



**Pillar 3 - Capital Adequacy
& Risk Disclosures
March 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.

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 Bank & other financial institutions portfolio 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 located within Australia.

All credit exposures are managed in Sydney, Australia.

All amounts are stated in AUD.



Quantitative disclosures

Capital

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

| | March 2022 | December 2021 |
|---|---------------|---------------|
| Amounts in millions of dollars | | |
| Subject to AIRB approach | | |
| Residential mortgages | 14,964 | 14,583 |
| Total RWA subject to AIRB approach | 14,964 | 14,583 |
| Subject to FIRB approach | | |
| Banks & other financial institutions | 310 | 506 |
| Sovereign ¹ | - | 812 |
| Corporate | 1,399 | 1,380 |
| Total RWA subject to FIRB approach | 1,709 | 2,698 |
| Subject to supervisory slotting approach | | |
| Property finance | 5,254 | 5,156 |
| Project finance | 2,429 | 2,309 |
| Total RWA subject to supervisory slotting approach | 7,683 | 7,465 |
| Subject to standardised approach | | |
| Residential mortgages | 52 | 56 |
| Property finance | 200 | 229 |
| Sovereign ² | 800 | - |
| Corporate | 1,664 | 1,597 |
| Other retail | 322 | 309 |
| Other assets | 97 | 101 |
| Total RWA subject to standardised approach | 3,135 | 2,292 |
| Securitisation | 19 | 6 |
| Credit valuation adjustment | 5 | 9 |
| Central counterparties | - | - |
| Total credit risk RWA | 27,515 | 27,053 |
| Interest rate risk in the banking book ³ | 3,015 | 4,061 |
| Operational risk | 4,012 | 4,012 |
| Total RWA | 34,542 | 35,127 |

APS 330 Table 3f - Capital ratios

| | March 2022 | December 2021 |
|------------------------------------|--------------|---------------|
| Common equity tier 1 capital ratio | 14.5% | 15.2% |
| Tier 1 capital ratio | 14.5% | 15.2% |
| Total capital ratio | 14.8% | 15.4% |

¹ Effective 1 January 2022, IBAL has been approved to apply the Standardised approach for the RWA calculation of the Sovereign portfolio, on the condition that an interim overlay is applied.

² See Footnote 1.

³ Reduction in IRRBB RWA was due to additional hedge effectiveness in the swaps portfolio used to hedge the fixed rate mortgage book (now included in the embedded gain or loss calculation).



Credit risk

APS 330 Table 4a - Credit risk exposure by portfolio type

| March 2022 | | | | | |
|--------------------------------------|------------------|-------------------|--------------------|---------------|-----------------|
| Amounts in millions of dollars | On-Balance sheet | Off-Balance sheet | | Total | 3-month average |
| | | Market related | Non-market related | | |
| Residential mortgages | 55,731 | - | 9,323 | 65,054 | 63,910 |
| Property finance | 5,898 | - | 458 | 6,356 | 6,403 |
| Project finance | 2,861 | - | 299 | 3,160 | 3,124 |
| Corporate | 3,836 | - | 738 | 4,574 | 4,459 |
| Banks & other financial institutions | 1,615 | 237 | 23 | 1,875 | 2,067 |
| Sovereign | 9,559 | - | - | 9,559 | 8,168 |
| Other retail | 322 | - | - | 322 | 312 |
| Other assets | 97 | - | - | 97 | 100 |
| Total credit exposures | 79,919 | 237 | 10,841 | 90,997 | 88,543 |

| December 2021 | | | | | |
|--------------------------------------|------------------|-------------------|--------------------|---------------|-----------------|
| Amounts in millions of dollars | On-Balance sheet | Off-Balance sheet | | Total | 6-month average |
| | | Market related | Non-market related | | |
| Residential mortgages | 54,164 | - | 8,939 | 63,103 | 62,107 |
| Property finance | 5,954 | - | 469 | 6,423 | 6,416 |
| Project finance | 2,882 | - | 255 | 3,137 | 3,007 |
| Corporate | 3,646 | - | 772 | 4,418 | 4,544 |
| Banks & other financial institutions | 2,641 | 353 | 9 | 3,003 | 2,347 |
| Sovereign | 7,137 | - | - | 7,137 | 6,705 |
| Other retail | 308 | - | - | 308 | 304 |
| Other assets | 101 | - | - | 101 | 96 |
| Total credit exposures | 76,833 | 353 | 10,444 | 87,630 | 85,526 |



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

| March 2022 | | | | | |
|--------------------------------------|---------------------|---------------------|---------------------|-------------------------------|------------|
| Amounts in millions of dollars | Past due facilities | Impaired facilities | Specific provisions | Quarterly movement | |
| | | | | Charge to specific provisions | Write offs |
| Residential mortgages | 215 | 675 | 67 | (3) | - |
| Property finance | 2 | 24 | 1 | - | - |
| Project finance | - | - | - | - | - |
| Corporate | 7 | 39 | 3 | (7) | - |
| Banks & other financial institutions | - | - | - | - | 4 |
| Sovereign | - | - | - | - | - |
| Other retail | - | 9 | 10 | - | 1 |
| Other assets | - | - | - | - | - |
| Total | 224 | 747 | 81 | (10) | 5 |

| December 2021 | | | | | |
|--------------------------------------|---------------------|---------------------|---------------------|-------------------------------|------------|
| Amounts in millions of dollars | Past due facilities | Impaired facilities | Specific provisions | Quarterly movement | |
| | | | | Charge to specific provisions | Write offs |
| Residential mortgages | 254 | 948 | 70 | 6 | - |
| Property finance | 6 | 8 | 1 | - | - |
| Project finance | - | - | - | - | - |
| Corporate | 18 | 113 | 10 | 6 | - |
| Banks & other financial institutions | - | - | - | - | - |
| Sovereign | - | - | - | - | - |
| Other retail | - | 9 | 10 | (2) | 1 |
| Other assets | - | - | - | - | - |
| Total | 278 | 1,078 | 91 | 10 | 1 |



APS 330 Table 4c - Reconciliation between APS 220 provisions and Australian accounting standards

| March 2022 | | | |
|------------------------------------|-----------------------------------|---------------------|------------|
| Amounts in millions of dollars | General reserve for credit losses | Specific provisions | Total |
| Collective provision | 27 | 80 | 107 |
| Individual provision | - | 1 | 1 |
| Total provisions | 27 | 81 | 108 |
| Additional GRCL requirement | 52 | - | 52 |
| Total regulatory provisions | 79 | 81 | 160 |

| December 2021 | | | |
|------------------------------------|-----------------------------------|---------------------|------------|
| Amounts in millions of dollars | General reserve for credit losses | Specific provisions | Total |
| Collective provision | 37 | 84 | 121 |
| Individual provision | - | 7 | 7 |
| Total provisions | 37 | 91 | 128 |
| Additional GRCL requirement | 67 | - | 67 |
| Total regulatory provisions | 104 | 91 | 195 |



Securitisation

APS 330 Table 5a - Banking book activity for the reporting period

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

| | | December 2021 | |
|--------------------------------|--|-----------------------------|---------------------------------|
| Amounts in millions of dollars | | Total exposures securitised | Recognised gain or loss on sale |
| Underlying asset | | | |
| Residential mortgages | | - | - |
| Total | | - | - |

APS 330 Table 5b - Banking book securitisation exposures retained or purchased

| | | | March 2022 |
|---------------------------------------|------------------|-------------------|-----------------|
| Amounts in millions of dollars | On-balance sheet | Off-balance sheet | Total exposures |
| Securitisation facility type | | | |
| Liquidity support facilities | - | 332 | 332 |
| Credit enhancements | - | 13 | 13 |
| Redraw facilities | - | 27 | 27 |
| Derivative facilities | 17 | - | 17 |
| Holding of securities | 12,841 | - | 12,841 |
| Total securitisation exposures | 12,858 | 372 | 13,230 |

| | | | December 2021 |
|---------------------------------------|------------------|-------------------|-----------------|
| Amounts in millions of dollars | On-balance sheet | Off-balance sheet | Total exposures |
| Securitisation facility type | | | |
| Liquidity support facilities | - | 335 | 335 |
| Credit enhancements | - | 14 | 14 |
| Redraw facilities | - | 29 | 29 |
| Derivative facilities | 24 | - | 24 |
| Holding of securities | 12,776 | - | 12,776 |
| Total securitisation exposures | 12,800 | 378 | 13,178 |



Liquidity risk

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. Liquid assets comprise High Quality Liquid Assets (HQLA) and Alternative Liquid Assets (ALA). ALA comprises qualifying assets held in the Committed Liquidity Facility (CLF) 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), and Covered 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.

IBAL's average LCR for the quarter ended 31 March 2022 was 145%, which is a decrease of 1% from 146% reported for the quarter ended 31 December 2021. This movement was predominantly driven by a decrease in the total liquid assets and net cash outflows.



APS 330 Table 20 - Liquidity coverage ratio

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

| | | March 2022 | |
|--------------------------------|---|--|--|
| Amounts in millions of dollars | | Total unweighted value (daily average) | Total weighted value (daily average) |
| Liquid assets | | | |
| 1 | High-quality liquid assets (HQLA) | | 7,541 |
| 2 | Alternative liquid assets (ALA) | | 1,881 |
| 3 | Reserve Bank of New Zealand (RBNZ) securities | | n/a |
| Cash outflows | | | |
| 4 | Retail deposits and deposits from small business customers, of which: | 43,920 | 4,899 |
| 5 | <i>stable deposits</i> | 29,121 | 1,456 |
| 6 | <i>less stable deposits</i> | 14,800 | 3,443 |
| 7 | Unsecured wholesale funding, of which: | 1,264 | 943 |
| 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> | 1,166 | 845 |
| 10 | <i>unsecured debt</i> | 98 | 98 |
| 11 | Secured wholesale funding | | - |
| 12 | Additional requirements, of which | 9,010 | 1,168 |
| 13 | <i>outflows related to derivatives exposures and other collateral requirements</i> | 540 | 540 |
| 14 | <i>outflows related to loss of funding on debt products</i> | 112 | 112 |
| 15 | <i>credit and liquidity facilities</i> | 8,358 | 516 |
| 16 | Other contractual funding obligations | 1,119 | 628 |
| 17 | Other contingent funding obligations | 1,076 | 230 |
| 18 | Total cash outflows | | 7,868 |
| Cash inflows | | | |
| 19 | Secured lending (e.g. reverse repos) | | - |
| 20 | Inflows from fully performing exposures | 1,494 | 1,003 |
| 21 | Other cash inflows | 369 | 369 |
| 22 | Total cash inflows | 1,863 | 1,372 |
| 23 | Total liquid assets | | 9,422 |
| 24 | Total net cash outflows | | 6,496 |
| 25 | Liquidity Coverage Ratio (%) | | 145% |

(No of observations: 62)



APS 330 Table 20 - Liquidity coverage ratio (continued)

| | | December 2021 | |
|--------------------------------|---|--|--|
| Amounts in millions of dollars | | Total unweighted value (daily average) | Total weighted value (daily average) |
| Liquid assets | | | |
| 1 | High-quality liquid assets (HQLA) | | 6,720 |
| 2 | Alternative liquid assets (ALA) | | 3,332 |
| 3 | Reserve Bank of New Zealand (RBNZ) securities | | n/a |
| Cash outflows | | | |
| 4 | Retail deposits and deposits from small business customers, of which: | 43,441 | 4,949 |
| 5 | <i>stable deposits</i> | 28,301 | 1,415 |
| 6 | <i>less stable deposits</i> | 15,140 | 3,534 |
| 7 | Unsecured wholesale funding, of which: | 1,239 | 988 |
| 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> | 1,159 | 908 |
| 10 | <i>unsecured debt</i> | 80 | 80 |
| 11 | Secured wholesale funding | | - |
| 12 | Additional requirements, of which | 8,897 | 1,152 |
| 13 | <i>outflows related to derivatives exposures and other collateral requirements</i> | 577 | 577 |
| 14 | <i>outflows related to loss of funding on debt products</i> | 66 | 66 |
| 15 | <i>credit and liquidity facilities</i> | 8,255 | 510 |
| 16 | Other contractual funding obligations | 1,015 | 627 |
| 17 | Other contingent funding obligations | 1,088 | 177 |
| 18 | Total cash outflows | | 7,893 |
| Cash inflows | | | |
| 19 | Secured lending (e.g. reverse repos) | | - |
| 20 | Inflows from fully performing exposures | 1,125 | 738 |
| 21 | Other cash inflows | 280 | 280 |
| 22 | Total cash inflows | 1,405 | 1,018 |
| 23 | Total liquid assets | | 10,052 |
| 24 | Total net cash outflows | | 6,875 |
| 25 | Liquidity Coverage Ratio (%) | | 146% |

(No of observations: 63)



Leverage ratio

| | March 2022 | December 2021 | September 2021 | June 2021 |
|--------------------------------|-------------|---------------|----------------|-------------|
| Amounts in millions of dollars | | | | |
| Tier 1 capital | 4,997 | 5,322 | 5,194 | 5,026 |
| Total exposures | 83,074 | 82,951 | 80,739 | 79,175 |
| Leverage ratio | 6.0% | 6.4% | 6.4% | 6.3% |

