ING Australia
Annual Report 2022

ING Bank (Australia) Limited | ABN 24 000 893 292
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do your thing

Contents

A snapshot of our business as at 31 December 2022

Who we are

- ING Bank (Australia) Limited trading as ING ("the Bank")[1], a wholly owned subsidiary of ING Bank N.V.[2] and part of the ING Groep[3]
- Headquartered in Sydney, with a 24/7 contact centre in Wyong and offices across many of Australia's capital cities

2022 highlights

- #1 Net Promoter Score[4]
- More than 6.4% of Australians now call ING their main bank[5]
- 2.15 million Orange Everyday accounts

Award highlights

- Canstar Awards - Bank of the Year for a third year running, Outstanding Value Transaction Award – Orange Everyday and Most Satisfied Customers – Home Loans
- RFi awards for Best Non-Major Bank, Best Customer Experience and Best Bank Mortgage Lender
- Roy Morgan Risk Monitor Report highlights that ING remains one of Australia's most trusted banks.

Our customers

- #1 Net Promoter Score[4]
- 2.15 million active customers

Our people

- 2,402 employees

Our community

- Deepened our role as official Conversation Partner with R U OK?, providing 220 of our leaders with in-depth training in mental health help-giving, including suicide intervention, family & domestic violence, resilience and mental health first aid.
- Mobilised more than 400 of our people to volunteer with community organisations throughout the year, including OzHarvest, Clean Up Australia, Two Good Co., Pocket City Farms, RSPCA, WWF and Dress for Success.
- Developed our ESG action plan for 2023-2025, which details our local contribution towards ING's global sustainability goals from 2023 onwards, ensuring that everyone at ING continues to put sustainability at the heart of everything they do.

Financial highlights

Net profit after tax	Cost to income ratio	Capital adequacy ratio	Loans	Savings
$589m	41.5%	15.4%	$70,990m	$48,612m

[1] *In the Annual Report, "ING" and "the Group" refers to ING Bank (Australia) Limited and its controlled entities*
[2] *"ING Bank N.V." is a part of ING Groep and is the immediate holding company of the Bank*
[3] *"ING Groep" refers to ING Groep N.V. (a company domiciled in Amsterdam, the Netherlands) and its controlled entities. "ING Groep N.V." is the ultimate holding company of the Bank*
[4] *ING is Australia's most recommended bank according to RFI Global's XPRT Survey, June 2022–November 2022 (n=31,976) when compared to customers of 20 other banks operating in Australia*
[5] *It is also Australia's fifth largest main financial institution (MFI) with 6.4% of market share according to RFI Global's XPRT Survey, June 2022–November 2022 (n=31,976)*

CEO's year in review

Investing for the future

In 2022, we focused on investing in core infrastructure and programs to ensure ING is well positioned to grow in a safe, secure and sustainable manner. This was achieved while we supported our customers and wider community through a challenging year.

We successfully maintained our position as Australia's most recommended bank[1] and grew our market share of Australians who call ING their main bank to more than 6.4%[2].

Our full year results reflect ING's established position in Australia, gained through:

- Our excellence in customer service and brand reputation
- Our ongoing investment to keep customers, the financial system and the bank safe
- Our commitment to drive sustainable growth through diversification

Protecting customers, the bank and the wider community

In 2022 we strengthened our approach to 'know your customer' (KYC) and anti-money laundering. We did this by investing in programs of work to ensure that, as we grow, we are well positioned to help combat the risks of serious and organised crime.

We entered into an Enforceable Undertaking (EU) with AUSTRAC in November 2022. The EU remedial action plan reflects our ongoing commitment to KYC and anti-money laundering and builds on the progress ING had already made prior to entering the EU. AUSTRAC acknowledged we made significant steps to improve our anti-money laundering compliance measures and we're continuing to progress against the remediation plan.

There was significant growth in terms of investment in KYC and anti-money laundering initiatives in 2022. We expect this investment trajectory will continue as we work to improve our business and technology systems.

Aiming to put sustainability at the heart of everything we do

Our global sustainability approach focuses on driving positive change in climate action and financial health, as well as collaborating with industry and community groups to increase our social impact.

In Australia in 2022 this resulted in:

- The ING Wholesale Banking team delivering sustainable financing in sectors with the greatest potential for reducing climate impacts: upstream oil and gas; power generation; commercial real estate; food and agriculture; and infrastructure.
- The pilot launch of our sustainability program, Good Finds – an online marketplace where local social enterprises sell products that do good for the planet and our communities.
- The launch of our Smart Money content series, which helps improve the financial literacy of our customers – for example, providing more than 191,000 customers aged 55+ with personalised information to help improve their digital awareness, confidence and skills.
- Frontline team members receiving specialised training through our partnership with R U OK? to have better conversations with customers in vulnerable situations.

In addition our community impact programs provided financial and in-kind support to charitable organisations dedicated to helping Australians experiencing mental health challenges, financial hardship and domestic and family violence. More than 400 of our team members used their annual Impact Day to volunteer with community organisations that mattered to them personally, including cooking for a cause, beach clean ups, gardening and caring for those in need.

We closed out the year with a new Environment, Social and Governance (ESG) Action Plan for 2023 - 2025, which provides a roadmap for how we'll make the difference by building a sustainable future. This is a commitment we all take great pride in.

You can read more in the Sustainability report.

[1] ING is Australia's most recommended bank according to RFI Global's XPRT Survey, June 2022 - November 2022 (n = 31,976) when compared to customers of 20 other banks operating in Australia.

[2] It is also Australia's fifth largest main financial institution (MFI) with 6.4% of market share according to RFI Global's XPRT Survey, June 2022 - November 2022 (n = 31,976). MFI is defined as the bank that the consumer says is their main financial institution.

Driving sustainable growth through diversification

Diversification remains a key component of our strategy and is critical for a strong balance sheet.

ING Wholesale Bank in Australia had its best year on record, with lending up $1.6bn (20% YoY). This success comes from leveraging our world-class global sector expertise across infrastructure, energy, real estate, telecommunications, food and agriculture, media and technology, and financial institutions.

In our Retail Bank, process and policy changes led to a record increase in applications and approval rates for Personal Loans and Credit Cards (above system growth), while managing our risk appetite accordingly. There was also growth across general insurance with more existing customers choosing ING for their insurance needs.

Helping customers to save

Over the course of 2022 the bonus interest rate for ING Savings Maximiser customers more than tripled, helping them save for the things that matter. Throughout the year this remained one of the best ongoing savings rates in market and resulted in a 6.2% year on year uplift in new savings accounts.

In addition, through our 1% cashback offer we have given more than $7m back to customers who paid their utility bills with their Orange Everyday account.

Providing a great place to work

We're committed to ensuring ING remains a great place to work, which was reflected in the improvement to our Organisational Health Index survey scores. These results showed our people are benefiting from our efforts to create shared vision, strategic clarity, supportive leadership and an open and trusting work environment.

In 2022, we were named an employer of choice for gender equality by the Workplace Gender Equality Agency. This acknowledges our commitment to gender equality and the progress we have made to ensure our workplace is equal through industry leading policies and practices.

We launched a Talent Accelerator program, which supports our succession planning strategy to develop future leaders of the business, and we partnered with globally acclaimed digital university Udemy to provide team members with free access to more than 17,000 courses.

Building the bank of the future

Banking is changing as technology and data advances allow organisations to do more to help customers.

At the end of 2022 almost all (99.6%) customer interactions with us were digital, with customers choosing to use our app more frequently than ever before. We predict these trends will continue.

As a digital bank, we are committed to building a more modern, flexible and scalable technology platform that will allow us to deliver even better mobile first, smart, simple solutions for customers. All this is underpinned by our customer centric approach that uses research, feedback and data insight to better service customer needs.

In 2022 we lay foundations for key technology transformation programs. For example, our next generation data platform will use integrated cloud based technology to enhance our current and future digital infrastructure needs. Our global footprint program means we can better utilise the technology advances across our international network.

We are also investing in our core banking systems to align with what we believe Australians will need in the future.

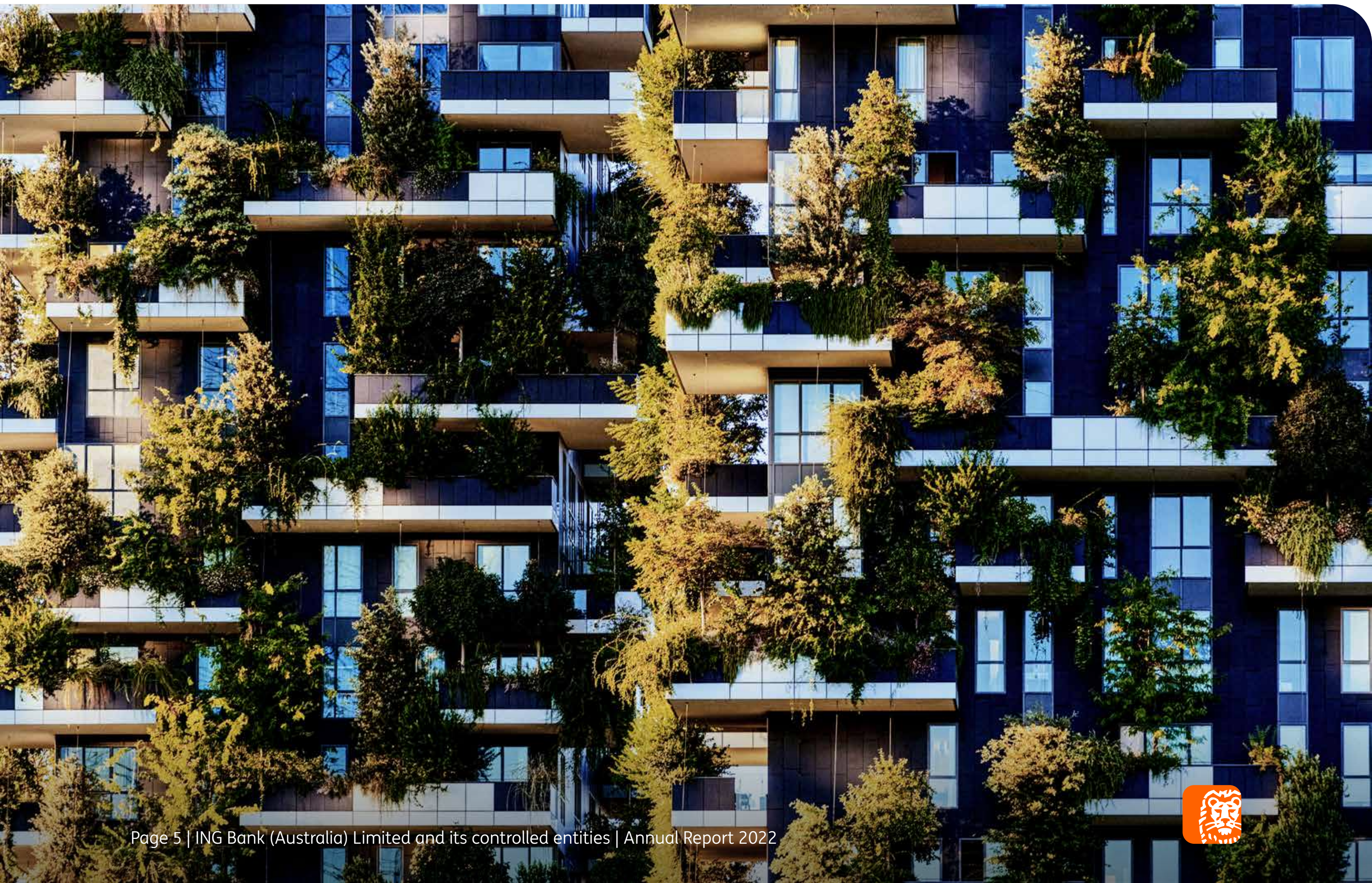
ING continues to invest more in technology programs each year. Investing today means we are able to remain focused on customers and their needs well into the future.

Thank you

I'd like to thank all customers that choose to call ING their bank. I'd also like to thank our team members and community partners whose dedication to serve others ensures we're able to do what we do best; being there for our customers and wider communities when they need us most.

While economic uncertainty and a changing interest rate environment in 2023 will challenge some Australians, we're confident that our focus on investing for the future will ensure customers, the bank and the communities we serve are well prepared for whatever the future holds.

Melanie Evans
Chief Executive Officer
ING Bank (Australia) Limited



Sustainability report

How ING is making the difference in Australia

At ING, empowering people to stay a step ahead in life and in business also means helping customers and society stay a step ahead of the environmental, social and economic challenges we are facing together. As the challenges increase, so too are the opportunities for ING to step in and help tackle them. The world is changing, and banking needs to change with it.

For some time, ING's global sustainability approach has focused on driving positive change in climate action, helping improve the financial health of people worldwide, and collaborating with industry and community groups to increase our positive impact.

Locally, ING Wholesale Bank continued to prioritise sustainable finance toward green or sustainable activities in renewable energy, food and agriculture, infrastructure and real estate. We supported customers to improve their financial wellbeing, created growth opportunities for Australian social enterprises and mobilised our people to give back to community groups serving those most in need.

The ING Australia ESG Action Plan (2023-2025) was established at the end of 2022, and will help guide our local contribution towards ING's global ESG goals from 2023 onwards, ensuring that everyone at ING continues to put sustainability at the heart of everything they do.

Climate action

ING takes a holistic approach to climate action. We're taking action to reduce the ways our business impacts climate change, whilst also considering how climate change affects our business.

Financing the change

As a key signatory of the Net Zero Banking Alliance since 2021, ING Groep is committed to steering its portfolio in line with the goals of the Paris Agreement, intending to keep the rise in global temperatures to 1.5 degrees.

The Wholesale Banking Team in Australia continued to work with clients to deliver sustainable financing in sectors with the greatest potential for reducing climate impacts: upstream oil and gas; power generation; commercial real estate; food and agriculture; and infrastructure.

During the year, ING served as the sustainability coordinator for the green loan used for landmark ESG commitments made by Rail First, which owns Australia's third-largest intermodal fleet, including the acquisition, upgrade and maintenance of intermodal wagons that have zero direct tailpipe carbon emissions. These initiatives will help decarbonise Australia's transport sector, which currently accounts for approximately 20% of the nation's greenhouse gas emissions.

In September, the ING Groep issued our second integrated climate report, which transparently details the climate impact of our global lending book, along with the ongoing progress as we transition our business to one with net zero emissions by 2050.

Decarbonising our own operations

As part of ING's global transition towards a more resource-efficient and climate-resilient company, we instituted a range of measures to reduce the footprint of our offices and operations. We continued to purchase green energy for our offices in Sydney and Wyong, compensating for our remaining operational carbon emissions by purchasing voluntary carbon units.

In 2022, we commenced the transition of ING's car fleet to electric vehicles, with the first vehicles expected to be on the road in 2023. We worked with our catering suppliers to offer more plant-forward offerings and fewer carbon-intensive products, such as limiting imported beverages, glass bottles, and red meats.

As part of our goal to reduce waste, we introduced organic collection bins into our offices in Sydney and all onsite printers in our Sydney and Wyong offices now use 100% Australian recycled paper. We continue to embrace our position as a digital bank and have established plans to eliminate paper and virgin plastic from customer communications wherever possible.

Managing our climate risk

To enhance our understanding of the ways that climate change affects our business, we assessed our residential mortgages book for physical risks. The insights from this assessment will inform our ongoing efforts to measure and manage our vulnerability, and that of our customers, to climate change and transitional risks over time.

Read more about our environmental and social risk (ESR) policies.

Prosperous people and communities

ING is a business made up of good people, working hard to help customers succeed in work and in life. Our social impact initiatives focus on connecting our human and technical resources with people in our community who need them most.

Improving the financial wellbeing of Australians

At ING, we believe financially healthy people contribute to a healthy economy and drive social progress. That's why we aim to steer our customers and communities towards improved financial health.

In February 2022, ING became a proud member of Way Forward, an Australian charitable organisation dedicated to helping people who are struggling to meet their personal day-to-day financial commitments. This further strengthens the various support programs we offer customers affected by extreme financial hardship.

As a digital bank, we are always looking for ways to make our products and tools more accessible and inclusive for all customers. During 2022, we launched "Smart Money", a series of online tools to help customers improve their financial literacy and confidence managing their money. During the year, more than 191,000 customers aged 55+ used our personalised resources to improve their digital awareness and skills.

In 2022, our Financial Support Team offered tailored and ongoing support to customers around the country, many who experienced hardship in the wake of natural disasters, extreme weather and flooding.

Supporting communities in need

We ramped up our support for Australian social enterprises and for-purpose business with the launch of ING Good Finds, an online marketplace featuring products developed in collaboration with 20+ socially or environmentally focused small businesses. The marketplace launched in October 2022 and attracted thousands of customers, helping to connect Australians with 'Good Finds'—businesses and products with a positive social or environmental impact.

We deepened our role as official R U OK? Conversation Partner, helping to fund R U OK? national suicide prevention programs. We provided 220 of our own leaders with in-depth training in mental health help-giving, including Suicide Intervention, Family & Domestic Violence, Resilience and Mental Health First Aid. Our team rallied around the important R U OK? message year-round, walking thousands of kilometres during Ks for R U OK?, gathering in the hundreds at our onsite Conversation Cafés on R U OK? Day, and contributing more than $22,000 through a team hike of the Larapinta Trail.

We continued to match all employee donations through our workplace giving program, with more than $33,000 donated to WWF, Dress for Success, UNICEF, Landcare, United Way, Cerebral Palsy Alliance and OzHarvest.

Employee volunteering saw a great uplift in 2022 after two years of paused activities. More than 400 of our people used their annual Impact Day to volunteer with community organisations including OzHarvest, Clean Up Australia, Two Good Co., Pocket City Farms, RSPCA, WWF and Dress for Success.

Measuring our Progress

In Q4 2022, we conducted a materiality assessment to reaffirm our most relevant and significant sustainability issues. The outcomes of the assessment helped inform ING Australia's first ESG Action Plan for 2023-2025, which lays clear targets and initiatives for the years to come. The action plan was formally approved and endorsed by the Board of Directors on 6 December 2022.

Throughout 2022, we continued to track our progress against the priorities defined below.

- **Building confidence and trust through fair value for products and services**

At ING, we empower people by striving to make banking clear and easy, available anytime and anywhere. We make financial empowerment tools available to people so they understand their financial needs and can make well-informed financial decisions. We also recognise the importance of ensuring our customers can trust that their money and their personal information are secure with us.

We want our customers to have confidence and have a deep level of trust in ING. That's why we're working every day to build trust with customers, leveraging our strong brand reputation to deliver fair, transparent products and services.

How we measure: Our target is to have the number one Net Promoter Score (NPS) across the industry and to maintain esteemed "Australia's most recommended bank" credentials

How we did in 2022: We continued to attract the highest Net Promoter Score from customers with Any Financial Relationship (AFR) with ING across all Australian Banks in 2022. Our highest AFR NPS score since Nov '19 was recorded in July '22 at 37. (33 Jan '22; 36 Nov '22).

ING is Australia's most recommended bank according to RFI Global's XPRT Survey, June 2022 - November 2022 (n = 31,976) when compared to customers of 20 other banks operating in Australia.

- **Upholding responsible lending and debt prevention measures**

Responsible lending practices form the foundations of our purpose at ING - empowering customers to stay a step ahead in life and in business. We have a prudent policy framework to ensure customers have the appropriate type and level of debt.

How we measure: We aim to have our default rates below the industry average.

How we did in 2022: ING's customer default rates have remained below the 2022 industry average.

- **Maintaining system availability**

As always, we ensure our essential services are reliable and available to our customers anytime, anywhere. To mitigate risks of outages and deliver a high level of service availability to our customers, ING maintains two data centres and can switch operations between the two in the event of any issue.

How we measure: Our ambition is 99.99% availability of all data services to customers.

How we did in 2022: We maintained 99.99% average availability in 2022.

- **Ensuring data security**

Digital banking security and the continuity of our online services are top priorities. Our specialists continually optimise our systems and processes to ensure their security. However, vulnerabilities can still exist and we place high importance on how we respond. Read more.

How we measure: Globally, ING Groep has implemented a Responsible Disclosure program with other major banks through the Dutch Banking Association. We actively support this process and disclose the number of reported vulnerabilities remediated by the business.

How we did in 2022: 100% of reported vulnerabilities in 2022 were remediated (100% in 2021).

Attracting and retaining talent

Having a diverse and inclusive culture is essential for delivering on our strategy and reflecting the communities we serve. In 2022, ING Australia was named an employer of choice for gender equality by the Workplace Gender Equality Agency.

As we continue to grow, so too does our workforce. During the year, we welcomed more than 200 team members to our new Wyong Hub, which opened in April. The new Hub includes training facilities and wellbeing spaces to accommodate the growing workforce and underpins our proud position among the largest employers in the region.

We established a Talent Accelerator program, which supports our succession planning strategy to develop future leaders in the business. We also collaborated with globally acclaimed digital university Udemy to provide team members with free access to more than 17,000 courses across a wide range of topics.

During 2022, we continued to offer all employees the opportunity to organise their time in ways that help them succeed in their personal and professional life. We call this flexING, it means employees are now able to approach their work commitments with more flexibility, and ultimately spend more time doing the things that matter to them and their 'wellbeing'. Read more.

How we measure: In 2022, we measured our organisational health through the Organisational Health Index (OHI) survey, conducted mid-year and again at the end of the year.

How we did in 2022: We saw an uplift in OHI scores, particularly in the areas of shared vision, strategic clarity, supportive leadership and an open and trusting work environment.

Cultivating a diverse and inclusive workforce

The first year of our local Diversity & Inclusion strategy focused on increasing gender diversity throughout the bank and closing the gender pay gap.

In 2022, leaders across the business began to receive reports on gender balance and gender pay equity, with action plans developed to drive change where needed.

How we measure: Our ambition is 37% female representation in senior leadership positions and a 22% gender pay gap by 2023.

How we did in 2022: Female representation in our most senior roles increased from 31% to 33% in 2022. The gender pay gap reduced from 24% to 23% during 2022. Key drivers of the gender pay gap include the gender representation across the varying levels of our workforce. This will continue to be a focus in 2023.

Embracing the Banking Code of Practice

We continued to engage all employees with the Banking Code of Practice, embracing its principles that drive trust and confidence, integrity, service, transparency and accountability.

These principles—shared by all the member banks—provide an ethical, customer-oriented and sustainable framework. They guide us in our decision-making when performing our work and serving our customers. Read more about the Banking Code of Practice.

Protecting and upholding human rights

Our Environmental and Social Risk framework has an overarching Human Rights policy, which applies in our workplace, our supply chain, how we do business and with whom we do business.

In April, ING's latest Human Rights Review identified the progress made as we manage human rights risks in our own operations and through our client engagement. Read the 2021/2022 Human Rights Review.

The Orange Code values and behaviours emphasise honesty, trust and responsibility - and are core to our hiring process and workplace culture. Read the Orange Code.

In 2022, we continued to monitor all suppliers for their impacts on Modern Slavery and managed all associated risks. Read our latest Modern Slavery Statement.

Read more about our human rights management approach.

Tax Transparency

We're committed to paying our fair share of taxes and maintaining the highest standards of corporate governance, social responsibility and ethical conduct. This includes a strong commitment to comply with our tax obligations and contribute directly to the economy by paying taxes to support public services and amenities for the benefit of the wider community.

Our tax transparency disclosures conform with the Australian Board of Taxation, Voluntary Tax Transparency Code (TTC) of which the Bank has been a signatory since 2018.

Read more about the Code.

Please refer to Note 4 – Income Tax for additional disclosures.

The Bank's tax strategy is to:

- safeguard our tax position in compliance with all applicable tax laws and regulations;
- ensure that tax position is correctly disclosed in the financial statements; and
- provide high-quality tax support to our businesses and management.

The Bank adopts a conservative approach to managing its tax affairs and obligations. We pay taxes promptly and in accordance with all applicable laws and regulations, taking account of both the letter and the spirit of the law.

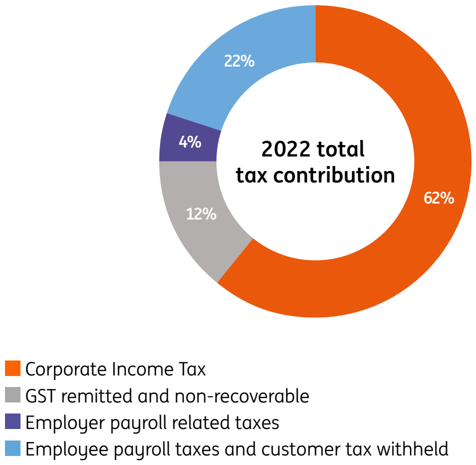
We do not undertake any aggressive tax planning or enter into artificial and contrived arrangements to achieve a tax benefit. The commercial requirements of a transaction will dictate its form and no transactions will be entered into where obtaining a tax benefit is the primary purpose. We seek professional advice or a tax ruling from the ATO in circumstances where the potential taxation outcome is uncertain.

Our tax risk governance underscores a prudent approach to tax management and operates within our broader governance and risk management framework. Tax risk governance is underpinned by the Tax Risk Management ("TRM") policy which is reviewed annually and approved by the Board of Directors. The TRM policy is designed to effectively implement tax strategy, operate within its acceptable level of risk appetite and is aligned with the ATO's tax risk management and governance review guide. Our employees must adhere to the ING Values – to be honest, prudent and responsible, and with integrity above all - when managing tax affairs.

We're committed to maintaining a transparent and collaborative relationship with the Australian Taxation Office ("ATO") and other tax authorities. Dealings are conducted in an open and transparent manner throughout the tax risk and assurance reviews regularly undertaken by the ATO.

Tax contribution summary for corporate taxes paid

The Bank's total tax contribution (paid and remitted) amounted to $324.4 million.



International related party dealings

The Bank believes in the principle that tax should follow business and consequently profits are allocated to the countries in which business value is created. The Bank's international related party dealings are conducted in accordance with arm's length principles as prescribed by the Australian transfer pricing laws and in accordance with the Organisation of Economic Cooperation and Development ("OECD") guidelines.

We disclose transactions with related parties at Note 24 of our Annual Report. The main related-party transactions are with ING entities in The Netherlands and Singapore. The key business dealings include provision of management and administration services, employment related recharges, support and technology services, long term funding, and money market transactions.

Directors' report

The Directors submit their report, together with the financial report of the Group for the year ended 31 December 2022.

The names and details of the Directors of the Group holding office during the financial year and until the date of this report or otherwise stated are set out below, together with details of their qualifications and special responsibilities.

Directors' qualifications and special responsibilities

Dr John Francis Laker AO, MSc, PhD, Chairman

Dr Laker was appointed as a Director in January 2019 and appointed Chairman of the Group with effect from 1 January 2020. He is Chair of the Remuneration and Nomination Committee and a member of the Audit and Risk Committees. During the year he was appointed a member of the Customer Experience and Technology and Transformation Committees with effect from 2 May 2022.

Vicki Allen, B.Bus, MBA, FAICD

Ms Allen was appointed as a Director in August 2022. Ms Allen is a member of the Risk and Customer Experience Committees.

Aris Bogdaneris, B.Sc, B.A., M.A.

Mr Bogdaneris was appointed as a Director in August 2015. Mr Bogdaneris is a member of the Remuneration and Nomination Committee.

Nancy Fox, AM, BA, JD (Law), FAICD

Ms Fox was appointed as a Director in May 2018 and ceased as a Director on 2 May 2022. Ms Fox was the Chair of the Risk Committee and a member of the Audit, Customer Experience, Remuneration and Nomination and Technology and Transformation Committees.

Lisa Gray, BT&RegPlan (Hons), GradDipMgt, MBA, AMP (INSEAD)

Ms Gray was appointed as a Director in September 2020. Ms Gray is the Chair of the Customer Experience and the Technology and Transformation Committees and during the year she was appointed Chair of the Risk Committee with effect from 2 May 2022. She is also a member of the Audit Committee.

Richard Kimber, B.Sc, MBA

Mr Kimber was appointed as a Director in November 2022. Mr Kimber is a member of the Technology and Transformation Committee.

Darryl Newton, B.Comm, CA, GAICD

Mr Newton was appointed as a Director in August 2018. Mr Newton is the Chair of the Audit Committee and a member of the Risk, Customer Experience, Technology and Transformation and Remuneration and Nomination Committees.

Melanie Evans, BCom, MCom, MPAcc, Chief Executive Officer

Ms Evans was appointed as Chief Executive Officer on 16 November 2020 and as Director on 3 December 2020. She is not a member of any of the Board Committees.

Company secretaries

Martine Forrester, LL.B, GAICD, GIA (Cert)

Ms Forrester was appointed as Company Secretary of the Group on 31 July 2019.

Adam Simpson, LL.B, FGIA & FCG

Mr Simpson was appointed as an additional Company Secretary of the Group on 16 March 2022. He ceased as Company Secretary on 30 September 2022.

Belinda Hannover, MAICD, GIA(Affiliate)

Ms Hannover was appointed as an additional Company Secretary of the Group on 7 December 2022.

Meetings of Directors

Director	Meetings eligible to attend as a member	Meetings attended as a member
Meetings held during the year	**11**	
J Laker	11	11
V Allen	7	7
A Bogdaneris	11	6
L Gray	11	11
R Kimber	2	2
D Newton	11	11
M Evans	11	10
Former Director		
N Fox	3	3

Committee Meetings

	Audit		Risk		R&N		CEC		T&T	
Meetings held	6		6		6		2		3	
Director	E	A	E	A	E	A	E	A	E	A
J Laker	6	6	6	6	6	6	2	2	2	2
V Allen	n/a	n/a	2	2	n/a	n/a	1	1	n/a	n/a
A Bogdaneris	n/a	n/a	n/a	n/a	6	1	n/a	n/a	n/a	n/a
L Gray	6	6	6	6	n/a	n/a	2	2	3	3
R Kimber	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1	1
D Newton	6	6	6	6	6	6	2	2	3	3
Former Director										
N Fox	1	1	2	2	1	1	n/a	n/a	1	1

E – Meetings eligible to attend as a member
A - Meetings attended as a member
R&N - Remuneration and Nomination Committee
CEC - Customer Experience Committee
T&T – Technology and Transformation Committee

Corporate structure

The Group is a company incorporated and domiciled in Australia. The registered office and principal place of business is Level 28, 60 Margaret Street, Sydney NSW 2000. Its ultimate parent entity is ING Groep N.V. incorporated in the Netherlands.

Nature of operations and principal activities

The principal activity of the Group during the year was the provision of banking and related services. Further information on the operating activities and financial performance is detailed in the CEO's year in review. There have been no significant changes in the nature of those activities during the year.

Employees

The Group employed 1,655 (2021: 1,454) permanent employees and 747 (2021: 251) contractors as at 31 December 2022.

Significant changes in the state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

Significant events after the balance date

On 2 March 2023, the Directors of the Group declared a dividend in respect of the 2022 financial year. The total amount of the dividend declared was $588 million (2021: $475 million) to ING Bank N.V., the parent.

Other than the matter mentioned above, no subsequent events have occurred since the year ended 31 December 2022, or are pending, that would have a material effect on the financial statements.

Likely developments and expected results

Further information on our business strategies and prospects for future financial years and likely developments in our operations and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Rounding

In compliance with ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191 all amounts in this report have been rounded to the nearest one million dollars, unless otherwise stated.

Indemnification and insurance of directors and officers

The Constitution of the Group requires it to indemnify all current and former officers of the Group against:

- any liability for costs and expenses which may be incurred by that person in defending civil or criminal proceedings in which judgement is given only when it is in that person's favour or in which the person is acquitted or in connection with an application in relation to any such proceedings in which the court grants relief to the person under the Corporations Act 2001; and
- a liability incurred by the person, as an officer of the Group or a related body corporate, to another person (other than the Bank or a related body corporate) unless the liability arises out of conduct involving a lack of good faith.

During the reporting period, ING Groep N.V., on behalf of the Group paid an insurance premium in respect of a contract insuring each of the Directors of the Group named earlier in this report and each director, secretary and officer. The amount of the premium is confidential under the terms of the insurance contract. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the director, secretary or officer in their capacity as officers of the Group or a related body corporate.

The auditor of the Group is in no way indemnified out of the assets of the Group.

Auditor's independence declaration

We have obtained an independence declaration from our auditor KPMG as presented on the following page.

Dr John Laker
Chairman

Melanie Evans
Chief Executive Officer

2 March 2023
Sydney

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of ING Bank (Australia) Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of ING Bank (Australia) Limited and its controlled entities for the financial year ended 31 December 2022 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG.

KMPG

Brendan Twining
Partner
Sydney
2 March 2023

Corporate governance statement

Board responsibilities

The Board of Directors of the Group is responsible for corporate governance.

Composition of the Board

At 31 December 2022 the Board comprised six Non- Executive Directors (one of whom is a representative of ING Groep N.V.) and one Executive Director. The Chairman is a Non-Executive Director. The Board met eleven times during the year.

Board's 2022 governance priorities

The Board's 2022 governance priorities were to:

- continue to oversee and advise on management's initiatives to protect the health and safety of the Group's people and support its customers during and after the COVID-19 pandemic;
- review the strategic direction and risk appetite of the Group in response to COVID-19 and Australia's subsequent economic recovery and the resurgence of inflation;
- support strengthening the effectiveness and robustness of the Group's technology, cyber security and operating systems;
- enhance the Group's governance, risk management and culture, with a particular focus on non-financial risk;
- ongoing support and governance to protect the integrity and prudential soundness of the bank; and
- undertake Board renewal.

A summary of the roles and responsibilities of the Board, its Committees and the CEO are also outlined below.

Board Responsibilities

The Board acts on behalf of and is accountable to the shareholder, ING Bank N.V. Board members have the experience and qualifications to discharge this duty as set out in the Directors' Report. The Board is subject to the prudential requirements of the Australian Prudential Regulation Authority ("APRA") and seeks to identify and ensure compliance with all regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to manage those risks. The Board also reviews the corporate governance policies and procedures of the Group at least once every year and has external experts advise it on best practice and developments in corporate governance, risk management and other issues of interest and concern to the Board.

To maintain Director independence and objectivity, a majority of Directors are not Executives of the Group. Non-executive Directors are appointed for an initial term of four years.

The responsibility for the operation and administration of the Group is delegated by the Board to the Chief Executive Officer, who is responsible for the Executive team being appropriately qualified and experienced to discharge their responsibilities. The Board has in place procedures to assess the performance of the Chief Executive Officer and reviews the Chief Executive Officer's performance and remuneration annually.

The Chief Executive Officer attends Board meetings and provides information, analysis and commentary to the Board. The Chief Executive Officer is entitled to one vote at Directors' meetings and participates at Board meetings in all matters other than where there is a conflict, for example, where their performance or remuneration is being reviewed.

ING Groep N.V. global succession planning procedures identify candidates to fill the position of Chief Executive Officer (if it becomes vacant) and, together with the Board, provide alternative candidates so there is continuity of leadership regardless of the circumstances.

The Board seeks to align management's objectives and activities with the expectations and risks identified by the Board.

The Board has a number of mechanisms in place to achieve this. In addition to the establishment of the Committees referred to below, the mechanisms include the following:

i. Board monitoring of performance against a strategic plan which encompasses the Group's purpose, customer promise and strategic priorities which are designed to meet shareholders' needs, regulatory requirements and manage business risks. The strategic plan is a dynamic document and the Board is actively involved in reviewing and approving initiatives and strategies designed to foster the growth and success of the Group;

ii. Development and implementation of operating plans and budgets (dynamic plan) by management and the Board monitoring progress against those plans and budgets;

iii. Remuneration incentives aligned with the Dynamic Plan of the Group and Orange Code; and

iv. Risk appetite framework designed to achieve portfolio outcomes consistent with the Group's risk and return expectations.

To assist in the fulfilment of its responsibilities, the Board has instituted several Committees that operate under charters approved by the Board.

To ensure that all relevant issues are addressed between meetings of the Board and its Committees, there are also various Committees at a business unit level. These Committees include the Executive Committee, Credit Risk Committee, Asset and Liability Committee, Non-Financial Risk Committee, Client Integrity Risk Committee and the Finance and Risk Committee. All business unit level Committees are run by appropriate Senior Executives of the Group.

Board Committees

Up until 2 May 2022, the composition of the Board Committees was as follows:

Director	Audit	Risk	R&N	CEC	T&T
J Laker	Member	Member	Chair		
A Bogdaneris			Member		
N Fox	Member	Chair	Member	Member	Member
L Gray	Member	Member		Chair	Chair
D Newton	Chair	Member	Member	Member	Member

R&N - Remuneration and Nomination Committee
CEC - Customer Experience Committee
T&T – Technology and Transformation Committee

On Ms Fox ceasing to be a director, from 2 May 2022, Ms Gray was appointed Chair of the Risk Committee, Dr Laker was appointed to the Customer Experience and Technology and Transformation Committees and the composition of the Board Committees was as follows:

Director	Audit	Risk	R&N	CEC	T&T
J Laker	Member	Member	Chair	Member	Member
A Bogdaneris			Member		
L Gray	Member	Chair		Chair	Chair
D Newton	Chair	Member	Member	Member	Member

R&N - Remuneration and Nomination Committee
CEC - Customer Experience Committee
T&T – Technology and Transformation Committee

Following the appointment of Ms Allen as a Director, from 26 August 2022, Ms Allen was appointed to the Risk and Customer Experience Committees and the composition of the Board Committees was as follows:

Director	Audit	Risk	R&N	CEC	T&T
J Laker	Member	Member	Chair	Member	Member
V Allen		Member		Member	
A Bogdaneris			Member		
L Gray	Member	Chair		Chair	Chair
D Newton	Chair	Member	Member	Member	Member

R&N - Remuneration and Nomination Committee
CEC - Customer Experience Committee
T&T – Technology and Transformation Committee

Following the appointment of Mr Kimber as a Director, from 16 November 2022, Mr Kimber was appointed to the Technology and Transformation Committee and the composition of the Board Committees was as follows:

Director	Audit	Risk	R&N	CEC	T&T
J Laker	Member	Member	Chair	Member	Member
V Allen		Member		Member	
A Bogdaneris			Member		
L Gray	Member	Chair		Chair	Chair
R Kimber					Member
D Newton	Chair	Member	Member	Member	Member

R&N - Remuneration and Nomination Committee
CEC - Customer Experience Committee
T&T – Technology and Transformation Committee

Audit Committee

The Audit Committee, chaired by Mr Newton, 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 effectiveness and efficiency of significant business processes which involve the safeguarding of assets, the maintenance of proper accounting records, as well as non-financial considerations, such as the benchmarking of operational key performance indicators. The Audit Committee assists the Board in the establishment and maintenance of a framework of internal control and ethical standards for the management of the Group.

The Audit Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the annual report and is responsible for directing and monitoring the internal audit function (i.e. Corporate Audit Services) and reviewing the adequacy of the scope of the external audit.

Furthermore, the Audit Committee monitors that management effectively deals with issues raised by both internal and external audit and that the external auditors are satisfactorily discharging their duties.

Risk Committee

The Risk Committee, chaired by Ms Gray, assists the Board by providing an objective non-executive oversight of the implementation and operation of the Group's risk management framework. The Risk Committee ensures a holistic approach to risk management within the Group. It ensures the Group maintains a risk management strategy and framework that is consistent with the approved risk appetite and complexity of the Bank's business model.

The Risk Committee formulates the Bank's risk appetite for Board consideration and also makes recommendations on key policies relating to capital, liquidity and funding. It ensures effective and informed risk management reporting to the Board as necessary, and is available to meet with regulators such as the Australian Securities and Investment Commission ("ASIC") and Australian Prudential Regulation Authority ("APRA") on behalf of the Group, when requested.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee, chaired by Dr Laker, ensures that the Group's remuneration arrangements support its strategy and enables the recruitment, motivation and retention of Senior Executives. The Committee also ensures compliance with the local and ING Groep N.V. regulatory and governance bodies, satisfying the expectations of shareholders and remaining consistent with the expectations of the wider employee population.

Customer Experience Committee

The Customer Experience Committee, chaired by Ms Gray, assists the Board in reviewing and monitoring customer experience within the Group, including customer complaints, resolution and closure, and improved customer outcomes.

Technology and Transformation Committee

The Technology and Transformation Committee, chaired by Ms Gray, assists the Board in reviewing the Group's technology strategy and planning, including priorities, budgets and deliverables and annual budgets and operational plans.

In addition, it oversees and monitors the Group's strategic transformation initiatives, including technology, data and business transformation.

All Committees perform additional functions as the Board of Directors may require from time to time. These other functions are required of the Committees by applicable legislation or by any relevant regulatory authority. The Committees seek expert advice when appropriate, including when material contentious items arise. With these Committees in place the Board can more effectively ensure the compliance, monitoring and review of all aspects of the Group's business.

Pillar 3 Disclosures

The Common Disclosures and Regulatory Capital reconciliation documents required under the 'Pillar 3 Disclosures', per prudential standard APS 330 'Public Disclosure' are provided in the Investor Relations section of the Bank's website.

Read More

Financial statements
Income statements

for the year ended 31 December 2022

		Consolidated		Bank	
Amounts in millions of dollars	Note	2022	2021	2022	2021
Interest income using effective interest method		2,229	1,695	2,834	2,163
Other interest income		134	28	134	28
Total interest income		**2,363**	**1,723**	**2,968**	**2,191**
Interest expense using effective interest method		(877)	(377)	(1,537)	(899)
Other interest expense		(132)	(184)	(132)	(184)
Total interest expense		**(1,009)**	**(561)**	**(1,669)**	**(1,083)**
Net interest income		**1,354**	**1,162**	**1,299**	**1,108**
Net non-interest income		76	67	129	120
Total operating income	3	**1,430**	**1,229**	**1,428**	**1,228**
Employment expenses		(338)	(275)	(338)	(275)
Advertising expenses		(41)	(47)	(41)	(47)
Depreciation and amortisation expenses		(43)	(52)	(43)	(52)
Depreciation on right of use assets		(12)	(12)	(12)	(12)
Occupancy expenses		(9)	(8)	(9)	(8)
Technology expenses		(34)	(31)	(34)	(31)
Intercompany management fees		(66)	(45)	(66)	(45)
Fee expenses		(16)	(15)	(15)	(13)
Other expenses		(34)	(25)	(33)	(26)
Total operating expenses		**(593)**	**(510)**	**(591)**	**(509)**
Loan impairment benefit/(expense)	12	3	67	3	67
Operating profit before tax		**840**	**786**	**840**	**786**
Income tax expense	4	(251)	(237)	(252)	(237)
Profit for the year		**589**	**549**	**588**	**549**
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Unrealised revaluations net of tax:					
Financial assets at FVOCI					
Gains/(losses) arising during the year	21	(43)	(43)	(43)	(43)
Gains/(losses) transferred to profit or loss	21	28	51	28	51
Net gains/(losses) on financial assets at FVOCI		(15)	8	(15)	8
Cash flow hedges					
Gains/(losses) arising during the year	21	185	192	185	192
Gains/(losses) transferred to profit or loss	21	2	(80)	2	(80)
Net gains/(losses) on cash flow hedges		187	112	187	112
Total amount recognised directly in equity		**172**	**120**	**172**	**120**
Total comprehensive income		**761**	**669**	**760**	**669**

The above income statements should be read in conjunction with the accompanying notes which are an integral part of the financial statements.

Financial statements
Balance sheets

as at 31 December 2022

		Consolidated		Bank	
Amounts in millions of dollars	Note	2022	2021	2022	2021
Assets					
Cash and cash equivalents	6	2,936	3,970	2,537	3,754
Due from other financial institutions	7	254	406	275	420
Financial assets at FVOCI	8	5,571	3,830	5,571	3,830
Derivative assets	9	1,213	153	1,213	153
Securities at amortised cost	8	2,367	1,982	2,367	1,982
Amounts due from controlled entities	24	-	-	18,306	16,149
Loans and advances	11	70,869	67,039	70,869	67,039
Property and equipment	10	87	101	87	101
Deferred tax assets	4	107	93	99	93
Intangible assets		100	98	100	98
Other assets		52	77	45	74
Total assets		**83,556**	**77,749**	**101,469**	**93,693**
Liabilities					
Deposits and other borrowings	14	70,627	67,100	70,943	67,459
Derivative liabilities	9	365	352	365	352
Amounts due to controlled entities	24	-	-	18,433	17,010
Debt issues	15	5,744	3,861	4,917	2,435
Current tax liabilities	4	16	-	17	-
Provisions	19	25	24	25	24
Deferred tax liabilities	4	155	71	148	71
Other liabilities	13	512	516	510	517
Total liabilities		**77,444**	**71,924**	**95,358**	**87,868**
Net assets		**6,112**	**5,825**	**6,111**	**5,825**
Equity					
Contributed equity	20	1,334	1,334	1,334	1,334
Reserves	21	332	132	332	132
Retained earnings		4,446	4,359	4,445	4,359
Total equity		**6,112**	**5,825**	**6,111**	**5,825**

The above balance sheets should be read in conjunction with the accompanying notes which are an integral part of the financial statements.

Financial statements
Statements of changes in equity
for the year ended 31 December 2022

Amounts in millions of dollars	Note	Contributed equity	Reserves	Retained earnings	Total equity
Consolidated					
As at 1 January 2022		**1,334**	**132**	**4,359**	**5,825**
Profit for the year		-	-	589	589
Other comprehensive income		-	172	-	172
Total comprehensive income		**-**	**172**	**589**	**761**
Transactions with owners, recorded directly in equity					
Dividend provided for or paid	17	-	-	(475)	(475)
Transfers	21	-	27	(27)	-
Share based payment plan	21	-	1	-	1
As at 31 December 2022		**1,334**	**332**	**4,446**	**6,112**
As at 1 January 2021		**1,334**	**(1)**	**3,822**	**5,155**
Profit for the year		-	-	549	549
Other comprehensive income		-	120	-	120
Total comprehensive income		**-**	**120**	**549**	**669**
Transactions with owners, recorded directly in equity					
Dividend provided for or paid	17	-	-	-	-
Transfers	21	-	12	(12)	-
Share based payment plan	21	-	1	-	1
As at 31 December 2021		**1,334**	**132**	**4,359**	**5,825**
Bank					
As at 1 January 2021		**1,334**	**132**	**4,359**	**5,825**
Profit for the year		-	-	588	588
Other comprehensive income		-	172	-	120
Total comprehensive income		**-**	**172**	**588**	**760**
Transactions with owners, recorded directly in equity					
Dividend provided for or paid	17	-	-	(475)	(475)
Transfers	21	-	27	(27)	-
Share based payment plan	21	-	1	-	1
As at 31 December 2022		**1,334**	**332**	**4,445**	**6,111**
As at 1 January 2021		**1,334**	**(1)**	**3,822**	**5,155**
Profit for the year		-	-	549	549
Other comprehensive income		-	120	-	120
Total comprehensive income		**-**	**120**	**549**	**669**
Transactions with owners, recorded directly in equity					
Dividend provided for or paid	17	-	-	-	-
Transfers	21	-	12	(12)	-
Share based payment plan	21	-	1	-	1
As at 31 December 2021		**1,334**	**132**	**4,359**	**5,825**

The above statements of changes in equity should be read in conjunction with the accompanying notes which are an integral part of the financial statements.

Financial statements
Statements of cash flows
as at 31 December 2022

Amounts in millions of dollars	Note	Consolidated 2022	Consolidated 2021	Bank 2022	Bank 2021
Cash flows from operating activities					
Operating profit before tax		840	786	840	786
Adjustments for:					
Depreciation and amortisation expenses		55	64	55	64
Loan impairment expense /(benefit)		(3)	(67)	(3)	(67)
Other		236	150	237	150
Taxes paid		(200)	(187)	(200)	(187)
Changes in:					
Loans and advances		(3,827)	(1,965)	(3,827)	(1,965)
Derivatives		(1,047)	(349)	(1,047)	(349)
Other assets		177	316	174	349
Other liabilities		(52)	179	(55)	180
Deposits and other borrowings		4,292	2,088	3,515	1,471
Net cash flows (used in)/from operating activities[1]		**471**	**1,015**	**(311)**	**432**
Cash flows from investing activities					
Payments for property and equipment		(9)	(30)	(9)	(30)
Payments for securities		(2,976)	(489)	(2,976)	(489)
Proceeds from sale of securities		10	-	10	-
Proceeds from redemption of securities		530	460	530	460
Proceeds from / (payments for) discount securities		310	(700)	310	(700)
Net cash flows (used in) / from investing activities		**(2,135)**	**(759)**	**(2,135)**	**(759)**
Cash flows from financing activities					
Proceeds from other long term financing		14,446	15,379	14,446	15,379
Proceeds from debt issued		234	118	-	-
Proceeds from covered bond issuance		2,400	1,000	2,400	1,000
Repayment of other long term financing		(15,211)	(13,182)	(15,211)	(13,182)
Repayment of debt issued		(751)	(1,244)	82	(439)
Principal payments on lease liability		(13)	(12)	(13)	(12)
Dividends paid		(475)	(100)	(475)	(100)
Net cash flows (used in) / from financing activities[2]		**630**	**1,959**	**1,229**	**2,646**
Net cash flows		(1,034)	2,215	(1,217)	2,319
Cash and cash equivalents at beginning of year		3,970	1,755	3,754	1,435
Cash and cash equivalents at end of year	6	**2,936**	**3,970**	**2,537**	**3,754**

[1] Includes $2m (2021: $2m) for repayment of interest on lease liabilities disclosed in cash flows from operating activities.
[2] Includes $13m (2021: $12m) for principal payments on lease liabilities disclosed in cash flows from financing activities.

The above statements of cash flows should be read in conjunction with the accompanying notes which are an integral part of the financial statements.

Notes to the financial statements

1. Basis of preparation

1.1 Corporate information

The Group is a company incorporated and domiciled in Australia. The registered office and principal place of business is Level 28, 60 Margaret Street, Sydney NSW 2000. Its ultimate parent entity is ING Groep N.V. incorporated in the Netherlands.

The financial statements for the year ended 31 December 2022 is comprised of the Bank and its controlled entities IDS Trust 2008-1, IDOL Trust Series 2013-2, IDOL Trust Series 2014-1, IDOL Trust Series 2015-1, IDOL Trust Series 2016-1, IDOL Trust Series 2017-1, IDOL Trust Series 2019-1 and IBAL Covered Bond Trust. During the prior year, IDOL Trust Series 2011-1, IDOL Trust Series 2011-2, IDOL Trust Series 2012-1, IDOL Trust Series 2012-2, and IDOL Trust Series 2013-1 were wound up. The financial statements were authorised for issue in accordance with a resolution of the Directors on 2 March 2023.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

1.2 Basis of accounting

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards ("AAS") and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial statements and notes thereto also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements are presented in Australian Dollars which is also the functional currency. In compliance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, all values are rounded to the nearest one million dollars, unless otherwise stated.

The financial statements are prepared on a historical cost basis except for the following two items:

- Derivative financial instruments – fair value; and
- Debt securities at fair value through other comprehensive income ("FVOCI") – fair value.

1.3 IFRIC agenda decision on Software as a Service arrangements

In April 2021 the IFRS Interpretations Committee (IFRIC) issued its final agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangement. The decision provides additional guidance on the treatment of costs for configuring or customising a supplier's application software in a Software as a Service (SaaS) arrangement and requires entities to assess whether any configuration or customisation costs incurred result in the recognition of an intangible asset. If these costs are incurred in an arrangement where the Bank controls the underlying software, they can be capitalised as part of an intangible asset. If no intangible asset can be recognised because the software provider controls the underlying software, then these costs are expensed as the services are received. The implementation of this agenda decision did not have a material effect on the Bank's financial statements.

SaaS arrangements are service contracts providing the Bank with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received. Some of these costs incurred are for the development of software code that enhances, modifies or creates additional capability to existing on premise systems and meets the recognition criteria for an intangible asset.

There were no other new or amended accounting standards or interpretations adopted during the period that have a material impact on the Bank.

2. Significant accounting policies

2.1 Changes to accounting policies

2.1.1 Interest Rate Benchmark Reform

Background

Interbank offered rates ("IBORs"), such as the London Interbank Offered Rate ("LIBOR"), play a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and as parameters in the valuation of financial instruments.

Uncertainty surrounding the integrity of IBOR rates has in recent years, led regulators, central banks and market participants to work towards a transition to alternative Risk-free benchmark reference rates ("RFRs") and market-led working groups in respective jurisdictions have recommended alternative risk-free reference rates, which are gradually being adopted. The transition to these new benchmarks is expected to be completed by 30 June 2023 and ING Groep has an active project underway to ensure readiness.

Impact of IBOR reform

The Group has limited exposure to the new risk free rates as it uses Bank Bill Swap Rates ("BBSW") as the primary interest rate benchmark for financial products and contracts. The Group has ceased issuing new products referencing IBOR rates and only has one remaining exposure to these in the form of a single Wholesale Banking transaction.

2.2 Accounting Standards Not Early Adopted

A number of new standards, amendments to standards and interpretations have been published but are not mandatory for the financial statements for the year ended 31 December 2022, and have not been applied by the Group in preparing these financial statements. Further details of these are set out below.

2.2.1 Accounting Standards Not Early Adopted

AASB 9 Financial Instruments ("AASB 9") introduces new hedge accounting requirements which more closely align accounting with risk management activities undertaken when hedging both financial and non-financial risks. AASB 9 provides the Group with an accounting policy choice to continue to apply the AASB 139 Financial Instruments: Recognition and Measurement (AASB 139) hedge accounting requirements until the International Accounting Standards Board's ongoing project on macro hedge accounting is completed. The Group continues to apply the hedge accounting requirements of AASB 139.

2.3 Significant estimates and judgements

In applying the Group's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management even though actual results may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements are described below:

2. Significant accounting policies (continued)

Impairment of financial assets

Considerable judgement is exercised in determining the extent of the loan loss allowance for financial assets assessed for impairment both individually and collectively. The loan loss allowance for financial assets is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Changes in such judgements and analyses may lead to changes in the loan loss allowance over time. The key judgement areas are the assumptions used to measure expected credit losses, including the use of forward-looking and macroeconomic information for individual and collective impairment assessment.

Individually assessed loans (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. In determining the scenarios, all relevant factors impacting the future cash flows are taken into account. These include expected developments in credit quality, business and economic forecasts, and estimates of if/when recoveries will occur, taking into account the structure of the financial asset and the Group's restructuring/recovery strategy. The macroeconomic forecast is captured, as the expected future macroeconomic situation serves as a basis for the cash flows in the scenarios. For the individual assessment, with granular (company or deal-specific) scenarios, specific factors can have a larger impact on the future cash flows than macroeconomic factors (i.e. for the country as a whole).

Collectively assessed loans (Stages 1 to 3): For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Expected future cash flows in a portfolio of financial assets that are collectively evaluated for impairment, are estimated on the basis of the contractual cash flows of the assets in the portfolio and historical loss experience for assets with credit risk characteristics similar to those in the portfolio. The methodology and assumptions used for estimating future cash flows are reviewed regularly to assess any differences between loss estimates and actual loss experience. The outcome of the models reflects forward looking and macroeconomic information.

The use of different assumptions could produce significantly different estimates of Expected Credit Loss ("ECL"). As the inclusion of forward-looking macroeconomic scenarios requires judgement, ING Groep N.V. has established a quarterly process whereby forward-looking macroeconomic scenarios are developed for ECL calculation purposes. This process is based on using a third party provider – Oxford Economics ("OE") – that delivers the forecast macroeconomic scenarios using key impairment drivers such as Gross Domestic Product ("GDP"), unemployment and house prices.

Two internal groups have been established by ING Groep N.V.; the Macroeconomic Scenarios Team and the Macroeconomic Scenarios Expert Panel, which are responsible for ensuring the scenarios received from OE are in line with ING's view on the macro economy. The Macroeconomics Scenarios Team is responsible for the macroeconomic scenarios used for AASB 9 ECL purposes with a challenge by the Macroeconomic Scenarios Expert Panel. This ensures that the macroeconomic scenarios are sufficiently challenged and that key economic risks, including immediate short term risks, are taken into consideration when developing the macroeconomic scenarios used in the calculation of ECL. The macroeconomic forecasts are consistently applied in the AASB 9 framework; to determine the significant increase in credit risk and the (lifetime) expected credit loss.

2. Significant accounting policies (continued)

The following criteria and definitions are applied for impairment:

- **The criteria for identifying a significant increase in credit risk**
  When determining whether the credit risk on a financial asset has increased significantly since origination, the Group considers reasonable and supportable information available to compare the risk of lifetime default occurring at the quarterly reporting date with the risk of a lifetime default occurring at initial recognition of the financial asset. The quantitative approach described above is the main driver for identifying significant increase in credit risk. Next the lifetime credit risk comparison triggers like forbearance and managed by special assets department determine the stage classification. On top of the quantitative measures, the Group applies a qualitative framework to capture risk not picked up by the models for example watchlist status.
- **Definition of default**
  The Group applies a definition of default in line with the European Banking Authority ("EBA") guidelines where 90+ days past due above a materiality threshold is the main trigger. Next to this objective measure, the Group applies unlikely to pay framework with various triggers and indicators. The unlikely to pay determination is assessed on a case by case basis whether there is objective evidence that an impairment loss on an asset has been incurred. Refer to 'Note 12 – Impairment of financial assets' for the group's definition of default.

Financial instruments fair value

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Group establishes fair value using valuation techniques. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange driven by normal business considerations. Valuation techniques are subjective in nature and involve various assumptions regarding pricing factors.

3. Operating income

	Consolidated		Bank	
Amounts in millions of dollars	2022	2021	2022	2021
Interest income				
Cash and cash equivalents*	21	-	18	-
Due from other financial institutions*	4	-	4	-
Debt securities at FVOCI*	117	65	117	65
Securities at amortised cost*	51	29	51	29
Loans and advances*	2,036	1,601	2,036	1,601
Amounts due from controlled entities*	-	-	608	468
Derivative assets	134	28	134	28
Total interest income	**2,363**	**1,723**	**2,968**	**2,191**
Interest expense				
Deposits*	777	324	781	324
Debt issues*	100	53	78	35
Derivative liabilities	130	182	130	182
Lease liabilities	2	2	2	2
Amounts due to controlled entities*	-	-	678	540
Total interest expense	**1,009**	**561**	**1,669**	**1,083**
Net interest income	**1,354**	**1,162**	**1,299**	**1,108**
Non-interest income / (expense)				
Net account fees and commissions	91	80	91	80
Customer transaction costs	(16)	(15)	(16)	(15)
Gain from sale of financial assets	3	-	3	-
Securitisation income	-	-	54	53
Other non-interest income/(expense)	(2)	2	(3)	2
Net non-interest income/(expense)	**76**	**67**	**129**	**120**
Total operating income	**1,430**	**1,229**	**1,428**	**1,228**

* Calculated using the effective interest rate method

Income and expense recognition – Accounting policy

Interest income and expenses are recognised using a calculated effective interest rate method which is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. Contractual interest on instruments not held at amortised cost are included in interest income and expense.

Fees and commissions that relate to the execution of a significant act is recognised in non-interest income when the significant act has been completed. Fees charged for providing ongoing services are recognised in non-interest income over the period the service is provided.

Fee income earned or expenses incurred which are associated with the origination of loans and advances or financial liabilities are deferred and form part of the amortised cost of the asset or liability and result in an adjustment to the effective interest rate method.

4. Income tax

The Bank is a signatory to the Voluntary Tax Transparency Code. Information provided in this note is also for the purposes of Part A of the Voluntary Tax Transparency Code disclosures.

	Consolidated		Bank	
Amounts in millions of dollars	**2022**	2021	**2022**	2021
Income Statement				
Current income tax	254	224	255	224
Deferred income tax	(3)	13	(3)	13
Income tax expense reported in Income Statement	**251**	**237**	**252**	**237**
Statement of Comprehensive Income				
Deferred income tax				
Revaluation of cash flow hedge	80	48	80	48
Revaluation of financial assets at FVOCI	(7)	4	(7)	4
Income tax expense recognised in other comprehensive income	**73**	**52**	**73**	**52**
Reconciliation of income tax expense				
Operating profit before income tax	840	786	840	786
Prima facie income tax on operating profit at 30%	252	236	252	236
Income Tax (over)/under provided in prior years	(3)	-	(3)	-
Effects of amounts which are not (assessable)/deductible	2	1	3	1
Income tax expense	**251**	**237**	**252**	**237**
Effective tax rate	**29.9%**	**30.2%**	**30.0%**	**30.2%**

	Consolidated		Bank	
Amounts in millions of dollars	**2022**	2021	**2022**	2021
Reconciliation of income tax expense to income tax receivable / (payable)				
Opening balance	38	75	38	75
Current income tax expense for the year	(254)	(224)	(255)	(224)
Income tax paid/(refund)	200	187	200	187
Closing balance	**(16)**	**38**	**(17)**	**38**

4. Income tax (continued)

Deferred income tax	Consolidated Balance Sheet		Consolidated Income Statement		Bank Balance Sheet		Bank Income Statement	
Amounts in millions of dollars	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Deferred income tax at 31 December relates to the following:								
Deferred tax liabilities								
Deferred lending expenses	55	52	3	5	55	52	3	5
Revaluation of cash flow hedge	91	11	-	-	91	11	-	-
Revaluation of financial assets at FVOCI	1	7	-	-	1	7	-	-
Other	8	1	7	-	1	1	-	-
Total deferred tax liabilities	**155**	**71**			**148**	**71**		
Deferred tax assets								
Provisions for impairment	36	38	2	20	36	38	2	20
Deferred lending income	-	2	2	-	-	2	2	-
Revaluation of derivatives	19	9	(10)	(7)	-	-	-	-
Depreciation and amortisation expenses	26	19	(7)	(8)	26	19	(7)	(8)
Accrued expenses	13	11	(2)	(3)	13	11	(2)	(3)
Provisions	8	7	(1)	-	8	7	(1)	-
Other	5	7	3	6	16	16	-	(1)
Total deferred tax assets before set- off	**107**	**93**			**99**	**93**		
Net deferred tax assets / (liabilities)	**(48)**	**22**			**(49)**	**22**		
Deferred income tax charge			**(3)**	**13**			**(3)**	**13**

Income tax – Accounting policy

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss in the Income Statement except to the extent that it relates to items recognised directly in equity, or when it is recognised in other comprehensive income.

Current income tax is the tax payable on the taxable income for the year based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date and any adjustment to tax payable or receivable in respect of previous years.

Deferred tax assets and liabilities are recognised based on temporary differences between the tax base and the accounting carrying amount of an asset or liability in the Balance Sheet, or when a benefit arises due to unused tax losses. They are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences or tax losses.

4. Income tax (continued)

Tax consolidation

The Bank and other wholly owned subsidiaries of ING Groep N.V. in Australia formed a tax consolidated group from 1 January 2004 and are taxed as a single entity from that date. The tax consolidated group does not include the Bank's controlled entities with the exception of IBAL Covered Bond Trust.

Members of the tax consolidated group have entered into a tax sharing deed which sets out the funding obligations and allocation of income tax payable to group members. This allocation is calculated on a stand-alone taxpayer approach. The amounts receivable or payable under the tax sharing deed are due upon receipt of the funding advice from the Head Entity, which is issued as soon as practicable after the end of each financial year. The Head Entity may also require payment of interim funding amounts to assist with its obligations to pay income tax instalments. The Head Entity of the tax consolidated group is ING Australia Holdings Limited. Each member of the tax consolidated group is separately managed and responsible for ensuring it meets its tax obligations.

Income tax paid by members of the tax consolidated group gives rise to a credit in the franking account. The Head Entity maintains one franking account which is available to pay franked dividends.

5. Financial instruments

Financial instruments - Accounting policy

The financial assets of the Group include cash and cash equivalents, due from other financial institutions, financial assets at fair value through other comprehensive income, securities at amortised cost, derivative assets, receivables and other assets, amounts due from controlled entities and loans and advances. The financial liabilities of the Group include derivative liabilities, deposits and other borrowings, creditors and other liabilities, amounts due to controlled entities and debt issues.

Recognition and derecognition of financial instruments

The Group recognises a financial asset or financial liability in its balance sheet when the Group becomes a party to the contractual provisions of the instrument. This is usually on the trade date, being the date the Group commits itself to purchase or sell an asset. Loans and advances, and reverse repurchase agreements are recognised using settlement date accounting, the date at which the asset is delivered by the Group.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or where the Group has transferred substantially all risks and rewards of ownership. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset. The difference between the carrying amount of a financial asset that has been extinguished and the consideration received is recognised in profit or loss.

Financial liabilities are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial instrument that has been extinguished and the consideration paid is recognised in profit or loss.

Financial assets

General classification framework and initial measurement

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost ("AC").

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the income statement.

The classification is dependent upon the Group's business model for managing the financial assets and the contractual terms of the cash flows at initial recognition.

Business models

Business models are classified as either Hold to Collect ("HtC"), Hold to Collect & Sell ("HtC&S") or Other depending on how a portfolio of financial instruments as a whole is managed. The Group's business models are based on the existing management structure of the Bank, and refined based on an analysis of how businesses are evaluated and reported, how their specific business risks are managed and on historic and expected future sales.

Sales are permissible in a HtC business model when these are:

- due to an increase in credit risk;
- take place close to the maturity date;
- are insignificant in value (both individually and in aggregate) or are infrequent;
- a change in the regulatory treatment of a particular type of financial asset may cause an entity to undertake a significant rebalancing of its portfolio in a particular period.

Due to the planned reduction of the Committed Liquidity Facility ("CLF") in 2022, the Group did sell some bonds out of the HTC portfolio during the year.

Contractual cash flow characteristics

The contractual cash flows of a financial asset are assessed to determine whether the instrument gives rise to cash flows that are solely payments of principal and interest ("SPPI"). Principal is defined as the fair value of the financial asset on initial recognition. Interest includes consideration for the time value of money, credit risk and also consideration for liquidity risk and costs associated with holding the financial assets for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending agreement. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

5. Financial instruments (continued)

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instruments. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, terms such as the following are considered:

- Prepayment terms; for example a prepayment of an outstanding principal amount plus a penalty capped to 3 or 6 months of interest;
- Leverage features; which increase the variability of the contractual cash flows with the result that they do not have the economic characteristics of interest. An example is a LIBOR contract with a multiplier of 1.3;
- Terms that limit the Group's claim to cash flows from specified assets e.g. non-recourse asset arrangements. This could be the case if payments of principal and interest are met solely by the cash flows generated by the underlying asset, for example in real estate, shipping and aviation financing; and
- Features that modify consideration for the time value of money. These are contracts with, for example, an interest rate which is reset every month to a one-year rate. The Group performs either a qualitative or quantitative benchmark test on a financial asset with a modified time value of money element. A qualitative test is performed when it is clear with little or no analysis whether the contractual cash flows solely represent SPPI.

There are three measurement categories into which the Group classifies its financial assets:

- Amortised cost; debt instruments that are held for collection of contractual cash flows under a HtC business model where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the income statement. Impairment losses are presented as a separate line item in the income statement.
- FVOCI; debt instruments that are held for collection of contractual cash flows and for selling the financial assets under a HtC&S business model, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in the income statement. On derecognition, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the income statement. Interest income from these financial assets is included in interest income using the effective interest rate method. Impairment losses are presented as a separate line item in the income statement.
- FVTPL; debt instruments that do not meet the criteria for amortised cost or FVOCI are measured and can be designated at FVTPL. The contractual interest result on a debt instrument that is part of a hedged relationship, but not subject to hedge accounting, is recognised in the income statement and presented within interest income or interest expense in the period in which it arises. The Group may in some cases, on initial recognition, irrevocably designate a financial asset that otherwise meets the requirements to be measured at AC or at FVOCI as at FTVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group reclassifies debt investments when, and only when, its business model for managing those assets changes.

Financial liabilities

Financial liabilities are classified and measured at amortised cost unless the Group is required to measure liabilities at FVTPL such as derivative liabilities.

Derivatives and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently measured at fair value. The Group applies valuation techniques (such as discounted cashflow models) based on observable market inputs in the valuation of derivatives. Derivatives are carried as assets when their fair value is positive and as liabilities where their fair value is negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged when the conditions of AASB 139 'Financial Instruments: Recognition and measurement' are met (see Note 9). For those derivatives not designated for hedge accounting purposes, changes in fair value are recorded in the income statement.

The Group decided to continue to apply the hedge accounting guidance of AASB 139 as explicitly permitted by AASB 9.

6. Cash and cash equivalents

	Consolidated		Bank	
Amounts in millions of dollars	**2022**	2021	**2022**	2021
Cash and liquid assets	2,407	3,031	2,391	3,017
Cash equivalents held by other financial institutions	529	939	146	737
Total cash and cash equivalents	**2,936**	**3,970**	**2,537**	**3,754**

Cash and cash equivalents – Accounting policy

Comprises cash on hand, in banks and at-call loans excluding cash collateral. These are readily convertible to known amounts of cash which are subject to insignificant risk of changes in value and are initially measured at fair value and subsequently measured at amortised cost which is an approximation of fair value as they are short term in nature.

7. Due from other financial institutions

	Consolidated		Bank	
Amounts in millions of dollars	**2022**	2021	**2022**	2021
Cash collateral - for derivatives	254	406	254	406
Cash collateral - for SPVs	-	-	21	14
Total cash collateral	**254**	**406**	**275**	**420**

Due from other financial institutions – Accounting policy

Includes cash collateral pledged to counterparties on derivative instruments and are initially measured at fair value and subsequently measured at amortised cost which is an approximation of fair value as they are short term in nature.

8. Financial assets at fair value through other comprehensive income and securities at amortised cost

Consolidated and Bank

Amounts in millions of dollars	Financial assets at FVOCI	Securities at amortised cost	Total 2022	Financial assets at FVOCI	Securities at amortised cost	Total 2021
Discount securities	940	-	940	1,250	-	1,250
Corporate bonds	-	120	120	-	568	568
Covered bonds	-	-	-	10	107	117
Government bonds	4,631	2,247	6,878	2,570	1,307	3,877
Total debt securities	**5,571**	**2,367**	**7,938**	**3,830**	**1,982**	**5,812**
Maturity analysis of debt securities						
Not longer than 3 months	199	120	319	1,059	100	1,159
Longer than 3 months and not longer than 1 year	1,082	102	1,184	535	243	778
Longer than 1 year and not longer than 5 years	1,684	934	2,618	1,377	1,103	2,480
Longer than 5 years	2,606	1,211	3,817	859	536	1,395
Total securities	**5,571**	**2,367**	**7,938**	**3,830**	**1,982**	**5,812**

Refer to 'Note 5 – Financial Instruments' for accounting policy on debts instruments amortised cost and FVOCI.

9. Derivatives

Consolidated	2022			2021		
Amounts in millions of dollars	Notional	Fair value asset	Fair value liability	Notional	Fair value asset	Fair value liability
Derivatives designated as fair value hedges						
Interest rate swaps	9,515	630	(91)	4,798	30	(264)
Total fair value hedges	**9,515**	**630**	**(91)**	**4,798**	**30**	**(264)**
Derivatives designated as cash flow hedges						
Interest rate swaps	22,149	583	(274)	25,353	123	(89)
Total cash flow hedges	**22,149**	**583**	**(274)**	**25,353**	**123**	**(89)**
Other derivatives						
Basis swaps	-	-	-	-	-	1
Interest rate swaps	-	-	-	1	-	-
Total other derivatives	**-**	**-**	**-**	**1**	**-**	**1**
Total recognised derivative assets/(liabilities)	**31,664**	**1,213**	**(365)**	**30,152**	**153**	**(352)**

Bank	2022			2021		
Amounts in millions of dollars	Notional	Fair value asset	Fair value liability	Notional	Fair value asset	Fair value liability
Derivatives designated as fair value hedges						
Interest rate swaps	9,515	630	(91)	4,798	30	(264)
Total fair value hedges	**9,515**	**630**	**(91)**	**4,798**	**30**	**(264)**
Derivatives designated as cash flow hedges						
Interest rate swaps	22,149	583	(274)	25,353	123	(89)
Total cash flow hedges	**22,149**	**583**	**(274)**	**25,353**	**123**	**(89)**
Other derivatives						
Basis swaps	-	-	-	-	-	1
Total other derivatives	**-**	**-**	**-**	**-**	**-**	**1**
Total recognised derivative assets / (liabilities)	**31,664**	**1,213**	**(365)**	**30,151**	**153**	**(352)**

9. Derivatives (continued)

	Consolidated		Bank	
Amounts in millions of dollars	2022	2021	2022	2021
Maturity analysis for derivative assets				
Not longer than 3 months	4	-	4	-
Longer than 3 months and not longer than 1 year	67	2	67	2
Longer than 1 year and not longer than 5 years	551	140	551	140
Longer than 5 years	591	11	591	11
Total derivative assets	**1,213**	**153**	**1,213**	**153**

Derivatives – Accounting policy

The Group uses derivative financial instruments such as interest rate swaps, cross currency swaps and basis swaps as part of its risk management activities to manage exposures to interest rate and foreign currency risks.

The Group designates certain interest rate swaps as hedges of the fair value of recognised assets or liabilities (fair value hedges) or hedges of highly probable cash flows attributable to a recognised asset or liability (cash flow hedges).

Other derivatives are cross currency, interest rate and basis swaps that the Group entered into economically to hedge basis risk and Residential Mortgage-Backed Securities ("RMBS") issued and are not designated for hedge accounting purposes.

9. Derivatives (continued)

Hedging – Accounting policy

Risk Management Strategy

The Group's hedging strategy is to minimise the exposure to interest rate fluctuations. The Group enters into derivative transactions which are designated and qualify as either fair value or cash flow hedges for recognised assets or liabilities. The amounts in this note are exactly the same across the Group and the Bank.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objectives and strategies for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting period for which they were designated.

The following table shows the notional of the hedging derivatives in time bands together with the average fixed interest rates. All the swaps shown in the below table are interest rate swaps.

Consolidated and Bank	2022					2021				
Amounts in millions of dollars	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Fair value hedges										
Pay Fixed										
Notional	-	435	2,538	4,367	7,340	155	275	1,938	1,205	3,573
Average Rate	0.00%	5.02%	3.40%	2.46%	2.94%	5.66%	4.82%	4.33%	2.73%	3.89%
Receive Fixed										
Notional	-	600	1,175	400	2,175	-	-	1,225	-	1,225
Average Rate	0.00%	3.00%	2.81%	4.50%	2.81%	-	-	2.17%	-	2.17%
Cash flow hedges										
Pay Fixed										
Notional	1,774	3,340	8,306	561	13,981	855	6,640	11,300	-	18,795
Average Rate	0.25%	0.79%	1.11%	2.21%	0.97%	1.66%	0.43%	0.67%	-	0.63%
Receive Fixed										
Notional	77	2,495	5,264	332	8,168	77	2,730	3,140	612	6,559
Average Rate	0.10%	1.13%	2.22%	1.27%	1.83%	0.02%	0.05%	0.42%	1.14%	0.33%

9. Derivatives (continued)

Derivatives designated and accounted for as hedging instruments

Cash flow hedges

The operations of the Group are subject to the risk of interest rate fluctuations to the extent of the repricing profile of the Group's balance sheet. The Group uses interest rate swaps to minimise the variability in cash flows from interest earning assets and interest-bearing liabilities. The Group manages the interest risk exposure on a portfolio basis for the following hedged items:

- Floating rate loans by entering into shorter term pay floating/receive fixed interest rate swaps
- Floating rate deposits by entering into longer term pay fixed/receive floating interest rate swaps

The following table shows the amount of assets/liabilities considered in each pool.

Consolidated		
Amounts in millions of dollars	2022	2021
Floating rate assets	38,442	32,742
Floating rate liabilities	(41,827)	(43,702)

Cash flow hedge accounting involves designating derivatives as hedges of the variability in highly probable forecast future cash flows arising from a recognised asset or liability. The gain or loss on the derivative associated with the effective portion of the hedge is initially recognised in other comprehensive income in the cash flow hedge reserve and reclassified into profit or loss when the hedged item is brought to account.

Cash flow hedges	Consolidated		Bank	
Amounts in millions of dollars	2022	2021	2022	2021
Fair value of hedge instruments	310	34	310	34
Amount recognised in other comprehensive income during the period (net of tax)	187	112	187	112

The gain or loss relating to the ineffective portion of the hedge is recognised immediately in profit or loss. More specifically, the ineffectiveness on a cash flow hedge is accounted for by adjusting the separate component of equity associated with the hedged item to the lesser of the following (in absolute amounts):

(i) the cumulative gain or loss on the hedging instrument from inception of the hedge; and

(ii) the cumulative change in fair value (present value) of the expected future cash flows on the hedged item from inception of the hedge.

The Group determines the economic relationship between the hedged item and hedging instrument for the purpose of assessing hedge effectiveness through matched terms of the contracts and also the relationship between the 1 month BBSW reference rate and variable rate products whereby pricing is reviewed monthly.

There was no hedge ineffectiveness arising from the cash flow hedges recognised in the profit or loss for the period and the swaps were fully collateralized (2021: nil).

See Reserves Note 21 for the cash flow hedge reserve movement schedule.

9. Derivatives (continued)

Fair value hedges

The Group's fair value hedges are used to limit exposure to changes in the fair value of fixed rate interest earning assets and interest bearing liabilities. Specific exposures are managed on a one to one basis for:

- Debt securities investments by entering into a pay fixed/receive floating interest rate swap
- Covered bond issuance by entering into pay floating/receive fixed interest rate swap

The following table shows each category of hedged items. Fair value hedge adjustments are applicable to Financial assets at fair value through other comprehensive income, securities at amortised cost and the covered bond issuance.

For a derivative designated as hedging a fair value exposure arising from a recognised asset or liability, the gain or loss on the derivative is recognised in the Income Statement together with any changes in the fair value of the hedged asset or liability that is attributed to the hedged risk.

The Group determines the economic relationship between the hedged item and hedging instrument for the purpose of assessing hedge effectiveness through matched terms of the contracts.

There was no hedge ineffectiveness arising from the fair value hedges recognised in the profit or loss for the period and the swaps were fully collateralized (2021: nil).

Fair value hedges	Consolidated		Bank	
Amounts in millions of dollars	**2022**	2021	**2022**	2021
Fair value of hedge instruments	(538)	234	(538)	234
Current year gains/(losses) on hedging instruments	474	156	474	156
Fair value of hedged items - Financial assets at FVOCI	4,631	2,570	4,631	2,570
Fair value of hedged items - Securities at amortised cost	2,121	1,274	2,121	1,274
Fair value of hedged items - Debt Issues	(2,111)	(1,249)	(2,111)	(1,249)
Current year gains/(losses) on hedged items attributable to the hedged risk	(474)	(156)	(474)	(156)
Net hedge ineffectiveness	-	-	-	-

9. Derivatives (continued)

Offsetting

The Group presents the fair value of its derivative assets and derivative liabilities on a gross basis. However, certain derivative assets and liabilities are subject to netting arrangements. The Group does not use Master Netting Arrangements and instead relies on the specific Credit Support Annex ("CSA") appended to the global market product specific ISDA (International Swaps and Derivatives Association) Master Agreement. The Group does not have any financial assets or liabilities which are offset on the face of the balance sheet in accordance with AASB 132 Financial Instruments: *Presentation.*

Consolidated	Effects of offsetting on the balance sheet			Related amounts not offset		
Amounts in millions of dollars	Gross amount	Amounts set-off in the balance sheet	**Amount presented in the balance sheet**	Amount subject to CSA	Financial instrument collateral	**Net Amount**
31 December 2022						
Financial assets						
Derivative financial instruments	1,213	-	1,213	(356)	(614)	243
Total	**1,213**	**-**	**1,213**	**(356)**	**(614)**	**243**
Financial liabilities						
Derivative financial instruments	(365)	-	(365)	356	254	245
Total	**(365)**	**-**	**(365)**	**356**	**254**	**245**
31 December 2021						
Financial assets						
Derivative financial instruments	153	-	153	(152)	(1)	-
Total	**153**	**-**	**153**	**(152)**	**(1)**	**-**
Financial liabilities						
Derivative financial instruments	(352)	-	(352)	152	406	206
Total	**(352)**	**-**	**(352)**	**152**	**406**	**206**

Bank	Effects of offsetting on the balance sheet			Related amounts not offset		
Amounts in millions of dollars	Gross amount	Amounts set-off in the balance sheet	**Amount presented in the balance sheet**	Amount subject to CSA	Financial instrument collateral	**Net Amount**
31 December 2022						
Financial assets						
Derivative financial instruments	1,213	-	1,213	(356)	(614)	243
Total	**1,213**	**-**	**1,213**	**(356)**	**(614)**	**243**
Financial liabilities						
Derivative financial instruments	(365)	-	(365)	356	254	245
Total	**(365)**	**-**	**(365)**	**356**	**254**	**245**
31 December 2021						
Financial assets						
Derivative financial instruments	153	-	153	(152)	(1)	-
Total	**153**	**-**	**153**	**(152)**	**(1)**	**-**
Financial liabilities						
Derivative financial instruments	(352)	-	(352)	152	406	206
Total	**(352)**	**-**	**(352)**	**152**	**406**	**206**

10. Property and equipment

Consolidated and Bank		
Amounts in millions of dollars	2022	2021
Data processing equipment	13	19
Fixtures and fitting and other equipments	14	13
Right-of-use assets	60	69
Total	**87**	**101**

Consolidated and Bank	Data processing equipment		Fixtures and fitting and other equipment		Right-of-use assets		Total	
Amounts in millions of dollars	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	19	37	13	4	69	64	101	105
Additions	2	2	4	11	3	17	9	30
Depreciation	(8)	(20)	(3)	(2)	(12)	(12)	(23)	(34)
Closing balance	**13**	**19**	**14**	**13**	**60**	**69**	**87**	**101**
Gross carrying amount	207	205	48	44	104	101	359	350
Accumulated depreciation	(194)	(186)	(34)	(31)	(44)	(32)	(272)	(249)
Net carrying value as at 31 December	**13**	**19**	**14**	**13**	**60**	**69**	**87**	**101**

Right-of-use assets

Right-of-use assets relate primarily to leased buildings and staff cars under novated lease arrangements.

Property and equipment

Property and equipment is measured at historical cost and depreciated or amortised on a straight-line basis over the estimated useful life of the assets. Leasehold improvements are amortised over the remaining term of the lease.

For an asset that does not generate largely independent cash flows, the recoverable amount is determined based on the cash-generating unit to which the asset belongs. Where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Major depreciation and amortisation periods are:

Category	2022	2021
Data processing equipment	3 - 5 years	3 - 5 years
Fixtures and fitting and other equipment	3 - 5 years	3 - 5 years
Right-of-use assets	1 - 10 years	1 - 10 years

The carrying value of property and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses are recognized in the Income Statement.

Derecognition of fixed assets

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposable proceeds and the carrying amount of the asset) is included in the Income Statement in the year the asset is derecognised.

11. Loans and advances

		Consolidated		Bank	
Amounts in millions of dollars	Note	**2022**	2021	**2022**	2021
Retail Banking mortgages		55,444	54,323	55,444	54,323
Business Banking loans		4,233	4,403	4,233	4,403
Wholesale Banking loans		9,666	8,055	9,666	8,055
Treasury loans		1,276	79	1,276	79
Consumer Lending		371	307	371	307
Gross loans and advances		**70,990**	**67,167**	**70,990**	**67,167**
Loan Loss Provision	12	(121)	(128)	(121)	(128)
Total loans and advances		**70,869**	**67,039**	**70,869**	**67,039**
Maturity analysis of loans and advances					
Less than 1 year		5,559	3,552	5,559	3,552
Greater than 1 year		65,431	63,615	65,431	63,615
Gross loans and advances		**70,990**	**67,167**	**70,990**	**67,167**

Loans and advances - Accounting policy

Subsequent to initial recognition, loans and advances are measured at amortised cost using a calculated effective interest method. Loans and advances are presented net of provisions for impairment. Loans and advances are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They include secured loans made to retail borrowers, business borrowers, inter-bank loans, and unsecured consumer lending and wholesale loans.

AASB 9 Financial Instruments requires that if the terms of a loan are amended it must be assessed whether or not the original loan has been substantially modified and extinguished or non-substantially modified.

If it is determined that the loan has been substantially modified and extinguished, the existing loan is derecognised with any capitalised transaction costs or commissions immediately recognised in profit or loss. A new loan asset is then initially recognised at fair value, plus any capitalised transaction costs and less any commissions, and subsequently measured at amortised cost using the effective interest rate on the new loan.

If it is determined that the loan has been non-substantially modified, the difference in net present value on the remaining cash flows of the loan, before and after modification, using the effective interest rate of the original loan, is immediately recognised in profit or loss. The modified loan will be subsequently measured at amortised cost using the effective interest rate of the original loan.

Management has assessed those loans modified during the reporting period and determined that there is no material impact to the financial statements.

12. Impairment of financial assets

The Group applies an Expected Credit Loss ("ECL") model to on-balance sheet financial assets accounted for at amortised cost and FVOCI such as loans and debt securities, as well as off-balance sheet items such as undrawn loan commitments, certain financial guarantees, and undrawn committed revolving credit facilities. Under the ECL model the Group calculates the allowance for credit losses (Loan Loss Allowance, "LLA") by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The LLA applies an unbiased probability-weighted method and the ECL estimates include supportable information about past events, current conditions, and forecasts of future economic conditions. The approach leveraged the existing Advanced Internal Ratings Based ("AIRB") models for regulatory purposes tailored to ensure IFRS 9 compliance. For other portfolios that use the Standardised Approach ("SA") to calculate regulatory capital, the Group uses simplified ECL models applying reasonable and supportive information.

Three stage approach

Financial assets are classified in any of the below three Stages at a quarterly reporting date. A financial asset can move between stages at any point during its lifetime. The stages classification is based on changes in credit quality since initial recognition and defined as follows:

- Stage 1: 12 month ECL
  Financial assets that have not had a significant increase in credit risk since initial recognition (i.e. no Stage 2 or 3 triggers apply). Assets are classified as stage 1 upon initial recognition (with the exception of purchased or originated credit impaired ("POCI") assets) and a provision for ECL is based on a 12 month horizon. For those financial assets with a remaining maturity of less than 12 months, a probability of default ("PD") is used that corresponds to the remaining maturity;
- Stage 2: Lifetime ECL not credit impaired
  Financial assets showing a significant increase in credit risk since initial recognition. A provision is made for the life time ECL representing losses over the remaining life of the financial instrument ("lifetime ECL"); or
- Stage 3: Lifetime ECL credit impaired
  Financial instruments that move into Stage 3 once credit impaired require a provision reflecting the remaining lifetime.

Significant increase in credit risk ("SICR")

A financial asset moves from Stage 1 to Stage 2 when there is a significant increase in credit risk since initial recognition. A framework is established which incorporates quantitative and qualitative information to identify significant increases in credit risk on an asset level applying a relative assessment. Each financial asset is assessed at the reporting date on the triggers for significant deterioration. The Group assesses significant increase in credit risk using:

- delta in the lifetime probability of default;
- forbearance status;
- watch list status;
- intensive care management;
- internal rating;
- arrears; and
- more than 30 days past due backstop for Stage 1 to Stage 2 transfers.

The delta in lifetime probability of default is one of the main triggers for movement between Stage 1 and Stage 2. The trigger compares lifetime probability of default at origination versus lifetime probability of default at reporting date, considering the remaining maturity. Assets can move in both directions, meaning that they will move back to Stage 1 or Stage 2 when the Stage 2 or Stage 3 triggers are not applicable anymore. The stage allocation is implemented in the central credit risk systems.

12. Impairment of financial assets (continued)

Macroeconomic scenarios

AASB 9, with its inherent complexities and potential impact on the carrying amounts of the Group's assets and liabilities, represents a key source of estimation uncertainty. In particular, the Group's reportable ECL numbers are most sensitive to the forward-looking macroeconomic forecasts used as model inputs, the probability-weights applied to each of the three scenarios, and the criteria for identifying a significant increase in credit risk. As such, these crucial components require consultation and management judgement, and are subject to extensive governance.

Forward-looking macroeconomics used as model inputs

As a baseline for AASB 9, the Group use the consensus outlook for economic variables. The Group uses data from a leading provider, Oxford Economics' Global Economic Model ("OEGEM"), to complement the consensus with consistent projections for variables for which there are no consensus estimates available (most notably House Price Index ("HPI") and unemployment), and to ensure general consistency of the scenarios. The up and downside scenarios reflect a mix of historical data analyses, applying the OEGEM and expert opinion based on the most economic insights.

Probability weights applied to each of the three scenarios

The alternative scenarios are based on the forecast errors of the OEGEM. To understand the baseline level of uncertainty around any forecast, Oxford Economics keeps track of all its forecast errors of the past 20 years. The distribution of forecast errors for GDP, unemployment, house prices and share prices is applied to the baseline forecast creating a broad range of alternative outcomes.

For the downside scenario, the Group applies the 90th percentile of that distribution because this corresponds with how within risk management earnings at risk is being defined. The upside scenario is represented by the 10th percentile of the distribution. The distribution of the scenarios for economic growth, taking into account the applicable percentile of the distribution, is resulting in the upside scenario to be weighted at 20%, the downside scenario to be weighted at 20% and consequently, the base case scenario to be weighted at 60%.

Based on the above two sources of estimation uncertainty, analysis on the sensitivity of key forward-looking macroeconomic inputs used in the ECL collective-assessment modelling process and the probability-weights applied to each of the three scenarios is presented below. The Group also observes that, in general, the Wholesale Banking business is more sensitive to the impact of forward-looking macroeconomic scenarios.

Real GDP, the Unemployment rate and House Price Index ("HPI") are the variables with the largest impact on the ECL. These forward looking macroeconomic factors (amongst others) are used in the calculation of the probability-weighted ECL as disclosed, to arrive at the reportable ECL for collectively-assessed assets. The sensitivity analysis table does give a high level indication of the sensitivity of the outputs to the different scenarios. However any reliance placed on the sensitivity analysis should consider the complexities due to interdependencies and correlations between different macroeconomic variable inputs and that in addition to forward-looking macroeconomics and there are a number of other model inputs and processes which contribute to the calculation of un-weighted ECLs.

12. Impairment of financial assets (continued)

Measurement of ECL

The Group's expected loss models; PD, loss given default ("LGD") and exposure at default ("EAD"), used for regulatory capital, economic capital and collective provisions are adjusted for the removal of embedded prudential conservatism (such as floors), provide forward-looking point in time estimates based on macroeconomic predictions and a 12 month or life time view of credit risk where needed. Lifetime features are default behaviour over a longer horizon, full behaviour after the default moment, repayment schedules and early settlements. For most financial instruments, the expected life is limited to the remaining maturity. For overdrafts and certain revolving credit facilities, such as credit cards, open ended assumptions are taken as these do not have a fixed term or repayment schedule.

The Group applies a PD x EAD x LGD approach incorporating the time value of money to measure ECL. A forward-looking approach on a 12 month horizon is applied for Stage 1 assets. For Stage 2 assets a lifetime view on the credit is applied. The Lifetime Expected Loss ("LEL") is the discounted sum of the portions of lifetime losses related to default events within each time window of 12 months until maturity. For Stage 3 assets the PD equals 100% and the LGD and EAD represent a lifetime view of the losses based on characteristics of defaulted facilities.

Management temporary adjustments

Due to economic uncertainty resulting from the increases to the RBA cash-rate throughout 2022 and higher levels of inflation, management overlays have been applied to ensure credit provisions are appropriate. These are intended to supplement the modelled ECL where the existing macroeconomic factors used in models may not fully capture the extent to which additional losses may eventuate.

Management overlays, which add to the modelled ECL provision, have been made for risks particular to retail lending, business banking and wholesale banking where applicable. For retail lending this includes an adjustment based on an assessment of how higher repayment requirements and the increased cost of living could result in additional loans defaulting due to repayment shock. This takes a risk-based approach to assessing the likelihood a customer being affected by considering their increase in minimum repayments, offset balance / redraw available, level of existing overpayments, fixed rate expiry and level of indebtedness.

Additional overlays are held where the current macroeconomic circumstances have impacted models or model inputs used to calculate ECL. These overlays contribute towards ensuring the ECL represents the Bank's forward-looking unbiased expectations of macroeconomic risk.

Base case economic forecast assumption

The economic drivers of the base case economic forecasts at 31 December 2022 are set out below. These reflect the Group's view of the most likely future macroeconomic conditions at 31 December 2022. For years beyond the near term forecasts below, the ECL models project future year economic conditions including an assumption to eventual reversion to mid-cycle economic conditions.

Sensitivity Analysis

		2023	2024	2025	Un-weighted ECL (AUD $m)	Probability weighting	Modelled ECL
	Real GDP	3.0%	2.1%	2.9%			
Upside scenario	Unemployment	3.6%	3.7%	3.7%	49	20%	
	HPI	1.7%	4.1%	4.5%			
	Real GDP	2.0%	2.1%	2.6%			
Base case scenario	Unemployment	3.8%	4.0%	4.0%	55	60%	61
	HPI	-3.2%	2.9%	4.1%			
	Real GDP	-0.1%	1.7%	2.3%			
Downside scenario	Unemployment	5.1%	5.9%	6.4%	89	20%	
	HPI	-7.5%	1.5%	3.7%			

Real GDP, % year-on-year change.
Unemployment, % of total labour force (quarterly average).
House price index, % year-on-year change.
*Collective and individual provisions excluding management overlay of $60m

12. Impairment of financial assets (continued)

ECL - Sensitivity analysis

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Group should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of collectively and individually assessed provisions to migration of 1% of Stage 1 facilities to Stage 2 and Stage 3. The table also shows the impact under Upside and Downside economic scenarios:

Sensitivity ECL	2022		2021	
Amounts in millions of dollars	ECL $m	Impact $m	ECL $m	Impact $m
If 1% of Stage 1 facilities were included in Stage 2	64	3	78	3
If 1% of Stage 1 facilities were included in Stage 3	86	25	96	21
100% upside scenario	49	(7)	67	(5)
100% base case scenario	55	-	72	-
100% downside scenario	89	34	93	21

Definition of default

The Group uses the definition of default for internal risk management purposes and has aligned the definition of credit impaired under AASB 9 (Stage 3) 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 make its payments in full without recourse action on the Group's part, such as taking formal possession of any collateral held.

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 re-organisation, 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.

12. Impairment of financial assets (continued)

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 reorganisation);
- 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.

12. Impairment of financial assets (continued)

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.

The following tables present the movement in the allowance for ECL for the year. Allowance for ECL is included in loans and advances.

Consolidated and Bank 2022

	Stage 1	Stage 2	Stage 3		
	12-mth ECL	Lifetime ECL	Lifetime ECL	Lifetime ECL	Total
Amounts in millions of dollars	Collectively assessed			Individually assessed	
As at 1 January 2022	**16**	**21**	**84**	**7**	**128**
Changes due to financial assets that have:					
Transferred between ECL stages during the year	(5)	22	(9)	-	8
New and increased loss allowance (net of releases)	15	-	(19)	(7)	(11)
Interest adjustment	-	-	3	-	3
Bad debts written-off	-	-	(7)	-	(7)
As at 31 December 2022	**26**	**43**	**52**	**-**	**121**

Consolidated and Bank 2021

	Stage 1	Stage 2	Stage 3		
	12-mth ECL	Lifetime ECL	Lifetime ECL	Lifetime ECL	Total
Amounts in millions of dollars	Collectively assessed			Individually assessed	
As at 1 January 2021	**27**	**80**	**82**	**5**	**194**
Changes due to financial assets that have:					
Transferred between ECL stages during the year	-	(32)	20	-	(12)
New and increased loss allowance (net of releases)	(11)	(27)	(19)	2	(55)
Interest adjustment	-	-	5	-	5
Bad debts written-off	-	-	(4)	-	(4)
As at 31 December 2021	**16**	**21**	**84**	**7**	**128**

Loan impairment expense	Consolidated		Bank	
Amounts in millions of dollars	**2022**	2021	**2022**	2021
Income Statement				
Collectively assessed - stage 1 & 2	(32)	70	(32)	70
Collectively assessed - stage 3	28	(1)	28	(1)
Individually assessed - stage 3	7	(2)	7	(2)
Total loan loss benefit/(expense)	**3**	**67**	**3**	**67**

For the year ended 31 December 2022 the Group recognised $3 million in loan loss allowances benefit (2021: $67 million in loan loss allowances benefit).

13. Other liabilities

Other liabilities by type	Consolidated		Bank	
Amounts in millions of dollars	**2022**	2021	**2022**	2021
Employee entitlements	29	23	29	23
Settlement account	346	362	346	362
Lease liabilities	71	83	71	83
Other	66	48	64	49
Total	**512**	**516**	**510**	**517**

Other Liabilities – Accounting policy

The accounting policy for Other liabilities is outlined in Note 27 – Other Accounting Policies and accounting standard developments.

14. Deposits and other borrowings

	Consolidated		Bank	
Amounts in millions of dollars	2022	2021	2022	2021
Deposits				
Deposits at call	46,214	43,755	46,530	44,114
Term deposits[1]	17,475	17,100	17,475	17,100
Certificates of deposits	1,201	715	1,201	715
Securities sold under agreement to repurchase[2]	5,737	5,530	5,737	5,530
Deposits and other borrowings	**70,627**	**67,100**	**70,943**	**67,459**
Concentration of deposits				
Retail deposits	46,612	43,088	46,612	43,088
Business deposits	2,000	3,418	2,000	3,418
Wholesale deposits[1]	22,015	20,594	22,331	20,953
Total deposits	**70,627**	**67,100**	**70,943**	**67,459**

[1] Term and wholesale deposits include funding from ING Bank N.V. (Sydney Branch) of $11,922 million (2021: $12,651 million).

[2] Includes $5.737 billion (2021: $5.427 billion) of funds drawn under the RBA's Term Funding Facility (TFF). TFF is initially recognised at fair value and is subsequently measured at amortised cost using the effective interest rate method. Refer to Note 16 Financial Risk Management for more details.

Deposits and other borrowings – Accounting policy

Deposits and other borrowings include term deposits, at call deposits, negotiable certificates of deposits and funding from ING Bank N.V. (Sydney Branch). They are recognised initially at the fair value and are subsequently measured at amortised cost, using the effective interest rate method.

15. Debt issues

	Consolidated		Bank	
Amounts in millions of dollars	2022	2021	2022	2021
Covered Bonds	4,691	2,360	4,691	2,360
Mortgage-backed securities	827	1,426	-	-
Subordinated Debt	226	75	226	75
Total debt issues	**5,744**	**3,861**	**4,917**	**2,435**

Debt issues – Accounting policy

The Group uses a variety of funding programmes to issue senior debt (including covered bonds and securitisations) and subordinated debt. The difference between senior debt and subordinated debt is that holders of senior debt take priority over holders of subordinated debt owed by the relevant issuer. In the winding up of the relevant issuer, the subordinated debt will be repaid by the relevant issuer only after the repayment of claims of depositors, other creditors and the senior debt holders.

Maturity of debt issues	Consolidated		Bank	
Amounts in millions of dollars	2022	2021	2022	2021
Later than 1 month and not later than 3 months	-	89	-	-
Later than 3 months and not later than 1 year	760	1,339	675	-
Later than 1 year and not later than 5 years	4,606	2,433	3,864	2,435
Greater than 5 years	378	-	378	-
Total debt issues	**5,744**	**3,861**	**4,917**	**2,435**

16. Risk management

This note 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	• 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	• Aging analysis • Credit ratings • Arrears analysis • Internal ratings models • Stress testing • Financial analysis • Covenant measures • Loan to Value • Loan to Income serviceability	• 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 Risk Policy • Large Exposure and Related Entity (LEREP) Policy • Small and Medium Enterprise Credit (SME) 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	• Loans and advances • Deposits and other borrowings • Financial assets at FVOCI • Securities at amortised cost • Debt issues	• 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	• Risk Management Approach • Risk Strategy • Risk Appetite Statement • IRRBB Stress Testing Methodology • IRRBB Minimum Standards • Asset and Liability Management Policy • Funds Transfer Pricing Policy
Market Risk – Foreign Exchange Risk	• Financial assets and liabilities not denominated in Australian dollars	• Sensitivity analysis	• Risk Management Approach • Risk Strategy • Risk Appetite Statement • Asset and Liability Management Policy
Integrated Risk	• Overarching risks in the balance sheet not specific to one risk type.	• Solvency risk • Model risk	• Risk Management Approach • Risk Strategy • Risk Appetite Statement • Internal Capital Adequacy Assessment Process Policy • Stress testing policy • Model risk management policy

16. Risk management (continued)

Risk	Exposure arising from	Measurement	Governance
Liquidity and funding risk	• Deposits and other borrowings • Debt issuances • Undrawn loan commitments	• Scenario analysis and stress testing • Liquidity Coverage Ratio ("LCR") • Net Stable Funding Ratio ("NSFR") • Behavioural models	• Risk Management Approach • Risk Strategy • Risk Appetite Statement • Asset and Liability Management 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)	• Inadequate or failed internal processes, people and systems • Failure or perceived failure to comply with relevant laws, regulations, the Group's policies	• Risk and Control Self-Assessment • Non-Financial Risk Score • Incident reporting • Scenario analysis • Business Environment Analysis	• Risk Management Approach • Risk Strategy • Risk Appetite Statement • ING Groep Non-Financial Risk Framework • ING Groep Risk Mitigation and Issue Tracking Procedure • ING Groep Product Approval and Review ("PARP") Policy & Minimum Standard with Local Annex • ING Groep Risk Identification and Assessment Procedure • ING Groep Key Control Testing Procedure • ING Groep Information and Technology Risk Policy with Local Annex • ING Groep Outsourcing Policy with Local Annex • ING Groep Fraud Management Policy and Minimum Standard • Operational Risk Management Policy • Operational Event Management Procedure (Event Management Process) • AML/CTF Program Part A and B • Anti-Bribery and Corruption Policy • Compliance Framework and Chart • Conflict of Interest and Market Abuse Policy • Customer Best Interest Policy • FATCA and CRS Policy • Fit and Proper Policy • Obligation Management Policy • Whistleblower Protection and Reporting Policy

16. Risk management (continued)

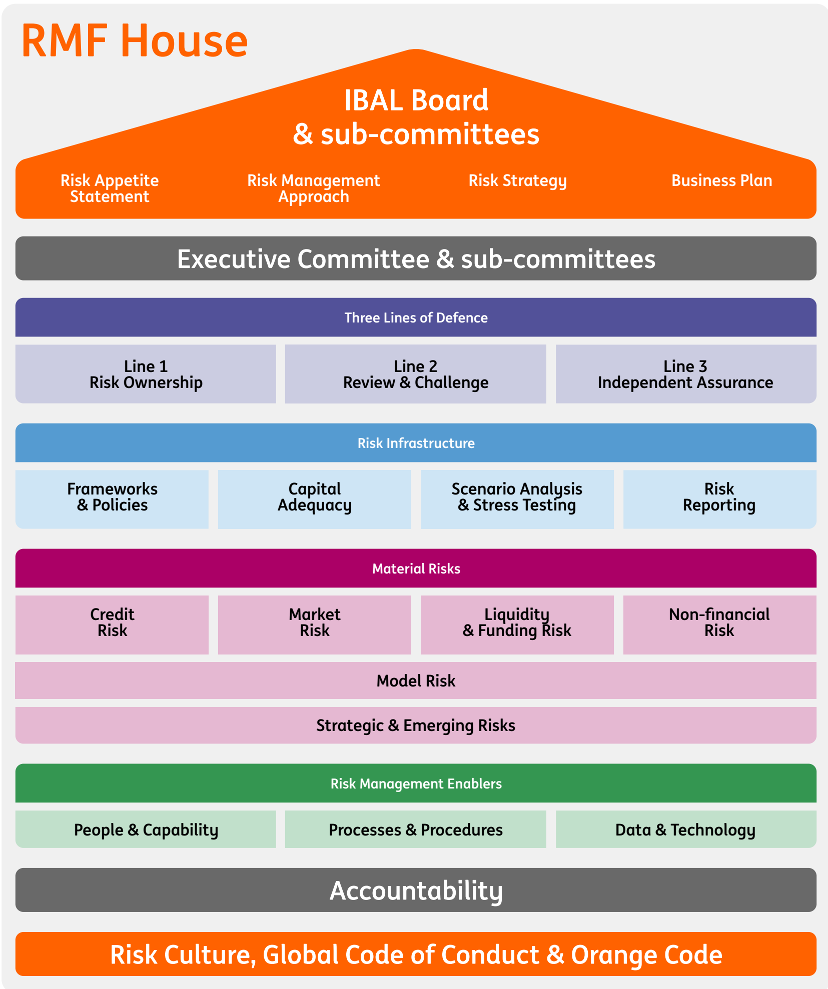
Risk management framework

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 RMF 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 Rules[1] 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".



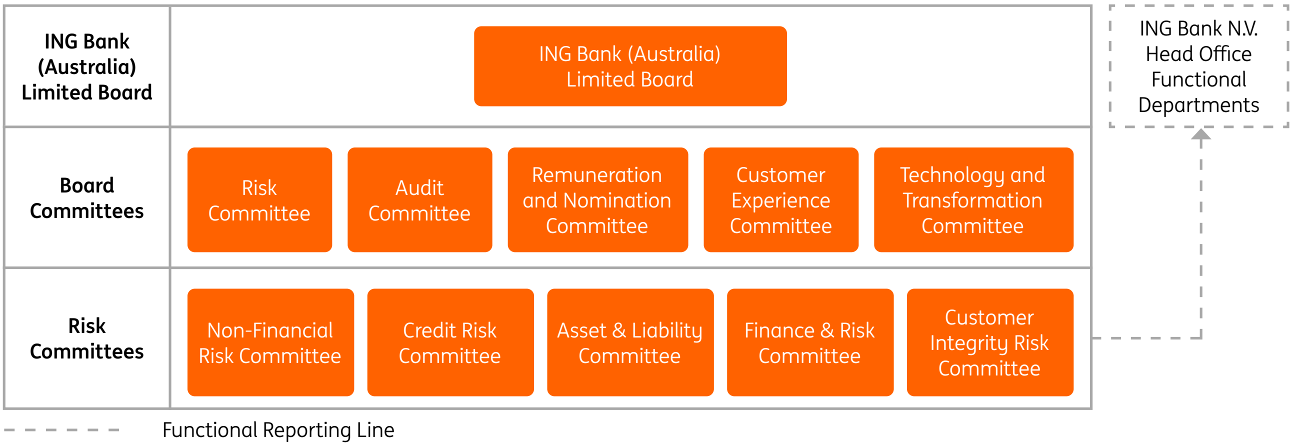
[1] Customer Golden Rules depict the principles of interaction between ING and customers throughout the customer life cycle.

16. Risk management (continued)

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.



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.

16. Risk management (continued)

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 the Group 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 the Group, including systems, processes, people and all of the Group's 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.

16. Risk management (continued)

16.1 Credit risk

Credit risk arises from the Group's lending activities, pre-settlement and investment activities. Credit risk is the potential loss arising from customer or counterparty failure to meet contractual obligations as and when they fall due. Credit risk management is supported by dedicated credit risk information systems and internal rating methodologies for debtors and counterparties. The Group's credit exposure mainly relates to:

- Retail Banking loans to individuals which are predominantly mortgage loans secured by residential property. The Group also has a portfolio of unsecured loans via its credit card and personal loan products.
- Business Banking loans consisting of Commercial Property Finance ("CPF") and Priority Commercial Mortgages ("PCM") secured by predominantly commercial properties. PCM represents the channel for the Bank's SME lending proposition (secured lending only).
- Wholesale Banking comprises Real Estate Finance, Infrastructure, Energy, Technology-Media-Telecommunications, Food & Agriculture and Corporate Sector Coverage lending amongst other segments, which is generally made up of secured exposures or where unsecured, with corporate guarantees and negative pledges.
- Wholesale investments and securities are marketable liquid assets which are mainly unsecured and used for liquidity management.

Pre-settlement risk arises from the Group's derivative activities. To mitigate this risk, the Group uses central clearing counterparties for its derivatives and enters into CSA's with derivative counterparties.

Maximum credit risk exposure

The fair value of collateral is determined by using an acceptable valuation of the property for each borrowing application. The type of valuation required is fundamentally driven by the associated risk of each borrower and is determined by considering a number of different factors such as loan to value ratio, loan amount, security amount, security location, purpose of loan and source documentation supporting the borrowers' estimates. Acceptable valuations include but are not limited to a contract of sale, rates notice, electronic valuations and valuations by registered valuers.

The maximum credit risk exposure before taking into consideration collateral or credit enhancements for relevant items on the Balance Sheet is the carrying value for the relevant financial asset. For Off-Balance Sheet items the maximum credit risk exposure is the full amount of the committed facilities including redrawn and undrawn portion.

The maximum exposure to credit risk for the Group and the Bank is managed on a consolidated basis and are detailed on the following page:

16. Risk management (continued)

Consolidated 2022

Amounts in millions of dollars	Note	Maximum exposure to credit risk	FV of collateral and credit enhancements held: Cash	Other[4]	Property	Total	Surplus collateral[1]	Net collateral[2]	Net exposure[3]
Financial assets									
Cash and cash equivalents	6	2,936	-	-	-	-	-	-	2,936
Due from other financial institutions	7	254	-	-	-	-	-	-	254
Receivables and other assets		52	-	-	-	-	-	-	52
Financial assets at FVOCI	8	5,571	-	-	-	-	-	-	5,571
Securities at amortised cost	8	2,367	-	-	-	-	-	-	2,367
Loans and advances	11	70,990	-	2,455	176,188	178,643	(107,653)	64,786	6,204
Derivative assets	9	1,213	243	-	-	243	(614)	356	857
Total		**83,383**	**243**	**2,455**	**176,188**	**178,886**	**(108,267)**	**65,142**	**18,241**
Off-Balance Sheet									
Undrawn loan commitments[5]	23	10,846	-	-	-	-	-	-	10,846
Bank accepted guarantees and letters of credit[6]	23	833	-	-	-	-	-	-	833
Total maximum credit risk exposure		**95,062**	**243**	**2,455**	**176,188**	**178,886**	**(108,267)**	**65,142**	**29,920**

Consolidated 2021

Amounts in millions of dollars	Note	Maximum exposure to credit risk	FV of collateral and credit enhancements held: Cash	Other[4]	Property	Total	Surplus collateral[1]	Net collateral[2]	Net exposure[3]
Financial assets									
Cash and cash equivalents	6	3,970	-	-	-	-	-	-	3,970
Due from other financial institutions	7	406	-	-	-	-	-	-	406
Receivables and other assets		77	-	-	-	-	-	-	77
Financial assets at FVOCI	8	3,830	-	-	-	-	-	-	3,830
Securities at amortised cost	8	1,982	-	-	-	-	-	-	1,982
Loans and advances	11	67,167	-	1,552	151,243	152,795	(85,628)	61,869	5,298
Derivative assets	9	153	-	-	-	-	(1)	152	1
Total		**77,585**	**-**	**1,552**	**151,243**	**152,795**	**(85,629)**	**62,021**	**15,564**
Off-Balance Sheet									
Undrawn loan commitments[5]	23	10,311	-	-	-	-	-	-	10,311
Bank accepted guarantees and letters of credit[6]	23	568	-	-	-	-	-	-	568
Total maximum credit risk exposure		**88,464**	**-**	**1,552**	**151,243**	**152,795**	**(85,629)**	**62,021**	**26,443**

[1] 'Surplus collateral' represents the fair value of collateral or credit enhancements which exceed the asset balances they secure.
[2] 'Net collateral' therefore reflects the balance of secured financial assets.
[3] 'Net exposure' represents unsecured financial assets.
[4] 'Other' includes letters of credit, parent guarantees, bank guarantees, negative pledges, verbal support and assignments of floating receivables.
[5] 'Undrawn loan commitments' include all obligations on the part of the Group to provide credit facilities including undrawn amounts eligible for redraw and unconditionally approved loans.
[6] 'Bank accepted guarantees and letters of credit' represent conditional undertakings by the Group to support the obligations of its customers to third parties.

16. Risk management (continued)

Collateral – Lending activities

The creditworthiness of customers, trading partners and investments is continuously evaluated for their ability to meet their financial obligations to the Group. During the process of creating new loans or investments, as well as reviewing existing loans and investments, the Group determines the amount and type of collateral, if any, that a customer may be required to pledge to the Group. Generally, the lower the perceived creditworthiness of a borrower or financial counterparty, the more collateral the customer or counterparty will have to provide.

Collateral	Consolidated	
Amounts in millions of dollars	2022	2021
Held against past due but not impaired assets	1,746	1,333
Held against impaired assets	1,084	1,923

Exposure not mitigated by collateral as a percentage of total financial assets	Consolidated	
In percentages	2022	2021
Business Banking loans	0.1%	0.1%
Wholesale Banking loans	6.9%	6.3%
Consumer Lending	0.4%	0.4%
Financial assets other than loans and advances	16.4%	13.4%
Total	**23.8%**	**20.2%**

Collateral – Derivative contracts

Under Australian Prudential Regulatory Authority ("APRA") Standard Margining and Risk Mitigation for Non-Centrally Cleared Derivatives ("CPS 226"), the Group is required to clear eligible over the counter derivatives through an Australian Securities and Investment Commission ("ASIC") approved clearing house. All new derivative transactions completed by the Group are cleared with central counterparties.

Distribution of financial assets by credit quality

The table below details the distribution of credit quality of financial assets. An asset is considered to be past due when any payment under the contractual terms has been missed. An asset is considered to be impaired when there is doubt on the full collection of the loans based on an assessment of the customer's outlook, cash flow and the net realisable value of collateral held, including those loans that are formally restructured.

	Consolidated		Bank	
Amounts in millions of dollars	2022	2021	2022	2021
Neither past due nor impaired	82,137	75,823	100,059	91,767
- of which: Retail Banking mortgages	54,421	52,769	54,421	52,769
- of which: Business Banking loans	4,064	4,297	4,064	4,297
- of which: Wholesale Banking loans	9,627	7,967	9,627	7,967
- of which: Consumer Lending	355	292	355	292
- Related entities	1,658	981	19,580	16,925
- Financial assets other than loans and advances	12,011	9,516	12,011	9,516
Past due but not impaired gross loans and advances	881	669	881	669
Impaired loans and advances	366	1,093	366	1,093
Total	**83,383**	**77,584**	**101,305**	**93,528**

16. Risk management (continued)

Risk classes of financial assets

Risk classes are defined based upon the quality of the exposures in terms of creditworthiness, varying from investment grade to problem grade.

Internal Rating		Consolidated		Bank	
Amounts in millions of dollars	Risk Grading	2022	2021	2022	2021
Lower risk	1-10	61,152	57,842	79,074	73,786
Medium risk	11-17	21,301	18,049	21,301	18,049
High risk	18-19	317	338	317	338
Non-performing	20	613	1,356	613	1,356
Not rated		-	-	-	-
Total		**83,383**	**77,585**	**101,305**	**93,529**

The tables below show exposures to credit risk by risk classes for those financial assets for which the expected credit loss model is applied:

Consolidated 2022

Internal Rating	Risk Grading	Stage 1	Stage 2	Stage 3		Total
		12-mth ECL	Lifetime ECL	Lifetime ECL	Lifetime ECL	
		Collectively assessed			Individually assessed	
Amounts in millions of dollars						
Lower risk	1-10	60,895	257	-	-	61,152
Medium risk	11-17	18,654	2,647	-	-	21,301
High risk	18-19	-	317	-	-	317
Non-performing	20	-	-	613	-	613
Not rated		-	-	-	-	-
Total		**79,549**	**3,221**	**613**	**-**	**83,383**

Consolidated 2021

Internal Rating	Risk Grading	Stage 1	Stage 2	Stage 3		Total
		12-mth ECL	Lifetime ECL	Lifetime ECL	Lifetime ECL	
		Collectively assessed			Individually assessed	
Amounts in millions of dollars						
Lower risk	1-10	57,337	505	-	-	57,842
Medium risk	11-17	17,046	1,003	-	-	18,049
High risk	18-19	-	338	-	-	338
Non-performing	20	-	-	1,281	75	1,356
Not rated		-	-	-	-	-
Total		**74,383**	**1,846**	**1,281**	**75**	**77,585**

16. Risk management (continued)

Bank 2022

Internal Rating	Risk Grading	Stage 1 12-mth ECL Collectively assessed	Stage 2 Lifetime ECL Collectively assessed	Stage 3 Lifetime ECL Collectively assessed	Stage 3 Lifetime ECL Individually assessed	Total
Amounts in millions of dollars						
Lower risk	1-10	78,817	257	-	-	79,074
Medium risk	11-17	18,654	2,647	-	-	21,301
High risk	18-19	-	317	-	-	317
Non-performing	20	-	-	613	-	613
Not rated		-	-	-	-	-
Total		**97,471**	**3,221**	**613**	**-**	**101,305**

Bank 2021

Internal Rating	Risk Grading	Stage 1 12-mth ECL Collectively assessed	Stage 2 Lifetime ECL Collectively assessed	Stage 3 Lifetime ECL Collectively assessed	Stage 3 Lifetime ECL Individually assessed	Total
Amounts in millions of dollars						
Lower risk	1-10	73,281	505	-	-	73,786
Medium risk	11-17	17,046	1,003	-	-	18,049
High risk	18-19	-	338	-	-	338
Non-performing	20	-	-	1,281	75	1,356
Not rated		-	-	-	-	-
Total		**90,327**	**1,846**	**1,281**	**75**	**93,529**

Impaired loans – Accounting policy

The Group continually measures its portfolio in terms of payment arrears. The impairment levels on the business and wholesale loans are monitored on an individual basis. The impairment levels on the retail portfolios are monitored each month on a portfolio basis to determine if there are any significant changes in the level of arrears. An obligation is considered 'past-due' if a payment of interest or principal is more than one day late. Letters will be sent to the obligor reminding the obligor of its (past due) payment obligations. Once the account is in arrears, the obligation is transferred to the collections business unit. In order to reduce the number of arrears, the Group requires obligors to set up automatic debits from their accounts to ensure timely payments.

The facilities in respect of which there is doubt on the full collection of principal and interest based on an assessment of the customer's outlook, cash flow, and the net realisation of value of assets to which recourse is held are classified as Impaired including those that are formally restructured.

16. Risk management (continued)

Ageing analysis (past due but not impaired)

Consolidated and Bank	2022		2021	
Amounts in millions of dollars and percentages	Millions	%	Millions	%
Less than 1 payment past due	522	59.3%	399	59.6%
1 payment past due	192	21.7%	111	16.6%
2 or more payments past due	167	19.0%	159	23.8%
Total	**881**	**100.0%**	**669**	**100.0%**

Impaired loans by economic sector

Consolidated and Bank	2022		2021	
Amounts in millions of dollars and in percentages	Millions	%	Millions	%
Construction & commercial real estate	12	3.3%	28	2.6%
Corporate	-	0.0%	75	6.9%
Retail	354	96.7%	990	90.5%
Total	**366**	**100.0%**	**1,093**	**100.0%**

Risk concentration: Group portfolio (by economic sector)

	Consolidated				Bank			
Amounts in millions of dollars and in percentages	2022	%	2021	%	2022	%	2021	%
Construction & commercial real estate	6,311	7.6%	5,982	7.7%	6,311	6.2%	5,982	6.4%
Corporate	6,764	8.1%	5,555	7.2%	6,764	6.7%	5,555	5.9%
Financial institutions	13,616	16.3%	3,072	4.0%	31,538	31.1%	19,016	20.3%
Retail	56,692	68.0%	55,628	71.6%	56,692	56.0%	55,628	59.5%
Public administration	-	0.0%	7,348	9.5%	-	0.0%	7,348	7.9%
Total	**83,383**	**100.0%**	**77,585**	**100.0%**	**101,305**	**100.0%**	**93,529**	**100.0%**

16. Risk management (continued)

16.2 Market risk

Market risk is defined as unexpected adverse movements in income or value due to changes in market conditions. For the Group, this includes interest rate risk and foreign exchange risk.

The Group operates a banking book with the underlying assumption that positions are intended to be held for the long term (or until maturity) or for the purpose of hedging other banking book positions.

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.

16. Risk management (continued)

Managing and monitoring interest rate risk

The Group 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 also further explained in Note 9 in relation to hedging using derivatives to mitigate exposure to interest rate and foreign exchange risk.

The type and level of residual interest rate risk of the Group is managed and monitored from two perspectives, Historical Value-at-Risk ("HVaR") and Earnings at Risk ("EaR").

- HVaR is a measure of potential profit or loss to the Group resulting from changes in interest rates. The process of calculating HVaR involves simulating the potential profit or loss in different interest rate environments based on 10 years historical movements in the market.
- EaR estimates the amount of change in future earnings of the Group that may result from a change in market interest rates. This measure is to ensure that the amount of potential diminution of future earnings resulting from changes in market rates is within the risk appetite determined by the Board. The EaR perspective considers how changes in interest rates will affect the Group's reported earnings due to the current and forecast mismatch interest rate positions. The Group undertakes a number of scenarios to measure the potential change in earnings.
- The size of shock and limits for Year 1 EaR were revised during 2022 as part of the Group's annual limit recalibration. EaR metrics for 2021 have been shown on a comparative basis.

Interest rate risk analysis

Amounts in millions of dollars	2022	2021
HVaR		
Limit =≤ $350	(287)	(183)
EaR		
- 100bps Shock (Year 1)	(13)	(27)
+ 100bps Shock (Year 1)	18	28
Limit =< $62		

Impact of IBOR

Due to the Group using BBSW as the interest rate benchmark for financial products and contracts the IBOR transition has minimal impact.

Foreign exchange risk

Foreign exchange risk is the risk of loss due to adverse movements in exchange rates. Group policy requires that all currency risks are fully hedged, leaving little residual FX risk.

16. Risk management (continued)

16.3 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 level of cash and debt securities was $10,874 million at 31 December 2022 (2021: $9,782 million). The average LCR for the quarter ended 31 December 2022 was 150% (2021: 171%), above the regulatory minimum of 100%.

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. The Group's NSFR was 144% as at 31 December 2022 (2021: 132%), above the regulatory minimum of 100%.

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 a 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 ING Contingency and Funding Plan is regularly tested using crisis simulation, the most recent simulation having been carried out in August 2022.

The Group's funding sources include an appropriately diverse mix of residential deposits and wholesale funding. At 31 December 2022, approximately 64% of the Group's funding was provided by residential and business sources (2021: 66%) and 36% was provided by wholesale and other sources (2021: 34%).

RBA Term Funding Facility

The RBA term funding facility (TFF) is a three-year secured funding facility to ADIs. It closed to new drawings on 30 June 2021 and since that date any allowances under that facility are zero for the purposes of calculating the LCR and NSFR. As at 31 December 2022, the Group had fully drawn all allocations from the TFF totaling $5.4bn ($3.0bn matures in 2023 and $2.4bn matures in 2024).

16. Risk management (continued)

Maturity analysis of financial liabilities

Amounts shown below in the tables are based on contractual undiscounted cash flows for the remaining contractual maturities.

Consolidated 2022

Amounts in millions of dollars	Carrying amount	At call	Not later than 1 month	later than 1 month and not later than 3 months	later than 3 months and not later than 1 year	later than 1 year and not later than 5 years	Greater than 5 years	Total contractual cashflows
Financial liabilities								
Deposits and other borrowings	70,627	46,190	1,493	2,310	7,537	14,212	206	71,948
Derivative liabilities	365	-	-	-	42	256	66	364
Creditors and other liabilities	438	-	350	58	33	-	-	441
Lease liabilities	74	-	1	3	10	52	8	74
Debt issues	5,744	-	18	55	929	4,998	415	6,415
Total	**77,248**	**46,190**	**1,862**	**2,426**	**8,551**	**19,518**	**695**	**79,242**
Undrawn loan commitments[1]	10,846	-	10,089	757	-	-	-	10,846
Bank accepted guarantees and letters of credit[2]	833	833	-	-	-	-	-	833
Total	**88,927**	**47,023**	**11,951**	**3,183**	**8,551**	**19,518**	**695**	**90,921**

Bank 2022

Amounts in millions of dollars	Carrying amount	At call	Not later than 1 month	later than 1 month and not later than 3 months	later than 3 months and not later than 1 year	later than 1 year and not later than 5 years	Greater than 5 years	Total contractual cashflows
Financial liabilities								
Deposits and other borrowings	70,943	46,506	1,493	2,310	7,537	14,212	206	72,264
Derivative liabilities	365	-	-	-	42	256	66	364
Creditors and other liabilities	436	-	350	58	33	-	-	441
Lease liabilities	74	-	1	3	10	52	8	74
Debt issues	4,917	-	15	711	130	4,195	364	5,415
Amounts due to controlled entities	18,433	18,433	-	-	-	-	-	18,433
Total	**95,168**	**64,939**	**1,859**	**3,082**	**7,752**	**18,715**	**644**	**96,991**
Undrawn loan commitments[1]	10,846	-	10,089	757	-	-	-	10,846
Bank accepted guarantees and letters of credit[2]	833	833	-	-	-	-	-	833
Total	**106,847**	**65,772**	**11,948**	**3,839**	**7,752**	**18,715**	**644**	**108,670**

[1] 'Undrawn loan commitments' include all obligations on the part of the Group to provide credit facilities including undrawn amounts eligible for redraw and unconditionally approved loans.

[2] 'Bank accepted guarantees and letters of credit' represent conditional undertakings by the Group to support the obligations of its customers to third parties.

16. Risk management (continued)

Consolidated 2021

Amounts in millions of dollars	Carrying amount	At call	Not later than 1 month	later than 1 month and not later than 3 months	later than 3 months and not later than 1 year	later than 1 year and not later than 5 years	Greater than 5 years	Total contractual cashflows
Financial liabilities								
Deposits and other borrowings	67,100	43,732	1,057	2,494	6,347	13,076	1,004	67,710
Derivative liabilities	352	-	-	6	26	244	75	351
Creditors and other liabilities	433	-	363	43	26	-	-	432
Lease liabilities	83	-	1	3	10	58	16	88
Debt issues	3,861	-	4	102	1,397	2,516	-	4,019
Total	**71,829**	**43,732**	**1,425**	**2,648**	**7,806**	**15,894**	**1,095**	**72,600**
Undrawn loan commitments[1]	10,311	-	9,279	1,032	-	-	-	10,311
Bank accepted guarantees and letters of credit[2]	568	568	-	-	-	-	-	568
Total	**82,708**	**44,300**	**10,704**	**3,680**	**7,806**	**15,894**	**1,095**	**83,479**

Bank 2021

Amounts in millions of dollars	Carrying amount	At call	Not later than 1 month	later than 1 month and not later than 3 months	later than 3 months and not later than 1 year	later than 1 year and not later than 5 years	Greater than 5 years	Total contractual cashflows
Financial liabilities								
Deposits and other borrowings	67,459	44,091	1,057	2,494	6,347	13,076	1,004	68,069
Derivative liabilities	352	-	-	6	26	244	75	351
Creditors and other liabilities	434	-	363	43	26	-	-	432
Lease liabilities	83	-	1	3	10	58	16	88
Debt issues	2,435	-	3	6	26	2,487	-	2,522
Amounts due to controlled entities	17,010	17,010	-	-	-	-	-	17,010
Total	**87,773**	**61,101**	**1,424**	**2,552**	**6,435**	**15,865**	**1,095**	**88,472**
Undrawn loan commitments[1]	10,311	-	9,279	1,032	-	-	-	10,311
Bank accepted guarantees and letters of credit[2]	568	568	-	-	-	-	-	568
Total	**98,652**	**61,669**	**10,703**	**3,584**	**6,435**	**15,865**	**1,095**	**99,351**

[1] 'Undrawn loan commitments' include all obligations on the part of the Group to provide credit facilities including undrawn amounts eligible for redraw and unconditionally approved loans.
[2] 'Bank accepted guarantees and letters of credit' represent conditional undertakings by the Group to support the obligations of its customers to third parties.

16. Risk management (continued)

16.4 Non financial risk

As an ADI, the Group is subject to a range of non-financial risk. 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 the "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.

17. Capital management

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 APRA 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

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.

17. Capital management (continued)

Capital Adequacy	Consolidated	
Amounts in millions of dollars	2022	2021
Qualifying capital		
Tier 1		
Total equity	6,112	5,825
Reserve adjustments	(118)	(90)
Regulatory adjustments	(546)	(413)
Common Equity Tier 1	**5,448**	**5,322**
Additional Tier 1 Capital	-	-
Total Tier 1 qualifying capital	**5,448**	**5,322**
Tier 2		
Tier 2 subordinated debt	226	75
General reserve for credit losses		
Standardised approach[1]	40	27
Internal ratings-based approach[2]	-	-
Total Tier 2 qualifying capital	**266**	**102**
Total regulatory capital	**5,714**	**5,424**
Total risk adjusted assets and off-balance sheet exposures	**36,992**	**35,126**
Capital adequacy ratio	**15.4%**	**15.4%**

[1] Represents the total general reserve for credit losses recognised for those portfolios under the Basel III Standardised approach.
[2] There were no surplus provisions on non-defaulted exposures for those portfolios under the Basel III Internal ratings-based approach.

Dividends - Accounting policy

A provision is made for the amount of any dividend declared being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

Dividend declared, provided for or paid		
Amounts in millions of dollars	2022	2021
Consolidated and Bank		
Fully franked dividend declared for 2022: $588m (2021: $475m)	**588**	475

18. Fair value of financial instruments

The financial assets and liabilities listed below are recognised and measured at fair value and therefore the carrying value equates to their fair value:

Financial instrument	Fair value techniques	Assumptions
Financial assets at FVOCI	Financial assets at FVOCI are initially recognised at fair value plus any directly attributable transaction costs. Any changes in fair value are recognised in other comprehensive income up until sale. Interest income received on these assets is recorded in net interest income with any realised gains and losses on sale recognised in non-interest income.	Fair value of quoted investments in active markets are based on current bid prices.
Derivative assets and liabilities	Derivative assets and liabilities are initially recognised at fair value. Any changes in fair value are recorded in non-interest income with interest income and expense associated with the derivative recognised in net interest income.	The fair value of swaps is calculated by utilising discounted cash flow models, based on the estimated future cash flows.

The following table lists the financial assets and liabilities which are not measured at fair value:

Financial asset/liability	Fair value techniques	Assumptions
Cash and cash equivalents	The carrying amount is an approximation of fair value.	Short term in nature or are receivable on demand.
Due from other financial institutions	The carrying amount is an approximation of fair value.	Short term in nature and of high credit rating.
Securities at amortised cost	The fair value is taken from quoted market prices.	Fair values of quoted investments in active markets are based on current bid prices.
Receivables and other assets	The carrying amount of accrued interest receivable is an approximation of fair value.	Short term in nature.
Loans and advances	For variable loans at call the carrying amount is an approximation of fair value. For variable and fixed rate term loans, the fair value is calculated by utiltsing discounted cash flow models based on the contractual term of the loans.	Short term in nature. For variable and fixed rate term rate loans the discount rate applied reflects the market rate for the maturity of the loan.
Amounts due from controlled entities	The carrying amount is an approximation of fair value.	Short term in nature.
Deposits	The carrying amount is an approximation of fair value. For term deposits, the fair value is calculated by utilising discounted cash flow models, based on the maturity of the deposits.	Short term in nature or are payable on demand. For term deposits the discount rate applied is the current rate offered for deposits of similar remaining maturities.
Debt issues	The fair value of debt issues is calculated by utilising discounted cash flow models, based on the estimated future cash flows.	The discount rate applied is based on quoted market prices where available for the instrument and the term of the issue.
Creditors and other liabilities	The carrying amount of creditors and other liabilities is an approximation of fair value.	Short term in nature.
Amounts due to controlled entities	The carrying amount is an approximation of fair value.	Arises from imputed loan approach and represents the obligation to repay the Trusts on the equitable assignment of loans.

18. Fair value of financial instruments (continued)

Fair value hierarchy

The Group measures fair values using the fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

Level 1 – Reference to quoted unadjusted market prices in active markets for identical instruments.
Level 2 – Inputs other than quoted prices that are observable either directly or indirectly.
Level 3 – Inputs that are unobservable (no observable market data).

The following table presents the fair values of the Group's financial assets and liabilities which are measured at fair value or for which the fair value is disclosed.

31 December 2022

Amounts in millions of dollars	Carrying value total	Fair value total	Fair value hierarchy Level 1	Level 2	Level 3
Consolidated					
Assets measured at fair value:					
Financial assets at FVOCI	5,571	5,571	4,631	940	-
Derivative assets	1,213	1,213	-	1,213	-
Liabilities measured at fair value:					
Derivative liabilities	365	365	-	365	-
Assets for which fair values are disclosed:					
Securities at amortised cost	2,367	2,211	2,211	-	-
Loans and advances - Variable	51,955	52,272	-	-	52,272
Loans and advances - Fixed	18,914	18,402	-	-	18,402
Liabilities for which fair values are disclosed:					
Deposits and other borrowings - call[1]	46,214	46,214	-	-	-
Deposits and other borrowings - term	24,413	24,470	-	6,938	17,532
Debt issues - Variable	3,569	3,637	-	3,637	-
Debt issues - Fixed	2,175	2,111	-	2,111	-
Bank					
Assets measured at fair value:					
Financial assets at FVOCI	5,571	5,571	4,631	940	-
Derivative assets	1,213	1,213	-	1,213	-
Liabilities measured at fair value:					
Derivative liabilities	365	365	-	365	-
Assets for which fair values are disclosed:					
Securities at amortised cost	2,367	2,211	2,211	-	-
Loans and advances - Variable	51,955	52,272	-	-	52,272
Loans and advances - Fixed	18,914	18,402	-	-	18,402
Liabilities for which fair values are disclosed:					
Deposits and other borrowings - call[1]	46,530	46,530	-	-	-
Deposits and other borrowings - term	24,413	24,470	-	6,938	17,532
Debt issues - Variable	2,742	2,817	-	2,817	-
Debt issues - Fixed	2,175	2,111	-	2,111	-

[1] The carrying amount of call financial assets and liabilities are an approximation of fair value.

18. Fair value of financial instruments (continued)

31 December 2021

Amounts in millions of dollars	Carrying value total	Fair value total	Fair value hierarchy Level 1	Level 2	Level 3
Consolidated					
Assets measured at fair value:					
Financial assets at FVOCI	3,830	3,830	2,580	1,250	-
Derivative assets	153	153	-	153	-
Liabilities measured at fair value:					
Derivative liabilities	352	352	-	352	-
Assets for which fair values are disclosed:					
Securities at amortised cost	1,982	2,005	2,005	-	-
Loans and advances - Variable	44,123	44,172	-	-	44,172
Loans and advances - Fixed	22,916	22,793	-	-	22,813
Liabilities for which fair values are disclosed:					
Deposits and other borrowings - call[1]	43,755	43,755	-	-	-
Deposits and other borrowings - term	23,345	23,363	-	6,245	17,118
Debt issues - Variable[1]	2,636	2,628	-	2,628	-
Debt issues - Fixed	1,225	1,249	-	1,249	-
Bank					
Assets measured at fair value:					
Financial assets at FVOCI	3,830	3,830	2,580	1,250	-
Derivative assets	153	153	-	153	-
Liabilities measured at fair value:					
Derivative liabilities	352	352	-	352	-
Assets for which fair values are disclosed:					
Securities at amortised cost	1,982	2,005	2,005	-	-
Loans and advances - Variable	44,123	44,172	-	-	44,172
Loans and advances - Fixed	22,916	22,793	-	-	22,793
Liabilities for which fair values are disclosed:					
Deposits and other borrowings - call[1]	44,114	44,114	-	-	-
Deposits and other borrowings - term	23,345	23,363	-	6,245	17,118
Debt issues - Variable	1,210	1,201	-	1,201	-
Debt issues - Fixed	1,225	1,249	-	1,249	-

[1] The carrying amount of these financial assets and liabilities are an approximation of fair value.

Transfers between Level 1 and Level 2

There have been no transfers during the 2022 year (2021: nil).

19. Provisions

Provisions	Consolidated		Bank	
Amounts in millions of dollars	2022	2021	2022	2021
Annual leave	14	14	14	14
Long service leave	11	10	11	10
Total provisions	**25**	**24**	**25**	**24**
Provisions expected to be paid in the next 12 months	**15**	**15**	**15**	**15**

Movement in provisions	Consolidated		Bank	
Amounts in millions of dollars	2022	2021	2022	2021
Carrying amount at beginning of the year	24	124	24	124
Additional provision recognised	11	10	11	10
Amounts utilised during the year	(10)	(110)	(10)	(110)
Carrying amount at end of year	**25**	**24**	**25**	**24**

Provisions – Accounting policy

A provision is recognised on the Balance Sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and is reliably measured. Provisions are measured by discounting the expected future pre-tax cash flows reflecting time value of money and risks specific to the obligation.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

The provision for long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date. The provision is measured using expected future increases in wage and salary rates including related on-costs and is probability weighted based on observed employee turnover and is discounted using the rates attached to high quality corporate bond rates at reporting date of a similar maturity.

20. Contributed equity

	Consolidated		Bank	
Amounts in millions of dollars	2022	2021	2022	2021
Issued and fully paid equity				
Ordinary voting shares	1,284	1,284	1,284	1,284
Ordinary non-voting shares	50	50	50	50
Total contributed equity	**1,334**	**1,334**	**1,334**	**1,334**

	Consolidated		Bank	
Amounts in millions of dollars	2022	2021	2022	2021
Issued capital	# of Shares	# of Shares	# of Shares	# of Shares
Balance at beginning of financial year	1,334,000,004	1,334,000,004	1,334,000,004	1,334,000,004
Balance at end of financial year	**1,334,000,004**	**1,334,000,004**	**1,334,000,004**	**1,334,000,004**

Contributed equity – Accounting policy

Issued and paid-up capital represents the considerations received by the Group. Incremental costs directly attributable to the issue of ordinary shares are recognised as a reduction from equity, net of tax.

21. Reserves

2022 Consolidated and Bank

Amounts in millions of dollars	General reserve for credit losses	Share based payments reserve	Cash flow hedge reserve	Fair Value reserve	Total
Opening balance	**68**	**22**	**26**	**16**	**132**
Revaluation movement for the year, net of tax	-	1	185	(43)	143
Transferred to Other Comprehensive Income Statement - net interest income	-	-	3	28	31
Tax on amounts transferred to Other Comprehensive Income Statement	-	-	(1)	-	(1)
Transfer (to)/from retained earnings	27	-	-	-	27
Closing balance	**95**	**23**	**213**	**1**	**332**

2021 Consolidated and Bank

Amounts in millions of dollars	General reserve for credit losses	Share based payments reserve	Cash flow hedge reserve	Fair Value reserve	Total
Opening balance	**56**	**21**	**(86)**	**8**	**(1)**
Revaluation movement for the year, net of tax	-	1	192	(43)	150
Transferred to Other Comprehensive Income Statement - net interest income	-	-	(114)	51	(63)
Tax on amounts transferred to Other Comprehensive Income Statement	-	-	34	-	34
Transfer (to)/from retained earnings	12	-	-	-	12
Closing balance	**68**	**22**	**26**	**16**	**132**

Reserves – Accounting policy

General reserve for credit losses

The general reserve for credit losses ("GRCL") is an APRA requirement under prudential standard APS 220, which represents life time expected losses. The Group AASB9 models for calculating GRCL.

Share based payments reserve

The share based payments reserve records attribution to equity from the employee share-based payment plan. The fair value of share-based payment transactions is expensed over the vesting period. The charge to the Income Statement is the fair value of the equity-settled transactions less the amounts already charged in previous periods. The fair value is recognised as an employee expense with a corresponding increase in equity.

Cash flow hedge reserve

The cash flow hedge reserve records the fair value revaluation of derivatives designated as cash flow hedging instruments. For a derivative designated as hedging a cash flow exposure arising from a recognised asset or liability, the gain or loss on the derivative associated with the effective portion of the hedge is initially recognised in equity in the cash flow hedge reserve and reclassified into the income statement when the associated hedged transaction affects profit or loss.

Fair value reserve

Gains and losses arising from subsequent changes in fair value of financial assets at FVOCI are recognised directly in the fair value reserve in equity until the asset is derecognised or impaired, at which time the cumulative gain or loss will be recognised in the Income Statement.

22. Share based payments

The following table illustrates the number and weighted average exercise prices ("WAEP") in Euro of, and movements in share options issued during the year.

Performance units	2022		2021	
	Number	WAEP	Number	WAEP
Outstanding at the beginning of the year	59,285	€ 7.45	104,708	€ 7.76
Forfeited during the year	(5,578)	€ 7.83	(3,153)	€ 9.93
Granted during the year	85,042	€ 9.53	55,663	€ 9.77
Vested during the year	(57,861)	€ 8.62	(83,043)	€ 9.33
Transferred during the year	(4,045)	€ 6.00	(14,890)	€ 7.28
Outstanding at the end of the year	**76,843**	**€ 8.92**	**59,285**	**€ 7.45**

The outstanding balances of performance units as at 31 December 2022 are:

Year of grant	2022		2021	
	Number of Performance Units	WAGP	Number of Performance Units	WAGP
2019	-	€ 0.00	12,275	€ 9.13
2020	9,511	€ 4.69	23,771	€ 4.84
2021	14,594	€ 8.78	23,239	€ 9.23
2022	52,738	€ 9.72	-	€ 0.00
Total	**76,843**	**€ 8.92**	**59,285**	**€ 7.45**

All performance units are granted in the ultimate parent entity, ING Groep N.V. and vest 3 years from the issue date at the exercise price noted above. The actual expense for share based payments for 2022 net of tax is $1m (2021: $1m).

The fair value of share options granted is recognized as an expense under staff expenses and is allocated over the vesting period of the options. The fair values of the option awards have been determined using a European Black Scholes formula. This model takes the risk free interest rate into account (2.02% to 4.62%), as well as the lifetime of the options granted (5 to 9 years), the exercise price, the current share price (EUR 2.90 – EUR 25.42), the expected volatility of the certificates of ING Groep N.V. shares (25% - 84%) and the expected dividend yield (0.94% to 8.99%). The source for implied volatilities used for the valuation of the stock options is ING's trading system. The implied volatilities in this system are determined by ING's traders and are based on market data implied volatilities not on historical volatilities.

Share options have a weighted average contractual maturity of 10 years while performance units have a weighted average contractual maturity of 2 years. The weighted average remaining contractual life for share options outstanding is 2 years.

22. Share based payments (continued)

Share-based payment transactions – Accounting policy

The Group provides benefits to key personnel including key management personnel in the form of share-based payments (share options and performance units). The settlement amount is determined by reference to movements in the exercisable price of the shares of the ultimate parent company ING Groep N.V. and the price on the date the options are exercised. The cost is measured at the fair value of the equity instruments granted. The grant date is the date on which the Group and the employee agree to a share-based payment arrangement.

The measurement of share-based payment transactions granted is determined by ING Groep N.V. and is based on their fair value using a generally accepted valuation methodology. Share-based payments do not vest until the employee completes a specified period of service being 3 years from the date of grant (the vesting period). Vesting conditions, other than market conditions, are not taken into account when estimating the fair value of the equity-settled transactions.

The fair value of share-based payment transactions is expensed over the vesting period. The charge to the Income Statement is the fair value of the equity-settled transactions less the amounts already charged in previous periods. The fair value is recognised as an employee expense with a corresponding increase in equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

Employee performance units plan

During the year key personnel were issued with performance units. These performance units vest after 3 years, provided that the employee remains in the Group's employment. The awarded shares will be multiplied by a certain factor that is dependent upon ING Groep N.V.'s total shareholder's return compared to a peer group of 19 other financial institutions.

23. Commitments and contingencies

Irrevocable commitments to extend credit include all obligations on the part of the Group to provide credit facilities including:

- undrawn amounts eligible for redraw and unconditionally approved loans not yet settled; and
- bank accepted guarantees and letters of credit representing unconditional undertakings by the Group to support the obligations of its customers to third parties.

Consolidated and Bank		
Amounts in millions of dollars	2022	2021
Commitments to extend credit		
- undrawn loan commitments	10,846	10,311
- bank accepted guarantees and letters of credit	833	568
Total commitments to extend credit	**11,679**	**10,879**

The Bank also provides liquidity facilities to its special purpose vehicles.

Bank	2022	2022	2021	2021
Amounts in millions of dollars	Unused	Available	Unused	Available
Liquidity facilities to related entities	326	326	335	335

Regulatory and customer exposures

In recent years there has been an increase in the number of matters on which the Group engages with its regulators. There have also been significant increases in the nature and scale of regulatory investigations, surveillance and reviews, civil and criminal enforcement actions (whether by court action or otherwise), formal and informal inquiries, regulatory supervisory activities and the quantum of fines issued by regulators, particularly against financial institutions both in Australia and globally. The Group continues to receive and respond to various notices and requests for information from its regulators as part of both industry-wide and Group-specific reviews and continues to make disclosures to its regulators at its own instigation. The nature of these interactions include a range of matters related to anti-money laundering and counter-terrorism financing obligations. There may be exposures to customers which are additional to any regulatory exposures. These could include class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with such reviews and possible exposures remain uncertain.

24. Related party disclosures

Key management personnel compensation

The key management personnel of the Group during the year were:

Specified Directors:

John Laker	Director (Non-Executive)
Aris Bogdaneris	Director (Non-Executive)
Nancy Fox	Director (Non-Executive) (until 2 May 2022)
Darryl Newton	Director (Non-Executive)
Lisa Gray	Director (Non-Executive)
Vicki Allen	Director (Non-Executive) (from 9 August 2022)
Richard Kimber	Director (Non-Executive) (from 16 November 2022)
Melanie Evans	Director (Executive)

Specified Executives:

Alan Lee[1]	Chief Financial Officer ("CFO")
Patrick Roesink[2]	Chief Risk Officer ("CRO")
Michael Witts	Treasurer (until 1 July 2022)
Peter Casey	Treasurer (from 1 July 2022)
Fiona Geddes	Chief Operations Officer (from 6 April 2022)
Chris Dyer	Interim Head of Operations (until 6 April 2022), Interim Head of KYC (until 28 March 2022) and Interim Head of HR (from March to July)
Martine Forrester	General Counsel (from 29 March 2022)
Linda Da Silva	Chief Information Officer
Andras Hamori	Head of Retail Banking
Nick Gotsis	Executive Director, Human Resources
Margreet Rog-Stokkink	Interim Head of Wholesale Banking (until 5 December 2022)
Andrew Hector	Head of Wholesale Banking (from 5 December 2022)
Bruce Lawson	Head of Internal Audit (Until 1 March 2022)
Mareike Strauch	Interim Head of Internal Audit (from 2 March 2022 until 31 July 2022)
Murat Tursun	Interim Head of Internal Audit (from 1 August 2022 until 5 December 2022)
Stephen Savage	Head of Internal Audit (from 5 December 2022)
Lambrecht Wessels	Operations Resilience Lead (from 11 October 2022)

[1] Alan Lee was the CFO until 3rd February 2023. Michal Kowalczyk became the CFO from 3rd February 2023.
[2] Patrick Roesink was the CRO until 3rd February 2023. Praveen Khurana became the CRO from 3rd February 2023.

The compensation paid or payable to key management personnel of the Group for the year:

Amounts in thousands of dollars	2022	2021
Short-term employee benefits	6,520	5,815
Other short-term employee benefits	992	588
Other long-term benefits	687	382
Share-based payments	898	470
Total compensation	**9,097**	**7,255**

24. Related party disclosures (continued)

Transactions with entities in the wholly owned group

Aggregate amounts receivable comprise term loans, at-call loans, accrued interest and inter-company balances. Aggregate amounts payable comprise mainly deposits but also comprise subordinated debt, certificates of deposit, accrued interest and inter-company balances. Interest received and charged was on normal commercial terms throughout the year. No security or guarantee has been provided and no bad and doubtful debt provisions were raised during the year.

Other intragroup transactions, which are on commercial terms, include the provision of management and administration services, fees for expenses incurred for services rendered on behalf of entities in the wholly owned ING Groep N.V., ING Bank N.V. (Sydney Branch)'s facilitation of back-to-back interest rate derivatives between the Bank and the Trusts and Wholesale Banking deals entered in conjunction with other ING related entities.

Consolidated				
Amounts in millions of dollars	2022[1]	For the period[2]	2021[1]	For the period[2]
Aggregate amounts receivable from related parties in the wholly owned group	1,660	19	1,021	-
Aggregate amounts payable to the ultimate controlling entity	(227)	(63)	(76)	(43)
Aggregate amounts payable to related parties in the wholly owned group	(11,954)	(238)	(12,669)	(74)
Total	**(10,521)**	**(282)**	**(11,724)**	**(117)**

Transactions with controlled entities

Bank				
Amounts in millions of dollars	2022[1]	For the period[2]	2021[1]	For the period[2]
Aggregate amounts receivable from controlled entities	18,306	608	16,149	468
Aggregate amounts due to controlled entities	(18,433)	(678)	(17,010)	(540)
Total	**(127)**	**(70)**	**(861)**	**(72)**

[1] Positions as at the respective reporting date
[2] Transactions during the year

25. Auditor's remuneration

	Consolidated		Bank	
Amounts in thousands of dollars	2022	2021	2022	2021
Audit and review services				
Auditors of the Group - KPMG Australia				
Audit of financial statements - Group	413	399	-	-
Audit of financial statements - Parent	-	-	413	399
Audit of financial statements - controlled entities	98	127	-	-
Review of interim financial information	95	92	95	92
Total audit and review services	**606**	**618**	**508**	**491**
Audit and review services				
Auditors of the Group - KPMG Australia				
Regulatory assurance services	227	219	227	219
Total assurance services	**227**	**219**	**227**	**219**
Other Services				
Auditors of the Group - KPMG Australia				
Agreed upon procedures	61	151	40	50
Total other services	**61**	**151**	**40**	**50**
Total	**894**	**988**	**775**	**760**

Auditor's remuneration amounts stated above are exclusive of GST.

26. Subsequent events

On 2 March 2023, the directors of the Group declared a dividend on ordinary shares. The total amount of the dividend of $588 million (2021: $475 million) to ING Bank N.V., the parent, represents a fully-franked dividend of 44.1 cents per share (2021: 35.6 cents per share) to be paid on in April 2023.

Other than the matter mentioned above, no subsequent events or transactions have occurred since the year ended 31 December 2022 or are pending that would have a material effect on the Financial Statements.

27. Other accounting policies and accounting standard developments

The following Australian Accounting standards have been issued but are not yet effective, they are available for early adoption but have not been adopted by the Group for the annual reporting period ending 31 December 2022: AASB has also issued AASB 17 'Insurance Contracts' expected to be effective in 2022 however it is not expected to be applicable for the Group. The original effective date of AASB 17 as proposed in the Standard was 1 January 2021, however in June 2019 the AASB has published an exposure draft 'Amendments to AASB 17' in which a 1 January 2022 effective date is proposed.

Consolidation

Subsidiaries

The consolidated Financial Statements comprise the Financial Statements of the Group. Control exists when the Bank has the power over the investee, being the ability to direct the relevant activities, exposure or rights to variable returns and ability to use its power over the investee to affect those returns.

The Financial Statements of the controlled entities are included in the consolidated financial report from the date that control commences until the date that control ceases. In the Bank's Financial Statements, investments in controlled entities are carried at cost.

Securitisation

The Bank conducts a loan securitisation program whereby the equitable rights to selected mortgage loans are packaged and sold as securities issued by the special purpose trusts.

The investors in the securities issued by the Trusts have full recourse to the assets transferred to the Trusts. The Bank receives the residual income distributed by the Trusts 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 the Trusts and interest rate risk from the Trusts 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 the Trusts 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. The obligation to repay this amount to the Trusts is recognised as a financial liability of the Bank and included within amounts due to controlled entities. In addition, the Bank discloses securitisation income, which represents income received from the Trusts which includes 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.

Covered Bonds

The Covered Bonds programme raises and diversifies funding for the Bank in its primary markets. Net loans and advances include residential mortgages assigned to a bankruptcy remote Trust established for the covered bonds program. The mortgages provide security for the obligations payable on the issued covered bonds.

The covered bond holders have dual recourse to the Bank as the issuer and the cover pool of assets. The issuer cannot otherwise pledge or dispose of the transferred assets, however, subject to legal arrangements it may repurchase and substitute assets as long as the required cover is maintained.

The Bank is required to maintain the cover pool at a level sufficient to cover the bond obligations. In addition the Bank is entitled to any residual income of the Covered Bond Trust and enters into derivatives with the Trust. The Bank retains the majority of the risks and rewards of the residential mortgages and continues to recognise the mortgages as financial assets. The obligation to pay this amount to the Trust is recognised as a financial liability of the Bank.

The Bank is exposed to variable returns from its involvement with the Covered Bond Trust and has the ability to affect those returns through its power over the Trust's activities. The Trust is therefore consolidated by the Group. The covered bonds issued externally are included within debt issues.

27. Other accounting policies and accounting standard developments (continued)

Structured entities

The Group's activities involve transactions with various structured entities in the normal course of its business. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. The Group establishes whether these involvements result in no significant influence, significant influence, joint control or control over the structured entity.

The structured entities over which the Group can exercise control are consolidated. The Group may provide support to these consolidated structured entities as and when appropriate, however this is fully reflected in the consolidated Financial Statements of the Group as all assets and liabilities of these entities are included and off-balance sheet commitments are disclosed. All structured entities are consolidated.

As not substantially all risks and rewards of the assets are transferred to the third party investors of the Trusts, the Group continues to recognise these assets in the Bank's stand-alone Financial Statements.

Assets used in securitisation and covered bonds programmes

Amounts in millions of dollars	2022	2021
Residential mortgages	18,435	17,012
Total	**18,435**	**17,012**

Facilities used in securitisation programmes

Amounts in millions of dollars	2022	2021
Liquidity facilities	326	335
Total	**326**	**335**

Foreign currencies

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates at reporting date.

Foreign currency swaps are valued at fair value using the appropriate market rates at balance date. Unrealised profits and losses arising from these revaluations are recognised in 'net non-interest income' in the income statement.

Recoverable amount of assets

At each reporting date the Group assesses whether there is any indication that an asset may be impaired. Where an indication of impairment exists, the Group makes a formal estimate of recoverable amount (lower of value in use or fair value less cost to sell). Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. They are recognised only if it is probable that the asset will generate future benefits for the Group. They are recognised at cost and amortised on a straight line basis over the estimated useful life of the assets. Those assets with an indefinite useful life are tested for impairment annually. All intangible assets must be tested for impairment when there is an indication that its carrying amount may be greater than its recoverable amount.

27. Other accounting policies and accounting standard developments (continued)

Goods and services tax

Income, expenses and assets are recognised net of the amount of Goods and Services tax ("GST") except:

(i) when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Creditors and other liabilities

Liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Recognised initially at their fair value and subsequently measured at amortised cost, using a methodology that is in line with the effective interest rate method.

Lease liabilities

The Group adopted AASB 16 on 1 July 2019. The standard requires that a lease liability is recorded on the Balance Sheet at the inception of a lease contract. The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method.

Operating expenses

Operating expenses are recognised as the relevant service is rendered or once a liability is incurred. Staff expenses are recognised over the period the employee renders the service to receive the benefit. Information technology expenses are recognised as incurred unless they qualify for capitalisation if the asset generates probable future economic benefits.

Reclassification of comparatives

Certain comparative figures have been reclassified to conform to the current year's presentation and enhance readability.

Directors' declaration

In accordance with a resolution of the Directors of the Bank, we state that:

In the opinion of the Directors:

a) The Financial Statements and notes of the Group are in accordance with the *Corporations Act 2001*, including;

   i) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the year ended on that date; and

   ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b) The Financial Statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and

c) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Dr John Laker
Chairman

Melanie Evans
Director

Sydney
2 March 2023

Independent Auditor's Report

To the shareholders of ING Bank (Australia) Limited

Opinions

We have audited the consolidated ***Financial Report*** of ING Bank (Australia) Limited (the Group Financial Report) and the ***Financial Report*** of ING Bank (Australia) Limited (the Company Financial Report).

In our opinion, each of the accompanying Group Financial Report and Company Financial Report is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s and of the ***Company***'s financial position as at 31 December 2022 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The respective ***Financial Reports*** of the Group and the Company comprises:

- Balance Sheets as at 31 December 2022;
- Income Statements, Statements of Changes in Equity, and Statements of Cash Flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the ING Bank (Australia) Limited (the ***Company***) and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinions

We conducted our audits in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Reports* section of our report.

We are independent of the Group and Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Reports in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other Information

Other Information is financial and non-financial information in ING Bank (Australia) Limited's annual reporting which is provided in addition to the Financial Reports and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Reports does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Reports, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Reports or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

KPMG

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Reports

The Directors are responsible for:

- preparing the Financial Reports that give a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of the Financial Reports that give a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audits of the Financial Reports

Our objective is:

- to obtain reasonable assurance about whether the Financial Reports as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinions.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Reports.

A further description of our responsibilities for the audit of the Financial Reports is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

KPMG.

KPMG

Brendan Twining

Partner

Sydney

2 March 2023

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