

Van Lanschot Kempfen Pillar III disclosures 2017



VAN LANSCHOT
KEMPEN

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Introduction

Van Lanschot Kempen, a union of two specialist financial boutiques, is the oldest independent financial institution in the Netherlands.

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.

Wealth powers progress and is one of the key drivers of our society. The individual need and desire to create wealth propels stability, prosperity and happiness. Preserving and creating wealth requires specific knowledge, experience and astute long-term solutions. Van Lanschot Kempen is uniquely placed to support individual and institutional clients in achieving their long-term goals through wealth.

Our knowledge and experience, our track record and our personal approach set us apart from our competitors in our selected market segments and offer exciting growth opportunities. We strive to achieve our objectives in harmony with all our stakeholders, and thus to make a contribution to society.

Pillar III disclosures

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

I
Pillar I contains minimum capital requirements for credit-, market- 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 make use of internal models, which have to be approved by the authorities before they may be used.

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

III
Pillar III, finally, contains requirements for risk disclosures. In the European Union, the Basel Accord has been implemented in the Capital Requirements Directive¹ (CRD) and the Capital Requirements Regulation² (CRR). The Pillar III requirements are incorporated in Part eight of the CRR.

Our Pillar III disclosures take the form of a main document and an appendix. In addition to our Annual Report it provides information about the risks we incur and the way we manage these risks. In case 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 III disclosures are intended as an additional source of information on top of the annual report.

¹ Directive 2013/36/EU

² Regulation (EU) No 575/2013

Article 435 – Risk management objectives and policies

435 – Risk management objectives and policies	
Article	Explanation
435 1 (a) – Strategies and processes to manage risks	We seek to achieve a solid risk profile, expressed in transparent risk levels coupled with robust liquidity and capital positions. The Statutory Board is responsible for both devising and executing the bank's strategy, and for ensuring the proper functioning of the processes that safeguard its liquidity and capital position.
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 functioning of 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. In order to ensure the various risk types are managed properly, the Statutory Board has set up the following risk committees: the Group Risk Committee, Credit Risk Committee, Market Risk Committee, 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.
435 1 (d) – Policies for hedging and mitigating risk	Principally, we fully hedge FX risk within a limited time frame. 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) are managed within strict limits. Interest rate risks in the trading book are nearly fully hedged.
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 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 set up a concise Risk Appetite Statement, which was approved by both the Statutory Board and the Supervisory Board. The Statutory Board states with reasonable assurance that the internal risk management and control systems for financial reporting have 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 the 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/bestuur-en-toezicht .
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 2017. The Supervisory Board has instated a Risk Committee, which met twice in 2017.
435 2 (e) – Description of the information flow on risk to the management body.	Information on the flow of information to the management body is incorporated in the risk management section of the annual report.

Article 436 – Scope of application

436 – Scope of application	
Article	Explanation
436 (a) – Name of the institution to which the CRR applies	The Pillar III disclosures are based on the 2017 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 are the same, with the exception that non-strategic investments (AIO II and Holowell holding) 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

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 8 of the appendix to the Pillar III report.
437 (1) (b) – Description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution;	This information can be found in disclosure Table 7 of the appendix to the Pillar III 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 7 of the appendix to the Pillar III 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 8 of the appendix to the Pillar III 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

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, Group Risk Management is responsible for monitoring risk and assessing capital adequacy. For this purpose, GRM conducts an annual ICAAP process.
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 31/12/2016 figures. Based on this ICAAP, DNB set the Common Equity Tier 1 requirement for Van Lanschot Kempen at 9.2%.
438 (c) – Capital requirement for exposures measured under the standardised approach.	This information is contained in Table 9 and 10 of the Pillar III appendix.
438 (d) – Capital requirement for exposures measured under the internal ratings based approach.	This information is contained in Table 9 and 10 of the Pillar III appendix.
438 (e) – Capital requirement for exposures bearing market risk.	Please refer to Table 3.3 in 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 12 of the Pillar III 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 11.

Article 439 – Exposure to counterparty credit risk

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 the 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	Derivatives transactions are entered into with parties for which Van Lanschot Kempen has an ISDA agreement in place. Disregarding occasional exceptions, 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 given 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 2.10.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 13 of the appendix to the Pillar III 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

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 14 of the appendix to the Pillar III disclosures.
440 (1) (b) – Amount of its institution specific countercyclical capital buffer	The applicable countercyclical capital buffer is disclosed in Table 15 of the appendix to the Pillar III disclosures.

Article 441 – Indicators of global systemic importance

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

Article 442 – Credit risk adjustments

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, a loan is classified as impaired. The loan or loans in question are then designated as impaired loans.
442 (b) – Description of the approaches and methods adopted for determining specific and general credit risk adjustments	We apply the following definitions: – Specific credit risk adjustment: Impairments. – General credit risk adjustment: IBNR (incurred but not reported). Please refer to the impairments section of the summary of significant accounting principles the annual report for information about the approaches.
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 16 of the appendix to the Pillar III 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 17 of the appendix to the Pillar III disclosures.
442 (e) – 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 2.2.2.A and onwards in the annual report.
442 (f) – Residual maturity breakdown of all the exposures, broken down by exposure classes, and further detailed if appropriate	Please refer to Table 18 of the appendix to the Pillar III 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 Table 2.2.2.A and onwards in 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 19 of the appendix to the Pillar III disclosures.

Article 442 – Credit risk adjustments (continued)

442 – Credit risk adjustments (continued)	
Article	Explanation
<p>442 (i) – Reconciliation of changes in the specific and general credit risk adjustments for impaired exposures, shown separately</p> <p>The information shall comprise:</p> <ul style="list-style-type: none"> (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 paragraph 2.3.2 in the annual report.
442 – Specific credit risk adjustments and recoveries recorded directly to the income statement shall be disclosed separately	Please refer to paragraph 2.3.2 in the annual report.

Article 443 – Unencumbered assets

443 – Unencumbered assets	
Article	Explanation
443 – Disclosure of unencumbered assets	Please refer to Table 20 of the appendix to the Pillar III disclosures.

Article 444 – Use of ECAIs

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, if available.
444 (b) – Exposure classes for which each ECAI or ECA is used	Please refer to Table 21 of the appendix to the Pillar III disclosures.
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 implementing 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 22 of the appendix to the Pillar III disclosures.

Article 445 – Exposure to market risk

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 23 of the appendix to the Pillar III disclosures.

Article 446 – Operational risk

446 – Operational risk	
Article	Explanation
446 – Disclose the approach used to calculate the capital requirement for operational risk	We use the standardised approach (TSA) 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

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	<p>We have equity positions in the banking book via Kempen & Co, Van Lanschot Bankiers and Bolster Investment Partners (formerly known as Van Lanschot Participaties). The objectives of these equity positions are:</p> <ul style="list-style-type: none"> – regarding our own investment funds: to show Van Lanschot Kempen's commitment to its investment funds to its clients; – regarding minority interests: investing in private equity. – regarding non-strategic investments: these are majority interests arising from debt-for-equity swaps we agreed in the past. Our aim is to divest our shareholdings in such non-strategic investments over time. <p>The accounting techniques and valuation methodologies used are described in Section 13 of the annual report.</p>
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 24 of the appendix to the Pillar III 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 25 of the appendix to the Pillar III disclosures.
447 (d) – Cumulative realised gains or losses arising from sales and liquidations in the period	Please refer to Article 447 of the appendix to the Pillar III disclosures.
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	Please refer to Article 447 of the appendix to the Pillar III disclosures.

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

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 (page 145) 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 (page 145) 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 Section 10 (page 152) of the annual report.

Article 450 – Remuneration policy

450 – Remuneration policy

Article	Explanation
450 – Remuneration	Our remuneration disclosure can be found on our corporate website: vanlanschotkempen.com/media/2792/pillar-iii-disclosure-on-remuneration-in-2017-van-lanschot-kempen.pdf

Article 451 – Leverage

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 26 of the appendix to the Pillar III disclosures.
451 (1)(c) – Where applicable, the amount of derecognised fiduciary items in accordance with Article 429(11)	Please refer to Table 27 and 28 of the appendix to the Pillar III disclosures.
451 (1)(d) – Description of the processes used to manage the risk of excessive leverage	Please refer to Table 29 of the appendix to the Pillar III 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 29 of the appendix to the Pillar III disclosures.

Article 452 – Use of IRB Approach to credit risk

452 – Use of IRB Approach to credit risk	
Article	Explanation
452 (a) – Competent authority's permission of the approach or approved transition	Van Lanschot Bankiers has received approval to use internal models for credit risk. Please refer to Section 2.4 ("Credit risk models") 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 Section 2.4 of the annual report ("Credit risk models") 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 investment portfolios. 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. Corporate Banking loans are secured by real estate, receivables, and stocks and inventories.
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 the model governance framework, which is audited annually. As required by the model governance framework, we perform periodic validations of our models. On a quarterly basis, we report on our model performance in a model monitoring report. The model monitoring reports are discussed in the Credit Risk Committee (CRC), which acts under the auspices of the Group Risk Committee (GRC). Group Risk Management (GRM) is responsible for building the models, which the CRC and the director of Group Risk Management sign off. Group Audit acts as the third line of defence and audits the processes.
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 apply CRR Article 147 for these exposure classes. For additional information, please refer to Section 2.4, "Credit risk models", in the annual report.
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 only use internal models for exposures to corporates. Please refer to Table 30 - 32 of the appendix to the Pillar III disclosures.
452 (e)(ii) – Exposure-weighted average risk weight	We only use internal models for exposures to corporates. Please refer to Table 30 - 32 of the appendix to the Pillar III disclosures.
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 only use internal models for exposures to corporates. Please refer to Table 30 - 32 of the appendix to the Pillar III disclosures.
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 30 - 32 of the appendix to the Pillar III disclosure.
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 2.2.2.A and onwards in the annual report.

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

452 – Use of IRB Approach to credit risk (continued)	
Article	Explanation
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)	Please refer to Section 2.4 (“Credit risk models”) in the 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. 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 33 of in the appendix to the Pillar III 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 34 and 35 of the appendix to the Pillar III 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 36 of the appendix to the Pillar III disclosures.

Article 453 – Use of credit risk mitigation techniques

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 Section 2.10 of the annual report.
453 (b) – Policies and processes for collateral valuation and management	We only trade with financial counterparties for which there is an ISDA agreement in place. In principle, only cash collateral is accepted. Under extraordinary circumstances, other types of collateral may also be accepted. In such cases, strict limits and policies apply regarding the creditworthiness of the collateral and the haircuts to be used.
453 (c) – Description of the main types of collateral taken by the institution	The main types of collateral we hold are: <ul style="list-style-type: none"> – Residential real estate; – Commercial real estate; – Cash; – Equity portfolios; – Stocks and inventory; – Accounts receivable.
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 Section 2.6 (p137) 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 Section 2.4 of the annual report, as well as Table 37 of the appendix to the Pillar III 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 Section 2.4 of the annual report, as well as Table 37 in the appendix to the Pillar III disclosures.

Article 454 – Use of the Advanced Measurement Approaches to operational risk

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

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.