ING Luxembourg
Pillar 3 Disclosure 2020

Basel III (Pillar 3 disclosure)

As a sub-subsidiary of ING Bank of a material importance in the Luxembourg market, ING Luxembourg is subject to mandatory though limited Pillar 3 disclosures from December 2017 (CSSF circular 17/673 and 18/676) (Market Discipline). Pillar 3 is a complement to Pillar 1 (Minimum Capital Requirements) and Pillar 2 (Supervisory Review Process) allowing market participants to assess the capital adequacy of a bank by using key pieces of information.

Navigation map

The index below enables the readers to track the main risk items through the various risk disclosures.

Risk management & governance arrangements

	Subjects	Annual Report	Pillar III
These sections show ING Luxembourg's approach to risk management and governance arrangements	Introduction to risk section	7-8	
	Introduction to Pillar III		4
	Risk governance		6
	Governance arrangements		7

Credit risk

	Subjects	Annual Report	Pillar III
Credit risk is the risk of potential loss due to default by ING Luxembourg's debtors (including bond issuers) or trading counterparties.	Governance and credit risk definitions	9	
	Credit risk portfolio	9-10	
	RWA comparison Disclosure of non-performing and forborne exposures		10

Market risk

	Subjects	Annual Report	Pillar III
Market risk is the risk of potential loss due to adverse movements in market variables.	Introduction to Market risk & governance	8	
	RWA comparison		10

Funding and liquidity risk

	Subjects	Annual Report	Pillar III
Funding and liquidity risk is the risk that ING Luxembourg or one of its subsidiaries cannot meet the financial liabilities when they come due, at reasonable cost and in a timely manner.	Introduction & governance	9	
	Liquidity Coverage Ratio		10

Non-financial risk

	Subjects	Annual Report	Pillar III
Operational risk is the risk of direct or indirect loss returning from inadequate or failed internal processes, people and systems or from external events.	Operational Risk	10	
	Compliance Risk	11	
Compliance risk is the risk of impairment of ING Luxembourg's integrity, leading to damage to ING's reputation, legal or regulatory sanctions, or financial loss, as a result of failure (or perceived failure) to comply with applicable laws, regulations, ING Bank policies and minimum standards and the ING Values.	Legal Risk	11	
	Central Control & Policy team	12	
			10

Capital management

	Subjects	Annual Report	Pillar III
Capital risk management is the risk that involves the optimisation and efficient use of capital required by the bank's businesses, the outcomes of stress testing and the requirements of the market and the regulators.	Capital position & adequacy		11
	Capital instruments		12
	Own funds		12
	Countercyclical Buffer		15
	Leverage Ratio		15

Remuneration

	Subjects	Pillar 3 Specific disclosure	Pillar III
The ING Luxembourg Pillar 3 disclosure on remuneration provide information on ING's remuneration policy and practices for Identified Staff. In addition, it confirms ING Luxembourg 's compliance with the applicable regulations on remuneration in the financial services sector.	Remuneration policy and governance	1	

Introduction

Basis of disclosure

The information in this report relates to ING Luxembourg SA and its subsidiaries. There are no differences between the scope of consolidation for prudential purposes and the scope of consolidation for accounting purposes as reported in the annual accounts in the 'Accounting policies'.

This Pillar III report provides information on ING Luxembourg SA on a consolidated level.

Assurance/validity

The Pillar III disclosures have been subject to the ING Luxembourg internal control assessments and validation mechanisms, to ensure compliance with laws and regulations. The Executive Committee has assessed and approved the accuracy of the content of the Pillar 3 disclosures. This report has not been audited by ING Luxembourg external auditor.

Regulatory framework

In 2010, the Basel III framework was adopted and consequently translated in the European Union (EU) into regulation through the Capital Requirement Regulation (CRR) and Capital Requirement Directive IV (CRD IV). The CRR is binding for all EU member states and became effective per 1 January 2014.

The Basel Committee's framework is based on three pillars. The Pillar I on minimum capital requirements, which defines the rules for the calculation of credit, market and operational risk. Pillar II, for risks not included in Pillar I, is about Supervisory Review and Evaluation Process (SREP), which requires banks to undertake an internal capital adequacy assessment process (ICAAP) to identify and assess risks and maintain sufficient capital to face these risks, and an internal liquidity adequacy assessment process (ILAAP) focusing on maintaining sufficient liquidity (and funding) risk management. Pillar III is on market discipline and transparency, requiring disclosures to allow investors and other market participants to understand the risk profiles of individual banks.

ING Luxembourg prepares the Pillar III report in accordance with the CRR, CRD IV and EBA guidelines (art 8) on disclosure requirements for subsidiaries considered as material for their local market. The ING Luxembourg's 'Additional Pillar III Report' contains disclosures on Risk Governance arrangements, Own funds, macro-prudential supervisory measures, unencumbered assets, remuneration policy, leverage ratio and liquidity coverage ratio.

The Pillar III report is published on an annual basis.

Developments in disclosure requirements

Local Regulation

CSSF circulars (CSSF 17/673 – 18/676)

In November 2017 and January 2018 CSSF adopted EBA Guidelines on General disclosure & Liquidity Coverage Ratio (LCR) disclosure to complement the disclosure of risk management under Article 435 of Regulation (EU) No 575/2013 (EBA guidelines 2016/11 and EBA guidelines 2017/01).

The Guidelines are addressed to those credit institutions that are subject to the disclosure requirements of Part Eight of the CRR in accordance with articles 6, 10 and 13 of this regulation and who fall under the scope of the Commission Delegated Regulation (EU) 2015/614. ING Luxembourg SA is neither to be considered as a G-SIIs ("Globally Significant Institutions") nor a O-SIIs ("Other Significant Institutions") but is a significant entity in the local market: the institution's 4-year average of total assets exceeds 20% of the 4-year average of Luxembourg's GDP.

In that respect, ING Luxembourg must disclose for Risk management & LCR purpose information specified but benefit from the possibility of disclosing a simplified version (see EBA guidelines Article 8 & EBA guidelines 2017/01 Annex II).

European Regulation

EBA guidelines on disclosure requirements under Part Eight of Regulation (EU) 575/2013 (EBA/GL/2016/11)

In order to be legally binding, the Revised Pillar III templates requested at EU level needed to be transposed for European institutions into EU requirements by EBA. Therefore, in December 2016, EBA issued a final paper (EBA guidelines 2016/11) on the guidelines on CRR disclosure requirements in order to allow EU institutions to implement the Revised Pillar II Framework (RPF) in a way that is compliant with the requirements of Part Eight of the CRR. A second version was issued on 9 June 2017 with some slight amendments to reflect legislation updates.

Within the Guidelines, the EBA adjusted the Revised Pillar III templates to include EU specificities to fit the CRR requirements and to eliminate redundancy between the RPF and the CRR requirements. The EBA guidelines should therefore be seen as specifications of the existing CRR disclosure requirements, rather than a completely new set of requirements.

As a significant entity in the local market, ING Luxembourg is not requested to publish the whole disclosure package.

The table below "disclosure index EBA guidelines" indicates which and where the templates from the EBA guidelines 2016/11 are located in the Pillar III report:

Disclosure index EBA guidelines

Type	ID	EBA description	Pages
Capital requirements	EU OV1	Regulatory capital requirements	10
Credit risk and general information on CRM	EU CRB-C	Geographical breakdown of exposures	15
Liquidity risk	EU LIQ1	LCR disclosure template	19

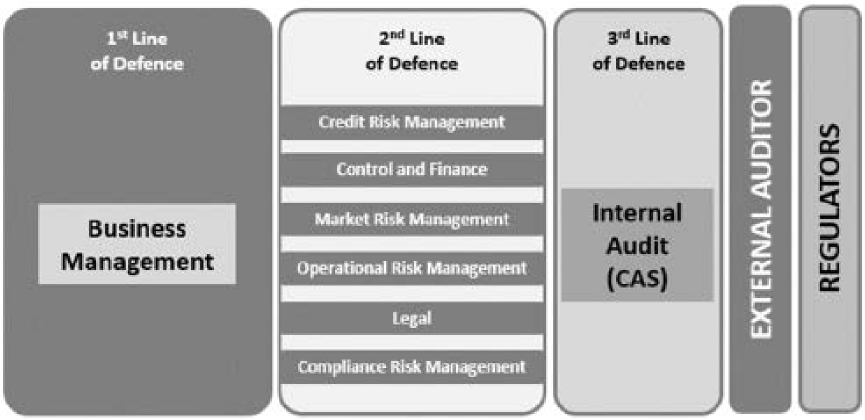
EBA guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013

The EBA has developed these guidelines (GL) to harmonise and specify the disclosures required under the general principles on liquidity and, in particular, on the LCR in the CRR. These GL apply to the institutions that are subject to the EBA guidelines 2016/11 on harmonised disclosure formats, as long as they are credit institutions, which are the only institutions within the scope of the LCR Delegated Act, and at the same level of their LCR requirements in the case of consolidated disclosures. This will provide with essential pieces of information on the liquidity risk management of the relevant institution. The guidelines entered into force from 31 December 2017.

EBA guidelines on disclosure of non-performing and forborne exposures (EBA/GL/2018/10). The guidelines specify the common content and uniform disclosure formats for the information on NPEs, forborne exposures and foreclosed assets that credit institutions should disclose. The guidelines entered into force from December 2019.

Risk Governance

To manage risks, ING uses the three lines of defence risk governance model.



First line of defence

Each business line has responsibility and accountability for the effective control of risks affecting their businesses (the "first line of defence").

The first line of defence is responsible for the implantation and execution of ING's Risk policies, minimum standards and the framework set by the second line of defence. Examples of typical first-line-of-defence activities are:

- perform integrated Risk Assessments and evaluate related responses to ensure that only business acceptable risks remain
- implement and maintain the applicable mandatory controls of operational risk and Compliance policies, minimum standards, taking into account local laws and regulations;
- ensure the operating effectiveness of the key controls.

Second line of defence

Risk management functions (the "second line of defence") are an independent partner of and support the first line of defence's risk management activities. Examples of typical second-line-of-defence activities are :

- oversee and objectively challenge the execution of risk mangement activities;
- monitor the key risks od the business;
- exercise the authority to escalate risk management issues to the next higher level and/or veto high –risk business activity;
- assist the first line of defence to ensure compliance with ING's risk policies and minimum standards.

Third line of defence

Corporate Audit Service (CAS) operates as the "third line of defence". CAS' mission is to provide an independent assessment of the design and effectiveness of internal controls over the risks to ING's business performance. In carrying out this work CAS will provide specific recommendations for improving the governance, risk & control framework.

Governance arrangements

In Luxembourg, corporate governance is regulated by the CSSF circular number 12/552 as amended providing the rules to observe in terms of central administration, internal governance and risk management.

Corporate governance and the Board of Directors

In accordance with article 10 of the amended statutes, ING in Luxembourg must be managed by a Board of Directors ("the Board") consisting of at least three members who do not need to be shareholders.

Organisation and functioning of the Board

The activities of the Board of Directors are governed by a charter.

According to article 11 of the amended statutes, the Board is invested with the broadest powers to perform all acts of administration and disposition in compliance with the corporate object. All powers not expressly reserved by law or by the articles of association to the general meeting of shareholders fall within the competence of the Board of Directors.

The Board may also commit the management of all the affairs of the Bank or of a special branch to one or more managers and give special powers for determined matters to one or more proxyholders, selected from its own members or not, either shareholders or not.

The Board may also decide to delegate some power to special committees within the meaning of Article 54 of the Luxembourg Law of 1915 as amended and shall establish the members and responsibilities thereof. The members of such committees shall carry out their activities under the responsibility of the Board.

Among other, the Board will:

- define and approve the strategy ;
- regularly assess the strategy, management structure, organisation, internal control, independent control functions;
- regularly check that ING in Luxembourg has effective internal controls relating to financial reporting process reliability;
- Validate the remuneration policy;
- adopt resolutions on the following topics:
    - Management report to be submitted to the annual general meeting
    - Internal audit report
    - Management report on compliance
    - Management report on internal control
    - Management report on risk management function
    - Dashboard on the key risk indicators
    - Risk appetite statements
    - ICLAAP report
    - ....

Board's specialised committees

The Board has two specialized committees, i.e.:

- The Audit & Risk Committee
- The Nomination & Remuneration Committee

Their mission consists in providing the Board with observations and recommendations relating to the organization and the functioning of ING in Luxembourg in audit, risk, nomination and remuneration.

Audit & Risk Committee

Composition

In accordance with CSSF circular number 12/552 as amended, the Audit & Risk Committee is composed of three effective members.

Mission

The activities of the Audit & Risk Committee are governed by a charter.

The Audit & Risk Committee shall advise the Board on the definition and implementation of the overall risk strategy of the institution, including its current and future risk tolerance.

It shall take note of the information on the state of the internal control provided by the authorised management at least once a year.

Frequency

The Audit & Risk Committee meets minimum four times a year, before the Board meeting. An emergency meeting can be held in case a serious control failure is discovered. It can also be held at the request of its chairman or of two of its members.

Quorum

Subject to cases of "force majeure", an ARC meeting is valid if at least three members are present or represented. The Chair (or the Vice

Chair) and a majority of the members of the ARC must as well be present or represented to constitute a valid quorum

Nomination & Remuneration Committee

Composition

The Nomination & Remuneration Committee is composed of three effective members.

Mission

The activities of the Nomination & Remuneration Committee are governed by a charter.

The Nomination & Remuneration Committee assists the Board of Directors in its responsibilities regarding the Remuneration Policies, the application of these Policies, the assessment of the Board and the appointment of key function holders.

Frequency

The Nomination & Remuneration Committee meets minimum once a year.

Quorum

For every meeting of the Nomination and Remuneration Committee, at least the Chair and the majority of its members need to be present to constitute a valid quorum

Corporate governance and the Executive Committee

In accordance with existing legislation on the status and prudential supervision of credit institutions as well as with article 10bis of the Bank's amended statutes, the daily management of ING in Luxembourg is carried out by the Executive Committee chaired by the managing director.

Organisation and functioning of the Executive Committee

Composition

The Executive Committee is composed of authorised managers and associated Executive Committee members.

Mission

The activities of the Executive Committee are governed by a charter.

In accordance with Article 10 and 10bis of the amended statutes the powers and remuneration of the managing director, the members of the management and authorized agents shall be fixed by the Board of Directors.

The Executive Committee is responsible for ensuring the respect of all laws and regulation governing the activities of ING in Luxembourg, the management of all risks of any nature in relation with its activities, and of the Bank's funding. The Executive Committee will report on these different topics to the relevant management bodies and/or specialized committees.

Frequency

The Executive Committee generally meets once a week. Additional meetings may be convened if one or several members deem it necessary for the appropriate functioning of the committee.

Quorum

The Executive Committee must gather minimum three of its members among which two authorized managers.

Specialized committees around the Executive Committee

The Executive Committee delegates some of its powers to specialized committees, inter alia the credit committee, credit risk follow-up committees ('Comité de suivi du risque Crédits'), Business Acceptance Committee, Asset and Liabilities Committee, Non-Financial Risk Committee.

Information flow on risk to the management body

Each risk department ensures that the CRO, the Executive Committee members, the Audit & Risk Committee and the Board of Directors have a regularly updated view on risks. In addition, each risk department is involved in risk governance and is responsible for defining minimum standards, policies and procedures for its risk scope. The main risk information topics to the management body (as described above) and/or board' specialised committees and/or bank's internal committees are summarized in the table below:

Main risk topics reported to the management body and/or Board's specialized committees and/or Bank's internal committees

Topics	**Relevant body**	**Frequency of report**
Definition & approval of risk strategy framework, internal and regulatory own funds and liquidity level taking into account of ING Bank and ING Belgium values.	Board of Directors	Minimum 4 times a year
Advise the Board on the definition and implementation of the overall risk strategy of the institution, including its current and future risk tolerance	Audit & Risk Committee	Minimum 4 times a year
Assist the Board of Directors in its responsibilities regarding the Remuneration Policies and the application of these Policies as well as the assessment of the Board and the appointment of key function holders.	Nomination & Remuneration Committee	At least once a year
Ensure the respect of all laws and regulation governing the activities of ING in Luxembourg, the management of all risks of any nature in relation with its activities, and of the Bank's funding.	Executive Committee	Weekly
Credit Risk follow-up	Executive Committee	Quarterly
Decision/approval of credit engagements	Credit Committee	Weekly
Supervision and coordination of **asset and liability** management : -apply and allocate limits within the **Fund & Liquidity risk** appetite and oversee and monitor the liquidity risk position and funding mix of the balance sheet; -execute the overall ING Luxembourg **interest rate risk** strategy, apply and allocate limits within the interest rate risk appetite and oversee and monitor the interest rate risk position of ING Luxembourg; -monitor **developments in the balance sheet** in ALCO scope -set limit and monitor the **solvency** of the balance sheet in ALCO scope	Assets & Liabilities Committee	Monthly (minimum 10 per year)
Manage (identify, measure, answer and follow-up) non financial risk (including operational, Compliance and legal Risk)	Non-Financial Risk Committee	Monthly

Furthermore, some specific risk topics may also be addressed at ING Group level ad-hoc committees

Capital requirement

Capital Adequacy Rules – CRR/CRD IV

The rules for required Regulatory Capital or Capital adequacy are based on the guidelines developed by the Basel Committee on Banking Supervision (The Basel Committee) and the European Union Regulation and Directives, as implemented by the European Central Bank and the National Competent Authority for Luxembourg (Commission de Surveillance du Secteur Financier) for supervisory purposes.

The rules express the regulators' and legislators' opinions of how much capital a bank and other regulated credit institutions must retain in relation to the size and the type of risk taking expressed in the form of risk-weighted assets. The most important part of the capital base is the shareholders' equity. In addition to equity, the institution may issue certain liabilities such as Tier 1 and Tier 2 instruments to be included in the capital base. The legal minimum requirement (excluding buffers) stipulates that the capital base must correspond to at least 8% of the Risk-Weighted Assets (RWA).

The table below presents an overview of the Minimum capital requirements and the RWA at year end 2020 per type of risk and method of calculation. The largest part of the RWA is related to credit risk (83%) and mainly to the portfolio with calculations based on the Advanced Internal Ratings Based (AIRB) approach.

EU OV1: ING Group Regulatory capital requirements (in mln Eur)

	RWA amounts		Minimum capital requirements	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Credit risk (excluding counterparty credit risk) (CCR)	**3 916**	**3 844**	**313**	**308**
Of which standardised approach (SA)	535	137	43	11
Of which internal rating-based (IRB) approach	3 374	3 700	270	296
Of which Equity IRB under the simple risk-weight or the internal models approach	6	7	1	1
Counterparty credit risk (CCR)	**31**	**29**	**3**	**2**
Of which Marked to market			0	0
Of which Original exposure			0	0
of which standardised approach for counterparty credit risk			0	0
of which internal model method (IMM)			0	0
Of which risk exposure amount for contributions to the default fund of a CCP			0	0
Of which CVA	31	29	3	2
Settlement risk	**87**	**0**	**7**	**0**
Securitisation exposures in banking book (after cap)	**0**	**0**	**0**	**0**
Of which IRB approach (RBA)	0	0	0	0
Of which IRB Supervisory Formula Approach (SFA)	0	0	0	0
Of which Internal assessment approach (IAA)	0	0	0	0
Of which Standardised approach (SA)	0	0	0	0
Market risk	**110**	**46**	**9**	**4**
Of which standardised approach (SA)	0	0	0	0
Of which internal model approaches (IMA)	110	46	9	4
Large exposures	**0**	**0**	**0**	**0**
Operational risk	**572**	**548**	**46**	**44**
Of which Basic Indicator Approach	572	548	46	44
Of which Standardised Approach	0	0	0	0
Of which Advanced Measurement Approach	0	0	0	0
Amounts below the thresholds for deduction (subject to 250% risk weight)	**0**	**0**	**0**	**0**
Floor adjustment	**0**	**0**	**0**	**0**
Total	**4 716**	**4 467**	**377**	**357**

On a year-on-year basis, ING Luxembourg's risk weighted assets increased by EUR +249mln. The largest part of this evolution is explained by Settlement risk weighted assets, credit risk weighted assets (coming from both the lending activities increase and credit risk add-on for local & ING Group models) and market risk risk weighted assets.

Disclosure of non-performing and forborne exposure

The financial crisis negatively affected the European banking sector and contributed to a build-up of non-performing exposures (NPEs) in banks' balance sheets. In July 2017, the European Council agreed on an Action Plan to tackle non-performing loans (NPLs) in Europe and imposed to banks a new set of common and uniform disclosure templates on the quality of their assets and other commitments.

The purpose of the first template is to provide an overview of the quality of forborne exposure. At End of December 2020, the forborne exposure represents EUR 20mln on a total asset balance sheet of EUR 19bln.

Template 1 : Credit quality of forborne exposures (figures in EUR mln)

		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures	
				Of which defaulted	Of which impaired			
1	**Loans and advances**	**27,72**	**20,03**	**20,03**	**20,03**	**-0,07**	**-0,73**	**1,76**
2	*Central banks*	0,00	0,00	0,00	0,00	0,00	0,00	0,00
3	*General governments*	0,00	0,00	0,00	0,00	0,00	0,00	0,00
4	*Credit institutions*	0,00	0,00	0,00	0,00	0,00	0,00	0,00
5	*Other financial corporations*	3,96	0,53	0,53	0,53	0,00	-0,55	0,00
6	*Non-financial corporations*	8,76	10,14	10,14	10,14	-0,03	-0,07	1,75
7	*Households*	15,00	9,35	9,35	9,35	-0,05	-0,11	0,01
8	**Debt Securities**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**
9	Loan commitments given	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**
10	***Total***	**27,72**	**20,03**	**20,03**	**20,03**	**-0,07**	**-0,73**	**1,76**

The purpose of the second template is to provide an overview of the credit quality of the non performing exposure (including off-balance items like given guarantees and unused credit lines) : the non-performing loans (EUR 99 mln) represent 0.43% of the total bank credit risk exposure (EUR 21 Bln).

Template 3 : Credit quality of performing and non-performing exposures by past due days (figures in EUR mln)

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
1	**Loans and advances**	**15 981,56**	**15 928,04**	**53,51**	**89,30**	**58,96**	**3,92**	**3,50**	**22,29**	**0,04**	**0,01**	**0,58**	**89,30**
2	*Central banks*	4 411,87	4 411,86	0,01	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
3	*General governments*	42,32	42,32	0,00	0,03	0,03	0,00	0,00	0,00	0,00	0,00	0,00	0,03
4	*Credit institutions*	2 914,05	2 914,05	0,00	0,01	0,01	0,00	0,00	0,00	0,00	0,00	0,00	0,01
5	*Other financial corporations*	1 522,82	1 522,21	0,61	5,47	2,62	0,04	0,12	2,68	0,00	0,00	0,00	5,47
6	*Non-financial corporations*	3 693,58	3 661,70	31,88	46,09	32,78	0,65	0,19	11,86	0,04	0,01	0,58	46,09
7	*Of which SMEs*	369,34	368,98	0,36	2,64	1,43	0,49	0,09	0,01	0,04	0,01	0,58	2,64
8	*Households*	3 396,91	3 375,91	21,01	37,70	23,52	3,23	3,19	7,75	0,00	0,00	0,00	37,70
9	**Debt securities**	**2 086,89**	**2 086,89**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**
10	*Central banks*	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
11	*General governments*	1 027,39	1 027,39	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
12	*Credit institutions*	1 029,34	1 029,34	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
13	*Other financial corporations*	30,15	30,15	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
14	*Non-financial corporations*	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
15	**Off-balance-sheet exposures**	**2 828,28**			**9,42**								**0,00**
16	*Central banks*	0,02			0,00								0,00
17	*General governments*	41,04			0,00								0,00
18	*Credit institutions*	114,23			0,00								0,00
19	*Other financial corporations*	1 310,10			6,23								0,00
20	*Non-financial corporations*	999,31			2,62								0,00
21	*Households*	363,57			0,57								0,00
22	***Total***	**20 896,72**	**18 014,93**	**53,51**	**98,72**	**58,96**	**3,92**	**3,50**	**22,29**	**0,04**	**0,01**	**0,58**	**89,30**

Based on the IFRS9 scope only, the template 4 below provides an overview of the credit quality, related provisions and valuation adjustments by portfolio and exposure class. Stage 1' refers to impairment measured in accordance with IFRS 9.5.5.5. 'Stage 2' refers to impairment measured in accordance with IFRS 9.5.5.3. 'Stage 3' refers to impairment on credit-impaired assets, as defined in Appendix A to IFRS 9.

Template 4 : Performing and non-performing exposures and related provisions (scope IFRS9 exposure - Figures in EUR mln)

		Gross carrying amount/nominal amount						**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**					
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3
1	**Loans and advances**	**15 981,56**	**15 229,34**	**752,22**	**89,30**	**0,00**	**89,30**	**-8,52**	**-4,84**	**-3,68**	**-8,66**	**0,00**	**-8,66**
2	*Central banks*	4 411,87	4 411,87	0,00	0,00	0,00	0,00	-0,49	-0,49	0,00	0,00	0,00	0,00
3	*General governments*	42,32	42,32	0,00	0,03	0,00	0,03	-0,01	-0,01	0,00	-0,01	0,00	-0,01
4	*Credit institutions*	2 914,05	2 914,05	0,00	0,01	0,00	0,01	-0,04	-0,04	0,00	0,00	0,00	0,00
5	*Other financial corporations*	1 522,82	1 491,13	31,69	5,47	0,00	5,47	-0,90	-0,60	-0,30	-1,59	0,00	-1,59
6	*Non-financial corporations*	3 693,58	3 244,31	449,27	46,09	0,00	46,09	-5,14	-3,16	-1,98	-5,00	0,00	-5,00
7	*Of which SMEs*	369,34	346,01	23,32	2,64	0,00	2,64	-0,28	-0,15	-0,14	-0,45	0,00	-0,45
8	*Households*	3 396,91	3 125,65	271,26	37,70	0,00	37,70	-1,95	-0,55	-1,40	-2,06	0,00	-2,06
9	**Debt securities**	**2 082,72**	**2 082,72**	**0,00**	**0,00**	**0,00**	**0,00**	**-0,16**	**-0,16**	**0,00**	**0,00**	**0,00**	**0,00**
10	*Central banks*	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
11	*General governments*	1 027,39	1 027,39	0,00	0,00	0,00	0,00	-0,08	-0,08	0,00	0,00	0,00	0,00
12	*Credit institutions*	1 029,34	1 029,34	0,00	0,00	0,00	0,00	-0,07	-0,07	0,00	0,00	0,00	0,00
13	*Other financial corporations*	25,98	25,98	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
14	*Non-financial corporations*	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
15	**Off-balance-sheet exposures**	**10,32**	**10,32**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**
16	*Central banks*	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
17	*General governments*	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
18	*Credit institutions*	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
19	*Other financial corporations*	10,32	10,32	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
20	*Non-financial corporations*	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
21	*Households*	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
22	***Total***	**18 074,59**	**17 322,37**	**752,22**	**89,30**	**0,00**	**89,30**	**-8,68**	**-4,99**	**-3,68**	**-8,66**	**0,00**	**-8,66**

Capital position

As at 1 January 2014, the CRR/CRD IV capital rules entered into force. According to CRR/CRD IV capital adequacy rules, the Common Equity Tier 1 ratio has to be at least 4.5%, the Tier 1 ratio at least 6% and the total capital ratio at least 8% of all risk-weighted assets.

The capital position table reflects own funds according to the CRR/CRD IV rules.

ING Luxembourg's regulatory capital consists of Tier 1 and Tier 2 capital. Tier 1 capital consists of Common Equity Tier 1 capital. Tier 2 capital consists of one subordinated loan denominated in USD.

ING Luxembourg's common equity Tier 1 ratio at year-end 2020 of 21.06% is well in excess of the 7.90% common equity Tier 1 requirement for ING Luxembourg in 2020. This requirement is the sum of (i) 4.5% Pillar 1 requirement (ii) 0.70% Pillar 2 requirement, (iii) the 2.5% capital conservation buffer and (iv) 0.20% for the institution-specific countercyclical buffer.

Separate disclosure of the nature and amounts		
In EUR million / in %	2020	2019
Shareholders' equity	**1 116**	**1 117**
Regulatory adjustments		
Minority interests counting as Common equity Tier 1	0	0
Goodwill and intangibles deducted from Tier 1 [1]	0	-1
Provision shortfall [2]	-10	-8
Revaluation reserve debt securities	0	0
Revaluation reserve equity securities	0	0
Revaluation reserve real estate	0	0
Revaluation reserve cash flow hedges	-10	0
Prudent valuation adjustments	-3	-15
Investments >10 FIs, exceeding 10% threshold	0	0
Prudential filters		
Profit of the year	-87	-114
Defined benefit remeasurement (IAS19R)	0	0
Net defined benefit pension fund assets	0	0
Deferred tax assets	0	0
Own credit risk adjustments to derivatives (DVA)	0	0
Foreseeable dividend	0	0
Other deductions	-13	-20
Available capital – Common equity tier 1	**993**	**958**
Subordinated loans qualifying as Tier 1 capital	0	0
Deduction of goodwill and other intangibles [1]	0	0
Provision shortfall [2]	0	0
Investments >10 FIs, exceeding 10% threshold	0	0
CRD IV eligible Tier 1 hybrids	0	0
Investments >10 FIs, exceeding 10% threshold	0	0
Excess deductions allocated to CET 1 capital	0	0
Minority interests counting as additional Tier 1 capital	0	0
Available capital – Tier 1	**993**	**958**
Supplementary capital – Tier 2	172	188
Provision shortfall [2]	0	0
IRB excess provision	0,8	0,4
Investments >10 FIs, exceeding 10% threshold	0	0
Minority interests counting as Tier 2 capital	0	0
Available Tier 3 funds	0	0
BIS capital	**1 166**	**1 147**
Risk weighted assets	***4 716***	***4 467***
Common equity Tier 1 ratio	21,06%	21,45%
Tier 1 ratio	21,06%	21,45%
Total Capital ratio	**24,72%**	**25,67%**

Capital Instruments

Capital instruments main features – at 31 December 2020		CET1	T2
1	Issuer	ING Luxembourg SA	ING Luxembourg SA
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Not listed	N/A
3	Governing law(s) of the instrument	Laws of the Grand Duchy of Luxembourg	Laws of the Grand Duchy of Luxembourg
Regulatory treatment			
4	Transitional CRR rules	Common Equity Tier 1	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	Tier 2
6	Eligible at solo / (sub-)consolidated / solo&(sub) consolidated	solo&(sub-)consolidated	solo&(sub-)consolidated
7	Instrument type (types to be specified by each jurisdiction)	Shares of a public limited liability company	Subordinated liability
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date). Specify in particular if some parts of the instruments are in different tiers of the regulatory capital and if the amount recognised in regulatory capital is different from the amount issued.	EUR 604.6 (o/w EUR 83.4 subscribed capital and EUR 521.2 of share premium)	USD 211
9	Nominal amount of instrument	EUR 83,400,000	USD 211,000,000
9a	Issue price	N/A	100
9b	Redemption price	N/A	100
10	Accounting classification	Shareholders' equity	Liability – amortised cost
11	Original date of issuance	15 September 1960	03 March 2017
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	no maturity	03 March 2027
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	03 March 2022 or at all times, partially or in a whole, if the loan does not any more qualify as Tier 2 capital
16	Subsequent call dates, if applicable	N/A	If not redeemed on 03 March 2022 then early redemption is possible in a whole at each interest payment date after 03 March 2022
Coupons / dividends			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	N/A	6M Libor USD +224,5bps
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	N/A	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	No	No
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, fully or partially	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated liabilities (column T2)	Unsecured senior debt, including eligible deposits
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A

Own funds

The CRR requires ING Luxembourg to disclose information on own funds in a specific format that was provided in the EBA Implementation Technical Standards.

Balance Sheet Reconciliation	31/12/2020		31/12/2019	
		Row in transitional own funds template		Row in transitional own funds template
	IFRS Balance sheet	(Table Annex VI)	IFRS Balance sheet	(Table Annex VI)
Assets (EURm)				
Intangible assets	**0**		**1**	
Goodwill	0	8	1	8
Other intangible assets				
Liabilities (EURm)				
Financial liabilities measured at amortised cost	**16 835**		**16 658**	
Deposits	16 574		16 380	
Subordinated financial liabilities	172	46	188	46
Debt securities issued	0,5		0,5	
Other financial liabilities	88		90	
Provisions	**0**		**0**	
Pensions and other post employment defined benefit obligations	0,3	not included in OCI of COREP	0,1	not included in OCI of COREP
Equity (EURm)				
Capital	**83**		**83**	
Paid up capital	83	1	83	1
Unpaid capital which has been called up	0		0	
Share premium	**521**	1	**521**	1
Equity instruments issued other than capital	**0**		**0**	
Equity component of compound financial instruments	0		0	
Other equity instruments issued	0		0	
Other equity	**0**		**0**	
Accumulated other comprehensive income	**31**		**35**	
Items that will not be reclassified to profit or loss	10		10	
Tangible assets	3	3	3	3
Intangible assets	0		0	
Actuarial gains or (-) losses on defined benefit pension plans	6	3	6	3
Non-current assets and disposal groups classified as held for sale	0		0	
Share of other recognised income and expense of investments in subsidaries, joint ventures and associates	0		0	
Changes in fair value of equity instruments measured at fair value through other comprehensive income	1	not included in OCI of COREP	1	not included in OCI of COREP
Items that may be reclassified to profit or loss	21		25	
Hedge of net investments in foreign operations [effective portion]	0		0	
Foreign currency translation	0		0	
Hedging derivatives. Cash flow hedges [effective portion]	10	3;7;11	15	3;7;11
Fair value changes of debt instruments measured at fair value through other comprehensive income	11	3	10	3
Available-for-sale financial assets	0	3	0	3
Non-current assets and disposal groups classified as held for sale	0		0	
Share of other recognised income and expense of investments in subsidaries, joint ventures and associates	0		0	
Retained earnings	**393**		**363**	
Previous years retained earnings	307	2	307	2
Other reserves	86	3	55	3
Revaluation reserves	**0**		**0**	
Other reserves	**0**		**0**	
Reserves or accumulated losses of investments in subsidaries, joint ventures and associates	0		0	
Other	0		0	
(-) Treasury shares	**0**		**0**	
Profit or loss attributable to owners of the parent	**87**		**114**	
(-) Interim dividends	**0**		**0**	
Minority interests [Non-controlling interests]	**6**		**3**	
Accumulated Other Comprehensive Income	6	not included in OCI of COREP	3	not included in OCI of COREP
Other items	0		0	
TOTAL EQUITY	**1 122**		**1 120**	

Transitional own funds

		Regulation (EU) no 575/2013 article reference	31 December 2020 Amount at disclosure date	31 December 2019 Amount at disclosure date
	Common Equity Tier 1 capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	26 (1), 27, 28, 29, EBA list 26 (3)	605	605
	of which: Ordinary Shares	EBA list 26 (3)	83	83
2	Retained Earnings	26 (1) c	336	307
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards	26 (1) (d) +(e)	88	90
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**		**1 029**	**1 002**
	Common Equity Tier 1 capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	34, 105	-3	-15
8	Intangible assets (net of related tax liability) (negative amount)	36 (1) (b), 37, 472 (4)	0	-1
11	Fair value reserves related to gains or losses on cash flow hedges	33 (a)	-10	
12	Negative amounts resulting from the calculation of expected loss amounts	36 (1) (d), 40, 159, 472 (6)	-10	-8
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468			
	Of which: prudential filter for unrealised gains on Investment Property valued at fair value	468		
	Of which: prudential filter for unrealised gains on Available for Sale Equity Securities	468		
	Of which: prudential filter for unrealised gains on Available for Sale Debt Securities	468		
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	481	-13	-20
	Of which: prudential filter regarding the introduction of amendments to IAS 19	481		
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	36 (1) U)		
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**		**-36**	**-44**
29	**Common Equity Tier 1 (CET1) capital**		**993**	**958**
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**		**0**	**0**
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**		**0**	**0**
44	**Additional Tier 1 (AT1) capital**		**0**	**0**
45	**Tier 1 capital (T1 = CET1 + AT1)**		**993**	**958**
	Tier 2 (T2) capital: Instruments and provisions			
46	Capital instruments and the related share premium accounts	62, 63	**172**	**188**
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	486 (4)		
	Public sector capital injections grandfathered until 1 January 2018	483 (4)		
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	87, 88, 480		
49	of which: instruments issued by subsidiaries subject to phase out	486 (4)		
50	Credit risk adjustments	62 (c) & (d)	**0,8**	**0,4**
51	**Tier 2 (T2) capital before regulatory adjustments**		**173**	**189**
57	**Total regulatory adjustments to Tier 2 (T2) capital**		**0**	**0**
58	**Tier 2 (T2) capital**		**173**	**189**
59	**Total capital (TC = T1 + T2)**		**1 166**	**1 147**
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/ 2013(i.e. CRR residual amounts)			
60	**Total risk weighted assets**		**4 716**	**4 467**
	Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	92 (2) (a), 465	21,06%	21,45%
62	Tier 1 (as a percentage of risk exposure amount)	92 (2) (b), 465	21,06%	21,45%
63	Total capital (as a percentage of risk exposure amount)	92 (2) (c)	24,72%	25,67%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements , plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	CRD 128, 129, 130	7,20%	7,03%
65	of which: capital conservation buffer requirement		2,50%	2,50%
66	of which: countercyclical buffer requirement		0,20%	0,03%
67	of which: systemic risk buffer requirement		0,00%	0,00%
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	CRD 131	0,00%	0,00%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	CRD 128	21,06%	21,45%
	Investments in the capital of financial sector entities			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4) 66 (c), 69, 70, 477 (4)	1	1
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	36 (1) (i), 45 , 48, 470, 472 (11)	0	0
	Applicable caps on the Inclusion of provisions in Tier 2			
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	62	0,8	0,4
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	62		

Countercyclical buffer

Following Luxembourg CounterCyclical buffer increase from 0% to 0.25% in January 2020, ING Luxembourg specific CounterCyclical Buffer increased from 0.03% to 0.20% in 2020. See below an overview of the exposure distribution for the most relevant countries.

Countercyclical buffer 2020

2020	Exposure Value	Countercyclical capital buffer rate	Retained rate as phased in at 2,500%	Weighted CcyB rate
Bulgaria	838	0,50%	0,500%	0,00%
Czech Republic	122	0,50%	0,500%	0,00%
Hong Kong	19 681	1,00%	1,000%	0,00%
Luxembourg	181 009 150	0,25%	0,250%	0,20%
Norway	557 793	1,00%	1,000%	0,00%
Slovakia	49	1,00%	1,000%	0,00%
Others without CcyB	24 474 685 792	0,00%	0,000%	0,00%
	24 656 273 424			**0,20%**

Amount of institution-specific CCyB

Total Risk-weighted Assets	4 716 174 791
Weighted CcyB rate	0,20%
Countercyclical buffer requirement	9 415 497

Countercyclical buffer 2019

2019	Exposure Value	Countercyclical capital buffer rate	Retained rate as phased in at 2,500%	Weighted CcyB rate
Norway	184 450 200	2,50%	2,500%	0,02%
Sweden	84 374	2,50%	2,500%	0,00%
Hong Kong	48 566 350	2,00%	2,000%	0,00%
United Kingdom	151 591 101	1,00%	1,000%	0,01%
Slovakia	10 509	1,50%	1,500%	0,00%
Czech Republic	11 658	1,50%	1,500%	0,00%
Danemark	116 055	1,00%	1,000%	0,00%
Iceland	22 664	2,00%	1,620%	0,00%
Lithuania	4 909	1,00%	1,000%	0,00%
Switzerland	3 643 938	2,00%	2,000%	0,00%
Others without CcyB	23 043 077 373	0,00%	0,000%	0,00%
	23 431 579 131			**0,03%**

Amount of institution-specific CCyB

Total Risk-weighted Assets	4 466 652 183
Weighted CcyB rate	0,03%
Countercyclical buffer requirement	1 367 811

Leverage ratio

The Leverage ratio is a CRR/CRD IV measure indicating the level of the Tier 1 Capital compared to the total exposure. Its aim is to assess the risk of excessive leverage of the institution. In line with the regulatory requirements, ING Luxembourg will use the specific EBA templates as basis for the presentation of its Leverage ratio. These EBA templates reflect the Leverage ratio as calculated under the Leverage Ratio Delegated Act which was introduced in October 2014. The Final Draft Implementing Technical Standards (ITS) on disclosure of the leverage ratio have been approved by the European Commission and published in the EU Official Journal early 2016. The official reporting of the Delegated Act Leverage ratio to the ECB has commenced per September 2016.

On 17 September 2020, the ECB authorised the temporary exclusion until June 2021 of certain central bank exposures from the leverage ratio in view of the Covid-19 pandemic. As a result, ING Luxembourg leverage ratio on 31 December 2020 temporarily increased to 6.1% due to the exclusion of €3.9 billion of central bank balances from leverage exposure. Without the exclusion, the leverage ratio would have been 5.0% at 31 December 2020.

Summary reconciliation of accounting assets and leverage ratio exposures

		31 December 2020	31 December 2019
		CRR/CRD IV fully loaded	CRR/CRD IV fully loaded
		Applicable amounts	Applicable amounts
1	Total assets as per published financial statements	18 354 014	17 823 521
4	Adjustments for derivative financial instruments[1]	116 183	116 396
5	Adjustments for securities financing transactions 'SFTs'		
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	1 578 250	1 583 904
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)		
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	-3 854 501	
7	Other adjustments[1]	-22 796	-25 742
8	**Total leverage ratio exposure**	**16 171 150**	**19 498 078**

Group leverage ratio common disclosure

		31 December 2020	31 December 2019
		CRR/CRD IV fully loaded	CRR/CRD IV fully loaded
		CRR leverage ratio exposures	CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	18 354 014	17 823 521
2	(Asset amounts deducted in determining Tier 1 capital)	-22 796	-24 502
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**18 331 218**	**17 799 019**
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	45 962	44 464
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	70 222	71 932
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0	-1 240
11	**Total derivative exposures (sum of lines 4 to 10)**	**116 183**	**115 156**
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**0**	**0**
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	1 578 250	1 583 904
18	(Adjustments for conversion to credit equivalent amounts)		
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**1 578 250**	**1 583 904**
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)			
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))		
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-3 854 501	
Capital and total exposures			
20	Tier 1 capital[1]	993 183	958 317
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**16 171 150**	**19 498 078**
Leverage ratio			
22	**Leverage ratio**	**6,14%**	**4,91%**
Choice on transitional arrangements and amount of derecognised fiduciary items			
EU-23	Choice on transitional arrangements for the definition of the capital measure	**Fully phased in**	**Fully phased in**
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013		

Disclosure on qualitative items		
1	Description of the processes used to manage the risk of excessive leverage	ING Luxembourg follows the leverage ratio on a daily basis
2	Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers	In 2020, the leverage ratio increased compared to 2019 mainly driven by the temporary exclusion of eligible Central Bank exposures (EUR - 3.9 billion)

Funding & liquidity risk

Funding and liquidity risk is the risk that ING Luxembourg cannot meet its financial liabilities when they come due, at reasonable cost and in a timely manner.

To protect ING Luxembourg and its depositors against liquidity risks, ING Luxembourg maintains a liquidity buffer based on the Delegated Act Liquidity Coverage Ratio (LCR). The local Asset & Liabilities committee ensures that sufficient liquidity is maintained, in accordance with Bank and regulatory rules and standards, including a buffer of unencumbered, high quality liquid assets.

As part of the liquidity buffer management, ING Luxembourg monitors the existing asset encumbrance. Encumbered assets represent the on balance sheet assets that are pledged or used as collateral for ING Luxembourg liabilities. The presented template of ING Luxembourg's encumbered and unencumbered assets is based on the CRR (Part Eight) and the related guidance from the European Banking Authority (EBA).

Encumbered and unencumbered assets (in mln Eur)

	Carrying amount of encumbered assets	Carrying amount of non-encumbered assets
Assets of the reporting institution	**371**	**18,491**
Loans on demand	167	4,485
Equity instruments	0	2
Debt securities	27	2,055
of which: covered bonds	0	728
of which: issued by general governments	27	1,000
of which: issued by financial corporations	0	1,055
Loans and advances other than loans on demand	176	11,470
of which: mortgage loans	0	4,268
Other assets	0	479

At December 2020, a immaterial part of assets (1.96%) was given as collateral (central bank reserves and collateral given for derivatives).

Hereunder the calculation of the LCR disclosure template of ING Luxembourg SA :

Information on the Liquidity Coverage Ratio (LCR) ING Luxembourg
In the LCR calculation the possible impact on collateral outflows is taken into account via the outflows allocated through the Historical Look Back Approach (HLBA) and the 3-notch downgrade.
Global Treasury (GT) is responsible for the liquidity management of the liquidity buffer and manages this throughout the organization on a daily basis.
The HQLA reflected in the quantitative overview, represents a major part of the liquidity buffer of the bank.

EU LIQ1: LCR disclosure template (in mln Eur)		Total unweighted value Year 2020				Total weighted value Year 2020			
Number of data points used in the calculation of averages		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Nber of data points used in the calculation of averages	3	3	3	3	3	3	3	3
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)	7,486	7,363	6,441	6,750	7,405	7,282	6,367	6,680
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	2,775	2,827	2,972	3,058	264	262	283	293
3	Stable deposits	1,359	1,426	1,451	1,477	68	71	73	74
4	Less stable deposits	1,417	1,401	1,521	1,581	196	191	210	219
5	Unsecured wholesale funding	13,972	13,916	13,262	13,606	6,297	5,867	5,787	5,813
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	3,588	3,838	3,904	3,700	883	944	960	909
7	Non-operational deposits (all counterparties)	10,384	10,078	9,358	9,906	5,414	4,923	4,827	4,904
8	Unsecured debt	0	0	0	0	0	0	0	0
9	Secured wholesale funding	0	0	0	0	0	0	0	0
10	Additional requirements	93	146	131	131	93	146	131	131
11	Outflows related to derivative exposures and other collateral requirements	9	16	5	3	9	16	5	3
12	Outflows related to loss of funding on debt products	0	0	0	0	1	2	3	4
13	Credit and liquidity facilities	6,010	4,252	4,242	4,274	478	429	556	502
14	Other contractual funding obligations	0	0	0	0	0	0	0	0
15	Other contingent funding obligations	0	0	0	0	0	0	0	0
16	TOTAL CASH OUTFLOWS	22,850	21,141	20,606	21,068	7,131	6,704	6,756	6,740
CASH - INFLOWS									
17	Secured lending (eg reverse repos)	0	0	0	0	1	2	3	4
18	Inflows from fully performing exposures	1,318	1,404	1,863	2,443	1,046	1,145	1,583	2,209
19	Other cash inflows	9	225	0	0	9	225	0	0
20	TOTAL CASH INFLOWS	1,326	1,629	1,863	2,443	1,055	1,370	1,583	2,209
EU-20c	Inflows Subject to 75% Cap	1,326	1,629	1,863	2,443	1,055	1,396	1,587	2,210
					TOTAL ADJUSTED VALUE				
21	LIQUIDITY BUFFER					7,405	7,282	6,367	6,680
22	TOTAL NET CASH OUTFLOWS					6,080	5,311	5,174	4,533
23	LIQUIDITY COVERAGE RATIO (%)					122%	137%	124%	147%

Conclusion with an average liquidity coverage ratio of 147% in average in Q4/2020 well above the regulatory requirement, ING Luxembourg has a sufficient buffer to face a liquidity stress of 30 days.

Capital Requirement Regulation (CRR)
2020 Remuneration Disclosure ING Luxembourg SA

1. Introduction

This 2020 remuneration disclosure provides detailed information on ING's remuneration policy and practices for Identified Staff, including the Executive Committee. In addition, it confirms ING's compliance with the applicable regulations on remuneration in the financial services sector.

This information is based on policies and processes applicable in 2020 and relates to the performance of year 2020.

This report should be read in conjunction with the ING Luxembourg Annual Report 2020.

2. Identified Staff selection

ING's selection of Identified Staff is based on the Regulatory Technical Standards (RTS) developed by the European Banking Authority in 2014 for this purpose.

The RTS comprises (i) qualitative and (ii) quantitative selection criteria. ING has carefully considered how to apply these criteria within its organization and, based on this, has identified positions and individuals that qualify as Identified Staff.

The selection of Identified Staff is an ongoing process with periodic checks. The starting point of this analysis is to assure a full coverage of the organizational structure, full coverage of the risk profile (financial/non-financial risks) as well as full coverage of any local regulatory requirements applicable to ING Groep NV / ING Belgium SA / ING Luxembourg SA.

The application of the Identified Staff selection criteria at ING is reviewed annually and, if necessary, amended to make sure it continues to be aligned with the ING organization and regulatory requirements.

The number of Identified Staff at ING Groep increased in 2020 (691 compared to 2019 (673) including the Supervisory Board members (8). At ING Luxembourg level, the number of Identified Staff increased in 2020 (17) versus 2019 (14).

3. Performance management

Performance management is a core people management process at ING. It aligns individual performance objectives with ING's strategy and priorities in order to build a sustainable and successful business for all its stakeholders. Performance management is linked to remuneration and prevents reward for failure via the risk appetite framework.

Performance management supports ING's long-term interests. Assessing the performance of Identified Staff and subsequently awarding variable remuneration to those who qualify, is done as a part of a multiple-year framework. This longer-term performance management horizon ensures that variable remuneration continues to be 'at risk' throughout the deferral period by means of holdback or after vesting through clawback if any so-called failure is detected. Variable remuneration is linked to financial and non-financial performance. At least 50% of the actual variable remuneration award is based on non-financial performance criteria. Variable remuneration takes into account company performance, business line performance and individual performance. Any undesired risks taken or compliance issues that were not apparent when the variable remuneration was awarded, are taken into account at every deferred vesting of variable remuneration.

Other specific restrictive principles apply to some categories of the staff not being qualified as Identified Staff (Sales Staff, MIFID II staff, staff in Control functions).

4. Remuneration policy and governance

ING's remuneration policy is designed to ensure that we offer well-balanced remuneration so that we can recruit, engage and retain highly qualified staff and live up to our responsibilities towards our stakeholders.

ING's remuneration policy, which applies to all staff, is embedded in ING's Remuneration Regulations Framework (IRRF). The IRRF complies with relevant international and local legislation and regulations and sets specific requirements for Identified Staff, Control Functions and the Executive Board and Management Board Banking. All countries where ING is located must adhere to this framework and are obliged to sign a certificate stating that the remuneration policy in that specific country complies with the IRRF. The only deviations that may apply are those based on mandatory local legislation or in a limited transformation period (e.g. negotiations with employee representative bodies).

Remuneration requirements for Identified Staff

Fixed remuneration

The fixed remuneration for Identified Staff is sufficiently high to compensate for the respective level of expertise, skills and range of responsibilities required for fulfilling a specific job in a business unit and region.

Benefits

Identified Staff, like other staff, are under predetermined conditions, eligible to receive various employee benefits such as pension/death/disability insurance and company car. Benefits are locally regulated and follow local market practice and therefore differ on a country-by-country basis. ING Luxembourg does not award discretionary pension benefits.

Variable remuneration

Variable remuneration, where applicable, is primarily focused on long-term value creation and based on individual, business line and bank-wide performance criteria. Where Identified Staff qualifies for variable remuneration it is subject to specific and/or regulatory conditions. In part these conditions aim to ensure the variable remuneration is aligned with the ongoing risk profile of ING Bank over a long period.

With respect to variable remuneration for Identified Staff, the following applies:
At ING Luxembourg, variable remuneration is split into 2 parts:

1. An upfront award, which is delivered for 50 % in cash and for 50 % in shares or other equity-linked instruments
2. A deferred award, which is delivered for 50 % in cash and for 50 % in shares or other equity-linked instruments

At ING Luxembourg, 40 % of the variable remuneration is deferred over a period of 3 to 5 years (depending on job position) with a tiered vesting schedule.

A retention period of at least 1 year is applied to all non-cash elements post vesting; and vesting is conditional on continued employment, provided limited exceptions.

Sign-on

A Sign-On Arrangement is a form of guaranteed Variable Remuneration that is only awarded in exceptional cases and relates to the commencement of employment. In the event of a Sign-On Arrangement, Remuneration is paid to new staff during their first year of service in view of their employment with ING. As part of the arrangements guaranteeing this part of Variable Remuneration the requirements on Holdback and Clawback do not apply. Sign-On Arrangements may be fully paid in non-deferred cash.

The Sign-On Arrangement is solely awarded:

I. to a new staff member in view of their employment at ING;
II. during the first year of service of the new staff member;
III. if the staff member did not work at ING in the year prior to being hired; and
IV. if ING has a sound and strong capital base.

Staff can only be awarded a Sign-On Arrangement once. This requirement applies at a consolidated and sub-consolidated level and includes situations where staff receive a new contract from another ING entity.

Sign-On Arrangements awarded to new staff are excluded from the VR-Ratio for the first performance period.

Buy-out

A Buy-Out Arrangement is a form of Variable Remuneration that is only awarded in exceptional cases and relates to the commencement of employment. In case of a Buy-Out Arrangement, ING offers compensation for deferred Variable Remuneration awarded by a prior employer that is forfeited as a direct result of leaving the former employer and joining ING.

The Buy-Out Arrangement is solely awarded:

I. to a new staff member in view of their employment at ING;
II. during the first year of service of the new staff member;
III. if the staff member did not work at ING in the year prior to being hired; and
IV. if ING has a sound and strong capital base.

The Buy-Out Arrangement should not compensate new staff for a loss of Variable Remuneration or for Variable Remuneration that has already been compensated. Within three months after the commencement date written evidence (i.e. an overview of the deferred Variable Remuneration at the former employer accompanied by written proof of the former employer stating that this deferred remuneration will indeed be forfeited and will not be compensated by the former employer) needs to be provided to ING. The value of the forfeited deferred shares or other instruments is determined based on the fair market value at the commencement date.

For Buy-Out Arrangements all requirements for Variable Remuneration apply, including Variable Remuneration caps, deferral, Retention Periods, pay out in instruments, Holdback and Clawback. Buy-Out Arrangements are subject to the vesting schedule of the previous employer (adjusted to ING vesting dates) and are awarded at least 50% in instruments if the recipient qualifies as Identified Staff.

Severance Payments

Severance payments are compliant with the remuneration regulations, including the locally applicable employment law. ING applies the principle of 'no reward for failure or misconduct'.

ING will not pay out any form of severance payment to a staff member in the event of:

- early termination of the employment relationship at the initiative of a staff member, unless this results from seriously imputable acts or failures on the part of ING;

- seriously imputable acts or failures by the staff member in the performance of their position; or
- in the event that the staff member continues to work for ING.

In addition, ING will not pay out any form of severance payment to a daily policymaker in the event of a failure of institution. The maximum severance payment that can be paid out to daily policymakers will amount to 100 % of their annual fixed remuneration.

The amount of the severance payment is determined according to a predefined, generic calculation method and criteria as set out in the applicable local severance policy.

Variable remuneration cap

Based on applicable laws and regulation, ING applies maximum percentages of variable remuneration compared to fixed remuneration for different categories of staff.

At ING Luxembourg, for all Identified and Regulated Staff, the variable remuneration must not exceed 50 % of the fixed remuneration (benefits included). For the rest of the staff, the ratio (Variable to Fixed) does not exceed 100% of the Fixed Remuneration.

Pre-award and post-award assessment process: adjustment, holdback and clawback. Based on the remuneration regulations, specific risk adjustment mechanisms must be applied to the pay-out process of variable remuneration of Identified Staff. To this end, ING operates a so-called pre-award and post-award assessment process when determining any variable remuneration, subject to the maximum variable remuneration percentages.

The pre-award assessment process aims to consider the full range of any current and potential future risks. As part of this process, ING takes into account the company performance at bank, business line and individual levels, as well as a solvency test. In addition, risk requirements apply to staff members that are considered risk takers, including Identified Staff. These risk requirements set the minimum standards to be met during the performance year. Deviation from these standards may lead to a downward adjustment of variable remuneration (risk modifier).

The post-award risk assessment process analyses whether the outcomes of the initial pre-award risk assessment process were correct. This can, and in certain situations should, result in a downward adjustment of variable remuneration by applying a holdback (i.e. forfeiture of up to 100 % of the awarded and unvested variable remuneration) and/or clawback (surrender of up to 100 % of the paid or vested variable remuneration). Any decision to apply holdback or clawback is at the discretion of the Supervisory Board.

ING sets specific criteria for the application of holdback or clawback:

	Holdback	Clawback
Holdback or Clawback can be applied in the following circumstances:		
In the event of engagement in conduct or performance of acts which are considered malfeasance or fraud	✓	✓
In the event of specific conduct which has led to the material re-statement of ING's annual accounts and/or significant (reputational) harm to ING or any of its subsidiaries or affiliates	✓	✓
In the event that Variable Remuneration has been awarded on the basis of inaccurate information – whether or not financial in nature – regarding: (i) the achievement of the performance targets (including KPIs) that determine the Variable Remuneration; or (ii) the circumstances under which the Variable Remuneration was awarded	✓	✓
In the event that the award of Variable Remuneration is contrary to the principles of reasonableness and fairness	✓	
In the event of evidence of misbehaviour or serious error by the relevant staff member, including a breach of a code of conduct or other internal rules, especially those concerning risk	✓	
In the event ING or the Business Line in which the relevant staff member works suffers a significant failure of risk management	✓	
In the event of significant adverse changes in the Institution's capital, other than as a result of changing environment or usual business cycle changes	✓	
If any other material new information arises that would have changed the original determination of the award of Variable Remuneration to that individual if it were known at the time of the award; such reassessment is also based on the criteria for the original award	✓	

Holdback or Clawback <u>must</u> be applied in the following circumstances:		
If a staff member participated in or was responsible for conduct which resulted in significant losses to the Institution	✓	
If a staff member failed to act in accordance with appropriate standards of fitness and propriety	✓	

Remuneration governance

At ING Group level, the Remuneration Committee advises the Supervisory Board on remuneration decisions, with the support of ING's functions (e.g. Finance, Risk, CAS, Compliance, Legal and HR). To ensure the Nomination & Remuneration Committee receives adequate and accurate information, there are compensation committees in place in the business lines. In addition, remuneration is a key topic of review of CAS.

At local level, the ING Luxembourg Nomination and Remuneration Committee (in its remuneration part) advises the ING Luxembourg Board of Management on remuneration decisions and remuneration policy changes. The local nomination & remuneration committee has met once in 2020 in order to discuss:

1. the changes and the application of the IRRF 2020 and the ING Belgium Remuneration policies (applicable to ING Luxembourg)
2. individual compensation proposals for Identified and Regulated staff

The roles and responsibilities of the Nomination & Remuneration Committee of ING Groep NV are outlined in the Charter of the Nomination & Remuneration Committee. Those of the local Nomination and Remuneration Committee are outlined in the General Governance manual of ING Luxembourg SA and in the charter of the Nomination and Remuneration Committee.

Quantitative information

Remuneration of Identified Staff at ING Luxembourg SA in relation to performance year 2020.

Number of Identified Staff: 17

Annual fixed Remuneration granted (benefits excluded)	: € 3.059.053
Variable Remuneration granted	: € 780.160

Number of Identified Staff with total 2020 remuneration above € 1.000.000	: none
Reduced amount through performance adjustment (holdback/clawback)	: none