosure.

APS 330 Table 9d – Exposures by portfolio type and PD band (Portfolios subject to IRB approach)⁵ (continued)

June 2022															
Amounts in millions of dollars	PD band														Total
	0.0% to < 0.03%	0.03% to < 0.1%	0.1% to < 0.2%	0.2% to < 0.3%	0.3% to < 0.5%	0.5% to < 0.7%	0.7% to < 1.0%	1.0% to < 2.0%	2.0% to < 3.0%	3.0% to < 5.0%	5.0% to < 7.0%	7.0% to < 10.0%	10.0% to < 100%	Default	
Credit risk exposures															
Residential mortgages	-	36,234	-	8,345	3,368	7,999	4,159	2,746	351	649	-	360	280	782	65,273
Banks & other financial institutions	-	2,597	-	-	-	-	-	-	-	-	-	-	-	-	2,597
Corporate	-	699	820	780	829	-	101	-	-	-	-	-	-	-	3,229
Total credit risk exposures	-	39,530	820	9,125	4,197	7,999	4,260	2,746	351	649	-	360	280	782	71,099
Undrawn commitments															
Residential mortgages	-	6,186	-	491	175	359	215	1,070	8	17	-	9	6	9	8,545
Banks & other financial institutions	-	372	-	-	-	-	-	-	-	-	-	-	-	-	372
Corporate	-	124	98	219	233	-	12	-	-	-	-	-	-	-	686
Total undrawn commitments	-	6,682	98	710	408	359	227	1,070	8	17	-	9	6	9	9,603
Exposure - weighted average EAD															
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Banks & other financial institutions	-	62	-	-	-	-	-	-	-	-	-	-	-	-	62
Corporate	-	87	48	43	25	-	17	-	-	-	-	-	-	-	39
Exposure - weighted average LGD (%)															
Residential mortgages	-	20	-	20	20	21	21	21	20	21	-	20	20	23	20
Exposure - weighted average risk weight (%)															
Residential mortgages	-	6	-	18	29	37	48	66	78	102	-	135	156	230	23
Banks & other financial institutions	-	17	3	-	-	-	-	-	-	-	-	-	-	-	17
Corporate	-	28	43	54	59	-	106	-	-	-	-	-	-	-	48

⁵ This table is rounded to the nearest million and, as a result, where individual deals in each PD category are, on average, less than \$0.5m this will appear as 'nil' in this disclosure.

APS 330 Table 9e - Actual losses in reporting period by portfolio type

Portfolios subject to IRB approach		December 2022		June 2022
Amounts in millions of dollars	Charge to specific provisions	Write-offs	Charge to specific provisions	Write-offs
Residential mortgages	(5)	-	(22)	-
Banks & other financial institutions	-	-	-	-
Corporate	-	-	(1)	-
Total	(5)	-	(23)	-

APS 330 Table 9f (i) - Historical loss analysis by portfolio type

Portfolios subject to IRB approach		December 2022	
Amounts in millions of dollars		Half year actual loss	Regulatory 1 year expected loss estimate
Residential mortgages		-	104
Banks & other financial institutions		-	1
Corporate		-	4
Total		-	108

Portfolios subject to IRB approach		June 2022	
Amounts in millions of dollars		Half year actual loss	Regulatory 1 year expected loss estimate
Residential mortgages		-	107
Banks & other financial institutions		-	1
Corporate		-	3
Total		-	111

APS 330 Table 9f (ii) – Accuracy of risk estimates by portfolio type

					December 2022
Amounts in millions of dollars	PD		LGD		EAD
	Average estimate	Average actual	Average estimate	Average actual	Estimate to actual ratio
Residential mortgages	0.67%	0.72%	20.76%	1.27%	101%
Banks & other financial institutions	0.32%	0.00%	N/A	N/A	N/A
Corporate	0.31%	0.00%	N/A	N/A	N/A



APS 330 Table 10b and 10c - Credit risk mitigation

			December 2022
Amounts in millions of dollars	Gross exposure	Eligible collateral	Net exposure
Subject to AIRB and FIRB approach			
Residential mortgages	63,844	-	63,844
Banks & other financial institutions	3,750	(401)	3,349
Corporate	3,976	-	3,976
Total advanced approach	71,570	(401)	71,169
Subject to supervisory slotting approach			
Property finance	6,781	-	6,781
Project finance	3,445	-	3,445
Total supervisory slotting approach	10,226	-	10,226
Subject to standardised approach			
Residential mortgages	61	-	61
Property finance	150	-	150
Sovereign	8,887	-	8,887
Corporate	1,481	-	1,481
Other retail	372	-	372
Other assets	159	-	159
Total standardised approach	11,110	-	11,110
Securitisation	457	-	457
Total exposures	93,363	(401)	92,962

			June 2022
Amounts in millions of dollars	Gross exposure	Eligible collateral	Net exposure
Subject to AIRB and FIRB approach			
Residential mortgages	65,273	-	65,273
Banks & other financial institutions	2,962	(365)	2,597
Corporate	3,229	-	3,229
Total advanced approach	71,464	(365)	71,099
Subject to supervisory slotting approach			
Property finance	6,404	-	6,404
Project finance	3,174	-	3,174
Total supervisory slotting approach	9,578	-	9,578
Subject to standardised approach			
Residential mortgages	72	-	72
Property finance	189	-	189
Sovereign	8,175	-	8,175
Corporate	1,636	-	1,636
Other retail	341	-	341
Other assets	204	-	204
Total standardised approach	10,617	-	10,617
Securitisation	256	-	256
Total exposures	91,915	(365)	91,550



APS 330 Table 11b - Counterparty credit risk derivative exposure

Effects of netting on the balance sheet	December 2022	June 2022
Amounts in millions of dollars		
Gross positive fair value	1,308	1,171
Netting benefits	(401)	(365)
Netted current credit exposure	907	806
Net collateral benefit, of which:		
From cash collateral held	(615)	(560)
Replacement cost	292	246
Potential future exposure (PFE) and impact of 1.4 scaling factor	117	98
Exposure at default	409	344

Exposure at default	December 2022	June 2022
Amounts in millions of dollars		
Interest Rate Contracts		
Standardised Approach to Counterparty Credit Risk	409	344
Total	409	344



Securitisation

APS 330 Table 12g - Banking book exposures securitised - traditional securitisation

December 2022		
Amounts in millions of dollars	Originated by the ADI	Third party originated
Underlying asset		
Residential mortgages	13,199	-
Total	13,199	-

June 2022		
Amounts in millions of dollars	Originated by the ADI	Third party originated
Underlying asset		
Residential mortgages	13,453	-
Total	13,453	-

APS 330 Table 12h - Past due and impaired banking book exposures by asset type

December 2022				
Amounts in millions of dollars	Outstanding exposure	Impaired	Past due	Losses recognised
Underlying asset				
Residential mortgages	13,199	15	30	-
Total	13,199	15	30	-

June 2022				
Amounts in millions of dollars	Outstanding exposure	Impaired	Past due	Losses recognised
Underlying asset				
Residential mortgages	13,453	26	36	-
Total	13,453	26	36	-



APS 330 Table 12i - Banking book exposures intended to be securitised

	December 2022	June 2022
Amounts in millions of dollars		
Underlying asset		
Residential mortgages	-	-
Total	-	-

APS 330 Table 12j - Banking book activity for the reporting period

	December 2022	
Amounts in millions of dollars	Total exposures securitised	Recognised gain or loss on sale
Underlying asset		
Residential mortgages	-	-
Total	-	-

	September 2022	
Amounts in millions of dollars	Total exposures securitised	Recognised gain or loss on sale
Underlying asset		
Residential mortgages	-	-
Total	-	-

	June 2022	
Amounts in millions of dollars	Total exposures securitised	Recognised gain or loss on sale
Underlying asset		
Residential mortgages	-	-
Total	-	-



APS 330 Table 12k – Banking book securitisation exposures retained or purchased

			December 2022
Amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
Securitisation facility type			
Liquidity support facilities	-	326	326
Credit enhancements	-	21	21
Redraw facilities	-	20	20
Derivative facilities	14	-	14
Holding of securities	13,116	-	13,116
Total securitisation exposures	13,130	367	13,497

			September 2022
Amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
Securitisation facility type			
Liquidity support facilities	-	327	327
Credit enhancements	-	11	11
Redraw facilities	-	22	22
Derivative facilities	14	-	14
Holding of securities	12,973	-	12,973
Total securitisation exposures	12,987	360	13,347

			June 2022
Amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
Securitisation facility type			
Liquidity support facilities	-	330	330
Credit enhancements	-	13	13
Redraw facilities	-	24	24
Derivative facilities	17	-	17
Holding of securities	12,955	-	12,955
Total securitisation exposures	12,972	367	13,339



APS 330 Table 12l (i) - Banking book exposure by risk weight band

December 2022				June 2022
Amounts in millions of dollars		Securitisation exposures subject to SFA		
Risk weight band	Gross Credit Exposure	Risk Weighted Assets	Gross Credit Exposure	Risk Weighted Assets
=<20%	457	69	256	38
>20%–50%	-	-	-	-
>50%–100%	-	-	-	-
>100%–150%	-	-	-	-
>150%–650%	-	-	-	-
>650%–<1250%	-	-	-	-
Total	457	69	256	38

APS 330 Table 12l (ii) - Banking book securitisation exposure deducted from common equity Tier 1 capital

	December 2022	June 2022
Amounts in millions of dollars		
Underlying asset		
Credit enhancements	7	9
Total	7	9



Market risk

APS 330 Table 17b - Interest rate risk in the banking book

Change in economic value	December 2022	June 2022
Amounts in millions of dollars		
+200 basis point shock	118	386
-200 basis point shock	(118)	(386)

Regulatory RWA	December 2022	June 2022
Amounts in millions of dollars		
Interest rate risk in the banking book	3,935	3,410



Liquidity risk

APS 330 Table 20 - Liquidity coverage ratio

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

		December 2022	
Amounts in millions of dollars		Total unweighted value (daily average)	Total weighted value (daily average)
Liquid assets			
1	High-quality liquid assets (HQLA)		8,030
2	Alternative liquid assets (ALA)		532
3	Reserve Bank of New Zealand (RBNZ) securities		n/a
Cash outflows			
4	Retail deposits and deposits from small business customers, of which:	45,175	4,857
5	<i>stable deposits</i>	30,991	1,550
6	<i>less stable deposits</i>	14,184	3,307
7	Unsecured wholesale funding, of which:	1,472	1,264
8	<i>operational deposits (all counterparties) and deposits in networks for cooperative banks</i>	n/a	n/a
9	<i>non-operational deposits (all counterparties)</i>	1,336	1,128
10	<i>unsecured debt</i>	136	136
11	Secured wholesale funding		-
12	Additional requirements, of which	9,589	1,226
13	<i>outflows related to derivatives exposures and other collateral requirements</i>	650	650
14	<i>outflows related to loss of funding on debt products</i>	26	26
15	<i>credit and liquidity facilities</i>	8,913	550
16	Other contractual funding obligations	618	0
17	Other contingent funding obligations	1,381	192
18	Total cash outflows		7,538
Cash inflows			
19	Secured lending (e.g. reverse repos)		-
20	Inflows from fully performing exposures	2,700	1,773
21	Other cash inflows	56	56
22	Total cash inflows	2,756	1,829
23	Total liquid assets		8,562
24	Total net cash outflows		5,709
25	Liquidity Coverage Ratio (%)		150%

(No of observations: 63)



APS 330 Table 20 - Liquidity coverage ratio (continued)

		September 2022	
Amounts in millions of dollars		Total unweighted value (daily average)	Total weighted value (daily average)
Liquid assets			
1	High-quality liquid assets (HQLA)		7,429
2	Alternative liquid assets (ALA)		532
3	Reserve Bank of New Zealand (RBNZ) securities		n/a
Cash outflows			
4	Retail deposits and deposits from small business customers, of which:	44,566	4,817
5	<i>stable deposits</i>	30,493	1,525
6	<i>less stable deposits</i>	14,074	3,292
7	Unsecured wholesale funding, of which:	1,702	1,468
8	<i>operational deposits (all counterparties) and deposits in networks for cooperative banks</i>	n/a	n/a
9	<i>non-operational deposits (all counterparties)</i>	1,561	1,326
10	<i>unsecured debt</i>	142	142
11	Secured wholesale funding		-
12	Additional requirements, of which	9,296	1,138
13	<i>outflows related to derivatives exposures and other collateral requirements</i>	537	537
14	<i>outflows related to loss of funding on debt products</i>	69	69
15	<i>credit and liquidity facilities</i>	8,690	532
16	Other contractual funding obligations	687	2
17	Other contingent funding obligations	1,522	217
18	Total cash outflows		7,642
Cash inflows			
19	Secured lending (e.g. reverse repos)		-
20	Inflows from fully performing exposures	2,757	1,827
21	Other cash inflows	256	256
22	Total cash inflows	3,013	2,083
23	Total liquid assets		7,961
24	Total net cash outflows		5,559
25	Liquidity Coverage Ratio (%)		143%

(No of observations: 64)



APS 330 Table 21 - Net stable funding ratio

The Group ensures that its liquidity position remains resilient over the long-term by maintaining a net stable funding ratio in excess of the regulatory limit. The additional buffer forms part of the Group's board-approved risk appetite.

December 2022						
Amounts in millions of dollars		Unweighted value by residual maturity				Weighted value
		No maturity	< 6mths	6mths to < 1yr	≥ 1yr	
Available Stable Funding (ASF) Item						
1	Capital	5,448	-	-	191	5,640
2	Regulatory capital	5,448	-	-	191	5,640
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers	-	46,464	1,396	181	44,813
5	Stable deposits	-	31,151	-	-	29,594
6	Less stable deposits	-	15,313	1,396	181	15,219
7	Wholesale funding	-	4,930	3,503	18,296	20,614
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	4,930	3,503	18,296	20,614
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities	-	2,059	-	335	335
12	NSFR derivative liabilities	-	-	-	-	-
13	All other liabilities and equity not included in the above categories	-	2,059	-	335	335
14	Total ASF	5,448	53,453	4,899	19,003	71,402
Required Stable Funding (RSF) Item						
15a	Total NSFR (HQLA)	-	2,453	240	6,438	344
15b	ALA	-	833	-	5,420	625
15c	RBNZ securities	-	-	-	-	-
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities	-	5,247	708	59,221	45,457
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	1,683	-	22	274
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs), of which:	-	3,414	707	10,377	10,918
21	With a risk weight of less than or equal to 35% under APS 112	-	-	-	-	-
22	Performing residential mortgages, of which:	-	151	1	48,823	34,265
23	With a risk weight equal to 35% under APS 112	-	121	1	47,068	32,758
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	-	-	-	2,521	2,521
27	Physical traded commodities, including gold	-	-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)	-	-	-	-	-
29	NSFR derivative assets	-	-	-	1,175	1,175
30	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	60	60
31	All other assets not included in the above categories	-	-	-	1,286	1,286
32	Off-balance sheet items	-	-	-	-	493
33	Total RSF	-	8,533	948	73,600	49,440
34	Net Stable Funding Ratio (%)					144%



APS 330 Table 21 - Net stable funding ratio (continued)

September 2022						
Amounts in millions of dollars		Unweighted value by residual maturity				Weighted value
		No maturity	< 6mths	6mths to < 1yr	≥ 1yr	
Available Stable Funding (ASF) Item						
1	Capital	5,301	-	-	116	5,417
2	Regulatory capital	5,301	-	-	116	5,417
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers	-	45,989	1,633	159	44,568
5	Stable deposits	-	30,986	-	-	29,437
6	Less stable deposits	-	15,003	1,633	159	15,131
7	Wholesale funding	-	5,708	3,473	16,488	18,693
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	5,708	3,473	16,488	18,693
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities	-	2,113	-	350	350
12	NSFR derivative liabilities	-	-	-	-	-
13	All other liabilities and equity not included in the above categories	-	2,113	-	350	350
14	Total ASF	5,301	53,809	5,106	17,113	69,027
Required Stable Funding (RSF) Item						
15a	Total NSFR (HQLA)	-	1,206	206	6,101	327
15b	ALA	-	619	-	5,634	625
15c	RBNZ securities	-	-	-	-	-
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities	-	5,132	744	59,545	45,576
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	1,556	-	291	524
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs), of which:	-	3,417	744	10,602	11,145
21	With a risk weight of less than or equal to 35% under APS 112	-	-	-	-	-
22	Performing residential mortgages, of which:	-	159	-	48,652	33,907
23	With a risk weight equal to 35% under APS 112	-	128	-	46,788	32,307
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	-	-	-	2,693	2,693
27	Physical traded commodities, including gold	-	-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)	-	-	-	-	-
29	NSFR derivative assets	-	-	-	1,125	1,125
30	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	70	70
31	All other assets not included in the above categories	-	-	-	1,498	1,498
32	Off-balance sheet items	-	-	-	-	468
33	Total RSF	-	6,958	950	73,973	49,689
34	Net Stable Funding Ratio (%)					139%



Leverage ratio

	December 2022	September 2022	June 2022	March 2022
Amounts in millions of dollars				
Tier 1 capital	5,448	5,301	5,109	4,997
Total exposures	89,156	85,511	85,364	83,074
Leverage ratio	6.1%	6.2%	6.0%	6.0%



Attachment A Reconciliations

Table 1A Capital disclosure

			December 2022
Amounts in millions of dollars			Ref
Common Equity Tier 1 Capital: instruments and reserves			
1	Directly issued qualifying ordinary share (and equivalent for mutually-owned entities) capital	1,334	3A-1
2	Retained Earnings	4,446	3A-1
3	Accumulated other comprehensive income (and other reserves)	214	3A-9
6	Common Equity Tier 1 capital before regulatory adjustments	5,994	3A-1
Common Equity Tier 1 Capital: regulatory adjustments			
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	100	3A-8
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	3A-2
11	Cash flow hedge reserve	213	3A-1
12	Shortfall of provisions to expected losses	45	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related liability)	-	3A-2
22	Amount exceeding the 15% threshold	-	3A-2
23	<i>of which: significant investments in the ordinary shares of financial entities</i>	-	
24	<i>of which: mortgage servicing rights</i>	-	
25	<i>of which: deferred tax assets arising from temporary differences</i>	-	3A-2
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	187	
26a	<i>of which: treasury shares</i>	-	
26b	<i>of which: offset to dividends declared under a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI</i>	-	
26c	<i>of which: deferred fee income</i>	-	
26d	<i>of which: equity investments in financial institutions not reported in rows 18, 19 and 23</i>	-	
26e	<i>of which: deferred tax assets not reported in rows 10, 21 and 25</i>	-	3A-2
26f	<i>of which: capitalised expenses</i>	179	3A-5
26g	<i>of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements</i>	-	
26h	<i>of which: covered bonds in excess of asset cover in pools</i>	-	
26i	<i>of which: undercapitalisation of a non-consolidated subsidiary</i>	-	
26j	<i>of which: other national specific regulatory adjustments not reported in rows 26a to 26i</i>	7	
27	<i>Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions</i>	-	
28	Total regulatory adjustments to Common Equity Tier 1	545	
29	Common Equity Tier 1 Capital (CET1)	5,448	
45	Tier 1 Capital (T1=CET1+AT1)	5,448	



Table 1A Capital disclosure (continued)

December 2022			Ref
Amounts in millions of dollars			
Tier 2 Capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments	226	3A-7
50	Provisions	40	3A-6 3A-7
58	Tier 2 capital (T2)	266	
59	Total capital (TC=T1+T2)	5,714	
60	Total risk-weighted assets based on APRA standards	36,992	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	14.7%	
62	Tier 1 (as a percentage of risk-weighted assets)	14.7%	
63	Total capital (as a percentage of risk-weighted assets)	15.4%	
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	<i>of which: capital conservation buffer requirement</i>	2.5%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	7.7%	
Amount below thresholds for deductions (not risk-weighted)			
72	Non-significant investments in the capital of other financial entities	-	
73	Significant investments in the ordinary shares of financial entities	-	
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	3A-2
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	40	3A-6 3A-7
77	Cap on inclusion of provisions in Tier 2 under standardised approach	41	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	3A-6 3A-7
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	124	



Table 2A Regulatory Balance Sheet

December 2022					
Amounts in millions of dollars	Statutory Balance Sheet	less		Regulatory Balance Sheet	Ref Footnote
		Accrued interest	Other		
Assets					
Cash	2,936	4	378	2,554	D
Due from other financial institutions	254	1	-	253	
Investment securities	7,938	51	(12,660)	20,547	D
Loans and advances	70,869	83	(5,249)	76,035	3A-3 B,C,D
Derivative assets	1,213	-	(9)	1,222	D
Other receivables	52	(139)	(327)	518	3A-4 D
Property, plant and equipment	87	-	-	87	
Intangible assets	100	-	-	100	3A-8 Row 9
Deferred tax asset	107	-	(163)	270	3A-2 E
Total Assets	83,556	-	(18,030)	101,586	
Liabilities					
Deposits and other borrowings	70,627	119	(17,551)	88,059	D
Debt issues	5,744	22	(380)	6,102	C,D
Derivative liabilities	365	-	(20)	385	D
Creditors and other liabilities	528	(141)	35	634	D
Deferred tax liability	155	-	(179)	334	3A-2 E
Provisions	25	-	(32)	57	
Total Liabilities	77,444	-	(18,127)	95,571	
Net Assets	6,112	-	97	6,015	
Equity					
Contributed equity	1,334	-	-	1,334	3A-1 Row 1
Reserves	332	-	95	237	3A-1 3A-9 B
Retained profits	4,446	-	2	4,444	
Total Equity	6,112	-	97	6,015	3A-1

A: Financial instruments within the Statutory Balance Sheet are reported inclusive of accrued interest; the Regulatory Balance Sheet segregates these balances into other receivables and other liabilities.

B: The portion of General Reserve for Credit Losses disclosed as equity for statutory purpose represents additional loan loss provisioning provided for the lifetime of the facilities.

C: Loan and debt origination expenses are disclosed as other receivables as per APRA instructions and are included as part of the amortised cost of the respective asset and liability balance on the Statutory Balance Sheet.

D: Adjustment for controlled entities that are consolidated for accounting purposes, but excluded from the scope of regulatory consolidation. Refer to Table 4A.

E: Different netting methodology within DTA and DTL in Regulatory Balance Sheet and Statutory Balance Sheet.

F: Regulatory balance sheet reports the Group on standalone basis and does not include securitised or covered bond special purpose vehicles.



Table 3A Capital reconciliations

3A-1 Share Capital		December 2022
Amounts in millions of dollars		Ref
Contributed equity	1,334	Row 1
Retained profits	4,446	Row 2
Reserves:	-	
Cash-flow hedge reserve	213	Row 3
Fair value reserve	1	Row 3
Common Equity Tier 1 Capital per Common Disclosure Template	5,994	Row 6
Share-based payments reserve	23	3A-9
Retained profits for entities excluded from the regulatory consolidation	(2)	
Total Equity per Regulatory Balance Sheet	6,015	2A

3A-2 Deferred Tax Assets		December 2022
Amounts in millions of dollars		Ref
Deferred Tax Assets per Regulatory Balance Sheet	270	
Deferred Tax Liabilities per Regulatory Balance Sheet	(334)	2A
Net deferred tax assets excluded from the regulatory consolidation	16	
Net Deferred Tax Assets	(48)	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	Row 10
Deferred tax assets arising from temporary differences (net of related liability)	-	Row 26e, 75
Deferred Tax Asset – amount exceed 10%/15% threshold per Common Disclosure Template	-	Row 21, 25

3A-3 Loans and Advances		December 2022
Amounts in millions of dollars		Ref
Loans and Advances per Regulatory Balance Sheet	76,035	2A
of which:		
Housing Loans	55,001	
Loans to non-financial corporations	13,860	
Loans to financial corporations	7,038	
Personal loans	393	
Specific Provisions	(52)	
General Reserve for Credit Losses	(164)	3A-6
Deferred Fee Income	(41)	3A-5

3A-4 Other Receivables		December 2022
Amounts in millions of dollars		Ref
Other Receivables per Regulatory Balance Sheet	518	2A
of which:	-	
Interest Receivable	139	
Capitalised Debt Raising	-	
Capitalised Securitisation Start-up costs	8	3A-5
Capitalised Loan Origination Costs	212	
Items in Suspense	27	
Other	132	



Table 3A Capital reconciliations (continued)

3A-5 Capitalised expenses		December 2022
Amounts in millions of dollars		Ref
Deferred Fee Income	(41)	3A-3
Capitalised Debt Raising	-	
Capitalised Securitisation Start-up costs	8	3A-4
Capitalised Loan Origination Costs	212	
Capitalised expenses per Common Disclosure Template	179	Row 26f

3A-6 General reserve for credit losses		December 2022
Amounts in millions of dollars		Ref
GRCL: Portfolios under the standardised-approach (eligible for capital)	40	
of which: eligible for capital	40	Row 50, 76
GRCL: Portfolios under the IRB ratings-based approach	124	
of which: eligible for capital	-	Row 50, 76
GRCL per Common Disclosure Template	164	3A-3

3A-7 Tier 2 Capital		December 2022
Amounts in millions of dollars		Ref
Tier 2 Capital per Regulatory Balance Sheet	226	Row 46
Amortisation of Tier 2 Capital Instruments	-	
Provisions	40	Row 50, 76
Tier 2 Capital Instruments per Common Disclosure Template	266	Row 51

3A-8 Goodwill and Intangible assets		December 2022
Amounts in millions of dollars		Ref
Intangible Assets per Regulatory Balance Sheet	100	
Capitalised software and other intangibles	(100)	Row 9
Goodwill per Common Disclosure Template	-	Row 8

3A-9 Accumulated Other Comprehensive Income (and other reserves)		December 2022
Amounts in millions of dollars		Ref
Total reserves per Level 2 Regulatory Balance Sheet	237	2A
Share Based Payment Reserve not included within capital	(23)	3A-1
Accumulated Other Comprehensive Income (and other reserves) per Capital Disclosure Template	214	Row 3



Table 4A Excluded entities

The following entities controlled by the Group are excluded from the regulatory scope of consolidation. The Group uses these entities as part of its securitisation activities.

Amounts in millions of dollars	December 2022	
	Total assets	Total liabilities
IDS Trust 2008-1	12,573	12,551
IDOL Trust Series 2015-1	104	104
IDOL Trust Series 2016-1	128	128
IDOL Trust Series 2017-1	210	210
IDOL Trust Series 2019-1	587	585
IBAL Covered Bond Trust	5,649	5,642



Attachment B

APS 330 Table 18 - Composition of the Leverage Ratio

December 2022		
Amounts in millions of dollars		
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and securities financing transactions (SFTs), but including collateral)	81,998
2	(Asset amounts deducted in determining Tier 1 capital)	(287)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)	81,711
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	1,813
5	Add-on amounts for potential future credit exposure (PFCE) associated with all derivatives transactions	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the Australian Accounting Standards	615
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(872)
8	(Exempted central counterparty (CCP) leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	Total derivative exposures (sum of rows 4 to 10)	1,556
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	CCR exposure for SFT assets	-
15	Agent transaction exposures	-
16	Total SFT exposures (sum of rows 12 to 15)	-
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	11,124
18	(Adjustments for conversion to credit equivalent amounts)	(5,235)
19	Other off-balance sheet exposures (sum of rows 17 and 18)	5,889
Capital and total exposures		
20	Tier 1 Capital	5,448
21	Total exposures (sum of rows 3, 11, 16 and 19)	89,156
Leverage ratio		
22	Leverage ratio	6.1%



APS 330 Table 19 - Summary comparison of accounting assets vs leverage ratio exposure measure

		December 2022
Amounts in millions of dollars		
1	Total consolidated assets as per published financial statements	83,556
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for assets held on the balance sheet in a fiduciary capacity pursuant to the Australian Accounting Standards but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	299
5	Adjustment for SFTs (i.e. repos and similar secured lending)	(301)
6	Adjustment for off-balance sheet exposures (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	5,889
7	Other adjustments	(287)
8	Leverage ratio exposure	89,156

