



# Pillar 3 Capital Adequacy & Risk Disclosure

June 2018

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

The following information is presented in accordance with the APRA Prudential Standard APS 330, 'Public Disclosure'. Effective April 2018, ING was granted approval by APRA to begin determining its capital requirements using internal credit and market risk models, across certain portfolios. The initial disclosures herein reflect additional reporting requirements applicable to banks utilising the internal ratings-based (IRB) to capital management.

All credit exposures are managed from ING's head office in Sydney, Australia.

All amounts are stated in AUD.

## Capital disclosures

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

Asset category	June 2018
<i>Amounts in millions of dollars</i>	
<b>Subject to AIRB approach</b>	
Residential mortgages	15,317
<b>Total RWA subject to AIRB approach</b>	<b>15,317</b>
<b>Subject to FIRB approach</b>	
Banks & other financial institutions	478
Sovereign	525
<b>Total RWA subject to FIRB approach</b>	<b>1,003</b>
<b>Subject to standardised approach</b>	
Residential mortgages <sup>1</sup>	96
Property finance	6,838
Corporate	3,607
Other retail	18
Other assets	136
<b>Total RWA subject to standardised approach</b>	<b>10,695</b>
Securitisation	-
Credit valuation adjustment	39
Central counterparties	-
<b>Total credit risk RWA</b>	<b>27,054</b>
Interest rate risk in the banking book	2,154
Operational risk	3,011
<b>Total RWA</b>	<b>32,219</b>

### APS 330 Table 7g - Capital ratios

	June 2018
Common equity tier 1 capital ratio	12.38%
Tier 1 capital ratio	12.38%
<b>Total capital ratio</b>	<b>12.51%</b>

<sup>1</sup> Residential mortgages originated with self-managed superannuation funds are classified under the standardised approach.

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

June 2018					
amounts in millions of dollars	On-Balance sheet	Off-balance sheet		Total	6 month average <sup>2</sup>
		Market related	Non-market related		
Residential mortgages	45,934	-	7,033	52,967	52,131
Property finance	5,879	-	1,037	6,916	6,423
Corporate	2,845	-	763	3,608	3,385
Banks & other financial institutions	1,773	159	-	1,932	1,903
Sovereign	3,259	-	-	3,259	2,862
Securitisation	-	-	-	-	-
Other retail	18	-	267	285	257
Other assets	134	-	1	135	137
<b>Total credit exposures</b>	<b>59,842</b>	<b>159</b>	<b>9,101</b>	<b>69,102</b>	<b>67,098</b>

## APS 330 Table 7d - Credit risk exposure by portfolio type and counterparty type

June 2018						
amounts in millions of dollars	Counterparty type					
	Residential mortgage	Other personal	Bank	Sovereign	Property finance	Other Corporate
Residential mortgages	52,967	-	-	-	-	-
Property finance	-	-	-	-	6,916	-
Corporate	-	-	-	-	-	3,608
Banks & other financial institutions	-	-	1,932	-	-	-
Sovereign	-	-	-	3,259	-	-
Securitisation	-	-	-	-	-	-
Other retail	-	285	-	-	-	-
Other assets	-	135	-	-	-	-
<b>Total credit exposures</b>	<b>52,967</b>	<b>420</b>	<b>1,932</b>	<b>3,259</b>	<b>6,916</b>	<b>3,608</b>

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

June 2018						
amounts in millions of dollars	<=3 months	>3 months <=1 year	>1 year <=5 years	>5 years	No maturity specified	Total
Residential mortgages	1	1	27	52,126	812	52,967
Property finance	588	1,384	3,352	1,575	17	6,916
Corporate	-	537	2,438	633	-	3,608
Banks & other financial institutions	896	71	819	146	-	1,932
Sovereign	382	-	897	1,980	-	3,259
Other retail	-	-	-	-	285	285
Other assets	-	-	-	-	135	135
<b>Total credit exposures</b>	<b>1,867</b>	<b>1,993</b>	<b>7,533</b>	<b>56,460</b>	<b>1,249</b>	<b>69,102</b>

<sup>2</sup> Simple average using month-end exposures for the six-month period.

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

June 2018					
amounts in millions of dollars	Past due facilities	Impaired facilities	Specific provisions	Half year movement	
				Charge to specific provisions	Write offs
Residential mortgages	137	203	19	5	2
Commercial property	14	-	1	1	-
Corporate	-	28	5	-	-
Banks & other financial institutions	-	-	-	-	-
Sovereign	-	-	-	-	-
Securitisation	-	-	-	-	-
Other retail	-	-	-	-	-
Other assets	-	-	-	-	-
<b>Total</b>	<b>151</b>	<b>231</b>	<b>25</b>	<b>6</b>	<b>2</b>

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

June 2018	
<b>Movement in collective provisions</b>	
amounts in millions of dollars	
Opening balance <sup>3</sup>	34
Net charge against profit and loss	7
Recoveries	-
Write-offs	(2)
Less collective provisions transferred to specific provisions	-
<b>Total collective provisions</b>	<b>39</b>
Less collective provision treated as specific provision for regulatory purposes	(20)
Additional GRCL requirement	115
<b>General reserve for credit losses</b>	<b>134</b>

June 2018	
<b>Movement in individual provisions</b>	
amounts in millions of dollars	
Opening balance	5
New and increase provisioning	-
Write back of provisions no longer required	-
Write-offs	-
Discount unwind to interest income	-
Add collective provisions transferred to specific provisions	-
<b>Total individual provisions</b>	<b>5</b>

<sup>3</sup> The opening balance is adjusted for the adoption of AASB 9 Financial Instruments on 1 January 2018.

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

Asset category	June 2018			
amounts in millions of dollars	AIRB	FIRB	Standardised	Total
<b>Portfolio type</b>				
Residential mortgages	52,826	-	141	52,967
Property finance	-	-	6,916	6,916
Corporate	-	-	3,607	3,607
Banks & other financial institutions	-	1,932	-	1,932
Sovereign	-	3,259	-	3,259
Securitisation	-	-	-	-
Other Retail	-	-	286	286
Other Assets	-	-	136	136
<b>Total credit exposures</b>	<b>52,826</b>	<b>5,190</b>	<b>11,086</b>	<b>69,102</b>

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

amounts in millions of dollars	June 2018		
	General reserve for credit losses	Specific provisions	Total
Collective provision	19	20	39
Individual provision	-	5	5
<b>Total provisions</b>	<b>19</b>	<b>25</b>	<b>44</b>
Additional GRCL requirement	115	-	115
<b>Total regulatory provisions</b>	<b>134</b>	<b>25</b>	<b>159</b>

Table 8b - Exposures subject a standardised approach by risk weight

Exposure after credit risk mitigation	June 2018
amounts in millions of dollars	
<b>Risk weight</b>	
0%	-
20%	-
35%	-
50%	23
75%	117
100%	10,946
150%	-
>150%	-
Capital deductions	-
<b>Total</b>	<b>11,086</b>

Table 9d - Exposures by portfolio type and PD band

June 2018															
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
<b>Credit risk exposures</b>															
Residential mortgages	-	16,665	8,194	2,462	8,153	2,584	1,548	2,611	768	1,430	-	554	461	377	45,807
Banks & other financial institutions	-	1,773	-	-	-	-	-	-	-	-	-	-	-	-	1,773
Sovereign	3,099	160	-	-	-	-	-	-	-	-	-	-	-	-	3,259
<b>Total credit risk exposures</b>	<b>3,099</b>	<b>18,598</b>	<b>8,194</b>	<b>2,462</b>	<b>8,153</b>	<b>2,584</b>	<b>1,548</b>	<b>2,611</b>	<b>768</b>	<b>1,430</b>	<b>-</b>	<b>554</b>	<b>461</b>	<b>377</b>	<b>50,839</b>
<b>Undrawn commitments</b>															
Residential mortgages	-	4,113	749	127	487	125	125	1,202	26	42	-	14	10	2	7,022
Banks & other financial institutions	-	159	-	-	-	-	-	-	-	-	-	-	-	-	159
Sovereign	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total credit risk exposures</b>	<b>-</b>	<b>4,272</b>	<b>749</b>	<b>127</b>	<b>487</b>	<b>125</b>	<b>125</b>	<b>1,202</b>	<b>26</b>	<b>42</b>	<b>-</b>	<b>14</b>	<b>10</b>	<b>2</b>	<b>7,181</b>
<b>Exposure - weighted average EAD</b>															
Residential mortgages	-	0	0	0	0	0	0	0	0	0	-	0	0	0	0
Banks & other financial institutions	-	7	-	-	-	-	-	-	-	-	-	-	-	-	7
Sovereign	6	2	-	-	-	-	-	-	-	-	-	-	-	-	5
<b>Exposure - weighted average LGD (%)</b>															
Residential mortgages	-	21	21	21	21	21	21	21	21	22	-	21	21	24	21
<b>Exposure - weighted average risk weight (%)</b>															
Residential mortgages	-	5	15	25	32	44	45	67	85	119	-	155	160	235	29
Banks & other financial institutions	-	25	-	-	-	-	-	-	-	-	-	-	-	-	25
Sovereign	16	27	-	-	-	-	-	-	-	-	-	-	-	-	16

Table 9e - Actual losses by portfolio type

Half year losses in reporting period	June 2018
amounts in millions of dollars	Write-offs
Residential mortgages	2
Property finance	-
Corporate	-
Banks & other financial institutions	-
Sovereign	-
Securitisation	-
Other retail	-
Other assets	-
<b>Total</b>	<b>2</b>

Table 9f - Historical loss analysis by portfolio type

Half year losses in reporting period	June 2018	
amounts in millions of dollars	Half year actual loss	Regulatory 1 year expected loss estimate
Residential mortgages	2	116
Banks & other financial institutions	-	-
Sovereign	-	-
<b>Total</b>	<b>2</b>	<b>116</b>

Table 10b and 10c - Credit risk mitigation

Half year losses in reporting period	June 2018			
amounts in millions of dollars	Total exposure	Eligible financial collateral	Other eligible collateral	Coverage
<b>Advanced approach</b>				
Residential mortgages	52,826	-	-	-
Banks & other financial institutions	1,932	-	-	-
Sovereign	3,259	-	-	-
<b>Total advanced approach</b>	<b>58,017</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Standardised approach</b>				
Residential mortgages	141	-	-	-
Property finance	6,916	-	-	-
Corporate	3,608	-	-	-
Other retail	285	-	-	-
Other assets	135	-	-	-
<b>Total standardised approach</b>	<b>11,085</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total exposures</b>	<b>69,102</b>	<b>-</b>	<b>-</b>	<b>-</b>

Table 11b - Counterparty credit risk derivative exposure

Effects of netting on the balance sheet		June 2018
amounts in millions of dollars		
Gross positive fair value		80
Netting benefits		(41)
<b>Netted current credit exposure</b>		<b>39</b>
Collateral held, of which:		
Cash		(32)
<b>Net derivatives credit exposure</b>		<b>7</b>
Potential future exposure under the Current Exposure method		41
<b>Exposure at default</b>		<b>48</b>

Exposure at default using the current exposure method		June 2018
amounts in millions of dollars		
<b>Standardised approach</b>		
Interest Rate Contracts		153
Foreign Currency Contracts		6
<b>Total</b>		<b>159</b>

Table 12g - Banking book exposures securitised - traditional securitisation

June 2018			
amounts in millions of dollars	Originated by the ADI	Third party originated	
<b>Underlying asset</b>			
Residential mortgages	9,483	-	
<b>Total</b>	<b>9,483</b>	<b>-</b>	

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

June 2018				
amounts in millions of dollars	Outstanding exposure	Impaired	Past due	Losses recognised
<b>Underlying asset</b>				
Residential mortgages	9,483	65	46	-
<b>Total</b>	<b>9,483</b>	<b>65</b>	<b>46</b>	<b>-</b>

Table 12i-j - Banking book securitisation activity for the reporting period

June 2018		
amounts in millions of dollars	Total exposures securitised	Recognised gain or loss on sale
<b>Underlying asset</b>		
Residential mortgages	-	-
<b>Total</b>	<b>-</b>	<b>-</b>



Table 12l - Banking book securitisation exposure deducted from capital

Common equity Tier 1 capital		June 2018
amounts in millions of dollars		
<b>Underlying asset</b>		
Credit enhancements		7
<b>Total</b>		<b>7</b>

Table 12k - Banking book securitisation exposures retained or purchased

June 2018			
amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
<b>Securitisation facility type</b>			
Liquidity support facilities	-	206	<b>206</b>
Warehouse facilities	-	10	<b>10</b>
Derivative facilities	16	16	<b>32</b>
Holding of securities	6,739	-	<b>6,739</b>
<b>Total</b>	<b>6,755</b>	<b>232</b>	<b>6,987</b>

## Market risk disclosures

Table 17b - Interest rate risk in the banking book

Change in economic value		June 2018
amounts in millions of dollars		
+200 basis point shock		23
-200 basis point shock		(24)

Regulatory RWA		June 2018
amounts in millions of dollars		
Interest rate risk in the banking book		2,154

## Leverage ratio

Leverage Ratio summary		June 2018
amounts in millions of dollars		
Tier 1 capital		3,989
Total exposures		63,837
<b>Leverage ratio</b>		<b>6.25%</b>

