Van Lanschot Kempen Pillar 3 disclosures 2020

VAN LANSCHOT KEMPEN

Contents

Introduction

The group

Van Lanschot Kempen is the oldest independent financial institution in the Netherlands. Our history is deeply intertwined with the history of the Low Countries and the people that represent them. Founded originally in Antwerp in the 17th century, Van Lanschot Kempen has brought several entities together over time; the common thread that links us all is trade.

Our purpose is the preservation and creation of wealth, in a sustainable way, for our clients and the society we serve.

As a wealth manager, Van Lanschot Kempen builds on the experience of its core activities, operating under the strong brand names Van Lanschot, Evi van Lanschot and Kempen.

Pillar 3 disclosures

The Basel Accord contains minimum standards for capital adequacy, liquidity and leverage, and consists of three pillars:

1

Pillar 1 contains minimum capital requirements for credit risk, market risk and operational risk. Banks may choose from a variety of approaches to calculate the minimum capital requirement for these three risk types. Some of these approaches use internal models, which have to be approved by the authorities before they may be used.

2

The second pillar covers all risks that are not covered in Pillar 1, such as interest rate risk in the banking book and concentration risk. Under Pillar 2, we assess our capital requirement for the complete risk universe.

3

Pillar 3, finally, contains requirements for risk disclosures. In the EU, the Basel Accord has been implemented in the Capital Requirements Directive[1] (CRD) and the Capital Requirements Regulation[2] (CRR). The Pillar 3 requirements are incorporated in Part Eight of the CRR.

Our Pillar 3 disclosures take the shape of a main document and an appendix that provides additional information about the risks we incur and the way we manage them. If the disclosure format does not align well with the tabular approach taken in the main document, this information is provided in the appendix. The Pillar 3 disclosures are intended as an additional source of information to supplement our annual report.

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[1] Directive 2013/36/EU

[2] Regulation (EU) No 575/2013

Article 435 – Risk management objectives

Article	Explanation
435 1 (a) – Strategies and processes to manage risks	The Statutory Board is responsible for both devising and executing the bank's strategy, and for ensuring the proper processes that safeguard its liquidity and capital position. We seek to achieve a solid risk profile, expressed in transparent risk levels coupled with robust liquidity and capital positions. We evaluate our risk appetite annually, and this is then communicated in a risk appetite statement containing both qualitative and quantitative elements. Our risk appetite represents our willingness to accept the risk of particular losses or decreasing buffers, and as such sets our operating boundaries. We use the loss absorption capacity (maximum acceptable level of losses) for the calibration of these boundaries. The statement is prepared by the Statutory Board and is subject to the Supervisory Board's approval.
435 1 (b) – Structure and organisation of risk management	We apply the "three lines of defence" model for the management of risks. The first line of defence is the business, which is responsible for the day-to-day management of risks. The second line of defence is provided by departments such as Group Risk Management and Compliance, which oversee the first line of defence. Group Audit acts as the third line of defence, providing an independent opinion on the adequacy of the internal management and control system. To ensure the various risk types are managed properly, the Statutory Board has set up the following risk committees: the Group Risk Committee, Asset and Liability Committee, Credit Risk Committee, Market Risk Committee and the Compliance and Operational Risk Committee.
435 1 (c) – Scope and nature of risk reporting and measurement systems	Our risk reporting and measurement systems focus on the risk run by the institution, as discussed in the risk management section of our annual report.
435 1 (d) – Policies for hedging and mitigating risk	Principally, we fully hedge FX risk within a limited time frame and strict limits are applicable. Equity risks are managed within the applicable (limited) delta limits. The vast majority of delta risks are hedged. Risks deriving from equity markets (e.g. volatility, dividend and correlation) are managed within strict limits. Interest rate risks in the trading book are almost fully hedged. The overall risks of the equity-related portfolios are limited via VaR calculations and scenario analyses. We manage interest rate risk according to our interest rate risk in the banking book (IRRBB) policy. Responsibility for IRRBB management has been delegated by the Executive Board to the Asset & Liability Committee (ALCO).
435 1 (e) – Declaration approved by the management body on the adequacy of risk management arrangements	The Statutory Board states with reasonable assurance that the internal risk management and control systems for financial reporting have functioned at an adequate level and that Van Lanschot Kempen's financial reporting is free of material misstatement. The Statutory Board bases this statement, among other things, on an analysis of the financial reporting risks and in-control statements provided by the management of the relevant departments.
435 1 (f) – Concise risk statement on overall risk profile associated with the business strategy	We comply with the Banking Code. As required by the Banking Code, we have drawn up a concise risk appetite statement, which has been approved by both the Statutory Board and the Supervisory Board. The Statutory Board states with reasonable assurance that, in 2020, the internal risk management and control systems functioned at an adequate level.
435 2 (a) – Number of directorships held by members of the managing board	Significant supervisory board memberships and board positions of members of the Executive Board and the Supervisory board are disclosed in our annual report.
435 2 (b) – Recruitment policy for the selection of board members	We have a policy on the recruitment of staff in place, as well as specifications of the knowledge and skills required of board members. This information can be found on our corporate website: vanlanschotkempen.com/management-supervision.
435 2 (c) – Policy on diversity with regard to selection of members of the management body, the objectives, targets, and the extent to which these objectives and targets have been achieved	Our policy on diversity is incorporated in the "Diversity Policy Supervisory Board and Executive Board": vanlanschotkempen.com/management-supervision.
435 2 (d) – Whether or not the institution has set up a separate risk committee and the number of times the risk committee has met	Van Lanschot Kempen's Statutory Board has a Group Risk Management Committee in place. This committee met four times during 2020. The Supervisory Board has instated a Risk Committee, which met three times in 2020. More "technical" issues were discussed in the Asset and Liability Committee, Credit Risk Committee, Market Risk Committee, and the Compliance and Operational Risk Committee.
435 2 (e) – Description of the information flow on risk to the management body	Details of the flow of information to the management body are incorporated in the risk management section of our annual report.

Article 436 – Scope of application

Article	Explanation
436 (a) – Name of the institution to which the CRR applies	The Pillar 3 disclosures are based on the 2020 annual report of Van Lanschot Kempen NV.
436 (b) – Outline of the differences in the basis of consolidation for accounting and prudential purposes, with a brief description of the entities therein, explaining whether they are: (i) fully consolidated; (ii) proportionally consolidated; (iii) deducted from own funds; (iv) neither consolidated nor deducted	The scope of consolidation for accounting purposes and prudential purposes is the same, with the exception of non-strategic investments (Holowell Holding). The non-strategic investments are excluded from the prudential consolidation but are included in the accounting consolidation. The entities in scope for prudential purposes are all fully consolidated.
436 (c) – Any current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries	There are no current or foreseen material practical or legal impediments to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries.
436 (d) – The aggregate amount by which the actual own funds are less than required in all subsidiaries not included in the consolidation, and the name or names of such subsidiaries	n/a
436 (e) – If applicable, the circumstance of making use of the provisions laid down in Articles 7 and 9	n/a

Article 437 – Own funds

Article	Explanation
437 (1) (a) – Full reconciliation of CET1, AT1 and T2 items (as well as filters and deductions applied) and the balance sheet in the audited financial statements of the institution	This information can be found in disclosure Table 2b of the appendix to the Pillar 3 report.
437 (1) (b) – Description of the main features of the Common Equity Tier 1, Additional Tier 1 instruments and Tier 2 instruments issued by the institution	This information can be found in disclosure Table 2a of the appendix to the Pillar 3 report.
437 (1) (c) – Full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments	This information can be found in disclosure Table 2a of the appendix to the Pillar 3 report.
437 (1) (d) – Separate disclosure of the nature and amounts of the following: (i) each prudential filter applied pursuant to Articles 32 to 35; (ii) each deduction made pursuant to Articles 36, 56 and 66; (iii) items not deducted in accordance with Articles 47, 48, 56, 66 and 79	This information can be found in disclosure Table 2b of the appendix to the Pillar 3 report.
437 (1) (e) – Description of all restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments, prudential filters and deductions to which those restrictions apply	n/a
437 (1) (f) – Where institutions disclose capital ratios calculated using elements of own funds determined on a basis other than that laid down in this Regulation, a comprehensive explanation of the basis on which those capital ratios are calculated	n/a

Article 438 – Capital requirements

Article	Explanation
438 (a) – Summary of the institution's approach to assessing the adequacy of its internal capital to support current and future activities	Within Van Lanschot Kempen, Risk Management is responsible for monitoring risk and assessing capital adequacy. For this purpose, GRM conducts an annual ICAAP process and monitors the capital position on a monthly basis.
438 (b) – Upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessment process	Van Lanschot Kempen submitted its Internal Capital Adequacy Assessment Process (ICAAP) document to DNB based on the figures as at 31/12/2019. Based on this ICAAP, DNB set the Common Equity Tier 1 requirement for Van Lanschot Kempen at 7.8%.
438 (c) – Capital requirement for exposures measured under the standardised approach	This information is contained in Tables 3a and 3b of the Pillar 3 appendix.
438 (d) – Capital requirement for exposures measured under the internal ratings based approach	This information is contained in Tables 3a and 3b of the Pillar 3 appendix.
438 (e) – Capital requirement for exposures bearing market risk	Please refer to Table 3.3 in the section on risk management of the annual report for an overview of the capital requirements for market risk.
438 (f) – Capital requirement for operational risk	This information is contained in Table 5 of the Pillar 3 appendix.
438 – Capital requirement for specialised lending (IRB approach) and the simple risk weight approach for equities	We use the simple risk weight approach for equities. The capital requirement is disclosed in Table 4 of the Pillar 3 appendix.

Article 439 – Exposure to counterparty credit risk

Article	Explanation
439 (a) – Discussion of the methodology used to assign internal capital and credit limits for counterparty credit exposures	Internal capital is assigned according to the requirements included in the CRR. Limits for financial institutions are set, based on an annual analysis of the creditworthiness of the counterparty. Risk monitoring of positions vis-à-vis financial institutions takes place on a daily basis. There are some limits in place for derivatives trading by private individuals. Limits are granted based on an independent review of the creditworthiness of the counterparty and pledged collateral. The approval and sign-off process becomes more stringent as limits increase.
439 (b) – Discussion of policies for securing collateral and establishing credit reserves	Van Lanschot Kempen has an ISDA agreement in place for all financial counterparties with whom over-the-counter (OTC) derivatives are entered into. Only cash collateral is accepted.
439 (c) – Discussion of policies with respect to Wrong-Way risk exposures	Wrong-way risk is taken into account when setting applicable limits. If there is a positive correlation between two or more risk events, limits will be adjusted downwards to a more conservative level.
439 (d) – Discussion of the impact of the amount of collateral the institution would have to provide given a downgrade in its credit rating	The impact of the additional collateral to be provided in the event of a downgrade is limited. There are no obligations to post additional collateral for current transactions. However some counterparties could require additional collateral to maintain a trading relationship going forward.
439 (e) – Gross positive fair value of contracts, netting benefits, netted current credit exposure, collateral held and net derivatives credit exposure. Net derivatives credit exposure is the credit exposure on derivatives transactions after considering both the benefits from legally enforceable netting agreements and collateral arrangements	Please refer to Table 2.7.A of the annual report.
439 (f) – Measures for exposure value under the methods set out in Part Three, Title II, Chapter 6, Sections 3 to 6 whichever method is applicable	Please refer to Table 6 of the appendix to the Pillar 3 disclosures.
439 (g) – Notional value of credit derivative hedges, and the distribution of current credit exposure by types of credit exposure	We do not have material exposures to credit derivatives.
439 (h) – Notional amounts of credit derivative transactions, segregated between use for the institution's own credit portfolio, as well as in its intermediation activities, including the distribution of the credit derivatives products used, broken down further by protection bought and sold within each product group	We do not have material exposures to credit derivatives.
439 (i) – The estimate of α if the institution has received the permission of the competent authorities to estimate α	n/a

Article 440 – Capital buffers

Article	Explanation
440 (1) (a) – Geographical distribution of its credit exposures relevant for the calculation of its countercyclical capital buffer	The geographical distribution of our loan portfolio is disclosed in Table 7 of the appendix to the Pillar 3 disclosures.
440 (1) (b) – Amount of its institution specific countercyclical capital buffer	The applicable countercyclical capital buffer is disclosed in Table 7 of the appendix to the Pillar 3 disclosures.

Article 441 – Indicators of global systemic importance

Article	Explanation
441 – Indicators of global systemic importance	n/a

Article 442 – Credit risk adjustments

Article	Explanation
442 (a) – Definitions for accounting purposes of “past due” and “impaired”	We apply the following definitions: – Past due: All loans for which the interest and/or redemptions are not paid in time. – Impaired: In the event of a potential or actual default by a client on its obligations to the bank, an impairment is taken. The loan or loans in question are then designated as impaired. Please refer to subsection 2.1.3.1 of the risk management section of the annual report for more information about this definition.
442 (b) – Description of the approaches and methods adopted for determining specific and general credit risk adjustments	We apply a three-stage expected credit loss impairment model. Please refer to subsection 2.8 of the risk management section of our annual report for information about the approach.
442 (c) – Total amount of exposures after accounting offsets and without taking into account the effects of credit risk mitigation, and the average amount of the exposures over the period broken down by different types of exposure classes	Please refer to Table 8 of the appendix to the Pillar 3 disclosures.
442 (d) – Geographic distribution of the exposures, broken down in significant areas by material exposure classes, and further detailed if appropriate	Please refer to Table 8 of the appendix to the Pillar 3 disclosures.
442 (e) – The distribution of the exposures by industry or counterparty type, broken down by exposure classes, including specifying exposure to SMEs, and further detailed if appropriate	Please refer to Table 1 of the appendix to the Pillar 3 disclosures.
442 (f) – Residual maturity breakdown of all the exposures, broken down by exposure classes, and further detailed if appropriate	Please refer to Table 9 of the appendix to the Pillar 3 disclosures.
442 (g) – By significant industry or counterparty type, the amount of: (i) impaired exposures and past due exposures, provided separately; (ii) specific and general credit risk adjustments; (iii) charges for specific and general credit risk adjustments during the reporting period.	Please refer to: (i) Table 3a of the appendix to the Pillar 3 disclosures; (ii) Table 10 of the appendix to the Pillar 3 disclosures; (iii) Subsection 2.8 of the risk management section of the annual report
442 (h) – Amount of the impaired exposures and past due exposures, provided separately, broken down by significant geographical areas including, if practical, the amounts of specific and general credit risk adjustments related to each geographical area	Please refer to Table 10 of the appendix to the Pillar 3 disclosures.
442 (i) – Reconciliation of changes in the specific and general credit risk adjustments for impaired exposures, shown separately. The information shall comprise: (i) a description of the type of specific and general credit risk adjustments; (ii) the opening balances; (iii) the amounts taken against the credit risk adjustments during the reporting period; (iv) the amounts set aside or reversed for estimated probable losses on exposures during the reporting period, any other adjustments including those determined by exchange rate differences, business combinations, acquisitions and disposals of subsidiaries, and transfers between credit risk adjustments; (v) the closing balances.	Please refer to subsection 2.8 of the risk management section of the annual report.
442 – Specific credit risk adjustments and recoveries recorded directly to the income statement shall be disclosed separately.	Please refer to subsection 2.8 of the risk management section of the annual report.

Article 443 – Unencumbered assets

Article	Explanation
443 – Disclosure of unencumbered assets	Please refer to Table 15 of the appendix to the Pillar 3 disclosures.

Article 444 – Use of ECAIs

Article	Explanation
444 (a) – Names of the nominated ECAIs and ECAs and the reasons for any changes	We use the ratings of Fitch, Moody's and S&P.
444 (b) – Exposure classes for which each ECAI or ECA is used	Central government and central banks; regional governments and local authorities; financial companies and financial institutions; current receivables from corporates and financial companies and corporates.
444 (c) – Description of the process used to transfer the issuer and issue credit assessments onto items not included in the trading book	We use the issue rating to perform credit assessments on items not included in the trading book. In cases where the issue rating is not available, the issuer rating is used. In cases where both the issue and issuer rating are unknown, we use the fallback option as required by the CRR.
444 (d) – Association of the external rating of each nominated ECAI or ECA with the credit quality steps prescribed in Part Three, Title II, Chapter 2, taking into account that this information needs not be disclosed if the institution complies with the standard association published by EBA	We associate external ratings and credit quality steps as required by implementation of regulation (EU) 2016/1800.
444 (e) – The exposure values and the exposure values after credit risk mitigation associated with each credit quality step prescribed in Part Three, Title II, Chapter 2 as well as those deducted from own funds	Please refer to Table 16 of the appendix to the Pillar 3 disclosures.

Article 445 – Exposure to market risk

Article	Explanation
445 – The institutions calculating their own funds requirements in accordance with points (b) and (c) of Article 92(3) shall disclose those requirements separately for each risk referred to in those provisions. In addition, the own funds requirement for specific interest rate risk of securitisation positions shall be disclosed separately.	Please refer to Table 17 of the appendix to the Pillar 3 disclosures.

Article 446 – Operational risk

Article	Explanation
446 – Disclose the approach used to calculate the capital requirement for operational risk	We use the standardised approach (SA) to calculate capital requirements for operational risk. Please refer to subsection 4 of the risk management section in the annual report for more information.

Article 447 – Exposures in equities not included in the trading book

Article	Explanation
447 (a) – Differentiation between exposures based on their objectives, including for capital gains relationship and strategic reasons, and an overview of the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation and any significant changes in these practices;	We have equity positions in the banking book via Van Lanschot Kempen Wealth Management NV, Van Lanschot Participaties and Bolster Investment Partners. The objectives of these equity positions are: – For our own investment funds: to show Van Lanschot Kempen's commitment to its investment funds to its clients; – For minority interests: investing in private equity; – For non-strategic investments: these are majority interests arising from debt-for-equity swaps we have agreed in the past. Our aim is to divest our shareholdings in such non-strategic investments over time. The accounting techniques and valuation methodologies used are described in subsection 14 of the risk management section of the annual report.
447 (b) – Balance sheet value, the fair value and, for those exchange-traded, a comparison to the market price where it is materially different from the fair value	Please refer to Table 18 of the appendix to the Pillar 3 disclosures.
447 (c) – Types, nature and amounts of exchange- traded exposures, private equity exposures in sufficiently diversified portfolios, and other exposures	Please refer to Table 18 of the appendix to the Pillar 3 disclosures.
447 (d) – Cumulative realised gains or losses arising from sales and liquidations in the period	The total realised gains arising from sales and liquidations of equity positions in the banking book during 2020 amounted to €3 million.
447 (e) – Total unrealised gains or losses, the total latent revaluation gains or losses, and any of these amounts included in Common Equity Tier 1 capital	None of the unrealized gains are included in the CET1 capital.

Article 448 – Exposure to interest rate risk on positions not included in the trading book

Article	Explanation
448 (a) – Nature of the interest rate risk and the key assumptions (including assumptions regarding loan prepayments and behaviour of non-maturity deposits), and frequency of measurement of the interest rate risk	Please refer to subsection 8 of the risk management section in the annual report for information about interest rate risk in the banking book.
448 (b) – Variation in earnings, economic value or other relevant measure used by the management for upward and downward rate shocks according to management's method for measuring the interest rate risk, broken down by currency	Please refer to subsection 8 of the risk management section in the annual report for information about interest rate risk in the banking book.

Article 449 – Exposure to securitisation positions

For information regarding exposure to securitisation positions, please refer to subsection 10 of the risk management section of our annual report.

Article 450 – Remuneration policy

Article	Explanation
450 – Remuneration	Please refer to the section on remuneration in our annual report and to our corporate website: vanlanschotkempen.com/media/4342/remuneration-report-2020-van-lanschot-kempen.pdf

Article 451 – Leverage

Article	Explanation
451 (1)(a) – Leverage ratio and how the institution applies Article 499(2) and (3)	We calculate the leverage ratio on a fully loaded basis.
451 (1)(b) – Breakdown of the total exposure measure as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements	Please refer to Table 19 of the appendix to the Pillar 3 disclosures.
451 (1)(c) – Where applicable, the amount of derecognised fiduciary items in accordance with Article 429(11)	Please refer to Tables 20 and 21 of the appendix to the Pillar 3 disclosures.
451 (1)(d) – Description of the processes used to manage the risk of excessive leverage	Please refer to Table 22 of the appendix to the Pillar 3 disclosures.
451 (1)(e) – Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers	Please refer to Table 22 of the appendix to the Pillar 3 disclosures.

Article 452 – Use of IRB approach to credit risk

Article	Explanation
452 (a) – Competent authority's permission of the approach or approved transition	Van Lanschot Kempen has received approval to use internal models for credit risk. Please refer to subsection 2.1.3 of the risk management section of the annual report for more information.
452 (b)(i) – Structure of internal rating systems and relation between internal and external ratings	Please refer to subsection 2.1.3 of the risk management section of the annual report for more information.
452 (b)(ii) – Use of internal estimates other than for calculating risk-weighted exposure amounts in accordance with Part Three, Title II, Chapter 3	We use internal models to assess concentration risk, prepayment risk and business risk, as well as to estimate the interest rate sensitivity of non-maturing deposits (replicating portfolio model).
452 (b)(iii) – Process for managing and recognising credit risk mitigation	We adopt a cautious approach to granting unsecured loans. Our loan book mainly consists of loans to Private Banking clients (primarily loans secured by residential real estate), as well as a number of commercial real estate loans and securities-backed loans. The remainder of the loan portfolio comprises consumer loans and private customised financing (other loans), which are solely intended for clients who have placed substantial funds with us.
452 (b)(iv) – Control mechanisms for rating systems including a description of independence, accountability, and rating systems review	The control mechanisms for rating systems are included in our model governance framework, which is audited annually. As required by this framework, we perform periodic validations of our models. On a quarterly basis, we report on our model performance in a model monitoring report. These model monitoring reports are discussed in the Credit Risk Committee (CRC), which acts under the authority of the Group Risk Committee (GRC). Risk Management (GRM) is responsible for building the models, which the CRC and the director of Risk Management sign off. Internal Audit acts as the third line of defence and audits the processes. Individual ratings on credit risk are made by the first line and verified by Credit Risk Approval.
452 (c)(i) – Central governments and central banks	We do not use internal models for this exposure type.
452 (c)(ii) – Institutions	We do not use internal models for this exposure type.
452 (c)(iii) – Corporate, including SMEs, specialised lending and purchased corporate receivables	We do not use internal models for this exposure type.
452 (c)(iv) – Retail, for each of the categories of exposures to which the different correlations in Article 154(1) to (4) correspond	The different correlations that we use correspond to the requirements of CRR Article 154.
452 (c)(v) – Equities	We do not use internal models for this exposure type.
452 (d) – Exposure values for each of the exposure classes specified in Article 147. Exposures to central governments and central banks, institutions and corporates where institutions use own estimates of LGDs or conversion factors for the calculation of risk-weighted exposure amounts, shall be disclosed separately from exposures for which the institutions do not use such estimates	We do not use internal models for this exposure type.
452 (e)(i) – Total exposures, including for the exposure classes central governments and central banks, institutions and corporates, the sum of outstanding loans and exposure values for undrawn commitments; and for equities the outstanding amount	We do not use internal models for this exposure type.
452 (e)(ii) – Exposure-weighted average risk weight 452 (e)(iii) – For the institutions using own estimates of conversion factors for the calculation of risk-weighted exposure amounts, the amount of undrawn commitments and exposure-weighted average exposure values for each exposure class	We do not use internal models for this exposure type. We do not use internal models for this exposure type.
452 (f) – For the retail exposure class and for each of the categories set out in point (c)(iv), either the disclosures outlined in point (e) (if applicable, on a pooled basis), or an analysis of exposures (outstanding loans and exposure values for undrawn commitments) against a sufficient number of EL grades to allow for a meaningful differentiation of credit risk (if applicable, on a pooled basis)	Please refer to Table 23 of the appendix to the Pillar 3 disclosure.

Article 452 – Use of IRB approach to credit risk (continued)

Article	Explanation
452 (g) – Actual specific credit risk adjustments in the preceding period for each exposure class (for retail, for each of the categories as set out in point (c)(iv)) and how they differ from past experience	Please refer to Table 3a of the appendix to the Pillar 3 disclosure.
452 (h) – Description of the factors that impacted on the loss experience in the preceding period (for example, has the institution experienced higher than average default rates, or higher than average LGDs and conversion factors)	Since the announcement of its wealth management strategy in 2013, Van Lanschot Kempen has transformed from a small universal bank to a specialist wealth manager. As a result of this strategy, which includes the wind-down of the corporate bank, the amount of high-risk loans is now limited. The quality of the loan portfolio has improved. This is reflected by – among other indicators – lower average PDs and lower LGDs. For more information, please refer to subsection 2.1.3 of the risk management section in our annual report.
452 (i) – Institution's estimates against actual outcomes over a longer period. At a minimum, this shall include information on estimates of losses against actual losses in each exposure class (for retail, for each of the categories as set out in point (c)(iv) over a period sufficient to allow for a meaningful assessment of the performance of the internal rating processes for each exposure class (for retail for each of the categories as set out in point (c)(iv)). Where appropriate, the institutions shall further decompose this to provide analysis of PD and, for the institutions using own estimates of LGDs and/or conversion factors, LGD and conversion factor outcomes against estimates provided in the quantitative risk assessment disclosures set out in this Article	Please refer to Table 23 of in the appendix to the Pillar 3 disclosures.
452 (j)(i) – For the institutions using own LGD estimates for the calculation of risk-weighted exposure amounts, the exposure-weighted average LGD and PD in percentage for each relevant geographical location of credit exposures	Please refer to Table 24 of the appendix to the Pillar 3 disclosures.
452 (j)(ii) – For the institutions that do not use own LGD estimates, the exposure-weighted average PD in percentage for each relevant geographical location of credit exposures	Please refer to Table 24 of the appendix to the Pillar 3 disclosures.

Article 453 – Use of credit risk mitigation techniques

Article	Explanation
453 (a) – Policies and processes for, and an indication of the extent to which the entity makes use of, on- and off-balance sheet netting	Please refer to subsection 2.7 of the risk management section of the annual report.
453 (b) – Policies and processes for collateral valuation and management	For real estate, valuation methods include indexation policies and external revaluation. For equities and bonds, mark-to-market valuation is used. Regarding derivatives, Van Lanschot Kempen has an ISDA agreement in place for all financial counterparties with whom over-the-counter (OTC) derivatives are entered into. Only cash collateral is accepted.
453 (c) – Description of the main types of collateral taken by the institution	The main types of collateral we hold are: – Residential mortgage collateral; – Guarantees provided by governments and credit institutions; – Commercial real estate; – Financial collateral; – Receivables; – Stocks and inventories.
453 (d) – Main types of guarantor and credit derivative counterparty and their creditworthiness	We have counterparty exposure due to our CDS positions. These counterparties are financial institutions, which are evaluated annually. Please refer to the explanation provided under article 439(a) for more information.
453 (e) – Information about market or credit risk concentrations within the credit mitigation taken	Please refer to subsection 2.5 of the risk management section of the annual report.
453 (f) – For institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, but not providing own estimates of LGDs or conversion factors in respect of the exposure class, separately for each exposure class, the total exposure value (after, where applicable, on or off-balance sheet netting) that is covered — after the application of volatility adjustments — by eligible financial collateral, and other eligible collateral	Please refer to subsection 2.1.3 of the risk management section of the annual report, as well as Table 25 of the appendix to the Pillar 3 disclosures.
453 (g) – For institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, separately for each exposure class, the total exposure (after, where applicable, on- or off-balance sheet netting) that is covered by guarantees or credit derivatives. For the equity exposure class, this requirement applies to each of the approaches provided in Article 155.	Please refer to subsection 2.1.3 of the risk management section of the annual report, as well as Table 25 of the appendix to the Pillar 3 disclosures.

Article 454 – Use of the advanced measurement approaches to operational risk

Article	Explanation
454 – Use of the advanced measurement approaches to operational risk	Not applicable as we do not use the advanced measurement approach.

Article 455 – Use of internal market risk models

Article	Explanation
455 – Use of internal market risk models	Not applicable as we do not use internal market risk models.