

2020 Pillar III Report

Nationale-Nederlanden Bank N.V.

Pillar III information

Pillar III

Introduction

The Pillar III disclosures are prepared in accordance with the CRR and CRD IV as required by DNB. The CRR and CRD IV are legally enforced by Dutch law under Wft (Financial Supervision Act). The NN Bank Disclosure Committee, responsible for all NN Bank disclosures, assesses the accuracy of the content before reporting to the NN Bank Supervisory Board for final approval. This report has not been audited by NN Bank's external auditor.

Regulatory framework

Basel Committee on Banking Supervision (BCBS) Revised Pillar III framework (RPF)

With respect to market information disclosures, the Basel Committee on Banking Supervision (BCBS) announced in 2014 its ambition to revise and consolidate the Pillar III disclosure requirements. It started as a two-phase programme but was extended with a third phase in 2017 to include disclosure requirements arising from the Committee's ongoing finalisation of the Basel III reforms. The revised Pillar III framework (RPF) is the result of an extensive review of Pillar III reports, in which the existing Pillar III disclosure requirements are superseded. The result applies to internationally active banks at the highest consolidated level.

EBA guidelines on disclosure requirements

In order to be legally binding, the RPF templates need to be transposed for European institutions into EU requirements by EBA as per Part Eight of EU Regulation No 575/2013 (EBA GL/2016/11). Within the Guidelines, the EBA adjusted the Revised Pillar III templates to include EU specificities, for instance in terms of exposure classes or concepts used, 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. The EBA guidelines apply from 31 December 2017 and largely apply only to G-SIIs and O-SIIs.

Although NN Bank is not required to follow most of the RPF or EBA guidelines for Pillar III disclosures, it chooses to provide Pillar III disclosures to provide further insight into its risk profile as appropriate. Several additional disclosures are made of NN Bank's own accord with a view to providing a deeper understanding of the Bank's risk position. Please find below the navigation tables to help find the disclosures of interest.

EBA grouping (575/2013)	Tables and templates	Relevant regulation
Capital Requirements	KM1 – Key metrics (at consolidated group level)	BCBS RPF
	EU OV1 – Overview of RWAs	EBA 2016/11
Own funds	Own funds / Transitional Own funds	EU 1423/2013
	Capital instruments main features	EU 1423/2013
Unencumbered assets	A – Assets	EBA 2017/03
	B – Collateral Received	EBA 2017/03
	C – Encumbered assets / collateral received and associated liabilities	EBA 2017/03
Leverage ratio	LRSum – Summary comparison of accounting assets vs leverage ratio exposure measure	EU 2016/200
	LRCOM – Leverage ratio common disclosure template	EU 2016/200
Liquidity and Funding	Liquidity buffer	Add'l disclosure
	Funding Mix and strategy	Add'l disclosure
	EU LIQ1 – Liquidity Coverage Ratio (LCR)	EBA 2017/01
	LIQ 2 – Net Stable Funding Ratio (NSFR)	BCBS RPF
Credit risk and general information on CRM	Risk measures	Add'l disclosure
	Net loan to indexed value	Add'l disclosure
	Regional breakdown of mortgage exposures	Add'l disclosure
	EU CR1-A – Credit quality of exposures by exposure class and instrument	EBA 2016/11
	EU CR1-E – Non-performing and forborne exposures	EBA 2016/11
	EU CR2-A – Changes in the stock of general and specific credit risk adjustments	EBA 2016/11
	EU CR2-B – Changes in the stock of defaulted and impaired loans and debt securities	EBA 2016/11
	EU CR3 – Extent of the use of CRM techniques	EBA 2016/11
	EU CR4 – Standardised approach – Credit risk exposure and CRM effects	EBA 2016/11
EU CR5 – Standardised approach – breakdown of exposures by asset class and risk weight	EBA 2016/11	
Remuneration	EU CRB-B – Total and average net amount of exposures	EBA 2016/11
	Remuneration (reference to external document)	EBA 2016/11

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Capital Requirements

This section includes overall information on capital and RWA. The BCBS-specified KM1 Key risk metrics table is not included in EBA Guidelines but presented voluntarily, as is the EU OV1 template completed below.

KM1 Key risk metrics (BCBS)

		4Q 2020	3Q 2020	2Q 2020	1Q 2020
Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	1,047	1,137	1,078	1,075
1a	Fully loaded ECL accounting model				
2	Tier 1	1,047	1,137	1,078	1,075
2a	Fully loaded ECL accounting model Tier 1				
3	Total capital	1,132	0	0	0
3a	Fully loaded ECL accounting model total capital				
Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	6,001	6,035	5,947	5,873
Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	17.4%	17.4%	16.7%	16.9%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)				
6	Tier 1 ratio (%)	17.4%	17.4%	16.7%	16.9%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)				
7	Total capital ratio (%)	18.9%	18.9%	18.1%	18.3%
7a	Fully loaded ECL accounting model total capital ratio (%)				
Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.500%	2.500%	2.500%	2.500%
9	Countercyclical buffer requirement (%)	0%	0%	0%	0%
10	Bank G-SIB and/or D-SIB additional requirements (%)	n/a	n/a	n/a	n/a
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.500%	2.500%	2.500%	2.500%
12	CET1 available after meeting the bank's minimum capital requirements (%)				
Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure	25,907	24,429	25,019	24,816
14	Basel III leverage ratio (%) (row 2 / row 13)	4.0%	4.1%	4.0%	4.0%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row13)				
Liquidity Coverage Ratio					
15	Total HQLA ¹	3,103	3,102	3,148	3,051
16	Total net cash outflow ¹	1,965	1,973	2,021	1,973
17	LCR ratio (%) ¹	159%	158%	156%	154%
Net Stable Funding Ratio					
18	Total available stable funding	* 22,961	* 22,945	* 21,892	* 22,006
19	Total required stable funding	* 17,333	* 17,154	* 16,840	* 17,171
20	NSFR ratio	132%	134%	130%	128%

1 15, 16, 17 Reported figures are averages of 12 monthly reporting observations.

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EU OV1 Overview of RWA (EBA template)

NN Bank's RWA is composed of RWA for credit risk and operational risk. NN Bank does not have a trading book, and therefore no RWA for market risk is required under Pillar I. The RWA for operational risk is based on the Standardised Approach.

		RWA	
		2020	2019
1	Credit risk (excluding counterparty credit risk)	5,426	5,322
2	Of which: standardised approach (SA)	5,426	5,322
3	Of which: foundation internal ratings-based (F-IRB) approach		
4	Of which: advanced internal ratings-based (A-IRB) approach		
5	Of which equity IRB under the simple risk-weighted approach or the IMA		
6	Counterparty credit risk (CCR)	7	11
7	Of which mark to market		
8	Of which original exposure		
9	Of which the standardised approach	7	8
10	Of which internal model method (IMM)		
11	Of which risk exposure amount for contributions to the default fund of a CCP		
12	Of which CVA	1	2
13	Settlement risk	0	0
14	Securitisation exposures in banking book (after the cap)	5	5
15	Of which IRB approach		
16	Of which IRB supervisory formula approach (SFA)		
17	Of which internal assessment approach (IAA)		
18	Of which standardised approach	5	5
19	Market risk	0	0
20	Of which standardised approach	0	0
21	Of which IMA	0	0
22	Large exposures	0	0
23	Operational risk	563	556
24	Of which basic indicator approach	0	0
25	Of which standardised approach	563	556
26	Of which advanced measurement approach	0	0
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	0	0
28	Floor adjustment	0	0
29	Total (1 + 6 + 13 + 14 + 19 + 22 + 23 + 27 + 28)	6,001	5,894

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Own funds

As of 31 December 2017 institutions are required – pursuant to Article 492(3) of Regulation (EU) No 575/2013 – to complete and publish the Own Funds Disclosure Template in Annex IV of same, as is provided below. This disclosure requirement applies to all institutions, including those not classified as G-SII or O-SII.

Own funds disclosure (EU template)

		Amounts	Regulation (EU) No 575/2013 Article Reference
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	491.0	(h)
2	Retained earnings	578.7	
3	Accumulated other comprehensive income (and other reserves)	2.5	
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)	0	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	0	
6	Common Equity Tier 1 capital before regulatory adjustments	1,072.2	
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudent valuation adjustments	-0.8	
8	Goodwill (net of related tax liability)	0	(a) minus (d)
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	-24.7	(b) minus (e)
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	0	
11	Cash flow hedge reserve	0	
12	Shortfall of provisions to expected losses	0	
13	Securitisation gain on sale (as set out in paragraph 36 of Basel III securitisation framework ²⁵)	0	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0	
15	Defined benefit pension fund net assets	0	
16	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	0	
17	Reciprocal cross-holdings in common equity	0	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	0	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	
20	Mortgage servicing rights (amount above 10% threshold)	0	(c) minus (f) minus 10% threshold
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	0	
22	Amount exceeding the 15% threshold	0	
23	Of which: significant investments in the common stock of financials	0	
24	Of which: mortgage servicing rights	0	
25	Of which: deferred tax assets arising from temporary differences	0	
26	National specific regulatory adjustments	0	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	0	
28	Total regulatory adjustments to Common Equity Tier 1	-25.5	
29	Common Equity Tier 1 capital (CET1)	1,046.6	
Additional Tier 1 capital: instruments			
30	Directly issued qualifying additional Tier 1 instruments plus related stock surplus	0	(i)
31	Of which: classified as equity under applicable accounting standards	0	
32	Of which: classified as liabilities under applicable accounting standards	0	
33	Directly issued capital instruments subject to phase-out from additional Tier 1	0	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	0	
35	Of which: instruments issued by subsidiaries subject to phase-out	0	
36	Additional Tier 1 capital before regulatory adjustments	0	
Additional Tier 1 capital: regulatory adjustments			
37	Investments in own additional Tier 1 instruments	0	
38	Reciprocal cross-holdings in additional Tier 1 instruments	0	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	0	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	0	
41	National specific regulatory adjustments	0	

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42	Regulatory adjustments applied to additional Tier 1 due to insufficient Tier 2 to cover deductions	0
43	Total regulatory adjustments to additional Tier 1 capital	0
44	Additional Tier 1 capital (AT1)	0
45	Tier 1 capital (T1 = CET1 + AT1)	1,046.6
Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	85.0
47	Directly issued capital instruments subject to phase-out from Tier 2	0
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	0
49	Of which: instruments issued by subsidiaries subject to phase-out	0
50	Provisions	0
51	Tier 2 capital before regulatory adjustments	85.0
Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	0
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities	0
54	Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	0
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)	0
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0
56	National specific regulatory adjustments	0.0
57	Total regulatory adjustments to Tier 2 capital	0.0
58	Tier 2 capital (T2)	85.0
59	Total regulatory capital (TC = T1 + T2)	1,131.6
60	Total risk-weighted assets	6,001.4
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	17.4%
62	Tier 1 (as a percentage of risk-weighted assets)	17.4%
63	Total capital (as a percentage of risk-weighted assets)	18.9%
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)	0.0%
65	Of which: capital conservation buffer requirement	0.0%
66	Of which: bank-specific countercyclical buffer requirement	0.0%
67	Of which: higher loss absorbency requirement	0.0%
68	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements	8.0%
National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	n/a
70	National Tier 1 minimum ratio (if different from Basel III minimum)	n/a
71	National total capital minimum ratio (if different from Basel III minimum)	n/a
Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital and other TLAC liabilities of other financial entities	n/a
73	Significant investments in the common stock of financial entities	n/a
74	Mortgage servicing rights (net of related tax liability)	n/a
75	Deferred tax assets arising from temporary differences (net of related tax liability)	n/a
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	n/a
77	Cap on inclusion of provisions in Tier 2 under standardised approach	n/a
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	n/a
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	n/a
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase-out arrangements	n/a
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	n/a
82	Current cap on AT1 instruments subject to phase-out arrangements	n/a
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	n/a
84	Current cap on T2 instruments subject to phase-out arrangements	n/a
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	n/a

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Capital instruments main features (EU template)

In line with EU Implementing Regulation 1423/2013, institutions shall disclose the main features of their capital instruments following templates provided in Annex II. A set of these templates – one for each category of regulatory capital – is presented below. This table resembles BCBS template CCA to a large extent.

		Quantitative / qualitative information			
		1. EUR 30 mln	2. EUR 15 mln	3. EUR 25 mln	4. EUR 15 mln
1	Issuer	NN Bank N.V.	NN Bank N.V.	NN Bank N.V.	NN Bank N.V.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	n/a	n/a	n/a	n/a
3	Governing law(s) of the instrument	Dutch law	Dutch law	Dutch law	Dutch law
4	Regulatory treatment				
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated				
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	30	15	25	15
9	Nominal amount of instrument	1	1	1	1
9a	Issue price	100%	100%	100%	100%
9b	Redemption price	100%	100%	100%	100%
10	Accounting classification				
11	Original date of issuance	26/2/2020	25/6/2019	25/9/2019	24/2/2017
12	Perpetual or dated	Dated	Dated	Dated	Dated
13	Original maturity date	26/2/2030	26/6/2029	26/9/2029	27/2/2027
14	Issuer call subject to prior supervisory approval	In case of bankruptcy or liquidation	In case of bankruptcy or liquidation	In case of bankruptcy or liquidation	In case of bankruptcy or liquidation
15	Optional call date, contingent call dates and redemption amount				
16	Subsequent call dates, if applicable	26/2/2025	26/6/2024	26/9/2024	27/2/2022
	Coupons / dividends				
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	1.29%	1.83%	1.38%	3.02%
19	Existence of a dividend stopper				
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)				
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)				
21	Existence of step-up or other incentive to redeem				
22	Non-cumulative or cumulative				
23	Convertible or non-convertible	Non convertible	Non convertible	Non convertible	Non convertible
24	If convertible, conversion trigger(s)				
25	If convertible, fully or partially				
26	If convertible, conversion rate				
27	If convertible, mandatory or optional conversion				
28	If convertible, specify instrument type convertible into				
29	If convertible, specify issuer of instrument it converts into				
30	Writedown features				
31	If writedown, writedown trigger(s)				
32	If writedown, full or partial				
33	If writedown, permanent or temporary				
34	If temporary write-own, description of writeup mechanism				
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)				
36	Non-compliant transitioned features				
37	If yes, specify non-compliant features				

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Unencumbered assets

Section 4.12 of Regulation (EU) 575/2013 references the requirement for institutions to disclose encumbered and unencumbered assets as specified in EBA Guidelines 2014/03. This disclosure requirement applies to all institutions, including those not classified as G-SII or O-SII. The relevant tables are provided below.

A – Assets (EBA template)

Amounts in thousands of euros		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
		010	040	060	090
010	Assets of the reporting institution	5,747,362	0	17,814,179	0
030	Equity instruments	0	0	0	0
040	Debt securities	0	0	939,911	801,632
120	Other assets	0	0	989,386	0

B – Collateral received (EBA template)

Amounts in thousands of euros		Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities available for encumbrance
		010	040
130	Collateral received by the reporting institution	0	0
150	Equity instruments	0	0
160	Debt securities	0	0
230	Other collateral received	0	0
240	Own debt securities issued other than own covered bonds or ABSs	0	0

C - Encumbered assets / collateral received and associated liabilities (EBA template)

Amounts in thousands of euros		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		010	030
010	Carrying amount of selected financial liabilities	4,935,648	5,250,832

Leverage ratio

Section 4.15 of Regulation (EU) 575/2013 references the requirement for institutions to disclose information related to leverage ratio as specified in Commission Implementing Regulation (EU) No 2016/200. This disclosure requirement applies to all institutions, including those not classified as G-SII or O-SII. The relevant templates contained in the Regulation are presented below.

LRSum Summary comparison of accounting assets vs leverage ratio exposure measure (EU requirement)

		a
1	Total consolidated assets as per published financial statements	25,491
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	0
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0
4	Adjustments for derivative financial instruments	0
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	0
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	0
7	Other adjustments	416
8	Leverage ratio total exposure measure	25,907

LRcom Leverage ratio common disclosure template (EU requirement)

Amounts in millions of euros		2020
	On-balance sheet exposures (excluding derivatives and securities financing transactions SFTs)	
1	On-balance sheet exposures (excluding derivatives, securities financing transactions (SFTs) and fiduciary assets, but including collateral)	25,055
2	(Asset amounts deducted in determining Tier 1 capital)	-25
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	25,030
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	226
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	75
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	Total derivative exposures (sum of rows 4 to 10)	301
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	CCR exposure for SFT assets	0
15	Agent transaction exposures	0
16	Total securities financing transaction exposures (sum of rows 12 to 15)	0
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	576
18	(Adjustments for conversion to credit equivalent amounts)	0
19	Off-balance sheet items (sum of rows 17 and 18)	576
	Capital and total exposures	
20	Tier 1 capital	1,047
21	Leverage ratio total exposure measure (sum of rows 3, 11, 16 and 19)	25,907
	Leverage ratio	
22	Leverage ratio	4.0%

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Liquidity and Funding

This section jointly addresses requirements and recommendations around Liquidity and Funding, with the former subject to EBA and BCBS guidelines which are addressed through relevant templates below. Additional disclosures around funding are made voluntarily.

Liquidity buffer (Additional disclosure)

Liquidity risk is defined as the risk that NN Bank cannot refinance its assets against a reasonable price (funding liquidity risk) or cannot meet its financial liabilities when they come due, at reasonable cost and in a timely manner (market liquidity risk).

NN Bank aims for prudent liquidity risk management, to ascertain that sufficient liquidity is maintained in order to ensure safe and sound operations in all circumstances. NN Bank maintains a liquidity position with conservative internal targets and a robust liquidity buffer. On a daily basis, the liquidity position has to be sufficient to meet NN Bank's short-term obligations. The position is managed by maintaining sufficient liquid investments and the capacity to generate additional cash.

Sources that have a predictable value and that can be transferred to cash within a short period of time are part of the internal liquidity buffer. The internal liquidity buffer (per ultimo 2020) consists of:

- Unencumbered eligible assets: all eligible assets for ECB standing facilities (excl. emergency facilities)
 - Investment portfolio
 - Retained RMBS notes
- Committed credit lines (unused portion)
- Cash/balance bank account

Funding strategy (Additional disclosure)

NN Bank is a retail mortgage bank funded largely by customer deposits. Therefore, it is particularly exposed to developments related to customer trust, the housing market, consumer saving/spending, wholesale funding, funding requirements of other banks and government/regulatory measures related to these areas.

The largest part of NN Bank's funding consists of retail funding. NN Bank has, in addition to savings deposits, two major funding sources available: Whole loan sales and Long-term secured/unsecured funding. In the table below, the composition of the funding mix per ultimo 2020 is shown.

Funding mix (Additional disclosure)

	2020	2019
Retail funding (consist of savings/deposits and bank annuities)	68%	68%
Wholesale funding (long-term)	25%	25%
Equity and Tier 2	5%	4%
Other liabilities	2%	3%
Total	100%	100%

Under EBA Guidelines 2017/01 institutions are required to disclose LCR-related information using the EU LIQ1 template specified in same, which is disclosed below. In addition, a simplified LIQ2 NSFR template as specified in BCBS RPF is provided as well. Note that the numbers in the EU LIQ1 template below are averages over the immediate twelve-month period preceding the quarters shown.

EU LIQ1 Liquidity Coverage Ratio (LCR) (EBA template)

Amounts in millions of euros

Number of data points used in the calculation of averages Quarter	12	12	12	12
	4Q 2020	3Q 2020	2Q 2020	1Q 2020
Liquidity buffer	3,103	3,102	3,148	3,051
Net liquidity outflow	1,965	1,973	2,021	1,973
Liquidity coverage ratio (%)	159%	158%	156%	154%

Reported figures are averages of 12 monthly reporting observations.

LIQ2 Net Stable Funding Ratio (NSFR) (BCBS RPF)

Amounts in millions of euros	4Q 2020	3Q 2020	2Q 2020	1Q 2020
Available stable funding	22,961	22,945	21,892	22,006
Required stable funding	17,333	17,154	16,840	17,171
Net Stable Funding Ratio (%)	132%	134%	130%	128%

Credit risk and general information on CRM

The disclosures in this section are based on Sections 4.8 (Credit risk and general information on CRM) and 4.9 (Credit risk and CRM in the standardised approach) of the EBA Guidelines 2016/11. None of the templates provided therein are mandatory for NN Bank as a non-SII institution; nevertheless, a selection of relevant tables is completed in this section, some of which are 'free-form' additional disclosures not expressly stipulated in regulatory templates.

Covid-19

In response to the Covid-19 pandemic and government lockdown in European countries in general, and in the Netherlands in particular, NN Bank offers a 1 to 6 months payment holiday for clients facing financial difficulties due to Covid-19. New EBA guidelines create possibilities to leave the reported customer's credit quality unchanged in the case a Covid-19 related payment holiday is offered. In order to be eligible for such an exemption, payment measures must be offered to a large group of customers without specific acceptance criteria. Such payments agreements are referred to as payment moratoria. For NN Bank, and the Dutch residential mortgage market as a whole, a payment moratorium does not exist. Consequentially, clients who are offered a payment holiday are classified as forbore and placed in stage 2, as is the case with regular (not Covid-19 specific) payment holidays. The further impact of Covid-19 on the Dutch economy remains uncertain. Yet it is plausible that more customers will contact NN Bank in 2021 for financial support due to the continuous measures taken by the government to stop the spread of the Covid-19 virus.

Clients who contacted NN Bank regarding financial problems due to Covid-19 make up 1.0% of the mortgage portfolio and 0.8% of the mortgage portfolio were granted a payment holiday. For the consumer lending portfolio, 0.4% of the portfolio was granted a payment holiday. The majority of clients who were granted a payment holiday have recovered (82%) showing that the impact of Covid-19 on the credit quality of our mortgage portfolio was limited in 2020, 14% has an active payment holiday, and 4% shows structural payment problems for which the NN Bank arrears management policy applies. It is worth mentioning that 73% of the customers who received a payment break are self-employed.

Risk measures (Additional disclosure)

Amounts in thousands of euros	Mortgages		Consumer Loans		Mortgages & Consumer Loans	
	2020	2019	2020	2019	2020	2019
Balance amount	20,025,360	19,555,273	136,620	181,064	20,161,980	19,736,338
% Non-performing Loans	0.6%	0.4%	9.0%	7.0%	0.6%	0.5%
Probability of Default IBNR (Regulatory)	0.6%	0.5%	1.6%	1.8%	0.6%	0.5%
Loss Given Default (IAS)	1.7%	2.1%	54.7%	54.9%	2.1%	2.6%
Risk costs	4,649	-1,402	-726	322	3,924	-1,080
SA Risk Weight	26%	26%	76%	76%	27%	27%

The risk measures of 2020 in the table above do not yet reflect the new regulatory guidelines on the definition of default, however, the impact is already taken into account in the risk costs calculations. The loan loss provisions increased by EUR 4.7 million to EUR 25.3 million mainly due to the new regulatory guidelines on 'Definition of Default'. The Covid-19 pandemic leads to a limited increase in provisions. The increase in provisions is partly offset by a strong house price increase in 2020 (8.1%). The increase in the non-performing loans ratio is mainly due to the impact of the Covid-19 pandemic.

Net loan to indexed value (Additional disclosure)

Numbers are based on the mortgage portfolio per ultimo 2020. The net loan to indexed value is the remaining balance divided by the market value of the primary cover which is indexed to reporting date from the most recent valuation date. Secondary covers are added to the primary cover value.

	2020	2019
<80%	51%	46%
80% – 90%	9%	10%
>90% – 100%	5%	7%
> 100%	1%	3%
NHG <= 90%	30%	28%
NHG > 90%	4%	5%
Total	100%	100%

Pillar III information Continued

Region (Additional disclosure)

Numbers are based on the mortgage portfolio per ultimo 2020.

	Mortgages	
	2020	2019
Drenthe	2%	2%
Flevoland	3%	3%
Friesland	3%	3%
Gelderland	11%	11%
Groningen	3%	3%
Limburg	5%	4%
Noord-Brabant	15%	15%
Noord-Holland	16%	16%
Overijssel	5%	5%
Utrecht	8%	8%
Zeeland	2%	2%
Zuid-Holland	27%	27%

EU CR1-A Credit quality of exposures by exposure class and instrument (EBA template)

Amounts in thousands of euros	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Net values
	Defaulted exposures	Non-defaulted exposures				
Central governments or central banks	0	2,781,042	0	-45	0	2,780,997
Regional governments or local authorities	0	99,157	0	-8	0	99,149
Public sector entities	0	56,698	0	0	0	56,698
Multilateral development banks	0	15,313	0	0	0	15,313
International organisations	0	15,398	0	0	0	15,398
Institutions	0	388,945	0	-17	0	388,928
Corporates	0	105,797	0	0	0	105,797
of which: SMEs	0	0	0	0	0	0
Retail	0	142,972	0	-11,481	0	131,491
of which: SMEs	0	0	0	0	0	0
Secured by mortgages on immovable property	0	21,373,772	0	-13,783	0	21,359,989
of which: SMEs	0	0	0	0	0	0
Exposures in default	132,292	0	0	0	-1,834	132,292
Covered Bonds	0	608,014	0	-14	0	608,000
Other exposures	0	947,903	0	0	0	947,903
Total standardised approach	132,292	26,535,012	0	-25,348	-1,834	26,641,956
Total	132,292	26,535,012	0	-25,348	-1,834	26,641,956
Of Which: Loans	132,185	20,354,878	0	-25,264	-1,834	20,461,799
Of Which: Debt Securities	0	933,418	0	-84	0	933,334
Of Which: Off-balance sheet exposures	107	1,161,866	0	0	0	1,161,972

EU CR1-E Non-performing and forborne exposures (EBA template)

	Gross carrying values of performing and non-performing exposures	Non-performing					
		Performing		Non-performing			
		Of which past due >30 days and <=90 days	of which forborne	Of which defaulted	Of which impaired	of which: forborne	
12/31/2020							
Debt Securities	933,418	0	0	0	0	0	
Loans and advances	20,487,063	44,629	130,596	132,185	132,185	67,474	
Off-balance sheet exposures	1,161,972	0	0	107	107	0	

Pillar III information Continued

	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		On non-performing exposures		Collaterals and financial guarantees received		Of which forborne exposures
					On non-performing exposures	Of which forborne	
	On performing exposures	of which: forborne	On non-performing exposures	of which: forborne	On non-performing exposures		
12/31/2020							
Debt Securities	-84	-84	0	0	0	0	0
Loans and advances	-25,264	-5,373	-990	-19,891	-8,215	111,419	59,234
Off-balance sheet exposures	0	0	0	0	0	0	0

EU CR2-A Changes in the stock of general and specific credit risk adjustments (EBA template)

		Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
1	Opening balance	0	20,612
2	Increases due to amounts set aside for estimated loan losses during the period	0	668
3	Decreases due to amounts reversed for estimated loan losses during the period	0	-3,056
4	Decreases due to amounts taken against accumulated credit risk adjustments	0	0
5	Transfers between credit risk adjustments	0	7,947
6	Impact of exchange rate differences	0	0
7	Business combinations, including acquisitions and disposals of subsidiaries	0	0
8	Other adjustments	0	-907
9	Closing balance	0	25,264
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	0	2,182
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	0	-1,834

EU CR2-B Changes in the stock of defaulted and impaired loans and debt securities (EBA template)

		Gross carrying value defaulted exposures
1	Opening balance	91,335
2	Loans and debt securities that have defaulted or impaired since the last reporting period	71,000
3	Returned to non-defaulted status	-31,078
4	Amounts written off	-37,749
5	Other changes	38,678
6	Closing balance	132,185

EU CR3 Extent of the use of CRM techniques (EBA template)

Amounts in thousands of euros	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees
Loans	983,593	13,940,534	5,562,936
Debt securities	325,404	608,014	0
Total	1,308,997	14,548,548	5,562,936
Of which defaulted	20,766	84,262	27,157

EU CR4 Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects (EBA template)

Amounts in thousands of euros	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Central governments or central banks	2,781,042	0	8,206,568	57,778	0	0%
Regional government or local authorities	99,157	0	99,149	0	0	0%
Public sector entities	56,698	0	56,692	0	0	0%
Multilateral development banks	15,313	0	15,312	0	0	0%
International organisations	15,398	0	15,396	0	0	0%
Institutions	388,945	0	388,945	0	23,837	6%
Corporates	105,797	0	105,797	0	105,797	100%
of which: SMEs	0	0	0	0	0	
Retail	124,750	18,222	122,582	9,111	98,770	75%
of which: SMEs	0	0	0	0	0	
Secured by mortgages on immovable property	20,081,036	1,292,735	13,049,952	479,011	5,000,431	37%
of which: SMEs	0	0	0	0	0	
Exposures in default	132,185	107	85,933	91	86,606	101%
Covered Bonds	608,014	0	608,000	0	60,800	10%
Other items	947,903	0	947,903	0	56,511	6%
Total	25,356,240	1,311,064	23,702,229	545,991	5,432,751	22%

EU CR5 Standardised approach – exposures by asset classes and risk weights (EBA template)

Amounts in thousands of euros	Risk weight class									
	0%	2%	10%	20%	35%	50%	75%	100%	150%	Total credit exposures amount (post CCF and post-CRM)
Central governments or central banks	8,264,346	0	0	0	0	0	0	0	0	8,264,346
Regional government or local authorities	99,149	0	0	0	0	0	0	0	0	99,149
Public sector entities	56,692	0	0	0	0	0	0	0	0	56,692
Multilateral development banks	15,312	0	0	0	0	0	0	0	0	15,312
International organisations	15,396	0	0	0	0	0	0	0	0	15,396
Institutions	0	299,736	0	89,209	0	0	0	0	0	388,945
Corporates	0	0	0	0	0	0	0	105,797	0	105,797
of which: SMEs	0	0	0	0	0	0	0	0	0	0
Retail	0	0	0	0	0	0	131,693	0	0	131,693
of which: SMEs	0	0	0	0	0	0	0	0	0	0
Secured by mortgages on immovable property	0	0	0	0	12,890,711	0	598,276	39,975	0	13,528,962
of which: SMEs	0	0	0	0	0	0	0	0	0	0
Exposures in default	0	0	0	0	0	0	0	84,859	1,164	86,024
Covered Bonds	0	0	608,000	0	0	0	0	0	0	608,000
Other items	891,392	0	0	0	0	0	0	56,511	0	947,903
Total	9,342,288	299,736	608,000	89,209	12,890,711	0	729,969	287,142	1,164	24,248,220

EU CRB-B – Total and average net amount of exposures

		Net value of exposures at the end of the period	Average net exposures over the period
SA approach			
1	Central governments or central banks	8,264,346	7,465,338
2	Regional governments or local authorities	99,149	157,547
3	Public sector entities	56,692	90,273
4	Multilateral development banks	15,312	20,371
5	International organisations	15,396	16,147
6	Institutions	388,945	469,860
7	Corporates	105,797	58,545
8	of which: SMEs	0	0
9	Retail	131,693	704,317
10	of which: SMEs	0	0
11	Secured by mortgages on immovable property	13,528,962	12,706,576
12	of which: SMEs	0	0
13	Exposures in default	86,024	87,284
14	Covered Bonds	608,000	1,057,541
15	Other exposures	947,903	909,199
16	Total SA approach	24,248,220	23,742,998
17	Total	24,248,220	23,742,998

Remuneration

Disclosure of remuneration is governed by Section 4.14 (Remuneration) of EBA Guidelines 2016/11 and is mandatory for all institutions including those not classified as SIs, further specified in the regulation referenced therein.

For the disclosure on the required remuneration, reference is made to the relevant report, 'Capital Requirements Regulation (CRR) 2020 Remuneration Disclosure Nationale-Nederlanden Bank N.V. ('NN Bank')', which is disclosed on the NN website (<https://www.nn.nl>).

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Disclaimer

Small differences are possible in the tables due to rounding.

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Any forward-looking statements made by or on behalf of NN Bank in this Pillar III Report speak only as of the date they are made, and, NN Bank assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason.

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