Pillar 3—Capital Adequacy & Risk Disclosures September 2024

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

In the Pillar 3 Report, "The Group" refers to IBAL and its controlled entities and "The Bank" refers to IBAL standalone.

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

Effective 1 April 2018, the Group was accredited by APRA to determine its regulatory capital requirements using internal market risk models and internal credit risk models for selected portfolios. The Group is approved to use the Advanced Internal Ratings-Based (AIRB) approach for the Residential Mortgages portfolio and the Foundation Internal Ratings-Based (FIRB) approach for the Financial Institutions portfolio for regulatory capital purposes.

Effective 1 April 2020, the Group was accredited to apply the FIRB approach to its Corporate Lending portfolio, and the Supervisory Slotting approaches to calculate its capital requirements for its Project Finance portfolio and the majority of its Commercial Real Estate portfolio.

Effective 1 September 2024, the Group was accredited to apply FIRB approach for the majority of its Commercial Real Estate portfolio. The transition from the Supervisory Slotting approach to the FIRB approach is in flight with completion by 30 June 2025.

The initial disclosures herein reflect reporting requirements applicable to banks utilising the Internal Ratings-Based Approach (IRB) to capital measurement.

Most credit exposures are located within Australia with some non-significant exposures in other countries.

All credit exposures are managed or decisioned in Australia.

All amounts are stated in AUD.

Quantitative disclosures

Capital

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

Amounts in millions of dollars	September 2024	June 2024
Subject to AIRB approach		
Residential mortgages[1]	13,219	12,871
Total RWA subject to AIRB approach	**13,219**	**12,871**
Subject to FIRB approach		
Financial institution	318	316
Corporate[2]	5,115	2,471
Total RWA subject to FIRB approach	**5,433**	**2,787**
Subject to supervisory slotting approach		
Property finance	1,173	5,233
Project finance	2,188	2,445
Total RWA subject to supervisory slotting approach	**3,361**	**7,678**
Subject to standardised approach		
Residential mortgages	1,180	1,046
Property finance	67	49
Sovereign	-	-
Corporate	1,345	1,326
Other retail	564	542
Other assets	60	66
Total RWA subject to standardised approach	**3,216**	**3,029**
Securitisation	120	165
Credit valuation adjustment	-	-
Central counterparties	5	5
Total credit risk RWA	**25,354**	**26,535**
Interest rate risk in the banking book[3]	3,794	4,748
Operational risk	2,065	2,065
Total RWA	**31,213**	**33,348**

APS 330 Table 3f - Capital ratios

	September 2024	June 2024
Common equity tier 1 capital ratio	16.1%	14.8%
Tier 1 capital ratio	16.1%	14.8%
Total capital ratio	**17.6%**	**16.3%**

[1] The Residential Mortgages Risk Weighted Assets includes an overlay of $277 million for September 2024.

[2] The Corporate asset class includes exposures that were previously reported under Property finance, prior to FIRB accreditation.

[3] The Interest Rate Risk in the Banking Book Risk Weighted Assets includes an overlay of $625 million.

Credit risk[4]

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

					September 2024
		Off-Balance sheet			
Amounts in millions of dollars	On-Balance sheet	Market related	Non-market related	Total	3-month average
Residential mortgages	61,895	-	7,912	**69,807**	68,838
Property finance	1,182	-	48	**1,230**	3,620
Project finance	2,634	-	344	**2,978**	3,159
Corporate	9,242	-	2,056	**11,298**	8,769
Financial institution	753	-	609	**1,362**	1,356
Sovereign	9,907	-	-	**9,907**	9,669
Other retail	502	-	131	**633**	621
Other assets	60	-	-	**60**	63
Central counterparties	-	275	-	**275**	272
Total credit exposures	**86,175**	**275**	**11,100**	**97,550**	**96,365**

					June 2024
		Off-Balance sheet			
Amounts in millions of dollars	On-Balance sheet	Market related	Non-market related	Total	6-month average
Residential mortgages	60,218	-	7,650	**67,868**	66,680
Property finance	5,682	-	327	**6,009**	6,062
Project finance	3,063	-	276	**3,339**	3,424
Corporate	4,447	-	1,793	**6,240**	6,051
Financial institution	731	-	618	**1,349**	1,673
Sovereign	9,430	-	-	**9,430**	10,647
Other retail	488	-	121	**609**	575
Other assets	66	-	-	**66**	69
Central counterparties	-	269	-	**269**	321
Total credit exposures	**84,125**	**269**	**10,785**	**95,179**	**95,503**

[4] Excluding Securitisation.

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

			September 2024	
			Quarterly movement	
Amounts in millions of dollars	Non-performing facilities	Specific provisions	Charge to specific provisions	Write offs
Residential mortgages	761	60	(1)	-
Property finance	24	11	4	-
Project finance	-	-	-	-
Corporate[5]	66	4	1	-
Financial institution	-	-	-	-
Sovereign	-	-	-	-
Other retail	16	14	(2)	2
Other assets	-	-	-	-
Central counterparties	-	-	-	-
Total	**867**	**89**	**2**	**2**

			June 2024	
			Quarterly movement	
Amounts in millions of dollars	Non-performing facilities	Specific provisions	Charge to specific provisions	Write offs
Residential mortgages	737	61	4	1
Property finance	45	7	3	-
Project finance	-	-	-	-
Corporate	24	3	-	-
Financial institution	-	-	-	-
Sovereign	-	-	-	-
Other retail	16	16	4	2
Other assets	-	-	-	-
Central counterparties	-	-	-	-
Total	**822**	**87**	**11**	**3**

[5] Losses stemming from lower risk IPRE lending are less than 0.3% of outstanding IPRE exposures, and overall losses stemming from IPRE lending are less than 0.5% of outstanding IPRE exposures, in each of the past three years.

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

			September 2024
Amounts in millions of dollars	General provisions	Specific provisions	Total
Collective provision	83	78	161
Individual provision	-	11	11
Total provisions	**83**	**89**	**172**

			June 2024
Amounts in millions of dollars	General provisions	Specific provisions	Total
Collective provision	79	80	159
Individual provision	-	7	7
Total provisions	**79**	**87**	**166**

Securitisation

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

		September 2024
Amounts in millions of dollars	Total exposures securitised	Recognised gain or loss on sale
Underlying asset		
Residential mortgages	-	-
Total	**-**	**-**

		June 2024
Amounts in millions of dollars	Total exposures securitised	Recognised gain or loss on sale
Underlying asset		
Residential mortgages	1,456	-
Total	**1,456**	**-**

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

			September 2024
Amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
Securitisation facility type			
Liquidity support facilities	-	359	**359**
Credit enhancements	-	23	**23**
Redraw facilities	-	67	**67**
Derivative facilities	6	-	**6**
Holding of securities	13,646	-	**13,646**
Total securitisation exposures	**13,652**	**449**	**14,101**

			June 2024
Amounts in millions of dollars	On-balance sheet	Off-balance sheet	Total exposures
Securitisation facility type			
Liquidity support facilities	-	363	**363**
Credit enhancements	-	23	**23**
Redraw facilities	-	73	**73**
Derivative facilities	7	-	**7**
Holding of securities	13,951	-	**13,951**
Total securitisation exposures	**13,958**	**459**	**14,417**

Liquidity risk

Liquidity coverage ratio

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

The LCR is calculated as a simple daily average, excluding weekends and public holidays. Liquid assets refer to High Quality Liquid Assets (HQLA), made up of cash balances held with the Reserve Bank of Australia, Australian Semi Government and Commonwealth Government securities. The average HQLA for the quarter was AUD 10.2bn.

The main funding sources for the Bank are deposits from retail and business customers. Funding is also sourced from within the ING Group in the form of deposits and the Bank also raises funds from the wholesale market in the form of corporate and bank deposits and by issuing Residential Mortgage-Backed Securities (RMBS) and Covered Bonds. All wholesale funding activity is managed centrally by the Bank’s Group Treasury department, which is also responsible for managing the funding gap between retail and business and wholesale assets and liabilities on the Bank's balance sheet.

Derivatives exposures, potential collateral calls and any contingent funding requirements are taken into account in the daily calculation of LCR as per the requirements in the APRA Prudential Standard, APS 210. The weightings and run-off factors prescribed in APS 210 are also used to determine outflows from each of the Bank's funding sources.

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

The Bank’s average LCR for the quarter ended 30 September 2024 was 159% a decrease of 8% reported for the quarter ended (30 June 2024: 167%) driven by an increase in Net Cash Outflows (NCOs) due to wholesale funding outflows mainly from non-operational deposits. The lowest LCR recorded during the quarter was 140%.

The Bank steers and reports LCR above 100% for both ALL-CCY and AUD, in line with the Funding & Liquidity Risk Appetite Statement and regulatory requirements. The Bank's AUD-only LCR was 170%, 3% higher than all-currency LCR as at the end of the quarter.

APS 330 Table 20 - Liquidity coverage ratio

		September 2024	
Amounts in millions of dollars		Total unweighted value (daily average)	Total weighted value (daily average)
Liquid assets			
1	High-quality liquid assets (HQLA)		10,193
2	Alternative liquid assets (ALA)		-
3	Reserve Bank of New Zealand (RBNZ) securities		n/a
Cash outflows			
4	Retail deposits and deposits from small business customers, of which:	44,930	4,763
5	*stable deposits*	30,938	1,547
6	*less stable deposits*	13,992	3,216
7	Unsecured wholesale funding, of which:	1,276	1,154
8	*operational deposits (all counterparties) and deposits in networks for cooperative banks*	n/a	n/a
9	*non-operational deposits (all counterparties)*	1,223	1,102
10	*unsecured debt*	53	53
11	Secured wholesale funding		0
12	Additional requirements, of which	12,253	1,841
13	*outflows related to derivatives exposures and other collateral requirements*	752	752
14	*outflows related to loss of funding on debt products*	321	321
15	*credit and liquidity facilities*	11,181	769
16	Other contractual funding obligations	1,191	101
17	Other contingent funding obligations	1,325	141
18	**Total cash outflows**		**8,000**
Cash inflows			
19	Secured lending (e.g. reverse repos)		-
20	Inflows from fully performing exposures	2,703	1,550
21	Other cash inflows	45	45
22	**Total cash inflows**	**2,748**	**1,595**
23	**Total liquid assets**		**10,193**
24	**Total net cash outflows**		**6,405**
25	**Liquidity Coverage Ratio (%)**		**159%**

(No of observations: 63)

APS 330 Table 20 - Liquidity coverage ratio (continued)

			June 2024
	Amounts in millions of dollars	Total unweighted value (daily average)	Total weighted value (daily average)
Liquid assets			
1	High-quality liquid assets (HQLA)		9,993
2	Alternative liquid assets (ALA)		-
3	Reserve Bank of New Zealand (RBNZ) securities		n/a
Cash outflows			
4	Retail deposits and deposits from small business customers, of which:	44,768	4,800
5	*stable deposits*	30,629	1,531
6	*less stable deposits*	14,139	3,268
7	Unsecured wholesale funding, of which:	899	725
8	*operational deposits (all counterparties) and deposits in networks for cooperative banks*	n/a	n/a
9	*non-operational deposits (all counterparties)*	874	701
10	*unsecured debt*	24	24
11	Secured wholesale funding		389
12	Additional requirements, of which	11,846	1,550
13	*outflows related to derivatives exposures and other collateral requirements*	729	729
14	*outflows related to loss of funding on debt products*	59	59
15	*credit and liquidity facilities*	11,057	761
16	Other contractual funding obligations	1,144	98
17	Other contingent funding obligations	1,739	255
18	**Total cash outflows**		**7,817**
Cash inflows			
19	Secured lending (e.g. reverse repos)		-
20	Inflows from fully performing exposures	2,601	1,523
21	Other cash inflows	305	305
22	**Total cash inflows**	**2,906**	**1,828**
23	**Total liquid assets**		**9,993**
24	**Total net cash outflows**		**5,989**
25	**Liquidity Coverage Ratio (%)**		**167%**

(No of observations: 63)

Leverage ratio

	September 2024	June 2024	March 2024	December 2023
Amounts in millions of dollars				
Tier 1 capital	5,038	4,925	4,883	5,397
Total exposures	98,913	96,666	96,588	95,981
Leverage ratio	**5.1%**	**5.1%**	**5.1%**	**5.6%**