



Pillar 3 Capital Adequacy & Risk Disclosure

September 2018

Contents

Capital adequacy	2
Credit risk	3
Securitisation	6
Liquidity coverage ratio	7

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 adequacy

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

Asset category	September 2018	June 2018
Amounts in millions of dollars		
Subject to AIRB approach		
Residential mortgages	15,205	15,317
Total RWA subject to AIRB approach	15,205	15,317
Subject to FIRB approach		
Banks & other financial institutions	558	478
Sovereign	520	525
Total RWA subject to FIRB approach	1,078	1,003
Subject to standardised approach		
Residential mortgages	93	96
Property finance	7,080	6,838
Corporate	3,792	3,607
Other retail	60	18
Other assets	130	136
Total RWA subject to standardised approach	11,155	10,695
Securitisation	-	-
Credit valuation adjustment	42	39
Central counterparties	-	-
Total credit risk RWA	27,480	27,054
Interest rate risk in the banking book	2,414	2,154
Operational risk	3,011	3,011
Total RWA	32,905	32,219

APS 330 Table 3f - Capital ratios

	September 2018	June 2018
Common equity tier 1 capital ratio	12.39%	12.38%
Tier 1 capital ratio	12.39%	12.38%
Total capital ratio	12.52%	12.51%

Credit risk

APS 330 Table 4a - Credit risk exposure by portfolio

September 2018					
amounts in millions of dollars	On-Balance sheet	Off-balance sheet		Total	3 month average
		Market related	Non-market related		
Residential mortgages	47,010	-	7,395	54,405	53,899
Property finance	6,086	-	1,075	7,161	7,087
Corporate	2,989	-	803	3,792	3,652
Banks & other financial institutions	2,180	156	-	2,336	2,430
Sovereign	3,214	-	-	3,214	3,208
Securitisation	-	-	-	-	-
Other retail	60	-	63	123	103
Other assets	129	-	1	130	132
Total credit exposures	61,668	156	9,337	71,161	70,511

June 2018					
amounts in millions of dollars	On-Balance sheet	Off-balance sheet		Total	3 month average
		Market related	Non-market related		
Residential mortgages	45,934	-	7,033	52,967	52,575
Property finance	5,879	-	1,037	6,916	6,657
Corporate	2,845	-	763	3,608	3,411
Banks & other financial institutions	1,773	159	-	1,932	2,086
Sovereign	3,259	-	-	3,259	3,333
Securitisation	-	-	-	-	-
Other retail	18	-	267	285	273
Other assets	134	-	1	135	137
Total credit exposures	59,842	159	9,101	69,102	68,472

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

September 2018					
amounts in millions of dollars	Past due facilities	Impaired facilities	Specific provisions	Half year movement	
				Charge to specific provisions	Write offs
Residential mortgages	130	206	19	6	1
Property finance	11	-	1	-	-
Corporate	-	28	5	-	-
Banks & other financial institutions	-	-	-	-	-
Sovereign	-	-	-	-	-
Securitisation	-	-	-	-	-
Other retail	-	-	-	-	-
Other assets	-	-	-	-	-
Total	141	234	25	6	1

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
Property finance	14	-	1	1	-
Corporate	-	28	5	-	-
Banks & other financial institutions	-	-	-	-	-
Sovereign	-	-	-	-	-
Securitisation	-	-	-	-	-
Other retail	-	-	-	-	-
Other assets	-	-	-	-	-
Total	151	231	25	6	2

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

September 2018			
amounts in millions of dollars	General reserve for credit losses	Specific provisions	Total
Collective provision	21	20	41
Individual provision	-	5	5
Total provisions	21	25	46
Additional GRCL requirement	113	-	113
Total regulatory provisions	134	25	159

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

Securitisation

Table 5a - Securitisation activity

		September 2018	
amounts in millions of dollars		Total exposures securitised	Recognised gain or loss on sale
Underlying asset			
Residential mortgages		-	-
Total		-	-

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

Table 5b - Banking book securitisation exposures retained or purchased

			September 2018	
amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures	
Securitisation facility type				
Liquidity support facilities	-	203	203	
Warehouse facilities	-	10	10	
Derivative facilities	17	25	42	
Holding of securities	6,731	-	6,731	
Total securitisation exposures	6,748	238	6,986	

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

Liquidity coverage ratio

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

ING's LCR for the quarter ending 30 September 2018 was 126%, calculated as simple daily averages, excluding weekends and public holidays.

Liquid assets comprise of High Quality Liquid Assets (HQLA) and Alternative Liquid Assets (ALA). ALA comprises of qualifying assets held in the Committed Liquidity Facility (CLF) as approved by the Reserve Bank of Australia (RBA). The average HQLA for the quarter was AUD 3.0 b and consists of Level 1 assets including balances held with RBA, Australian Semi Government and Commonwealth Government securities. The average ALA for the quarter was AUD 3.9b. The approved CLF was AUD 4.2b for the quarter.

The main funding sources for ING were deposits from retail and small business customers. Funding was also sourced from the wholesale market in the form of corporate and bank deposits, Retail Mortgage backed Securities (RMBS) and bond issuances. The weighted outflows from each of these funding sources are 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 the APRA Prudential Standard, APS 210.

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

September 2018		
	Total unweighted value (daily average)	Total weighted value (daily average)
Liquid assets		
1 High-quality liquid assets (HQLA)		3,046
2 Alternative liquid assets (ALA)		3,885
3 Reserve Bank of New Zealand (RBNZ) securities		N/A
Cash outflows		
4 Retail deposits and deposits from small business customers, of which:	28,631	3,700
5 <i>Stable deposits</i>	15,957	798
6 <i>Less stable deposits</i>	12,674	2,902
7 Unsecured wholesale funding, of which:	2,022	1,634
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>	1,948	1,560
10 <i>Unsecured debt</i>	74	74
11 Secured wholesale funding		-
12 Additional requirements, of which	6,131	758
13 <i>Outflows related to derivatives exposures and other collateral requirements</i>	290	290
14 <i>Outflows related to loss of funding on debt products</i>	160	160
15 <i>Credit and liquidity facilities</i>	5,681	308
16 Other contractual funding obligations	870	530
17 Other contingent funding obligations	457	58
18 Total cash outflows		6,680
Cash inflows		
19 Secured lending (e.g. reverse repos)	-	-
20 Inflows from fully performing exposures	1,184	844
21 Other cash inflows	437	332
22 Total cash inflows	1,621	1,176
23 Total liquid assets		6,931
24 Total net cash outflows		5,504
25 Liquidity Coverage Ratio (%)		126

Leverage ratio

Leverage Ratio summary	September 2018	June 2018
<i>amounts in millions of dollars</i>		
Tier 1 capital	4,080	3,989
Total exposures	66,246	63,837
Leverage ratio	6.16%	6.25%

