

# Pillar 3 - Capital Adequacy

## & Risk Disclosures

March 2021



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.

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

Effective 1 April 2018, IBAL was accredited by APRA to determine its regulatory capital requirements using an internal market risk model and internal credit risk models for selected portfolios: 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 Sovereign and Bank portfolios for regulatory capital purposes.

Effective 1 April 2020, IBAL 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 managed in Sydney, Australia.

All amounts are stated in AUD.



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## Capital adequacy

APS 330 Table 3a to 3e - Capital requirements in terms of risk-weighted assets

	March 2021	December 2020
<i>Amounts in millions of dollars</i>		
<b>Subject to AIRB approach</b>		
Residential mortgages	16,230	16,527
<b>Total RWA subject to AIRB approach</b>	<b>16,230</b>	<b>16,527</b>
<b>Subject to FIRB approach</b>		
Banks & other financial institutions	329	420
Sovereign	533	579
Corporate	1,314	1,298
<b>Total RWA subject to FIRB approach</b>	<b>2,176</b>	<b>2,297</b>
<b>Subject to supervisory slotting approach</b>		
Property finance	5,252	5,025
Project finance	2,227	2,215
<b>Total RWA subject to supervisory slotting approach</b>	<b>7,479</b>	<b>7,240</b>
<b>Subject to standardised approach</b>		
Residential mortgages	67	70
Property finance	301	342
Corporate	1,858	1,910
Other retail	315	316
Other assets	95	105
<b>Total RWA subject to standardised approach</b>	<b>2,636</b>	<b>2,743</b>
Securitisation	-	-
Credit valuation adjustment	8	8
Central counterparties	-	-
<b>Total credit risk RWA</b>	<b>28,529</b>	<b>28,815</b>
Interest rate risk in the banking book	461	125
Operational risk	3,744	3,745
<b>Total RWA</b>	<b>32,734</b>	<b>32,685</b>

APS 330 Table 3f - Capital ratios

	March 2021	December 2020
Common equity tier 1 capital ratio	15.0%	14.6%
Tier 1 capital ratio	15.0%	14.6%
<b>Total capital ratio</b>	<b>15.3%</b>	<b>15.0%</b>



## Credit risk

APS 330 Table 4a - Credit risk exposure by portfolio

March 2021					
Amounts in millions of dollars	On-balance sheet	Off-balance sheet		Total	3-month average
		Market related	Non-market related		
Residential mortgages	52,354	-	8,399	<b>60,753</b>	60,526
Property finance	6,242	-	347	<b>6,589</b>	6,554
Project finance	2,640	-	134	<b>2,774</b>	2,771
Corporate	3,999	-	598	<b>4,597</b>	4,587
Banks & other financial institutions	1,391	195	5	<b>1,591</b>	1,730
Sovereign	4,612	-	-	<b>4,612</b>	5,169
Securitisation	-	-	-	-	-
Other retail	315	-	-	<b>315</b>	314
Other assets	95	-	-	<b>95</b>	100
<b>Total credit exposures</b>	<b>71,648</b>	<b>195</b>	<b>9,483</b>	<b>81,326</b>	<b>81,751</b>

December 2020					
Amounts in millions of dollars	On-balance sheet	Off-balance sheet		Total	6-month average
		Market related	Non-market related		
Residential mortgages	52,278	-	8,195	<b>60,473</b>	60,189
Property finance	6,208	-	321	<b>6,529</b>	6,639
Project finance	2,479	-	276	<b>2,755</b>	2,575
Corporate	3,878	-	658	<b>4,536</b>	4,311
Banks & other financial institutions	1,856	178	-	<b>2,034</b>	2,532
Sovereign	5,434	-	-	<b>5,434</b>	4,889
Securitisation	-	-	-	-	-
Other retail	315	-	-	<b>315</b>	323
Other assets	105	-	-	<b>105</b>	119
<b>Total credit exposures</b>	<b>72,553</b>	<b>178</b>	<b>9,450</b>	<b>82,181</b>	<b>81,577</b>



## APS 330 Table 4b - Impaired and past due by portfolio type

Amounts in millions of dollars	Past due facilities	Impaired facilities	Specific provisions	March 2021	
				Quarterly movement	
				Charge to specific provisions	Write offs
Residential mortgages	287	1,055	75	11	-
Property finance	6	11	1	(1)	-
Project finance	-	-	-	-	-
Corporate	16	71	8	(3)	-
Banks & other financial institutions	-	-	-	-	-
Sovereign	-	-	-	-	-
Securitisation	-	-	-	-	-
Other retail	-	15	15	5	-
Other assets	-	-	-	-	-
<b>Total</b>	<b>309</b>	<b>1,152</b>	<b>99</b>	<b>12</b>	<b>-</b>

Amounts in millions of dollars	Past due facilities	Impaired facilities	Specific provisions	December 2020	
				Half-year movement	
				Charge to specific provisions	Write offs
Residential mortgages	280	902	64	34	1
Property finance	5	12	2	2	-
Project finance	-	-	-	-	-
Corporate	19	63	11	2	-
Banks & other financial institutions	-	-	-	-	-
Sovereign	-	-	-	-	-
Securitisation	-	-	-	-	-
Other retail	-	12	10	6	-
Other assets	-	-	-	-	-
<b>Total</b>	<b>304</b>	<b>989</b>	<b>87</b>	<b>44</b>	<b>1</b>



**Table 4c - Reconciliation between APS 220 provisions and Australian accounting standards**

March 2021			
Amounts in millions of dollars	General reserve for credit losses	Specific provisions	Total
Collective provision	76	97	173
Individual provision	-	2	2
<b>Total provisions</b>	<b>76</b>	<b>99</b>	<b>175</b>
Additional GRCL requirement	56	-	56
<b>Total regulatory provisions</b>	<b>132</b>	<b>99</b>	<b>231</b>

December 2020			
Amounts in millions of dollars	General reserve for credit losses	Specific provisions	Total
Collective provision	107	82	189
Individual provision	-	5	5
<b>Total provisions</b>	<b>107</b>	<b>87</b>	<b>194</b>
Additional GRCL requirement	55	-	55
<b>Total regulatory provisions</b>	<b>162</b>	<b>87</b>	<b>249</b>



## Securitisation

Table 5a - Banking book activity for the reporting period

March 2021		
Amounts in millions of dollars	Total exposures securitised	Recognised gain or loss on scale
<b>Underlying asset</b>		
Residential mortgages	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

December 2020		
Amounts in millions of dollars	Total exposures securitised	Recognised gain or loss on scale
<b>Underlying asset</b>		
Residential mortgages	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

Table 5b - Banking book securitisation exposures retained or purchased

March 2021			
Amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
<b>Securitisation facility type</b>			
Liquidity support facilities	-	343	<b>343</b>
Credit enhancements	-	14	<b>14</b>
Redraw facilities	-	39	<b>39</b>
Derivative facilities	50	-	<b>50</b>
Holding of securities	12,775	-	<b>12,775</b>
<b>Total securitisation exposures</b>	<b>12,825</b>	<b>396</b>	<b>13,221</b>

December 2020			
Amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
<b>Securitisation facility type</b>			
Liquidity support facilities	-	346	<b>346</b>
Credit enhancements	-	14	<b>14</b>
Redraw facilities	-	42	<b>42</b>
Derivative facilities	56	-	<b>56</b>
Holding of securities	12,788	-	<b>12,788</b>
<b>Total securitisation exposures</b>	<b>12,844</b>	<b>402</b>	<b>13,246</b>





## Liquidity

### 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.

IBAL's LCR for the quarter ended 31 March 2021 is calculated as a simple daily average, excluding weekends and public holidays. 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 IBAL 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 were based on APRA determined run-off factors.

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.



**Liquidity coverage ratio**

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

		March 2021	
Amounts in millions of dollars		Total unweighted value (daily average)	Total weighted value (daily average)
<b>Liquid assets</b>			
1	High-quality liquid assets (HQLA)		5,218
2	Alternative liquid assets (ALA)		4,675
3	Reserve Bank of New Zealand (RBNZ) securities		n/a
<b>Cash outflows</b>			
4	Retail deposits and deposits from small business customers, of which:	39,671	4,812
5	<i>stable deposits</i>	24,346	1,217
6	<i>less stable deposits</i>	15,325	3,595
7	Unsecured wholesale funding, of which:	1,745	1,387
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>	1,708	1,350
10	<i>unsecured debt</i>	37	37
11	Secured wholesale funding		-
12	Additional requirements, of which:	8,601	1,172
13	<i>outflows related to derivatives exposures and other collateral requirements</i>	616	616
14	<i>outflows related to loss of funding on debt products</i>	66	66
15	<i>credit and liquidity facilities</i>	7,919	490
16	Other contractual funding obligations	893	232
17	Other contingent funding obligations	772	132
<b>18</b>	<b>Total cash outflows</b>		<b>7,736</b>
<b>Cash inflows</b>			
19	Secured lending (e.g. reverse repos)		-
20	Inflows from fully performing exposures	1,386	725
21	Other cash inflows	40	40
<b>22</b>	<b>Total cash inflows</b>		<b>765</b>
<b>23</b>	<b>Total liquid assets</b>		<b>9,894</b>
<b>24</b>	<b>Total net cash outflows</b>		<b>6,971</b>
<b>25</b>	<b>Liquidity Coverage Ratio (%)</b>		<b>142%</b>

(No of observations: 62)



## Liquidity coverage ratio (continued)

		December 2020	
Amounts in millions of dollars		Total unweighted value (daily average)	Total weighted value (daily average)
<b>Liquid assets</b>			
1	High-quality liquid assets (HQLA)		5,210
2	Alternative liquid assets (ALA)		6,025
3	Reserve Bank of New Zealand (RBNZ) securities		n/a
<b>Cash outflows</b>			
4	Retail deposits and deposits from small business customers, of which:	38,879	4,857
5	<i>stable deposits</i>	23,259	1,163
6	<i>less stable deposits</i>	15,620	3,694
7	Unsecured wholesale funding, of which:	2,147	1,798
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>	2,030	1,681
10	<i>unsecured debt</i>	117	117
11	Secured wholesale funding		-
12	Additional requirements, of which:	8,546	1,212
13	<i>outflows related to derivatives exposures and other collateral requirements</i>	622	622
14	<i>outflows related to loss of funding on debt products</i>	108	108
15	<i>credit and liquidity facilities</i>	7,816	482
16	Other contractual funding obligations	673	221
17	Other contingent funding obligations	679	105
<b>18</b>	<b>Total cash outflows</b>		<b>8,193</b>
<b>Cash inflows</b>			
19	Secured lending (e.g. reverse repos)		-
20	Inflows from fully performing exposures	1,499	804
21	Other cash inflows	134	134
<b>22</b>	<b>Total cash inflows</b>		<b>938</b>
<b>23</b>	<b>Total liquid assets</b>		<b>11,235</b>
<b>24</b>	<b>Total net cash outflows</b>		<b>7,255</b>
<b>25</b>	<b>Liquidity Coverage Ratio (%)</b>		<b>155%</b>

(No of observations: 63)



## Leverage ratio

	March 2021	December 2020	September 2020	June 2020
<i>Amounts in millions of dollars</i>				
Tier 1 capital	4,912	4,784	4,799	4,651
Total exposures	76,631	77,482	76,840	76,156
<b>Leverage ratio</b>	<b>6.4%</b>	<b>6.2%</b>	<b>6.2%</b>	<b>6.1%</b>

